Gas Networks Ireland (IOM) DAC.

Reports & Financial Statements

Financial Year ended 31 December 2018

Contents

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

L. O'Sullivan
M.G. O'Sullivan

SOLICITORS

McCann Fitzgerald,
Riverside One,
Sir John Rogerson's Quay,
Dublin 2.

SECRETARY AND REGISTERED OFFICE

L. O'Riordan,
Gasworks Road,
Cork.

BANKERS

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 2018.

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.

Increased revenues and lower operating costs for the financial year 2018 in addition to a net finance gain in the financial year, resulted in a profit before tax for the financial year of €5,408,327, an increase of €923,702.

Going concern

The financial statements are prepared on a going concern basis as the Board, after making appropriate enquiries including reviewing and approving the 2019 annual budget and assessing the continuing profitability, is satisfied that GNI (IOM) DAC has adequate resources to continue in operation for the foreseeable future.

Principal risks and uncertainties

The company has a sole customer of 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. These include assets held with banks and financial institutions, transactions in relation to derivative financial instruments and credit exposures arising from trading relationships with customers. The 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, cash 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.

Results for the financial year and state of affairs at 31 December 2018

The Statement of Comprehensive Income and Statement of Financial Position for the financial year ended 31 December 2018 are set out on pages 10-11. The profit for the financial year amounted to €4,732,286 (2017: €3,924,047).

Dividends

The directors have not proposed the payment of a dividend for either the current or prior financial year.

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 2.

None of the board members or the secretary had any interests in the 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

Deloitte Ireland LLP were originally appointed as auditors to the Ervia Group including GNI(IOM) DAC in August 2014 with the option to extend for a further two years which was exercised in February 2017.

Ervia carried out a tender process with the approval and oversight of the Ervia Audit and Risk Committee during 2018 in order to select the next external auditor for the Ervia Group, including GNI(IOM) DAC. Following completion of the tender process, Ministerial consent was received on 25 March 2019 to appoint Deloitte as external auditor to the Ervia Group including GNI(IOM) DAC for the years 2019, 2020 and 2021.

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.

Subsequent events

There have been no subsequent events affecting the operation of this company since the financial year end that require disclosure in the financial statements.

For and on behalf of GNI (IOM) DAC:

		16/4/19
L. O'Sullivan	***M.G. O'Sullivan***	***Date of approval***
Director	***Director***	

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:

		16/4/19
L. O'Sullivan	***M.G. O'Sullivan***	***Date of approval***
Director	***Director***	

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GNI (IOM) DAC

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 financial year end date 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 in their preparation 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

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the 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. 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.

In connection with our audit of the financial statements, 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.

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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.

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.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GNI (IOM) DAC

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.

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.

Matters on which we are required to report by exception

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

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Kevin Butler
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
No. 6 Lapps Quay
Cork

Date: 24/4/19

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.

GNI (IOM) DAC
STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2018

	Notes	2018 €	2017 €
Revenue	3	9,999,490	9,378,881
Operating costs	5	(4,627,815)	(4,745,937)
Profit from operating activities		5,371,675	4,632,944
Net finance income/(cost)	6	36,652	(148,319)
Profit before income tax		5,408,327	4,484,625
Income tax	7	(676,041)	(560,578)
Profit for the financial year	11	4,732,286	3,924,047
<u>**Other Comprehensive Income**</u>			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges		(11,806)	-
Total comprehensive income for the financial year		4,720,480	3,924,047
Total comprehensive income attributable to:			
Owners of the company		4,720,480	3,924,047

All results for the financial year derive from continuing operations.

The notes on pages 14 to 32 form part of these financial statements.

GNI (IOM) DAC
STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 €	2017 €
ASSETS			
Non-current assets			
Property, plant and equipment	8	13,999,018	16,912,370
Total non-current assets		13,999,018	16,912,370
Current assets			
Trade and other receivables	9	1,358,988	752,396
Cash and cash equivalents	10	25,496,853	22,579,992
Total current assets		26,855,841	23,332,388
Total assets		40,854,859	40,244,758
Equity			
Called up share capital presented as equity	11	(1)	(1)
Retained earnings	11	(29,586,796)	(24,854,510)
Other reserves	11	11,806	-
Total equity attributable to equity holders of the company		(29,574,991)	(24,854,511)
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	13	(2,692,000)	(5,222,000)
Deferred tax	14	(1,521,293)	(1,893,085)
Derivative financial instruments	15	(3,555,911)	(5,291,659)
Total non-current liabilities		(7,769,204)	(12,406,744)
Current liabilities			
Borrowings and other debt	13	(2,530,000)	(2,530,000)
Trade and other payables	12	(854,455)	(325,548)
Current tax liability	14	(126,209)	(127,955)
Total current liabilities		(3,510,664)	(2,983,503)
Total liabilities		(11,279,868)	(15,390,247)
Total equity and liabilities		(40,854,859)	(40,244,758)

The notes on pages 14 to 32 form part of these financial statements.

