

Reports & Financial Statements

Financial Year ended 31 December 2020

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DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS	L. O'Sullivan M.G. O'Sullivan
SECRETARY AND REGISTERED OFFICE	L. O'Riordan Gasworks Road Cork
SOLICITORS	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2
BANKER	Barclays Bank PLC 47-48 St Stephens Green Dublin 2
AUDITOR	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm No. 6 Lapps Quay Cork
COMPANY NUMBER	367354

DIRECTORS' REPORT

The Directors present their reports and financial statements of Gas Networks Ireland (IOM) Designated Activity Company ('GNI (IOM) DAC') for the financial year ended 31 December 2020.

Review of the development and performance of the business

GNI (IOM) DAC is a wholly owned subsidiary of Gas Networks Ireland and part of the Ervia Group of Companies.

The principal activity of the Company is the transportation of natural gas to the Isle of Man.

Lower operating costs for the financial year 2020 resulted in a profit before tax for the financial year of €5,703,607, an increase of €137,361 since prior financial year.

The impacts of Covid-19 have not had a material effect on the operations of GNI (IOM) DAC, due to the nature of the Company's assets and revenue streams. Payment behaviour has remained unchanged throughout the pandemic and there are no material expected credit losses recognised by the Company.

Going concern

The financial statements are prepared on a going concern basis as the Board, after making appropriate enquiries including reviewing and approving the 2021 annual budget and assessing the continuing profitability, is satisfied that GNI (IOM) DAC has adequate resources to continue in operation for the foreseeable future. It is intended that IOM (DAC) Ltd will continue in operation for at least one year from the date the financial statements are signed.

Principal risks and uncertainties

The Company has a sole customer upon which it is dependent for continued revenue going forward. Nevertheless, as owner of a key element of the natural gas infrastructure, the Company is in a strong position to maintain its reserves. The Company is also exposed to the specific risks associated with ownership of a subsea pipeline. These risks include external and internal corrosion, impact damage, structural damage and storms.

Financial risk management objectives and policies

The activities of GNI (IOM) DAC expose it to a number of financial risks including credit risk, market risk and liquidity risk.

Credit risk

Credit risk is defined as the total loss that the Company would sustain on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations. Credit risk applies to assets held with banks and financial institutions, transactions in relation to derivative financial instruments and credit exposures arising from trading relationships with customers. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with investment grade ratings. The Company has no significant concentration of credit risk. Refer to Note 15 for further details of treasury related credit risk.

The principal financial assets of GNI (IOM) are bank balances and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. Refer to Note 9 and Note 15 for further details of trade related credit risk. The objective of credit risk management is to manage and control credit risk exposures within acceptable parameters.

Market risk

Market risk is the possibility that changes in currency exchange rates or interest rates will adversely affect the value of the Company's financial assets, liabilities or expected future cashflows. Within the Ervia 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.

Liquidity risk

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

DIRECTORS' REPORT (CONT'D)

Results for the financial year and state of affairs at 31 December 2020

The Statement of Comprehensive Income and Statement of Financial Position for the financial year ended 31 December 2020 are set out on pages 9-10. The profit for the financial year amounted to €5,003,269 (2019: €4,870,325). The Company had net assets of €39.5 million at 31 December 2020 (2019: €34.4 million). During the financial year ended 31 December 2020, the Company repaid in full the outstanding amounts due under its limited recourse facility and all security over the assets of the company was discharged.

Dividends

In May 2021, the Board approved the declaration and payment of a €30 million dividend to the shareholder Gas Networks Ireland Limited in respect of previous financial years.

Future developments in the business

The Company proposes to maintain its current activities.

Directors and Secretary

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

None of the board members nor the Secretary had any interests in the Company or any group company at any time during the financial year. Key management personnel receive no remuneration in the books of GNI (IOM) DAC.

