



Energy for
generations

INTERIM FINANCIAL STATEMENTS

For the period to 30 June 2015
esb.ie



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FINANCE REVIEW JUNE 2015

FIGURE 1: FIVE YEAR SUMMARY

	2015 €'m 30 Jun	2014 €'m 30 Jun	2013 €'m 30 Jun	2012 €'m 30 Jun	2011 €'m 30 Jun
Revenue and other operating income ¹	1,720	1,654	1,724	1,660	1,443
Operating profit ¹	337	327	359	309	212
EBITDA ²	690	665	680	637	494
Capital expenditure	405	450	296	285	380

	2015 €'m 30 Jun	2014 €'m 31 Dec	2013 €'m 31 Dec	2012 €'m 31 Dec	2011 €'m 31 Dec
Net debt	4,932	4,639	4,144	4,414	4,324
Gearing (%) ³	54%	53%	48%	53%	52%
Total assets	13,355	12,973	12,782	12,600	12,539

¹ Before the following exceptional item: 2014: profit on disposal of investments in BESL (€38 million)

² EBITDA: operating profit before interest, taxation, depreciation and amortisation

³ Excludes joint ventures

HIGHLIGHTS

- **OPERATING PROFIT: €337 MILLION** (€10 MILLION INCREASE ON JUNE 2014, EXCLUDING EXCEPTIONAL ITEMS)
- **CAPITAL EXPENDITURE: €405 MILLION** (€45 MILLION DECREASE ON JUNE 2014)
- **DIVIDEND PAYMENTS: €224 MILLION** (€12 MILLION DECREASE ON JUNE 2014)¹
- **OPERATING COST SAVINGS ACHIEVED SINCE 2010: OVER €270 MILLION**

¹ See note 17 in the interim financial statements for dividend details

FIGURE 2: SUMMARISED INCOME STATEMENT

	2015 €'m	2014 €'m
Revenue and other income	1,720	1,654
Operating costs	(1,383)	(1,327)
Operating profit	337	327
Exceptional items	-	38
Operating profit after exceptional items	337	365
Total finance costs	(125)	(122)
Fair value movements on financial instruments	26	(129)
Share of equity accounted investees loss	(2)	(1)
Profit before tax	236	113
Tax charge	(35)	(5)
Profit after tax	201	108

SEGMENTAL PERFORMANCE

The Group is organised into five main reportable segments or strategic divisions, which are managed separately. Further details on the business segments are included in note 4 of the interim financial statements. The Group operating profit of €337 million is set out below on a segmental basis.

- Generation and Wholesale Markets (G&WM) operating profit for 2015 at €140 million is broadly in line with 2014 of €143 million (excluding exceptional items). Excluding the non-cash positive fair value on dark spread hedges in 2014 of €44 million, operating profit has increased due to improved availability as a result of fewer plant outages than 2014.
- ESB Networks operating profit for 2015 at €128

million is up €8 million on 2014 due to the higher operating costs in 2014 associated with Storm Darwin.

- NIE's operating profit for 2015 amounted to €13 million and is down €16 million on 2014 due to a reduction in transmission use of system income and negative foreign exchange movements.
- Electric Ireland reported an operating profit of €24 million for 2015, a decrease of €3 million from 2014.
- Other Segments include Innovation, Corporate and Business Service Centre activities which provide services to the main business segments above, this segment also includes most of the financing costs of the Group. Their operating profit amounted to €32 million, an increase of €23 million related to positive foreign exchange movements.

FIGURE 3 : SUMMARISED CASHFLOW STATEMENT

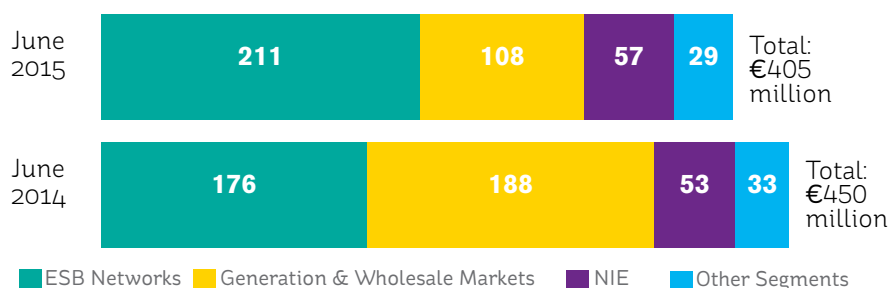
	2015 €'m	2014 €'m
EBITDA	690	665
Exceptional item	-	(38)
Provision utilisation and other movements	26	3
Interest and tax	(163)	(114)
Net cash inflow from operating activities	553	516
Disposal proceeds	4	46
Capital expenditure	(404)	(395)
Other	1	-
Net cash outflow from investing activities	(399)	(349)
Net cash outflow from financing activities	(68)	(266)
Net increase/(decrease) in cash	86	(99)

standby liquidity for the next five years, with an option for a further two year extension, to 2022.

