

# Reports & Financial Statements

Financial Year ended 31 December 2019

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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 2019.

### 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 2019 resulted in a profit before tax for the financial year of €5,566,246, an increase of €157,919, since prior financial year.

### Going concern

The financial statements are prepared on a going concern basis as the Board, after making appropriate enquiries including reviewing and approving the 2020 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 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, 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 2019

The Statement of Comprehensive Income and Statement of Financial Position for the financial year ended 31 December 2019 are set out on pages 9-10. The profit for the financial year amounted to €4,870,325 (2018: €4,732,286).

### 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 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 completion of the tender process, Ministerial consent was received on 25 March 2019 to appoint Deloitte Ireland LLP as external auditor to the Ervia Group including GNI (IOM) DAC for the financial 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.

### Political donations

There were no donations made during the financial years 2018 or 2019 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.

The current Coronavirus ( Covid-19) situation is being closely monitored. At an Ervia group level, a large scale employee illness due to an epidemic or pandemic (current Covid-19 threat) could potentially impact on employee health, operations, service delivery and supply chain. Crisis Management teams are in place and there is continued engagement with key stakeholders. Business continuity and contingency arrangements are in place and are implemented and tested as the situation evolves.

### For and on behalf of GNI (IOM) DAC:



**L O' Sullivan**  
Director



**M.G. O'Sullivan**  
Director

**Date of Approval: 23 April 2020**

## 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

**Date of Approval: 23 April 2020**

## 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 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 reports 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.

#### 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.

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

### 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.

### 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.



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

**Date:** 26 April 2020

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 2019

	Notes	2019 €	2018 €
<b>Continuing operations</b>			
<b>Revenue</b>	<b>3</b>	<b>9,867,818</b>	9,999,490
Operating costs	5	<u>(4,250,766)</u>	<u>(4,627,815)</u>
<b>Profit from operating activities</b>		<b>5,617,052</b>	5,371,675
Finance (costs)/income	6	<u>(50,806)</u>	<u>36,652</u>
<b>Profit before income tax</b>		<b>5,566,246</b>	5,408,327
Income tax expense	7	<u>(695,921)</u>	<u>(676,041)</u>
<b>Profit for the financial year</b>	<b>11</b>	<b><u>4,870,325</u></b>	<u>4,732,286</u>
<b><u>Other comprehensive income</u></b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net change in fair value of cash flow hedges		<u>(6,757)</u>	<u>(11,806)</u>
<b>Total items that may be reclassified subsequently to profit or loss</b>		<u>(6,757)</u>	<u>(11,806)</u>
<b>Total comprehensive income for the financial year</b>		<b><u>4,863,568</u></b>	<u>4,720,480</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the company		<u>4,863,568</u>	<u>4,720,480</u>
<b>Total comprehensive income for the financial year</b>		<b><u>4,863,568</u></b>	<u>4,720,480</u>

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 2019

	Notes	2019 €	2018 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<u>10,965,123</u>	13,999,018
<b>Total non-current assets</b>		<b>10,965,123</b>	13,999,018
<b>Current assets</b>			
Trade and other receivables	9	1,040,058	1,358,988
Cash and cash equivalents	10	<u>28,669,147</u>	25,496,853
<b>Total current assets</b>		<b>29,709,205</b>	26,855,841
<b>Total assets</b>		<b><u>40,674,328</u></b>	<u>40,854,859</u>
<b>EQUITY</b>			
Called up share capital presented as equity	11	(1)	(1)
Retained earnings	11	<u>(34,457,121)</u>	(29,586,796)
Other reserves	11	<u>18,563</u>	11,806
<b>Total equity attributable to equity holders of the company</b>		<b><u>(34,438,559)</u></b>	<u>(29,574,991)</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings and other debt	13	-	(2,692,000)
Deferred tax liability	14	<u>(1,195,280)</u>	(1,521,293)
Derivative financial instruments	15	-	(3,555,911)
<b>Total non-current liabilities</b>		<b><u>(1,195,280)</u></b>	<u>(7,769,204)</u>
<b>Current liabilities</b>			
Borrowings and other debt	13	<u>(2,692,000)</u>	(2,530,000)
Trade and other payables	12	<u>(279,268)</u>	(854,455)
Current tax liability	14	<u>(218,205)</u>	(126,209)
Derivative financial instruments	15	<u>(1,851,016)</u>	-
<b>Total current liabilities</b>		<b><u>(5,040,489)</u></b>	<u>(3,510,664)</u>
<b>Total liabilities</b>		<b><u>(6,235,769)</u></b>	<u>(11,279,868)</u>
<b>Total equity and liabilities</b>		<b><u>(40,674,328)</u></b>	<u>(40,854,859)</u>