Statement on Relevant Audit Information

In accordance with Section 330 of the Companies Act 2014, the Directors confirm that, in so far as the Directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Auditor

Following receipt of Ministerial consent, Deloitte Ireland LLP were originally appointed as auditors to the Ervia Group including GNI (IOM) DAC in August 2014. Ministerial consent was received on March 25th 2019 to appoint Deloitte Ireland LLP as external auditors to the Ervia Group including GNI (IOM) DAC for the years 2019, 2020 and 2021, following completion of a tender process.

Creditor payment policy

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

Accounting records

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 281-285 of the Companies Act, 2014, are kept by the Company. To achieve this, the Directors have appointed appropriate personnel to ensure that those requirements are complied with. These books and accounting records are maintained at Gasworks Road, Cork, Ireland.

Political donations

There were no donations made during the financial years 2019 or 2020 to any political party.

Subsequent events

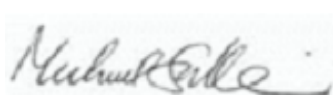
There have been no significant events between the statement of financial position date and the date on which the financial statements were approved, that would require adjustment in the financial statements.

Details of dividend declared since the year end are set out in note 16.

For and on behalf of GNI (IOM) DAC:



L O' Sullivan
Director



M.G. O'Sullivan
Director

20 May 2021

Date of Approval

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

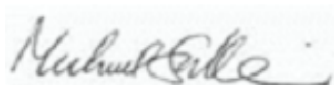
They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

For and on behalf of GNI (IOM) DAC:



L O' Sullivan
Director



M.G. O'Sullivan
Director

20 May 2021

Date of Approval

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GNI (IOM) DAC

Report on the audit of the financial statements

Opinion on the financial statements of GNI (IOM) DAC (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2020 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 24, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework").

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

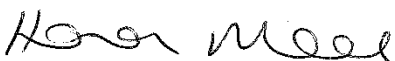
Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

Use of our report

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



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

Date: 21 May 2021

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors 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 COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 €	2019 €
Continuing operations			
Revenue	3	9,930,013	9,867,818
Operating costs	5	(4,201,970)	(4,250,766)
Profit from operating activities		5,728,043	5,617,052
Finance costs	6	(24,436)	(50,806)
Profit before income tax		5,703,607	5,566,246
Income tax expense	7	(700,338)	(695,921)
Profit for the financial year	11	5,003,269	4,870,325
<u>Other comprehensive income</u>			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of cash flow hedges		-	(6,757)
Total items that may be reclassified subsequently to profit or loss		-	(6,757)
Net change in fair value of cash flow hedges reclassified to P & L		18,563	-
Total comprehensive income for the financial year		5,021,832	4,863,568
Total comprehensive income attributable to:			
Owners of the company		5,021,832	4,863,568
Total comprehensive income for the financial year		5,021,832	4,863,568

All results for the financial year derive from continuing operations.

The notes on pages 13 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,884,251	10,965,123
Total non-current assets		7,884,251	10,965,123
Current assets			
Trade and other receivables	9	952,345	1,040,058
Cash and cash equivalents	10	31,766,762	28,669,147
Total current assets		32,719,107	29,709,205
Total assets		40,603,358	40,674,328
EQUITY			
Called up share capital presented as equity	11	(1)	(1)
Retained earnings	11	(39,460,390)	(34,457,121)
Other reserves	11	-	18,563
Total equity attributable to equity holders of the company		(39,460,391)	(34,438,559)
LIABILITIES			
Non-current liabilities			
Deferred tax liability	14	(844,520)	(1,195,280)
Total non-current liabilities		(844,520)	(1,195,280)
Current liabilities			
Borrowings and other debt	13	-	(2,692,000)
Trade and other payables	12	(285,242)	(279,268)
Current tax liability	14	(13,205)	(218,205)
Derivative financial instruments	15	-	(1,851,016)
Total current liabilities		(298,447)	(5,040,489)
Total liabilities		(1,142,967)	(6,235,769)
Total equity and liabilities		(40,603,358)	(40,674,328)

The notes on pages 13 to 29 form part of these financial statements.

