
ervia

UTILITIES



INFRASTRUCTURE



SERVICES



Annual Report and
Financial Statements 2014

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Introduction

Ervia is a commercial semi-state company with responsibility for the delivery of strategic national gas and water infrastructure and services in Ireland.

The organisation builds and operates one of the most modern and safe gas networks in the world and in 2012 was tasked with the establishment of Irish Water to reform the public water system.

In 2014 the organisation began its transformation from an energy company (formerly *Bord Gáis Éireann*) to a multi-utility company responsible for gas and water infrastructure and services.

Ervia operations are primarily centred in Cork and Dublin and employs over 1,400 staff nationwide.



Financial Highlights

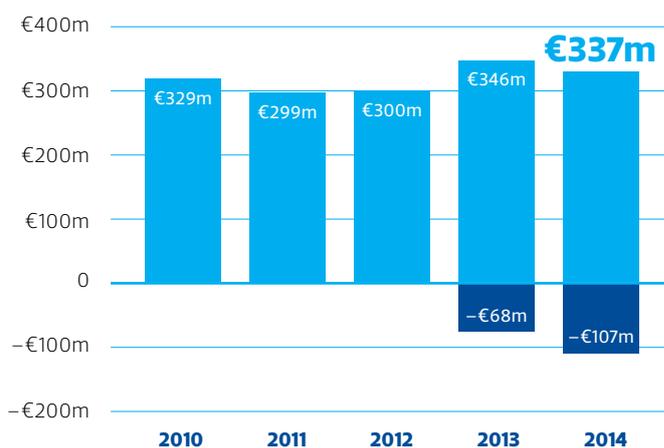
(continuing operations)

■ Ervia
■ Irish Water

Revenue¹



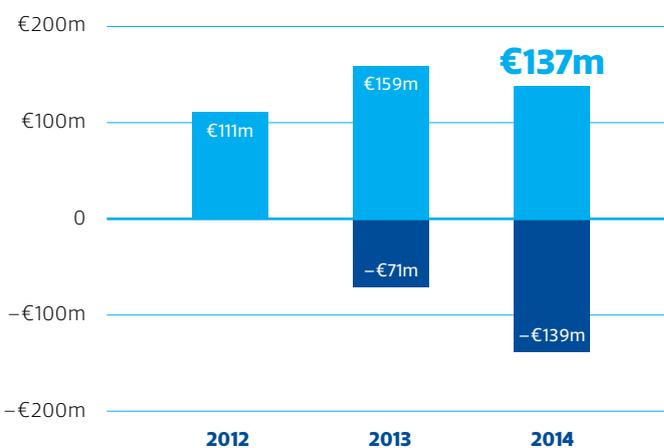
EBITDA¹



Net Debt²



Profit Before Income Tax³



IRISH WATER (non consolidation)

Irish Water is a subsidiary of Ervia under the Companies Act 2014. However, due to its share ownership structure, Irish Water does not currently meet the definition of a subsidiary for accounting purposes (IFRS 10) and therefore cannot be consolidated with the financial statements of the Ervia Group (refer to note 28 for further information). A summary of the Irish Water financial position and results for 2014 is presented in the Irish Water Financial Review on pages 19–21 and extracts from the Irish Water Financial Statements are presented on pages 31–33.

SALE OF BORD GÁIS ENERGY (discontinued operations)

On June 30th 2014, Ervia completed the sale of *Bord Gáis Energy* to a consortium of buyers. At December 31st 2013, the Group's Energy business was classified as a disposal group held for sale and was presented as a discontinued operation in line with the requirements of IFRS 5. Current and prior year results from the discontinued operation are presented separately from continuing operations on the face of the Group's Income Statement. Further detail on the discontinued operation is set out in the finance review.

¹ Ervia current and comparative year figures represent continuing operations and are stated before the impact of exceptional items and certain remeasurements arising from the application of IAS 39 Financial instruments: Recognition and Measurement.

² Net debt represents debt as presented on the balance sheet, adjusted for impact of fair value hedges less free cash deposits.

³ Ervia Profit before Income Tax is disclosed for 2014, 2013 and 2012 as prior years include results of discontinued operations.

Business Model and Strategy

2014 was a year of major change and development for Ervia. It marked our transition from *Bord Gáis Éireann*, an integrated energy utility, to Ervia, Ireland's first multi-utility infrastructure company. The continued establishment of Irish Water, the completion of the sale of our former Energy business, and restructuring the group's Business Units and functions have laid the foundations for Ervia's future as a high-performing multi-utility, serving customers by delivering Ireland's gas and water infrastructure and services to safety, quality, time and budget expectations.

Ervia plays a crucial role in Irish society and the Irish Economy. We have been charged with transforming the water sector following decades of under-investment, operating Irish Water as a national water utility and earning customers' trust by meeting performance expectations. Through Gas Networks Ireland we provide gas transportation services, safely and efficiently developing, operating and maintaining the national gas network. Furthermore, as a multi-utility, we can realise synergies across the two utilities, improving performance through centres of excellence and lowering costs through shared services.



Our Purpose

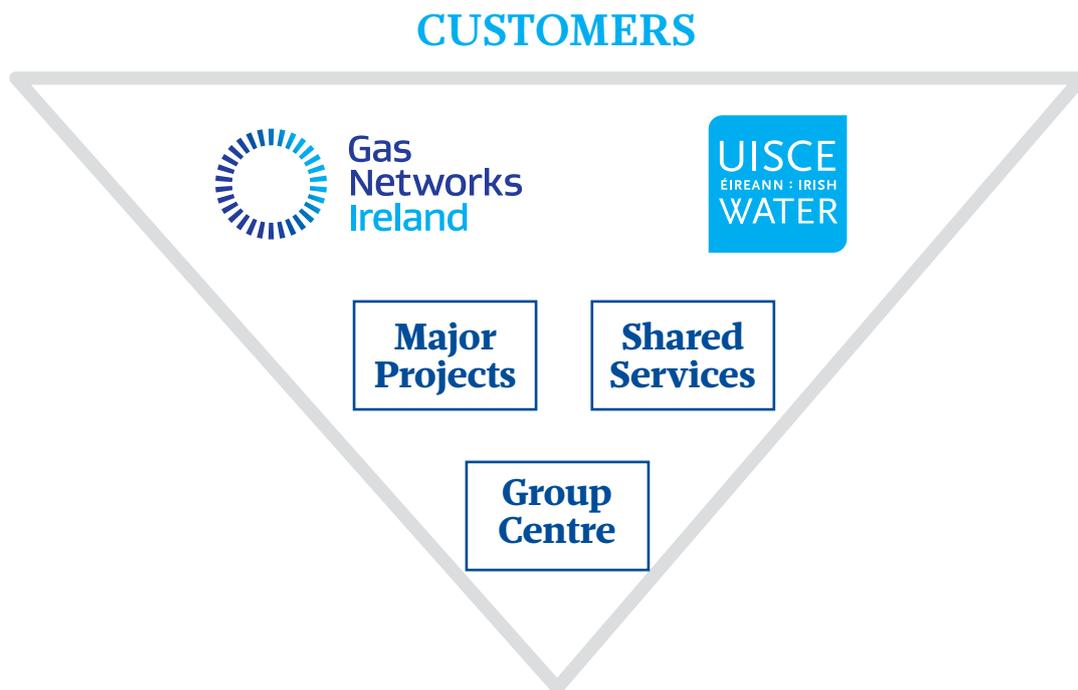
We provide modern utility services to support economic development – locally, regionally and nationally – today and for the next generation.

Our Vision

We will do this by creating a first class multi-utility company as a commercial semi-state, building on our strong and diverse heritage, delivering sustainable water and gas infrastructure and services in Ireland and beyond when we have earned the right.

Our Business Model

Ervia is organised to serve our customers in the most efficient and effective manner possible. Irish Water and Gas Networks Ireland are our two customer-facing businesses and are supported by Major Projects and Shared Services to deliver synergies and efficiencies, and a Group Centre to provide oversight and governance across the organisation.



IRISH WATER is the national water utility responsible for the delivery of safe, affordable and environmentally compliant water and wastewater services to 1.6 million households and businesses, and strategic investment in Ireland's water infrastructure for the long term.

GAS NETWORKS IRELAND operates Ireland's natural gas network and is responsible for the safe, reliable and efficient transportation of Ireland's gas and investment in the natural gas network.

SHARED SERVICES provides transactional services (including Finance, Procurement, Facilities, HR and IT) across Ervia. It drives efficiencies, improves performance and enables the gas and water businesses to focus on their core activities.

MAJOR PROJECTS is a centre of excellence for the delivery of major capital investment projects and critical national infrastructure. The function also seeks out opportunities for Irish Water and Gas Networks Ireland to coordinate their activities and share best practice.

GROUP CENTRE is a small, strategic function which ensures good governance, shapes strategic context, manages risk and enhances performance across the organisation.

Our Performance Against Strategy

Ervia is a new brand and young company built on the strong and diverse heritage of *Bord Gáis Éireann*. In 2014 we continued to deliver on our commitments and build on our track record while transforming to a multi-utility company.

Our performance in 2014 and our objectives for 2015 and beyond are set out below.

Strategic Priorities	This means we...	2014 Achievements	2015 & Beyond
Deliver services safely to our customers	Meet safety, quality, environmental, time and budget standards and the needs of our customers	<ul style="list-style-type: none"> Established Irish Water and assumed responsibility for the provision of water services on January 1st 2014 Delivered water and wastewater services in partnership with Local Authorities without major disruption in first year of operation Continued to meet the gas operations and infrastructure needs of the country 	<ul style="list-style-type: none"> Deliver gas and water services to planned reliability and quality standards, meeting and exceeding customer charter standards Enhance the quality of water and wastewater services and improve environmental performance Continue to develop Irish Water and work with Local Authorities to transform the water services operating model
Meet our financial & regulatory targets	Raise and invest the required funds for our businesses while ensuring our costs are efficient, and work with the Regulator to achieve the best outcomes for our customers	<ul style="list-style-type: none"> Developed and agreed the Irish Water Capital Investment Plan to 2016 Secured €400 million private funding for Irish Water Delivered gas and water services within the parameters of regulated Price Control allowances 	<ul style="list-style-type: none"> Operate within Price Control allowances and deliver our capital investment plans Maintain investment grade rating in Gas Networks Ireland Raise debt funding for Irish Water
Develop strong relationships with our customers, the public and other stakeholders	Communicate openly with our stakeholders, sharing our successes, challenges and plans for the future and account for our performance	<ul style="list-style-type: none"> Rebranded <i>Bord Gáis Éireann</i> to Ervia, and <i>Bord Gáis Networks</i> to Gas Networks Ireland Launched Ireland's largest ever customer registration campaign 	<ul style="list-style-type: none"> Improve communications with our customers, the public and our stakeholders, and engage them in our journey Be an advocate for gas as a transport fuel for a low carbon economy
Establish and build Ervia as a successful, sustainable multi-utility company	Set Ervia up for success both today and for the future, identify opportunities and deliver synergies across the organisation	<ul style="list-style-type: none"> Completed the sale of <i>Bord Gáis Energy</i> in June 2014 Established the Shared Services Centre to drive efficiencies across Ervia Established the Major Projects function to leverage expertise and manage key infrastructure projects Restructured the Group Centre to support the changing needs of the organisation Completed the design phase of the first multi-utility capital project in Nenagh, Co. Tipperary 	<ul style="list-style-type: none"> Consolidate the new organisational structure Support Irish Water in the delivery of key projects Realise benefits and additional efficiencies through the multi-utility model Implement Gas Networks Ireland legal and corporate structure Deliver the Nenagh multi-utility project

Chairman's Statement

Ervia: A Multi-Utility Company

In June 2014 Ervia completed the sale of *Bord Gáis Energy* on behalf of the Government, marking our evolution from an energy business to a multi-utility company responsible for the delivery of water and gas infrastructure and services for Ireland. Throughout 2014 the organisation restructured to meet the changing mandate of the business and to ensure that expertise from both utilities are leveraged and synergies created to build a high-performing multi-utility.

Although a relatively young company and brand, Ervia is building on our extensive experience and proven track record of managing major change programmes. It is this experience, paired with strong leadership and staff commitment, which will ensure that we will continue to deliver quality infrastructure and services on behalf of our customers and stakeholders.

Ervia has a crucial role to play in Irish society. We will continue to leverage our utility experience to provide modern utility services to support economic development – locally, regionally and nationally – today and for the next generation. We will deliver operational efficiencies and quality infrastructure and services on time and to budget, while meeting safety and environmental standards.

Our actions and decisions during this period of transformation will determine the future of the company for years to come. Ervia will support and provide effective governance of the businesses under its control and ensure that the organisation responds to the needs of our customers and the shareholder as the climate in which we operate continues to change.

In September, Ervia announced its first multi-utility approach to deliver gas and water infrastructure to Nenagh, Co. Tipperary. Integrating both projects under the Ervia umbrella will increase efficiencies and deliver direct cost savings to customers, while minimising disruption to businesses and the local community. This project, the first of its kind, will highlight the benefits of our multi-utility model and the skills and expertise of both businesses, and will in tandem deliver modern utility services and support the development of the local economy in North Tipperary in the future.

While our successes will deliver significant benefits to our customers and the communities and economy we operate in, the complexities of the challenges we face cannot be



Board and Management for issues that impacted customer confidence during the year and assure our customers that Irish Water, with the support of its parent company Ervia has learned from and built on its experience in 2014 to deliver on behalf of the people of Ireland. I remain certain that Irish Water is the right approach for the country to deliver the water infrastructure and services that are crucial to the well-being of our customers and economic growth in the future.

Gas Networks Ireland

In 2014 Gas Networks Ireland continued to build and operate one of the most modern and safe gas networks in the world while delivering a strong financial and operating performance. The business maintained its strong safety record and successfully completed all planned work programmes while delivering excellent customer service over the 12 month period.

In December the Gas Networks Ireland brand was launched following the completion of the sale of the *Bord Gáis Energy*. Ervia also commenced the reorganisation of the business which saw the incorporation of Gas Networks Ireland as a subsidiary of Ervia and in 2015 it is expected that the System Operator Licences of Gaslink and all associated responsibilities will transfer to Gas Networks Ireland, to comply with the Third Gas Directive to facilitate a single European gas market.

In 2014 the Networks business, with support from Group Centre, contributed to the Government Green Paper that set out Ireland's future energy policy, highlighting the important role of gas. Gas demand across all market areas has contracted by 13% since 2007 and to address these issues, Gas Networks Ireland has created a dedicated Commercial function to develop a long term growth strategy for the business. The strategy will focus on maximising existing potential, expanding the gas network, promoting Compressed Natural Gas as a transport fuel of choice and introducing 'green' gas to the national grid to deliver growth.

2015 Priorities

The strong financial and operational performance of the business in 2014 places Ervia in a good position to continue to deliver on our strategy in 2015. In the coming months, Ervia, through its subsidiaries, will continue to deliver safe and reliable gas services and enhance the quality of water and wastewater services across Ireland. Key priorities for 2015 include:

- continuing to evolve and develop Ervia, including Gas Networks Ireland and Irish Water, into a first class, high-performing multi-utility company;

- building trust and consumer confidence by exceeding customer expectations and openly communicating our plans, challenges and successes;
- continuing to work with our Local Authority partners to transform the water services operating model;
- delivering on our capital and operational plans, while working within regulatory allowances;
- advocating for policy and capital support, for gas as a key part of the future energy fuel mix and the 'bridge fuel' to a low carbon economy;
- successfully raising additional capital funding to support continued investment in gas and water infrastructure; and
- continuing to realise additional benefits, synergies and efficiencies of as a single multi-utility company.

Acknowledgements

As part of Ervia's transformation to a combined multi-utility company, a unitary Board was established in 2014 to take responsibility for the governance and long-term success of Ervia and its subsidiaries. This resulted in a number of changes to the Board in 2014 and I would like to thank the Board Members whose terms expired in 2014 for their contribution and support. I would also like to welcome our new members to the Board; I look forward to continuing to work with the new and continuing Board members in 2015.

On behalf of myself and the Board I would like to thank the Minister for Communications, Energy and Natural Resources; Alex White; and the Minister for Environment, Community and Local Government; Alan Kelly; for their advice and guidance throughout 2014. We are indebted to their departments and officials, at all levels, for their active engagement and support of Ervia throughout the year.

Finally, and very importantly, I would like to thank Michael McNicholas and the Management Team of Ervia for their leadership and governance during 2014. I would also like to acknowledge and thank the staff of Ervia for their tireless work and dedication throughout this period. It is because of them that the company continues to perform strongly, both commercially and financially.

ROSE HYNES
Chairman

Chief Executive's Review

2014 was again a year of enormous change for Ervia. The continued establishment of Irish Water, the completion of the sale of *Bord Gáis Energy* and the resulting corporate restructuring and rebranding of the company have fundamentally changed the structure and direction of Ervia. We are evolving from an integrated energy company to a multi-utility company, responsible for the delivery of national gas and water infrastructure and services across Ireland.

Strong Financial Performance

I am happy to report a solid financial performance for 2014, matched by robust operational results for Ervia. EBITDA from continuing operations was €337 million before exceptionals compared to €346 million in 2013, this contribution excludes Irish Water, the results of which are not consolidated. This decrease in EBITDA of €9 million was primarily attributable to increased rates charges and higher networks maintenance costs arising in the year.

Revenue was €506 million for the year to December 31st 2014, comparable to the 2013 outturn.

Cash generated from operating activities of the continuing operations was €260 million, reflective of increased working capital in the business at year end, was used to fund our gas network infrastructure and to service financing costs, debt repayments and dividends.

Overall, Ervia delivered a profit for the year of €61 million from total operations (both continuing and discontinuing) compared to a prior year loss of €169 million. The prior year loss was mainly attributable to the adverse impact from the results of discontinued operations, associated with the disposal of the *Bord Gáis Energy* business in 2013. Further detail is contained in the Finance Review section of this report.

Irish Water, the results of which are not consolidated in the Ervia figures above, reported an EBITDA loss of €107 million and a loss before tax of €139 million in 2014, reflecting the early phase development of the company. Pending the introduction of domestic water charges from January 2015, the results for the year were in line with start up expectations. Revenue of €687 million was generated in 2014 from non-domestic water related supply and services and government subvention income.



Irish Water made substantial capital investments of €548 million in water and wastewater infrastructure during 2014, funded through available debt funding facilities of €412 million and a cash capital contribution from the Minister for Finance of €407 million. By year end, Irish Water had an additional €350 million of debt funding facilities in progress, which is a significant achievement for a newly established business.

At the end of 2014 Standard and Poor's upgraded Ervia's long term rating to A- (from BBB+) with a stable outlook, which reflects the strong financial and risk profile of the business and which will have a positive impact on liquidity, debt management, financing costs and access to capital markets.

Ervia continued to be a strong contributor to the Irish economy in 2014, realising value for our shareholder and contributing to the Exchequer, as a substantial purchaser of goods and services and as a large employer nationwide. These results were achieved while delivering our business as usual objectives and continuity of services to our customers.

Operating Performance

Despite the unprecedented levels of change, staff across Ervia continued to deliver our key work programmes and essential services to our customers in 2014.

A key measure of operating performance is how well we maintain the reliability of our services to meet customer needs. To achieve this we set out annual work programmes for operations and maintenance of our assets and for capital investment. These programmes ensure the integrity of our assets and the reliable delivery of services to customers, in an efficient and cost effective manner.

Gas Networks Ireland is an established utility and its focus is on achieving best practice measures for asset management and service delivery. In 2014 it delivered all its key work programmes to target and to budget. The business also met or exceeded our customer service targets and, in particular, its response time to suspected gas leaks continued to be ahead of international benchmarks.

On January 1st 2014 Irish Water assumed responsibility for the delivery of public water and wastewater services from 34 Local Authorities and became the single national provider of water services in Ireland for 3.3 million people. It is noteworthy that this transfer of responsibility took place without a single interruption of service to our customers. This is a credit to the staff in the Local

Authorities who deliver these services and to the newly formed Irish Water organisation. The utility is at the start of the journey in setting operational plans and capital investment programmes. Irish Water delivered an ambitious programme of work in 2014, with a focus on establishing the condition of the assets, developing a capital investment plan and focusing on addressing the most critical water and wastewater quality problems, while assuming national responsibility for the delivery of these services.

Safety continued to be central to all of Ervia's activities in 2014. Both Gas Networks and Irish Water hold themselves accountable to the highest safety standards on behalf of customers, staff and the general public. Collectively Ervia is also committed to developing and maintaining the systems, processes and resources necessary to improve and promote safety on an on-going basis.

Gas is a clean and flexible fuel, but it needs to be treated with care, and we are single-minded in our focus on customer and public safety, ensuring the integrity of our networks across Ireland. In 2014 we took on the responsibility for the safety of Ireland's public water services, ensuring the availability of safe drinking water to all our customers and the safe processing and disposal of wastewater. This is a new role for Ervia and is a challenge given the condition of much of our drinking water infrastructure in Ireland. We are committed to delivering the capital investment and the standard operation and maintenance practices to ensure safe drinking water is available nationally.

Irish Water

Establishing a new national utility is a major undertaking. Doing so while also introducing domestic charges adds to the challenge. We have acknowledged that we have not got everything right in the set up of Irish Water, and that mistakes were made. The scale of the undertaking, and the pace at which we set about making it happen were contributory factors, but we also fell short of what was required in communicating the need for this change and the benefits that will be delivered from a national utility focused on fixing our water services. We also have work to do to ensure Irish Water becomes a consumer-led organisation and again we must acknowledge that we did not achieve as much progress as we wished in this regard in 2014.

Creating a modern utility that addresses the existing challenges of the water sector, while reducing costs and improving services is one of the largest transformation projects in the history of the state. There are no quick fixes,

this will take time and will require a multi-billion euro investment programme. While acknowledging that we did not get everything right, it must also be acknowledged that significant progress was made in 2014 across key work programmes. We set up a new utility in less than eighteen months, building all the systems and defining the processes required to run a national utility. The procurement of services for all 34 Local Authorities was migrated to Irish Water's systems in 2014. This standardised procurement has allowed Irish Water start the process of delivering cost savings in this area in its first year of operation.

Irish Water also took over responsibility for over €300 million of capital projects from Local Authorities and now manages them using utility project management systems and processes. Irish Water has started to map and record all of the water and wastewater assets in the country, for the first time, and is progressively rolling out a work management system to record and track all work requests on our water and wastewater assets. In 2014 approximately 41,000 customer service requests were recorded through our National Call centre and tracked to completion through the work management system.

In May 2014, Irish Water published the Capital Investment Plan 2014-2016 outlining an investment in the public water and wastewater infrastructure of up to €1.7 billion for the period. The Commission for Energy Regulation subsequently approved €1.35 billion of this programme and capital projects to the value of €200 million were brought to commencement during the year. Separately work began during the year on developing a seven year business plan for Irish Water and on a 25 Year Water Services Strategic Plan, which is required to be produced by Irish Water by statute. This sets out the longer term vision for Ireland's water and wastewater infrastructure and services, while taking due care of our water resources and our natural environment.

The Ervia group with its established utility experience has a key role to play in overseeing and supporting Irish Water as it evolves into a performing national utility. We will continue to provide oversight and support in 2015 in particular putting customers at the centre of the utility as it delivers improvements to our national water infrastructure and services.

Gas Networks Ireland

Gas Networks Ireland successfully completed all planned work programmes in 2014 while continuing to deliver excellent customer services, maintaining safety standards and successfully rebranding the business.

In 2014 Gas Networks Ireland planned and successfully delivered a €65.5 million Capital Programme across both the transmission and distribution networks, which included completion of the Finglas to Santry and Gas to Glanbia pipelines and progressed projects to bring gas to the towns of Nenagh and Wexford.

Gas Networks Ireland also made significant advances to guarantee the safe and reliable delivery of gas to our customers. The business secured €34 million in EU funding commitments to support the twinning of 50km of on-shore pipeline in Scotland, providing additional security of supply and capacity for Irish gas customers. The 2014 Planned Maintenance Programme was also executed within budget and in accordance with all Health and Safety requirements.

A key concern in recent years is the tampering with gas meters, which is extremely dangerous and creates real safety risks for customers and the public. In response to this a Revenue Protection Unit was formed to identify and pursue individuals who tamper with gas meters in 2014. This ensures safety, prevents gas theft and reduces system costs for suppliers and customers.

In 2015 the first natural gas supply from Corrib is forecast to flow and is expected to meet 74% of the country's annual demand in its first full year of commercial production. Gas Networks Ireland will also seek to invest in growth projects to increase the utilisation of the gas network and continue to ensure the safe and reliable operation of the network for the benefit of all gas customers.

Establishing Ervia

In 2014 we defined a new vision and purpose for the organisation in line with our revised mandate to deliver gas and water infrastructure and services throughout Ireland. We also renamed and rebranded the company, partly to reflect the sale of the *Bord Gáis* brand, but also to reflect the change in direction of the company. In line with this we carried out a significant restructuring of the company, putting in place a group structure with two Business Units, two strategic and support services divisions and a revised Group Centre. This structure reflects the increased scale and complexity of the new organisation, but it is also designed to ensure we leverage the legacy utility experience in gas to support the set up of the water utility and to strive for greater economies of scale across the two operating utilities. In essence we have created a new multi-utility and seek to maximise the synergies we can deliver from two utilities operating as part of the one company for the benefit of our customers.

Along with our gas and water businesses we established a Shared Services Centre, providing centralised support services such as Payroll, Accounts Payable, IT, Procurement etc. for the group. This delivers efficiencies from transactional services and enables the Business Units to focus on their core business activities. A Major Projects function was also put in place to create a centre of excellence for the delivery of major national infrastructure projects. This division leverages off the vast experience of the gas division in delivering major infrastructure and is responsible for over €1.6 billion of capital projects including the Midlands and Eastern Region Water Supply Project and the Greater Dublin Drainage project.

Finally we restructured the Group Centre which provides 'parental' oversight and governance of the company and in particular of the operating divisions. The Group Centre is responsible for setting the strategic direction of the company, sets the planning and performance framework, implements the control framework, provides treasury services and manages the overall risk position of the group. It also plays a key role in identifying and supporting new opportunities to drive economies of scale and synergies across the organisation.

2015 will be another challenging year for Ervia with a significant workload to be delivered across the group. Irish Water has commenced billing domestic customers for water services for the first time in the history of the state. The utility will seek to continue to build stakeholder and consumer confidence by improving services and investing in critical infrastructure projects. Irish Water is prioritising the elimination of Boil Water Notices for 20,000 customers primarily in Roscommon in 2015 while tackling leaks and improving water quality to meet drinking water standards nationwide.

Gas Networks Ireland will prepare for a 4th Price Control in 2015 and continue to develop its long term growth strategy. Separately the business will be subject to Freedom of Information Legislation for the first time, improving transparency and understanding of the business.

In 2015 we will continue to evolve and consolidate the multi-utility organisation. Our focus will be on providing support to Irish Water as it evolves to an operating utility and on the continued delivery of safe and efficient gas infrastructure and services through Gas Networks Ireland. We are mindful of our responsibility for two critical national infrastructure companies and are committed to overseeing and guiding these companies in the delivery of major work programmes and ensuring they provide long term value for Ireland.

Acknowledgements

I would like to thank the Minister for Energy, Communications and Natural Resources and the Minister for the Environment, Community and Local Government for their support of Ervia and its businesses in 2014. I would also like to take this opportunity to extend my thanks to Rose Hynes, Chairman and all current and departing Board Members for their support and guidance throughout the year.

Finally 2014 was a period of exceptional change in Ervia. It is a testament to the professionalism and dedication of all our staff that the organisation delivered its operating targets and an extensive list of key milestones across the business. I would like to recognise their continued hard work and commitment throughout this period and thank them for their on-going support.

MICHAEL MCNICHOLAS,
Group Chief Executive

Ervia Financial Review

Key Highlights for 2014 include:

- Delivered a solid financial performance, producing EBITDA of €337 million from continuing operations (before exceptional items and excluding Irish Water, the results of which are not consolidated);
- Continued significant investment in gas network infrastructure;
- Retained a strong year end liquidity position, with undrawn facilities available of €494 million;
- Generated cash of €260 million from continuing operating activities; reflective of an increase in trade and other receivables of €22 million and a reduction in trade and other payables of €43 million.

Continuing Operations

(before certain remeasurements and exceptional items)

Financial Summary (continuing operations)	2014 €'million	2013 €'million	Change % terms	
Revenue ¹	506	505	→	0%
Operating profit before depreciation and amortisation (EBITDA) ¹	337	346	↓	3%
Profit before income tax ¹	137	159	↓	14%
Capex	94	103	↓	9%
Net debt ²	1,010	1,730	↓	42%
Cash generated from operating activities	260	349	↓	26%
Ratios				
EBITDA/ revenue (%) ¹	67%	68%	↓	2%
EBITDA interest cover (times) ¹	5.2	5.0	↑	4%
Net debt / EBITDA (times) ¹	3.0	5.0	↓	40%

¹ Current and comparative year figures represent continuing operations and are stated before the impact of exceptional items and certain remeasurements arising from the application of IAS 39 Financial Instruments: Recognition and Measurement.

² Net debt represents debt as presented on the balance sheet, adjusted for impact of fair value hedges less free cash deposits.

Revenue

Revenue from continuing operations of €506 million for the year to December 31st 2014 was broadly in line with 2013 revenue of €505 million.

EBITDA (before certain remeasurements and exceptional items)

EBITDA from continuing operations remained solid at €337 million for the year but reflected a decrease of €9 million from the 2013 result of €346 million. This decrease was due to higher operating costs, including increased rates charges arising from council re-valuations and increased gas network maintenance costs arising in the year.

Profit Before Income Tax (before certain remeasurements and exceptional items)

Profit before income tax from continuing operations of €137 million reflected a decrease of €22 million from the 2013 result of €159 million. The primary drivers were the increased operating costs of €10 million combined with additional depreciation charges arising in the year of €18 million. The increased depreciation charge year on year was primarily due to additional capex projects commissioned in 2014 and a reassessment of the useful lives of certain categories of assets during the year. The increased operating costs and depreciation charges were partly offset by a reduction in finance costs year on year of €5 million.

Exchequer Dividends

Ervia declared a dividend of €189 million (€171 million paid by year end) to the Exchequer in the year ended December 31st 2014. The dividend includes the declaration of a preliminary special dividend relating to the distribution of the sales proceeds of the Energy business.

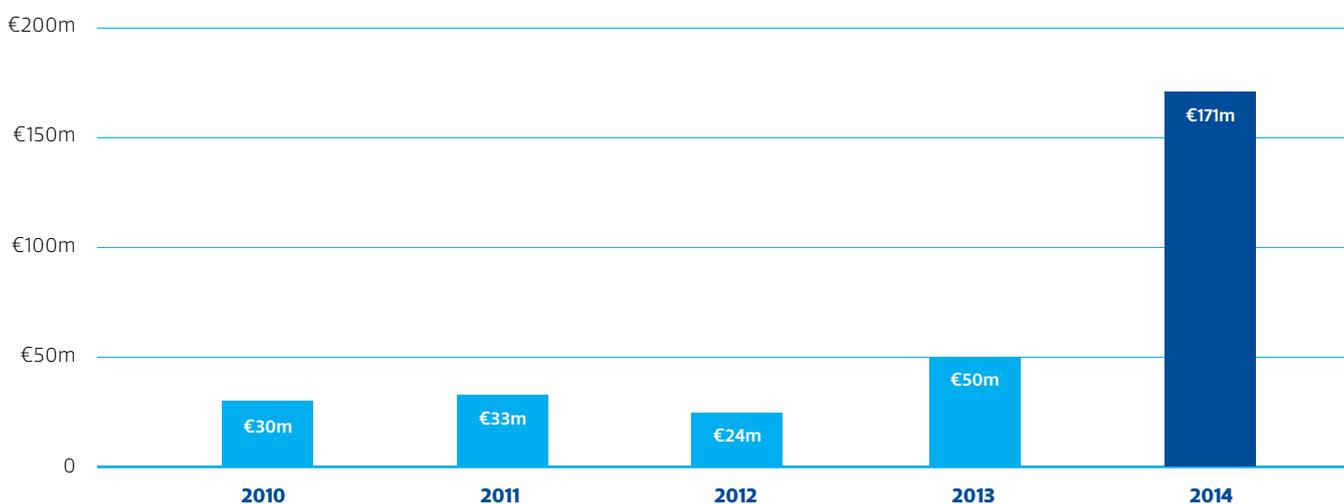
Certain Remeasurements

The Group has disclosed additional information in respect of certain remeasurements on the face of the Income Statement to aid an understanding of the Group's financial performance. Certain remeasurements are remeasurements arising on interest rate and currency contracts which are accounted for as if held for trading or as fair value hedges in accordance with the Group's accounting policy for such financial instruments. The figures included in the summary financial highlights table are stated before certain remeasurements, as this reflects the underlying performance of the business and distinguishes the underlying performance from the reported volatility that could arise from the application of IAS 39 Financial Instruments: Recognition and Measurement. These remeasurements (after tax) resulted in a loss of €1 million for 2014 (2013: profit of €6 million) from continuing operations.

Exceptional Items

On June 30th 2014, Ervia completed the sale of the *Bord Gáis Energy* business to a consortium of buyers. At December

Exchequer Dividends (€m)



31st 2013, the Group's Energy business was reclassified as a disposal group held for sale and was presented as a discontinued operation in line with the requirements of IFRS 5. Current and prior year results from the discontinued operation are presented separately from continuing operations on the face of the Group's Income Statement.