For and on behalf of GNI (IOM) DAC:

		16/4/19
L. O'Sullivan	*M.G. O'Sullivan*	*Date of approval*
Director	*Director*	

GNI (IOM) DAC
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share Capital €	Retained Earnings €	Other Reserves €	Total Equity €
Balance at 1 January 2017	1	20,930,463	-	20,930,464
Total comprehensive income for the financial year	-	3,924,047	-	3,924,047
Balance at 31 December 2017	*1*	*24,854,510*	-	*24,854,511*
Total comprehensive income for the financial year	-	4,732,286	(11,806)	4,720,480
Balance at 31 December 2018	*1*	*29,586,796*	*(11,806)*	*29,574,991*

GNI (IOM) DAC
STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2018

	Notes	2018 €	2017 €
Cashflows from operating activities			
Profit for the financial year		4,732,286	3,924,047
Adjustments for:			
Depreciation		3,434,243	3,556,968
Income tax		676,041	560,578
Net finance (income)/cost		(36,652)	148,319
		8,805,918	**8,189,912**
Working capital changes:			
Change in trade and other receivables		(606,592)	2,215,089
Change in trade and other payables		459,475	(1,321,916)
Cash generated from operating activities		**(8,658,801)**	**9,083,085**
Income tax paid		(1,718,822)	(1,843,297)
Interest paid		(1,049,578)	(1,652,068)
Net cash generated from operating activities		**5,890,401**	**5,587,720**
Cashflows from investing activities			
Payments for property, plant and equipment		(443,540)	(1,301,986)
Net cash used in investing activities		**(443,540)**	**(1,301,986)**
Cashflows from financing activities			
Repayment of borrowings		(2,530,000)	(2,530,000)
Net cash used in financing activities		**(2,530,000)**	**(2,530,000)**
Net increase in cash and cash equivalents		**2,916,861**	**1,755,734**
Cash and cash equivalents at start of the financial year		22,579,992	20,824,258
Cash and cash equivalents at end of the financial year	**21**	**25,496,853**	**22,579,992**

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

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Companies Act 2014.

The financial statements have been prepared in accordance with those IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective for accounting periods ending on or before 31 December 2018.

(b) 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 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.

Certain comparative balances have been restated in the financial statements to align with current year presentation, note 17 Operating leases primarily arising from a reassessment of the remaining lease terms.

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 period in which these estimates are revised and in any future periods affected.

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 addition to IFRS 9 and IFRS 15, which are outlined in detail below, in the current year, the Company has also applied the new/revised IFRS, as set out in table 1, that are mandatorily effective under IFRS, as endorsed by the EU, for accounting periods beginning on or after 1 January 2018. The application of these amendments to standards did not have a material impact on the Company's financial statements for 2018.

Standard/Amendment	EU Effective Date	Endorsed by the EU
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	March 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018	March 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	February 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2018 / 1 January 2017	February 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	November 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	October 2017

2. Summary of significant accounting policies (continued)

The below table sets out the standards, amendments to standards and interpretations that are in issue but are not yet effective under IFRS, as endorsed by the EU, for the year ended 31 December 2018 and thus have not been applied in preparing these financial statements.

Standard/Amendment	EU Effective Date[1]	Endorsed by the EU
IFRS 16 Leases	1 January 2019	October 2017
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	October 2018
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019	March 2018
IFRS 17 Insurance Contracts	1 January 2021[2]	(Outstanding)
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019	(Outstanding)
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	(Outstanding)
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	(Outstanding)
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	(Outstanding)
Amendment to IFRS 3 Business Combinations	1 January 2020	(Outstanding)
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	(Outstanding)

[1] IASB date provided if not yet endorsed by the EU.
[2] The IASB has tentatively decided to defer the effective date of IFRS 17 Insurance to periods beginning on or after 1 January 2022.

