Regulatory Financial Statements

Year Ended 31 December 2016

GNI (UK) LIMITED

REGULATORY FINANCIAL STATEMENTS
For the year ended 31 December 2016

Contents

Appendices

GNI (UK) Limited
Statement of Licensee's Responsibilities in respect of the Regulatory Financial Statements for the year ended 31 December 2016

These Regulatory Financial Statements for the year ended 31 December 2016, relate to a Licence ("the Conveyance Licence") granted by the Northern Ireland Utility Regulator ("the Authority") to Ervia and subsequently assigned to GNI (UK) Limited ("the Licensee").

The Licensee is responsible for maintaining internal accounting and reporting arrangements which enable separate financial statements to be prepared for the regulated business. The Licence also considers that all applicable accounting standards have been followed and that it is appropriate to prepare the accounts on the going concern basis.

The Licensee is responsible for the preparation of those separate financial statements as set out in condition 1.2 of the Conveyance Licence which, having regard to that condition, conform to International Financial Reporting Standards as adopted by the European Union and regulatory accounting guidelines, state the accounting policies adopted and be so prepared to a level of detail as may reasonably be required by the Authority and so that they may be reconciled with the published accounts of the Licensee.

The Licensee has responsibility for keeping proper books of account for the separate business and for taking such steps as are reasonably open to it to safeguard the assets of the business and to prevent and detect fraud and other irregularities.

In early 2016 the Northern Ireland Utility Regulator imposed a financial penalty of £500,000 on GNI (UK) Limited following an investigation into GNI (UK) Limited's failure to comply with Condition 2.2.2(c)(ii)(ab) of its Gas Conveyance Licence. This relates to a financial management issue which happened with GNI (UK) Limited and its then parent company approximately ten years ago.

On behalf of the Licensee

Chairman

Date 13\04\2017

Deloitte.

Deloitte
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION ("THE AUTHORITY") AND GNI (UK) LIMITED ("THE LICENSEE")

We have audited the regulatory financial statements of GNI (UK) Limited, a division of GNI (UK) Limited ("the Licensee") which comprise the regulatory statement of comprehensive income, the regulatory statement of financial position, the regulatory statement of changes in equity, the regulatory statement of cash flows and the related notes to the regulatory financial statements 1 to 15. The financial reporting framework that has been applied in their preparation is condition 1.2 of the Gas Conveyance Licence and the accounting policies set out in note 2.

This report is made, on the terms that have been agreed, solely to the Licensee and the Authority in order to meet the requirements of the Gas Conveyance Licence. Our audit work has been undertaken so that we might state to the Licensee and the Authority those matters that we have agreed to state to them in our report, in order (a) to assist the Licensee to meet its obligation under the Gas Conveyance Licence to procure such a report and (b) to facilitate the carrying out by the Authority of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Licensee and the Authority, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Licensee and Auditor

As explained more fully in the statement of licensee's responsibilities, the Licensee is responsible for the preparation of the Regulatory Financial Statements.

Our responsibility is to audit and express an opinion on the Regulatory Financial Statements in accordance with International Standards on Auditing (UK and Ireland), except as stated in the "Scope of the audit of the Regulatory Financial Statements" section below and having regard to the guidance contained in ICAEW Technical Release TECH O2/16AAF *Reporting to regulators on regulatory accounts.* Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Regulatory Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Financial Statements sufficient to give reasonable assurance that the Regulatory Financial Statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Licensee's circumstances and have been consistently applied and adequately disclosed and the reasonableness of significant accounting estimates made by the licensees'. In addition, we read all the financial and non-financial information in the Regulatory Financial Statements to identify material inconsistencies with the audited Regulatory 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 misstatements or inconsistencies we consider the implications for our report.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION ("THE AUTHORITY") AND GNI (UK) LIMITED ("THE LICENSEE")

We have not assessed whether the accounting policies are appropriate to the circumstances of the licensee where these are laid down by condition 1.2 of the Gas Conveyance Licence. Where condition 1.2 of the Gas Conveyance Licence does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Financial Statements are consistent with those used in the preparation of the statutory financial statements of the licensee. Furthermore, as the nature, form and content of the Regulatory Financial Statements are determined by the Authority, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

Opinion on Regulatory Financial Statements

In our opinion the Regulatory Financial Statements have been properly prepared in accordance with condition 1.2 of the Licensee's Gas Conveyance Licence, Regulatory Accounting Guidelines and the accounting policies set out in note 2.