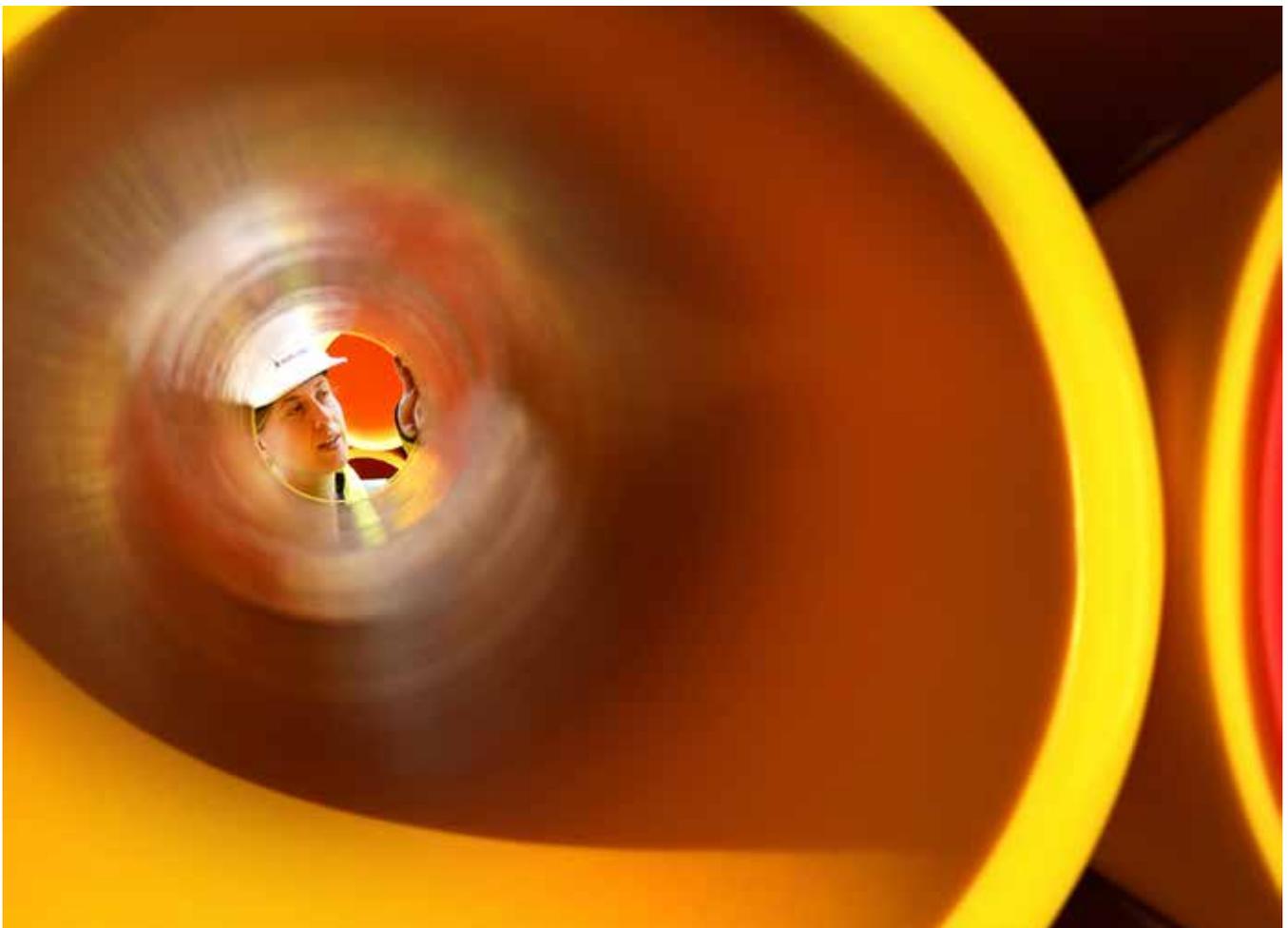
(A) CONTINUING OPERATIONS

In 2014, an exceptional charge of €6 million (post tax) was recorded in respect of continuing operations. During 2014 the Group completed a number of restructuring activities in respect of the significant structural changes that the Group is currently undergoing in relation to the incorporation of the Networks business and the integration of the Water business into the Group's structures.

(B) DISCONTINUED OPERATIONS

In 2014, exceptional charges were recorded in respect of discontinued operations (refer to note 4 of financial statements). These charges included:

- The reclassification to the Income Statement (with no impact on net assets) of €25 million previously recognised directly in reserves in respect of interest rate and foreign exchange derivatives and foreign currency translation. In accordance with IFRS requirements, these amounts previously recognised in the Group Statement of Other Comprehensive Income are reclassified to the Group Income Statement on the disposal of the Energy business;
- The transfer of certain assets as part of the pre-sale restructuring resulted in capital gains tax (CGT) charge of €7.6 million. This CGT was as a result of the Gas Regulation 2013 Act which provides that capital gains tax group relief would not apply on the transfer of these assets and;
- €10 million primarily attributable to the operating performance of the Energy business in the period prior to the completion of the sale.



Pension Deficit

At December 31st 2014, the IAS 19 pension deficit was €85 million, a net increase of €36 million from 2013. The principal driver for the increase in the IAS 19 pension deficit was the reduction in the discount rate from 3.9% at December 31st 2013 to 2.2% at December 31st 2014 due to downward international trends on long-term corporate bond yields. This was partly offset by an increase in the value of the plan assets and other liability assumption changes during the year – refer to note 19 of the Financial Statements for further details.

Liquidity and Capital Resources

CASH FLOWS DURING 2014

During 2014 the Group's continuing operations generated cash from operating activities of €260 million, and net cash from investing activities of €840 million arising primarily from the sale of the Energy business. The cash generated during the year was utilised to reduce significantly the net debt of the Group from €1,730 million at December 31st 2013 to €1,010 million at December 31st 2014 and to fund Exchequer dividend payments, capital expenditure, interest and taxation payments. Cash and cash equivalents of the Group increased from €83 million to €106 million during the year.

CAPITAL RESOURCES

At December 31st 2014, the Group had available funding facilities of €1,636 million (including €19 million in uncommitted facilities). Of this €1,142 million was drawn leaving a further €494 million undrawn. As at December 31st 2014, the Group had a statutory borrowing limit of €3 billion, which sets the upper limit for drawn facilities.

Group policy is to secure a mix of funding sources at acceptable terms and conditions to finance the development of the business. The Group's debt portfolio is well diversified across a range of funding instruments including bank facilities, Institutional Private Placements and Bond issuances.

Key activities in relation to debt management undertaken during the year include the early redemption of €297 million funding associated with wind assets as these assets were sold as part of the Energy business.

The Group maintains a strong capital base to fund the development of business and continues to adopt a prudent pre-funding strategy by timely funding in advance of maturing facilities.

The Group's long term credit rating is A- for Standard & Poor's (S&P) and Baa1 for Moody's Investors Services.

TREASURY GOVERNANCE

The Group operates a centralised Treasury function, which undertakes all Treasury activities in the Group. Responsibility for treasury activity and its performance rests with the Board, which exercises its responsibility through regular review. The Board Risk Committee reviews the appropriateness of the Group's Treasury Policy and the Audit and Finance Committee reviews the effectiveness of the system of internal controls.

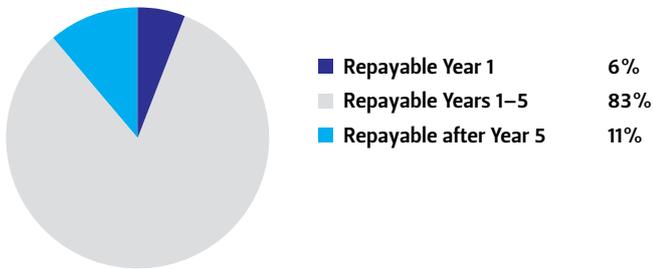
The Group complies with the requirements of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act, 1992 and the Specification of the Minister for Finance. The Group's Treasury function is not operated as a profit centre and treasury positions are managed in a risk averse manner. All treasury transactions have a valid underlying business reason and speculative positions are strictly prohibited.

LIQUIDITY RISK

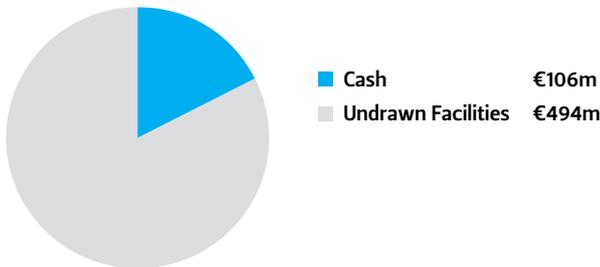
The Group manages liquidity risk by:

- Holding sufficient cash balances to meet forecast requirements;
- Ensuring ample headroom on committed funding facilities to meet forecast requirements;
- Limiting the concentration of debt maturities;
- Prefunding maturing debt where appropriate.

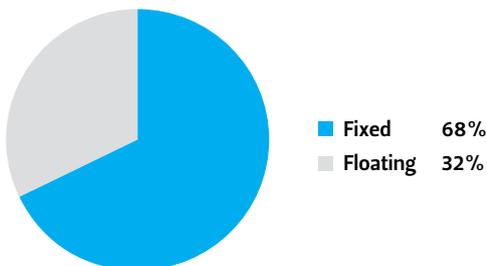
Debt Maturity Profile



Available Liquidity



Fixed/Floating Debt Mix



The Group seeks to have a number of sources of funds available at any particular time and maintains a balanced debt maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk. As at December 31st 2014, the Group held cash and cash equivalents of €106 million and had undrawn facilities available of €494 million.

INTEREST RATE RISK

Interest costs are managed using fixed rate debt and interest rate swaps. The Group’s policy is to achieve a stable and low cost of debt, taking account of business risks in general and the regulatory environment. The Group’s policy is to secure a minimum level of fixed rate funding over a rolling three year timeframe. As at December 31st 2014, floating rate debt stood at €361 million and fixed rate debt stood at €781 million. Fixed rate debt consists of €499 million of fixed rate debt instruments and €282 million of interest rate swaps.

CURRENCY RISK

The Group’s policy is to protect profitability by minimising the impact of material variations due to foreign exchange rate movements. Foreign exchange policy takes account of business risks and the regulatory environment. All significant foreign exchange exposures are hedged using forward foreign currency contracts, foreign currency swaps or by matching borrowings in foreign currency.

COUNTERPARTY RISK

The Group’s policy is to manage this risk through the use of counterparty credit limits, which take account of, among other relevant factors, published credit ratings. The Group mainly deals with approved counterparties who maintain an investment grade rating. The Group closely monitors and measures its counterparty exposures and revises counterparty limits in the event of changes in counterparty credit status.

Where the exposure on derivative instruments has the potential to be material to the Group’s net worth, the Group will consider entering into Credit Support Arrangements.

Irish Water Financial Review

Key Highlights for 2014 include:

- Significant investment in water and waste water infrastructure with net cash used in investing activities of €548 million;
- By year end had debt funding facilities of €412 million (including €50 million in uncommitted facilities) with a further €350 million in progress;
- Published the Capital Investment Plan 2014-2016 outlining an investment of €1.7 billion;
- Received Commission for Energy Regulation approval for both the Price Control Submission for 2014-2016 and the Water Charges Plan (details on domestic tariffs, approved in early 2015).

Financial Summary	2014 €'million	2013 €'million	Change % terms
Revenue	687	0	↑ N/A
Operating Loss before depreciation and amortisation (EBITDA)	-107	-68	↓ 57%
Loss before income tax	-139	-71	↓ 96%
Capex	548	81	↑ 577%
Net debt	325	125	↑ 160%
Cash generated from operating activities	-47	-42	↓ 12%

Revenue

Revenue of €687 million for the year to December 31st 2014 was generated from non-domestic water related supply and services income (€248 million) and government subvention income (€439 million). Irish Water was not trading in 2013 and had no revenue in that year.

EBITDA

EBITDA showed a loss of €107 million for the year to December 31st 2014. Pending the introduction of domestic water charges from January 2015, the loss for the year was in line with start-up expectations. As Irish Water did not assume responsibility for public water and wastewater services provision until January 1st 2014, the comparative loss for 2013 of €68 million relates to costs associated with the establishment of Irish Water in the period between July 17th 2013 and December 31st 2013.

Loss Before Income Tax

Loss before income tax was €139 million for the year to December 31st 2014. There was an increase in depreciation and financing charges of €29.2 million when compared with 2013.

Net Debt

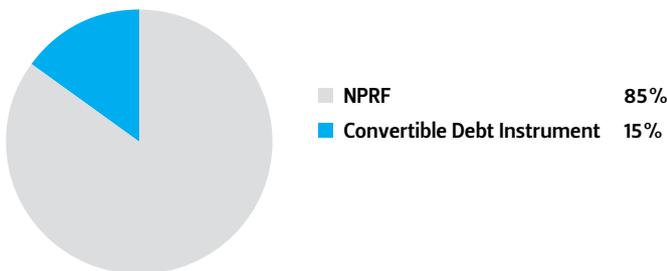
Net debt represents debt less free cash deposits.

Liquidity and Capital Resources

CASH FLOWS DURING 2014

During 2014, the company generated €607 million from financing activities which was utilised to fund capex of €548 million, operating expenditure of €47 million and interest payments of €12 million. Cash and cash equivalents at December 31st 2014 was €37 million.

Funding Mix of Drawn Facilities



CAPITAL RESOURCES

At December 31st 2014, Irish Water had available debt funding facilities of €412 million (including €50 million in uncommitted facilities). Of this €362 million was drawn leaving a further €50 million undrawn. As at December 31st 2014, Irish Water had a statutory borrowing limit of €2 billion, which sets the upper limit for drawn facilities.

The funding policy for Irish Water is to have a number of sources of funds at any particular time and to maintain a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk. It is recognised that during the establishment period of Irish Water, it may be difficult to meet all of these objectives, therefore they represent the medium term goals of Irish Water following business establishment.

Key activities in relation to debt management undertaken during the year include the raising of an additional €50

million of funding from the National Pensions Reserve Fund/ Ireland Strategic Investment Fund, the execution of a €50 million working capital overdraft facility with a commercial bank and the issuance of a €54 million convertible debt instrument which was subscribed by the Minister for Finance.

In early 2015, Irish Water secured €350 million of funding by way of bilateral facilities with a number of commercial banks and negotiations are at an advanced stage with other commercial banks and financial institutions. These are expected to be executed in 2015.

In 2014 Irish Water received an unconditional, irrevocable and non-refundable cash capital contribution of €407 million from the Minister for Finance.

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

TREASURY GOVERNANCE

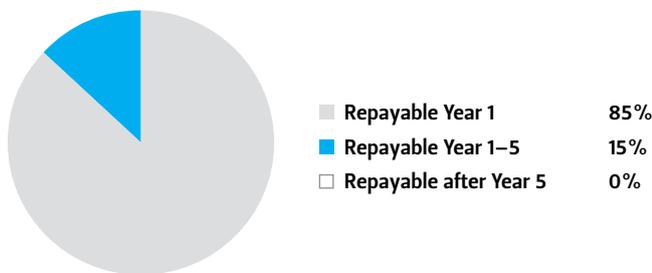
Ervia operates a centralised Treasury function, which undertakes all treasury activities of the Group, including for Irish Water. For further details on the governance structure, refer to the Ervia Financial Review.

LIQUIDITY RISK

During its establishment phase Irish Water manages liquidity risk by working towards :

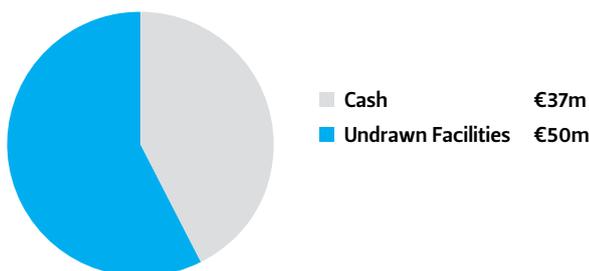
- Holding sufficient cash balances to meet forecast requirements;
- Ensuring ample headroom on funding facilities to meet forecast requirements;
- Limiting the concentration of debt maturities; and
- Prefunding maturing debt where appropriate.

Debt Maturity Profile



As at December 31st 2014, the Group held cash and cash equivalents of €37 million and had undrawn facilities available of €50 million.

Available Liquidity



INTEREST RATE RISK

Interest costs are currently managed using fixed rate debt and, as Irish Water advances through the establishment phase, other instruments may be considered for fixing debt.

As at December 31st 2014, floating rate debt was €nil and fixed rate debt was €362 million.

CURRENCY RISK

The company’s policy is to protect profitability by minimising the impact of material variations due to foreign exchange rate movements. Foreign exchange policy takes account of business risks and the regulatory environment. All significant foreign exchange exposures are hedged using forward foreign currency contracts.

COUNTERPARTY RISK

The company’s policy to manage counterparty risk is through the use of counterparty credit limits, which take account of, among other relevant factors, published credit ratings.

Ervia, on behalf of Irish Water, mainly deals with approved counterparties who maintain an investment grade rating. The Group closely monitors and measures its counterparty exposures, including that of Irish Water, and revises counterparty limits in the event of changes in counterparty credit status.



Gas Networks Ireland

Gas Networks Ireland is a progressive, trusted and responsible gas infrastructure company with a strong customer focus and commercial ethos that contributes to Ireland's social and economic progress. We ensure the safe and reliable delivery of gas for our customers and we continually advance the utilisation of the gas network for the benefit of Ireland.

Gas Networks Ireland has developed a national distribution pipeline network of 11,288km and a transmission pipeline network of 2,422km. The transmission system is linked to the

UK and European gas markets through two Interconnector pipelines with Scotland. Natural gas is now available in over 160 population centres in 19 counties throughout the country and there are over 673,000 households and businesses in Ireland.

Gas Networks Ireland provides access to the gas pipeline system for shippers. There are currently 16 shippers active in the Irish gas market, providing gas to customers in all segments of the market from power generation to residential.



Key Achievements in 2014

- Successfully rebranded from *Bord Gáis Networks* to Gas Networks Ireland;
- Established a new Commercial function to focus on growth and to maximise the utilisation of the gas network to the benefit of our customers and shareholder;
- Recorded another significant year of customers changing shipper with c.110,000 changes taking place in 2014, close to the record of c.117,000 in 2013;
- Certification on the Energy Management System ISO 5001;
- Continued to deliver a safe, secure and reliable gas supply to our customers;
- Met all operational and financial targets for the business delivering value to our customers and shareholder.

Performance in 2014

The total amount of gas transported to users in Ireland, Northern Ireland and the Isle of Man was approximately 65,945GWh in 2014, a decrease of 1% on 2013. 76% of this gas was delivered for use in the Republic of Ireland with the remaining 24% transported to the Isle of Man and Northern Ireland. During the year, 92% of all gas requirements in the Republic of Ireland were imported through the UK, with the remaining gas supplied from indigenous reserves in Inch, Co. Cork. In 2014, 2,179GWh of gas was imported through the Interconnectors for injection into Inch Storage, up from 2,112GWh in 2013.

Operating Environment

MARKETS & REGULATION

Competitive Gas Market. Ireland has a competitive domestic gas market. 2014 recorded another significant year of customers changing shipper with c.110,000 changes taking place, close to the record of c.117,000 in 2013, signalling continued strong competition amongst shippers and a willingness of customers to change supplier. This represents a Change of Shipper transaction at over 16% of all gas points; and continues to rank Ireland as one of the most active markets for switching worldwide.

Gas Networks Ireland operates the Gas Point Registration Operator (GPRO) on behalf of Gaslink and is responsible for the Change of Shipper process. The GPRO works on an independent basis and treats all shippers and suppliers in an equal, fair and non-discriminatory manner.

Gas Transportation Revenues & Tariffs. Allowed revenues for use of the Irish transmission and distribution networks for the five gas years covering the period October 2012 to September 2017 were determined by the CER in 2012. This provided for operating and capital expenditure allowances for both networks, together with an allowed rate of return on assets employed. The rate of return for the gas year 2014/2015 is 5.2%.

Although the allowed revenues for the five year period were set in 2012, the actual revenues earned are reviewed against the Revenue Control Formula each year and the tariff levels adjusted to correct for any over- or under-recovery. The regulated transmission tariff for 2013/2014 decreased in real terms from the 2012/2013 tariff by 8.4% for a typical shipper through Moffat, the entry point from which 92% of gas used in Ireland is sourced. The 2014/15 distribution tariff decreased in real terms by 5.3% from 2013/14.

CUSTOMER SERVICE

Commitment to excellent customer service remains a key priority for Gas Networks Ireland. In 2014 Gas Networks Ireland handled over 496,000 customer contacts including inbound and outbound calls, emails and other customer correspondence. In addition, over 73,000 appointments were completed and over 12,300 temporary and permanent surface reinstatements were carried out during the 12 month period. Gas Networks Ireland also responded to over 19,000 call-outs by members of the public.

HEALTH, SAFETY, QUALITY & ENVIRONMENT

Safety is our highest priority. Gas Networks Ireland has a comprehensive Safety Management System (SMS) in place which ensures that risks posed from our activities or assets are managed to a level which is as low as reasonably practical. The organisation continued to work closely with Gaslink and the CER to ensure network safety remains a priority focus. A wide range of Safety Performance Indicators are in place to monitor safety performance, which continued to improve in 2014. Our transmission operations, gas emergency service and distribution design areas are accredited to ISO 9001 Quality Management System standards.

ASSET DEVELOPMENT, MAINTENANCE & OPERATIONS

In 2014 Gas Networks Ireland planned and successfully delivered a €65.5 million Capital Programme across both the transmission and distribution networks. The programme included the completion of the Finglas to Santry pipeline (Dublin), the Newtownfane to Haynestown pipeline (Dundalk), gas to Glanbia pipeline (Belvoir Port), and significant progress on Mungret to Inchmore (Limerick) and gas to Nenagh (Tipperary) pipelines. Several key projects have progressed in the planning stages, including upgrades to compressors in Scotland and the Gas to Wexford pipeline.

The 2014 Planned Maintenance Programme was also executed within budget and in accordance with all policies and HSQE requirements. Key pipeline maintenance programmes such as the Online Inspection Programme and the Interconnector Subsea Inspection Programme were also completed successfully.

Significant progress was made on the ISO55000 accreditation project. All current internal indications are that the organisation will gain accreditation in 2015.

CORRIB

Gas Networks Ireland successfully completed a number of work programmes in 2014 on the Mayo-Galway pipeline in preparation for the Corrib gas supply. To facilitate

commissioning, back-feed gas from the Gas Networks Ireland transmission system to the Corrib Terminal started in the last quarter of 2014. First natural gas supply from Corrib is forecast to flow by mid-2015. The Corrib gas field is expected to meet 74% of the annual ROI demand in its first full year of commercial production.

METERING

Meter Replacement Programme. Since 2010 Gas Networks Ireland has been carrying out a Meter Replacement Programme replacing old domestic gas meters with meters that have 'Smart Ready' capabilities. In 2014 Gas Networks Ireland replaced 23,000 meters bringing the total meters replaced on the programme to date to 110,000. The Meter Replacement Programme is also replacing almost 2,300 of the oldest industrial and commercial customer meters on the network and upgrading the telemetry at the remote installations.

Pay As You Go Metering. 2014 saw continued growth in the Pay As You Go (PAYG) sector with over 92,000 PAYG meters in service by year end, up from 83,000 meters in 2013, bringing the residential gas population now availing of PAYG meter installations to 14%. Over 2,121 retail outlets nationwide now stock credit for these meters.

Meter Tampering. Meter tampering can have a very negative impact on public safety, and in 2014 Gas Networks Ireland inspected approximately 1,200 sites where anomalies had been identified, with 788 confirmed as tampered. Four cases were brought to court, with successful prosecutions in all four instances with fines ranging from €500 to €2,000 and the imposition of a suspended 6 month custodial sentence.

NEW CONNECTIONS

New connection orders were secured to supply 656GWh of additional natural gas load and the organisation collected €3.55 million in contributions and charges for connections and site-works to net off against the cost of providing these services to the benefit of the distribution tariff.

Compressed Natural Gas. Gas Networks Ireland's vision is that natural gas will become the fuel of choice for the commercial and public transport segments in the coming years. Known as Compressed Natural Gas (CNG), this fuel is used across the world within Natural Gas Vehicles (NGV).

Gas Networks Ireland made progress in the development of compressed natural gas in Ireland in 2014. Ireland's first fastfill CNG station was completed at the Gas Networks Ireland premises in Cork and five CNG Volkswagen Caddys

were introduced to the Networks fleet. The 2014 Budget applied a favourable excise treatment for CNG with the application of the minimum level of excise duty on natural gas as a transport fuel, as well as a commitment that this will remain in place for eight years.

Renewable Gas. Gas Networks Ireland is committed to supporting the development and growth of renewable gas in Ireland. Renewable natural gas is an indigenous, sustainable, and carbon neutral source of energy that can be produced from organic waste materials. It can then be injected into the gas network or it can be used independently as a fuel for heating, transport or power generation. Renewable gas will ensure that Ireland has a robust, renewable and sustainable indigenous energy source as part of its overall energy mix well into the future.

During 2014, Gas Networks Ireland engaged proactively with industry stakeholders with a focus on both the demand and production side. In addition Gas Networks Ireland provided innovation funding for research, development, and demonstrator projects including production and processing of renewable gas from sustainable organic waste sources, gas grid injection, gas quality control, and accreditation/certification. As these projects progress through further development phases in 2015, Gas Networks Ireland will provide additional innovation funding to ensure renewable gas for Ireland becomes a reality.

Aurora Telecom

Established by Ervia in 2000, Aurora Telecom has become a leading telecommunications infrastructure provider across Ireland. Due to its carrier-neutral, open-access business model, Aurora provides fibre-based solutions to other telecommunications operators, large corporate organisations and government agencies.

Leveraging its highly secure telecommunications assets, Aurora delivers innovative solutions to its customers on both its Dublin and Shannon metropolitan networks, and on its national backhaul network. The solutions offer our customers an end-to-end service that includes consultation, network planning, rapid deployment and comprehensive support.

In 2014, Aurora added a managed bandwidth product-set to its portfolio to meet the needs of customers that prefer a 'hands-off' approach to their network operation, management, and maintenance. Managed bandwidth services provide a reliable, transparent, scalable and secure

solution that can be tailored to meet customers' needs either on a point-to-point or point-to-multi-point basis.

Aurora is well positioned for continuing growth due to the demand for fibre-based services driven by the transmission of increasing amounts of data, video and voice, coupled with the move to next-generation "multi-service" access networks.

Key Future Priorities

Safety is without question Gas Networks Ireland's highest priority now and in the future. It is integral to the environment in which we operate and to the culture of the organisation. Our commitment to safety goes well beyond the implementation of the framework and compliance with legislation, established codes and standards. The company

is committed to developing and maintaining the systems, processes and resources necessary to maintain our safety standards and the network's reliability while continuing to develop the overall system.

Another key priority for the business is growth and maximising the utilisation of the network. Gas Networks Ireland believes that the benefits that natural gas can deliver for Ireland, in terms of emission reduction, increasing competitiveness and sustaining security of supply, have not been fully realised. With modest investment in a number of key innovative areas, natural gas can play an even more significant role in Ireland's energy and environmental policies and in the country's economic development. Investment in the areas of gas mains infill, compressed natural gas, renewable gas and gas corridors will increase the utilisation of the gas network for the benefit of all gas customers.



Gaslink

Gaslink operates the natural gas network in Ireland, providing transportation services to all suppliers and shippers in Ireland in an efficient and independent manner. Gaslink's mandate is to provide gas network services to customers efficiently, safely and without discrimination and to make a significant impact on the development of the gas market in Ireland. Gas Networks Ireland undertakes many of the System Operator functions on behalf of Gaslink under an Operating Agreement approved by the Commission for Energy Regulation (CER).

Gaslink also represents Ireland's interests in Europe and has worked with Gas Networks Ireland to implement the Third Gas Directive; to facilitate a single European gas market. It is expected that, during 2015, following certification by the European Commission of the Full Ownership Unbundling of Ervia, the System Operator Licences of Gaslink and all associated responsibilities will transfer to Gas Networks Ireland.



Key Achievements in 2014

- Significant progress on the implementation of the Network Codes required under the Third Gas Directive;
- Developed Commercial and Regulatory Market arrangements to facilitate the new Corrib Entry point, with backfeed gas supplied to the terminal in November 2014;
- Progressed connection agreements with the key energy users in the towns of Wexford and Nenagh, Co. Tipperary to facilitate connection of the towns to the natural gas network;
- Secured grant aid of €33.7 million from the European Commission for the twinning of the South West of Scotland Onshore Pipeline to enhance security of supply.

Connecting Europe Facility

In 2014 Gaslink made a submission to the EU Commission seeking part funding for a project to twin the onshore section of the 2nd Gas Interconnector in Scotland as an EU Project of Common Interest, with cross border benefits relating to security of supply. The project has been provisionally awarded €33.7 million which equates to 36.4% of the total project costs, the maximum amount that the project can receive.

Gaslink and Ervia have been advocating the completion of this project for a number of years to enhance security of supply to the island of Ireland. The need for the pipeline has also been recognised by a number of independent bodies including the ESRI, Environmental Protection Agency and the European Network of Transmission System Operators for Gas. The award of grant aid by the European Commission is an important step towards completing the project and Gaslink will continue to work with the CER to progress the project.

EU Network Code Implementation Project

The EU aims to fully integrate national energy markets, to give consumers a greater choice of products and services, increase competition, and provide a more secure energy supply. With increased interconnections and trade between countries, EU-wide regulations have become necessary to manage gas flows effectively.

These regulations are known as EU Network Codes and they govern all cross-border gas market transactions. The codes are developed by the European Network of Transmission System Operators for Gas (ENTSOG). In 2014 Gaslink seconded three staff to ENTSOG.

The EU network codes provide rules for the flow of gas at the Interconnection Points on the network, of which Ireland has two. In 2014 Gaslink initiated the EU Network Code Implementation Project to ensure that the Irish gas transmission system complies with the requirements of the network codes. The project involves the significant modification of existing processes and systems. Phase One of the project is currently underway and is scheduled for completion in October 2015. A cross-functional project team, involving representatives from all sections of the business, is working closely with the national regulatory authorities, with adjacent Transmission System Operators and our customers to facilitate a smooth transition to the new regime. The project will ensure timely compliance with EU regulations while safeguarding the continued secure and safe supply of gas to all Irish consumers.

New Connections

Connection of Nenagh and Wexford towns to the natural gas network were conditionally approved by the CER in 2014. Gaslink, working in conjunction with Gas Networks Ireland was successful in securing connection agreements with the required key anchor loads in both towns, which ensures the economic viability of the pipelines. The construction of the Nenagh feeder main commenced in 2014 with the Wexford connection programmed for 2015.



Irish Water

Irish Water was established as a subsidiary of Ervia in July 2013, to build a new national water utility and to provide safe, affordable and environmentally compliant water services to all customers.

On January 1st 2014, Irish Water took responsibility for the operation and maintenance of water and wastewater assets in Ireland. Historically the delivery of services has been disjointed and many of the assets have suffered from decades

of underinvestment. Irish Water's operations include several thousand water extraction points, treatment plants, pumping stations and wastewater discharge points, approximately 58,000km of drinking water pipeline and an estimated 25,000km of wastewater pipelines. Irish Water manages this asset base through Service Level Agreements (SLAs) with Local Authorities who continue to provide day to day operations on behalf of the utility. Irish Water is also responsible for capital investment decisions prioritising improvements to the asset base to facilitate compliance with standards and enabling social and economic development.

Key Achievements in 2014

- Assumed responsibility for public water and wastewater services on January 1st 2014, from what was then 34 Local Authorities and became the single national service provider of water services in Ireland serving 3.3 million people;
- Provided customer service for operational issues through a national Customer Contact Centre with effect from April 28th 2014. By December 31st 2014, over 114,000 calls had been handled and over 57,500 operational work orders raised, with almost 52,000 of these work orders closed out by year end;
- Published the proposed Capital Investment Plan 2014-2016 announcing an investment in the public water and wastewater infrastructure of up to €1.7 billion for this period. This was made up of 386 capital projects; including the completion of the Leixlip Water Treatment Plant Upgrade and the commencement of the Osberstown Wastewater Treatment Plant Upgrade. The Plan also included a programme of up to 600 minor projects;
- Accelerated investment in Co. Roscommon to facilitate the lifting of Boil Water Notices affecting 20,000 people in early 2015;
- Raised €400 million debt funding in 2013\14 with a further €350 million in progress at year end;
- Submitted the Water Charges Plan to the Commission for Energy Regulation which included details on domestic tariffs and a Price Control Submission for 2014-2016. In November the Government confirmed a revised water charges structure and that liability for charges would commence from January 2015 with bills issuing from April 2015;
- Launched Ireland's largest Customer Application Campaign to facilitate the registration of all customers on the public water and wastewater networks in Ireland;
- Installed over 539,000 domestic water meters under the National Metering Programme by the end of 2014, exceeding Government targets of 450,000 meters and ahead of international benchmarks;
- Began developing a 25 Year Water Services Strategic Plan (WSSP) and the first Irish Water Business Plan, setting out performance goals and targets for the delivery of efficiencies in operational and capital expenditure up to 2021;
- Agreed a Transformation Plan with 31 Local Authorities in August 2014 which includes the development of the Water Industry Operating Framework (WIOF) to facilitate the more effective delivery of water services under the single utility model.

Water and Wastewater Assets

Irish Water supplies drinking water to approximately 80% of the population. This is delivered through some 1,000 separate public supply zones and involves the abstraction, treatment and delivery of 1,670 million litres of drinking water each day. Irish Water also collects wastewater from over 1,000 separate communities and treats 1,600 million litres of wastewater daily before it is discharged back into our rivers and coastal areas.

In 2014, its first year of service, Irish Water provided water and wastewater services in partnership with Local Authorities without major disruption. Whilst many customers receive a good quality water supply and wastewater provision, there are major issues to be dealt with including water quality, capacity and reliability of service and the inadequacy of wastewater services in many parts of the country. Despite the good work of Local Authorities, under-investment, combined with lack of asset management systems and maintenance programmes over many decades, has led to a legacy of deficiencies in many treatment plants and networks. In addition, limitations on treatment and/or network capacity urgently need to be addressed to accommodate new housing, commercial and industrial developments.

Water quality does not meet European and Irish drinking water standards in many of our schemes and up to 30% of water treatment plants are considered to be “at risk” of failure in terms of quality parameters. Ireland also fails to meet the requirements of the EU Urban Wastewater Treatment Directive in 71 areas and is the subject of an Infringement Case initiated by the European Commission.

Significant capital investment is necessary to improve water supply capacity, quality and reliability and to upgrade wastewater infrastructure in both the short, medium and long term.

Capital Investment

The Capital Investment Plan 2014-2016, which provides for investment of up to €1.7 billion in water and wastewater assets, was published within five months of the establishment of Irish Water in May 2014. The plan highlights the impact of years of underinvestment in our water infrastructure and identifies investment priorities that deliver the biggest impact while maximising value-

for-money. The plan is made up of 386 capital projects and a programme of minor projects. The plan will deliver improvements in drinking water quality and capacity, leakage, wastewater compliance and capacity, business efficiencies and customer service.

The Capital Investment Plan will also fund contractual commitments, previously entered into by Local Authorities, to completion and prioritise projects to commence. Throughout the duration of the Capital Investment Plan, Irish Water will continuously review the programmes, adjusting priorities to take account of emerging information and needs in order to optimise the investments being made.

Working with Local Authorities

At the beginning of 2014 Irish Water took over responsibility for the provision of public Water Services from the then 34 Local Authorities. In order to maintain continuity of service Irish Water entered into Service Level Agreements with the Local Authorities for the operation of Irish Water’s assets for the next twelve years.

In August Irish Water and Local Authorities agreed a Transformation Plan which sets out a clear road-map to transition from the current operating model to a single way of working reflecting best utility practice, with a focus on asset management, operations and customer service.

This will allow Irish Water to centralise some activities at a national level and move to regional models for the delivery of a number of other services. It will also facilitate the standardised use of technology to deliver efficiencies and economies of scale and reduce overall operating costs and staffing numbers over time.

Significant incremental changes have already been delivered in 2014 and the detailed design of the Water Industry Operating Framework will be agreed in 2015.

Key Priorities

The scale of the challenge facing Irish Water cannot be underestimated. Transforming the delivery of water services, working with 31 local service providers, into a single way of working to modern utility practice, while reducing costs and improving services is a significant undertaking and will take time. It must be approached on a structured and phased basis over a number of years.