For and on behalf of GNI (IOM) DAC:



L. O' Sullivan
Director



M.G. O' Sullivan
Director

20 May 2021

Date of approval

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Called up Share Capital Presented As Equity €	Retained Earnings €	Other Reserves €	Total Equity €
At 1 January 2019	1	29,586,796	(11,806)	29,574,991
Total comprehensive income for the financial year	-	4,870,325	(6,757)	4,863,568
Balance at 31 December 2019	1	34,457,121	(18,563)	34,438,559
Total comprehensive income for the financial year	-	5,003,269	18,563	5,021,832
Balance at 31 December 2020	1	39,460,390	-	39,460,391

STATEMENT OF CASH FLOWS

Year Ended 31 December 2020

	Notes	2020 €	2019 €
Cashflows from operating activities			
Profit for the financial year		5,003,269	4,870,325
Adjustments for:			
Depreciation	8	3,080,872	2,999,748
Income tax expense	7	700,338	695,921
Finance costs	6	24,436	50,806
		<u>8,808,915</u>	<u>8,616,800</u>
Working capital changes:			
Change in trade and other receivables		87,713	318,930
Change in trade and other payables		5,977	(497,836)
Cash generated from operating activities		<u>8,902,605</u>	<u>8,437,894</u>
Income tax paid		(1,256,098)	(929,938)
Interest paid		(1,856,892)	(1,762,458)
Net cash generated from operating activities		<u>5,789,615</u>	<u>5,745,498</u>
Cashflows from investing activities			
Payments for property, plant and equipment		-	(43,204)
Net cash used in investing activities		-	(43,204)
Cashflows from financing activities			
Repayments of borrowings		(2,692,000)	(2,530,000)
Net cash used in financing activities		<u>(2,692,000)</u>	<u>(2,530,000)</u>
Net increase in cash and cash equivalents		<u>3,097,615</u>	<u>3,172,294</u>
Cash and cash equivalents at 1 January		28,669,147	25,496,853
Cash and cash equivalents at 31 December	21	<u>31,766,762</u>	<u>28,669,147</u>

NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

GNI (IOM) DAC is a wholly owned subsidiary of Gas Networks Ireland and part of the Ervia Group of Companies. The principal activity of the Company is the transportation of natural gas to the Isle of Man.

The financial statements are prepared in Euro, under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair value. The functional currency of GNI (IOM) DAC is Euro, representing the primary currency in which the entity transacts; all customers are invoiced in Euro.

The address of its registered office is Gasworks Road, Cork, Ireland and the Company's registered number is 367354.

Going Concern

The Directors considered it appropriate to prepare the financial statements on a going concern basis, following due consideration of relevant factors, including reviewing and approving the 2021 annual budget and assessing the continuing profitability. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. Further details on the the Company's funding and liquidity position are set out in note 15.

(a) Statement of compliance

The Company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (EU IFRS), as applied in accordance with the Companies Act 2014. The financial statements of the Group and the Company have been prepared in accordance with EU IFRS standards and IFRIC (International Financial Reporting Interpretation Committee) interpretations issued and effective for accounting periods on or before 31 December 2020. These financial statements are prepared on a historical cost basis, except for certain derivative financial instruments which are measured at fair value.

The Company's significant accounting policies are set out below. These policies have been consistently applied to all years presented in these financial statements with the exception of adoption of new standards as set out in note 2. In the process of applying these accounting policies, judgements and estimates are necessarily used which affect the amounts recognised in the financial statements. Refer to section 1 (b) of this note for details of the most significant accounting judgements and estimates applied.

(b) Significant judgements in applying the Company's accounting policies

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 period and positive and negative contingencies at year-end. Actual results in future financial statements may differ from current estimates due to changes in these assumptions or economic conditions.

The principal estimates and judgements are described in note 18. Given their importance in the Company's financial statements, the impact of any change in assumptions in these areas could be significant.

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

Measurement

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

Certain assets and liabilities are measured at fair value. Fair value is defined as the price that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Impairment of long-term assets

As of 31 December 2020, the aggregate of the Company's property, plant and equipment (PP&E) and intangible assets was €7.9 million (2019: €11 million), which accounted for the majority of the Company's assets. Therefore the estimates and assumptions made in determining the carrying value are critical to the financial statements because the recoverability of the amounts, or lack thereof, could significantly affect the Company's future financial performance and position.