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

Date of approval: 23 April 2020

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Called up Share Capital Presented As Equity €	Retained Earnings €	Other Reserves €	Total Equity €
At 1 January 2018	1	24,854,510	-	24,854,511
Total comprehensive income for the financial year	-	4,732,286	(11,806)	4,720,480
<b>Balance at 31 December 2018</b>	<b>1</b>	<b>29,586,796</b>	<b>(11,806)</b>	<b>29,574,991</b>
Total comprehensive income for the financial year	-	4,870,325	(6,757)	4,863,568
<b>Balance at 31 December 2019</b>	<b>1</b>	<b>34,457,121</b>	<b>(18,563)</b>	<b>34,438,559</b>

## STATEMENT OF CASH FLOWS

Year Ended 31 December 2019

	Notes	2019 €	2018 €
<b>Cashflows from operating activities</b>			
Profit for the financial year		4,870,325	4,732,286
<b>Adjustments for:</b>			
Depreciation	8	2,999,748	3,434,243
Income tax expense	7	695,921	676,041
Finance costs/(income)	6	50,806	(36,652)
		<u>8,616,800</u>	<u>8,805,918</u>
Working capital changes:			
Change in trade and other receivables		318,930	(606,592)
Change in trade and other payables		<u>(497,836)</u>	<u>459,475</u>
<b>Cash generated from operating activities</b>		<b>8,437,894</b>	<b>8,658,801</b>
Income tax paid		(929,938)	(1,718,822)
Interest paid		<u>(1,762,458)</u>	<u>(1,049,578)</u>
<b>Net cash generated from operating activities</b>		<b>5,745,498</b>	<b>5,890,401</b>
<b>Cashflows from investing activities</b>			
Payments for property, plant and equipment		<u>(43,204)</u>	<u>(443,540)</u>
<b>Net cash used in investing activities</b>		<b>(43,204)</b>	<b>(443,540)</b>
<b>Cashflows from financing activities</b>			
Repayments of borrowings		<u>(2,530,000)</u>	<u>(2,530,000)</u>
<b>Net cash used in financing activities</b>		<b>(2,530,000)</b>	<b>(2,530,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,172,294</b>	<b>2,916,861</b>
Cash and cash equivalents at 1 January		<u>25,496,853</u>	<u>22,579,992</u>
<b>Cash and cash equivalents at 31 December</b>	21	<b><u>28,669,147</u></b>	<b><u>25,496,853</u></b>

## 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.

#### (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 2019. These financial statements are prepared on a historical cost basis, except for certain derivative financial instruments which are measured at fair value.

The Group'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.

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 2020 annual budget and assessing the continuing profitability. The going concern basis presumes that the Group 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 Group's funding and liquidity position are set out in note 15.

#### (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.

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.

## 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 2019

In the current year, the Group and the Parent applied IFRS 16 Leases (as issued by the IASB in January 2016) which is effective for an annual period that begins on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requirements and requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in section 2 (d).

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives which continue to be presented under IAS 17 and IFRIC 4.

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) DAC has operating lease income and as lessor accounting is largely unaffected the impact of adoption of the new standard did not have an impact on the entity's reported results.