In this regard Irish Water has developed a seven year Business Plan setting out performance goals and targets for the delivery of efficiencies in operational and capital expenditure up to 2021. Priorities for the short to medium term include:

- Establishing the highest Health & Safety standards;
- Demonstrating our commitment to the delivery of improved water and wastewater services at an affordable cost for our customers. The implementation of the Irish Water/Local Authority Transformation Plan will be critical in this regard;
- Meeting the efficiency targets set by the CER as part of the Water Charges Plan;
- Remediating drinking water quality problems where customers have a Boil Water Notice or water supplies fail other mandatory requirements of the Drinking Water Regulations. This includes prioritising high risk plants identified on the EPA Remedial Action List;
- Complying with the Urban Wastewater Treatment Directive and, in particular, addressing the lack of wastewater treatment at 44 urban centres and improving treatment at the 38 larger urban areas which do not currently meet the required treatment standards;

- Reducing the excessive leakage from water mains through water conservation programmes. Completion of the domestic Metering Programme will help identify the location of customer side leaks which can be addressed through our 'first fix policy';
- Capturing accurate information on the nature, condition and performance of all of our assets (infrastructure and equipment) into quality assured databases, to help inform investment and asset maintenance decisions;
- Putting Irish Water on a solid commercial footing.

Irish Water was established to address the challenges facing the water services sector. The company's mandate is to bring a singular focus to address these challenges and provide access to capital, accelerate capital investment programmes, restructure the current fragmented service delivery model and deliver significant operating efficiencies.

Over time we will establish Irish Water as a best practice utility by leveraging the experience of our colleagues in Ervia and Gas Networks Ireland, and building on the expertise of Local Authorities. Both the staff and management of Irish Water are committed to continuing to deliver key milestones and safe and reliable water and wastewater services and infrastructure to customers across Ireland as the utility evolves.



Irish Water Financial Summary

Income Statement (for the year ended 31 December 2014)

Continuing operations	2014 €'000	2013* €'000
Revenue	687,188	-
Operating costs (excluding depreciation and amortisation)	(793,762)	(68,156)
Operating loss before depreciation and amortisation (EBITDA)	(106,574)	(68,156)
Depreciation and amortisation	(23,425)	(1,004)
Operating loss	(129,999)	(69,160)
Finance income	34	9
Finance costs	(8,814)	(1,960)
Net finance costs	(8,780)	(1,951)
Loss before income tax	(138,779)	(71,111)
Income tax expense	-	(2)
Loss for the year	(138,779)	(71,113)

This Income Statement is an extract from the Irish Water Financial Statements.

* For the period from 17 July 2013 (date of incorporation) to 31 December 2013.

Irish Water Financial Summary

Balance Sheet (as at 31 December 2014)

	2014 €'000	2013 €'000
Assets		
Non-current assets		
Property, plant and equipment	737,370	51,864
Intangible assets	87,888	57,004
Trade and other receivables	30,360	-
Total non-current assets	855,618	108,868
Current assets		
Trade and other receivables	72,855	43
Cash and cash equivalents	37,134	36,762
Restricted deposits	5,607	5,602
Current tax assets	2	-
Total current assets	115,598	42,407
Total assets	971,216	151,275
Equity and liabilities		
Equity		
Share capital	-	-
Capital contribution reserve	(296,466)	-
Retained losses	220,222	71,113
Total equity	(76,244)	71,113
Liabilities		
Non-current liabilities		
Borrowings and other debt	(54,000)	(161,511)
Retirement benefit obligations	(32,820)	-
Deferred revenue	(32,801)	-
Provisions	(75,789)	-
Trade and other payables	(15,053)	(5,600)
Total non-current liabilities	(210,463)	(167,111)
Current liabilities		
Borrowings and other debt	(307,692)	-
Deferred revenue	(16,652)	-
Provisions	(32,375)	-
Trade and other payables	(327,790)	(55,275)
Current tax liabilities	-	(2)
Total current liabilities	(684,509)	(55,277)
Total liabilities	(894,972)	(222,388)
Total equity and liabilities	(971,216)	(151,275)

This Balance Sheet is an extract from the Irish Water Financial Statements.

Irish Water Financial Summary

Statement of Cash Flows (for the year ended 31 December 2014)

	2014 €'000	2013 €'000
Cash flows from operating activities		
Loss for the year	(138,779)	(71,113)
Adjustments for:		
Depreciation and amortisation	23,425	1,005
Retirement benefit service cost	670	-
Net finance costs	8,780	1,951
Income tax expense	-	2
	(105,904)	(68,155)
Working capital changes:		
Change in trade and other receivables	(13,230)	(43)
Change in trade and other payables	136,670	26,045
Change in deferred income	(64,881)	-
Change in provisions	488	-
Cash used in operating activities	(46,857)	(42,153)
Interest paid	(12,101)	(210)
Income tax paid	(4)	-
Net cash used in operating activities	(58,962)	(42,363)
Cash flows from investing activities		
Payments for property, plant and equipment	(508,407)	(47,696)
Payments for intangible assets	(39,474)	(33,138)
Interest received	34	9
Net cash used in investing activities	(547,847)	(80,825)
Cash flows from financing activities		
Proceeds from borrowings	200,181	159,950
Capital contributions received	407,000	-
Net cash from financing activities	607,181	159,950
Net increase in cash and cash equivalents	372	36,762
Cash and cash equivalents at 1 January/17 July	36,762	-
Cash and cash equivalents at 31 December	37,134	36,762

This Statement of Cash Flows is an extract from the Irish Water Financial Statements.

Corporate Responsibility Review

Ervia is committed to responsible business practice, ensuring that ethical, environmental and social considerations are at the core of our business decisions and key to our business strategy. Corporate Responsibility is an integral part of how we conduct and develop our business in the marketplace, community, workplace and environment we operate in.

Ervia's subsidiary, Gas Networks Ireland, holds the Business Working Responsibly Mark, Ireland's only certification for responsible and sustainable business practices.

Marketplace: Meeting and exceeding customer expectations now and for the future.

Ervia is committed to excellent customer service and support – anticipating customer needs and providing sustainable solutions.

CUSTOMER SUPPORT

Gas Networks Ireland and Irish Water operate Special Services and Priority Services Registers for elderly customers living alone or with minors, visually or hearing impaired customers, and customers with mobility issues or dependent on medical equipment. These registers make special provisions around communications; service delivery and service restrictions or disconnections for vulnerable customers.

SAFETY

Safety is our number one priority and a shared value across Ervia. The Irish natural gas infrastructure is amongst the most modern and safe in the world and in 2014 Gas Networks Ireland continued to promote safety awareness through the media on a number of campaigns including the Gas Emergency Service, Dial-Before-You-Dig, promotion of Registered Gas Installers (RGI) and public awareness on the dangers of Carbon Monoxide and the dangers of meter tampering.

Safety is also at the centre of all Ervia operations in the workplace and a detailed list of safety-related activities carried out in 2014 is available in the Workplace Section.

ACCESSIBILITY

Ervia, through the Gas Networks Ireland Accessibility Programme continues to promote equality, diversity and accessibility. Gas Networks Ireland supports the *National Job Shadow Programme* providing work placements for people with a disability and also works with agents who have a disability on our mystery shopping process. This continues to provide Gas Networks Ireland with valuable insights into best in class customer service for all.

SUSTAINABLE PROCUREMENT

Ervia integrates sustainability into its Procurement and Contract Strategy Management processes. Health, Safety, Quality and Environment; Human Rights and Community Engagement feature as assessment criteria for tenders with a value exceeding €250,000.

Community: putting the communities we work for and operate in at the heart of our business.

In 2014 Ervia continued to build strong relationships in the communities where we operate.

CHARITABLE DONATIONS AND FUNDRAISING

The Ervia Foundation, run by a committee of staff volunteers coordinates philanthropic activity on behalf of Ervia and its staff. In 2014 it allocated over €180,000 to over 60 deserving charities and voluntary organisations through a combination of charity partnerships and staff requests. Staff across the organisation also took part in fundraising and volunteering initiatives throughout the year.

EDUCATION

Gas Networks Ireland is investing in a number of educational initiatives particularly in the areas promoting STEM and literacy; developing life skills and reducing the national average of early school leavers. In 2014 over 2,000 primary school students from over 80 schools in 14 counties participated in the Science Forward Programme and over 600 volunteering hours were delivered through the Time to Read literacy programme to primary school children.

At secondary level, Gas Networks Ireland also continued to work with Junior Achievement Ireland and Skills at Work to inspire and motivate students to realise their potential by valuing education and encouraging them to stay in school. At third level, through the DCU Educational Trust, Gas Networks Ireland also supports two scholarships for students participating in the DCU Access Scholarship Programme for a four year period.

Irish Water increased awareness of water conservation and efficiency through the An Taisce Green-Schools Programme, resulting in 384 million litres of water being saved across 620 schools. In 2014 the programme awarded 220 Green Flags for water and engaged over 122,000 primary and secondary level students across the country.

Workplace: continuing to promote excellence and diversity through our people.

Ervia employees are the driving force behind all of our achievements. Investing in the workplace allows us to attract and retain the best people. Ervia offers employees a safe, modern work environment with excellent career and personal development opportunities.

Safety

Safety is at the centre of all Ervia operations. Our Safety Statement outlines the policies and procedures used to manage the health and safety of employees and others affected by the company's activities and assets. This statement is based on national and international best practice guidelines and is reviewed at regular intervals.

SAFETY MEASUREMENT AND REPORTING

Gas Networks Ireland operates an active hazard identification and reporting system HAZCON, to report and record both minor and serious incidents. In 2014 1,285 hazards were reported by Networks staff and a further 4,541 were reported by contractors. By identifying and eliminating minor issues, the chance of a serious accident is greatly reduced using this system.

Ervia and its businesses operate in compliance with quality procedures and recognised Irish and international standards. Ervia applies its high safety standards to all of its contracting partners with stringent health, safety, quality and environmental criteria. Gas Networks Ireland's transmission operations and gas emergency services are accredited to ISO 9001 standards.

SAFETY TRAINING AND AWARENESS

Dedicated in-house teams of qualified health and safety professionals provide support, training and advice to staff across Ervia to make sure that all aspects of safety are understood and maintained. Separately Gas Networks Ireland has a dedicated training facility to provide employees and contractors working with gas with specialist technical and safety training.

Equal Opportunities & Disability Awareness

Ervia offers equal opportunities to all persons without discrimination. Our Equal Opportunities Policy details the organisation's position on all aspects of employment and requires employees to act fairly and prevent discrimination. Ervia promotes equal employment opportunities to people with disabilities and continues to audit and review its physical environment, staff provisions and services in compliance with the Disability Act of 2005.

Employee Well Being and Development

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

Ervia promotes and facilitates a range of well-being and healthy living initiatives to our staff. In 2014 opportunities included: the seasonal flu vaccine; healthy eating programmes and an Employee Assistance Programme to help staff with both work-related and personal matters.

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

Environment: Safeguarding and protecting our environment.

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

Energy Usage

Ervia has committed support to the EU Energy End Use Efficiency & Energy Services Directive which requires member states to commit to 9% reduction in energy use by 2016.

FLEET CONSUMPTION

In 2014 Gas Networks Ireland Fleet Consumption was 2.01GWh of transport fuels including 1.99GWh of diesel and 0.01GWh of both petrol and CNG. This represents a 1% increase in the previous year's energy intensity. Irish Water's Fleet Consumption was 1.164GWh of transport fuels including 1.129GWh of diesel and 0.035GWh of petrol.

FACILITIES CONSUMPTION

Facilities Consumption for Gas Networks Ireland in 2014 was 3.69GWh of electricity and 2.40GWh of natural gas. This equates to a 10% decrease over the electricity consumption in 2013 and a 1% decrease over the gas consumption in 2012.

Gas Networks Ireland Above Ground Installation (AGI) Consumption 2014 was 3.357GWh of electricity.

In 2014, Irish Water consumed 348GWh of energy. The prime energy uses included water and pumping distribution, water and wastewater treatment and sewage pumping.

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

Energy Management

In 2014, Gas Networks Ireland was successfully certified to ISO50001, the international standard for Energy Management Systems. Gas Networks Ireland also maintains an Environmental Management System certified to ISO14001.

Irish Water commenced an energy management system in 2014 through the formation of a cross functional Energy Management Team and the development of an energy reporting system.

Both Gas Networks Ireland and Irish Water support the National Energy Efficiency Action Plan 2009 – 2020 which commits the utilities to delivering energy efficiency savings of 33% by 2020.



The Board



Rose Hynes, Chairman

Rose Hynes was appointed to the Board in June 2006 and was appointed Chairman in July 2009 and re-appointed Chairman in July 2014. Ms. Hynes chairs the Remuneration Committee. Ms. Hynes, a lawyer, is Chairman of Shannon Group plc since December 2012. She is also a non-executive director of a number of companies including Total Produce plc, One Fifty One plc and Mincon Group plc. Ms. Hynes previously held a number of senior executive positions with GPA Group plc and is a former board member of a number of companies including, Aer Lingus Group plc, Fyffes plc, Concern and Bank of Ireland.



Michael McNicholas, Group CEO

Michael McNicholas was appointed Group CEO of Ervia in May 2013. Prior to joining Ervia Michael held the positions of CEO and Chief Operating Officer during his time at NTR plc, providing broad operational leadership across the Group's businesses. Prior to joining NTR plc in February 2010, Michael worked with ESB for twenty six years. He was an Executive Director for 10 years and held a range of executive responsibilities including Executive Director ESB International, ESB Generation and ESB Supply. Michael has over thirty years experience in the Irish and International energy industry where he has held senior positions with responsibility for general management, delivery of major capital projects, funding, international investments, managing regulatory environments and competing in open energy markets. Michael has a Degree in Engineering from University College Galway. He is a Chartered Member of Engineers Ireland and has completed the Advanced Management Programme at Harvard University. Michael is a member of the board of the Irish Management Institute. He is an executive member of the Ervia Board and a member of the Investment/Infrastructure and the Customer Service committees. Michael is also the Chairman of the Irish Water and Gas Networks Ireland Executive Boards.



Peter Cross

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



Celine Fitzgerald

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



Sean Hogan

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



Mari Hurley

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



Finbarr Kennelly

Finbarr Kennelly was appointed to the Board in December 2012. Mr. Kennelly is a member of the Investment/Infrastructure Committee, the Audit and Finance Committee and the Remuneration Committee. He is currently Finance and Operations Director of Golf Vacations Ireland. Previously he held senior positions with the Gardiner Group, distributors of hardware, hand and power tools. Prior to that Mr. Kennelly served as Financial Controller of telecoms company Alcatel Business Systems Ireland. He is a former board member of The Housing Finance Agency plc and also served as a mentor with Plato Ireland, the support network for SME's. He holds a B. Comm degree and is a fellow of the Chartered Institute of Management Accountants.



Joe O'Flynn

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

The Management Team



MICHAEL McNICHOLAS
Group CEO



LIAM O'RIORDAN
Company Secretary



JOHN BARRY
Managing Director,
Major Projects



LIAM O'SULLIVAN
Managing Director,
Gas Networks Ireland



SEAN CASEY
Group Chief Operations Officer



MICHAEL G. O'SULLIVAN
Group Finance Director



MARGARET LANE
Group Strategic HR Director



JOHN TIERNEY
Managing Director,
Irish Water



JAMES MULDOWNEY
Group Director Strategy
and Corporate Services



RORY WILLIAMS
Group Chief Legal Officer and
Secretariat



BRENDAN MURPHY
Group Commercial and
Regulatory Director

Report of the Board

Year Ended December 31st 2014

The Board presents its report together with the audited financial statements for the year ended December 31st 2014.

Corporate Governance

Ervia and its subsidiary companies have put appropriate measures in place to comply where possible with the Code of Practice for the Governance of State Bodies, 2009 (the "Code of Practice"). The Code of Practice sets out principles of corporate governance which the Boards of State Bodies are required to observe.

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

The UK Corporate Governance Code also sets out standards of good practice in relation to issues such as the role of the Board, remuneration, accountability and audit while the Irish Stock Exchange has also published Listing Rules which contain an Irish Corporate Governance Annex (the "Irish Annex") that supplements the provisions of the UK Corporate Governance Code.

Ervia is a body corporate established under the Gas Act, 1976, and, as a result, is not required to adhere to the UK Corporate Governance Code or the Irish Annex. However, the Board is committed to achieving the highest standards of corporate governance and ethical business conduct and has taken appropriate steps to achieve compliance where possible with the relevant requirements of the UK Corporate Governance Code with a number of exceptions, either due to its corporate structure or recent significant organisational change, which include the following:

Section B: Effectiveness

The Composition of the Board: The composition of the Board is a matter for the Minister. At December 31st 2014 the Board had one executive Member as outlined below.

Appointments to the Board, Commitment and Re-election: The appointment and re-appointment of Board Members and the terms and conditions of their appointment is a matter for the Minister and accordingly Ervia does not have a Nomination Committee.

Evaluation

Internally, the Board has completed annual formal evaluations of its own performance, that of individual Board Members and of its Committees in order to confirm that the Board has the right balance of skills, experience, gender, independence and knowledge of the company, that the Board and Committees continue to perform effectively at a collective level and to verify whether each individual Board and Committee member is contributing effectively and demonstrating commitment to their role.

Given the recent significant and ongoing changes to Ervia's corporate structure it was not deemed appropriate to engage an external facilitator during 2014 to conduct the performance evaluation of the Board. This is addressed under the Board and Committee Evaluation section below.

Section C: Accountability

The Board is required to carry out a comprehensive review of the Annual Report and Financial Statements, taken as a whole, to ensure they are fair, balanced and understandable to provide the information necessary for shareholders to assess the company's performance, business model and strategy. Due to the very significant organisational evolution and strategic change within the organisation at present, Ervia is not in compliance with this requirement at present but we are aiming to achieve full compliance in next year's annual report.

Section D: Remuneration

Level and Components of Remuneration and Procedure: The Remuneration Committee considers and makes recommendations to the Board on the remuneration of the Group Chief Executive. The Board Chairman is also the Chairman of the Remuneration Committee given the importance of compliance by Ervia with Government policy and the role of the Chairman as primary interface with Government. The Committee also considers the policy on determination of senior management remuneration (with the exception of the Group Chief Executive) in accordance with the requirements of the Code of Practice, to set the remuneration of senior management following consultation with the Group Chief Executive and to monitor succession planning of senior management. See further details in Board Members Remuneration Section and note 2 to the financial statements. The remuneration of non-executive Board Members is a matter for the Minister.

Section E: Relations with Shareholders

Constructive use of the AGM: An Annual General Meeting is not held as it is not provided for under the Gas Acts 1976 to 2009.

The Board has also adopted the principles of the Irish Annex with certain exceptions including board composition, appointments, re-election and remuneration as these are matters determined by the Minister and the provisions of the Code of Practice.

A revision to the 2012 version of the UK Corporate Governance Code was published in September 2014, with changes to apply to financial years beginning on or after October 1st 2014. Ervia will report on its compliance with the UK Corporate Governance Code (2014) in next year's annual report. The Irish Annex has not changed as a result of the 2014 revisions to the UK Corporate Governance Code.

2014 Companies Act

The Companies Bill 2012 was signed by the President on December 23rd 2014, and has been enacted as the Companies Act 2014. The Companies Act (Commencement) Order 2015 has been signed and confirms that the vast majority of the Companies Act 2014 which came into operation on June 1st 2015. The Act seeks to restructure, consolidate, simplify and modernise existing company law in Ireland. As Ervia is a body corporate established under the Gas Act 1976, it is not subject to the provisions of the Companies Act. However the Companies Act applies to Ervia's subsidiary companies and the relevant provisions of the Act, once commenced, and their implication for Ervia's subsidiaries will be considered in the 2015 Annual Report.

Additional Compliance Obligations

In addition, Ervia complies with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001. Ervia also meets its obligations under other legislation including the Official Languages Act 2003, the Disability Act 2005 and the Safety, Health & Welfare at Work Act 2005.

During 2014, Ervia implemented a Protected Disclosures Policy in accordance with the requirements of the Protected Disclosures Act 2014 (see section on Protected Disclosures and Raising Concerns below).

Ervia is also committed to protecting the rights and privacy of individuals in accordance with the Data Protection Acts 1988 and 2003 and all associated legislation.

UNITARY BOARD AND BOARD MEMBERSHIP

As outlined in the Chairman's Statement, a unitary board structure was established in 2014, taking responsibility for the governance of Ervia and its subsidiaries.

There were also a number of changes to the Ervia Board membership since the last Annual Report. Imelda Hurley retired from the Board on July 31st 2014. The terms of office of Laurence K. Shields and Aidan Eames expired on June 9th 2014 and the terms of office of Laurence Crowley and Jacqueline Hall expired on November 30th 2014. Peter Cross, Sean Hogan and Celine Fitzgerald were appointed to the Board on January 20th 2015. A short biographical note on each member, which highlights the range of experience they bring to the Board, is set out on page 37 and 38.

At December 31st 2014, the Board comprised the Group Chief Executive and four independent non-executive Board Members (including the Chairman) who are appointed by the Minister. The only executive Board Member was the Group Chief Executive. At the date of approval of the financial statements, there are eight Board Members, three female (including the Chairman) and five male.

THE BOARD

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

The following matters are reserved for Board approval:

- Corporate Plan
- Annual Report and Financial Statements
- Treasury Policy
- Enterprise Risk Management Policy
- General Tendering and Purchasing Procedures
- Review of Effectiveness of System of Internal Control
- Annual Budget
- Expenditure Authorisation Levels Including Terms of Major Contracts

- Code of Conduct
- Disaster Contingency Plans
- Policy on Determination of Senior Management Remuneration
- Appointment, Remuneration and Assessment of Performance of the Group Chief Executive
- Significant Amendments to Pension Benefits of the Group Chief Executive and Staff (which may require Ministerial approval)

The Board is assisted in carrying out its responsibilities by Committees of the Board, whose activities are described under 'Board Committees'.

The Board recognises the need to ensure that Board Members are aware of their statutory and fiduciary responsibilities and that they are kept up to date and fully informed of industry, economic and corporate governance developments and changes in best practice. Training and development requirements are reviewed and agreed with the Chairman.

A comprehensive induction process is in place for new Board Members and a detailed set of briefing papers is issued to all Board Members on their appointment. Briefing meetings with members of Senior Management are also arranged.

The business of the Board is spread evenly across the year in accordance with a programme of work agreed at the beginning of each year. Board papers, which include monthly Management Accounts, relevant contract approvals, Ministerial consent applications and key business updates, are made available to Board Members in electronic form via a secure cloud-based platform in the week prior to Board Meetings which enables them to scrutinise performance against agreed objectives. Throughout their period in office, the Board Members are continually updated on Ervia's business, the competitive and regulatory environments in which it operates, corporate and social responsibility matters and other changes affecting the organisation and the industry as a whole, including changes to the legal and governance requirements of the organisation. Board Members also meet regularly with Senior Management and also have ongoing access to operations and staff via the Senior Management Team. Board papers electronically issued to Board Members prior to each meeting include the minutes of the most recent Committee meetings. If minutes are not available at the time the papers are circulated a verbal update is provided by the Chairman of the Committee at the Board meeting and the Committee minutes are included in the Board

papers for the subsequent Board meeting. The Chairman of each Committee is available to report and answer any questions on the Committees' proceedings at Board meetings, as required.

The Board Members, in the furtherance of their duties can, at the expense of Ervia, take independent professional advice. All Board Members have access to the advice and services of the Company Secretary. Insurance cover is in place to protect Board Members and Officers against liability arising from legal actions taken against them in the course of their duties.

The Roles of the Chairman and the Group Chief Executive

The roles of the Chairman and Group Chief Executive are separate and there is clear division of responsibilities between them.

The Chairman leads the Board in the determination of its strategy, the achievement of its objectives and in defining risk appetite and tolerance. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of all Board Members and constructive relations between the Group Chief Executive and other Board Members and ensures that Board Members receive relevant, accurate and timely information.

The Group Chief Executive has direct charge of Ervia on a day to day basis and is accountable to the Board for financial and operational performance.

The Board has delegated the following responsibilities to the Group Chief Executive:

- the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board;
- implementation of the strategies and policies of the organisation as determined by the Board;
- monitoring the operating and financial results against plans and budgets;
- prioritising the allocation of technical and human resources;
- implementing risk management systems.

The Group Chief Executive is accountable to the Board for all authority delegated to executive management.

SENIOR INDEPENDENT DIRECTOR

Ms. Mari Hurley is the Senior Independent Non-Executive Director. The role of the Senior Independent Non-Executive Director is to provide a sounding board for the Chairman and serve as an intermediary for the other Board Members where necessary.

COMPANY SECRETARY

The Company Secretary's responsibilities include ensuring that Board procedures are followed and applicable rules and regulations are complied with and assisting the Chairman in relation to corporate governance matters.

BOARD MEMBERS' REMUNERATION

The Minister determines the fees payable to Board Members. Board Members' fees and expenses during 2014 are set out below:

Board Member	€
Rose Hynes (Chairman)	31,500
Michael McNicholas (Group Chief Executive)	0*
Laurence Crowley	14,438**
Aidan Eames	6,926**
Imelda Hurley	9,188**
Finbarr Kennelly	15,750
Laurence K. Shields	6,926**
Mari Hurley	15,750
Jacqueline Hall	5,250**
Joe O'Flynn	0***

* Mr. Michael McNicholas does not receive a Board fee in compliance with "Guidelines on Contracts, Remuneration and Other Conditions of Chief Executives and Senior Management of Commercial State Bodies" issued in March 2006.

** The terms of office of Laurence K. Shields and Aidan Eames expired on June 9th 2014 and the terms of office of Laurence Crowley and Jacqueline Hall expired on November 30th 2014. Imelda Hurley retired on July 31st 2014.

*** Mr. Joe O'Flynn opted to waive his Board fee on a discretionary basis.

Expenses paid to Board Members during 2014, which are disclosed in accordance with the Code of Practice, were €133 and related to mileage/other travel and telephone expenses.

BOARD MEMBERS' INDEPENDENCE & DIVERSITY

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

BOARD DIVERSITY

The appointment and re-appointment of Board Members and the terms and conditions of their appointment is a matter for the Minister. In accordance with the Code of Practice where the Chairman is of the view that specific skills are required on the Board, he/she has the opportunity to advise the relevant Minister of this view for consideration sufficiently in advance of a time when Board vacancies are due to arise in order that the Minister may take the Chairman's views into account when making appointments. Where the Chairman is of the view that further diversity including gender diversity is required, a discussion takes place with the Minister.

BOARD AND COMMITTEE EVALUATION

In 2014, Ervia's Board and Committee annual evaluation process was undertaken. The internal process by which the Board and Committee evaluation was undertaken involved the completion by Board Members of a detailed questionnaire examining and rating matters such as Board/Committee competence/composition, process, performance, access to and review of relevant information, understanding of and engagement in company strategy/key issues and risk management. This process is led and reported on by the Company Secretary. A report was then prepared based on this evaluation and provided to the Board for review and implementation. Recommendations included the addition of executive summaries for detailed board papers and a reduction in the length and volume of board papers. In the case of individual Board Members' performance, these evaluations were carried out by means of a one to one session with the Chairman. These evaluations comply, in so far as possible, with the UK Corporate Governance Code. However, as outlined earlier in this report, an external facilitator was not engaged in 2014 to conduct a performance evaluation of the Board as the timing for an external review was not deemed appropriate given the recent significant and ongoing changes to Ervia's corporate structure. It is expected that an external facilitator will be engaged to assist in the 2015 annual performance evaluation of the Board.

The evaluation methodology used is reviewed and refined by the Chairman in consultation with the Company Secretary on an annual basis.

The non-executive Board Members meet annually to carry out a performance evaluation of the Chairman taking into account the views of the Group Chief Executive. The outcome from this review is provided to the Chairman and any matters arising are addressed.

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

ATTENDANCE AT MEETINGS

Board Member	Attendance at Scheduled Meetings	Attendance at Special Meetings
Rose Hynes (Chairman)	10/10	10/10
Michael McNicholas (Group Chief Executive)	10/10	10/10
Laurence Crowley*	8/9 (p)	8/10
Aidan Eames**	5/5 (p)	2/4 (p)
Imelda Hurley***	7/7 (p)	4/5 (p)
Mari Hurley	10/10	10/10
Joe O'Flynn	10/10	7/10
Laurence K. Shields****	5/5 (p)	4/4 (p)
Finbarr Kennelly	10/10	10/10
Jacqueline Hall*****	2/2 (p)	5/5 (p)

(p) refers to the number of meetings it was possible to attend relative to the dates of Board membership/ meeting agenda.

* Mr. Laurence Crowley's term of office expired on November 30th 2014

** Mr. Aidan Eames' term of office expired on June 9th 2014

*** Ms. Imelda Hurley retired on July 31st 2014

**** Mr. Laurence K. Shield's term of office expired on June 9th 2014

***** Ms. Jacqueline Hall's term of Office expired on November 30th 2014

BOARD COMMITTEES

The Board has an effective committee structure to assist in the discharge of its responsibilities, with temporary committees formed from time to time as required to deal with specific matters under defined terms of reference. At December 31st 2014, the Board had four committees, each of which has formal terms of reference.

The following table outlines membership of the committees and attendance at meetings during 2014:

Audit & Finance	Risk	Investment/ Infrastructure	Remuneration
M. Hurley 9/9 (Chairperson)	M. Hurley 3/3 (p) (Chairperson)	J. O' Flynn 5/5 (Chairperson)	R. Hynes (Chairperson) 2/2
F. Kennelly 5/5 (p)	J. O'Flynn 2/3 (p)	F. Kennelly 5/5	A. Eames 2/2
I. Hurley 7/7 (p) (Chairperson for part of year)	A. Eames 2/2 (p)	L. K. Shields 3/3 (p) (Chairperson for part of year)	L. K. Shields 2/2
L. Crowley 7/8 (p)	L. Crowley 4/4 (p)	R. Hynes 5/5	
A. Eames 5/5 (p)	I. Hurley 3/3 (p)	M. McNicholas 2/2 (p)	
J. O'Flynn 6/9	F. Kennelly 5/5	F. Kennelly 3/3 (p)	

(p) refers to the number of meetings it was possible to attend relative to the dates of committee membership.

The table opposite outlines the current membership of the committees as at the date of approval of the financial statements:

Audit & Finance	Risk	Investment/ Infrastructure	Remuneration	Customer Service*
M. Hurley (Chairperson)	S. Hogan (Chairperson)	J.O'Flynn (Chairperson)	R. Hynes (Chairperson)	C. Fitzgerald (Chairperson)
P. Cross	M. Hurley	C. Fitzgerald	M. Hurley	J. O'Flynn
S. Hogan	P. Cross	F. Kennelly	S. Hogan	M. McNicholas
F. Kennelly		M. McNicholas	F. Kennelly	S. Casey (Executive Non-Board Member)

* the Customer Service Committee was established in February 2015 to oversee best practice delivery of customer practice and effective communications with customers and make recommendations to the Board as appropriate regarding the implementation of measures to improve and/or be innovative on customer service.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee currently comprises four independent non-executive Board Members. The Board is satisfied that at all times during the year at least one Member of the Committee had recent and relevant financial experience.

The Committee meets at least quarterly. Meetings are normally attended by the Group Chief Executive and the Group Head of Internal Audit. The Group Finance Director, other executives and representatives of the external auditors may be invited to attend all or part of any meeting. Other non-executive Board members have the right of attendance at meetings.

The Group Head of Internal Audit and the external auditors have full and unrestricted access to the Audit and Finance Committee and the Committee meets separately during the year with the Group Head of Internal Audit and the external auditors, without other executive Board Members or executive management being present. The Group Head of Internal Audit reports to the Audit and Finance Committee on internal audit matters and administratively to the Group Finance Director and also has a direct line of communication with the Group Chief Executive.

The role and responsibilities of the Audit and Finance Committee are set out in its written terms of reference, which are reviewed annually and are available on the corporate website. They include:

- reviewing the annual financial statements and submitting a recommendation to the Board, focusing particularly on changes in accounting policies and practices; major judgemental areas; significant adjusted or unadjusted audit differences; the going concern assumption; compliance with accounting standards; ensuring compliance with legal requirements; consistency of other information presented alongside the financial statements;
- considering and recommending the appointment, reappointment and removal of the External Auditor, the audit fee and any questions of resignation or dismissal;
- developing and implementing a policy on the engagement or the award of contracts to the External Auditor or affiliate for non-audit work, taking into account relevant best practice and ethical guidelines;
- monitoring and reviewing at least annually the performance, qualifications, expertise, resources and independence of the External Auditor and assessing the effectiveness of the external audit process;
- assisting the Board in fulfilling its responsibilities in ensuring the appropriateness and completeness of the system of internal control, reviewing the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems and thereby maintaining an effective system of internal control;

- reviewing and making a recommendation on Ervia's statement on the system of internal financial control prior to endorsement by the Board;
- reviewing the effectiveness of the Internal Audit function on an annual basis;
- monitoring and reviewing the effectiveness of the internal audit programme, ensuring co-ordination between the Internal and External Auditors and ensuring that the internal audit function is adequately resourced and that adequate attention is paid to value for money auditing;
- reviewing the policy by which staff may, in confidence, raise concerns about possible business, financial or other improprieties and ensure that arrangements are in place to investigate such matters;
- considering and making recommendations to the Board on the annual operating plan and budget for Ervia.

In accordance with recommended best practice in corporate governance, there is appropriate overlap between the membership of the Audit and Finance Committee and the Risk Committee. The Audit and Finance Committee carries out its responsibilities in close liaison with the Risk Committee, which advises the Board in establishing the Board's risk appetite and setting standards for the Board's risk control framework. The responsibilities of the Audit and Finance Committee are discharged as detailed below.

The Committee reviews the annual reports as well as any formal announcements relating to the financial statements before submission to the Board. The review focuses in particular on any changes in accounting policy and practices, major judgmental areas (as referred to in Note 30 – Estimates and Judgements) and compliance with legal requirements. The Committee reviews the external audit plan in advance of the audit and meets with the external auditors to review the findings from the audit of the financial statements.

The Committee has a process in place to assess the effectiveness of the external audit process which comprises the completion of a detailed questionnaire by the External Auditors under the headings of qualifications, expertise and resources, effectiveness, independence and leadership which is subsequently reviewed with the auditor and senior management at a meeting of the Committee.

The Committee has a process in place to ensure that the independence of the audit is not compromised, which includes monitoring the nature and extent of services

provided by the external auditors through its annual review of fees paid to the external auditors for audit and non-audit work and obtaining a written statement from the auditors that they are independent in terms of all relevant professional and regulatory requirements. In addition, the Committee has approved a policy on the engagement of the external auditors to provide non-audit services, which delegates responsibility to the Group Finance Director to pre-approve non-audit services performed by the independent auditor subject to a defined maximum spend in a calendar year subject to the principles of independence set out by the accountancy bodies and the Stock Exchange Codes. The Audit and Finance Committee receives a report on a quarterly basis giving details of any non-audit work carried out by the external auditor and the related fees paid for such work.