Classification of costs between operating expenditure and capital expenditure

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

Impairment of Financial assets

IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The Company having regard to the nature and credit risk of its financial assets, has not identified any transition adjustment in respect of the loss allowance arising from the adoption of IFRS 9.

Other judgements

When there is no standard or interpretation applicable to a specific transaction, the Company exercises judgement to determine the most appropriate accounting policy that will supply relevant, reliable information for the 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 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 IFRS accounting standards effective for the year ended 31 December 2020

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

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS standards

(b) New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the EU:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 16: Covid-19 Related Rent Concessions
- Amendments to IAS 16: Property, Plant and Equipment- Proceeds before intended use
- Annual Improvements to IFRS Standards 2018- 2020 Cycle
- Amendments to IAS 37: Onerous Contracts- Costs of Fulfilling a Contract
- Amendments to IFRS 3 Business Combinations: References to the Conceptual Framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- IFRS 17 Insurance Contracts

It is anticipated that application of the remaining IFRS/amendments/annual improvements, in issue but not yet effective or not yet endorsed by the EU, will not have a significant impact on the Company's financial statements.

(c) 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.

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

ii. 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 Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. Depreciation

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

Plant, pipeline and machinery:	2-40 Years
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Depreciation is not charged on land or assets under construction.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies (cont'd)

(d) Property, plant and equipment (cont'd)

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 were incurred.

(e) Impairment of assets

i. Assets that are not subject to amortisation

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

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 of disposal and value in use. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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. Using the asset's revised carrying amount, depreciation/amortisation is provided on a straight-line basis over the estimated remaining useful life.

(e) Leases

IFRS 16 was effective from 1 January 2019. The standard was applied retrospectively with the cumulative effect approach. The adoption of IFRS 16 had no impact on GNI (IOM) DAC.

The Company as Lessor

Leases for which the Company is the lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

The Company enters into lease agreements as a lessor with respect to some of its pipelines, these leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies (cont'd)

(f) 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 losses. Impairment losses are provided for using a lifetime expected credit loss model, with the expected impairment being recognised as an expense in operating costs. The expected credit loss amount is calculated by applying expected loss rates, based on actual historical cash collection performance, to the aged debt profile with future macro economic factors and factors specific to the debtors taken into consideration.

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.

Derivative financial assets and liabilities

GNI (IOM) DAC uses derivative financial instruments to hedge its exposure to interest rate risk arising from financing activities. The principal derivative used is an inflation linked interest rate swap.

Financial derivative instruments are used by GNI (IOM) DAC to hedge interest rate and inflation exposures. These derivatives are recognised at fair value and are re-measured to fair value at the reporting date. The treatment of gains and losses on re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as a 'fair value' hedge.

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.

Fair value hedges

Where a derivative 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.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these borrowings are stated at amortised cost using the effective interest rate method.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies (cont'd)

(g) Revenue recognition

The Company's revenues are principally derived from gas transportation services. The Company has network infrastructure assets in the Isle of Man. The Company's revenue also includes operating lease income, which is recognised in accordance with IFRS 16 (see accounting policy (d) above).

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

If it is considered that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is considered probable. Where required, revenue and receivables are discounted to reflect a financing element of the transaction and the interest unwind is presented annually as a credit to the income statement.

(h) Profit from operating activities

Profit from operating activities is stated before finance costs and taxation

(i) Finance costs

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

Finance income comprises fair value movements on financing instruments classified as fair value through profit or loss and any interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Fair value adjustments on financing instruments that are recognised in profit or loss are presented as finance income or finance costs, as appropriate.

(j) Income tax

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

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

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

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

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

3. Revenue

The Company enters operating lease arrangements to allow third parties the use of parts of the Gas Network Transportation system. In accordance with the Company's accounting policy all receipts from these arrangements are deemed to be earned as part of the Company's core operations and accordingly the lease income is recognised as revenue in the income statement.