Emphasis of matter – basis of preparation

Without modifying our opinion, we draw attention to the fact that the Regulatory Financial Statements have been prepared in accordance with condition 1.2 of the Licensee's Gas Conveyance Licence, regulatory accounting guidelines ('the RAGs') issued by the Authority and the accounting policies set out in note 2 to the financial statements. The nature, form and content of Regulatory Financial Statements are determined by the Authority. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Authority's purposes. Accordingly we make no such assessment.

The Regulatory Financial Statements are separate from the statutory financial statements of the licensee and have not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ('IFRS'). Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Other matters

Our opinion on the Regulatory Financial Statements is separate from our opinion on the statutory financial statements of the licensee for the year ended 31 December 2016 on which we reported on 27/4/17, which are prepared for different purposes. Our audit report in relation to the statutory financial statements of the licensee (our "statutory audit") was made solely to the licensee's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the licensee's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION
("THE AUTHORITY") AND GNI (UK) LIMITED ("THE LICENSEE")

Deloitte

Deloitte
Chartered Accountants and Statutory Audit Firm
Cork

Date 27/4/17

GNI (UK) Limited
Regulatory Statement of Comprehensive Income
for the year ended 31 December 2016

	Notes	2016 £'000s	2015 £'000s
Revenue	3	17,494	17,847
Operating costs (net)	4	(11,637)	(10,862)
Profit from operating activities	5	5,857	6,985
Finance costs	6	(845)	(1,610)
Profit for the year		5,012	5,375
Total comprehensive income for the year		5,012	5,375
Total comprehensive income attributable to:			
Owners of the division		**5,012**	**5,375**

Signed: On behalf of licensee

Director

Director

13/04/2017
Date

GNI (UK) Limited
Regulatory Statement of Financial Position
as at 31 December 2016

	Notes	2016 £'000s	2015 £'000s
Non-current assets			
Property, plant & equipment	**7**	102,900	110,129
Intangible assets	**8**	266	
Total non-current assets		**103,166**	**110,129**
Current assets			
Trade and other receivables	**9**	3,667	3,360
Cash and cash equivalents	**10**	3,873	2,168
Total current assets		**7,540**	**5,528**
Total assets		**110,706**	**115,657**
Equity			
Retained earnings	**11**	(32,409)	(27,397)
Total equity attributable to equity holders of the division		**(32,409)**	**(27,397)**
Liabilities			
Non-current liabilities			
Trade and other payables	**13**	(19,769)	(53,118)
Government grants	**12**	(19,577)	(21,097)
Total non-current liabilities		**(39,346)**	**(74,215)**
Current liabilities			
Trade and other payables	**13**	(37,431)	(12,525)
Government grants	**12**	(1,520)	(1,520)
Total current liabilities		**(38,951)**	**(14,045)**
Total liabilities		**(78,297)**	**(88,260)**
Total equity and liabilities		**(110,706)**	**(115,657)**

Signed: On behalf of licensee

Director

Director

13/04/2017
Date

GNI (UK) Limited
Regulatory Statement of Changes in Equity
as at 31 December 2016

	Retained Earnings £'000	Total Equity £'000
At 1 January 2015	(22,022)	(22,022)
Total comprehensive income for the year	(5,375)	(5,375)
Balance at 31 December 2015	**(27,397)**	**(27,397)**
Total comprehensive income for the year	(5,012)	(5,012)
Balance at 31 December 2016	**(32,409)**	**(32,409)**

GNI (UK) Limited
Regulatory Statement of Cash Flows
for the year ended 31 December 2016

Description	**Notes**	**2016 £'000's**	**2015 £'000's**
Cashflows from operating activities			
Profit for year		5,012	5,375
Adjustment for:			
Depreciation and amortisation (net)		5,688	5,666
Finance costs	**6**	845	1,610
		11,545	12,651
Working capital changes			
Change in trade and other receivables		(307)	728
Change in trade and other payable		(8,230)	(13,522)
Cash generated from/(used in) operating activities		3,008	(143)
Cashflows from investing activities			
Payments for property, plant and equipment		(1,303)	(80)
Net increase/(decrease) in cash and cash equivalents		**1,705**	**(223)**
Cash and cash equivalents at 1 January		2,168	2,391
Cash and cash equivalents at 31 December	**9**	3,873	2,168

NOTES TO THE REGULATORY FINANCIAL STATEMENTS

1. Basis of Preparation

The regulatory financial statements are prepared in Pound Sterling (GBP), under the historical cost convention.