(i) Impact of adoption of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:
1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no impact on the Group's financial assets as regards their classification and measurement.

b) Impairment of financial assets
In relation to the 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 Group 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 Group having regard to the nature and credit risk of its financial assets, has not identfied any transition adjustment in respect of the loss allowance as set out in Group note 12 (Company note 4), arising from the adoption of IFRS 9.

c) Classification and measurement of financial liabilities
IFRS 9 introduces a change in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

d) General hedge accounting
The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced. The adoption of these new requirements had no impact on the Group's hedging relationships.

(e) Disclosures in relation to the initial application of IFRS 9
The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in no adjustments to the measurement of financial assets and financial liabilities previously measured under IAS 39. The application of IFRS 9 has had no impact on the cash flows of the Group or the Company. The updated accounting policies are set in section (c) of this note.

(ii) Impact of adoption of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the financial statements are described below.

The Company has applied IFRS 15 in accordance with the modified retrospective transitional approach, using the practical expedients for completed contracts in IFRS 15: C5(a), and (b), and for modified contracts in IFRS 15:C5(c).

The Company's accounting policies for its revenue streams are disclosed in detail in note 2(f) below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 had no impact on the financial position and/or financial performance of the Company, as described in further detail below.

The adoption of IFRS 15 has had no impact on the timing or amount of revenue recognised in relation to transportation capacity contracts which is recognised in line with the underlying contract while any related commodity revenue is recognised based on throughput for the period for each customer. In addition, the adoption of IFRS 15 has had no impact on the timing or amount of revenue recognised in relation to new connections contracts, where the performance obligation is distinct to the connection works and revenue is recognised over time as the contracted connection works are completed.

2. Summary of significant accounting policies (continued)

Following detailed assessment of the Company's other revenue contracts with customers, no adjustment was recognised in the financial statements in respect of the adoption of IFRS 15 from 1 January 2018.

IFRS 16 Leases was issued on 13 January 2016 with an IASB effective date of 1 January 2019. This new standard has replaced 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 is to lessee accounting, where the distinction between operating and finance leases is removed, and effectively brings onto the balance sheet the accounting for assets and liabilities associated with operating leases. A depreciation charge and lease interest charge will be recognised in the income statement, replacing the rent operating cost which was recognised previously, notwithstanding that additional balance sheet assets and liabilities will be recognised in respect of operating lease arrangements. GNI (IOM) has operating lease income and as lessor accounting is largely unaffected the impact of adoption of the new standard will not have a material impact on the entity's reported results.

The Group will adopt the practical expedient offered by IFRS 16, whereby an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application, and instead, is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

(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 retranslated into Euro at rates ruling at the reporting date. The resulting foreign currency gain or loss arising on translation is recognised in profit or loss.

(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 directly attributable labour and overhead costs), decommissioning or restoration costs and interest incurred in financing the construction of the asset when construction takes a substantial period of time to complete.

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

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
Depreciation is not charged on assets under construction.
Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

2. Summary of significant accounting policies (continued)

(d) Leases

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

Accounting for arrangements that contain a lease

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

Accounting for arrangements that contain a lease

The determination of whether an arrangement contains a lease is dependent on whether the arrangement relates to the use and the control of a specific asset. Leases are classified as finance leases if the arrangement transfers substantially all the risks and rewards of ownership. All other leases are categorised as operating leases.

(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 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.

Policy applicable before 1 January 2018: Specific allowances are made where there is objective evidence of impairment, for example where there is an inability to pay. An additional allowance is made on a portfolio basis to cover additional incurred losses based on an analysis of previous losses experienced and adjusted to reflect current economic conditions.

Cash and cash equivalents

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

Trade and other payables

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

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.

2. Summary of significant accounting policies (continued)

ii. 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.

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

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.

iii. 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.

(f) 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 IFRIC 4 (see accounting policy (d) above).

Revenue is measured based on the consideration which the Group expects to be entitled 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.

(g) Profit from operating activities

Profit from operating activities is stated before finance costs.

