

Reports & Financial Statements

Year ended 31 December 2020

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GNI (UK) Limited

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS	D O'Sullivan R Jemmett A McCrea J Burchill (Alternate Director)	
SECRETARY AND REGISTERED OFFICE	L O'Riordan 8th Floor 20 Farringdon Street London EC4A 3AE	
AUDITOR	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm No. 6 Lapp's Quay Cork Ireland	
SOLICITORS	McCann Fitzgerald Tower 42 Level 38C 25 Old Broad Street London EC2N 1HQ	Shepherd and Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
BANKERS	Allied Irish Bank (GB) St Helen's 1 Undershaft London EC3A 8AB Dankse Bank Corporate Danske International House 3 Harbourmaster Place IFSC Dublin 1	AIB Group (UK) plc trading as AIB (NI) Head Office 92 Ann Street Belfast
COMPANY REGISTRATION NUMBER	2827969	

GNI (UK) Limited

Strategic Report

Fair review of the company

GNI (UK) Limited is a wholly owned subsidiary of Gas Networks Ireland and part of the Ervia group of companies. The principal activity of the business is the transportation of gas. The company owns part of the interconnector system connecting Ireland and Scotland and a transmission network in Northern Ireland to carry out this activity. GNI (UK) Limited's network in Northern Ireland supplies the Coolkeeragh Power Plant, the 10-towns network (circa 51,000 downstream end-users) and reinforces supplies to the Belfast area. GNI (UK) Limited is capable of supplying gas to the Northern Ireland network from its interconnection point to the Republic of Ireland network at Gormanston.

The company had net assets of £139 million at 31 December 2020. The directors expect the company to continue trading for the foreseeable future. The company has four facility agreements with the parent company, Gas Networks Ireland, to finance the operations of GNI (UK) Limited. These facilities include an interest free facility of £110 million for general corporate purposes and an interest bearing facility of £160 million which funded the purchase of Interconnector 1 in connection with the termination of the leasing arrangements. Both of these facilities were denominated in Euro in December 2013. The company also has interest bearing facilities of €88.5m in respect of Interconnector 2 and €50 million in respect of accrued interest with its ultimate parent Ervia, this facility will mature on 31 December 2021. Each of the remaining facility agreements will mature on 31 December 2022.

The agreements provide that neither Gas Networks Ireland nor Ervia will terminate the loans unless GNI (UK) Limited has alternative committed financing arrangements in place. At 31 December 2020 GNI (UK) Limited had a net cash balance of £2.6 million, the company also held £3.7 million in restricted deposits.

The Utility Regulator in Northern Ireland and the Regulatory Authority in the UK, Ofgem, both certified GNI (UK) Limited as Full Ownership Unbundled (FOU) in accordance with the third European Union Gas Directive 2009/73/EC (the "Directive"). This directive provides for the separation of production and supply activities from transmission network operation activities through ownership unbundling.

Principal risks and uncertainties

Safety: GNI (UK) Limited is exposed to the usual risks associated with ownership of onshore and subsea transmission pipelines. A major safety incident could result in injury, loss of life, or a security of supply issue. Attention to safety is a key priority and GNI (UK) Limited operates a comprehensive safety programme.

Regulation: GNI (UK) Limited's business activities are subject to a broad range of legislation and regulation. Changes in the regulatory climate and the framework in which GNI (UK) Limited operates may impact unfavourably.

Brexit: An EU-UK Trade and Cooperation Agreement was concluded between the European Union and the United Kingdom on 24 December 2020. The agreement covers not just trade in goods and services, but also a broad range of other areas. The agreement provides for a continuation of the existing arrangements for gas trading and interconnectivity, which was facilitated by the UK incorporating relevant EU Energy legislation into UK law during 2020.

As a result of the above, GNI (UK) Limited remains satisfied that there is no adverse impact on natural gas flows due to the formal departure of the United Kingdom from the EU on 31 December 2020. This follows extensive engagement over a sustained period with relevant stakeholders including other natural gas pipeline operators and energy regulators in the UK and Ireland, as well as EU stakeholders.

While there is no import or export tariffs on natural gas, from January 2021 there is an administrative requirement for GNI (UK) Limited to submit export declarations to HMRC, and for both importing shippers and Gas Networks Ireland to submit customs declarations on natural gas imports from Great Britain. Throughout 2020, GNI (UK) Limited has engaged closely with HMRC to ensure the Company's preparedness to meet these obligations.

GNI (UK) Limited is committed to continuing our strong relationships with key stakeholders in this areas to ensure that all potential risks following the UK's EU departure are minimised, and we will continue our engagement with these stakeholders (e.g. DCCAE, CRU, BEIS, Ofgem and National Grid) in this regard.

Correspondence from the European Commission and the UK Department of Energy (BEIS), sets out that UK TSOs (which would include GNI(UK) Limited) are no longer active members of ENTSOG, going forward this means that GNI (UK) Limited no longer has the influence in steering European energy policy and associated voting rights. Gas Networks Ireland remains a member of ENTSOG.

GNI (UK) Limited has also put in place measures and contingencies to ensure all requirements in respect of its Supply Chain operations, Data Protection requirements and any other key exposures are mitigated in relation to Brexit. There is an Ervia Brexit Steering Committee in place which continues to monitor developments in relation to Brexit.

The Board has analysed these and other risks. Appropriate actions are being taken by management to mitigate these risks. Not all of these risks are within the control of GNI (UK) Limited and other factors aside from those listed above may also have an adverse effect.