The UK Corporate Governance Code contains a requirement for FTSE 350 companies to put the external audit contract out to tender at least every ten years; Ervia currently puts its external audit contract out to tender every three years. In August 2014, following a tender process, Ministerial approval was granted for the appointment of Deloitte as auditors for Ervia for a three year term, with the option to extend for up to a further two years, subject to an annual review after the three year period. The Committee receives regular quarterly reports from the Group Head of Internal Audit which include the planned work programme, summaries of the key findings of each internal audit undertaken in the period and a status report on outstanding internal audit recommendations. On an ongoing basis the Committee ensures that this function is adequately resourced and has appropriate standing within the Group.

The Committee conducts, on behalf of the Board, an annual review of the effectiveness of the system of internal controls that includes, financial, operational, compliance controls and risk management. The Committee carries out this responsibility in close liaison with the Board Risk Committee. The results of this assessment are reported to the Board.

The Chairman of the Audit and Finance Committee reports to the Board on all significant issues considered by the Committee. No significant issues arose in relation to the financial statements for the year ended December 31st 2014.

RISK COMMITTEE

The role of the Risk Committee is to assist the Board in the effective discharge of its responsibilities for Ervia enterprise-wide risk management across a universe of risks including, but not limited to, strategic, operational, financial and regulatory. This includes approving and monitoring the organisation's risk management strategy,

risk processes and risk reporting systems. The Group Head of Risk reports directly to the Risk Committee in relation to risk management. In accordance with recommended best practice in corporate governance, there is an appropriate overlap between the membership of the Audit and Finance Committee and the Group Finance Director. The Audit and Finance Committee and Risk Committee carry out their responsibilities independent of each other, both using insights gained from each other on the effectiveness of internal controls over risks.

INVESTMENT/INFRASTRUCTURE COMMITTEE

The Investment/Infrastructure Committee meets at least on a quarterly basis to evaluate new development opportunities, review important contracts and commercial agreements and monitor ongoing projects involving significant capital expenditure. The Committee reports to the Board on a regular basis to ensure that new developments, opportunities and projects meet appropriate criteria including, amongst other considerations, shareholder return expectations.

REMUNERATION COMMITTEE

The Remuneration Committee operates under formal terms of reference, available on the corporate website. They include:

- considering and making recommendations to the Board on the remuneration and other terms and conditions of employment of the Group Chief Executive and any changes thereto;
- implementing any performance-related system in respect of the Group Chief Executive;
- considering the policy on determination of senior management remuneration (with the exception of the Group Chief Executive) in accordance with the requirements of the Code of Practice for the Governance of State Bodies, to set the remuneration of senior management following consultation with the Group Chief Executive; monitoring succession planning of senior management;
- monitoring the development of current and future leaders of the organisation.

The Committee is informed on proposed executive management appointments and is charged with considering a policy on diversity which would be developed by management.

COMMUNICATION WITH THE PRINCIPAL SHAREHOLDER

Through regular contact with the Department of Communications, Energy and Natural Resources, the Department of the Environment, Community and Local Government, the Department of Public Expenditure and Reform, the Department of Finance and NewERA, the Board and management maintain an ongoing dialogue with the principal shareholder on strategic issues to ensure that Board Members are aware of and kept up to date on the views of the shareholder.

PRINCIPAL RISKS AND UNCERTAINTIES

Ervia has a well established enterprise wide risk management process that ensures risks are consistently identified, assessed, recorded and reported across all Business Units and functions. Risk Registers, Risk Radars and Risk Reports are maintained and updated quarterly. The process is overseen by the Risk Committee and is based on both bottom-up and top-down assessments of operational, financial, regulatory, compliance and other business risks.

An ongoing process for identifying, evaluating and managing significant risks has operated throughout the year and up to the date of approval of the financial statements. This process accords with the Turnbull Guidance and the application of the UK Corporate Governance Code and the Irish Corporate Governance Annex.

The risk process has identified the following key risks and uncertainties that may affect the future development of Ervia:

Health, Safety and Environment: A major health, safety or environmental incident could result in injury, loss of life, destruction of facilities or a security of supply issue. Ervia regards health, safety and environmental protection as an integral part of its business practice and is committed to promoting best practice in managing all aspects of operations in a safe and environmentally responsible manner. A comprehensive health, safety and environmental programme in dealing with staff, customers, contractors and the public is in place. Rigorous and regular training takes place across the organisation in accordance with recommended best practice. Each Business Unit within the Group has a dedicated function with experienced staff, best in class systems and a focus on promoting continuous improvement and performance in these areas.

Regulation: Ervia's business activities are subject to a broad range of legislative provisions and regulation. The scope of activities subject to regulation makes this a significant

risk issue for Ervia as changes in the evolving regulatory climate and framework in which Ervia operates may impact unfavourably. The regulatory environment for the Group now includes water services and environmental regulation. Irish Water was established under The Water Services Act (No. 1) 2013, while the Water Services Act (No. 2) 2013 conferred full water services functions on Irish Water from January 1st 2014.

Regulatory risks are managed by senior management within the relevant Business Units through comprehensive licence compliance programmes and through a proactive approach to engaging with the Regulatory Authorities in Ireland, Northern Ireland, Great Britain and the EU on regulatory developments. These activities are overseen by regulatory and risk functions at Business Unit and corporate level to ensure continued compliance with all regulatory requirements.

Financing: Even though conditions for fundraising in financial markets were positive for Ervia in 2014, establishing Irish Water as a national utility and ensuring that financial markets had confidence in Ervia's ability to deliver that utility and its funding model, ensured that managing financial risk remained a significant priority for the Group through 2014. Continuing to develop a sustainable funding model for Irish Water will be a priority for 2015.

Corporate Restructuring: In April 2012, the Government announced the establishment of Irish Water within the Ervia Group. This is one of the largest industry transforming programmes to be undertaken in the history of the State and involves the amalgamation of water services provided by 34 Local Authorities into one national provider. Setting up Irish Water is a complex task and is being undertaken in several phases up to 2017 and requires a corporate restructuring of Ervia. In 2014, *Bord Gáis Networks* was successfully rebranded to Gas Networks Ireland and in January 2015, Gas Networks Ireland was incorporated as a subsidiary of Ervia. During 2015 it is expected that the System Operator Licences of Gaslink and all associated responsibilities will transfer to Gas Networks Ireland, to comply with the Third Gas Directive to facilitate a single European gas market. In addition, during 2014 Ervia has managed the disposal of *Bord Gáis Energy* on behalf of the Government. These major restructuring programmes have been led by individuals who have extensive experience of managing major change programmes. Failure to deliver on this corporate restructuring could lead to both operational and financial issues for Ervia.

Establishing Irish Water as a high performance utility: The establishment of Irish Water as a high performance utility presents a major challenge to Ervia as it is of a size and complexity unparalleled in modern Irish history. There is significant risk associated with setting up an efficient and effective national utility in a "greenfield" scenario. Ervia's enterprise risk management framework has been in place in the Irish Water Programme since June 2012 and this risk management process is being transitioned to the enduring Irish Water organisation, ensuring risks to the successful establishment of a high performance water services utility are identified and managed across all business functions in Irish Water in accordance with the Group risk management framework.

Pensions: Ervia operates a defined benefit pension scheme for its employees. As is common with pension funds, risks to the overall cost of providing the benefits under the pension scheme include changes in long-term interest rates, price and salary inflation, changes in life expectancies and the level of returns achieved on the scheme's assets.

Information Systems: Effective and secure information systems are critical for the efficient management and accurate billing of customers and to support other operational activities. The confidentiality and the integrity of customer and other data is also a priority. Business continuity plans are in place to manage the risk of any significant disruption to the information systems. A dedicated Information Security Team is in place, tasked with monitoring and reviewing adherence to information security policies and controls and data protection legislation, to ensure high standards of information security and data protection expected within Ervia are met. Compliance with data protection legislation is also a priority for Irish Water in establishing a customer database that will allow Irish Water to provide high quality customer service, while protecting the privacy of customers and their data. Investment in systems and new technologies, supported by strong project management, risk assessment and data governance is ongoing. A cyber security risk management project has also been established to identify and manage internet-based threats to the Group.

Economic Climate: Volatile economic and financial market conditions improved significantly from the challenging conditions experienced in 2013. The potential impact of the sovereign credit rating on Ervia's operations and financial results is closely monitored. Risk areas include refinancing, trade guarantees, customer collection, supplier performance and counterparty defaults persist and contingency plans and mitigating actions are in place to address these exposures.

Appropriate actions are being taken by management to mitigate these risks. The enterprise-wide risk process ensures that emerging risks are identified and that all known risks are continually assessed.

Internal Audit and Risk

The Board is responsible for determining the nature and extent of the significant risks it assumes in achieving its strategic objectives. The Board maintains sound risk management and internal control systems in this regard.

In line with best practice, taking account of the complexity and size of the organisation going forward, it was agreed in 2014 to split the Internal Audit and Risk functions.

As a result, the Internal Audit function now report directly to the Group Head of Internal Audit and the Group Head of Internal Audit reports directly to the Audit and Finance Committee. The Group Head of Internal Audit reports to the Group Finance Director in respect of the administration of the function.

A new Group Head of Risk role has been created. All Risk functions now report directly to the Group Head of Risk. The Group Head of Risk reports directly to the Group Finance Director.

Internal Controls

An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of an organisation that, taken together:

- Facilitate effective and efficient operations by enabling the organisation to respond to risks;
- Help ensure the quality of internal and external reporting;
- Help ensure compliance with applicable laws, regulations and internal policies.

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

In order to discharge that responsibility in a manner which ensures compliance with legislation and regulations, the Board has established an organisational structure with clear operating and reporting procedures, secured the services of appropriately qualified personnel, designed suitable lines of responsibility, put in place appropriate authorisation limits, made arrangements in respect of segregation of duties and delegated the necessary authority for decision making.

The system of internal control includes the following:

- Clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Board;
- Comprehensive budgeting systems with an annual budget which is subject to approval by the Board;
- Comprehensive system of financial reporting. Cumulative monthly actual results are reported against budget and considered by the Board on a monthly basis. The Board questions significant changes or adverse variances and remedial action is taken where appropriate;
- Comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require the approval of the Board, and are closely monitored on an ongoing basis by the Investment and Infrastructure Committee of the Board;
- Comprehensive set of management information and performance indicators which are produced quarterly using a series of interrelated balanced scorecards. This enables progress against longer-term objectives and annual budgets to be monitored, trends evaluated and variances acted upon;
- Risk management process which enables identification and assessment of risks that could impact the achievement of agreed business objectives and ensures that appropriate mitigating measures and controls are put in place. The process is led by an Executive Group Risk Management Committee chaired by the Chief Executive with regular reports to the Risk Committee;
- Code of ethics that requires all employees to maintain the highest ethical standards in conducting business;
- Comprehensive anti-fraud programme which includes an anti-fraud policy, employee training and communication and a fraud response plan;
- Responsibility by management at all levels for internal control over their respective business functions;

- Corporate governance framework, which includes risk analysis and financial control review. This is monitored by Internal Audit and Risk, which report to the Audit and Finance Committee and the Risk Committee on an ongoing basis;
- Internal Audit and Risk conducts a systematic review of internal financial controls. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis.

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

In respect of Irish Water, the key control procedures as set out above, including the operation of the Local Authority protocols under the Service Level Agreements which manage the interaction processes between Irish Water and Local Authorities, are continuing to evolve and develop as Irish Water progresses through its establishment phase. Irish Water faces significant challenges in building a completely new water utility, implementing the required systems, processes and procedures necessary to ensure robust internal financial controls while applying Ervia's policies and internal control framework. In this regard, Irish Water currently depends to a significant degree on the controls operated by Local Authorities on its behalf.

A comprehensive internal audit programme was carried out during 2014, and while some issues were noted, these have been, or are being, responded to in an appropriate and timely manner with necessary compensating controls identified in addition to action being taken. Irish Water's control environment requirements have resulted in the need for additional procedures in certain areas, some of which are still in the process of being implemented. However, no issues involving material loss, contingencies or uncertainties were noted by the company during 2014 requiring disclosure in the 2014 financial statements or in the auditor's report on the 2014 financial statements under the requirements of the Code of Practice.

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

- Review and consideration of the programme of Internal Audit and consideration of its reports and findings;
- Review of regular reporting from Internal Audit on the status of the internal control environment, and the status of issues raised previously from their own reports;
- Close liaison with the Risk Committee which reviews Risk Management Activity Reports from the Executive Group Risk Management Committee on risks, controls and implementation status of action plans;
- Review and consideration of the report by the Chief Executive on the effectiveness of the operation of the systems of internal control, both financial and operational;
- Review of reports from the External Auditors which contain details of any material internal financial control issues identified by them in their work as auditors.

Compliance Statement

As noted previously, in developing its Corporate Governance Policy to ensure the Board carries out its role effectively, the Board has sought to give effect both to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance, and with a number of exceptions, to the relevant main and supporting principles of good governance outlined in the UK Corporate Governance Code and associated Irish Corporate Governance Annex.

The Chairman reports to the Minister for Communications, Energy and Natural Resources on compliance with the Code of Practice and the relevant main and supporting principles of the UK Corporate Governance Code and Irish Corporate Governance Annex throughout the financial year under review, with the exception of a number of areas where voluntary compliance with provisions of the UK Corporate Governance Code and Irish Corporate Governance Annex is not, given the manner of appointment of Board Members, the legal and shareholding structure of Ervia and existing Board procedures and the recent significant organisational change, considered appropriate or possible.

Going Concern

The Financial Statements are prepared on a going concern basis as the Board, after making appropriate enquiries, are satisfied that Ervia has adequate resources to continue in operation for the foreseeable future.

Prompt Payments

The Board acknowledges its responsibility for ensuring compliance with the provisions of the EU Directive 2011/7/EC as transposed by the European Communities (Late Payment in Commercial Transactions) Regulations, 2012. Procedures have been put in place to identify the dates upon which invoices fall due for payment and for payments to be made on such dates. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations. The Board is satisfied that Ervia has complied with the requirements of the regulations.

Health and Safety

The well being of Ervia's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes certain requirements on employers and Ervia takes the necessary action to ensure compliance with the Act.

Protected Disclosures and Raising Concerns

The mechanism whereby Ervia's employees can raise concerns which cannot be appropriately addressed through normal channels or make disclosures in the public interest in accordance with the Protected Disclosures Act 2014 is outlined within the Code of Business Conduct for Employees and the Protected Disclosures Policy. All disclosures by employees may be raised to the employee's Line Manager or the Chief Legal Officer in accordance with the procedures set out in the policy.

Interests of Board Members and Company Secretary

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

The Board is satisfied that its Members are free from any business or other relationship that could materially affect, or could appear to affect, the exercise of their independent judgement. Members of the Board may hold directorships

or executive positions or have interests in third party companies, including certain banks and financial institutions, some of which (or their affiliates) may, in the normal course of business, undertake transactions on an arm's length basis with Ervia. It is the practice that all Board members disclose any interest and absent themselves from Board discussions and decisions where they are conflicted or have a direct or indirect interest as required by the Code of Practice. In such cases, a separate record (to which the Board Member would not have access) is maintained. Disclosure is provided, as required, in Note 27 "Related Parties" to the financial statements of related party transactions where the Board Member holds a material interest in the relevant entity. In accordance with company law, details of directorships of limited companies held by members of the Board are filed in the Companies Registration Office.

Accounting Records

The Board has employed accounting personnel with appropriate qualifications and expertise and provided adequate resources to the financial function to ensure compliance with the Board's obligation to keep proper books of account. The books of account of Ervia are held at Webworks, Eglinton Street, Cork.

Political Donations

Ervia did not make any donations to political parties during the year.

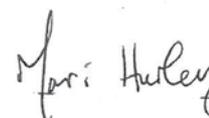
Auditors

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

For and on behalf of the Board:



Chairman



Member of the Board

Board Responsibilities Statement

for the year ended 31 December 2014

The Board is responsible for the preparation of the Annual Report and the accompanying financial statements, which in the opinion of the Board give a true and fair view of the state of affairs of both the Group and the Parent and of the Group's profit for the year. The Board has prepared the financial statements in accordance with applicable Irish law and International Financial Reporting Standards as adopted by the European Union. The Board maintains proper books of account in compliance with the obligations imposed by the Gas Acts 1976 to 2009. The Board is responsible for reviewing the effectiveness of the system of internal controls comprising Financial, Operational, Compliance and Risk Management, and for reporting thereon to the Minister for Communications, Energy and Natural Resources. The Board is also responsible for safeguarding the assets of Ervia and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

In preparing the financial statements, the Board is satisfied that:

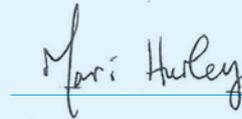
- Suitable accounting policies have been selected and applied consistently.
- Judgements and estimates used are reasonable and prudent.
- Preparation of the financial statements on the going concern basis is appropriate.

FOR AND ON BEHALF OF THE BOARD:

Chairman



Member of the Board



Date of Approval

17th June 2015

Independent Auditor's Report to the Members of Ervia

We have audited the financial statements of Ervia for the year ended 31 December 2014 which comprise the Group Income Statement, the Group Statement of Other Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related Group notes 1 to 31, the Parent Balance Sheet, the Parent Statement of Changes in Equity, the Parent Statement of Cash Flows and the related Parent notes 1 to 16. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the members of Ervia, in accordance with Section 15 of the Gas Act, 1976. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an 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 Ervia and its members, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the Group's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- the Parent Balance Sheet gives a true and fair view, in accordance with IFRSs, as adopted by the European Union, of the state of the affairs of the Parent as at 31 December 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Gas Acts, 1976 to 2009.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Corporate Governance Statement in the Report of the Board on pages 40 to 51 does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

We have nothing to report.

Chartered Accountants and Statutory Audit Firm


Dublin

Date: 17th June 2015

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Board but no control procedures can provide absolute assurance in this area. Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Statement of Accounting Policies

1 BASIS OF PREPARATION

Ervia (formerly *Bord Gáis Éireann*) is a corporate body established under the Gas Act 1976 and is domiciled in Ireland.

The Group financial statements consolidate the financial statements of the Parent and its subsidiaries, (together referred to as 'the Group'), up to 31 December each year. In accordance with IFRS, non-controlled undertakings, as set out in note 28, are not consolidated.

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

The Group and Parent financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as endorsed by the EU, and effective for accounting periods ending on or before 31 December 2014.

The Going Concern Statement in the Report of the Board forms part of the Group financial statements.

In the process of applying these accounting policies, judgements and estimates are necessarily used which affect the amounts recognised in the financial statements. These estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement, complexity or areas where assumptions and estimates are significant to the financial statements are described in note 30 to the financial statements.

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

2 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Table 1: New standards, amendments to standards, and interpretations

Standard/Amendment	Effective Date (as endorsed by the EU)	Endorsed by the EU
IFRS 10 Consolidated Financial Statements	1 January 2014	December 2012
IFRS 11 Joint Arrangements	1 January 2014	December 2012
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014	December 2012
IAS 27 (2011) Separate Financial Statements	1 January 2014	December 2012
IAS 28 (2011) Investments in Associates and Joint Ventures	1 January 2014	December 2012
Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014	December 2012
Amendments to IFRS 10, 11, 12 Transition Guidance	1 January 2014	April 2013
Amendments to IFRS 10, 12 and IAS 27 Investment Entities	1 January 2014	November 2013
Amendment to IAS 36 Impairment of Assets	1 January 2014	December 2013
Amendment to IAS 39 Novation of Derivatives and Hedge Accounting	1 January 2014	December 2013

In the current year, the Group has applied a number of new and revised IFRS, as set out in table 1, that are mandatorily effective under IFRS, as endorsed by the EU, for accounting periods beginning on or after 1 January 2014.

The package of five standards on control, consolidation, joint arrangements, associates and disclosures, comprising IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011), IAS 28 (2011), and the amendments to these standards set out in table 1, became effective on 1 January 2014 under IFRS as endorsed by the EU, with retrospective application for comparative periods presented. IFRS 10 provides a single consolidation model that identifies control as the basis of consolidation for all types of entities. It replaces IAS 27 (2008) and SIC 12. IFRS 11 establishes principles for financial reporting by the parties to a joint arrangement, thereby replacing IAS 31 and amending IAS 28 (2008). IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The application of

Statement of Accounting Policies (continued)

these new standards and amendments to standards did not have a material impact on the Group's financial statements for 2014.

The remaining amendments, annual improvements and interpretations set out in table 1 were applied by the Group from their effective date under IFRS, as endorsed by the EU. The application of these did not have a significant impact on the Group's financial statements.

Table 2: New standards, amendments to standards, and interpretations in issue but not yet effective

Standard/Amendment	IASB Effective Date	Endorsed by the EU
IFRIC 21 Levies	1 January 2014	June 2014
Annual Improvements to IFRS 2011-2013	1 July 2014	December 2014
Annual Improvements to IFRS 2010-2012	1 July 2014	December 2014
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014	December 2014
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	(Outstanding)
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	(Outstanding)
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016	(Outstanding)
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	(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	(Outstanding)
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	(Outstanding)
Amendments to IAS 1: Disclosure Initiative	1 January 2016	(Outstanding)
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016	(Outstanding)
IFRS 15 Revenue from Contracts with Customers	1 January 2017	(Outstanding)
IFRS 14 Regulatory Deferral Accounts	1 January 2016	(Outstanding)
IFRS 9 (2010 and 2009) Financial Instruments	1 January 2018	(Outstanding)

Table 2 sets out the standards, amendments to standards and interpretations that are in issue but are not yet effective under IFRS, as endorsed by the EU, for the year ended 31 December 2014 and thus have not been applied in preparing these financial statements.

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. Subject to EU endorsement, the Group will apply IFRS 9 from its effective date under IFRS, as endorsed by the EU (IASB effective date being 1 January 2018). Application of this standard could have a material impact on the classification and measurement of the Group's financial instruments. The Group continues to assess the impact of adopting the standard while the standard continues through the stages of EU IFRS endorsement.

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective (IASB effective date being 1 January 2017). The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a five step approach to revenue recognition. Under IFRS 15, an entity should recognise revenue when the performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. IFRS 15 provides prescriptive guidance to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. Application of this standard could have a material impact on the amounts reported and disclosures made in the Group's financial statements. However it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group has completed a detailed review.

The remaining IFRS, amendments and annual improvements have not yet been endorsed by the EU, however based on assessment of the IFRS/amendment/annual improvement as currently issued, it is anticipated that the application of these will not have a significant impact on the Group's financial statements.

Statement of Accounting Policies (continued)

3 CERTAIN REMEASUREMENTS AND EXCEPTIONAL ITEMS

As permitted by IAS 1 Presentation of Financial Statements, the Group has disclosed additional information in respect of certain remeasurements and exceptional items on the face of the Income Statement (and in note 7 in respect of discontinued operations) to aid understanding of the Group's financial performance.

Certain remeasurements are remeasurements arising on certain unrealised commodity, interest rate and currency contracts which are accounted for as if held for trading or as fair value hedges and remeasurements arising on any financial instruments accounted for as fair value through profit or loss, in accordance with the Group's policy for such financial instruments. The Group does not use derivatives for speculative purposes. For financial reporting purposes, the Group has classified the remeasurements as either arising from operating activities or financing activities. Operating activities include remeasurements on certain energy commodity contracts falling within the scope of IAS 39 Financial Instruments: Recognition and Measurement and related currency contracts (presented within discontinued operations). Financing activities include remeasurements on financial instruments carried at fair value through profit or loss and certain interest rate contracts not designated as part of an effective hedge relationship and accounted for as if held for trading or as fair value hedges. Further details of derivative financial instruments falling within the scope of IAS 39 are set out in accounting policy 14.

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

4 BASIS OF CONSOLIDATION

i. Business combinations

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

Goodwill is measured at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

ii. Subsidiaries

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

In the Parent financial statements, investments in subsidiaries are carried at cost less any impairment charges.

iii. Transactions eliminated on consolidation

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

iv. Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary and any components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. Any contingent consideration receivable as part of a sale transaction or disposal is recognised at fair value at the sale completion date. Subsequent changes to the fair value of the contingent consideration will be recognised in accordance with IAS 39 in profit or loss.

5 FOREIGN CURRENCY

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

i. Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into

Statement of Accounting Policies (continued)

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

ii. Foreign operations

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

6 PROPERTY, PLANT AND EQUIPMENT

i. Recognition

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

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

ii. Depreciation

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

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

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

Depreciation is not charged on land or assets under construction.

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

iii. Subsequent expenditure

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

iv. Borrowing costs

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

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

7 INTANGIBLE ASSETS

i. Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented within intangible assets. Refer to accounting policy 4 (i) for the measurement of goodwill at initial recognition. Thereafter, goodwill is measured at cost after impairment losses. Refer to accounting policy 8 below for the Group's accounting policy on impairment.

ii. Research and development

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

iii. Wind farm developments

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

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

Statement of Accounting Policies (continued)

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

iv. Software, software under development and other intangible assets

Software costs include both internally developed and externally purchased assets.

Internally developed software refers to costs directly associated with the production of identifiable and unique software products which are controlled by the Group. These costs are recognised as intangible assets as it is considered probable that these products will generate economic benefits exceeding the recognised costs. These costs are capitalised only if the criteria set out in IAS 38 are met. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets.

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

Other intangible assets mainly include externally acquired contractual rights.

v. Amortisation of intangible assets

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

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

vi. Borrowing costs

Refer to accounting policy 6 (iv).

8 IMPAIRMENT OF ASSETS

i. Assets that are not subject to amortisation

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

ii. Assets that are subject to depreciation/amortisation

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

iii. Recognition of an impairment loss

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

iv. Reversal of an impairment loss

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

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

9 ASSETS HELD FOR SALE OR HELD FOR DISTRIBUTION

Non-current assets or disposal groups, comprising assets and liabilities, are classified as held for sale or held for distribution if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale or held for distribution, the assets or components of a disposal group are remeasured in accordance with the Group's other accounting policies. Thereafter, the assets or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated in accordance with the relevant IFRS. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or held for distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

Statement of Accounting Policies (continued)

10 DISCONTINUED OPERATIONS

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

11 LEASES

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

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

Accounting for arrangements that contain a lease

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

12 INVENTORIES

Inventories are measured at the lower of cost and net realisable value, using the first-in, first-out (FIFO) cost formula in line with IAS 2 Inventories. Cost comprises purchase price and all direct

costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the actual or estimated selling price less all costs to be incurred prior to disposal. Specific allowance is made for damaged, deteriorated, obsolete and unusable items where appropriate.

13 DEFERRED COSTS

In 2012, costs that were incurred during that financial year that were directly attributable to Irish Water activities, were deferred on the basis of an ability to recover such costs under future billing or recovery arrangements. This deferral process continued for a period during 2013, until the incorporation of Irish Water, after which deferred costs were recovered as set out in note 27.

14 FINANCIAL ASSETS AND LIABILITIES

i. Derivative financial instruments

Commodity derivatives

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

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

Treasury related derivatives

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

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

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

Statement of Accounting Policies (continued)

(a) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in profit or loss at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the Income Statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in other comprehensive income, is recognised in profit or loss immediately.

(b) Fair value hedges

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

ii. Interest bearing borrowings

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

iii. Non-derivative financial assets and liabilities

Trade and other receivables

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

Impairment losses are recognised where there is objective evidence of a dispute or an inability to pay. An additional allowance is made

on a portfolio basis to cover additional incurred losses based on an analysis of previous losses experienced and adjusted to reflect current economic conditions.

Cash and cash equivalents

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

Trade and other payables

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

Available-for-sale financial assets

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

15 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The associated financing charge is recognised in finance costs.

i. Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

ii. Environmental and decommissioning

Provision is made for estimated decommissioning costs at the end of the estimated useful lives of power generating assets on a discounted basis based on price levels and technology at the reporting date. Changes in these estimates and changes to the

Statement of Accounting Policies (continued)

discount rates are accounted for prospectively and included in the cost of the asset. Capitalised decommissioning costs are depreciated over the estimated useful lives of the related assets.

Provision is also made for estimated costs to decontaminate legacy Gas Works sites, obligations for site remediation and costs to be incurred in compliance with environmental regulations and constructive obligations.

16 GRANTS

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

17 CAPITAL STOCK

The units of capital stock are valued at the price at which they were issued to the Department of Finance, the Department of Communications, Energy and Natural Resources and *Bord Gáis* Employee Share Ownership Trust (ESOT).

18 REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services in the normal course of business, net of discounts, VAT and other sales related taxes.

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

Gas and electricity revenue is recognised on consumption of the product. Transportation capacity revenue (billed and unbilled) is recognised in line with the underlying contract while any related commodity revenue is recognised based on throughput for the period for each customer.

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

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

19 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated before net finance costs and taxation.

20 NET FINANCE COSTS

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

Finance costs comprise interest payable on borrowings, financing charge on provisions, impairment losses recognised on financial assets (other than trade receivables) and net pension interest costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. The pension net interest cost is calculated by applying the discount rate at the beginning of the period to the net defined liability or asset.

Fair value adjustments on financing instruments that are recognised in profit or loss are presented as finance income or finance costs (as appropriate) and are classified as certain remeasurements (refer to accounting policy 3 above for further detail).

21 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.

Statement of Accounting Policies (continued)

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

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

22 RETIREMENT BENEFIT OBLIGATIONS

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

i. Defined benefit pension schemes

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

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

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

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

ii. Defined contribution pension schemes

A defined contribution scheme is a post-employment scheme under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The contributions payable under the defined contribution schemes are charged to profit or loss in the periods during which services are rendered by employees.

23 SHARE BASED PAYMENTS

Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The

awards are subject to non-market vesting conditions. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss immediately to the extent that it relates to current or prior periods, with a corresponding adjustment to reserves.

24 EMISSIONS ALLOWANCES

As emissions arise, a provision is recorded in profit or loss to reflect the amount required to settle the liability to the Environmental Protection Agency (EPA). This provision will include the carrying value of any allowances procured, as well as the current market value of any additional allowances required to settle the obligation. These allowances are returned to the EPA within four months of the end of that calendar year, in order to cover the liability for actual emissions of CO₂ during that year.

In accordance with the provisions of the EU CO₂ Emissions Trading Scheme, emissions allowances covering a percentage of the expected emissions during the year were granted to the Group at the beginning of 2012, by the EPA.

25 NON-GAAP MEASURES

EBITDA is defined as earnings before interest, tax, depreciation and amortisation. The Group uses EBITDA before certain remeasurements and exceptional items (non-GAAP measure) to provide useful performance and liquidity information to management, stockholders and external stakeholders.

Group Income Statement (for the year ended 31 December 2014)

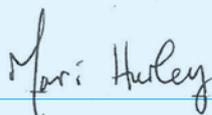
		Before certain remeasurements and exceptional items	Certain remeasurements and exceptional items (note 4)	Results for the year	Before certain remeasurements and exceptional items	Certain remeasurements and exceptional items (note 4)	Results for the year
	Notes	2014	2014	2014	2013	2013	2013
		€'000	€'000	€'000	€'000	€'000	€'000
Continuing operations							
Revenue	1	505,879	-	505,879	504,910	-	504,910
Operating costs (excluding depreciation and amortisation)	2	(168,832)	(7,118)	(175,950)	(159,231)	(9,654)	(168,885)
Operating profit/(loss) before depreciation and amortisation (EBITDA)		337,047	(7,118)	329,929	345,679	(9,654)	336,025
Depreciation and amortisation	3	(133,294)	-	(133,294)	(115,309)	-	(115,309)
Operating profit/(loss)		203,753	(7,118)	196,635	230,370	(9,654)	220,716
Finance income	5	30	-	30	618	6,524	7,142
Finance costs	5	(66,320)	(1,291)	(67,611)	(72,186)	-	(72,186)
Net finance (costs)/income	5	(66,290)	(1,291)	(67,581)	(71,568)	6,524	(65,044)
Profit/(loss) before income tax		137,463	(8,409)	129,054	158,802	(3,130)	155,672
Income tax (expense)/credit	6	(26,939)	1,051	(25,888)	(36,105)	391	(35,714)
Profit/(loss) for the year from continuing operations		110,524	(7,358)	103,166	122,697	(2,739)	119,958
Discontinued operations							
Result from discontinued operations before tax impacts on sale and reclassifications of reserves	7	-	(9,914)	(9,914)	6,888	(295,999)	(289,111)
Tax on disposal of discontinued operations	7	-	(7,642)	(7,642)	-	-	-
Reclassification of reserves to Income Statement	7	-	(24,912)	(24,912)	-	-	-
Result from discontinued operations	7	-	(42,468)	(42,468)	6,888	(295,999)	(289,111)
Profit/(loss) for the year		110,524	(49,826)	60,698	129,585	(298,738)	(169,153)
Profit/(loss) attributable to:							
Owners of the Parent		110,524	(49,826)	60,698	129,585	(298,738)	(169,153)
Profit/(loss) for the year		110,524	(49,826)	60,698	129,585	(298,738)	(169,153)

FOR AND ON BEHALF OF THE BOARD:

Chairman



Member of the Board



Date of Approval

17th June 2015

As described in note 28, the financial statements of Irish Water are not consolidated with the results of the Group.

Group Statement of Other Comprehensive Income (for the year ended 31 December 2014)

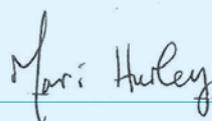
		2014	2013
	Notes	€'000	€'000
Profit/(loss) for the year		60,698	(169,153)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial losses	19	(47,107)	(8,355)
Deferred tax credit relating to defined benefit obligations	13	5,888	1,044
Total items that will not be reclassified to profit or loss		(41,219)	(7,311)
Items that may be reclassified subsequently to profit or loss:			
Translation differences on consolidation of foreign subsidiaries		1,315	302
Translation differences on consolidation of foreign joint ventures	11	-	(45)
Net change in fair value of cash flow hedges	23	1,878	19,721
Deferred tax on cash flow hedge movement	13	(235)	(2,466)
Total items that may be reclassified subsequently to profit or loss		2,958	17,512
Total other comprehensive (expense)/income for the year, net of income tax		(38,261)	10,201
Total comprehensive income/(expense) for the year		22,437	(158,952)
Analysed as:			
Continuing operations		69,416	120,198
Discontinued operations		(46,979)	(279,150)
Total operations		22,437	(158,952)
Total comprehensive income/(expense) attributable to:			
Owners of the Parent		22,437	(158,952)
Total comprehensive income/(expense) for the year		22,437	(158,952)

FOR AND ON BEHALF OF THE BOARD:

Chairman



Member of the Board



Date of Approval

17th June 2015

As described in note 28, the financial statements of Irish Water are not consolidated with the results of the Group.