Following these transactions, the weighted average interest rate on the Group's portfolio of outstanding borrowings at 30 June 2015 was 5.6%, and the weighted average duration of such borrowings as at that date was just under seven years. Both of these metrics improved somewhat in the first half of 2015, and ESB will continue to actively manage its debt maturity profile to protect its liquidity position, and to further reduce the average rate and increase the average tenor of the Group's debt portfolio.

ESB's funding position reflects its underlying financial strength and credit ratings of at least BBB+ (or equivalent) from all three major agencies. ESB's debt maturity profile does not pose significant risks to the Group, in the context of ESB's ongoing EBITDA performance (€690 million in the six months to 30 June 2015, and €1.4 billion in the full year 2014) and liquidity of €1.8 billion (between cash and undrawn committed facilities) at 30 June 2015. The Group continues to proactively manage its borrowings repayment profile and maintains its ability to fund in the future through close ongoing engagement with its banks, debt investors and credit rating agencies.

FIGURE 4: CAPITAL EXPENDITURE



CAPITAL EXPENDITURE

Capital Expenditure in G&WM in 2015 at €111 million is down €80 million due to reduced investment on the construction of Carrington as it nears the commercial operation date. This project is expected to reach commercial operation in 2016.

ESB Networks capital spend in up €35 million on the same period in 2014 when the capital work programme was delayed due to storm Darwin.

NET DEBT AND GEARING

The increase in net debt to €4.9 billion in 2015 from €4.6 billion in December 2014 reflects the continuing capital expenditure programme, the weakening of the euro, debt drawdowns and dividend payments.

The gearing level of 54% for 2015 is largely in line with December 2014. During the year total assets increased to €13.4 billion from €13.0 billion, reflecting the ongoing capital investment

programme in the Group.

FUNDING

The Group's funding operations are of strategic importance and support capital expenditure, the refinancing of maturing debt and the maintenance of liquidity. In June 2015 ESB issued a €500 million fixed-rate bond at 2.125%, which will mature in June 2027. The majority of the proceeds were used to buy back a portion of a €600 million five year 6.25% bond issued in September 2012. This successful bond placement and buy-back helped the Group to extend the average maturity of its long-term debt at very competitive rates.

In January 2015, the Group's Revolving Credit Facility, agreed in February 2013, was amended and extended. The amendment, agreed with a Group of 14 leading Irish and international banks, increased the size of the facility from €1.40 billion to €1.44 billion, combined with a significant reduction in pricing. The facility provides ESB with a very substantial level of

RESPONSIBILITY STATEMENT OF THE BOARD MEMBERS IN RESPECT OF THIS HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge and belief that the unaudited condensed consolidated set of financial statements for the six month period ended 30 June 2015, which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related notes thereto, have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

On behalf of the Board,



Eilvena Graham, Chairman Designate



Pat O'Doherty, Chief Executive

22 September 2015

INDEPENDENT REVIEW REPORT OF KPMG TO THE ELECTRICITY SUPPLY BOARD

INTRODUCTION

We have been engaged by the Electricity Supply Board (ESB or the Company) to review the consolidated condensed interim financial statements for the six month period ended 30 June 2015, which comprise the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed balance sheet, the consolidated condensed cash flow statement, the consolidated condensed statement of changes in equity and the related notes thereto. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated condensed interim financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

DIRECTORS' RESPONSIBILITIES

The consolidated condensed interim financial statements are the responsibility of, and have been approved by, the Board members. As disclosed in note 2, the annual consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The consolidated condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the consolidated condensed interim financial statements, based on our review.

SCOPE OF OUR REVIEW

We conducted our review in accordance with Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in Ireland and the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements for the six month period ended 30 June 2015 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU.

Sean O'Keefe
For and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
Dublin, Ireland
22 September, 2015