(h) Finance costs

Finance costs comprise interest expense on borrowings and fair value losses on financial instruments that are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(i) Impairment of assets

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

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

(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

Revenue, which was derived solely from gas transportation services, 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 2018 (2017: €nil). All other disclosures as required by Section 305 and 306 of the Companies Act, 2014 are €nil (2017: €nil).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

5. Operating costs

	2018 €	2017 €
Depreciation	3,434,243	3,556,968
Foreign exchange loss	1,451	7,823
Auditors' remuneration		
Audit services	15,000	15,000
Other operating costs	1,177,121	1,166,146
Total	4,627,815	4,745,937

6. Net finance (income)/ cost

	2018 €	2017 €
Interest on borrowings	20,145	29,647
Loss on interest rate hedge	1,687,213	1,622,879
Bank administration fees	3,544	3,793
Net gain on financial instruments at fair value through profit or loss	(1,747,554)	(1,508,000)
Net finance cost	(36,652)	148,319

These 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 2018 was €1.7 million gain (2017: €1.5 million gain). Further details on derivative financial instruments falling within the scope of IFRS 9 are set out in accounting policies in the Ervia group Financial Statements.

7. Income tax

	2018 €	2017 €
Current tax expense:		
Current tax	1,047,833	955,911
Deferred tax expense		
Origination and reversal of temporary differences	(371,792)	(395,333)
Total deferred tax expense	(371,792)	(395,333)
Total tax expense	676,041	560,578
Reconciliation of effective tax rate:		
Profit before tax	5,408,327	4,484,625
Tax at 12.5 % (2017: 12.5%)	676,041	560,578
Income tax expense	676,041	560,578

8. Property, plant and equipment

	Pipeline Systems	*Projects In Progress*	*Total Property, Plant & Equipment*
	€	*€*	*€*
Cost			
At 1 January 2017	*59,904,417*	-	*59,904,417*
Additions	*3,908*	-	*3,908*
At 31 December 2017	*59,908,325*	-	*59,908,325*
Additions	-	*520,891*	*520,891*
At 31 December 2018	*59,908,325*	*520,891*	*60,429,216*
Accumulated Depreciation			
At 1 January 2017	*39,438,987*	-	*39,438,987*
Depreciation charge for the financial year	*3,556,968*	-	*3,556,968*
At 31 December 2017	*42,995,955*	-	*42,995,955*
Depreciation charge for the financial year	*3,434,243*	-	*3,434,243*
At 31 December 2018	*46,430,198*	-	*46,430,198*
Net Book Value			
At 31 December 2018	*13,478,127*	*520,891*	*13,999,018*
At 31 December 2017	*16,912,370*	-	*16,912,370*

GNI (IOM) DAC, a subsidiary of Gas Networks Ireland, entered into a project financing arrangement in 2003. The balance outstanding of €5.2 million at 31 December 2018 (2017: €7.8 million) on this limited recourse loan facility is secured over the assets of GNI (IOM) DAC (note 13).

9. Trade and other receivables

	2018	*2017*
	€	*€*
Current:		
Trade receivables and accrued income	*1,323,329*	*744,902*
VAT	*35,659*	*7,494*
	1,358,988	*752,396*

Trade related credit risk is considered in note 15.

10. Cash and cash equivalents

	2018	*2017*
	€	*€*
Cash:		
Total cash and cash equivalents	*25,496,853*	*22,579,992*

11. Equity

i. Called up share capital presented as equity

	2018 €	2017 €
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

	2018 €	2017 €
At 1 January	24,854,510	20,930,463
Profit for the year	4,732,286	3,924,047
At 31 December	29,586,796	24,854,510

iii. Other reserves

	2018 €	2017 €
At 1 January	-	-
Other comprehensive income	(11,806)	-
At 31 December	(11,806)	-

Other reserves comprise the net change in fair value of cash flow hedges.

12. Trade and other payables

	2018 €	2017 €
Current Liabilities:		
Accruals and trade payables	297,484	225,889
Amounts owed to ultimate parent company	556,971	99,659
Total current liabilities	854,455	325,548

13. Borrowings and other debt

Maturity Analysis

	2018 *€*	*2017* *€*
Limited recourse loan		
Less than one year	*2,530,000*	*2,530,000*
Between two and five years	*2,692,000*	*5,222,000*
Total borrowings	*5,222,000*	*7,752,000*

The €5.2 million (2017: €7.8m) of inflation linked debt is a limited recourse facility and is repayable in the period 2018 to 2020. This facility is 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 pays interest based on a formula that includes a UK RPI index number at a fixed interest rate of 2.15%.