(a) Going Concern

The regulatory financial statements are prepared on a going concern basis as the Board, after making appropriate enquiries including reviewing and approving the 2017 annual budget and assessing the continuing profitability is satisfied that GNI (UK) Limited, has adequate resources to continue in operation for the foreseeable future. The division has an interest bearing facility of £165 million in respect of the North-West and South-North pipelines. This facility agreement will mature on 31 December 2017. The agreement provides that Ervia will not terminate the loan unless GNI (UK) Limited has alternative committed financing arrangements in place.

(b) Statement of Compliance

The regulatory financial statements have been prepared in accordance with the measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union and regulatory accounting guidelines.

The financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective for accounting periods ending on or before 31 December 2016.

(c) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the year and positive and negative contingencies at year-end. Actual results in future financial statements may differ from current estimates due to changes in these assumptions or economic conditions. The principal estimates and judgements are described below. Given their importance in the division's financial statements, the impact of any change in assumption in these areas could be significant.

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

1. Basis of Preparation (continued)

(c) Use of Estimates and Judgements (continued)

Measurement

The measurement of certain assets, liabilities, income and costs require a high degree of estimation and judgement, including; impairment allowance in respect of trade and other receivables, the useful lives of fixed assets and various operating accruals. These items are estimated in accordance with relevant IFRSs and the division's accounting policies.

Impairment of long-term assets

Impairment tests on long-term assets are sensitive to the macro-economic and segment assumptions used, and medium-term financial forecasts. The division therefore revises the underlying estimates and assumptions based on regularly updated information.

Other judgements

When there is no standard or interpretation applicable to a specific transaction, the division exercises judgement to determine the most appropriate accounting policy that will supply relevant, reliable information for preparation of its financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which these estimates are revised and in any future periods affected.

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies

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

(a) New Accounting Standards and Interpretations

In the current year, the division has applied a number of new and revised IFRS, as set out below, that are mandatorily effective under IFRS, as endorsed by the EU, for accounting periods beginning on or after 1 January 2016. The application of these amendments to standards did not have a material impact on the GNI (UK) Limited Regulatory financial statements for 2016.

(a) New Accounting Standards and Interpretations (continued)

Standard/Amendment	Effective Date (as endorsed by the EU)	Endorsed by the EU
Annual Improvements to IFRS 2010-2012	1 February 2015	December 2014
Annual Improvements to IFRS 2012-2014	1 January 2016	December 2015
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1 February 2015	December 2014
IFRS 14 Regulatory Deferral Accounts	1 January 2016	(Outstanding)
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016	November 2015
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	November 2015
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	December 2015
Amendments to IAS 1: Disclosure Initiative	1 January 2016	December 2015
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	December 2015
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016	September 2016

A number of new 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 2016 and thus have not been applied in preparing these financial statements.

2. Summary of Significant Accounting Policies (continued)

(a) New Accounting Standards and Interpretations (continued)

Standard/Amendment	IASB Effective Date	Endorsed by the EU
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred Indefinitely	(Outstanding)
IFRS 15 Revenue from Contracts with Customers	1 January 2018 [1]	September 2016
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018 [1]	(Outstanding)
IFRS 9 Financial Instruments	1 January 2018 [1]	November 2016
IFRS 16 Leases	1 January 2019 [1]	(Outstanding)
Amendments to IAS 40: Transfers of Investment Property	1 January 2018 [1]	(Outstanding)
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018 [1]	(Outstanding)
Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2017/ 1 January 2018 [1]	(Outstanding)
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018 [1]	(Outstanding)
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018 [1]	(Outstanding)
Amendments to IAS 7: Disclosure Initiative	1 January 2017 [1]	(Outstanding)
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017 [1]	(Outstanding)

[1] *IASB date provided if not yet endorsed by the EU*

IFRS 15 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 (1 January 2018). 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.