GNI (UK) Limited

Strategic Report (Cont'd)

Key Performance Indicators

GNI (UK) Limited monitors performance by measuring and tracking key performance indicators (KPIs) that are important to longer-term success. Operating profit is one of the key measures of financial performance. GNI (UK) Limited generated an operating profit of £18.2 million in 2020, a decrease of £3.9 million on the previous financial year due to decreased revenues in addition to an increase in operating costs. The target for 2021 will be to deliver the Company's approved budget which is in line with the Company's financial plan. In addition to operating profit, GNI (UK) Limited also measures the improvement in the financial strength of its statement of financial position with the Shareholder's surplus increasing from £123.4 million to £138.9 million together with capital expenditure of £3.1 million in 2020 compared to a spend of £6.7 million in 2019.

In terms of non-financial indicators, safety remains a core priority. There were no major incidents which resulted in loss of life or loss of supply on the system during 2020. In addition all planned maintenance activities were completed in line with agreed targets with the exception of planned statutory noise testing which has been delayed to 2021 with agreement from SEPA (Scottish environmental Protection Agency) due to Covid-19 restrictions.

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

As a regulated business, periodic reviews of the revenue requirements to operate the natural gas transmission networks are undertaken by the Commission for the Regulation of Utilities for the Interconnector System and by the Utility Regulator for the Northern Ireland Transmission System. The current Price Reviews in both Northern Ireland and the Republic of Ireland run until October 2022. During 2021 GNI(UK) Limited will be engaging with both regulators in relation to the Price Reviews commencing in October 2022.

Engagement with suppliers, customers and others in a business relationship with the company

GNI (UK) Limited does not have a direct customer base, in terms of direct customers, it only interacts with the Coolkeeragh Power Station in Northern Ireland (NI). The primary interactions are with Distribution System Operators (DSOs) and Transmission System Operators (TSOs) who either contract for capacity on GNI (UK) Limited's network for onward transit of gas through their own networks or are connection points where gas moves between different networks. GNI (UK) Limited engages with these parties on a regular basis across various parts of the business to ensure continuity of service and gas supply.

GNI (UK) Limited has supply off-take points to various other network operators who in turn supply customers. In Northern Ireland, market related functions such as administration of the Code of Operations and shipper billing are delivered through the Gas Market Operator NI (GMO NI) team. GMO NI is a contractual joint venture with the other TSOs in NI. Gas shippers and suppliers play a critical role in delivering gas to customers and GNI (UK) Limited liaises with NI shippers (via GMO) on a regular basis to ensure they continue to nominate and flow gas through the network.

GNI (UK) Limited proactively and constructively engages with the respective regulatory authorities in Great Britain, Northern Ireland and the Republic of Ireland to deliver upon its commitments and obligations. GNI (UK) Limited actively engages with Ofgem, the Utility Regulatory and the Commission for Regulation of Utilities to shape the gas market regulatory framework and future energy policy. Maintaining and enhancing these key relationships is very important as regulatory priorities can change over time therefore active engagement is essential to provide our perspective on future energy policy decisions.

Following Brexit, and while there are no import or export tariffs on natural gas, since January 2021 there is an administrative requirement on GNI (UK) Limited to submit customs declarations to HRMC on natural gas exports from Great Britain. Throughout 2020, GNI (UK) Limited engaged closely with HMRC to confirm the exact requirements and ensure the company's preparedness to meet these obligations in 2021.

Future Developments

The EU continues to develop the internal energy market and further changes are expected to deliver the ambitions set-out in the EU Green Deal. A 55% reduction in emissions by 2030 has been set as the EU continues to strengthen climate targets and the upcoming EU gas legislative review, expected to be delivered in Q4, 2021 at the earliest, will seek to deliver the regulatory framework to meet these targets. In preparation for Brexit Day, the UK transposed the vast majority of EU energy law into UK law and it remains to be seen how future changes in EU policy and legislation will be addressed in the UK.

A significant body of work, led by the Northern Ireland Department for the Economy, is ongoing to deliver a new energy strategy for Northern Ireland. During 2020, GNI (UK) was proactively involved in this work and will continue to provide input to facilitate delivery of the strategy which is targeted for Q4, 2021.

The current Price Reviews in both Northern Ireland and the Republic of Ireland run until October 2022. During 2021 GNI(UK) Limited will be engaging with both regulators in relation to the Price Reviews commencing in October 2022.

A number of key capital projects will continue or commence in 2021 at Beattock and Brighthouse Bay compressor Stations including enhancements to the station control systems at Beattock Compressor Station. These works will improve the operational flexibility and environmental performance of the stations.

For and on behalf of GNI (UK) Limited:



Liam O'Riordan
Secretary

Date of Approval: 08/04/2021

GNI (UK) Limited

Directors' Report

The directors submit their report and audited financial statements for the year from 1 January 2020 to 31 December 2020.

Principal activities and review of the business

The principal activities and review of the business of GNI (UK) Limited, are both addressed in the strategic report.

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 (UK) Limited has adequate resources to continue in operation for the foreseeable future. GNI (UK) Limited has four facility agreements with the parent company, Gas Networks Ireland and one with the ultimate parent Ervia, to finance the operations of GNI (UK) Limited. The agreements provide that neither Gas Networks Ireland nor Ervia will terminate the loans unless GNI (UK) Limited has alternative committed financing arrangements in place.

Financial risk management objectives and policies

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

Credit risk

Credit risk is defined as the total loss that GNI (UK) Limited 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 17 for further details of treasury related credit risk.

The principal financial assets of GNI (UK) Limited are bank balances, cash and trade and other receivables. GNI (UK) Limited's credit risk is primarily attributable to its trade receivables. Refer to note 11 and note 17 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 Ervia group buys and sells derivatives and also incurs financial liabilities, in order to manage market risk. One division of GNI (UK) Limited operates in a Euro functional currency, Ervia Group Treasury manage the exchange rate risk for this division through the use of derivatives.

Liquidity risk

GNI (UK) Limited has four facility agreements with the parent company Gas Networks Ireland and one with the ultimate parent Ervia, which ensures that sufficient funds are available for on-going operations and future developments.

GNI (UK) Limited'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.