14. Deferred and current tax

	Property, plant and equipment *€*	*Total* *€*
At 1 Jan 2017	*(2,288,418)*	*(2,288,418)*
Credit to income statement	*395,333*	*395,333*
At 31 Dec 2017	*(1,893,085)*	*(1,893,085)*
Credit to income statement	*371,792*	*371,792*
At 31 Dec 2018	*(1,521,293)*	*(1,521,293)*

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.

	2018 *€*	*2017* *€*
Current tax liability		
Current tax liability	*126,209*	*127,955*

15. Financial risk management and financial instruments

Nature and extent of risks

The main risks that GNI (IOM) DAC is 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, however the only risk GNI (IOM) DAC is exposed to in respect of its financial instruments is interest rate risk, as disclosed further in the note below.

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.

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

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;
•fair values of financial instruments (except financial instruments when carrying amount approximates their fair value).

	Amortised cost 2018 €	*FVTPL undesignated* 2018 €	*Total Carrying Value* 2018 €	*Fair Value* 2018 €
Assets				
Current Financial Assets				
Trade and other receivables	1,358,988	-	1,358,988	1,358,988
Cash and cash equivalents	25,496,853	-	25,496,853	25,496,853
Total current financial assets	26,855,841	-	26,855,841	26,855,841
Liabilities				
Non-Current Financial Liabilities				
Derivative financial instruments	-	3,555,911	3,555,911	3,555,911
Borrowings and other debt	2,692,000	-	2,692,000	2,692,000
Total non-current financial liabilities	2,692,000	3,555,911	6,247,911	6,247,911
Current Financial Liabilities				
Trade and other payables	854,455	-	854,455	854,455
Borrowings and other debt	2,530,000	-	2,530,000	2,530,000
Total current financial liabilities	3,384,455	-	3,384,455	3,384,455

15. Financial risk management and financial instruments

Determination of fair value (continued)

	Amortised cost	*FVTPL undesignated*	*Total Carrying Value*	*Fair Value*
	2017	*2017*	*2017*	*2017*
	€	*€*	*€*	*€*
Assets				
Current Financial Assets				
Trade and other receivables	752,396	-	752,396	752,396
Cash and cash equivalents	22,579,992	-	22,579,992	22,579,992
Total current financial assets	23,332,388	-	23,332,388	23,332,388
Liabilities				
Non-Current Financial Liabilities				
Derivative financial instruments	-	5,291,659	5,291,659	5,291,659
Borrowings and other debt	5,222,000	-	5,222,000	5,222,000
Total non-current financial liabilities	5,222,000	5,291,659	10,513,659	10,513,659
Current Financial Liabilities				
Trade and other payables	325,548	-	325,548	325,548
Borrowings and other debt	2,530,000	-	2,530,000	2,530,000
Total current financial liabilities	2,855,548	-	2,855,548	2,855,548

Determination of fair value

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

The fair value of the index-linked hedge is determined by employing a valuation technique which includes market multiples and discounted cash flow analysis using expected future cash flows and a market related discount rate.

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

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

Level 1: inputs are 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.

15. Financial risk management and financial instruments (continued)

	Level 2 2018 €	Level 2 2017 €
Financial Liabilities		
Interest rate derivatives *	3,555,911	5,291,659
Total	3,555,911	5,291,659

*Interest rate derivatives are comprised of an inflation linked interest rate swap contract used to hedge the company's exposure to fluctuations in interest rates as at 31 December 2018.

There have been no transfers between levels in 2018 or 2017.

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.

Credit risk is managed by the parent company Ervia. Ervia develops and maintains relationships with a small number of key relationship banks who have a long-term commitment to Ervia, who understand the business, and who provide funding on competitive terms. Ervia ensures that banking and treasury services are obtained at competitive prices. Ervia's policy is to manage treasury related credit risk through the use of counterparty credit limits which take account of, among other relevant factors, published credit ratings. Exposure to credit risk on cash and derivative financial instruments is monitored by Ervia's Treasury function. Ervia regularly evaluates and measures its treasury counterparty exposures. Where the exposure on derivative instruments has the potential to be material to Ervia's net worth, Ervia 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:

	2018 €	2017 €
Financial Assets		
Trade and other receivables	1,358,988	752,396
Cash and cash equivalents	25,496,853	22,579,992
Total	26,855,841	23,332,388

15. Financial risk management and financial instruments (continued)

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

	2018 *€*	*2017* *£'000*
United Kingdom	1,358,988	752,396
Other	-	-
Total	1,358,988	752,396

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

	2018 *€*	*2017* *€*
Not past due	1,358,988	752,396
0-30 days	-	-
31-120 days	-	-
>120 days	-	-
Total	1,358,988	752,396

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

	2018 *€*	*2017* *€*
At 1 January	-	-
Provision utilised	-	-
At 31 December	-	-

Market 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.