2. Summary of Significant Accounting Policies (continued)

(a) New Accounting Standards and Interpretations (continued)

The division as part of Gas Networks Ireland continues to assess the impact of adopting the standard, but from initial assessments it appears that IFRS 15 will not have a significant impact on the division's financial statements.

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

(b) Foreign Currencies

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

(c) Property, Plant and Equipment

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

The charge for depreciation is calculated to write down the cost of property, plant and equipment less estimated residual value over their expected useful lives on a straight line basis. The asset classification and depreciation rates are as follows:

Pipeline Systems	3.5%

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies (continued)

(c) Property, Plant and Equipment (continued)

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 division, 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 statement of comprehensive income.

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. Capitalisation of interest ceases when the asset is commissioned or where active development has been interrupted for an extended period.

(d) Intangible Assets

Software and software under development

Software costs include both internally developed and externally purchased assets. Internally developed software refers to costs directly associated with the production of identifiable and unique software products which are controlled by the division. 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.

(e) Impairment of Assets

The carrying amounts of 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. 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 statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies (continued)

(e) Financial assets and liabilities

i. Non-derivative financial assets and liabilities

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

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

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.

Loans from group companies
Loans from group companies are non-derivative financial assets which are not quoted in an active market. They are included in current liabilities on the statement of financial position, except for those with maturities greater than twelve months after the reporting date, which are included in non-current liabilities.

(f) Revenue Recognition

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 the business, net of discounts, VAT and other sales related taxes.

One of the division's sources of revenue is dependent on being approved by the Northern Ireland Authority for Utility Regulator (NIAUR). Certain circumstances may result in the regulatory "allowed" revenue being over or under recovered in the financial year.

(g) Profit from operating activities

Profit from operating activities is stated before finance costs.

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

(h) Finance costs

Finance costs comprise interest payable on borrowings and financing charge on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of comprehensive income using the effective interest method.

(i) Capital grants

Capital grants received in respect of the purchase of tangible fixed assets are treated as a deferred credit, a portion of which is amortised to the statement of comprehensive income annually over the useful economic life of the asset to which it relates.

3. Revenue recognition

Revenue, which was derived solely from gas transportation services, arose solely in the United Kingdom.

GNI (UK) Limited is entitled to all revenues arising in consideration for the provision of such services, to the extent that they represent the recovery of the division's allowed revenue. This allowed revenue represents the recovery of the expected operating and capital costs of the division as agreed in advance with the industry regulator, the Northern Ireland Authority for Utility Regulator (NIAUR).

This expenditure is recorded on an accruals basis and therefore the associated revenue is also recorded on an accruals basis. Capacity revenue is recognised in line with the underlying contract while any related commodity revenue is recognised based on throughput for the year for each customer.

Certain circumstances may result in the regulatory "allowed" revenue being over or under recovered in the financial year. Any over or under recovery may be included, within certain parameters, in the calculation of the following year's regulatory revenue.

Analysis of revenue

	2016 **£'000s**	**2015** **£'000s**
Revenue		
Transportation revenue	17,494	17,847
Total	**17,494**	**17,847**

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

4. Operating costs (net)

	2016 £'000s	2015 £'000s
Direct costs and facilities	3,382	3,178
Rates	581	568
Depreciation and amortisation	7,208	7,186
Grant amortisation	(1,520)	(1,520)
Insurance	139	143
Transportation	451	576
Shared services	270	180
Other	1,126	551
Total	**11,637**	**10,862**

	2016 £'000s	2015 £'000s
Actual uncontrollable operating expenditure	10,091	9,195
Actual controllable operating expenditure	1,546	1,667
Total	**11,637**	**10,862**

5. Profit from operating activities

There are no direct employees in GNI (UK) Limited. Profit from operating activities is stated after charging/(crediting):

	2016 £'000s	2015 £'000s
Depreciation and amortisation	7,208	7,186
Grant amortisation	(1,520)	(1,520)
	5,688	**5,666**

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

6. Finance costs

	2016 £'000s	2015 £'000s
Interest payable to parent undertaking	845	1,610
	845	**1,610**