Revenue is stated net of vat and rebates. The revenue disclosed arose solely in the Isle of Man.

4. Employees and remuneration

The company is a transporter of gas and does not have any direct employees. No remuneration has been paid to the company directors or key personnel in 2020 (2019: €nil). All other disclosures as required by Section 305 and 306 of the Companies Act 2014 are €nil (2019: €nil).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

5. Operating costs

	2020 €	2019 €
Depreciation	3,080,872	2,999,748
Foreign exchange (gain)/loss	(1,999)	712
Auditor's remuneration		
<i>Audit Services</i>	15,000	15,000
Maintenance Costs	412,377	545,761
Other operating costs	695,720	689,545
Total	4,201,970	4,250,766

6. Finance costs

	2020 €	2019 €
Interest on borrowings	4,942	12,984
Inflation swap costs	1,851,333	1,748,876
Bank administration fees	614	598
Net gain on financial instruments at fair value through profit or loss ¹	(1,832,453)	(1,711,652)
Total finance costs	24,436	50,806

Included within 2020 total finance costs are losses of €0.02m transferred from other reserves. See Note 11 for further details.

¹These are remeasurements arising on financial instruments of a financing nature which are accounted for as if held for trading or as fair value hedges in accordance with the Company's accounting policy. The impact of these remeasurements on net finance costs for 2020 was a €1.8m gain (2019: €1.7m gain). Further details on derivative financial instruments falling within the scope of IFRS 9 are set out in the accounting policies.

7. Income tax expense

	2020 €	2019 €
Current tax expense:		
Current tax	1,051,098	1,013,795
Adjustments in respect of previous financial years	-	8,139
	1,051,098	1,021,934
Deferred tax expense		
Origination and reversal of temporary differences	(350,760)	(318,014)
Adjustment in respect of previous financial years	-	(7,999)
Deferred tax expense	(350,760)	(326,013)
Total tax expense	700,338	695,921
Reconciliation of effective tax rate:		
Profit before tax	5,703,607	5,566,246
Tax at 12.5% (2019: 12.5%)	712,957	695,781
Expenses not deductible for tax purposes	(12,619)	-
Prior financial year under provision	-	140
Income tax expense	700,338	695,921

NOTES TO FINANCIAL STATEMENTS (CONT'D)

8. Property, plant and equipment

	Pipeline Systems €	Projects in Progress €	Total €
Cost			
At 1 January 2019	59,908,325	520,891	60,429,216
Transfers	486,744	(520,891)	(34,137)
At 31 December 2019	60,395,069	-	60,395,069
Transfers			
At 31 December 2020	60,395,069	-	60,395,069
Accumulated Depreciation			
At 1 January 2019	46,430,198	-	46,430,198
Depreciation charge for the financial year	2,999,748	-	2,999,748
At 31 December 2019	49,429,946	-	49,429,946
Depreciation charge for the financial year	3,080,872	-	3,080,872
At 31 December 2020	52,510,818	-	52,510,818
Net Book Value			
At 31 December 2020	7,884,251	-	7,884,251
At 31 December 2019	10,965,123	-	10,965,123

GNI (IOM) DAC, a subsidiary of Gas Networks Ireland, entered into a project financing arrangement in 2003. This limited recourse loan facility was secured over the assets of GNI (IOM) DAC. The loan was fully repaid during the financial year ended 31 December 2020 (2019: €2.7 million).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

9. Trade and other receivables

	2020 €	2019 €
Current:		
Trade and other receivables and accrued income	829,679	1,004,399
VAT	122,666	35,659
Total	952,345	1,040,058

10. Cash and cash equivalents

	2020 €	2019 €
Total cash and cash equivalents	31,766,762	28,669,147

11. Equity

i. Called up share capital presented as equity

	2020 €	2019 €
Authorised:		
1,000 ordinary shares of €1 each	1,000	1,000
Allotted, called up and fully paid:		
1 ordinary share of €1	1	1

ii. Retained earnings

	2020 €	2019 €
At 1 January	34,457,121	29,586,796
Profit for the financial year	5,003,269	4,870,325
At 31 December	39,460,390	34,457,121

iii. Other reserves

	2020 €	2019 €
At 1 January	(18,563)	(11,806)
Other comprehensive income	-	(6,757)
Transferred to profit and loss	18,563	-
At 31 December	-	(18,563)

On maturity of the inflation linked interest rate swap on 31 December 2020, the fair value positions in reserves which reflected the credit risk of the instrument were reclassified to the Income Statement.