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2015

	Notes	Unaudited June 2015			Unaudited June 2014		
		Excluding exceptional items € '000	Exceptional items Note 5 € '000	Including exceptional items € '000	Excluding exceptional items € '000	Exceptional items Note 5 € '000	Including exceptional items € '000
Revenue	4	1,700,761	-	1,700,761	1,638,748	-	1,638,748
Other operating income	5/6	19,718	-	19,718	14,924	38,395	53,319
Operating costs	7	(1,383,119)	-	(1,383,119)	(1,327,537)	-	(1,327,537)
Operating profit		337,360	-	337,360	326,135	38,395	364,530
Net interest on borrowings	8	(106,228)	-	(106,228)	(99,614)	-	(99,614)
Financing charges	8	(19,643)	-	(19,643)	(23,078)	-	(23,078)
Fair value movement on financial instruments	8	26,162	-	26,162	(128,627)	-	(128,627)
Finance income	8	684	-	684	564	-	564
Net finance cost		(99,025)	-	(99,025)	(250,755)	-	(250,755)
Share of equity accounted investees loss	13	(2,457)	-	(2,457)	(438)	-	(438)
Profit before taxation		235,878	-	235,878	74,942	38,395	113,337
Income tax expense	18	(34,568)	-	(34,568)	(4,792)	-	(4,792)
Profit after taxation		201,310	-	201,310	70,150	38,395	108,545
Attributable to:							
Equity holders of the Parent		201,240	-	201,240	70,000	38,395	108,395
Non-controlling interest		70	-	70	150	-	150
Profit for the financial period		201,310	-	201,310	70,150	38,395	108,545

Notes 1 to 30 form an integral part of these financial statements.

Ellvena Graham, Chairman Designate

Pat O'Doherty, Chief Executive

Donal Flynn, Group Finance Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2015

	Unaudited June 2015 € '000	Unaudited June 2014 € '000
Profit for the financial period	201,310	108,545
Items that will never be reclassified subsequently to profit or loss:		
NIE pension scheme actuarial gains / (losses)	(16,725)	1,429
Tax on items that will never be reclassified to profit or loss	3,345	(291)
	(13,380)	1,138
Items that are or may be reclassified subsequently to profit or loss:		
Effective hedge of a net investment in foreign subsidiary	(2,091)	(834)
Translation differences on consolidation of foreign subsidiaries	39,345	24,631
Fair value gains / (losses) on cash flow hedges	63,389	(117,511)
Transferred to income statement on cash flow hedges	(62,485)	(26,586)
Transferred to income statement on cash flow hedges in equity accounted investees	-	13,833
Tax on items that are or may be reclassified subsequently to profit or loss	(7,699)	16,436
Tax on items transferred from other comprehensive income (OCI)	7,425	3,032
	37,884	(86,999)
Other comprehensive income / (loss) for the financial period, net of tax	24,504	(85,861)
Total comprehensive income for the financial period	225,814	22,684
Attributable to:		
Equity holders of the Parent	225,744	22,534
Non-controlling interest	70	150
Total comprehensive income for the financial period	225,814	22,684

Elivena Graham, Chairman Designate

Pat O'Doherty, Chief Executive

Donal Flynn, Group Finance Director

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Notes	Unaudited June 2015 € '000	Audited December 2014 € '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	10,961,984	10,716,586
Intangible assets	11	196,018	203,660
Goodwill	12	213,313	194,827
Investments in equity accounted investees	13	138,464	99,464
Financial asset investments	13	66,900	63,638
Derivative financial instruments	20	268,854	231,624
Deferred tax assets		230,073	234,374
Total non-current assets		12,075,606	11,744,173
CURRENT ASSETS			
Inventories	14	81,291	78,838
Derivative financial instruments	20	204,919	195,517
Current tax asset		6,505	1,705
Trade and other receivables	15	753,041	809,523
Cash and cash equivalents	16	234,060	143,731
Total current assets		1,279,816	1,229,314
Total assets		13,355,422	12,973,487
EQUITY			
Capital stock		1,979,882	1,979,882
Translation reserve		56,956	19,702
Cash flow hedging reserve		124,625	123,995
Other reserves		(160,182)	(144,031)
Retained earnings		1,887,819	1,907,807
Equity attributable to equity holders of the Parent		3,889,100	3,887,355
Non-controlling interest		1,746	1,676
Total equity		3,890,846	3,889,031
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	19	4,770,675	4,412,377
Liability – ESB pension scheme	22	624,061	615,770
Liability – NIE pension scheme	21	189,528	164,022
Employee related liabilities	22	96,076	107,736
Trade and other payables	23	8,961	8,185
Deferred income and government grants	24	515,351	533,813
Provisions	25	181,512	182,953
Deferred tax liabilities		806,191	792,358
Derivative financial instruments	20	770,852	738,516
Total non-current liabilities		7,963,207	7,555,730
CURRENT LIABILITIES			
Borrowings and other debt	19	395,742	370,592
Liability – ESB pension scheme	22	115,166	115,300
Employee related liabilities	22	54,799	57,966
Trade and other payables	23	657,379	688,148
Deferred income and government grants	24	45,026	45,031
Provisions	25	47,061	58,738
Current tax liabilities		22,267	4,373
Derivative financial instruments	20	163,929	188,578
Total current liabilities		1,501,369	1,528,726
Total liabilities		9,464,576	9,084,456
Total equity and liabilities		13,355,422	12,973,487