Group Balance Sheet (as at 31 December 2014)

	Notes	31-Dec-14 €'000	31-Dec-13 €'000
Assets			
Non-current assets			
Property, plant and equipment	9	2,537,338	2,555,285
Intangible assets	10	37,473	52,143
Investment in joint ventures	11	-	-
Financial asset investments	12	-	-
Trade and other receivables	15	25,026	-
Derivative financial instruments	23	27,943	-
Deferred tax assets	13	770	5,284
Total non-current assets		2,628,550	2,612,712
Current assets			
Inventories	14	1,581	470
Trade and other receivables	15	94,059	58,710
Cash and cash equivalents	16	105,997	56,083
Restricted deposits	16	32,400	33,380
Derivative financial instruments	23	170	-
Current tax assets	13	6,126	1,438
Assets held for sale	8	-	1,389,554
Total current assets		240,333	1,539,635
Total assets		2,868,883	4,152,347
Equity and liabilities			
Equity			
Capital stock	17	-	(100,000)
Capital premium	17	-	(29,426)
Other reserves		6,117	13,586
Retained earnings		(1,115,299)	(1,208,870)
		(1,109,182)	(1,324,710)
Reserves relating to disposal group classified as held for sale	8	-	20,401
Total equity attributable to equity holders of the Parent		(1,109,182)	(1,304,309)
Liabilities			
Non-current liabilities			
Borrowings and other debt	18	(1,069,946)	(1,219,550)
Retirement benefit obligations	19	(84,777)	(49,066)
Deferred revenue and government grants	20	(89,728)	(96,254)
Provisions	21	(14,511)	(12,651)
Trade and other payables	22	(38,251)	(13,196)
Derivative financial instruments	23	(20,011)	(34,570)
Deferred tax liabilities	13	(199,291)	(198,890)
Total non-current liabilities		(1,516,515)	(1,624,177)
Current liabilities			
Borrowings and other debt	18	(72,209)	(548,255)
Deferred revenue and government grants	20	(10,908)	(11,669)
Provisions	21	(3,921)	(6,641)
Trade and other payables	22	(156,148)	(160,179)
Derivative financial instruments	23	-	(6,960)
Liabilities held for sale	8	-	(490,157)
Total current liabilities		(243,186)	(1,223,861)
Total liabilities		(1,759,701)	(2,848,038)
Total equity and liabilities		(2,868,883)	(4,152,347)

FOR AND ON BEHALF OF THE BOARD:

Chairman



Member of the Board



Date of Approval

17th June 2015

As described in note 28, the financial statements of Irish Water are not consolidated with the results of the Group.

Group Statement of Changes in Equity (for the year ended 31 December 2014)

	Capital stock	Capital premium	Cash flow hedge reserve	Translation reserve	Total other reserves	Retained earnings	Reserves relating to disposal group classified as held for sale	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2013	100,000	29,426	(50,846)	(653)	(51,499)	1,436,891	-	1,514,818
Loss for the year	-	-	-	-	-	(169,153)	-	(169,153)
Other comprehensive income/ (expense) for the year, net of income tax	-	-	17,255	257	17,512	(7,311)	-	10,201
Total comprehensive income/ (expense) for the year	-	-	17,255	257	17,512	(176,464)	-	(158,952)
Reclassification as reserve relating to disposal group classified as held for sale	-	-	19,219	1,182	20,401	-	(20,401)	-
Dividends paid	-	-	-	-	-	(51,557)	-	(51,557)
Balance at 31 December 2013	100,000	29,426	(14,372)	786	(13,586)	1,208,870	(20,401)	1,304,309
Profit for the year	-	-	-	-	-	60,698	-	60,698
Other comprehensive income/ (expense) for the year, net of income tax	-	-	1,643	1,315	2,958	(41,219)	-	(38,261)
Total comprehensive income for the year	-	-	1,643	1,315	2,958	19,479	-	22,437
Own shares acquired	-	-	-	-	-	(53,600)	-	(53,600)
Capital stock amendment scheme (note 17)	(100,000)	(29,426)	-	-	-	129,426	-	-
Equity reserves reclassified to the Income Statement	-	-	3,956	555	4,511	-	20,401	24,912
Dividends declared	-	-	-	-	-	(188,876)	-	(188,876)
Balance at 31 December 2014	-	-	(8,773)	2,656	(6,117)	1,115,299	-	1,109,182

All attributable to equity holders of the Parent.

As described in note 28, the financial statements of Irish Water are not consolidated with the results of the Group.

Group Statement of Cash Flows (for the year ended 31 December 2014)

	Notes	2014	2013
		€'000	€'000
Continuing operations			
Cash flows from operating activities			
Profit/(loss) for the year		60,698	(169,153)
Adjustments for:			
Depreciation and amortisation	3	133,294	115,309
Gain on sale of property, plant and equipment		(27)	(55)
Net finance costs	5	67,581	65,044
Income tax expense	6	25,888	35,714
Results from discontinued operations	7	42,468	289,111
Exceptional items	4	-	9,654
		329,902	345,624
Working capital changes:			
Change in inventories		(1,107)	3,451
Change in trade and other receivables		(22,205)	(5,289)
Change in trade and other payables		(42,780)	23,234
Change in deferred revenue		(3,576)	(17,753)
Cash outflows in respect of:			
- Restructuring provision	21	(614)	(533)
- Other provisions	21	(82)	(145)
Change in self-insured claims provision	21	412	734
Cash generated from operating activities		259,950	349,323
Interest paid		(64,182)	(75,729)
Income tax paid		(20,858)	(12,384)
Net cash generated from operating activities		174,910	261,210
Cash flows from investing activities			
Proceeds from sale of Energy division	7	941,631	-
Tax on disposal of discontinued operations	7	(7,642)	-
Proceeds from sale of property, plant and equipment		101	118
Movements in restricted deposits		25	(8,936)
Payments for property, plant and equipment		(91,115)	(96,201)
Payments for intangible assets		(2,691)	(6,594)
Interest received		30	132
Net cash from/(used in) investing activities		840,339	(111,481)

Group Statement of Cash Flows (continued)

	Notes	2014	2013
		€'000	€'000
Cash flows from financing activities			
Repurchase of share capital	17	(14,364)	-
Proceeds from borrowings		-	100,000
Repayment of borrowings		(690,739)	(398,336)
Loans advanced		(89,478)	(62,461)
Dividends paid	17	(171,000)	(51,557)
Net cash used in financing activities		(965,581)	(412,354)
Net increase/(decrease) in cash and cash equivalents	16	49,668	(262,625)
Cash and cash equivalents at 1 January	16	56,083	318,731
Effect of exchange rate fluctuations on cash held	16	246	(23)
Cash and cash equivalents at 31 December		105,997	56,083
Discontinued operations			
Net cash generated from operating activities	7	83,629	100,460
Net cash used in investing activities	7	(196,465)	(144,168)
Net cash from financing activities	7	85,862	52,486
Net (decrease)/increase in cash and cash equivalents		(26,974)	8,778
Cash and cash equivalents at 1 January	7	26,695	18,209
Effect of exchange rate fluctuations on cash held	7	279	(292)
Cash and cash equivalents at 31 December		-	26,695
Total operations			
Net cash generated from operating activities		258,539	361,670
Net cash from/(used in) investing activities		643,874	(255,649)
Net cash used in financing activities		(879,719)	(359,868)
Net increase/(decrease) in cash and cash equivalents		22,694	(253,847)
Cash and cash equivalents at 1 January		82,778	336,940
Effect of exchange rate fluctuations on cash held		525	(315)
Cash and cash equivalents at 31 December		105,997	82,778

As described in note 28, the financial statements of Irish Water are not consolidated with the results of the Group.

1. Segmental Information

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

The Group's operating segments are therefore those used internally by the Board to run the business and make strategic decisions. The operating segments are also the Group's reportable segments.

The Group's operating segments along with the types of products and services from which each reportable segment derives its revenues, are as follows:

Segment	Geographical location	Description of products and services
Networks	Ireland and UK	The Networks segment, on behalf of Gaslink, develops, operates and maintains the natural gas transmission and distribution networks in the Republic of Ireland and provides gas transportation services to suppliers and shippers including the Group's discontinued Energy segment. Prior to the Energy sale, the Networks segment was ring-fenced through regulation from the Group's generation and supply business and all services provided were on an arm's length basis. The Networks segment also operates and owns the two Interconnector gas pipelines between Scotland and Republic of Ireland and has network infrastructure assets in Northern Ireland and the Isle of Man. Revenues are principally derived from gas transportation services.
Energy (discontinued operations)	Ireland and UK	The Energy segment is a dual-fuel, all-island business that serves its customer base with exemplary service at a competitive price, procuring energy efficiently on wholesale markets and investing in energy assets. In March 2014, <i>Bord Gáis Éireann</i> signed a Sale and Purchase Agreement (SPA) in respect of the disposal of the Energy segment. The sale process concluded in June 2014. Up to June 2014 revenues were principally derived from sales to gas and electricity customers. The Energy segment was ring-fenced through regulation from the Group's Networks segment and all services procured/provided were on an arm's length basis.
Ancillary	Ireland	Ancillary business includes areas not falling within the Networks and Energy segments. Most notably this includes; <ul style="list-style-type: none"> ■ Gaslink, the independent system operator of the natural gas transmission and distribution network, ■ Shared Services, providing transactional support services in the areas of finance, accounts payable, procurement, payroll, human resources, facilities and IT support to the Group, ■ Group centre consisting of CEO's office, Group Finance, Group HR, Legal, Strategy and Commercial Regulation.

In accordance with IFRS 10, the financial statements of Irish Water are not consolidated with the results of the Group (as further explained in note 28). Consequently, Irish Water is not an operating segment of the Group, and thus is not included in this note.

1. Segmental Information (continued)

(A) REVENUE BY SEGMENT

	Gross segment revenue	Inter segment revenue	Group revenue	Gross segment revenue	Inter segment revenue	Group revenue
	2014	2014	2014	2013	2013	2013
	€'000	€'000	€'000	€'000	€'000	€'000
Continuing operations						
Networks revenue	505,662	-	505,662	504,681	-	504,681
Ancillary revenue	3,449	3,232	217	2,376	2,147	229
Total continuing operations	509,111	3,232	505,879	507,057	2,147	504,910
Discontinued operations						
Energy revenue						
- retail	665,248	44,864	620,384	1,461,835	130,182	1,331,653
- generation	90,996	83,796	7,200	228,266	207,239	21,027
Total discontinued operations	756,244	128,660	627,584	1,690,101	337,421	1,352,680
Total operations	1,265,355	131,892	1,133,463	2,197,158	339,568	1,857,590

In line with the requirements of IFRS 5, inter segment revenue, which will continue to be recognised by the Group, is presented in continuing operations and as such is not eliminated in the above table.

External revenue split by geographic location is as follows:

	2014	2013
	€'000	€'000
Ireland	1,010,855	1,681,050
UK (including Northern Ireland and Isle of Man)	122,608	176,540
Total	1,133,463	1,857,590

The Group is not reliant on any major external customers.

1. Segmental Information (continued)

(B) OPERATING PROFIT/(LOSS)

Operating profit/(loss) by segment before depreciation and amortisation (EBITDA)

The primary measure of profit used by the Board in assessing business performance is operating profit before depreciation and amortisation (EBITDA).

	2014	2013
	€'000	€'000
Networks	337,399	348,428
Ancillary	(352)	(2,749)
Continuing segment results	337,047	345,679
Certain remeasurements and exceptional items	(7,118)	(9,654)
Total continuing operations	329,929	336,025
Energy - discontinued operations	-	90,907
Certain remeasurements and exceptional items - discontinued operations	62,026	-
Total operations	391,955	426,932

Operating profit/(loss) by segment (before interest and tax)

The Board also assesses operating profit/(loss) of the Group before the impact of certain remeasurements and exceptional items.

	2014	2013
	€'000	€'000
Networks	210,310	233,138
Ancillary	(6,557)	(2,768)
Continuing segment results	203,753	230,370
Certain remeasurements and exceptional items	(7,118)	(9,654)
Total continuing operations	196,635	220,716
Energy - discontinued operations	-	22,800
Certain remeasurements and exceptional items - discontinued operations	69,957	(241,588)
Total discontinued operations	69,957	(218,788)
Total operations	266,592	1,928

(C) ASSETS AND LIABILITIES

Segmental analysis of assets and liabilities is not disclosed as this information is not presented to the Board.

(D) CAPITAL EXPENDITURE

	Capital additions to property, plant and equipment (note 9)		Capital additions to intangible assets (note 10)	
	2014	2013	2014	2013
	€'000	€'000	€'000	€'000
Networks	90,749	95,101	2,793	4,688
Ancillary	2,448	1,597	12	-
Total continuing operations	93,197	96,698	2,805	4,688
Energy - discontinued operations	-	137,410	-	15,527
Total operations	93,197	234,108	2,805	20,215

(E) DEPRECIATION AND AMORTISATION, INCLUDED WITHIN OPERATING PROFIT

	2014	2013
	€'000	€'000
Networks	127,089	115,290
Ancillary	6,205	19
Total continuing operations	133,294	115,309
Energy - discontinued operations	-	68,107
Total operations	133,294	183,416

1. Segmental Information (continued)

(F) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

	2014	2013
	€'000	€'000
Networks	22	-
Ancillary	67	-
Total continuing operations	89	-
Energy - discontinued operations	3,684	249,080
Total operations	3,773	249,080

Impairment losses recognised by the Group during 2014 were impairments of trade receivables (refer to note 23 for further details on continuing operations).

(G) NON-CURRENT ASSETS BY GEOGRAPHIC LOCATION

	31-Dec-14	31-Dec-13
	€'000	€'000
Ireland	2,275,598	2,281,390
UK (including Northern Ireland and Isle of Man)	324,239	326,038
Total	2,599,837	2,607,428

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

2. Operating Costs (excluding depreciation and amortisation)

	2014	2013
	€'000	€'000
Payroll expense	75,763	80,282
Impairment of trade receivables	3,773	8,237
Other operating costs	153,007	195,858
Total operations	232,543	284,377
Analysed as:		
Continuing operations	168,832	159,231
Discontinued operations	63,711	125,146
Total operations	232,543	284,377

PAYROLL COSTS

	2014	2013
	€'000	€'000
Wages and salaries	77,880	84,287
Social welfare costs	8,428	8,949
Pension costs - defined benefit plans	9,766	10,285
Pension costs - defined contribution plans	447	355
	96,521	103,876
Capitalised payroll and other payroll transfers*	(20,758)	(23,594)
Payroll costs charged to profit or loss	75,763	80,282

* Included in other payroll transfers are transfers of payroll costs in respect of Irish Water related activities (as set out in note 27) and in respect of the sale of the Energy business (accounted for as "costs to sell" in accordance with IFRS 5).

2. Operating Costs (continued)

AVERAGE NUMBER OF EMPLOYEES IN YEAR, ANALYSED BY CATEGORY, INCLUDING TEMPORARY EMPLOYEES:

	2014	2013
Networks	531	579
Group Centre	86	61
Shared Services Centre	167	-
Ancillary	130	118
Energy - discontinued operations	216	445
Total	1,130	1,203

OPERATING COSTS ARE STATED AFTER CHARGING:

	2014	2013
	€'000	€'000
Auditor's remuneration*		
- statutory audit services	154	360
- other audit related assurance services	186	124
Total assurance services	340	484
- tax advisory services	46	15
- other non audit services	213	517
Total non audit services	259	532
Total	599	1,016

* Irish Water Auditor's remuneration fees are not included in the above disclosure as the financial statements of Irish Water are not consolidated with the results of the Group.

BOARD MEMBERS' EMOLUMENTS

	2014	2013
	€'000	€'000
- fees	106	120
- remuneration of the Chief Executive**	334	218
Total	440	338

DETAILS OF THE ALL-IN COST OF THE REMUNERATION PACKAGE OF THE CHIEF EXECUTIVE IS MADE UP AS FOLLOWS:

	2014	2013
	€'000	€'000
Chief Executive's annual basic salary**	250	164
Actual payments under performance related pay scheme	-	-
Other benefits including pension costs, cost of company car, holiday pay and health insurance	84	54
Total	334	218

**Remuneration details for 2013 relate to the current Chief Executive who commenced office on 7 May 2013.

3. Depreciation and Amortisation

	2014	2013
	€'000	€'000
Depreciation	121,721	166,701
Amortisation of intangible assets	17,425	22,427
Grant amortisation	(5,852)	(5,712)
Total operations	133,294	183,416
Analysed as:		
Continuing operations	133,294	115,309
Discontinued operations	-	68,107
Total operations	133,294	183,416

4. Certain Remeasurements and Exceptional Items

Continuing operations		2014	2013
		€'000	€'000
Operating costs	(a)	(7,118)	(9,654)
Impact on operating profit/ (loss) before depreciation and amortisation (EBITDA)		(7,118)	(9,654)
Net changes in fair value of financing derivatives	(b)	(1,291)	6,524
Impact on net finance (costs)/ income		(1,291)	6,524
Impact on profit/(loss) before income tax		(8,409)	(3,130)
Taxation impact of certain remeasurements and exceptional items		1,051	391
Impact on profit/(loss) for the year		(7,358)	(2,739)

- (a) During 2014 the Group completed a number of restructuring activities in respect of the significant structural changes that the Group is currently undergoing, in terms of the incorporation of the Networks business and the integration of the Water business into the Group's structures. These activities included the appraisal of future funding structures and IT business separation.
- (b) Financing activities include remeasurements on certain unrealised interest rate contracts not designated as part of an effective hedge relationship and accounted for as if held for trading or as fair value hedges and remeasurements arising on any financial instruments of a financing nature that are accounted for as fair value through profit or loss. Further details on derivative financial instruments falling within the scope of IAS 39 are set out in accounting policy 14.

Discontinued operations		2014	2013
		€'000	€'000
Result from discontinued operations before tax impacts on sale and reclassifications of reserves - note 7 ¹	(c)	(9,914)	(289,111)
Equity reserves recycled to the Income Statement on disposal of <i>Bord Gáis Energy</i>	(d)	(24,912)	-
Impact on result before income tax on disposal		(34,826)	(289,111)
Taxation impact of disposal	(e)	(7,642)	-
Impact on result for the year		(42,468)	(289,111)

¹ The prior year comparative includes both the operational profit of €6.9 million and certain remeasurements and exceptional items loss of €296.0 million for discontinued operations.

- (c) The result from discontinued operations of €9.9m, as analysed in further detail in note 7, is stated before the impact of the reclassification of reserves to the Income Statement and before the taxation impacts of the disposal.

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

- The price mechanism negotiated with the consortium of buyers provided for the risks and rewards of ownership to transfer to the Energy consortium from 01 January 2014, save to the extent that the operational performance of the Energy business differed from the operational performance targets in the period to completion as set out in the share purchase agreement;
- Notwithstanding the above economic fact pattern, the Group was required to continue to consolidate the results of the Energy business during the period from 01 January 2014 to sale completion on 30 June 2014 in accordance with IFRS requirements.

4. Certain Remeasurements and Exceptional Items (continued)

The result of €9.9 million is primarily attributable to the operational performance of the Energy business being lower than expected during the period 01 January 2014 to sale completion on 30 June 2014.

- (d) The disposal of the Energy business resulted in the reclassification to the Income Statement (with no impact on net assets) of €24.9 million previously recognised directly in reserves in respect of interest rate and foreign exchange derivatives and foreign currency translation. In accordance with IFRS requirements, these losses previously recognised in the Group Statement of Other Comprehensive Income are reclassified to the Group Income Statement on the disposal of the Energy business.
- (e) The transfer of certain assets as part of the pre sale restructuring resulted in a capital gains tax (CGT) charge of €7.6m. This CGT was as a result of the Gas Regulation 2013 Act which provides that capital gains tax group relief would not apply on the transfer of these assets.

5. Net Finance Costs

	2014	2013
	€'000	€'000
Finance income		
Interest income on short-term deposits	34	633
Net changes in fair value of financing derivatives	-	7,482
Total finance income	34	8,115
Finance costs		
Interest on borrowings	(54,249)	(76,521)
Interest capitalised	432	10,335
Financing charge	(728)	(1,330)
Net interest on the net defined benefit liability	(996)	(1,336)
Other finance costs	(15,052)	(13,874)
Net changes in fair value of financing derivatives	(1,660)	-
Total finance costs	(72,253)	(82,726)
Finance income	34	8,115
Finance costs	(72,253)	(82,726)
Net finance costs	(72,219)	(74,611)
Analysed as:		
Continuing finance income	30	618
Continuing finance costs	(66,320)	(72,186)
Continuing certain remeasurements and exceptional items	(1,291)	6,524
Total from continuing operations	(67,581)	(65,044)
Discontinued net finance costs	-	(10,525)
Discontinued certain remeasurements and exceptional items	(4,638)	958
Total operations	(72,219)	(74,611)

Refer to note 23 for details of finance income/costs recognised in the Statement of Other Comprehensive Income.

6. Income Tax Expense

	2014	2013
	€'000	€'000
Current tax expense		
Current tax	14,194	11,343
Adjustments in respect of previous years	(642)	309
	13,552	11,652
Deferred tax expense		
Origination and reversal of temporary differences	15,812	11,256
Adjustments in respect of previous years	482	1,128
	16,294	12,384
Total expense	29,846	24,036

RECONCILIATION OF EFFECTIVE TAX RATE

	2014	2013
	€'000	€'000
Profit before tax	129,054	155,672
Result of discontinued operations before tax	(30,868)	(300,789)
Add: After tax share of loss of joint ventures	-	377
Profit/(loss) before tax (excluding share of loss of joint ventures)	98,186	(144,740)
Taxed at 12.5% (2013: 12.5%)	12,273	(18,093)
Expenses not deductible for tax purposes	4,868	6,210
Impact of disposal/Impairment losses not deductible for tax purposes	8,910	19,054
Tax effect of additional losses forward/additional liabilities due	(47)	665
Tax clawback on investment in renewable energy	-	5,066
Income not taxable	(500)	(782)
Profits/(losses) taxed at higher rates	4,430	7,175
Exchange adjustments	72	149
Effect of tax rate change	-	3,155
Adjustments to tax charge in respect of previous years	(160)	1,437
Income tax expense	29,846	24,036
Analysed as:		
Current tax expense	13,146	12,768
Deferred tax expense	12,742	22,946
Continuing operations	25,888	35,714
Current tax expense/(credit)	406	(1,116)
Deferred tax expense/(credit)	3,552	(10,562)
Discontinued operations	3,958	(11,678)
Total operations	29,846	24,036

Refer to the Group Statement of Other Comprehensive Income for details of the tax impacts therein. Refer to note 7 for tax impact of discontinued operations.

7. Discontinued Operations

In March 2014, *Bord Gáis Éireann* signed a Sale and Purchase Agreement (SPA) in respect of the disposal of *Bord Gáis Energy* to a consortium comprising Centrica plc, Brookfield Renewable Energy Partners LP and iCON Infrastructure. The sale process concluded in

June 2014. At 31 December 2013, the Group's Energy business (*Bord Gáis Energy*) was classified as a disposal group held for sale and was presented as a discontinued operation in 2014 and 2013 in line with the requirements of IFRS 5. Refer to note 8 for further information in relation to the assets, liabilities and reserves recognised as held for sale in 2013 in respect of *Bord Gáis Energy*.

RESULTS FROM DISCONTINUED OPERATIONS

		Certain remeasurements and exceptional items	Results for the year	Before certain remeasurements and exceptional items	Certain remeasurements and exceptional items	Results for the year
		2014	2014	2013	2013	2013
		€'000	€'000	€'000	€'000	€'000
Revenue		627,584	627,584	1,352,680	-	1,352,680
Cost of sales		(515,124)	(515,124)	(1,136,627)	-	(1,136,627)
Gross profit		112,460	112,460	216,053	-	216,053
Operating costs (excluding depreciation and amortisation)		(63,711)	(63,711)	(125,146)	-	(125,146)
Other operating income	19	13,277	13,277	-	-	-
Operating profit before depreciation and amortisation (EBITDA)		62,026	62,026	90,907	-	90,907
Net changes in fair value of operating derivatives		7,931	7,931	-	(746)	(746)
Depreciation and amortisation		-	-	(68,107)	-	(68,107)
Impairment		-	-	-	(240,842)	(240,842)
Operating profit/(loss)		69,957	69,957	22,800	(241,588)	(218,788)
Net finance costs		(4,638)	(4,638)	(10,525)	958	(9,567)
Share of loss of joint ventures		-	-	(377)	-	(377)
Profit/(loss) before income tax		65,319	65,319	11,898	(240,630)	(228,732)
Income tax (expense)/credit		(3,958)	(3,958)	(5,010)	16,688	11,678
Profit/(loss) before remeasurement to fair value less costs to sell		61,361	61,361	6,888	(223,942)	(217,054)
Remeasurement to fair value less costs to sell		-	-	-	(72,057)	(72,057)
Impact of disposal before reclassification of amounts recognised in OCI		(71,275)	(71,275)	-	-	-
Result from discontinued operations before tax impacts on sale and reclassifications from OCI	4 (c)	(9,914)	(9,914)	6,888	(295,999)	(289,111)
Tax on disposal of discontinued operations	4 (e)	(7,642)	(7,642)	-	-	-
Equity reserves recycled to the Income Statement on disposal of <i>Bord Gáis Energy</i>	4 (d)	(24,912)	(24,912)	-	-	-
Results from discontinued operations		(42,468)	(42,468)	6,888	(295,999)	(289,111)

The result from the discontinued operation of €42.5 million (2013: €289.1 million) is attributable entirely to the Group.

7. Discontinued Operations (continued)

(C) EFFECT OF DISPOSAL OF BORD GÁIS ENERGY ON THE FINANCIAL POSITION OF THE GROUP

	€'000		2014	2013
	€'000		€'000	€'000
Property, plant and equipment	(991,565)	Cash flows from discontinued activities		
Intangible assets	(123,072)	Result from discontinued operations	(42,468)	(289,111)
Investment in joint ventures	(6,176)	Adjustments for:		
Financial asset investments	(2,841)	Depreciation and amortisation	3	68,107
Derivative financial instruments	(27,245)	Gain on sale of property, plant and equipment	(3)	-
Inventories	(38,399)	Share of loss of joint ventures	-	377
Trade and other receivables	(205,705)	Net finance costs	5	9,567
Cash and cash equivalents	(113,686)	Income tax expense	6	(11,678)
Restricted deposits	(18,424)	Operating derivatives loss/gain	(7,931)	746
Deferred tax assets	(3,394)	Exceptional items	-	312,899
Current tax assets	(142)	Impact of disposal before reclassification of amounts recognised in OCI	71,275	-
Borrowings and other debt	169,434	Tax on disposal of discontinued operations	7,642	-
Trade and other payables	222,878	Equity reserves recycled to the Income Statement on disposal of <i>Bord Gáis Energy</i>	24,912	-
Provisions	2,328	Other operating income	19	-
Deferred revenue and government grants	2,798		(13,277)	-
Derivative financial instruments	45,249		48,746	90,907
Deferred tax liabilities	50,030	Working capital changes:		
Net assets disposed of	(1,037,932)	Change in inventories	4,122	(11,176)
Gross consideration received	941,631	Change in trade and other receivables	50,337	36,576
Consideration receivable	25,026	Change in trade and other payables	(17,961)	(7,879)
Total consideration	966,657	Change in deferred revenue	2,591	207
		Change in self-insured claims provision	-	102
		Cash generated from operating activities	87,835	108,737
Impact of disposal before results from operating activities and reclassification of amounts recognised in other comprehensive income	(71,275)	Interest paid	(4,206)	(8,186)
Results from operating activities, net of tax	61,361	Income tax paid.	-	(91)
Result from discontinued operations before tax impacts on sale and reclassifications from other comprehensive income	(9,914)	Net cash generated from operating activities	83,629	100,460

7. Discontinued Operations (continued)

	2014	2013
	€'000	€'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	183	-
Movements in restricted deposits	(7,969)	(5,066)
Payments for property, plant and equipment	(71,937)	(117,287)
Payments for intangible assets	(3,060)	(12,227)
Impact to cash on disposal of <i>Bord Gáis Energy</i>	(113,686)	-
Receipts for financial asset investments	-	920
Payments in relation to acquisitions - deferred consideration paid	-	(11,107)
Dividends received from financial asset investments	-	565
Interest received	4	34
Net cash used in investing activities	(196,465)	(144,168)
Cash flows from financing activities		
Repayment of borrowings	(3,616)	(9,975)
Loans advanced	89,478	62,461
Net cash from financing activities	85,862	52,486
Net increase in cash and cash equivalents	(26,974)	8,778
Cash and cash equivalents at 1 January	26,695	18,209
Effect of exchange rate fluctuations on cash held	279	(292)
Cash and cash equivalents at 31 December	-	26,695

8. Disposal Group Held for Sale

At 31 December 2013, the Group's Energy business (*Bord Gáis Energy*) was classified as a disposal group held for sale on the basis that it satisfied the IFRS 5 criteria at that date. In particular, the sale was deemed to be highly probable and it was expected to be completed within 12 months of the balance sheet date. Consequently, and in accordance with IFRS 5, the assets, liabilities and equity reserves relating to the disposal group were reclassified in 2013 and were presented separately on the balance sheet. *Bord Gáis Energy* also satisfied the criteria of a discontinued operation under IFRS 5 - refer to note 7 for further information. The disposal group was measured at the lower of its carrying amount and its fair value less costs to sell. Fair value less costs to sell was determined in accordance with the requirements of IFRS 13 (refer to note 31 for further details in respect of IFRS 13 disclosures). In March 2014, Ervia signed a Sale and Purchase Agreement (SPA) in respect of the disposal of the Group's Energy business. The sale process concluded in June 2014.

At 31 December 2013, the disposal group was stated at fair value less costs to sell and comprised the following:

	31-Dec-13
	€'000
Property, plant and equipment	914,118
Intangible assets	119,870
Investment in joint ventures	6,100
Financial asset investments	2,841
Derivative financial instruments	5,727
Inventories	42,522
Trade and other receivables	256,090
Cash and cash equivalents	26,695
Restricted deposits	10,456
Deferred tax assets	4,928
Current tax assets	207
Assets held for sale	1,389,554
Borrowings and other debt	(173,050)
Trade and other payables	(240,284)
Provisions	(2,328)
Deferred revenue and government grants	(207)
Derivative financial instruments	(25,969)
Deferred tax liabilities	(48,319)
Liabilities held for sale	(490,157)
Cash flow hedge reserve	(19,219)
Translation reserve	(1,182)
Reserves relating to disposal group classified as held for sale	(20,401)

9. Property, Plant and Equipment

	Land and buildings	Plant, pipeline and machinery	Assets under construction	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2013	97,657	4,638,725	276,662	5,013,044
Additions	20	100,138	133,950	234,108
Effect of movement in exchange rates	(2)	(7,350)	(82)	(7,434)
Transfers in year	1,131	211,917	(213,048)	-
Disposals	-	(14,413)	-	(14,413)
Reclassified as assets held for sale	(10,830)	(1,162,138)	(169,935)	(1,342,903)
At 31 December 2013	87,976	3,766,879	27,547	3,882,402
Additions	-	52,124	41,073	93,197
Effect of movement in exchange rates	-	16,542	(149)	16,393
Transfers in year	521	30,382	(30,903)	-
Disposals	-	(642)	-	(642)
At 31 December 2014	88,497	3,865,285	37,568	3,991,350
Accumulated depreciation and impairment losses				
At 1 January 2013	21,518	1,349,270	-	1,370,788
Depreciation for the year	1,954	164,747	-	166,701
Effect of movement in exchange rates	-	(1,603)	-	(1,603)
Impairment	-	231,845	-	231,845
Disposals	-	(14,350)	-	(14,350)
Reclassified as assets held for sale	(13)	(426,251)	-	(426,264)
At 31 December 2013	23,459	1,303,658	-	1,327,117
Depreciation for the year	7,017	114,704	-	121,721
Effect of movement in exchange rates	-	5,793	-	5,793
Disposals	-	(619)	-	(619)
At 31 December 2014	30,476	1,423,536	-	1,454,012
Carrying amounts				
At 31 December 2013	64,517	2,463,221	27,547	2,555,285
At 31 December 2014	58,021	2,441,749	37,568	2,537,338

During the year, the Group capitalised the sum of €0.4 million (2013: €7.4 million) in interest. The capitalisation rate was 4.36% (2013: 4.23%). The Group also capitalised the sum of €9.0 million in payroll costs during the year (2013: €11.7 million).

BGE (IOM) Limited, a subsidiary of the Parent, entered into a project financing arrangement in 2003. The balance outstanding of €16.3 million at 31 December 2014 (2013: €19.5 million) on this limited recourse loan facility is secured over the assets of BGE (IOM) Limited (note 18).

At 31 December 2013, the Group's Energy business (*Bord Gáis Energy*), was classified as a disposal group held for sale on the basis that it satisfied the IFRS 5 criteria at that date. In line with the requirements of IFRS 5, the assets of the disposal group were tested for impairment, in accordance with IAS 36, prior to being reclassified as a disposal group held for sale.

The value in use of the CCGT Power Plant was calculated using cash flow forecasts drawn up based on the Group's business planning models and budgets. Cash flows beyond this period were extrapolated until the end of the operating life of the plant. The pre tax discount rate applied to these forecasts was 9.62%. Key assumptions used in the impairment test related to the impacts of expected trends in the following; commodity prices, capital expenditure, supply and demand for electricity, and the CCGT gross margin (spark spread).

10. Intangible Assets

	Goodwill	Wind farm developments	Software under development	Software and other	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2013	41,706	73,461	10,705	203,053	328,925
Additions (incl internally developed)	-	4,148	14,336	1,731	20,215
Transfers in year	-	-	(18,966)	18,966	-
Effects of movement in exchange rates	-	-	-	(76)	(76)
Disposals	-	-	-	(17,023)	(17,023)
Reclassified as assets held for sale	(41,706)	(77,609)	(3,947)	(89,352)	(212,614)
At 31 December 2013	-	-	2,128	117,299	119,427
Additions (incl internally developed)	-	-	2,793	12	2,805
Transfers in year	-	-	(3,793)	3,793	-
Effects of movement in exchange rates	-	-	-	41	41
Disposals	-	-	-	(51)	(51)
At 31 December 2014	-	-	1,128	121,094	122,222
Amortisation and impairment losses					
At 1 January 2013	-	-	-	110,523	110,523
Amortisation for the year	-	-	-	22,427	22,427
Effects of movement in exchange rates	-	-	-	(28)	(28)
Impairment	-	2,092	-	-	2,092
Disposals	-	-	-	(17,023)	(17,023)
Reclassified as assets held for sale	-	(2,092)	-	(48,615)	(50,707)
At 31 December 2013	-	-	-	67,284	67,284
Amortisation for the year	-	-	-	17,425	17,425
Effects of movement in exchange rates	-	-	-	40	40
At 31 December 2014	-	-	-	84,749	84,749
Carrying amounts					
At 31 December 2013	-	-	2,128	50,015	52,143
At 31 December 2014	-	-	1,128	36,345	37,473

10. Intangible Assets (continued)

During the year, the Group capitalised the sum of €nil (2013: €2.9 million) in interest. The capitalisation rate was 4.36% (2013: 4.23%). The Group also capitalised the sum of €0.1 million in payroll costs during the year (2013: €2.4 million).

GOODWILL

Goodwill, recognised at 1 January 2013, represented the future economic benefits arising from wind farm developments acquired in business combinations. These wind farm developments were part of the disposal group that was classified as held for sale at 31 December 2013. Consequently, these wind farm developments, together with the related goodwill, were classified as held for sale at 31 December 2013.

WIND FARM DEVELOPMENTS

Costs capitalised as wind farm developments represents the costs incurred in bringing individual wind farm projects to the consented stage. Costs associated with reaching the consented stage include planning application costs and environmental impact studies. At the point the development project reaches the consented stage and is approved for construction, the carrying value is tested for impairment and is then transferred to property, plant and equipment at the appropriate amount. At the point a project is no longer expected to reach the consented stage, the carrying amount of the project is impaired. The consented stage refers to the point at which the wind farm has received all necessary permissions, such as planning permission and approval from the appropriate regulatory authority.