12. Trade and other payables

	2020 €	2019 €
Current Liabilities:		
Accruals and trade payables	150,537	253,419
Amounts due to ultimate parent undertaking *	134,705	25,849
Total current liabilities	285,242	279,268

*Loan is not subject to interest as it relates to working capital.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

13. Borrowings and other debt

Maturity Analysis

	2020 €	2019 €
Limited recourse loan		
Less than one financial year	-	2,692,000
Total borrowings	-	2,692,000

The inflation linked debt was a limited recourse facility and was repaid in 2020 (2019: €2.7m). This facility was secured over the assets of the Company. The revenues from this pipeline are indexed to the U.K. Retail Price Index (U.K. RPI). Accordingly, to mitigate the risk of low inflation, GNI (IOM) DAC paid interest based on a formula that included a UK RPI index number at a fixed interest rate of 2.15%.

14. Deferred and current tax liability

	Property, plant and equipment €	Total €
At 1 January 2019	(1,521,293)	(1,521,293)
Credit to income statement	326,013	326,013
At 31 December 2019	(1,195,280)	(1,195,280)
Credit to income statement	350,760	350,760
At 31 December 2020	(844,520)	(844,520)

A deferred tax provision has been made in respect of accelerated capital allowances and other temporary differences. As required by IAS 12 Income Taxes, deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. As required by IAS 12, deferred tax asset recognition is regularly reassessed.

	2020 €	2019 €
Current tax liability		
Current tax liability	13,205	218,205

NOTES TO FINANCIAL STATEMENTS (CONT'D)

15. Financial risk management and financial instruments

Nature and extent of risks

The main risks that GNI (IOM) DAC are facing and actively monitoring and managing are the following:

- (i) market risk derived from exposure to fluctuations in interest rates; and
- (ii) credit risk derived from the possible default of a counterparty.

Market risk includes interest rate risk, currency risk and market price risk.

This note presents information about GNI (IOM) DAC's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital.

GNI (IOM) DAC was subject to the Ervia Group governance structures, including financial risk management, and group wide risk management objectives, policies and processes during the periods presented. Consequently, disclosures in these financial statements in respect of governance and risk management structures and policies are representative of Ervia Group structures, which also applied to GNI (IOM) DAC during the periods presented.

In using derivatives, GNI (IOM) DAC complies with the Requirements and Conditions of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act 1992.

Accounting classifications and fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments; and
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value).

	Amortised Cost 2020 €	FVTPL- Undesignated 2020 €	Total 2020 €
Assets			
<i>Current financial assets</i>			
Trade and other receivables (excluding prepayments)	829,679	-	829,679
Cash and cash equivalents	31,766,762	-	31,766,762
Total current financial assets	32,596,441	-	32,596,441
Liabilities			
<i>Current financial liabilities</i>			
Trade and other payables (excluding accruals)	185,347	-	185,347
Total current financial liabilities	185,347	-	185,347

NOTES TO FINANCIAL STATEMENTS (CONT'D)

15. Financial risk management and financial instruments (cont'd)

	Amortised Cost 2019 €	FVTPL- Undesignated 2019 €	Total 2019 €
Assets			
<i>Current financial assets</i>			
Trade and other receivables (excluding prepayments)	1,004,399	-	1,004,399
Cash and cash equivalents	28,669,147	-	28,669,147
Total current financial assets	29,673,546	-	29,673,546
Liabilities			
<i>Current financial liabilities</i>			
Trade and other payables (excluding accruals)	104,764	-	104,764
Derivative financial instruments	-	1,851,016	1,851,016
Borrowings and other debt	2,692,000	-	2,692,000
Total current financial liabilities	2,796,764	1,851,016	4,647,780

Determination of fair value

(a) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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.