Brexit risk

During 2020, GNI (UK) Limited engaged extensively with energy regulators, government departments and key gas stakeholders, in Ireland, Great Britain and Northern Ireland, to ensure that the advent of Brexit would not adversely affect GNI (UK) Limited operations. In advance of the UK leaving the EU on the 1st of January 2021, an EU-UK Trade and Cooperation Agreement was concluded between the EU and UK on 24 December 2020. This agreement provides for a continued model for trading and interconnectivity, with guarantees for security of supply and open and fair competition. As a result of the above, there were no adverse effects on gas flows through Moffat on Brexit day however there remains the risk of longer term regulatory divergence between the UK and the EU. This risk will be mitigated through engagement with key stakeholders to address issues that may arise.

Energy and Carbon Reporting

Carbon emissions from GNI (UK) Limited's compressor stations in Brighthouse and Beattock totalled 85,087 tonnes in 2020. This equates to 1.54 tonnes of carbon emitted per GWH of gas flowing through the network. GNI (UK) Limited uses shrinkage gas to maintain pressure in the gas system in order to facilitate the transportation of gas supply. It is estimated that the volume of shrinkage gas consumed in 2020 was 509 GWH. Across its buildings and assets, GNI (UK) Limited consumes energy as part of everyday operations. Excluding shrinkage gas, the total energy consumed for 2020 is estimated at 4.7 GWH.

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006.

The Board of directors of GNI (UK) Limited consider both individually and collectively, that they have acted in good faith and in a manner most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Act) in the decisions taken during the year ended 31 December 2020:

- a. the likely consequences of any decision in the long term,
- b. the need to foster the company's business relationships with suppliers, customers and others,
- c. the impact of the company's operations on the community and the environment,
- d. the desirability of the company maintaining a reputation for high standards of business conduct, and
- e. the need to act fairly as between members of the company.

This is achieved in particular by reference to approval of budgets, approval of business plans, along with a review of financial results at each Board meeting.

GNI (UK) Limited

Directors' Report (Cont'd)

Results and Dividends

The profit for the financial year amounted to £12.6 million (2019: £16.4 million).

Future developments in the business

The company proposes to maintain its current activities.

Directors

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.

Creditor payment policy

GNI (UK) Limited has a 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.

Political donations

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

Modern Slavery

The UK Modern Slavery Act 2015 imposes obligations on organisations of a certain size which carry on business in the United Kingdom. Modern slavery can occur in various forms, including servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. GNI (UK) Limited is an applicable entity for the purposes of the Modern Slavery Act and is fully supportive of the aims of the Act.

Post balance sheet 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.

Auditor

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

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

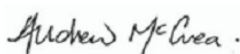
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act, 2006.

For and on behalf of GNI (UK) Limited:



D. O' Sullivan
Director



A. McCrea
Director

Date of Approval: 08/04/2021

GNI (UK) Limited

Directors' Responsibility Statement

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

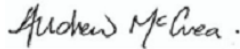
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act, 2006. 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.

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

For and on behalf of GNI (UK) Limited:



D. O' Sullivan
Director



A. McCrea
Director

Date of Approval: 08/04/2021

Independent auditor's report to the members of GNI (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GNI UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described 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 the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent auditor's report to the members of GNI (UK) Limited

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of GNI (UK) Limited

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

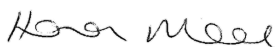
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Honor Moore
FCA (Senior statutory auditor)
For and on behalf of Deloitte Ireland LLP
Statutory Auditor
Cork, Ireland

Date: 8 April 2021

GNI (UK) Limited

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Continuing operations			
Revenue	3	60,138	62,028
Operating costs	5	<u>(41,932)</u>	<u>(39,702)</u>
Profit from operating activities		18,206	22,326
Finance costs	6	<u>(1,865)</u>	<u>(2,491)</u>
Profit before income tax		16,341	19,835
Income tax expense	7	<u>(3,741)</u>	<u>(3,387)</u>
Profit for the financial year	13	<u>12,600</u>	<u>16,448</u>
<u>Other comprehensive income</u>			
Items that may be reclassified subsequently to profit or loss:			
Translation differences on conversion of foreign divisions to presentation currency	13	2,918	(2,745)
Total items that may be reclassified subsequently to profit or loss		<u>2,918</u>	<u>(2,745)</u>
Total other comprehensive income (expense) for the financial year		<u>2,918</u>	<u>(2,745)</u>
Total comprehensive income attributable to:			
Owners of the company		<u>15,518</u>	13,703
Total comprehensive income for the financial year		<u>15,518</u>	<u>13,703</u>

The notes on pages 16 to 32 form part of these financial statements.

GNI (UK) Limited

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

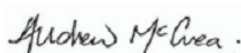
	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	333,894	338,656
Intangible assets	9	457	665
Derivative financial instruments	17	-	45
Total non-current assets		334,351	339,366
Current assets			
Inventory	10	67	75
Trade and other receivables	11	8,646	12,834
Cash and cash equivalents	12	2,626	7,258
Restricted deposits	12	3,664	3,662
Derivative financial instruments	17	42	189
Total current assets		15,045	24,018
Total assets		349,396	363,384
EQUITY			
Called up share capital presented as equity	13	(400)	(400)
Other reserves	13	(7,069)	(4,151)
Retained earnings	13	(131,479)	(118,879)
Total equity attributable to equity holders of the company		(138,948)	(123,430)
LIABILITIES			
Non-current liabilities			
Government grants	14	(41,405)	(42,116)
Trade and other payables	15	(120,573)	(138,784)
Deferred tax liabilities	16	(13,063)	(9,663)
Derivative financial instruments	17	(13)	-
Total non-current liabilities		(175,054)	(190,563)
Current liabilities			
Government grants	14	(2,276)	(2,235)
Trade and other payables	15	(33,118)	(46,719)
Deferred revenue	18	-	(437)
Total current liabilities		(35,394)	(49,391)
Total liabilities		(210,448)	(239,954)
Total equity and liabilities		(349,396)	(363,384)

The notes on pages 16 to 32 form part of these financial statements.