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

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015-2017 Cycle

#### (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:

- IFRS 17 Insurance Contracts
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to IAS 1 and IAS 8: Definition of Material

It is anticipated that application of the remaining IFRS amendments and annual improvements, in issue at 31 December 2019 but not yet effective, will not have a significant impact on the Company's financial statements.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

#### (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.

#### (d) Leases

IFRS 16 was effective from 1 January 2019. As explained in note 2(a), the standard has been applied retrospectively with the cumulative effect and therefore the policy set out below is only relevant to the current year. The impact of adoption 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 Group 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.

##### **Policies applicable prior to 1 January 2019**

##### **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 with payments recognised as an expense on a straight-line basis over the lease term.

The transition to IFRS 16 has had no impact on the Financial Statements of IOM (DAC) Ltd.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

#### (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.

###### 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.

##### 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.

###### 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)

#### (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 IFRS 16 (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.

#### (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

The Company enters operating lease arrangements to allow third parties the use of parts of the Gas Network Transportation system. In accordance with the Group's accounting policy all receipts from these arrangements 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.

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 2019 (2018: €nil). All other disclosures as required by Section 305 and 306 of the Companies Act 2014 are €nil (2018: €nil).

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 5. Operating costs

	2019 €	2018 €
Depreciation	2,999,748	3,434,243
Foreign exchange loss	712	1,451
Auditor's remuneration <i>Audit Services</i>	15,000	15,000
Maintenance Costs	545,761	493,906
Other operating costs	689,545	683,215
<b>Total</b>	<b>4,250,766</b>	<b>4,627,815</b>

### 6. Finance (costs)/income

	2019 €	2018 €
Interest on borrowings	(12,984)	(20,145)
Inflation swap costs	(1,748,876)	(1,687,213)
Bank administration fees	(598)	(3,544)
Net gain on financial instruments at fair value through profit or loss <sup>1</sup>	1,711,652	1,747,554
<b>Total finance (costs)/income</b>	<b>(50,806)</b>	<b>36,652</b>

<sup>1</sup>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 2019 was €1.7 million gain (2018: €1.7 million 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

	2019 €	2018 €
<b>Current tax expense:</b>		
Current tax	1,013,795	1,047,833
Adjustments in respect of previous financial years	8,139	-
	<b>1,021,934</b>	<b>1,047,833</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(318,014)	(371,792)
Adjustment in respect of previous financial years	(7,999)	-
<b>Deferred tax expense</b>	<b>(326,013)</b>	<b>(371,792)</b>
<b>Total tax expense</b>	<b>695,921</b>	<b>676,041</b>
<b>Reconciliation of effective tax rate:</b>		
<b>Profit before tax</b>	<b>5,566,246</b>	<b>5,408,327</b>
Tax at 12.5% (2018: 12.5%)	695,781	676,041
Prior financial year under provision	140	-
<b>Income tax expense</b>	<b>695,921</b>	<b>676,041</b>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 8. Property, plant and equipment

	Pipeline Systems €	Projects in Progress * €	Total €
<b>Cost</b>			
At 1 January 2018	59,908,325	-	59,908,325
Additions	-	520,891	520,891
<b>At 31 December 2018</b>	<b>59,908,325</b>	<b>520,891</b>	<b>60,429,216</b>
Transfers	486,744	(520,891)	(34,137)*
<b>At 31 December 2019</b>	<b>60,395,069</b>	<b>-</b>	<b>60,395,069</b>
<b>Accumulated Depreciation</b>			
At 1 January 2018	42,995,955	-	42,995,955
Depreciation charge for the financial year	3,434,243	-	3,434,243
<b>At 31 December 2018</b>	<b>46,430,198</b>	<b>-</b>	<b>46,430,198</b>
Depreciation charge for the financial year	2,999,748	-	2,999,748
<b>At 31 December 2019</b>	<b>49,429,946</b>	<b>-</b>	<b>49,429,946</b>
<b>Net Book Value</b>			
<b>At 31 December 2019</b>	<b>10,965,123</b>	<b>-</b>	<b>10,965,123</b>
<b>At 31 December 2018</b>	<b>13,478,127</b>	<b>520,891</b>	<b>13,999,018</b>

GNI (IOM) DAC, a subsidiary of Gas Networks Ireland, entered into a project financing arrangement in 2003. The balance outstanding of €2.7 million at 31 December 2019 (2018: €5.2 million) on this limited recourse loan facility is secured over the assets of GNI (IOM) DAC (note 13).