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.

Market risk

IFRS 7 Financial Instruments: Disclosures requires disclosure of a sensitivity analysis for market risks 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.

15. Financial risk management and financial instruments (continued)

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.

At 31 December 2018, GNI (IOM) DAC had limited recourse debt amounting to €5.2 million (2017: €7.8 million). The limited recourse debt is secured over the assets of GNI (IOM) DAC, which primarily comprise a gas transmission pipeline to the Isle of Man. The revenues from this pipeline are indexed to the U.K. Retail Price Index ('UK RPI'). Accordingly, to mitigate against the risk of low inflation, this debt is also linked to the UK RPI using an index-linked hedge.

Cash flow sensitivity analysis for floating rate debt

The policies and processes for the management and control of interest rate risk, aim to reduce the impact of short-term interest rate fluctuations on GNI (IOM) DAC's earnings. Nevertheless, long-term changes in interest rates will have an impact on earnings. It is estimated that a general increase of 50 basis points in interest rates at 31 December would impact profit before taxation by the amounts shown below:

	2018 €'000 Profit before Taxation gain/ (loss)	***2017 €'000 Profit before Taxation gain/ (loss)***
50bp increase	9.9	69.9
50bp decrease	(44.1)	(80.3)

The following assumptions were made in respect of the sensitivity analysis above:
- all other variables, in particular foreign currency rates, remain constant.
- the analysis relates only to derivative financial instruments and floating debt.
- changes in the carrying value of derivative financial instruments not in hedging relationships affect profit or loss only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12 month period for the accrued interest portion of the sensitivity calculations.

The above analysis is performed on the same basis for 2017.
The effect of the 50 bp increase and 50 bp decrease are not equal and opposite as the rate changes in the sensitivity analysis also impact the discount curves used on the relevant cash flows for interest rate derivatives.

16. Related party

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

I. Operation and maintenance agreement

	2018 €	2017 €
Operation and maintenance agreement payments	185,985	185,244

II. Management services agreement

	2018 €	2017 €
Management services agreement payments	380,219	380,219

Balances with related parties

	2018 €	2017 €
Current Liabilities:		
Ervia – other agreements	556,971	99,659
Total current liabilities	556,971	99,659

Interests of board members, secretary and key management personnel

None of the board members or 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

Non-cancellable operating lease rentals receivable

Non-Cancellable operating lease rentals receivable	2018 €	2017 €
Less than one year	8,786,386	8,477,804
Between two and five years	32,948,946	33,911,214
More than five years	-	6,358,353
Total	41,735,322	48,747,371

Operating leases receivable by GNI (IOM) DAC relate to arrangements falling within the scope of IFRIC 4 Determining whether an arrangement contains a lease (IFRIC 4) as follows;

a) Agreements to allow third parties the use of parts of the Gas Network Transportation system. The lease term expires in 2023.

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.

(a) GNI (IOM) DAC has entered into an arrangement which falls within the scope of IFRIC 4, as it relates to use and control of a specific asset. At inception of an arrangement, GNI (IOM) DAC determines whether such an arrangement is or contains a lease. It has been determined that the arrangement represents an operating lease. All receipts from this arrangement, within the scope of IFRIC 4, 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.

Liabilities in respect of financial instruments have been provided for as disclosed in note 15.

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 2018 the commitment equates to €1,140,656 (2017: €1,140,656).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

21. Note to the Statement of Cash Flows

Cash and cash equivalents

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

Cash and cash equivalents (continued)

	2018 *€*	*2017* *€*
Bank deposit account	*22,912,731*	*19,994,193*
Bank reserve account	*2,584,052*	*2,585,729*
Other bank balances	*70*	*70*
Total cash and cash equivalents	*25,496,853*	*22,579,992*

22. Events after the reporting period

There have been no events between 31 December 2018 and the date on which the financial statements were approved by the directors, which would require an adjustment to the financial statements or any additional disclosures

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 Webworks, Eglinton Street, Cork, Ireland.

24. Approval of financial statements

The directors approved and authorised for issue the financial statements on 16/4/19