For and on behalf of GNI (UK) Limited:



D. O' Sullivan
Director



A. McCrea
Director

Date of approval 08/04/2021

GNI (UK) Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Called-up Share Capital	Retained Earnings	Other Reserves	Total Equity
	Presented as Equity £'000	£'000	£'000	£'000
At 1 January 2019	400	102,431	6,896	109,727
Total comprehensive income for the financial year	-	16,448	(2,745)	13,703
Balance at 31 December 2019	400	118,879	4,151	123,430
Total comprehensive income for the financial year	-	12,600	2,918	15,518
Balance at 31 December 2020	400	131,479	7,069	138,948

GNI (UK) Limited

STATEMENT OF CASH FLOWS

Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cashflows from operating activities			
Profit for the financial year		12,600	16,448
Adjustments for:			
Depreciation and amortisation (net)	5	19,823	20,896
Finance costs	6	1,652	2,725
Fair value movements on derivative financial instruments	6	213	(234)
Income tax expense	7	3,741	3,387
		<u>38,029</u>	<u>43,222</u>
Working capital changes:			
Change in inventories		12	(30)
Change in trade and other receivables		(524)	26,899
Change in trade and other payables		(19,334)	1,158
Change in deferred revenue		(225)	(17)
Cash generated from operating activities		<u>17,958</u>	<u>71,232</u>
Income tax paid		(5,860)	(4,879)
Interest paid		(11,825)	(2,279)
Net cash generated from operating activities		<u>273</u>	<u>64,074</u>
Cashflows from investing activities			
Grants received		5,976	-
Payments for property, plant and equipment		(4,707)	(12,282)
Payments for intangible assets		(26)	(19)
Net cash used in investing activities		<u>1,243</u>	<u>(12,301)</u>
Cashflows from financing activities			
Repayment of loans from parent undertaking		(6,355)	(53,545)
Net decrease in cash and cash equivalents		<u>(4,839)</u>	<u>(1,772)</u>
Cash and cash equivalents at 1 January		7,258	9,315
Effect of exchange rate fluctuations on cash held		207	(285)
Cash and cash equivalents at 31 December	12	<u>2,626</u>	<u>7,258</u>

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS

1. Basis of Preparation

GNI (UK) Limited 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. The address of its registered office is 8th Floor, 20 Farringdon Street, London EC4A 3AE and the company's registered number is 2827969.

The financial statements are prepared in pound sterling (GBP), under the historical cost convention, except for certain financial assets which are measured at fair value.

Going Concern

The financial statements are prepared on a going concern basis as the Board, after making appropriate enquiries including reviewing and approving the 2021 annual budget and assessing the continuing profitability is satisfied that GNI (UK) Limited has adequate resources to continue in operation for the foreseeable future. In addition, the Company has an undrawn facility of £110m available from the parent company, Gas Networks Ireland that provides standby liquidity. The Company therefore has significant available resources to meet the Company's net current liability position of £20.3m at 31 December 2020 (2019: £25.4m), that includes an intercompany payable to Ervia of £23.7m. In addition, the Company's non-current liabilities include drawn facilities of £115.4m at 31 December 2020, under two facility agreements with the parent company, Gas Networks Ireland – refer to note 15. The agreements provide that Gas Networks Ireland will not terminate the loans unless GNI (UK) Limited has alternative committed financing arrangements in place.

(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, 2006.

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 2020.

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

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the year and positive and negative contingencies at year-end. Actual results in future financial statements may differ from current estimates due to changes in these assumptions or economic conditions.

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

Measurement

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

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

Impairment of long-term assets

As of 31 December 2020, the aggregate of the Company's property, plant and equipment (PP&E) and intangible assets was £334.4 million (2019: £339.3 million), which accounted for the majority of the Company's assets. Therefore the estimates and assumptions made in determining the carrying value are critical to the financial statements because the recoverability of the amounts, or lack thereof, could significantly affect the Company's future financial performance and position.

Classification of costs between operating expenditure and capital expenditure

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

Impairment of Financial assets

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

Other judgements

When there is no standard or interpretation applicable to a specific transaction, the Company exercises judgement to determine the most appropriate accounting policy that will supply relevant, reliable information for the preparation of its financial statements.

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

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies

(a) New IFRS accounting standards effective for the year ended 31 December 2020

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

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

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

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

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

It is anticipated that application of the remaining IFRS amendments and annual improvements, in issue at 31 December 2020, but not yet effective, will not have a significant impact on the Group's financial statements.

(c) Foreign currencies

These financial statements are presented in GBP, which is the presentation currency of GNI (UK) Limited.

i. Foreign currency transactions

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

ii. Foreign operations

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

(d) Leases

IFRS 16 was effective from 1 January 2019. The impact of adoption had no impact on GNI (UK) Ltd.

(e) Property, plant and equipment

i. Recognition

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

ii. Subsequent expenditure

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

iii. Depreciation

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

Transmission pipelines	25 - 40 years
Compressor stations	20 years
Turbines	30,000-48,000 hours
Meters	15 years
Buildings	40 years

Depreciation is not charged on land or assets under construction.

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

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

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

iv. Borrowing costs

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

(f) Intangible Assets

i. Software and software under development

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

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific assets, provided the costs meet the criteria in IAS 38 for capitalising.

ii. Research and development

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

iii. Amortisation of intangible assets

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

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

iv. Borrowing costs

Refer to accounting policy (e) iv.