Impairment testing: Wind farm CGU

The portfolio of wind farm developments, together with their related goodwill are deemed a cash-generating unit (CGU) for the purposes of impairment testing. In line with the requirements of IFRS 5, this CGU was tested for impairment, in accordance with IAS 36, prior to being reclassified as a disposal group held for sale.

The recoverable amount of the wind farm CGU was assessed based on the value in use methodology. The method applied was to determine fair value by assessing the discounted pre tax cash flows expected to be earned by the wind farm projects within the CGU. Discount rate (pre tax) applied for 2013: 8.0% - 10.0%. Cash inflows, for all developments, were based on forecasted commercial operation dates, expected generation output (which included assumptions regarding forecasted wind speeds and electrical losses), forecasted electricity prices (taking account of guaranteed floor prices where applicable), inflation and economic growth while applying a discount factor. Cash outflows were based on planned capital expenditure and expected operational costs (including turbine maintenance costs and other running costs).

Outcome of Tests: The recoverable amounts of the wind farm CGU exceeded the carrying amount at the time of the impairment test. While cash flows are subject to inherent uncertainty, reasonably possible changes in the key assumptions applied in assessing value in use would not cause a change to the conclusion reached.

Impairment testing: Individual wind farm developments

In advance of the impairment review of the wind farm CGU above, a separate impairment review was undertaken in respect of certain assets, constituting the wind farm CGU, which were no longer expected to reach the consented stage. During 2013 an impairment loss of €2.1 million was recognised as a result of this individual review.

SOFTWARE, SOFTWARE UNDER DEVELOPMENT AND OTHER INTANGIBLE ASSETS

Software costs include both internally developed and externally purchased assets. Amortisation of software is charged to the Income Statement as part of depreciation and amortisation. Software under development is reviewed for impairment at each reporting date and will be reviewed on at least an annual basis into the future. Expenditure on internally generated brands is expensed as incurred.

11. Joint Ventures

During the year, the Group's Energy business (*Bord Gáis Energy*), including all joint ventures with the exception of Greener Ideas Limited and Oisín Power Generation Limited, was disposed of. The sale process for the Energy business concluded in June 2014.

At 31 December 2013, the Group's Energy business, including all joint ventures with the exception of Greener Ideas Limited and Oisín Power Generation Limited, was classified as a disposal group held for sale on the basis that it satisfied the IFRS 5 criteria at that date. Consequently, the assets, liabilities and equity reserves relating to the disposal group were reclassified and presented separately on the balance sheet.

11. Joint Ventures (continued)

Name of the company	Business activity	Country	% holding 31-Dec-14	% holding 31-Dec-13	2014	2013
					€'000	€'000
Greener Ideas Limited	Electricity Generation	Ireland	50%	50%	Income	- 1,484
Owenreagh Power Partners Limited	Renewable Electricity Generation	Northern Ireland	0%	50%	Operating costs (excluding depreciation and amortisation)	- (867)
Owenreagh Wind Farm Limited	Renewable Electricity Generation	Northern Ireland	0%	50%	Operating profit before depreciation and amortisation (EBITDA)	- 617
SWS Lisavaid NI Limited	Renewable Electricity Generation	Northern Ireland	0%	50%	Share of loss of joint venture (after interest and tax)	- (377)
Tidal Ventures Limited	Site Development for Tidal Projects	Ireland	0%	50%	Translation differences on consolidation of foreign joint ventures - other comprehensive income	- (45)
Oisín Power Generation Limited	Non Trading	Ireland	50%	50%		

In 2014 and 2013, the Group did not receive dividends from its investments in joint ventures.

JOINT VENTURE SUMMARY FINANCIAL INFORMATION

	31-Dec-14	31-Dec-13
	€'000	€'000
Non-current assets	-	14,842
Current assets	-	4,816
Total assets	-	19,658
Equity	-	8,451
Non-current liabilities	-	1,539
Current liabilities	-	9,668
Total liabilities	-	11,207
Total equity and liabilities	-	19,658

RECONCILIATION OF INVESTMENT IN JOINT VENTURES

	2014	2013
	€'000	€'000
At 1 January	-	8,873
Share of loss of joint venture for the year	-	(377)
Translation difference	-	(45)
Impairment	-	(2,351)
Reclassified as assets held for sale	-	(6,100)
At 31 December	-	-

During 2013, due to macro economic and regulatory factors, an impairment review was undertaken in respect of the Group's investment in certain joint ventures. An impairment loss of €2.4 million was recognised as a result of this impairment review.

12. Financial Asset Investments

	2014	2013
	€'000	€'000
At 1 January	-	3,761
Disposals	-	(920)
Reclassified as assets held for sale	-	(2,841)
At 31 December	-	-

On incorporation of Irish Water during 2013, the Parent was issued a single voting "A" share in Irish Water at €0.01. The Parent's investment in Irish Water is not apparent due to the effects of rounding. As set out in note 28, and in accordance with IFRS 10, the financial statements of Irish Water are not consolidated with the results of the Group.

13. Tax Assets and Liabilities

CURRENT TAX ASSETS

	31-Dec-14	31-Dec-13
	€'000	€'000
Current tax assets	6,126	1,438

13. Tax Assets and Liabilities (continued)

DEFERRED TAX ASSETS AND LIABILITIES

	Retirement benefit obligation	Tax losses forward	Derivative financial instruments	Property, plant and equipment and intangible assets	Interest	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2013	4,931	27,727	7,264	(269,106)	6,535	843	(221,806)
Transfer from non-current tax	-	85	-	-	-	-	85
Transfer to current tax	-	(1,361)	-	-	-	-	(1,361)
Credit/(expense) to Income Statement	158	(5,441)	(119)	3,495	(7,350)	(3,127)	(12,384)
Recognised in equity	1,044	-	(2,466)	-	-	-	(1,422)
Exchange adjustments	-	-	-	446	(294)	(261)	(109)
Reclassified as assets/(liabilities) held for sale	-	(15,827)	(2,626)	63,106	(1,262)	-	43,391
At 31 December 2013	6,133	5,183	2,053	(202,059)	(2,371)	(2,545)	(193,606)
Transfer from non-current tax	-	85	-	-	-	-	85
Transfer to current tax	-	(42)	-	-	-	3,422	3,380
(Expense)/credit to Income Statement	(1,424)	(2,241)	-	(5,432)	(3,447)	(198)	(12,742)
Recognised in equity	5,888	-	(800)	-	-	-	5,088
Exchange adjustments	-	-	-	(1,304)	650	(72)	(726)
At 31 December 2014	10,597	2,985	1,253	(208,795)	(5,168)	607	(198,521)

13. Tax Assets and Liabilities (continued)

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Deferred tax assets	770	5,284
Deferred tax liabilities	(199,291)	(198,890)
Net deferred tax liabilities	(198,521)	(193,606)

The following deferred tax assets have not been recognised in the balance sheet as it is not probable that they will be recovered for the foreseeable future. These unrecognised deferred tax assets as at 31 December 2014 relate to continuing operations while the prior year comparative relates to both continuing and discontinued operations.

	2014	2013
	€'000	€'000
Capital losses realised	-	184
Losses forward	133	1,824
Provisions	55	47
Property, plant and equipment	-	10,641

There is no expiry date as to when tax losses can be utilised.

Changes in the fair value of hedging derivatives relating to discontinued operations and included in the statement of other comprehensive income is €0.6 million. Only changes in the fair value of hedging derivatives relating to continuing operations of -€0.8 million is included in the above.

There are no material distributable reserves in the Group's overseas subsidiary. Therefore no deferred tax has been provided for in relation to unremitted reserves of this foreign subsidiary.

A deferred tax provision has been made in respect of accelerated capital allowances and other temporary differences, net of recognised deferred tax assets arising as a result of trading losses

carried forward. The assets relate to BGE (UK) Limited which is a wholly owned subsidiary company. As this company is in a separate tax jurisdiction, the deferred tax provision is recognised separately in the balance sheet. As required by IAS 12, 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.

14. Inventories

	31-Dec-14	31-Dec-13
	€'000	€'000
Gas stock and engineering materials	1,581	470

In 2014 inventories recognised in the Income Statement amounted to €1.0 million (2013: €1.1 million). There were no write-downs of inventories to net realisable value in 2014 (2013: €nil).

15. Trade and Other Receivables

	31-Dec-14	31-Dec-13
	€'000	€'000
Trade receivables	8,947	5,370
Prepayments	10,054	10,058
Use of systems receivable	50,388	35,910
Amounts due from non-controlled undertakings	12,896	5,405
Other receivables	36,800	1,967
Total	119,085	58,710
Non-current	25,026	-
Current	94,059	58,710
Total	119,085	58,710

15. Trade and Other Receivables (continued)

Trade receivables are stated net of allowances for impairment. When management considers the recovery of a receivable to be improbable, an allowance for impairment is made against the carrying value of the receivable. The Group's exposure to credit and currency risks, and impairment losses relating to trade and other receivables is included in note 23 of the Group financial statements.

Use of system revenue in the Republic of Ireland comprises of Distribution Use of System (DUoS) revenue and Transmission Use of System (TUoS) revenue. The credit terms for both DUoS and TUoS are ten business days and there are currently 16 external shippers. TUoS and DUoS revenue is billed and collected by the Group on behalf of Gaslink, the gas system operator. The allowed revenue is invoiced to the shippers on a monthly basis twelve business days after month end with payment due ten working days from date of invoice. In respect of the Networks business in Northern Ireland, revenue is derived principally from charges for use of the Northwest transmission pipeline and the Southnorth pipeline. A postalised system is in place in Northern Ireland. Invoices are issued by the administrator, non payment of invoices attracts a daily interest charge. Payments in relation to new connections or alterations are paid for in advance of the work being carried out. Normal credit terms and debtor days apply in respect of siteworks.

16. Cash, Cash Equivalents and Restricted Deposits

CASH AND CASH EQUIVALENTS

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Short-term deposits	94,000	39,700
Cash	11,997	16,383
Total	105,997	56,083

	2014	2013
	€'000	€'000
At 1 January	56,083	336,940
Increase/(decrease) in cash and cash equivalents in the statement of cash flows	49,668	(253,847)
Effect of exchange rate fluctuations on cash held	246	(315)
Reclassified to assets held for sale	-	(26,695)
At 31 December	105,997	56,083

RESTRICTED DEPOSITS

Restricted deposits include amounts held in respect of collateral held by third parties, credit support agreements and gas network related security deposits.

	31-Dec-14	31-Dec-13
	€'000	€'000
Current	32,400	33,380
Total	32,400	33,380

17. Equity

CAPITAL STOCK

There are 100,000,000 units of capital stock in issue at a nominal value of €1 each, comprised of:

	31-Dec-14	31-Dec-13
	€'000	€'000
Stock issued to the Exchequer	-	96,730
Stock issued for subscription by ESOT	-	3,270
Total	-	100,000

During the period 2008 to 2010, Ervia issued 96,730,400 units of capital stock at €1 per unit to the Exchequer from retained earnings, pursuant to section 7B of the Gas Act 1976. During the same period, 3,269,600 units at €1 each were issued to *Bord Gáis* Employee Share Ownership Trust (ESOT).

Following engagement with *Bord Gáis* ESOP Trustee Limited (ESOP) in conjunction with the Department of Communications, Energy and Natural Resources, the Department of Public Expenditure and NewERA, in relation to the implications for the ESOP of the sale of *Bord Gáis Energy* and the implementation of the Third Directive, agreement was reached in March 2014 regarding the buy-out of the 3.27% of the capital stock of *Bord Gáis Éireann* held by the Trustee on behalf of ESOP beneficiaries. The buy-out was contingent upon the close of the sale of *Bord Gáis Energy* which completed on 30 June 2014.

The agreement provided for the acquisition of the entire capital stock issued to the *Bord Gáis* ESOT in exchange for promissory notes issued by Ervia to be redeemed over the period 2014 to 2018 for a total consideration of €53.6 million. A liability was therefore initially recorded for the contractual obligation to deliver cash of €53.6 million with a corresponding reduction in reserves (retained earnings reserve). Promissory notes to the value of €14.4 million were redeemed during the year by Ervia, with promissory notes to be redeemed in the period 2015 to 2018 of €39.2 million (note 22). The promissory notes do not bear a coupon while in issue.

With effect from the agreement as described above, all capital stock issued by Ervia, including capital stock issued to the Exchequer, ceased to have (i) any rights to attend or vote at annual meetings or capital stockholders, and (ii) any entitlements to dividends from profits when declared, or any right to participation in a surplus on winding up.

Ervia is a corporate body established under the Gas Act 1976 and is

not a company under the Companies Acts. Ervia has therefore elected in view of the arrangements as set out above, to transfer the capital stock reserve and the capital premium reserve to the retained earnings reserve - refer to Group/Parent Statement of Changes in Equity.

CAPITAL PREMIUM

	2014	2013
	€'000	€'000
At 1 January and at 31 December	-	29,426

OTHER RESERVES

Cash flow hedge reserve

The hedging reserve primarily represents the fair value of derivatives which are part of effective cash flow hedging relationships at year-end. As the derivatives are held for hedging purposes as defined by IAS 39, their fair value movements are retained in equity instead of being charged to the Income Statement during the year and will be charged to profit or loss in the same year as the corresponding hedged transaction. Refer to note 23 for further details.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements for foreign operations.

DIVIDENDS DECLARED AND PAID

	2014	2013
	€'000	€'000
To the Exchequer	188,876	49,871
To <i>Bord Gáis</i> ESOT	-	1,686
Total	188,876	51,557

The dividend paid to the Exchequer during the year amounted to €171 million. Of this, €21 million relates to part payment of the annual dividend which is based on 30% of the previous year's profit before certain remeasurements and exceptional items, as directed by the Department of Communications, Energy and Natural Resources. The remaining €17.9 million is due to be paid in 2015. The dividend paid of €171 million includes the payment of a preliminary special dividend of €150 million following the Sale of the Energy business. No dividend was payable to *Bord Gáis* Employee Share Ownership Trust (ESOT) as a consequence of the cancellation of the rights of capital stock held previously by *Bord Gáis* Employee Share Ownership Trust.

18. Borrowings and Other Debt

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

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

	Bonds	Loans from financial institutions *	Total	Total
	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-13
	€'000	€'000	€'000	€'000
Less than one year		72,209	72,209	548,255
Current borrowings	-	72,209	72,209	548,255
Between one and five years	499,501	444,537	944,038	572,604
More than five years	-	125,908	125,908	646,946
Non-current borrowings	499,501	570,445	1,069,946	1,219,550
Total borrowings	499,501	642,654	1,142,155	1,767,805

* including private placement.

Total borrowings include €344.5 million (2013: €603.3 million) of floating rate debt, €16.3 million (2013: €19.5 million) of inflation linked debt and €781.3 million (2013: €1,145.0 million) of fixed rate debt which has been drawn down from various lenders. The inflation linked debt is secured over the assets of BGE (IOM) Limited, which primarily comprises a gas transmission pipeline to the Isle of Man. The revenues from this pipeline are indexed to the U.K. Retail Price Index (UK RPI). Accordingly, to mitigate the risk of low inflation, this debt is also linked to the UK RPI using an index-linked hedge.

Included in borrowings are sterling denominated bank loans, which have been used as a hedge of the Group's investment in a sterling denominated subsidiary in the United Kingdom. The carrying amount of the loans at 31 December 2014 was €128.8 million (2013: €216.3 million).

19. Retirement Benefit Obligations

GROUP AND PARENT

The Group operates either defined benefit or defined contribution pension schemes for all qualifying employees.

Defined benefit schemes

During the year the Group amalgamated the seven externally funded defined benefit schemes in the Republic of Ireland into one scheme. The scheme provides defined benefits based on final pensionable pay. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a 'final salary' scheme). Increases are generally provided to pensions in payment on a discretionary basis with a long-term target of price inflation.

The defined benefit scheme is administered by a Board of Trustees. The Board of Trustees comprise of employee and employer representatives. The Board is responsible for the management and governance of the plan including compliance with all relevant laws and regulations.

The assets of the scheme are held separately from those of the Group. The scheme is subject to independent actuarial valuations at least every three years. The latest valuation of the defined benefit scheme was carried out as at 1 July 2014.

An agreement was reached for the sale of *Bord Gáis Energy* in March 2014. The sale process concluded in June 2014. As a result of the sale the number of employees accruing benefits in the scheme reduced significantly. These employees will remain in the scheme as deferred members.

The size of the defined benefit obligation is sensitive to judgemental actuarial assumptions. These include assumptions covering discount rates, benefit increases, price inflation and mortality. The principal actuarial assumptions used in the IAS 19 valuations were as follows:

	2014	2013
Discount rate	2.20%	3.90%
Inflation	1.50%	2.00%
Future salary *	2.00%	2.50%
Future pension increases	1.50%	2.00%

* Plus salary scale to allow for promotional increases.

19. Retirement Benefit Obligations (continued)

Interest risk

A decrease in the discount rate caused by lower yields on high quality corporate bonds will increase the scheme liability; however this will be partially offset by an increase in the return on the scheme's debt investments to the extent that any reductions in corporate bond yields follow through to falls in the yields on government bonds. Market conditions in recent years have resulted in lower discount rates which has increased the value placed on the present value of the defined benefit obligation.

Investment risk

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

Longevity risk

The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.

Salary risk

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

Inflation risk

It is expected that future pension increases will be in line with price inflation. As such, an increase in the inflation rate would lead to an increase in pension increases and the scheme's liabilities. A portion of the scheme's assets are invested in inflation-linked securities to mitigate this risk.

Other risks

Actions taken by the local regulator, or changes to European legislation, could result in stronger local funding standards, which could materially affect the scheme's cash flow.

Mortality assumptions

The assumptions relating to life expectancy at retirement for members who retire at age 65 are as follows:

	2014	2013
Retiring today		
Males	21.8	22.7
Females	24.4	24.0
Retiring in 25 years		
Males	23.5	25.6
Females	26.3	26.6

Fair value of plan assets by category

	2014	2013
	€'000	€'000
Equities	163,037	133,076
Bonds	168,553	154,478
Property/forestry	3,936	2,705
Private equity/venture capital	2,807	5,517
Diversified alpha	25,733	24,460
Cash	533	110
Total	364,599	320,346

The proportion of each asset category relative to the fair value of total plan assets at the end of the reporting year are as follows:

19. Retirement Benefit Obligations (continued)

Plan assets

	% of Plan Assets	
	2014	2013
Equities	44.70%	41.60%
Bonds	46.20%	48.20%
Property/forestry	1.10%	0.80%
Private equity/venture capital	0.80%	1.70%
Diversified alpha	7.10%	7.70%
Cash	0.10%	0.00%
	100.00%	100.00%

Amounts recognised in the balance sheet

	31-Dec-14	31-Dec-13
	€'000	€'000
Defined benefit obligation	(449,376)	(369,412)
Fair value of plan assets	364,599	320,346
Deficit for funded plans	(84,777)	(49,066)

Movement in the present value of the defined benefit obligation

	2014	2013
	€'000	€'000
Opening defined benefit obligation	(369,412)	(343,127)
Service cost - charged to Income Statement	(9,766)	(10,285)
Service cost - charged to provisions	(1,124)	(1,127)
Interest cost	(13,902)	(14,153)
Plan members' contributions	(3,513)	(3,692)
Amendments - negative past service costs	13,277	-
Actuarial loss	(76,899)	(9,226)
Benefits paid	12,462	12,569
Curtailments	(499)	(371)
Closing defined benefit obligation	(449,376)	(369,412)

The weighted average duration of the defined benefit obligation at 31 December 2014 is approximately 22 years.

Movement in the fair value of plan assets

	2014	2013
	€'000	€'000
Opening fair value of plan assets	320,346	303,680
Interest income	12,906	12,817
Return on plan assets (excluding interest income)	29,792	871
Employer contributions	10,763	11,855
Member contributions	3,513	3,692
Administrative expenses	(259)	-
Benefits paid from plan	(12,462)	(12,569)
Closing fair value of plan assets	364,599	320,346

	2014	2013
	€'000	€'000
Actual return on plan assets	42,698	13,688

Analysis of amount recognised in the Income Statement

	2014	2013
	€'000	€'000
Current service cost	(9,766)	(10,285)
Net interest on the net defined benefit liability	(996)	(1,336)
Administrative expenses	(259)	-
Amendments - negative past service costs	13,277	-
Total pension gain/(cost) recognised in the Income Statement	2,256	(11,621)

Under IAS 19, a curtailment gain of €13.3 million was recognised in 2014, arising from the Group's disposal of the Energy business and the reclassification of these employees from active to deferred members.

19. Retirement Benefit Obligations (continued)

Analysis of amount charged to provisions

	2014	2013
	€'000	€'000
Current service cost	(1,124)	(1,127)
Loss on curtailments	(499)	(371)
Amount charged to provisions	(1,623)	(1,498)

Actuarial losses recognised in other comprehensive income

	2014	2013
	€'000	€'000
Return on plan assets (excluding interest income)	29,792	871
Experience gains/(losses) on liabilities	6,010	(4,188)
Effect of changes in demographic assumptions	14,905	8,415
Effect of changes in financial assumptions	(97,814)	(13,453)
Total pension loss recognised in other comprehensive income	(47,107)	(8,355)

Cumulative actuarial losses recognised in other comprehensive income

	2014	2013
	€'000	€'000
At 1 January	(133,892)	(125,537)
Recognised during the year	(47,107)	(8,355)
At 31 December	(180,999)	(133,892)

Movements in deficit during the year

	2014	2013
	€'000	€'000
At 1 January	(49,066)	(39,447)
Credit/(Charge) to the Income Statement	2,256	(11,621)
Charged to provisions	(1,623)	(1,498)
Employer contributions	10,763	11,855
Actuarial losses	(47,107)	(8,355)
At 31 December	(84,777)	(49,066)

History of experience gains/(losses)

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000
Present value of the defined benefit obligation	(449,376)	(369,412)	(343,127)	(289,862)	(270,788)
Fair value of plan assets	364,599	320,346	303,680	252,471	249,889
Deficit	(84,777)	(49,066)	(39,447)	(37,391)	(20,899)

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000
	(restated)				
Experience gains/(losses) on plan assets:	29,792	871	31,788	(23,371)	810
Percentage of plan assets	8.2%	0.3%	10.5%	(9.3%)	0.3%
Experience gains/(losses) on plan liabilities:	6,010	(4,188)	(1,765)	3,491	4,817
Percentage of defined benefit obligation	1.3%	(1.1%)	(0.5%)	1.2%	1.8%

19. Retirement Benefit Obligations (continued)

The Group expects to contribute €8.4 million to its pension plan in 2015.

Sensitivity analysis for principal assumptions used to measure scheme liabilities

The impact on the scheme liabilities of changing major assumptions is as follows:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 5.5%
Pension increases	Increase/decrease by 0.25%	Increase/decrease by 3.2%
Salary	Increase/decrease by 0.25%	Increase/decrease by 2.1%
Mortality	Increase/decrease by one year	Increase/decrease by 3.1%

Defined contribution schemes and personal retirement savings accounts (PRSAs)

The Group operated a defined contribution retirement benefit plan for qualifying employees in respect of the discontinued Northern Ireland subsidiary. Contributions payable by the employer to this defined contribution scheme amounted to €105.1 thousand in 2014 (2013: €231.3 thousand). These contributions were charged to the Income Statement.

In addition and in compliance with the provisions of the Pensions Act 1990 (as amended), Ervia has appointed Personal Retirement Savings Account (PRSA) providers. During the year ended 31 December 2014, Ervia contributed €341.3 thousand (2013: €124.0 thousand) on behalf of its employees which was charged to the Income Statement.

20. Deferred Revenue and Government Grants

DEFERRED REVENUE

	2014	2013
	€'000	€'000
At 1 January	23,964	41,717
Received in year	1,646	1,840
Recognised as revenue in year	(5,353)	(19,386)
Reclassified to liabilities held for sale	-	(207)
At 31 December	20,257	23,964

Advanced payment of customer contributions are recorded as deferred revenue, then upon completion of the services rendered, the contributions are recognised in full in the Income Statement as revenue.

GOVERNMENT GRANTS

	2014	2013
	€'000	€'000
At 1 January	83,959	90,501
Received in year	131	-
Amortised in year	(5,852)	(5,712)
Effects of movement in exchange rates	2,141	(830)
At 31 December	80,379	83,959

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

ANALYSED AS FOLLOWS:

	31-Dec-14	31-Dec-13
	€'000	€'000
Non-current	89,728	96,254
Current	10,908	11,669
Total deferred revenue and government grants	100,636	107,923

21. Provisions

GROUP AND PARENT

	Restructuring	Environmental	Self-insured claims	Total
	€'000	€'000	€'000	€'000
At 1 January 2014	3,615	8,805	6,872	19,292
Financing charge	88	244	-	332
Provisions (released)/ made in the year	-	(908)	2,661	1,753
Provisions used in the year	(614)	(82)	(2,249)	(2,945)
At 31 December 2014	3,089	8,059	7,284	18,432

ANALYSED AS FOLLOWS:

	31-Dec-14	31-Dec-13
	€'000	€'000
Non-current	14,511	12,651
Current	3,921	6,641
Total provisions	18,432	19,292

RESTRUCTURING

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

ENVIRONMENTAL

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

SELF-INSURED CLAIMS

The Group is self-insured in respect of certain injury and damage claims. The year-end provision is for the estimated costs of incidents that have occurred up to 31 December 2014. Payments are made

as the cases are settled. The charge is included in the Income Statement under operating costs. The nature of these claims is such that a settlement date is uncertain but the Group expects the claims to be substantially settled by 2016.

22. Trade and Other Payables

	31-Dec-14	31-Dec-13
	€'000	€'000
Trade payables due	9,055	12,664
Accruals	99,475	100,782
Promissory notes (see note 17)	39,236	-
Other payables	35,093	36,505
Taxation and social welfare creditors*	11,540	23,424
Total	194,399	173,375

Analysed as follows:

	31-Dec-14	31-Dec-13
	€'000	€'000
Non-current	38,251	13,196
Current	156,148	160,179
Total	194,399	173,375

* Taxation and social welfare creditors

PAYE/PRSI/social welfare	2,468	2,804
VAT	8,818	20,424
Other taxes	254	196
Total	11,540	23,424

23. Financial Risk Management and Financial Instruments

NATURE AND EXTENT OF RISKS

The main financial risks that the Group is facing and actively monitoring and managing are the following:

- (i) credit risk derived from the possible default of a counterparty,
- (ii) liquidity risk derived from the risk that suitable sources of funding for the Group's operations may not be available, and
- (iii) market risk derived from exposure to fluctuations in foreign currency exchange rates and interest rates.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital, with the exception of quantitative information in respect of financial instruments which are classified as held for sale at 31 December 2013. Qualitative disclosures are however included throughout this note in respect of financial instruments which are classified as held for sale as at 31 December 2013.

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence

to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

RISK MANAGEMENT FRAMEWORK

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

In using derivatives, the Group complies with the Requirements of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act 1992 and the Specification of the Minister for Finance. The Group's treasury function is not operated as a profit centre and treasury positions are managed in a risk averse manner. All treasury transactions have a valid underlying business reason and speculative positions are strictly prohibited.

The fair values of the primary financial assets and liabilities of the Group, together with their carrying values excluding provisions can be analysed as follows:

23. Financial Risk Management and Financial Instruments (continued)

	Assets and liabilities at amortised cost or other	Derivatives in hedging relationship*	Derivatives not in hedging relationship	Total carrying value	Fair value
	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-14
	€'000	€'000	€'000	€'000	€'000
Assets					
Non-current financial assets					
Trade and other receivables (excluding prepayments)	25,026	-	-	25,026	25,026
Derivative financial instruments	-	27,943	-	27,943	27,943
Total non-current financial assets	25,026	27,943	-	52,969	52,969
Current financial assets					
Trade and other receivables (excluding prepayments)	84,005	-	-	84,005	84,005
Cash and cash equivalents	105,997	-	-	105,997	105,997
Restricted deposits	32,400	-	-	32,400	32,400
Derivative financial instruments	-	-	170	170	170
Total current financial assets	222,402	-	170	222,572	222,572
Total financial assets	247,428	27,943	170	275,541	275,541
Liabilities					
Non-current financial liabilities					
Borrowings and other debt	(1,043,937)	(26,009)	-	(1,069,946)	(1,113,341)
Trade and other payables**	(38,251)	-	-	(38,251)	(38,251)
Derivative financial instruments	-	(9,834)	(10,177)	(20,011)	(20,011)
Total non-current financial liabilities	(1,082,188)	(35,843)	(10,177)	(1,128,208)	(1,171,603)
Current financial liabilities					
Borrowings and other debt	(72,209)	-	-	(72,209)	(72,209)
Trade and other payables	(156,148)	-	-	(156,148)	(156,148)
Total current financial liabilities	(228,357)	-	-	(228,357)	(228,357)
Total financial liabilities	(1,310,545)	(35,843)	(10,177)	(1,356,565)	(1,399,960)
Net financial liabilities	(1,063,117)	(7,900)	(10,007)	(1,081,024)	(1,124,419)

* Including fair value hedge portion of the private placement.

** The fair value of non current trade and other payables (including the promissory notes) is not materially different from the carrying value.

23. Financial Risk Management and Financial Instruments (continued)

	Assets and liabilities at amortised cost or other	Derivatives in hedging relationship*	Derivatives not in hedging relationship	Total carrying value	Fair value
	31-Dec-13	31-Dec-13	31-Dec-13	31-Dec-13	31-Dec-13
	€'000	€'000	€'000	€'000	€'000
Assets					
Current financial assets					
Trade and other receivables (excluding prepayments)	48,652	-	-	48,652	48,652
Cash and cash equivalents	56,083	-	-	56,083	56,083
Restricted deposits	33,380	-	-	33,380	33,380
Total current financial assets	138,115	-	-	138,115	138,115
Total financial assets	138,115	-	-	138,115	138,115
Liabilities					
Non-current financial liabilities					
Borrowings and other debt	(1,230,860)	11,310	-	(1,219,550)	(1,260,645)
Trade and other payables	(13,196)	-	-	(13,196)	(13,196)
Derivative financial instruments	-	(23,384)	(11,186)	(34,570)	(34,570)
Total non-current financial liabilities	(1,244,056)	(12,074)	(11,186)	(1,267,316)	(1,308,411)
Current financial liabilities					
Borrowings and other debt	(555,287)	7,032	-	(548,255)	(548,255)
Trade and other payables	(160,179)	-	-	(160,179)	(160,179)
Derivative financial instruments	-	(6,958)	(2)	(6,960)	(6,960)
Total current financial liabilities	(715,466)	74	(2)	(715,394)	(715,394)
Total financial liabilities	(1,959,522)	(12,000)	(11,188)	(1,982,710)	(2,023,805)
Net financial liabilities	(1,821,407)	(12,000)	(11,188)	(1,844,595)	(1,885,690)

* Including fair value hedge portion of the private placement.

23. Financial Risk Management and Financial Instruments (continued)

DERIVATIVES AND HEDGE ACCOUNTING

The Group applies the criteria defined by IAS 39 in classifying derivatives as hedges:

- the instrument must hedge changes in fair value or cash flows attributable to the risk hedged, and the effectiveness of the hedge (i.e. the degree to which changes in the value of the hedging instrument offset changes in the value of the hedged item or future transaction) must be between 80% and 125%;
- in the case of cash flow hedges, the future transaction being hedged must be highly probable;
- reliable measurement of the retrospective and prospective effectiveness of the hedge must be possible; and
- the hedge must be supported by appropriate documentation from its inception.

The hedging relationship ends when:

- a derivative instrument ceases to be an effective hedging instrument;
- a derivative instrument expires, or is sold, terminated or exercised;
- the hedged item expires, is sold or redeemed;
- a future transaction ceases to be considered as highly probable.

Only derivative instruments external to the Group qualify for hedge accounting.

The derivatives used for hedging are; foreign exchange forward contracts and currency swaps to manage currency exposure, interest rate swaps are put in place to manage interest rate exposure and cross currency interest rate swaps are used to hedge the currency exposure arising under certain international funding.

The Group uses the following categories for hedges:

(i) Fair value hedges

These instruments hedge the exposure to changes in the fair value of an asset or liability recorded in the balance sheet, or a firm commitment to purchase or sell an asset. Changes in the fair value of the hedged item attributable to the hedged (risk) component of that item are recorded in profit or loss and are offset by corresponding variations in the fair value of the hedging instrument. Only the ineffective portion of the hedge has an impact on profit or loss.

When necessary the Group uses cross currency interest rate swaps to hedge the exposure of changes in the fair value of fixed rate debts in foreign currencies.

The ineffective portion of fair value hedges was €nil for 2014 (2013: €nil).

The fair value of hedging derivatives in a fair value hedge in the balance sheet as at 31 December 2014 was €26.0 million liability (2013: €18.3 million asset).

(ii) Cash flow hedges

These instruments hedge highly probable future transactions where the variability in cash flows generated by the hedged transaction is offset by changes in the value of the hedging instrument. The effective portion of accumulated changes in the hedge's fair value is recorded in equity, and the ineffective portion (i.e. changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item) is recorded in profit or loss. The amounts recognised in other comprehensive income are recycled to profit or loss in the same period that the hedged item affects profit or loss.

The Group uses cash flow hedging principally for the following purposes:

- to hedge its floating rate debt, using interest rate swaps (floating/fixd rate);
- to hedge currency risk associated with future cash flows related to expected sales and purchases of electricity and gas, using forwards and swaps;
- to hedge certain foreign exchange risks associated with foreign currency borrowings.

At 31 December 2014, the ineffective portion of cash flow hedges was €nil (2013: €nil) and during 2014 €nil was reclassified from equity to profit or loss due to ineffectiveness on cash flow hedges (2013: €nil).

IMPACT OF CASH FLOW HEDGING DERIVATIVES ON EQUITY

Changes in the fair value of hedging derivatives included in the statement of other comprehensive income over the year are as follows:

23. Financial Risk Management and Financial Instruments (continued)

	Changes in fair value recorded in equity ¹	Tax impact of changes recorded in equity	Total changes recorded in equity	Changes in fair value recorded in equity ¹	Tax impact of changes recorded in equity	Total changes recorded in equity
	2014	2014	2014	2013	2013	2013
	€'000	€'000	€'000	€'000	€'000	€'000
Interest rate hedging	6,399	(800)	5,599	8,959	(1,120)	7,839
Cash flow hedging derivatives	6,399	(800)	5,599	8,959	(1,120)	7,839

¹ included in "Net change in fair value of cash flow hedges" in the statement of other comprehensive income.

Changes in the fair value of hedging derivatives classified as discontinued and included in the statement of other comprehensive income were -€4.5 million before tax and -€4.0 million after tax.