7. Property, Plant & Equipment

	2016 £'000s	2015 £'000s
Cost:		
Balance at 1 January	179,770	179,751
Additions	-	19
Disposals	(40)	-
Balance at 31 December	179,730	179,770
Depreciation:		
Balance at 1 January	69,641	62,455
Charge for the year	7,189	7,186
Balance at 31 December	76,830	69,641
Net book value at 31 December	**102,900**	**110,129**

8. Intangible Assets

	2016 £'000s	2015 £'000s
Cost:		
Balance at 1 January	462	462
Additions	285	-
Balance at 31 December	747	462
Depreciation:		
Balance at 1 January	462	462
Charge for the year	19	-
Balance at 31 December	481	462
Net book value at 31 December	**266**	**-**

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

9. Trade and Other Receivables

	2016 £'000s	2015 £'000s
Current		
Trade debtors	1,596	1,168
Unbilled transportation tariff	1,553	1,635
Other debtors and prepayments	422	557
Value Added Tax	96	-
Total debtors	**3,667**	**3,360**

10. Cash and Cash Equivalents

	2016 £'000s	2015 £'000s
Cash	3,873	2,168
Total Cash and Cash Equivalents	**3,873**	**2,168**

11. Equity

Retained earnings

	2016 £'000s	2015 £'000s
At 1 January	27,397	22,022
Profit for the year	5,012	5,375
At 31 December	**32,409**	**27,397**

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

12. Government Grants

	2016 £'000s	2015 £'000s
Balance at 1 January	22,617	24,137
Amortised in year	(1,520)	(1,520)
At 31 December	**21,097**	**22,617**
Current	1,520	1,520
Non-current	19,577	21,097
At 31 December	**21,097**	**22,617**

The capital grants are from the Northern Ireland Department of Enterprise, Trade & Investment in respect of the North-West pipeline connecting Belfast with Derry which was commissioned in October 2004 and the South-North pipeline from Dublin to Belfast which was commissioned in November 2006. The grants are being amortised to the statement of comprehensive income over the life of the pipeline. In certain circumstances the grants may become repayable if conditions laid down in the grant agreements are not adhered to. Total grants received as at 31 December 2016 is £38.4 million (2015:£38.4 million).

13. Trade and Other Payables

	2016 £'000s	2015 £'000s
Current liabilities:		
Trade creditors	120	-
Value added tax	-	9,328
Accruals	3,278	3,197
Amounts owed to group companies	34,033	-
Current liabilities	**37,431**	**12,525**
Non-current liabilities		
Amounts owed to group companies	**19,769**	**53,118**

NOTES TO THE REGULATORY FINANCIAL STATEMENTS (CONT'D)

14. Commitments

Capital Expenditure	2016 £'000s	2015 £'000s
Contracted for but not provided in the financial statements	**235**	**43**

15. Approval of Financial Statements

The financial statements were approved by the licensee on 13/04/2017.

GNI (UK) Ltd

APPENDIX 1 TO REGULATORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

RECONCILIATION OF GNI (UK) LIMITED REGULATORY STATEMENT OF COMPREHENSIVE INCOME TO GNI (UK) LIMITED FINANCIAL STATEMENTS

	Regulated GNI (UK) Ltd 2016 £'000s	**Other 2016 £'000s**	**GNI (UK) Ltd. 2016 £'000s**
Revenue	17,494	46,155	63,649
Operating costs (excluding depreciation)	(5,949)	(10,242)	(16,191)
Depreciation (net of grant amortisation)	(5,688)	(11,307)	(16,995)
Profit on ordinary activities before interest	5,857	24,606	30,463
Exceptional item	-	-	
Net interest cost and other financing charges	(845)	(2,957)	(3,802)
Profit on ordinary activities before taxation	5,012	21,649	26,661
Tax charge on profit on ordinary activities	-	(3,253)	(3,253)
Profit for the year	5,012	18,396	23,408
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences on conversion of foreign divisions to presentation currency	-	1,955	1,955
Total items that may be reclassified subsequently to profit or loss	-	**1,955**	**1,955**
Total other comprehensive income for the year:	-	**1,955**	**1,955**
Total comprehensive income attributable to:			
Owners of the company	**5,012**	**20,351**	**25,363**
Total comprehensive income for the year	**5,012**	**20,351**	**25,363**