(g) Impairment of assets

i. Assets that are not subject to amortisation

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

ii. Assets that are subject to depreciation/amortisation

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

iii. Recognition of an impairment loss

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

iv. Reversal of an impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss for a CGU shall be allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. The reversal is recognised immediately in profit or loss. Using the asset's revised carrying amount, depreciation/amortisation is provided on a straight-line basis over the estimated remaining useful life.

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

(h) Financial assets and liabilities

Non-derivative financial assets and liabilities

Trade and other receivables

Trade and other receivables are initially recognised at the transaction price receivable and are subsequently carried at this value as there is no significant financing component less an appropriate allowance for expected credit 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.

Where a right of offset exists, debit balances are combined with credit balances and this combined balance is presented on the balance sheet.

Trade and other payables

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

Loans/amounts due from group companies

Amounts due from subsidiary company undertakings are non-derivative financial assets or liabilities which are not quoted in an active market. They are included in current assets or current liabilities on the balance sheet, except for those with an expectation of collection greater than twelve months after the balance sheet date, which are included in non-current assets or those with maturities greater than twelve months after the balance sheet date, which are included in non-current liabilities.

(i) Revenue recognition

The Company's revenues are principally derived from gas transportation services, in both regulated and unregulated markets. The Company operates and owns part of the interconnector systems between Scotland and Ireland and a transmission network in Northern Ireland. No operating lease revenue is earned by the company.

Revenue is measured based on the consideration which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company 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.

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.

The Company's main sources of revenue are dependent on being approved by the Utility Regulator Northern Ireland and the Commission for Regulation of Utilities (CRU). Certain circumstances may result in the regulatory "allowed" revenue being over or under recovered in the financial year. Any over or under recovery may be included, within certain parameters, in the calculation of the following years' regulatory revenue. No adjustment is made for over or under recoveries in the year that they arise.

(j) Operating Profit

Operating profit is stated before net finance costs and taxation.

(k) Net finance costs

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

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

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

(l) Derivatives

Financial derivative instruments are used by GNI (UK) Limited to hedge currency exposures. All such derivatives are recognised at fair value and are remeasured to fair value at the reporting date.

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

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

(i) 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.

(ii) Fair Value hedges

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

(m) 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.

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.

(n) Inventory

Inventory, which comprise engineering materials, are measured at the lower of cost and net realisable value, using the first in, first out (FIFO) cost formula in line with IAS 2 Inventories. Cost comprises purchase and all direct costs that have been incurred in bringing inventories to their present location and condition. Net realisable value is the actual or estimated selling price less all costs to be incurred prior to disposal.

Specific allowance is made for damaged, deteriorated, obsolete and unusable items where appropriate.

(o) Capital grants

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

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Revenue

A significant portion of the entity's sources of revenue are subject to a regulatory model and are dependent on being approved by the Industry Regulators for the regulatory price control periods.

	2020 £'000	2019 £'000
Regulated	55,446	56,314
Unregulated	4,692	5,714
Total	60,138	62,028

Regulated revenue is commodity and capacity revenue earned and regulated by the Northern Ireland Authority for Utility Regulation ("NIAUR"). Included in regulated revenue above are amounts charged to the Parent Company, Gas Networks Ireland for use of the Interconnectors between Scotland and ROI. As the Commission for Regulation of Utilities (CRU) regulates the costs and revenues of GNI, these amounts are also deemed to be regulated revenues.

Unregulated primarily relates to revenue derived from connections and sales for operational services that are ancillary to the use of the gas transportation system.

Refer to Note 18 for an analysis of deferred revenue recognised in respect of new connections revenue which represents the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period.

All revenue of GNI (UK) Ltd was earned in the United Kingdom.

	2020 £'000	2019 £'000
United Kingdom	60,138	62,028

4. Employees and remuneration

The Company is a transporter of gas and does not have any direct employees. Operating costs are stated after charging:

Key Management Remuneration	2020 £'000	2019 £'000
Board members' emoluments		
-fees	20	20
Total	20	20

The Board of Directors are considered to be the key management of the Company.

5. Operating costs

	2020 £'000	2019 £'000
Depreciation	21,859	22,922
Amortisation of intangible assets	234	234
Grant amortisation	(2,270)	(2,260)
Auditor's remuneration	15	15
Board members' fees	20	20
Network maintenance	10,269	8,182
Rates	5,245	4,821
Management services	2,445	2,511
Operations	1,608	1,549
Other operating costs	2,507	1,708
Total	41,932	39,702

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

6. Finance costs

	2020 £'000	2019 £'000
Fair value adjustments on derivative financial instruments ¹	<u>213</u>	<u>(234)</u>
Interest payable to parent undertaking	1,674	2,885
Other interest charges	24	(115)
Capitalised interest	<u>(46)</u>	<u>(45)</u>
Total	<u>1,865</u>	<u>2,491</u>

¹These are remeasurements arising on financial instruments of a financing nature which are accounted for as if held for trading or as fair value hedges in accordance with the Company accounting policy. The impact of these remeasurements on net finance costs for 2020 was £0.2 million loss (2019: £0.2 million gain). Further details on derivative financial instruments falling within the scope of IFRS 9 are set out in note 17.