MATURITY PROFILE OF CASH FLOW HEDGES

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

	< 1 year	1-2 years	2-5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000
At 31 December 2014					
Interest rate swaps	-	-	(9,854)	-	(9,854)
Cross currency interest rate swaps	-	-	(5)	(167)	(172)
Cash flow hedging derivatives	-	-	(9,859)	(167)	(10,026)
At 31 December 2013					
Interest rate swaps	-	-	(11,361)	-	(11,361)
Cross currency interest rate swaps	(238)	-	(201)	(4,625)	(5,064)
Cash flow hedging derivatives	(238)	-	(11,562)	(4,625)	(16,425)

FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. Financial Risk Management and Financial Instruments (continued)

	Level 2	Level 2
	31-Dec-14	31-Dec-13
	€'000	€'000
Financial assets		
Forward exchange contracts	170	-
Cross currency interest rate swaps	27,943	-
Total financial assets	28,113	-
Financial liabilities		
Forward exchange contracts	-	(2)
Interest rate derivatives	(20,011)	(22,468)
Cross currency interest rate swaps	-	(19,060)
Borrowings and other debt	(26,009)	18,342
Total financial liabilities	(46,020)	(23,188)
Net financial liabilities	(17,907)	(23,188)

There have been no transfers between levels in 2014 or 2013.

Refer to note 31 for IFRS 13 disclosures in respect of fair value measurement.

CREDIT RISK

Credit risk is defined as the total loss that the Group would sustain on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations. These include assets held with banks and financial institutions, transactions in relation to derivative financial instruments and credit exposures arising from trading relationships with customers.

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

EXPOSURE TO CREDIT RISK

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Trade and other receivables (excluding prepayments)	109,031	48,652
Cash and cash equivalents	105,997	56,083
Restricted deposits	32,400	33,380
Derivative financial instruments	28,113	-
Total	275,541	138,115

Amounts owed by non-controlled undertakings of €12.9 million at 31 December 2014 (2013: €5.4 million) are excluded from the analysis of credit exposure below.

TREASURY RELATED CREDIT RISK

The Group's policy is to manage treasury related credit risk through the use of counterparty credit limits which take account of, among other relevant factors, published credit ratings. Exposure to credit risk on cash and derivative financial instruments is monitored by the Group's treasury function. It is the Group's policy that cash is mainly placed on deposit with institutions who maintain an investment grade rating. The Group regularly evaluates and measures its treasury counterparty exposures. Where the exposure on derivative instruments has the potential to be material to the Group's net worth, the Group will consider entering into credit support arrangements.

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

TRADE RELATED CREDIT RISK

The credit risk in relation to DUoS and TUoS is managed by the Financial Security Provisions of the Gas Market Code of Operations. Before a shipper can register as a customer they must have either an approved credit rating or must provide financial security to

23. Financial Risk Management and Financial Instruments (continued)

the transporter, thereby ensuring that the risk of financial loss is minimised in the event of shipper default. Collection procedures in respect of financial security is outlined in section 8 of the Financial Security Provisions. Accordingly, the credit risk in relation to TUoS and DUoS receivables is considered to be minimal.

For significant contracts, the Group typically only deals with counterparties who maintain an investment grade rating and have been approved by the Risk Management Committee. However, if necessary and where appropriate, the Risk Management Committee may approve otherwise.

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Domestic	87,847	36,676
United Kingdom	8,288	6,571
Total	96,135	43,247

The maximum exposure to credit risk for trade and other receivables at the reporting date can be analysed as follows:

	31-Dec-14	31-Dec-13
	€'000	€'000
Use of system receivables	8,947	5,370
Use of system receivables - unbilled	50,388	35,910
Other receivables	36,800	1,967
Total	96,135	43,247

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

	Net receivable	Net receivable
	31-Dec-14	31-Dec-13
	€'000	€'000
Not past due	94,905	38,610
0 – 30 days	656	3,994
31 – 120 days	361	224
> 120 days	213	419
Total	96,135	43,247

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

	2014	2013
	€'000	€'000
At 1 January	959	29,824
Impairment loss recognised	89	8,237
Provision utilised	(104)	(10,311)
Reclassified as assets held for sale	-	(26,791)
At 31 December	944	959

The allowance for impairment losses in respect of trade receivables is based on an incurred loss model and is determined by the application of expected default and loss factors, informed by historical loss experience and other factors on a portfolio basis, in addition to impairment allowances taken against individual accounts.

LIQUIDITY RISK

Liquidity risk is the risk that suitable sources of funding for the Group may not be available, or the Group is unable to sell its assets on the market place and as a result is unable to meet short-term finance requirements and to settle obligations. Such a situation

23. Financial Risk Management and Financial Instruments (continued)

would negatively impact the Group's results as it could result in the incurrance of higher borrowing expenses to meet obligations.

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

The Group seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Group maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk. At 31 December 2014, the Group had €1,617.5 million in committed facilities (2013: €2,727.2 million). Borrowings at 31 December 2014 were €1,142.2 million (2013: €1,767.8 million).

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

The Group's treasury function negotiate the appropriate pricing and terms for all relevant financial transactions. Cash and liquidity management are undertaken centrally by Treasury. Cash pooling is carried out and account balances netted where possible to minimise cash leakage and to minimise the interest expense. The Group's treasury function undertake cash forecasting and planning in conjunction with the Business Units/Departments on a regular basis. Cash flow forecasts are updated on a daily and weekly basis and used to manage liquidity.

Cash surpluses are used primarily to reduce the level of debt. The Group does not systematically and continually deposit and borrow funds, although circumstances will arise from time to time where it is necessary or advantageous to hold cash on deposit.

Cash surpluses may be invested in, but not limited to; Deposit Accounts, Time Deposits, Commercial Paper, Exchequer Bills, Government Gilts, Money Market Funds and Certificates of Deposit. The Group will invest surplus cash in euro or in the currency of overseas operations.

The Group's policy is to develop and maintain relationships to facilitate its long-term liquidity, access to capital and availability of risk management facilities.

The Group's policy is that the priority in investing surplus cash is safety. Where funds are available for investment the Group will seek to optimise the return, taking into account the liquidity of the instrument, the interest rate yield curve, market conditions at the time of the transaction, the relative risk of the investment product and the approved credit limits under the Group's Treasury Policy. The Group seeks to minimise the cost of short-term borrowing, subject to achieving appropriate terms and conditions. The Group monitors the level of bank charges and seeks to minimise such costs whilst ensuring that its banking services meet operational requirements.

The actions implemented as part of the Group's financial planning have enabled the Group to maintain access to the credit market. The Group has pursued an efficient balance of finance debt in terms of maturity and composition leveraging on the structure of its lines of credit particularly the committed ones. At present, the Group believes it has access to sufficient funding and has both committed and uncommitted borrowing facilities to meet currently foreseeable requirements.

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

23. Financial Risk Management and Financial Instruments (continued)

	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-5 years	> 5 years
	€'000	€'000	€'000	€'000	€'000	€'000
At 31 December 2014						
Borrowings	(1,142,155)	(1,280,390)	(114,903)	(118,140)	(922,040)	(125,307)
Trade and other payables	(194,399)	(194,783)	(156,148)	(26,218)	(11,235)	(1,182)
Non-derivative financial liabilities	(1,336,554)	(1,475,173)	(271,051)	(144,358)	(933,275)	(126,489)
Interest rate derivatives	(20,011)	(21,259)	(8,289)	(5,108)	(5,952)	(1,910)
Cross currency interest rate swaps	27,943	38,051	7,825	7,774	18,104	4,348
Exchange rate contracts	170	170	170	-	-	-
Net derivative financial assets/(liabilities)	8,102	16,962	(294)	2,666	12,152	2,438
Net financial liabilities	(1,328,452)	(1,458,211)	(271,345)	(141,692)	(921,123)	(124,051)
At 31 December 2013						
Borrowings	(1,767,805)	(2,035,372)	(622,850)	(42,628)	(682,692)	(687,202)
Trade and other payables	(173,375)	(174,429)	(160,179)	(5,930)	(6,259)	(2,061)
Non-derivative financial liabilities	(1,941,180)	(2,209,801)	(783,029)	(48,558)	(688,951)	(689,263)
Interest rate derivatives	(22,468)	(24,558)	(7,898)	(6,979)	(5,934)	(3,747)
Cross currency interest rate swaps	(19,060)	29,495	8,405	7,197	11,698	2,195
Exchange rate contracts	(2)	(2)	(2)	-	-	-
Net derivative financial (liabilities)/assets	(41,530)	4,935	505	218	5,764	(1,552)
Net financial liabilities	(1,982,710)	(2,204,866)	(782,524)	(48,340)	(683,187)	(690,815)

* It should be noted that the contractual cash flows associated with forward commodity contracts which are not financial instruments under IAS 39, are not included in this analysis.

23. Financial Risk Management and Financial Instruments (continued)

MARKET RISK

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

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

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

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

IFRS 7 Financial Instruments: Disclosures requires disclosure of a sensitivity analysis for market risks that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables impacting upon the fair value or cash flows associated with the Group's financial instruments. Therefore, each sensitivity analysis provided in this note discloses the effect on profit or loss and equity at the reporting date assuming that a reasonably possible change in the relevant market variable had occurred, and had been applied to the risk exposures in existence at that date. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on calculated or implied volatilities where available, or historical data.

As previously noted, quantitative information on financial instruments that are classified as held for sale at 31 December 2013, are not included in this disclosure note.

(a) Exchange rate risk

Exchange rate risk derives from the fact that some of the Group's operations are conducted in currencies other than euro (mainly sterling).

Revenues and expenses denominated in foreign currencies may be significantly affected by exchange rate fluctuations and conversion of foreign currency denominated trade and financing payables and receivables. Exchange rate fluctuations also affect the Group's reported results and net equity where financial statements of subsidiaries denominated in currencies other than euro are translated from their functional currency into euro.

The objective of exchange rate risk management is to protect profitability by minimising the impact of material variations due to foreign exchange rate movements.

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

(i) Subsidiaries operating in foreign currency (sterling)

The Group has a subsidiary operating in the UK and Northern Ireland, therefore the Group has exposure arising from the translation of the balance sheet for each of these activities.

The Group enters into foreign currency borrowings and derivatives, such as currency swaps, to manage this foreign currency exposure.

(ii) Transaction exposure

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

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

(iii) Debt in a foreign currency

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

An analysis of the Group's exposure to exchange rate risk that would impact profit or loss and equity is set out below. Certain items are excluded, such as;

- US dollar is excluded from the below as the exposure is hedged using offsetting cross currency interest rate swaps;
- Foreign currency instruments entered into as an economic hedge against investments in foreign operations are excluded from the below due to offsetting currency movements on intra group loans.

23. Financial Risk Management and Financial Instruments (continued)

	31-Dec-14	31-Dec-13
	€'000	€'000
Cash and cash equivalents	581	(290)
Restricted deposits	-	-
Trade and other receivables	18	2,402
Trade and other payables	(536)	(4,299)
Gross balance sheet exposure	63	(2,187)
Forward exchange contracts	-	-
FX swaps	-	-
Net exposure	63	(2,187)

A strengthening or weakening of the euro, as indicated below, against sterling at 31 December would have increased/(decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis is based on exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. Assets/liabilities classified as held for sale at 31 December 2013 are excluded from the 2013 analysis.

	Profit before taxation gain/ (loss)	Other comprehensive income	Profit before taxation gain/ (loss)	Other comprehensive income
	31-Dec-14	31-Dec-14	31-Dec-13	31-Dec-13
	€'000	€'000	€'000	€'000
5% Strengthening	(3)	-	113	-
5% Weakening	3	-	(113)	-

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

- changes in the carrying value of derivative financial instruments not in hedging relationships affect the Income Statement only; and

- changes in the carrying value of derivative financial instruments that are cash flow hedges impact other comprehensive income only.

(b) Interest rate risk

Interest rate risk derives from changes in interest rates which affect the market value of financial assets and liabilities of the Group and the level of finance charges.

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

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

- a risk of change in the cash flows related to floating rate financial assets and liabilities; and
- a risk of change in the value of fixed rate financial assets and liabilities.

The Group monitors exposure to interest rate risk on a calendar year basis. The Group's policy is to monitor open interest rate exposure positions, taking into account the current and expected shape of the yield curve, with a view to taking advantage of low interest rate environments to fix the Group's interest rate obligations and increase certainty as to the Group's interest rate expense profile. The Group uses a number of methods, including interest rate derivatives to manage the interest rate risk on its debt portfolio.

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

	2014	2014	2013	2013
	€'000	%	€'000	%
At fixed rates ¹	781,329	68.4%	1,144,975	64.8%
At floating rates	344,480	30.2%	603,325	34.1%
Inflation linked debt	16,346	1.4%	19,505	1.1%
Total	1,142,155	100.0%	1,767,805	100.0%

¹ including swaps but excluding forward starting interest rate swaps.

The Group had €499.5 million of fixed rate debt (excluding interest rate swaps) at 31 December 2014 (2013: €871.8 million).

23. Financial Risk Management and Financial Instruments (continued)

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

At 31 December 2014, the weighted average interest rate of the fixed debt portfolio was 3.27% (2013: 3.97%), which comprised of a bond of €499.5 million and an interest rate swap portfolio of €153.1 million and £100 million.

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

On 31 December 2014, the Group had US\$327.0 million (2013: US\$435.0 million) fixed rate debt outstanding (€259.7 million (2013: €345.5 million) equivalent) in a US dollar Private Placement transaction which was completed on 31 March 2009. In order to fully hedge the associated US dollar exchange rate exposures and convert the underlying interest rates to floating, the Group had a number of cross currency interest rate swaps which match the maturity profile of the debt.

CASH FLOW SENSITIVITY ANALYSIS FOR FLOATING RATE DEBT

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

It is estimated that a movement of 50 basis points in interest rates at 31 December would impact profit before taxation by the amounts shown below:

	Profit before taxation	Profit before taxation
	Gain/(loss)	Gain/(loss)
	31-Dec-14	31-Dec-13
	€'000	€'000
50 bp increase	(1,392)	(2,590)
50 bp decrease	1,370	2,542

The fair value change on cash flow hedges and their impact on other comprehensive income would be as shown below:

	Other com- prehensive income	Other com- prehensive income
	Gain/(loss)	Gain/(loss)
	31-Dec-14	31-Dec-13
	€'000	€'000
50 bp increase	3,551	2,822
50 bp decrease	(1,805)	(3,366)

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

- all other variables, in particular foreign currency rates, remain constant;
- relates only to derivative financial instruments and floating debt;
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on the Income Statement;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the Income Statement only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12 month period for the accrued interest portion of the sensitivity calculations.

Assets/liabilities classified as held for sale at 31 December 2013 are excluded from the 2013 analysis.

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

24. Operating Leases

NON-CANCELLABLE OPERATING LEASE RENTALS RECEIVABLE

	31-Dec-14	31-Dec-13
	€'000	€'000
Less than one year	30,271	41,466
Between one and five years	101,254	147,392
More than five years	181,389	231,093
Total	312,914	419,951
Analysed as:		
Continuing operations	312,914	342,630
Discontinued operations	-	77,321
Total operations	312,914	419,951

Operating leases receivable by the Group relate to arrangements falling within the scope of IFRIC 4 Determining Whether an Arrangement Contains a Lease as follows;

(a) Continuing operations: Agreements to allow third parties the use of parts of the Gas Network Transportation system. The unexpired lease terms range from 9 to 23 years; and

(b) Discontinued operations: Power purchase agreements with third parties (agreements acquired as part of subsidiary acquisition in 2009). All lease arrangements were at an arm's length basis.

NON-CANCELLABLE OPERATING LEASE RENTALS PAYABLE

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Less than one year	890	6,284
Between one and five years	2,821	20,463
More than five years	241	24,610
Total	3,952	51,357
Analysed as:		
Continuing operations	3,952	4,469
Discontinued operations	-	46,888
Total operations	3,952	51,357

Amounts included in the Income Statement in respect of land and building lease arrangements were €4.3 million (2013: €5.6 million). This can be further analysed between continuing operations of €1.4 million (2013: €0.2 million) and discontinued operations of €2.9 million (2013: €5.4 million).

NON-CANCELLABLE OPERATING LEASE RENTALS PAYABLE UNDER POWER PURCHASE AGREEMENTS (PPAS)

As part of its policy to secure competitive and diverse supplies of power, the Group's discontinued operation entered into PPAs with indigenous wind farms which fall within the scope of IFRIC 4. It was determined that each of these arrangements within the scope of IFRIC 4 represented operating leases.

The following relates to commitments payable by the Group's discontinued operations under PPAs as at 31 December 2013. All lease arrangements were at an arm's length basis.

	31-Dec-14	31-Dec-13
	€'000	€'000
Less than one year	-	24,893
Between one and five years	-	87,145
More than five years	-	126,211
Total	-	238,249
Analysed as:		
Continuing operations	-	-
Discontinued operations	-	238,249
Total operations	-	238,249

25. Capital Commitments

	Group	Parent	Group	Parent
	2014	2014	2013	2013
	€'million	€'million	€'million	€'million
Contracted for	120	115	265	165

26. Contingencies

GROUP AND PARENT

Contingent liabilities may arise in respect of contractual agreements to which the Group or the Parent is a party. These are estimated based on information available of the potential cost associated with the outturn of any such events which exist at the reporting date. Liabilities over and above those provided for in the financial statements could arise as a result of the occurrence or non-occurrence of one or more uncertain future events but given the nature of the contingencies it is not practicable to make an estimate of the financial impact.

Liabilities in respect of environmental costs and financial instruments have been provided for as disclosed in notes 21 and 23. Contingent liabilities with respect to government grants are disclosed in note 20.

In the normal course of its business, the Group or the Parent enters into certain undertakings and commitments to third parties in respect of obligations to perform under contractual arrangements. Obligations to third parties are guaranteed by letters of credit or performance bonds issued by financial institutions and are counter indemnified by the Group or the Parent. At 31 December 2014, €2.9 million (2013: €65.7 million) was provided by the Group by way of guarantees by financial institutions to third parties. €2.9 million (2013: €65.7 million) of guarantees have been counter indemnified by the Parent.

27. Related Parties

ULTIMATE PARENT UNDERTAKING

Ervia is a corporate body established under the Gas Act 1976. Further to the arrangements in respect of the acquisition of the capital stock issued to the *Bord Gáis* ESOT (refer to note 17), Ervia is 100% beneficially owned by the Irish State.

GROUP AND PARENT

Government sponsored bodies

In common with many other entities, the Group and the Parent deal in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, Eirgrid and Local Authorities.

Banks owned by the Irish State

In the normal course of business, the Group and the Parent transacts with certain Irish banks which have become wholly or partially controlled by the Irish Government. All of the Group and the Parent's transactions with such banks are on normal commercial terms. The Group and the Parent had borrowings of €4.4 million with such banks at 31 December 2014. The Group's cash and cash equivalents and restricted deposits sitting on deposit with such banks was €1.3 million at 31 December 2014 (2013: €19.6 million). The Parent's cash and cash equivalents and restricted deposits with such banks was €5.2 million overdrawn at 31 December 2014 (2013: €7.4 million).

Board members' interests

The Board members had no beneficial interests in the Parent or its subsidiaries at any time during the year or at 31 December 2014. The Secretary is a beneficiary of the Employee Share Ownership Plan.

Irish Water

Irish Water is deemed to be a related party of the Group and the Parent, on the basis of the fact pattern set out in note 28.

In 2012, the Minister for the Environment, Community and Local Government requested the Group to undertake specified activities related to the preparatory work for establishment of Irish Water in advance of the enactment of the Water Services Act 2013. The Minister set out a clear basis by which costs incurred on permitted activities were fully recoverable by the Group. On foot of the request, the Group entered into financial commitments and incurred costs in connection with water sector activities. Costs incurred during 2012 in this regard were recognised as deferred costs in the Group financial statements at 31 December 2012. During 2013, the Group continued to incur costs in respect of these activities, up until the incorporation of Irish Water in July 2013. Following the incorporation of Irish Water, the Group invoiced Irish Water for all costs incurred in respect of these activities during 2012 and 2013. The Group did not earn a margin on these activities, thus these activities had a net nil impact on the Group's Income Statement in 2013. Subsequent to incorporation, the majority of costs in respect of these activities were incurred directly by Irish Water and accounted for by Irish Water on that basis.

27. Related Parties (continued)

During 2014, Ervia seconded certain employees to Irish Water to work on its establishment. The costs relating to these employees were recharged to Irish Water on a full cost recovery method with no margin earned. During 2014, the total value of transactions incurred by the Group and recharged to Irish Water in respect of these activities was €9.2 million. At 31 December 2014, €3.0 million (2013: €5.4 million) was receivable from Irish Water in respect of these activities.

In addition, the Ervia Group provides strategic, governance, risk and capital delivery management, transactional and support services to Irish Water through the Group Centre, Major Projects and Shared Services functions. The Shared Services Centre has been designed to provide transactional and support services to the Group in the areas of Finance, Procurement, Facilities, HR and IT, while supporting 31 Local Authorities (LAs) in the areas of Finance (accounts payable and project accounting), Procurement and IT. During 2014, the total value of transactions recharged to Irish Water in respect of these activities was €25.9 million. At 31 December 2014, €9.6 million was receivable from Irish Water in respect of these activities.

GROUP

Subsidiary and joint venture undertakings

The Group financial statements consolidate the results of the Parent and its subsidiaries and incorporates the results of its share of joint ventures as documented in the accounting policies. A listing of the subsidiaries and joint ventures is provided in note 28. Transactions with related parties are entered into in the normal course of business on an arm's length basis. Sales to and from, together with outstanding payables and receivables to and from subsidiaries, are eliminated in the preparation of the consolidated financial statements, in accordance with IFRS 10.

The Group provided funding and certain limited services during 2014 to a number of trading joint venture undertakings. At 31 December 2014, €nil (2013: €1.0 million) was receivable from joint ventures.

Parent

Subsidiary and joint venture undertakings

	Transaction value (income)		Balance receivable	
	2014	2013	31-Dec-14	31-Dec-13
	€'000	€'000	€'000	€'000
Subsidiaries	92,297	95,255	290,633	661,326
Joint ventures	-	-	-	967
Total	92,297	95,255	290,633	662,293

	Transaction value (expense)		Balance payable	
	2014	2013	31-Dec-14	31-Dec-13
	€'000	€'000	€'000	€'000
Subsidiaries	60,588	68,603	20,920	28,580
Total	60,588	68,603	20,920	28,580

Subsidiaries

During the year the Parent had sales of €86.1 million (2013: €87.1 million) to subsidiaries. These sales predominantly related to gas sales and management services. During the year the Parent had interest receivable totalling €6.2 million (2013: €8.2 million) from subsidiaries on intercompany loan facilities.

During the year the Parent purchased services and supplies of €60.6 million (2013: €68.6 million) from subsidiaries. This expenditure primarily related to transportation and power generation supply services.

At 31 December 2014, the Parent had amounts receivable of €290.6 million (2013: €661.3 million) from its subsidiaries. The balances receivable mainly related to loan facilities to fund capital investment.

At 31 December 2014, the Parent had amounts payable of €20.9 million (2013: €28.6 million) to its subsidiaries. The outstanding payable primarily related to amounts due in respect of services and supplies provided.

GROUP AND PARENT

	2014	2013
	€'000	€'000
Key management compensation		
Salaries and other short-term employee benefits	1,885	1,924
Other benefits including pension costs, costs of company car and health insurance	480	345
Total	2,365	2,269

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 the Group. The key management personnel includes Board Members and senior executives.

28. Subsidiaries and Joint Ventures

At 31 December 2014, the Group had the following subsidiaries and joint ventures:

Company	Nature of Business	Group Share
1 Sudanor Limited	Non Trading	100%
2 Aurora Telecom Limited	Non Trading	100%
3 BGE (IOM) Limited	Gas Transmission	100%
4 Natural Gas Finance Limited	Project and Financing Services	100%
5 BGE Finance Public Limited Company	Non Trading	100%
6 Conservation Engineering Limited	Combined Heat and Power	100%
7 Platin Power Trading Limited	Non Trading	100%
8 <i>Bord Gáis Energy</i> Trading Limited	Non Trading	100%
9 BGE Holdings Limited	Non Trading	100%
10 Oisín Power Generation Limited	Non Trading	50%
11 Greener Ideas Limited	Electricity Generation	50%
12 BGE (UK) Limited	Gas Transmission	100%
Independent subsidiary undertaking		
13 Gaslink Independent System Operator Limited	Independent Gas System Operator	100%
Non-controlled undertaking		
14 <i>Bord Gáis</i> ESOP Trustee Limited	Trustee for Employee Share Ownership Plan	see (a) below
15 Irish Water	Water and Waste Water Services	see (b) below

At 31 December 2014, the registered office addresses of the subsidiaries and joint ventures are;

The registered office of 1 to 3, 13 and 14 is:
Gasworks Road, Cork, Ireland

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

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

The registered office of 15 is:
Colvill House, 24/26 Talbot Street, Dublin 1, Ireland

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

(b) At 31 December 2014, the Group held a single voting share in Irish Water, with no economic rights attributable to that share. The Minister for Finance and Minister for Environment, Community and Local Government each held a single Water Economic Rights ('WER') share which carried no voting rights but carried all the economic rights to obtain benefit from the activities of Irish Water. IFRS 10 states "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee." The Group's single voting share in Irish Water represents an existing right at 31 December 2014 that gives the Group the power to govern the financial and operating policies of Irish Water. However, as this power cannot be used to obtain variable returns, as the Group does not have rights to the variable returns of Irish Water at that date, as required by IFRS 10, and therefore in order to comply with the requirements of IFRS, the financial statements of Irish Water are not consolidated with the results of the Group.

29. Subsequent Events

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

A corporate restructuring project is on-going in respect of the transfer of the assets and liabilities to the newly incorporated Gas Networks Ireland Limited which is anticipated to be completed in 2015. This is not expected to have a material impact on the Group's financial results in 2015.

30. Estimates and Judgements

GROUP AND PARENT

In the process of preparing these financial statements, estimates and judgements are necessarily used which affect the amounts recognised in the financial statements. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

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

It should be noted that the impact of variation in some assumptions and estimates can have a particularly material impact on the reported results. These include but are not limited to the following:

- (a) The measurement of certain assets, liabilities, income and costs which require a high degree of estimation and judgement including; the useful lives of property, plant and equipment/ intangible assets, various operating accruals and impairment allowance in respect of trade and other receivables. These items are estimated in accordance with relevant IFRS and the Group's accounting policies. Further detail is set out in the relevant notes.
- (b) The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 37. In particular, the measurement of the provision for environmental costs is sensitive to assumptions concerning costs, inflation rate, long-term discount rate, and disbursement schedules. A revised estimate is therefore established at each reporting date to ensure that the amounts accrued correspond to the best

estimate of the costs eventually to be borne by the Group. Any significant differences resulting from these revised estimates could entail changes in the amounts accrued. Refer to note 21.

- (c) The value of retirement benefit obligations is based on actuarial valuations that are sensitive to assumptions concerning discount rates, wage increase rates, inflation rates, mortality assumptions and any other actuarial assumptions used. The principal actuarial assumptions used to calculate these retirement benefit obligations at 31 December 2014 are presented in the retirement benefit obligations note (note 19). These assumptions are updated annually. The Group considers the actuarial assumptions used at 31 December 2014 appropriate and well-founded, but changes in these assumptions may have a significant effect on the amount of the retirement benefit obligations and the Group's reported results.
- (d) The Group has entered into a number of arrangements which fall within the scope of IFRIC 4, as they relate to use and control of a specific asset. At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. It has been determined that each of these arrangements represent operating leases. All receipts from these arrangements, within the scope of IFRIC 4, are deemed to be earned as part of the Group's core operations and accordingly the lease income is recognised as revenue in the Income Statement. All lease payments made in accordance with these arrangements are recorded within cost of sales. Refer to note 24.
- (e) In measuring the fair value of unlisted financial instruments the Group uses valuation models involving a certain number of assumptions. Refer to notes 23 and 31 for further details.
- (f) Impairment tests on long-term assets are sensitive to the macro-economic and segment assumptions used, and medium-term financial forecasts. The Group therefore revises the underlying estimates and assumptions based on regularly updated information.

31. Determination of Fair Value

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table sets out the valuation techniques applied by the Group in measuring fair value, together with any significant unobservable inputs.

31. Determination of Fair Value (continued)

Type	Valuation technique	Significant unobservable inputs
Forward exchange contracts (Refer to note 23)	<p>The fair value of forward exchange contracts is based on their quoted price, if available.</p> <p>If a quoted price is not available, then fair value is estimated as the difference between the contractual forward price and the current forward price for the residual maturity of the contract.</p> <p>Fair value hierarchy: level 2</p>	All significant inputs required to fair value the instrument are observable.
Interest rate swaps and cross currency interest rate swaps (Refer to note 23)	<p>The fair value of interest rate swaps and cross currency interest rate swaps takes into account the fixed, floating and market rates prevailing at the year end.</p> <p>The fair value of inflation linked swaps is determined using a valuation technique which includes market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.</p> <p>Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the relevant Group entity and counterparty when appropriate.</p> <p>Fair value hierarchy: level 2</p>	All significant inputs required to fair value the instrument are observable.
Private Placement (fair value hedge portion) (Refer to note 23)	<p>The fair value of the fixed rate debt is estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date.</p> <p>Fair value hierarchy: level 2</p>	All significant inputs required to fair value the instrument are observable.
Trade and other receivables (Refer to note 15)	<p>The sale of the Energy business provides for an element of contingent purchase consideration. The fair value of this contingent consideration has been determined by discounting the expected future cash flows to net present values. The expected future cash flows is determined by considering the possible scenarios of forecast earnings targets and wind farm build out, the future cashflows under each scenario and the probability of each scenario.</p> <p>Fair value hierarchy: level 3</p>	Forecast earnings targets and wind farm build out.

Parent Balance Sheet (as at 31 December 2014)

		31-Dec-14	31-Dec-13
	Notes	€'000	€'000
Assets			
Non-current assets			
Property, plant and equipment	1	2,215,565	2,231,781
Intangible assets	2	37,473	52,078
Investment in subsidiary undertakings	3	9,321	9,321
Financial asset investments	3	-	-
Trade and other receivables	7	25,026	-
Derivative financial instruments	15	27,943	-
Total non-current assets		2,315,328	2,293,180
Current assets			
Inventories	6	1,581	464
Trade and other receivables	7	360,354	505,197
Cash and cash equivalents	8	88,799	37,792
Restricted deposits	8	28,350	30,140
Derivative financial instruments	15	170	-
Current tax assets	5	6,105	1,365
Assets held for sale	4	-	1,098,806
Total current assets		485,359	1,673,764
Total assets		2,800,687	3,966,944
Equity and liabilities			
Equity			
Capital stock	9	-	(100,000)
Capital premium	9	-	(29,426)
Other reserves	9	8,773	14,372
Retained earnings	9	(1,101,158)	(1,189,451)
		(1,092,385)	(1,304,505)
Reserves relating to disposal group classified as held for sale	4	-	(1,937)
Total equity attributable to equity holders of the Parent		(1,092,385)	(1,306,442)
Liabilities			
Non-current liabilities			
Borrowings and other debt	10	(1,056,647)	(1,203,202)
Retirement benefit obligations	11	(84,777)	(49,066)
Deferred revenue and government grants	12	(60,601)	(67,252)
Provisions	13	(14,511)	(12,651)
Trade and other payables	14	(38,335)	(13,367)
Derivative financial instruments	15	(9,834)	(23,384)
Deferred tax liabilities	5	(196,960)	(197,016)
Total non-current liabilities		(1,461,665)	(1,565,938)
Current liabilities			
Borrowings and other debt	10	(69,162)	(545,098)
Deferred revenue and government grants	12	(8,951)	(9,843)
Provisions	13	(3,921)	(6,641)
Trade and other payables	14	(164,603)	(326,613)
Derivative financial instruments	15	-	(6,960)
Liabilities held for sale	4	-	(199,409)
Total current liabilities		(246,637)	(1,094,564)
Total liabilities		(1,708,302)	(2,660,502)
Total equity and liabilities		(2,800,687)	(3,966,944)

FOR AND ON BEHALF OF THE BOARD:

Chairman



Member of the Board



Date of Approval

17th June 2015

As described in note 28, the financial statements of Irish Water are not consolidated with the results of the Group.

Parent Statement of Changes in Equity (for the year ended 31 December 2014)

	Capital stock	Capital premium	Cash flow hedge reserve	Total other reserves	Retained earnings	Reserves relating to disposal group classified as held for sale	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2013	100,000	29,426	(22,211)	(22,211)	1,519,493	-	1,626,708
Loss for the year	-	-	-	-	(271,174)	-	(271,174)
Other comprehensive income/ (expense) for the year, net of income tax	-	-	9,776	9,776	(7,311)	-	2,465
Total comprehensive income/ (expense) for the year	-	-	9,776	9,776	(278,485)	-	(268,709)
Reclassification as reserve relating to disposal group classified as held for sale	-	-	(1,937)	(1,937)	-	1,937	-
Dividends paid	-	-	-	-	(51,557)	-	(51,557)
Balance at 31 December 2013	100,000	29,426	(14,372)	(14,372)	1,189,451	1,937	1,306,442
Profit for the year	-	-	-	-	65,976	-	65,976
Other comprehensive income/ (expense) for the year, net of income tax	-	-	6,550	6,550	(41,219)	-	(34,669)
Total comprehensive income for the year	-	-	6,550	6,550	24,757	-	31,307
Own shares acquired	-	-	-	-	(53,600)	-	(53,600)
Capital stock amendment scheme	(100,000)	(29,426)	-	-	129,426	-	-
Equity reserves reclassified to the Income Statement	-	-	(951)	(951)	-	(1,937)	(2,888)
Dividends declared	-	-	-	-	(188,876)	-	(188,876)
Balance at 31 December 2014	-	-	(8,773)	(8,773)	1,101,158	-	1,092,385

All attributable to owners of the Parent.