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

The fair value of borrowings, measured at amortised cost is estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date - Fair value hierarchy: level 2.

Fair value hierarchy

- 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.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

15. Financial risk management and financial instruments (cont'd)

Fair Value Hierarchy

	Level 2 2020 €	Level 2 2019 €
Financial liabilities		
Interest rate derivatives	-	1,851,016
Total	-	1,851,016

The Group's inflation linked debt secured over the assets of Gas Networks Ireland (IOM) DAC, were fully repaid in 2020, along with associated inflation linked interest rate swaps.

Credit/counterparty risk

Description

Counterparty risk is defined as the risk of GNI (IOM) DAC sustaining a loss on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations.

Objective

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

Policies and processes for the management and control of counterparty/credit risk

GNI (IOM) DAC interacts with a single customer which is a statutory board. Contractual arrangements are also in place to enable GNI (IOM) DAC to obtain a letter of credit if required.

The Ervia Group operates a centralised treasury function, which undertakes all treasury activities of the Group, including GNI (IOM) DAC. Group Treasury manages treasury related credit risk (relating to cash and cash equivalents and derivative instruments) through the use of counterparty credit limits which take account of, among other relevant factors, published credit ratings. It is the Group's policy that cash and cash equivalents and derivative transactions are placed with institutions who maintain an investment grade credit rating i.e. not less than Standard & Poor's BBB- or equivalent. All derivative trades are transacted in compliance with the Specification and the Requirements of the Minister of Finance, issued in accordance with provisions of the Financial Transaction of Certain Companies and Other Bodies Act 1992, most recently issued in December 2017. This outlines the criteria that must be satisfied regarding each derivative counterparty with which the Group transacts. Group Treasury regularly evaluates and measures its treasury counterparty exposures. Where the exposure on derivative instruments has the potential to be material to the Group's net worth, the Group will consider entering into credit support arrangements.

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:

	2020 €	2019 €
Financial Assets		
Trade and other receivables	829,679	1,004,399
Cash and cash equivalents	31,766,762	28,669,147
Total	32,596,441	29,673,546

NOTES TO FINANCIAL STATEMENTS (CONT'D)

15. Financial risk management and financial instruments (cont'd)

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

	2020	2019
	€	€
United Kingdom	829,679	1,004,399
Total	829,679	1,004,399

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

	2020	2019
	€	€
Not past due	829,679	962,822
0-30 days	-	41,577
Total	829,679	1,004,399

Interest rate risk

Description

Interest rate risk is the possibility that changes in interest rates will adversely affect the value of GNI (IOM) DAC's financial assets, liabilities or expected future cash flows.

Objective

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

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

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

Policies and processes for the management and control of market risk

GNI (IOM) DAC actively manages market risk with respect to interest rates through its parent company, Ervia's treasury function, who operate in accordance with a set of policies and guidelines that provide a centralised model of conducting finance, treasury and risk management operations.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

15. Financial risk management and financial instruments (cont'd)

Market risk

Market risk is the possibility that changes in market factors will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows.

IFRS 9 requires disclosure of a sensitivity analysis for market risk that is intended to illustrate the sensitivity of the Company's financial position and performance to changes in market variables impacting upon the fair value or cash flows associated with the Company'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.

Each sensitivity analysis provided in this note is hypothetical only. The impacts provided are not necessarily indicative of the actual impacts that would be experienced, because each analysis is based on calculations and assumptions which do not consider all interrelationships, consequences and effects of such a change in the relevant market variables. Refer to each individual analysis for further details of the assumptions applied to that analysis.

As no debt balances were outstanding at 31 December 2020, no cash flow sensitivity analysis is required to show how profit before taxation would be impacted if there was a change in interest rates.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

16. Related parties

A number of agreements exist between GNI (IOM) DAC and Gas Networks Ireland. These agreements underpin the relationship between the subsidiary and the parent company. The following agreements relate to financial transactions.