7. Income tax expense

	2020 £'000	2019 £'000
Current tax expense:		
Current tax	2,646	4,747
Prior year over provision	<u>(37)</u>	<u>(24)</u>
	2,609	4,723
Deferred tax expense		
Origination and reversal of temporary differences	828	(972)
Prior year under / (over) provision	<u>304</u>	<u>(364)</u>
	<u>1,132</u>	<u>(1,336)</u>
Total tax expense	<u>3,741</u>	<u>3,387</u>
Reconciliation of effective tax rate:		
Profit before tax	16,341	19,835
Tax at 19% (2019: 19%)	3,105	3,769
Expenses not deductible for tax purposes	369	(108)
Effect of tax rate change	-	114
Adjustments to tax change in respect of previous years	<u>267</u>	<u>(388)</u>
Income tax expense	<u>3,741</u>	<u>3,387</u>

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

8. Property, plant and equipment

	Land and Buildings	Plant, Pipeline & Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	7,504	612,662	5,694	625,860
Effect of movement in exchange rates	(432)	(23,813)	(266)	(24,511)
Additions	-	2,097	4,577	6,674
Transfers in year	-	3,914	(3,914)	-
At 31 December 2019	7,072	594,860	6,091	608,023
Effect of movement in exchange rates	408	22,591	264	23,263
Additions	-	591	2,493	3,084
Transfers in year	-	2,727	(2,727)	-
At 31 December 2020	7,480	620,769	6,121	634,370
Accumulated Depreciation				
At 1 January 2019	4,230	251,571	-	255,801
Effect of movement in exchange rates	(252)	(9,104)	-	(9,356)
Depreciation charge for the year	247	22,675	-	22,922
At 31 December 2019	4,225	265,142	-	269,367
Effect of movement in exchange rates	252	9,008	-	9,260
Transfer to intangible assets	-	(10)	-	(10)
Depreciation charge for the year	185	21,674	-	21,859
At 31 December 2020	4,662	295,814	-	300,476
Net Book Value				
At 31 December 2019	2,847	329,718	6,091	338,656
At 31 December 2020	2,818	324,955	6,121	333,894

During the period GNI (UK) Limited capitalised £0.05 million in interest. The capitalisation rate was 1.3%.

9. Intangible assets

	Software	Software Under Development	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	1,632	34	1,666
Transfers in year	-	19	19
At 31 December 2019	1,632	53	1,685
Additions	-	36	36
Transfers in year	34	(34)	-
At 31 December 2020	1,666	55	1,721
Accumulated Amortisation			
At 1 January 2019	786	-	786
Amortisation charge for the year	234	-	234
At 31 December 2019	1,020	-	1,020
Transfer from property, plant and equipment	10	-	10
Amortisation charge for the year	234	-	234
At 31 December 2020	1,264	-	1,264
Net Book Value			
At 31 December 2019	612	53	665
At 31 December 2020	402	53	457

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. Inventory

	2020 £'000	2019 £'000
Engineering materials	<u>67</u>	<u>75</u>

In 2020 inventories recognised as maintenance costs amounted to £869,000 (2019: £319,000). There were no write-downs of inventories to net realisable value in 2020 (2019: £nil).

11. Trade and other receivables

	2020 £'000	2019 £'000
Current:		
Trade receivables	2,032	2,725
Use of system receivable	3,098	2,407
Prepayments	2,235	1,671
Grant receivable	-	6,010
Withholding tax	15	21
Current Tax	1,266	-
Total	<u>8,646</u>	<u>12,834</u>

Trade receivables are stated net of allowances for impairment. 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. Trade receivables mainly represent receivables in charges for use of the transmission pipelines in Northern Ireland. Refer to note 19 for further detail in respect of balances with related parties.

Use of system receivable comprises unbilled transportation revenue. In respect of the GNI (UK) Limited's business in Northern Ireland, revenue is derived principally from charges for use of the North-West transmission pipeline and the South-North pipeline. A postalised system is in place in Northern Ireland. Invoices are issued by the administrator, non-payment of invoices attracts a daily interest charge.

Payments in relation to connections or alterations are paid for in advance of the work being carried out. Credit risk on all other receivables is managed through proactive monitoring and management of balances and credit vetting (where applicable).

Prepayments and grants receivable are excluded from the analysis of credit exposure. The maximum exposure to credit risk for trade and other receivables at the reporting has been analysed and dealt with in note 17.

12. Cash and cash equivalents

	2020 £'000	2019 £'000
Restricted Deposits*	3,664	3,662
Cash	2,626	7,258
Total cash and cash equivalents	<u>6,290</u>	<u>10,920</u>

*Restricted deposits comprise security deposits received from certain customers.

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

13. Equity

i. Called up share capital presented as equity	2020	2019
	<i>£'000</i>	<i>£'000</i>
Authorised:		
400,000 ordinary shares of £1 each	400	400
Allotted, called up and fully paid:		
400,000 ordinary shares of £1 each	400	400
ii. Retained earnings	2020	2019
	<i>£'000</i>	<i>£'000</i>
At 1 January	118,879	102,431
Profit for the year	12,600	16,448
At 31 December	<u>131,479</u>	<u>118,879</u>
iii. Other reserves	2020	2019
	<i>£'000</i>	<i>£'000</i>
At 1 January	4,151	6,896
Other comprehensive income	2,918	(2,745)
At 31 December	<u>7,069</u>	<u>4,151</u>

Other reserves comprise translation reserves arising on the translation of branches with a Euro functional currency to the presentation currency of GBP.

14. Government grants

	2020	2019
	<i>£'000</i>	<i>£'000</i>
At 1 January	44,351	48,329
Amortised in year	(2,270)	(2,260)
Effect of movement in exchange rates	1,600	(1,718)
At 31 December	<u>43,681</u>	<u>44,351</u>
Current	2,276	2,235
Non-Current	<u>41,405</u>	<u>42,116</u>
	<u>43,681</u>	<u>44,351</u>

The capital grants are from the Northern Ireland Department of Enterprise, Trade & Investment in respect of the North-West pipeline connecting Belfast with Derry which was commissioned in October 2004 and the South-North pipeline from Dublin to Belfast which was commissioned in November 2006. £6.0 million was received in 2020 in respect of the IC1 twinning of Southwest Scotland onshore system between Cluden and Brighthouse Bay (UK). The grants are being amortised to the statement of comprehensive income over the life of the pipeline. In certain circumstances the grants may become repayable if conditions laid down in the grant agreements are not adhered to. Total grants received as at 31 December 2020 are £73.6 million (2019: £67.6 million).