\* Projects - in - progress consist of sub-sea pipeline inspections undertaken in 2018. These are undertaken every two years and are capitalised. Final contractor costs for 2018 sub-sea inspections were €34,137 lower than estimates initially provided.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 9. Trade and other receivables

	2019	2018
	€	€
<b>Current:</b>		
Trade and other receivables and accrued income	1,004,399	1,323,329
VAT	35,659	35,659
<b>Total</b>	<b>1,040,058</b>	<b>1,358,988</b>

### 10. Cash and cash equivalents

	2019	2018
	€	€
<b>Total cash and cash equivalents</b>	<b>28,669,147</b>	<b>25,496,853</b>

### 11. Equity

#### i. Called up share capital presented as equity

	2019	2018
	€	€
<b>Authorised:</b>		
1,000 ordinary shares of €1 each	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
1 ordinary share of €1	1	1

#### ii. Retained earnings

	2019	2018
	€	€
At 1 January	29,586,796	24,854,510
Profit for the financial year	4,870,325	4,732,286
At 31 December	<b>34,457,121</b>	<b>29,586,796</b>

#### iii. Other reserves

	2019	2018
	€	€
At 1 January	(11,806)	-
Other comprehensive income	(6,757)	(11,806)
At 31 December	<b>(18,563)</b>	<b>(11,806)</b>

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

### 12. Trade and other payables

	2019	2018
	€	€
<b>Current Liabilities:</b>		
Accruals and trade payables	253,419	297,484
Amounts due to ultimate parent undertaking *	25,849	556,971
<b>Total current liabilities</b>	<b>279,268</b>	<b>854,455</b>

\*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

	2019	2018
	€	€
<b>Limited recourse loan</b>		
Less than one financial year	2,692,000	2,530,000
Between two and five financial years	-	2,692,000
<b>Total borrowings</b>	<b>2,692,000</b>	<b>5,222,000</b>

The €2.7 million (2018: €5.2m) of inflation linked debt is a limited recourse facility and is repayable in 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 liability

	Property, plant and equipment	Total
	€	€
<b>At 1 January 2018</b>	<b>(1,893,085)</b>	<b>(1,893,085)</b>
Credit to income statement	371,792	371,792
<b>At 31 December 2018</b>	<b>(1,521,293)</b>	<b>(1,521,293)</b>
Credit to income statement	326,013	326,013
<b>At 31 December 2019</b>	<b>(1,195,280)</b>	<b>(1,195,280)</b>

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.

	2019	2018
	€	€
<b>Current tax liability</b>		
Current tax liability	218,205	126,209

## 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, 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; and
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value).

	Amortised Cost 2019 €	FVTPL- Undesignated 2019 €	Total 2019 €
<b>Assets</b>			
<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
<b>Total current assets</b>	<b>29,673,546</b>	<b>-</b>	<b>29,673,546</b>
<i>Current 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
<b>Total current financial liabilities</b>	<b>2,796,764</b>	<b>1,851,016</b>	<b>4,647,780</b>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

	Amortised Cost 2018 €	FVTPL- Undesignated 2018 €	Total 2018 €
<b>Assets</b>			
<i>Current financial assets</i>			
Trade and other receivables (excluding prepayments)	1,358,988	-	1,358,988
Cash and cash equivalents	25,496,853	-	25,496,853
<b>Total current financial assets</b>	<b>26,855,841</b>	<b>-</b>	<b>26,855,841</b>
<b>Liabilities</b>			
<i>Non-Current Financial Liabilities</i>			
Derivative financial instruments	-	3,555,911	3,555,911
Borrowings and other debt	2,692,000	-	2,692,000
<b>Total non-current financial liabilities</b>	<b>2,692,000</b>	<b>3,555,911</b>	<b>6,247,911</b>
<i>Current Financial Liabilities</i>			
Trade and other payables ( excluding accruals)	556,971	-	556,971
Borrowings and other debt	2,530,000	-	2,530,000
<b>Total current financial liabilities</b>	<b>3,086,971</b>	<b>-</b>	<b>3,086,971</b>

Some prior financial year comparatives have been reclassified on the basis consistent with the current year.