I. Operational and maintenance agreement

	2020	2019
	€	€
Operational and maintenance agreement payments	189,722	187,287

II. Management services agreement

	2020	2019
	€	€
Management services agreement payments	380,219	380,219

III. Balances with related parties

	2020	2019
	€	€
Current Liabilities:		
Ervia : other agreements	134,705	25,849
Total current liabilities	134,705	25,849

IV. Dividends

In May 2021, the Company approved the declaration and payment of a dividend of €30 million to the Shareholder Gas Networks Ireland Limited in respect of previous financial years.

Interests of Board Members, Secretary and Key Management Personnel

None of the board members nor the secretary had any interests in the Company during the financial year. Key management personnel receive no remuneration in GNI (IOM) DAC.

17. Operating leases

The Company as Lessor

The Company enters operating lease arrangements to allow third parties the use of parts of the Gas Network Transportation system. In accordance with the Company's accounting policy all receipts from these arrangements are deemed to be earned as part of the Company's core operations and accordingly the lease income is recognised as revenue in the income statement. Below is a profile of undiscounted non-cancellable future operating lease income to be recognised as revenue in future years. The unexpired lease term of the lease is 3 years.

Maturity Analysis	2020	2019
	€	€
Year 1	9,473,997	9,158,894
Year 2	9,529,347	9,272,916
Year 3	7,153,929	9,387,900
Year 4	-	7,128,233
Total	26,157,273	34,947,943

NOTES TO FINANCIAL STATEMENTS (CONT'D)

18. Estimates and judgements

In the process of preparing these financial statements, judgements and estimates are necessarily used which affect the amounts recognised in the financial statements. Such estimates and judgments 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, GNI (IOM) DAC exercises judgement to determine the most appropriate accounting policy that will supply relevant, reliable information for preparation of its financial statements.

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

Certain assets and liabilities are measured at fair value. Fair value is defined as the price that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

It should be noted that the impact of variation in some assumptions and estimates can have a particularly material impact on the reported results. The following outlines the most material judgment exercised within the financial statements.

GNI (IOM) DAC has entered into an arrangement which falls within the scope of IFRS 16. Although it has been determined that the arrangement represents an operating lease, all receipts from this arrangement, are deemed to be earned as part of GNI (IOM) DAC's core operations and accordingly the lease income is recognised as revenue in the statement of comprehensive income.

19. Contingencies

Contingent liabilities may arise in respect of contractual agreements to which GNI (IOM) DAC 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. There were no contingencies requiring disclosure for the financial years 2019 and 2020.

20. Commitments

The Company is party to an agreement with GNI whereby GNI provides corporate services to the company for an agreed fee. Upon termination of this agreement, a sum equal to three years' service fees may become payable to GNI. At the end of 2020 the commitment equates to €1,140,656 (2019: €1,140,656).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

21. Notes to the statement of cashflows

Cash and cash equivalents and restricted deposits

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in bank. Cash and cash equivalents at the end of the reporting period as shown in the statement of cashflows can be reconciled to the related items in the statement of financial position as follows:

	2020	2019
	€	€
Bank deposit account	29,182,892	26,085,140
Bank reserve account	2,583,800	2,583,937
Other bank balances	70	70
Total cash and cash equivalents	31,766,762	28,669,147

22. Events after the reporting period

There have been no events between the reporting date and the date on which the financial statements were approved by the Directors which would require adjustment to these financial statements or any disclosures.

Details of dividends declared since the year end are set out in note 16.

23. Ultimate parent undertaking

GNI (IOM) DAC is a 100% owned subsidiary of Gas Networks Ireland (GNI) which is a 100% owned subsidiary of Ervia, where Ervia is the ultimate parent undertaking and wholly controlling party, for which Group financial statements are drawn up. Copies of the Group financial statements can be obtained from the secretary of Ervia at Gasworks Road, Cork, Ireland.

24. Approval of financial statements

The Directors approved and authorised for issue the financial statements on

20 May 2021.