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

15. Trade and other payables

	2020 £'000	2019 £'000
Non-Current Liabilities:		
Accruals	5,173	4,573
Amounts due to parent undertakings	<u>115,400</u>	<u>134,211</u>
Non-Current liabilities	<u>120,573</u>	<u>138,784</u>
Current Liabilities:		
Amounts due to ultimate parent undertaking	23,708	33,608
Trade creditors	797	1,474
Accruals	6,538	7,087
Customer deposits	2,035	2,033
VAT	40	530
Current tax	-	1,987
Current liabilities	<u>33,118</u>	<u>46,719</u>

The Company has two active interest bearing facility loans with the parent company, Gas Networks Ireland; £35.9m as at 31 December 2020 (2019 £59.1m) arising from the purchase of Interconnector 1 and termination of leasing arrangements. Interest is charged on this loan at Euribor + 2%. The company also has a balance of £79.5m as at 31 December 2020 (2019 £75.1m) in respect of the twinning of the Interconnector. Interest is charged on this loan at Euribor +1.5%. These facilities will mature in December 2022. In addition the company owes £23.7m as at 31 December 2020 (2019 £33.6m) in respect of accrued interest from its ultimate parent ,Ervia which will mature in December 2021.

16. Deferred tax assets and liabilities

	Property, plant and equipment £'000	Other £'000	Total £'000
At 1 January 2019	(19,325)	6,058	(13,267)
Charge to statement of comprehensive income	1,680	(344)	1,336
Exchange adjustment	<u>2,268</u>	-	<u>2,268</u>
At 31 December 2019	<u>(15,377)</u>	<u>5,714</u>	<u>(9,663)</u>
Charge/(credit) to statement of comprehensive income	77	(1,209)	(1,132)
Exchange adjustment	<u>(2,268)</u>	-	<u>(2,268)</u>
At 31 December 2020	<u>(17,568)</u>	<u>4,505</u>	<u>(13,063)</u>

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

	2020 £'000	2019 £'000
Deferred tax assets	4,505	5,714
Deferred tax liabilities	<u>(17,568)</u>	<u>(15,377)</u>
Net deferred tax liability	<u>(13,063)</u>	<u>(9,663)</u>

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. Potential deferred tax asset utilisation falling outside that planning horizon is not currently recognised on the statement of financial position. As required by IAS 12, deferred tax asset recognition is regularly reassessed.

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

17. Financial risk management and financial instruments

Nature and extent of risks

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

- i. Credit risk is primarily attributable to trade receivables and assets held with banks and financial institutions.
- ii. Market risk derived from exposure to fluctuations in foreign currency exchange rates; and
- iii. Liquidity risk derived from the risk that suitable sources of funding for the Company's operations will not be available.

This note presents information about GNI (UK) Limited's exposure to the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these financial statements.

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

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 2020 £'000	FVTPL- undesignated 2020 £'000	Total 2020 £'000
Assets			
Current financial assets			
Trade and other receivables (excluding prepayments)	5,130	-	5,130
Derivative financial instruments	-	42	42
Cash and cash equivalents	2,626	-	2,626
Restricted deposits	3,664	-	3,664
Total current assets	11,420	42	11,462
Non current liabilities			
Amounts due to parent undertaking	115,400	-	115,400
Total non-current financial liabilities	115,400	-	115,400
Current liabilities:			
Amounts due to ultimate parent undertaking	23,708	-	23,708
Trade and other payables (excluding accruals & tax)	2,832	-	2,832
Derivative financial instruments	-	13	13
Total current financial liabilities	26,540	13	26,553

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

	Amortised Cost 2019 £'000	FVTPL- undesignated 2019 £'000	Total 2019 £'000
Assets			
Non current financial assets			
Derivative financial instruments	-	45	45
Total non current financial assets	-	45	45
Current financial assets			
Trade and other receivables (excluding prepayments)	5,132	-	5,132
Derivative financial instruments	-	189	189
Cash and cash equivalents	7,258	-	7,258
Restricted deposits	3,662	-	3,662
Total current assets	16,052	189	16,241
Liabilities			
Amounts due to parent undertaking	(134,211)	-	(134,211)
Total non-current financial liabilities	(134,211)	-	(134,211)
Current Liabilities			
Amounts due to ultimate parent undertaking	(33,608)	-	(33,608)
Trade and other payables (excluding accruals & tax)	(3,507)	-	(3,507)
Total current financial liabilities	(37,115)	-	(37,115)

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent that it is available.

Valuation technique

The fair value of quoted foreign exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated as the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

All significant inputs required to fair value the instrument are observable.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair Value Hierarchy

	Level 2 2020 £'000	Level 2 2019 £'000
Financial assets		
Forward exchange contracts	42	234
Total financial assets	42	234
Financial liabilities		
Forward exchange contracts	(13)	-
Total financial liabilities	(13)	-
Net financial assets	29	234

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

Credit/counterparty risk

Description

Counterparty risk is defined as the risk of GNI (UK) Limited, sustaining a loss 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 and credit exposures arising from trading relationships with customers.

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

Credit risk is managed by the company Gas Networks Ireland and Ervia. The Group operates a centralised treasury function, which undertakes all treasury activities of the Group. Ervia Group Treasury manages treasury related credit risk (relating to cash and cash equivalents and derivative instruments) through the use of counterparty credit limits which take account of, among other relevant factors, published credit ratings. It is the Group's policy to seek that cash and cash equivalents and derivative transactions are placed with institutions who maintain an investment grade credit rating i.e. not less than Standard & Poor's A- or equivalent. All the Company's derivative trades are transacted with the Parent, Gas Networks Ireland, where this risk is managed centrally.

Exposure to credit risk

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

	2020 £'000	2019 £'000
Financial Assets		
Trade and other receivables (excluding prepayments)	5,130	5,153
Derivative financial instruments *	42	234
Cash and cash equivalents	2,626	7,258
Restricted deposits	3,664	3,662
Total	11,462	16,307

* Derivative Financial Instruments are comprised of foreign exchange forward contracts used to hedge exposure on the foreign currency balances of GNI (UK) Limited as at 31 December 2020.