#### Determination of fair value

##### *(a) Fair value of financial 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

- 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 2019 €	Level 2 2018 €
<b>Financial liabilities</b>		
Interest rate derivatives*	<b>1,851,016</b>	3,555,911
<b>Total</b>	<b>1,851,016</b>	3,555,911

\*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 2019 and 31 December 2018.

#### *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:

	2019 €	2018 €
<b>Financial Assets</b>		
Trade and other receivables	<b>1,004,399</b>	1,358,988
Cash and cash equivalents	<b>28,669,147</b>	25,496,853
<b>Total</b>	<b>29,673,546</b>	26,855,841



## 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:

	2019	2018
	€	€
United Kingdom	1,004,399	1,358,988
<b>Total</b>	<b>1,004,399</b>	<b>1,358,988</b>

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

	2019	2018
	€	€
Not past due	962,822	1,358,988
0-30 days	41,577	-
<b>Total</b>	<b>1,004,399</b>	<b>1,358,988</b>

#### 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.

At 31 December 2019, GNI (IOM) DAC had limited recourse debt amounting to €2.7 million (2018: €5.2 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:

	2019	2018
	Profit before taxation gain / (loss) €'000	Profit before taxation gain / (loss) €'000
50bp increase	25.0	9.9
50bp decrease	(31.7)	(44.1)

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 as on the same basis for 2018.

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

## 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

	2019	2018
	€	€
Operational and maintenance agreement payments	<b>187,287</b>	185,985

#### II. Management services agreement

	2019	2018
	€	€
Management services agreement payments	<b>380,219</b>	380,219

#### III. Balances with related parties

	2019	2018
	€	€
<b>Current Liabilities:</b>		
Ervia : other agreements	<b>25,849</b>	556,971
<b>Total current liabilities</b>	<b>25,849</b>	556,971

#### 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 Group's accounting policy all receipts from these arrangements 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. 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 4 years.

<b>Maturity Analysis</b>	2019	2018
	€	€
Year 1	<b>9,158,894</b>	9,070,430
Year 2	<b>9,272,916</b>	9,355,161
Year 3	<b>9,387,900</b>	9,665,454
Year 4	<b>7,128,233</b>	9,989,282
Year 5	-	6,863,592
<b>Total</b>	<b>34,947,943</b>	44,943,919

Prior financial year comparatives have been reclassified on the basis consistent with the current year.

Operating leases receivable by GNI (IOM) DAC relate to arrangements falling within the scope of IFRS 16, Determining whether an arrangement contains a lease. The policy is applied as follows:

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

Note IFRIC 4 was the accounting policy in place prior to 01 January 2019 regarding the identification of leases, as this agreement was in place prior to this date, IFRIC 4 is applicable.

## 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 2018 and 2019.

### 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 2019 the commitment equates to €1,140,656 (2018: €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:

	2019	2018
	€	€
Bank deposit account	26,085,140	22,912,731
Bank reserve account	2,583,937	2,584,052
Other bank balances	70	70
Total cash and cash equivalents	<u>28,669,147</u>	<u>25,496,853</u>

### 22. Events after the reporting period

As described in the Directors' Report, we are closely monitoring the developing situation relating to the Coronavirus (COVID-19). This is a non-adjusting event in accordance with IFRS requirements and therefore the 2019 financial results and the 2019 year-end financial position do not reflect any resulting financial effects of COVID-19. At the date of approval of these financial statements, it is not possible to provide an estimate of the possible financial effects of COVID-19.

### 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 23 April 2020.