Parent Statement of Cash Flows (for the year ended 31 December 2014)

CONTINUING OPERATIONS

	Notes	2014	2013
		€'000	€'000
Cash flows from operating activities			
Profit/(loss) for the year	9	65,976	(271,174)
Adjustments for:			
Depreciation and amortisation		110,215	92,218
Gain on sale of property, plant and equipment		(27)	(55)
Net finance costs		61,379	71,283
Income tax expense		21,550	28,040
Results from discontinued operations		14,668	365,931
Exceptional items		-	9,654
		273,761	295,897
Working capital changes:			
Change in inventories		(1,114)	3,436
Change in trade and other receivables		(2,154)	(50,914)
Change in trade and other payables		(23,257)	21,797
Change in deferred revenue		(3,576)	(17,753)
Cash outflows in respect of:			
- Restructuring provision	13	(614)	(533)
- Other provisions	13	(82)	(145)
Change in self-insured claims provision	13	412	734
Cash generated from operating activities		243,376	252,519
Interest paid		(62,172)	(73,328)
Income tax paid		(20,858)	(12,237)
Net cash generated from operating activities		160,346	166,954
Cash flows from investing activities			
Equity proceeds from sale of Energy division	4	513,857	-
Settlement of related party debt		427,774	-
Tax on disposal of discontinued operations		(7,642)	-
Proceeds from sale of property, plant and equipment		59	118
Movements in restricted deposits		776	(9,175)
Payments for property, plant and equipment		(79,376)	(92,131)
Payments for intangible assets		(2,361)	(4,950)
Interest received		16	133

Parent Statement of Cash Flows (continued)

	Notes	2014	2013
		€'000	€'000
Net cash from/(used in) investing activities		853,103	(106,005)
Cash flows from financing activities			
Repurchase of share capital		(14,364)	-
Proceeds from borrowings		-	100,000
Repayment of borrowings		(687,582)	(395,209)
Loans advanced		(89,478)	18,556
Dividends paid	9	(171,000)	(51,557)
Net cash used in financing activities		(962,424)	(328,210)
Net increase/(decrease) in cash and cash equivalents	8	51,025	(267,261)
Cash and cash equivalents at 1 January	8	37,792	304,994
Effect of exchange rate fluctuations on cash held	8	(18)	59
Cash and cash equivalents at 31 December		88,799	37,792

DISCONTINUED OPERATIONS

		2,014	2,013
		€'000	€'000
Net cash used/generated from operating activities	4	(5,074)	58,531
Net cash used in investing activities	4	(91,106)	(32,948)
Net cash from/(used in) financing activities	4	89,478	(18,556)
Net (decrease)/increase in cash and cash equivalents		(6,702)	7,027
Cash and cash equivalents at 1 January		6,702	(325)
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at 31 December		-	6,702

TOTAL OPERATIONS

		2,014	2,013
		€'000	€'000
Net cash generated from operating activities		155,272	225,485
Net cash from/(used in) investing activities		761,997	(138,953)
Net cash used in financing activities		(872,946)	(346,766)
Net increase/(decrease) in cash and cash equivalents		44,323	(260,234)
Cash and cash equivalents at 1 January		44,494	304,669
Effect of exchange rate fluctuations on cash held		(18)	59
Cash and cash equivalents at 31 December		88,799	44,494

1. Property, Plant and Equipment

	Land and buildings	Plant, pipeline and machinery	Assets under construction	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2013	79,484	3,481,931	49,765	3,611,180
Additions	6	53,576	40,370	93,952
Transfers in year	138	66,506	(66,644)	-
Disposals	-	(14,413)	-	(14,413)
Reclassified as assets held for sale	-	(412,754)	-	(412,754)
At 31 December 2013	79,628	3,174,846	23,491	3,277,965
Additions	-	48,299	32,288	80,587
Transfers in year	520	26,816	(27,336)	-
Disposals	-	(642)	-	(642)
At 31 December 2014	80,148	3,249,319	28,443	3,357,910
Accumulated depreciation and impairment losses				
At 1 January 2013	18,515	1,003,468	-	1,021,983
Depreciation for the year	1,617	105,248	-	106,865
Impairment losses	-	231,845	-	231,845
Disposals	-	(14,350)	-	(14,350)
Reclassified as assets held for sale	-	(300,159)	-	(300,159)
At 31 December 2013	20,132	1,026,052	-	1,046,184
Depreciation for the year	6,734	90,046	-	96,780
Disposals	-	(619)	-	(619)
At 31 December 2014	26,866	1,115,479	-	1,142,345
Carrying amounts				
At 31 December 2013	59,496	2,148,794	23,491	2,231,781
At 31 December 2014	53,282	2,133,840	28,443	2,215,565

During the year, the Parent capitalised the sum of €0.4 million (2013: €0.5 million) in interest. The capitalisation rate was 4.36% (2013: 4.23%). The Parent also capitalised the sum of €9.0 million in payroll costs during the year (2013: €10.1 million).

Refer to note 9 of the Group financial statements for further qualitative disclosure.

2. Intangible Assets

	Software under development	Software and other	Total
	€'000	€'000	€'000
Cost			
At 1 January 2013	10,705	198,646	209,351
Additions (incl internally developed)	14,297	372	14,669
Transfers in year	(18,970)	18,970	-
Disposals	-	(17,023)	(17,023)
Reclassified as assets held for sale	(3,947)	(84,303)	(88,250)
At 31 December 2013	2,085	116,662	118,747
Additions (incl internally developed)	2,793	12	2,805
Transfers in year	(3,750)	3,750	-
Disposals	-	(8)	(8)
At 31 December 2014	1,128	120,416	121,544
Amortisation			
At 1 January 2013	-	108,423	108,423
Amortisation for the year	-	21,893	21,893
Disposals	-	(17,023)	(17,023)
Reclassified as assets held for sale	-	(46,624)	(46,624)
At 31 December 2013	-	66,669	66,669
Amortisation for the year	-	17,402	17,402
At 31 December 2014	-	84,071	84,071
Carrying amounts			
At 31 December 2013	2,085	49,993	52,078
At 31 December 2014	1,128	36,345	37,473

The Parent capitalised the sum of €0.1 million in payroll costs during the year (2013: €2.4 million).

Refer to note 10 of the Group financial statements for further qualitative disclosure.

3. Investments

	Investment in subsidiary undertakings	Investment in joint ventures	Financial asset investments	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2013	434,160	11,200	2,025	447,385
Disposals	-	-	(920)	(920)
Reclassified as assets held for sale	(421,426)	(11,200)	(1,105)	(433,731)
At 31 December 2013	12,734	-	-	12,734
At 31 December 2014	12,734	-	-	12,734
Impairment				
At 1 January 2013	3,413	-	-	3,413
Impairment recognised during the year	117,813	2,351	-	120,164
Reclassified as assets held for sale	(117,813)	(2,351)	-	(120,164)
At 31 December 2013	3,413	-	-	3,413
At 31 December 2014	3,413	-	-	3,413
Carrying amounts				
At 31 December 2013	9,321	-	-	9,321
At 31 December 2014	9,321	-	-	9,321

On incorporation of Irish Water during 2013, the Parent was issued a single voting "A" share in Irish Water at €0.01. The Parent's investment in Irish Water is included in the table above, however this investment is not apparent due to the effects of rounding.

Refer to note 11 of the Group financial statements for further qualitative disclosure in respect of investments in joint ventures.

During 2013 Impairment losses were recognised in respect of investments in subsidiary undertakings which were part of the disposal group held for sale.

4. Disposal Group Held for Sale and Discontinued Operations

On 30 June 2014, Ervia completed its sale of *Bord Gáis Energy* to a consortium comprising Centrica plc, Brookfield Renewable Energy Partners LP and iCON Infrastructure. At 31 December 2013, the Group's Energy business (*Bord Gáis Energy*) was reclassified as a disposal group held for sale and was presented as a discontinued operation in line with the requirements of IFRS 5. As part of the pre-sale restructuring of the Energy business, at 31 May 2014 the assets and liabilities of the Energy business were transferred to *Bord Gáis Energy Limited* to facilitate the completion of the sale on 30 June 2014.

At 31 December 2013, the disposal group was stated at fair value less costs to sell and comprised the following:

31-Dec-13	
€'000	
Property, plant and equipment	112,595
Intangible assets	41,626
Investment in subsidiary undertakings	303,613
Investment in joint ventures	8,849
Financial asset investments	1,105
Derivative financial instruments	5,725
Inventories	42,520
Trade and other receivables	575,130
Cash and cash equivalents	6,702
Restricted deposits	941
Assets held for sale	1,098,806
Trade and other payables	(194,049)
Provisions	(2,328)
Derivative financial instruments	(2,750)
Deferred tax liabilities	(282)
Liabilities held for sale	(199,409)
Cash flow hedge reserve	1,937
Reserves relating to disposal group classified as held for sale	1,937

EFFECT OF DISPOSAL OF BORD GÁIS ENERGY ON THE FINANCIAL POSITION OF THE PARENT AT 31 MAY 2014

	€'000
Property, plant and equipment	(107,630)
Intangible assets	(39,608)
Investment in subsidiaries	(312,462)
Financial asset investments	(1,105)
Derivative financial instruments	(24,977)
Inventories	(22,309)
Trade and other receivables	(189,505)
Cash and cash equivalents	(58,899)
Restricted deposits	(12,113)
Trade and other payables	154,484
Provisions	2,328
Derivative financial instruments	16,330
Net assets disposed of	(595,466)
Gross consideration received	513,857
Consideration receivable	25,026
Total consideration	538,883
Impact of disposal before results from operating activities and reclassification of amounts recognised in other comprehensive income	(56,583)
Results from operating activities, net of tax	46,669
Result from discontinued operations before tax impacts on sale and reclassifications from other comprehensive income	(9,914)

4. Disposal Group Held for Sale and Discontinued Operations (continued)

	2014	2013
	€'000	€'000
Cash flows from discontinued activities		
Result from discontinued operations	(14,668)	(365,931)
Adjustments for:		
Depreciation and amortisation	-	32,617
Net finance costs	(3,192)	3,077
Income tax expense	-	(14,853)
Operating derivatives loss/gain	(4,654)	746
Exceptional items	-	384,062
Impact of disposal before reclassification of amounts recognised in OCI	56,583	-
Tax on disposal of discontinued operations	7,642	-
Equity reserves recycled to the Income Statement on disposal of <i>Bord Gáis Energy</i>	(2,888)	-
Other operating income	(13,277)	-
	25,546	39,718
Working capital changes:		
Change in inventories	20,215	(11,173)
Change in trade and other receivables	(32,774)	41,015
Change in trade and other payables	(18,035)	(11,548)
Change in self-insured claims provision	-	102
Cash generated from operating activities	(5,048)	58,114
Interest paid	(26)	417
Net cash (used)/generated from operating activities	(5,074)	58,531
Cash flows from investing activities		
Movements in restricted deposits	(11,172)	(556)
Payments for property, plant and equipment	(18,305)	(11,463)
Payments for intangible assets	(2,730)	(11,307)
Impact to cash on disposal of <i>Bord Gáis Energy</i>	(58,899)	-
Receipts/(payments) for financial asset investments	-	920
Payments in relation to acquisitions - deferred consideration paid	-	(11,107)
Dividends received from financial asset investments	-	565
Net cash used in investing activities	(91,106)	(32,948)
Cash flows from financing activities		
Loans advanced	89,478	(18,556)
Net cash from/(used in) financing activities	89,478	(18,556)
Net (decrease)/increase in cash and cash equivalents	(6,702)	7,027
Cash and cash equivalents at 1 January	6,702	(325)
Effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents at 31 December	-	6,702

5. Tax Assets and Liabilities

CURRENT TAX ASSETS AND LIABILITIES

	31-Dec-14	31-Dec-13
	€'000	€'000
Current tax assets	6,105	1,365

DEFERRED TAX ASSETS AND LIABILITIES

	Retirement benefit obligation	Tax losses forward	Derivative financial instruments	Property, plant and equipment and intangible assets	Interest	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2013	4,931	2,314	3,173	(200,622)	(5,630)	782	(195,052)
Credit/(expense) to Income Statement	158	(2,314)	-	9,453	(5,810)	(3,380)	(1,893)
Recognised in equity	1,044	-	(1,397)	-	-	-	(353)
Reclassified as liabilities held for sale	-	-	277	5	-	-	282
At 31 December 2013	6,133	-	2,053	(191,164)	(11,440)	(2,598)	(197,016)
Transfer to current tax	-	-	-	-	-	3,422	3,422
Expense to Income Statement	(1,424)	-	-	(3,365)	(3,449)	(216)	(8,454)
Recognised in equity	5,888	-	(800)	-	-	-	5,088
At 31 December 2014	10,597	-	1,253	(194,529)	(14,889)	608	(196,960)

Refer to note 13 of the Group financial statements for further qualitative disclosure.

6. Inventories

	31-Dec-14	31-Dec-13
	€'000	€'000
Gas stock and engineering materials	1,581	464

In 2014 inventories recognised in the Income Statement amounted to €0.9 million (2013: €1.0 million). There were no write-downs of inventories to net realisable value in 2014 (2013: €nil).

7. Trade and Other Receivables

	31-Dec-14	31-Dec-13
	€'000	€'000
Trade receivables	5,826	1,805
Amounts owed by subsidiary undertakings	290,633	456,525
Prepayments	8,294	7,366
Use of systems receivable	43,914	32,486
Other receivables	36,713	7,015
Total	385,380	505,197
Non-current	25,026	-
Current	360,354	505,197
Total	385,380	505,197

Trade receivables are stated net of allowances for impairment. When management considers the recovery of a receivable to be improbable, an allowance for impairment is made against the carrying value of the receivable. The Parent's exposure to credit and currency risks, and impairment losses related to trade and other receivables is included in note 15 of the Parent financial statements.

Use of system revenue in the Republic of Ireland comprises of Distribution Use of System (DUoS) revenue and Transmission Use of System (TUoS) revenue. The credit terms for both DUoS and TUoS are ten business days and there are currently 16 external shippers. TUoS and DUoS revenue is billed and collected by the Parent on behalf of Gaslink, the gas system operator. The allowed revenue is invoiced to the shippers on a monthly basis twelve business days after month end with payment due ten working days from date of invoice. In respect of the Networks business in Northern Ireland, revenue is derived principally from charges for use of the Northwest transmission pipeline and the Southnorth pipeline. A postalised system is in place in Northern Ireland. Invoices are issued by the administrator and non payment of invoices attracts a daily interest charge. Payments in relation to new connections or alterations are paid for in advance of the work being carried out. Normal credit terms and debtor days apply in respect of siteworks.

8. Cash, Cash Equivalents and Restricted Deposits

CASH AND CASH EQUIVALENTS

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Short-term deposits	94,000	38,100
(Overdraft)/cash	(5,201)	(308)
Total	88,799	37,792

	2014	2013
	€'000	€'000
At 1 January	37,792	304,669
(Decrease)/increase in cash and cash equivalents in the statement of cash flows	51,025	(260,234)
Effect of exchange rate fluctuations on cash held	(18)	59
Reclassified as assets held for sale	-	(6,702)
At 31 December	88,799	37,792

RESTRICTED DEPOSITS

The restricted deposits include amounts held in respect of collateral held by third parties, credit support agreements and gas network related security deposits.

	31-Dec-14	31-Dec-13
	€'000	€'000
Current	28,350	30,140
Total	28,350	30,140

9. Equity

CAPITAL STOCK

Refer to note 17 of the Group financial statements for further details.

CAPITAL PREMIUM

Refer to note 17 of the Group financial statements for further details.

OTHER RESERVES

Cash flow hedge reserves

The hedging reserve primarily represents the fair value of derivatives which are part of effective cash flow hedging relationships at year-end. As the derivatives are held for hedging purposes, as defined by IAS 39, their fair value movements are retained in equity instead of being charged to the Income Statement during the year and will be charged to profit or loss in the same period as the corresponding hedged transaction. Refer to note 15 of the Parent financial statements for further details.

RETAINED EARNINGS

	2014	2013
	€'000	€'000
At 1 January	1,189,451	1,519,493
Profit/(loss) for the year	65,976	(271,174)
Net income recognised directly in other comprehensive income: items that will not be reclassified to profit or loss		
- defined benefit plan actuarial losses	(47,107)	(8,355)
- deferred tax credit relating to defined benefit obligations	5,888	1,044
Net income recognised directly in equity		
- dividends declared	(188,876)	(51,557)
Capital stock amendment scheme	129,426	-
Own shares acquired	(53,600)	-
At 31 December	1,101,158	1,189,451

10. Borrowings and Other Debt

This note provides information about the contractual terms of the Parent's interest-bearing borrowings. For more information about the Parent's exposure to interest rate, foreign currency and liquidity risk, see note 15.

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

	Bonds	Loans from financial institutions *	Total	Total
	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-13
	€'000	€'000	€'000	€'000
Less than one year	-	69,162	69,162	545,098
Current borrowings	-	69,162	69,162	545,098
Between one and five years	499,501	433,929	933,430	561,478
More than five years	-	123,217	123,217	641,724
Non-current borrowings	499,501	557,146	1,056,647	1,203,202
Total	499,501	626,308	1,125,809	1,748,300

* including private placement.

Total borrowings includes €344.5 million (2013: €603.3 million) of floating rate debt and €781.3 million (2013: €1,145.0 million) of fixed rate debt which has been drawn down from various lenders.

Included in borrowings are sterling denominated bank loans, which have been used as a hedge of the Parent's investment in a sterling denominated subsidiary in the United Kingdom. The carrying amount of the loans at 31 December 2014 was €128.8 million (2013: €216.3 million).

11. Retirement Benefit Obligations

Refer to note 19 of the Group financial statements for analysis of both Group and Parent retirement benefit obligations.

12. Deferred Revenue and Government Grants

DEFERRED REVENUE

	2014	2013
	€'000	€'000
At 1 January	23,964	41,717
Received in year	1,646	1,633
Recognised as revenue in year	(5,353)	(19,386)
At 31 December	20,257	23,964

GOVERNMENT GRANTS

	2014	2013
	€'000	€'000
At 1 January	53,131	57,054
Received in year	131	-
Amortised in year	(3,967)	(3,923)
At 31 December	49,295	53,131

ANALYSED AS FOLLOWS:

	31-Dec-14	31-Dec-13
	€'000	€'000
Non-current	60,601	67,252
Current	8,951	9,843
Total deferred revenue and government grants	69,552	77,095

13. Provisions

Refer to note 21 of the Group financial statements for analysis of both Group and Parent provisions.

14. Trade and Other Payables

	31-Dec-14	31-Dec-13
	€'000	€'000
Trade payables due	8,465	9,067
Accruals	90,262	95,322
Promissory notes	39,236	-
Other payables	32,441	34,260
Amounts due to subsidiary companies	20,920	177,862
Taxation and social welfare creditors*	11,614	23,469
Total	202,938	339,980
Non-current	38,335	13,367
Current	164,603	326,613
Total	202,938	339,980

* Taxation and social welfare creditors

PAYE/PRSI/social welfare	2,418	2,763
VAT	8,942	20,510
Other taxes	254	196
Total	11,614	23,469

15. Financial Instruments

This note presents information about the Parent's financial instruments, with the exception of quantitative information in respect of financial instruments which are classified as held for sale at 31 December 2013. Further quantitative disclosures are included throughout these financial statements.

The fair values of the primary financial assets and liabilities of the Parent, together with their carrying values excluding provisions can be analysed as follows:

	Assets and liabilities at amortised cost or other	Derivatives in hedging relationship*	Derivatives not in hedging relationship	Total carrying value	Fair value
	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-14
	€'000	€'000	€'000	€'000	€'000
Assets					
Non-current financial assets					
Financial asset investments	-	-	-	-	-
Trade and other receivables (excluding prepayments)	25,026	-	-	25,026	25,026
Derivative financial instruments	-	27,943	-	27,943	27,943
Total non-current financial assets	25,026	27,943	-	52,969	52,969
Current financial assets					
Trade and other receivables (excluding prepayments)	352,060	-	-	352,060	352,060
Cash and cash equivalents	88,799	-	-	88,799	88,799
Restricted deposits	28,350	-	-	28,350	28,350
Derivative financial instruments	-	-	170	170	170
Total current financial assets	469,209	-	170	469,379	469,379
Total financial assets	494,235	27,943	170	522,348	522,348
Liabilities					
Non-current financial liabilities					
Borrowings and other debt	(1,030,638)	(26,009)	-	(1,056,647)	(1,100,042)
Trade and other payables**	(38,335)	-	-	(38,335)	(38,335)
Derivative financial instruments	-	(9,834)	-	(9,834)	(9,834)
Total non-current financial liabilities	(1,068,973)	(35,843)	-	(1,104,816)	(1,148,211)

15. Financial Instruments (continued)

	Assets and liabilities at amortised cost or other	Derivatives in hedging relationship*	Derivatives not in hedging relationship	Total carrying value	Fair value
	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-14
	€'000	€'000	€'000	€'000	€'000
Current financial liabilities					
Borrowings and other debt	(69,162)	-	-	(69,162)	(69,162)
Trade and other payables	(164,603)	-	-	(164,603)	(164,603)
Derivative financial instruments	-	-	-	-	-
Total current financial liabilities	(233,765)	-	-	(233,765)	(233,765)
Total financial liabilities	(1,302,738)	(35,843)	-	(1,338,581)	(1,381,976)
Net financial liabilities	(808,503)	(7,900)	170	(816,233)	(859,628)
	Assets and liabilities at amortised cost or other	Derivatives in hedging relationship*	Derivatives not in hedging relationship	Total carrying value	Fair value
	31-Dec-13	31-Dec-13	31-Dec-13	31-Dec-13	31-Dec-13
	€'000	€'000	€'000	€'000	€'000
Assets					
Current financial assets					
Trade and other receivables (excluding prepayments)	497,831	-	-	497,831	497,831
Cash and cash equivalents	37,792	-	-	37,792	37,792
Restricted deposits	30,140	-	-	30,140	30,140
Total current financial assets	565,763	-	-	565,763	565,763
Total financial assets	565,763	-	-	565,763	565,763
Liabilities					
Non-current financial liabilities					
Borrowings and other debt	(1,214,512)	11,310	-	(1,203,202)	(1,244,297)
Trade and other payables	(13,367)	-	-	(13,367)	(13,367)
Derivative financial instruments	-	(23,384)	-	(23,384)	(23,384)
Total non-current financial liabilities	(1,227,879)	(12,074)	-	(1,239,953)	(1,281,048)
Current financial liabilities					
Borrowings and other debt	(552,130)	7,032	-	(545,098)	(545,098)
Trade and other payables	(326,613)	-	-	(326,613)	(326,613)
Derivative financial instruments	-	(6,958)	(2)	(6,960)	(6,960)
Total current financial liabilities	(878,743)	74	(2)	(878,671)	(878,671)
Total financial liabilities	(2,106,622)	(12,000)	(2)	(2,118,624)	(2,159,719)
Net financial liabilities	(1,540,859)	(12,000)	(2)	(1,552,861)	(1,593,956)

* Including fair value hedge portion of the private placement.

** The fair value of non current trade and other payables (including the promissory notes) is not materially different from the carrying value.

15. Financial Instruments (continued)

The Parent uses the following categories for hedges:

(i) Fair value hedges

The ineffective portion of fair value hedges was €nil for 2014 (2013: €nil).

The fair value of hedging derivatives in a fair value hedge in the balance sheet as at 31 December 2014 was €26.0 million liability (2013: €18.3 million asset).

(ii) Cash flow hedges

At 31 December 2014, the ineffective portion of cash flow hedges was €nil (2013: €nil) and during 2014 €nil was reclassified from equity to profit or loss due to ineffectiveness on cash flow hedges (2013: €nil).

IMPACT OF CASH FLOW HEDGING DERIVATIVES ON EQUITY

Changes in the fair value of hedging derivatives included in the statement of other comprehensive income over the year are as follows:

	Changes in fair value recorded in equity ¹	Tax impact of changes recorded in equity	Total changes recorded in equity	Changes in fair value recorded in equity ¹	Tax impact of changes recorded in equity	Total changes recorded in equity
	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-13	31-Dec-13	31-Dec-13
	€'000	€'000	€'000	€'000	€'000	€'000
Interest rate hedging	6,399	(800)	5,599	8,959	(1,120)	7,839
Cash flow hedging derivatives	6,399	(800)	5,599	8,959	(1,120)	7,839

¹ included in "Net change in fair value of cash flow hedges" in the statement of other comprehensive income.

MATURITY PROFILE OF CASH FLOW HEDGES

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

	< 1 year	1-2 years	2-5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000
At 31 December 2014					
Interest rate swaps	-	-	(9,854)	-	(9,854)
Cross currency interest rate swaps	-	-	(5)	(167)	(172)
Cash flow hedging derivatives	-	-	(9,859)	(167)	(10,026)
At 31 December 2013					
Interest rate swaps	-	-	(11,361)	-	(11,361)
Cross currency interest rate swaps	(238)	-	(201)	(4,625)	(5,064)
Cash flow hedging derivatives	(238)	-	(11,562)	(4,625)	(16,425)

15. Financial Instruments (continued)

FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2	Level 2
	31-Dec-14	31-Dec-13
	€'000	€'000
Financial assets		
Forward exchange contracts	170	-
Cross currency interest rate swaps	27,943	-
Total financial assets	28,113	-
Financial liabilities		
Forward exchange contracts	-	(2)
Interest rate derivatives	(9,834)	(11,282)
Cross currency interest rate swaps	-	(19,060)
Borrowings and other debt	(26,009)	18,342
Total financial liabilities	(35,843)	(12,002)
Net financial liabilities	(7,730)	(12,002)

There have been no transfers between levels in 2014 or 2013.

Refer to note 31 of the Group financial statements for IFRS 13 disclosures in respect of fair value measurement.

CREDIT RISK

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

Exposure to credit risk

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Trade and other receivables (excluding prepayments)	377,086	497,831
Cash and cash equivalents	88,799	37,792
Restricted deposits	28,350	30,140
Derivative financial instruments	28,113	-
Total	522,348	565,763

Amounts owed by subsidiary undertakings of €290.6 million at 31 December 2014 (2013: €456.5 million) are excluded from the analysis of credit exposure below.

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Domestic	86,453	41,306
United Kingdom	-	-
Total	86,453	41,306

15. Financial Instruments (continued)

The maximum exposure to credit risk for trade and other receivables at the reporting date can be analysed as follows:

	31-Dec-14	31-Dec-13
	€'000	€'000
Use of system receivables	5,826	1,805
Use of system receivables - unbilled	43,914	32,486
Other receivables	36,713	7,015
Total	86,453	41,306

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

	Net receivable	Net receivable
	31-Dec-14	31-Dec-13
	€'000	€'000
Not past due	85,243	36,978
0 – 30 days	759	3,756
31 – 120 days	115	268
> 120 days	336	304
Total	86,453	41,306

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

	2014	2013
	€'000	€'000
At 1 January	585	28,319
Impairment loss recognised	4	8,166
Provision utilised	(104)	(9,851)
Reclassified as assets held for sale	-	(26,049)
At 31 December	485	585

Refer to note 23 of the Group financial statements for further analysis of impairments.

LIQUIDITY RISK

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

The Parent seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Parent seeks to have a number of sources of funds at any particular time and it also maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk. At 31 December 2014, the Parent had €1,601.1 million in committed facilities (2013: €2,707.7 million). Borrowings at 31 December 2014 were €1,125.8 million (2013: €1,748.3 million).

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

15. Financial Instruments (continued)

	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-5 years	> 5 years
	€'000	€'000	€'000	€'000	€'000	€'000
At 31 December 2014						
Borrowings	(1,125,809)	(1,263,672)	(111,741)	(115,029)	(914,294)	(122,608)
Trade and other payables	(202,938)	(203,322)	(164,603)	(26,302)	(11,235)	(1,182)
Non-derivative financial liabilities	(1,328,747)	(1,466,994)	(276,344)	(141,331)	(925,529)	(123,790)
Interest rate derivatives	(9,834)	(10,793)	(6,498)	(3,317)	(978)	-
Cross currency interest rate swaps	27,943	38,051	7,825	7,774	18,104	4,348
Exchange rate contracts	170	170	170	-	-	-
Net derivative financial assets/(liabilities)	18,279	27,428	1,497	4,457	17,126	4,348
Net financial liabilities	(1,310,468)	(1,439,566)	(274,847)	(136,874)	(908,403)	(119,442)
At 31 December 2013						
Borrowings	(1,748,300)	(2,014,666)	(619,372)	(39,314)	(674,111)	(681,869)
Trade and other payables	(339,980)	(341,041)	(326,613)	(5,930)	(6,437)	(2,061)
Non-derivative financial liabilities	(2,088,280)	(2,355,707)	(945,985)	(45,244)	(680,548)	(683,930)
Interest rate derivatives	(11,282)	(12,262)	(6,108)	(5,206)	(948)	-
Cross currency interest rate swaps	(19,060)	29,495	8,405	7,197	11,698	2,195
Exchange rate contracts	(2)	(2)	(2)	-	-	-
Net derivative financial (liabilities)/assets	(30,344)	17,231	2,295	1,991	10,750	2,195
Net financial liabilities	(2,118,624)	(2,338,476)	(943,690)	(43,253)	(669,798)	(681,735)

MARKET RISK

(a) Exchange rate risk

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

An analysis of the Parent's exposure to exchange rate risk that would impact profit or loss and equity is set out below. Certain items are excluded, such as:

- US dollar is excluded from this analysis as the exposure is hedged using offsetting cross currency interest rate swaps;
- Foreign currency instruments entered into as a hedge against fixed asset investments in the same currency are excluded from the below due to the offsetting impact of a currency movement on the financial statements;
- Commodity derivatives, as recognised on the balance sheet (in line with IAS 39), are excluded from the below as the exposure to exchange rate risk is not material. The underlying commodity contracts, that have been delivered are included below, however those to be delivered into the future are excluded.

15. Financial Instruments (continued)

	31-Dec-14	31-Dec-13
	€'000	€'000
Cash and cash equivalents	(264)	(992)
Restricted deposits	-	-
Trade and other receivables	18	80
Trade and other payables	(477)	(526)
Gross balance sheet exposure	(723)	(1,438)
Forward exchange contracts	-	-
FX swaps	-	-
Net exposure	(723)	(1,438)

A strengthening or weakening of the euro, as indicated below, against sterling at 31 December would have increased/(decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis is based on exchange rate variances that the Parent considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. Assets/liabilities classified as held for sale at 31 December 2013 are excluded from the 2013 analysis.

	Profit before taxation gain/(loss)	Other comprehensive income	Profit before taxation gain/(loss)	Other comprehensive income
	31-Dec-14	31-Dec-14	31-Dec-13	31-Dec-13
	€'000	€'000	€'000	€'000
5% Strengthening	36	-	74	-
5% Weakening	(36)	-	(74)	-

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

- changes in the carrying value of derivative financial instruments not in hedging relationships affect the Income Statement only; and
- changes in the carrying value of derivative financial instruments that are cash flow hedges impact other comprehensive income only.

(b) Interest rate risk

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

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

	2014	2014	2013	2013
	€'000	%	€'000	%
At fixed rates ¹	781,329	69.4%	1,144,975	65.5%
At floating rates	344,480	30.6%	603,325	34.5%
Total	1,125,809	100.0%	1,748,300	100.0%

¹ including swaps but excluding forward starting interest rate swaps.

The Parent had €499.5 million of fixed rate debt (excluding interest rate swaps) at 31 December 2014 (2013: €871.8 million).

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

15. Financial Instruments (continued)

At 31 December 2014, the weighted average interest rate of the fixed debt portfolio was 3.27% (2013: 3.97%), which comprised of a bond of €499.5 million and an interest rate swap portfolio of €153.1 million and £100.0 million.

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

On 31 December 2014, the Group had US\$327.0 million (2013: US\$435.0 million) fixed rate debt outstanding (€259.7 million (2013: €345.5 million) equivalent) in a US dollar Private Placement transaction which was completed on 31 March 2009. In order to fully hedge the associated US dollar exchange rate exposures and convert the underlying interest rates to floating, the Group had a number of cross currency interest rate swaps which match the maturity profile of the debt.

CASH FLOW SENSITIVITY ANALYSIS FOR FLOATING RATE DEBT

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

It is estimated that a movement of 50 basis points in interest rates at 31 December would impact profit before taxation by the amounts shown below:

	Profit before taxation	Profit before taxation
	Gain/(loss)	Gain/(loss)
	31-Dec-14	31-Dec-13
	€'000	€'000
50 bp increase	(1,722)	(3,017)
50 bp decrease	1,722	3,017

The fair value change on cash flow hedges and their impact on other comprehensive income would be as shown below:

	Other com- prehensive income	Other com- prehensive income
	Gain/(loss)	Gain/(loss)
	31-Dec-14	31-Dec-13
	€'000	€'000
50 bp increase	3,551	2,822
50 bp decrease	(1,805)	(3,366)

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

- all other variables, in particular foreign currency rates, remain constant;
- relates only to derivative financial instruments and floating debt;
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on profit or loss;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the Income Statement only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12 month period for the accrued interest portion of the sensitivity calculations.

Assets/liabilities classified as held for sale at 31 December 2013 are excluded from the 2013 analysis.

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

16. Operating Leases

NON-CANCELLABLE OPERATING LEASE RENTALS RECEIVABLE

	31-Dec-14	31-Dec-13
	€'000	€'000
Less than one year	22,471	25,438
Between one and five years	68,847	76,681
More than five years	146,858	154,072
Total	238,176	256,191
Analysed as:		
Continuing operations	238,176	256,191
Discontinued operations	-	-
Total operations	238,176	256,191

Operating leases receivable by the Parent relate to arrangements to allow third parties the use of parts of the Gas Network Transportation system. These arrangements fall within the scope of IFRIC 4. The unexpired lease term is 23 years. All lease arrangements are at an arm's length basis.

NON-CANCELLABLE OPERATING LEASE RENTALS PAYABLE

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

	31-Dec-14	31-Dec-13
	€'000	€'000
Less than one year	890	4,889
Between one and five years	2,821	15,244
More than five years	241	3,327
Total	3,952	23,460
Analysed as:		
Continuing operations	3,952	4,469
Discontinued operations	-	18,991
Total operations	3,952	23,460

NON-CANCELLABLE OPERATING LEASE RENTALS PAYABLE UNDER POWER PURCHASE AGREEMENTS (PPAS)

As part of its policy to secure competitive and diverse supplies of power, the Parent's discontinued operation entered into PPAs with indigenous wind farms which fall within the scope of IFRIC 4. It was determined that each of these arrangements within the scope of IFRIC 4 represented operating leases.

The following relates to commitments payable by the Parent's discontinued operations under PPAs as at 31 December 2013. All lease arrangements were at an arm's length basis.

	31-Dec-14	31-Dec-13
	€'000	€'000
Less than one year	-	44,100
Between one and five years	-	163,973
More than five years	-	243,101
Total	-	451,174
Analysed as:		
Continuing operations	-	-
Discontinued operations	-	451,174
Total operations	-	451,174

EU Directive 2000/35/EC - Late Payments in Commercial Transactions Regulations 2002

Payments made during 2014 were governed by EU Directive 2000/35/EC to combat late payments in commercial transactions. This Directive applies to goods and services supplied to the Group by EU based suppliers.

STATEMENT OF PAYMENT PRACTICES INCLUDING STANDARD PAYMENT PERIODS

The Group operates a policy of paying all undisputed supplier invoices within the agreed terms of payment. The standard terms specified in the standard purchase order are 45 days. Other payment terms may apply in cases where a separate contract is agreed with the supplier.

COMPLIANCE WITH THE DIRECTIVE

The Group complies with the requirements of the legislation in respect of all supplier payments. Procedures and systems, including computerised systems have been modified to comply with the Directive. The procedures operated well during the year. These procedures ensure reasonable and not absolute assurance against non-compliance.

INFORMATION ON PAYMENTS IN 2014:

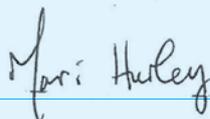
- Standard payment terms are 45 days;
- The total number of invoices in excess of €250 paid late was 5 (2013: 29) with a value €0.1 million (2013: €1.6 million). On average late payments were 33 days late (2013: 39 days);
- Late payments constituted less than 0.07% of total payments (in monetary terms) made during the year;
- Total interest paid in respect of late payments amounted to €661 (2013: €8,123).

FOR AND ON BEHALF OF THE BOARD:

Chairman



Member of the Board



Date of Approval

17th June 2015



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