Prepayments are excluded from the analysis of the credit exposure.

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

	2020 £'000	2019 £'000
United Kingdom	5,130	5,153
Total	5,130	5,153

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

	2020 £'000	2019 £'000
Not past due	5,023	4,648
0-30 days	93	138
31-120 days	11	201
>120 days	3	166
Total	5,130	5,153

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

Market risk

Description

Market risk is the possibility that changes in exchange rates will adversely affect the value of GNI (UK) Limited's financial assets, liabilities or expected future cash flows.

Ervia Group Treasury is responsible for managing market risk with respect to interest rates and currency exchange rates. All such transactions are carried out by the Parent within the guidelines set by the Treasury Policy and transacted in compliance with Requirements and Conditions of the Minister of Finance, issued in accordance with provisions of the Financial Transaction of Certain Companies and Other Bodies Act 1992.

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 (UK) Limited actively manages market risk with respect to exchange rate risk 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.

No sensitivity analysis has been prepared in respect of the derivative financial instruments held at 31 December 2020 on the basis that it is not material to the financial statements.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for GNI (UK) Limited may not be available, or the Company is unable to sell its assets on the market place so as to be able to meet short-term finance requirements and to settle obligations. Such a situation would negatively impact the Company's results as it could result in the incurrence of higher borrowing expenses to meet obligations.

The Company has facility agreements with the parent company, Gas Networks Ireland, which ensures that sufficient funds are available for on-going operations and future developments.

The Group's approach to managing funding and liquidity risk is to ensure, as far as possible, that it has adequate resources to meet its liabilities when due, under both normal and stressed conditions. Group Treasury is responsible for ensuring the Group has access to sufficient liquidity to ensure that the Group is able to settle obligations arising through its day-to-day operations, maturing debt obligations and capital investment outlays. Group Treasury develops and maintains relationships with financial institutions in order to develop their understanding of the business and to build their long-term commitment to the Group. All banking and treasury services are sourced at competitive prices.

The Ervia Group seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Ervia Group maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk.

Cash surpluses are used primarily to reduce the level of debt and may be invested in deposit accounts.

The Ervia Group's policy and in effect the GNI (UK) Limited policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

18. Deferred revenue

	2020 £'000	2019 £'000
At 1 January	437	420
Received in year	-	17
Amortised in year	(437)	-
At 31 December	<u>-</u>	<u>437</u>
Current	-	437
Non-Current	<u>-</u>	<u>-</u>
	<u>-</u>	<u>437</u>

19. Related party

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

I. Transportation agreement

	2020 £'000	2019 £'000
Transportation agreement	<u>36,695</u>	<u>37,563</u>

II. Management services agreement

	2020 £'000	2019 £'000
Management services agreement payments	<u>2,445</u>	<u>2,511</u>

III. Finance charges

	2020 £'000	2019 £'000
Interest charges due to Parent Undertaking	<u>1,674</u>	<u>2,885</u>

The Company has four facility agreements with the parent company, Gas Networks Ireland, to finance the operations of GNI (UK) Limited; an interest free facility of £110 million in respect of the general corporate purposes of GNI (UK) Limited and an interest bearing facility of £160 million arising from the purchase of Interconnector 1 in connection with the termination of the leasing arrangements (both converted to Euro in December 2013). The company also has interest bearing facilities of €88.5million in respect of the twinning of Interconnector. These facilities will mature in December 2022. In addition the company has a €50 million facility in respect of accrued interest from its ultimate parent Ervia which will mature in December 2021.

Balances with related parties

	2020 £'000	2019 £'000
Payables:		
GNI: Working Capital Payable	(6,853)	-
GNI Parent: Twinning Loan	(79,492)	(75,145)
GNI Parent: IC1 Funding	(29,055)	(59,065)
Ervia Group: Northern Ireland Project Interest	(23,708)	(33,608)
Total Loans received from Parent Entities	<u>(139,108)</u>	<u>(167,818)</u>

Included within the payables balance as at 31 December 2020 was £0.4m interest. (£0.6m 2019)

Interests of Board Members, Secretary and Key Management Personnel

Neither the board members, the secretary nor any key management personnel had any interests in the company or any group company at any time during the financial years 2019 or 2020.

GNI (UK) Limited

NOTES TO FINANCIAL STATEMENTS (CONT'D)

20. Contingencies

Contingent liabilities may arise in respect of contractual agreements to which GNI (UK) Limited is a party. These are estimated based on information available of the potential cost associated with the outturn of any such events which exist at the reporting date. Liabilities over and above those provided for in the financial statements could arise as a result of the occurrence or non-occurrence of one or more uncertain future events but given the nature of the contingencies it is not practicable to make an estimate of the financial impact. There were no contingencies requiring disclosure for the financial years 2019 and 2020.

21. Commitments

Capital expenditure

	2020 £'000	2019 £'000
Contracted for but not provided for in the Financial Statements:	<u>5,223</u>	<u>3,110</u>

22. Notes to the statement of cashflows

Cash and cash equivalents and restricted deposits

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

	2020 £'000	2019 £'000
Restricted Deposit Accounts	3,664	3,662
Other bank balances	<u>2,626</u>	<u>7,258</u>
Total cash, cash equivalents and restricted deposits	<u>6,290</u>	<u>10,920</u>

23. Events after the reporting period

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

24. Ultimate parent undertaking

The company is a 100% owned subsidiary of Gas Networks Ireland, and part of the Ervia Group of companies. Ervia is the ultimate parent undertaking and ultimate 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.

25. Approval of financial statements

The Directors approved and authorised for issue the financial statements on 08/04/2021