GNI (UK) Limited

APPENDIX 2 TO REGULATORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

RECONCILIATION OF GNI (UK) LIMITED REGULATORY STATEMENT OF FINANCIAL POSITION TO GNI (UK) LIMITED FINANCIAL STATEMENTS

	REGULATED GNI (UK) Ltd. 2016 £'000s	Other 2016 £'000s	GNI (UK) Ltd. 2016 £'000s
ASSETS			
Property, plant and equipment	102,900	201,460	304,360
Intangible assets	266	1	267
Total non-current assets	**103,166**	**201,461**	**304,627**
Current assets			
Inventories	-	28	28
Trade and other receivables	3,667	3,704	7,371
Derivative financial instruments	-	1	1
Cash and cash equivalents	2,050	323	2,373
Restricted deposits	1,823	2,006	3,829
Total current assets	**7,540**	**6,062**	**13,602**
Total assets	**110,706**	**207,523**	**318,229**
Equity			
Called up share capital		(400)	(400)
Other reserves	-	(5,378)	(5,378)
Retained earnings	(32,409)	(33,612)	(66,021)
Total equity attributable to equity holders of the company	**(32,409)**	**(39,390)**	**(71,799)**
LIABILITIES			
Non-current liabilities			
Government grants	(19,577)	(3,657)	(23,234)
Trade and other payables	(19,769)	(143,737)	(163,506)
Derivative financial instruments	-	(19)	(19)
Deferred tax liabilities	-	(10,284)	(10,284)
Total non-current liabilities	**(39,346)**	**(157,697)**	**(197,043)**
Current liabilities			
Government grants	(1,520)	-	(1,520)
Derivative financial instruments	-	(136)	(136)
Trade and other payables	(37,431)	(10,300)	(47,731)
Total current liabilities	**(38,951)**	**(10,436)**	**(49,387)**
Total liabilities	(78,297)	(168,133)	(246,430)
Total equity and liabilities	**(110,706)**	**(207,523)**	**(318,229)**

GNI (UK) Limited

APPENDIX 3 TO REGULATORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

GNI (UK) LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £'000s	**2015 £'000s**
Continuing operations		
Revenue	63,649	54,700
Operating costs	(33,186)	(30,128)
Profit from operating activities	**30,463**	**24,572**
Exceptional item	-	38,751
Finance income	-	215
Finance costs	(3,802)	(4,602)
Profit before income tax	26,661	58,936
Income tax expense	(3,253)	(11,331)
Profit for the year	**23,408**	**47,605**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Translation differences on conversion of foreign divisions to presentation currency	1,955	2,045
Total items that may be reclassified subsequently to profit or loss	**1,955**	**2,045**
Total other comprehensive income for the year:	**1,955**	**2,045**
Total comprehensive income attributable to:		
Owners of the company	**25,363**	**49,650**
Total comprehensive income for the year	**25,363**	**49,650**

GNI (UK) Limited

APPENDIX 4 TO REGULATORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

GNI (UK) LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	2016 £'000s	2015 £'000s
ASSETS		
Property, plant and equipment	304,360	268,104
Intangible assets	267	-
Total non-current assets	**304,627**	**268,104**
Current assets		
Inventories	28	28
Trade and other receivables	7,371	6,635
Derivative financial instruments	1	218
Cash and cash equivalents	2,373	1,481
Restricted deposits	3,829	3,456
Total current assets	**13,602**	**11,818**
Total assets	**318,229**	**279,922**
Equity		
Called up share capital	(400)	(400)
Other reserves	(5,378)	(3,423)
Retained earnings	(66,021)	(42,613)
Total equity attributable to equity holders of the company	**(71,799)**	**(46,436)**
LIABILITIES		
Non-current liabilities		
Government grants	(23,234)	(21,504)
Trade and other payables	(163,506)	(167,929)
Derivative financial instruments	(19)	-
Deferred tax liabilities	(10,284)	(7,886)
Total non-current liabilities	**(197,043)**	**(197,319)**
Current liabilities		
Government grants	(1,520)	(1,520)
Derivative financial instruments	(136)	-
Trade and other payables	(47,731)	(34,647)
Total current liabilities	**(49,387)**	**(36,167)**
Total liabilities	(246,430)	(233,486)
Total equity and liabilities	**(318,229)**	**(279,922)**