Eilvena Graham, Chairman Designate

Pat O'Doherty, Chief Executive

Donal Flynn, Group Finance Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2015

	Capital stock € '000	Translation reserve € '000	Cash flow hedging reserve € '000	Other reserves ¹ € '000	Retained earnings € '000	Total € '000	Non-controlling interest € '000	Total equity € '000
Unaudited reconciliation of changes in equity								
Balance at 1 January 2014	1,979,882	(17,893)	278,066	(89,878)	1,970,275	4,120,452	2,037	4,122,489
Total comprehensive income / (loss) for the period								
Profit for the financial period	-	-	-	-	108,395	108,395	150	108,545
NIE pension scheme actuarial gains	-	-	-	1,429	-	1,429	-	1,429
Revaluation reserves on acquisition of Synergen Power Ltd.	-	-	-	(2,771)	2,771	-	-	-
Translation differences net of hedging	-	23,797	-	-	-	23,797	-	23,797
Cash flow hedges:								
- Net fair value (losses)	-	-	(117,511)	-	-	(117,511)	-	(117,511)
- Transfers to income statement								
- Finance cost (interest)	-	-	5,031	-	-	5,031	-	5,031
- Finance cost (foreign translation movements)	-	-	(6,218)	-	-	(6,218)	-	(6,218)
- Other operating expenses	-	-	(25,399)	-	-	(25,399)	-	(25,399)
- Transfers to income statement for equity accounted investees	-	-	13,833	-	-	13,833	-	13,833
Tax on items taken directly to statement of comprehensive income (OCI)	-	-	16,436	(291)	-	16,145	-	16,145
Tax on items transferred to income statement	-	-	3,032	-	-	3,032	-	3,032
Total comprehensive income / (loss) for the period	-	23,797	(110,796)	(1,633)	111,166	22,534	150	22,684
Transactions with owners recognised directly in equity								
Dividends	-	-	-	-	(236,181)	(236,181)	-	(236,181)
Balance at 30 June 2014	1,979,882	5,904	167,270	(91,511)	1,845,260	3,906,805	2,187	3,908,992
Balance at 1 January 2015	1,979,882	19,702	123,995	(144,031)	1,907,807	3,887,355	1,676	3,889,031
Total comprehensive income / (loss) for the period								
Profit for the financial period	-	-	-	-	201,240	201,240	70	201,310
NIE pension scheme actuarial losses	-	-	-	(16,725)	-	(16,725)	-	(16,725)
Revaluation reserves on acquisition of Synergen Power Ltd.	-	-	-	(2,771)	2,771	-	-	-
Translation differences net of hedging	-	37,254	-	-	-	37,254	-	37,254
Cash flow hedges:								
- Net fair value gains/(losses)	-	-	63,389	-	-	63,389	-	63,389
- Transfers to income statement								
- Finance cost (interest)	-	-	7,541	-	-	7,541	-	7,541
- Finance cost (foreign translation movements)	-	-	(62,853)	-	-	(62,853)	-	(62,853)
- Other operating expenses	-	-	(7,173)	-	-	(7,173)	-	(7,173)
Tax on items taken directly to statement of comprehensive income (OCI)	-	-	(7,699)	3,345	-	(4,354)	-	(4,354)
Tax on items transferred to income statement	-	-	7,425	-	-	7,425	-	7,425
Total comprehensive income / (loss) for the period	-	37,254	630	(16,151)	204,011	225,744	70	225,814
Transactions with owners recognised directly in equity								
Dividends	-	-	-	-	(223,999)	(223,999)	-	(223,999)
Balance at 30 June 2015	1,979,882	56,956	124,625	(160,182)	1,887,819	3,889,100	1,746	3,890,846

¹Other reserves comprises of (i) a (€41.5) million revaluation reserve (December 2014: €44.3 million) which arose following the acquisition of the remaining 30% of Synergen Power Limited in 2009; (ii) other reserves relating to the NIE pension scheme of (€196.7) million (December 2014: (€182.8) million) and (iii) a non-distributable reserve of (€5.0) million which was created on the sale of the Group's share in Ocean Communications Limited in 2001.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six month period ended 30 June 2015

	Unaudited June 2015 € '000	Unaudited June 2014 € '000
Cash flows from operating activities		
Profit after taxation	201,310	108,545
Adjustments for:		
Depreciation and amortisation	368,801	354,809
Amortisation of supply contributions and other deferred income	(18,467)	(18,343)
Net emissions costs	35,929	7,727
Profit on disposal of non-current assets	(5,368)	(272)
Net finance cost	99,025	250,755
Impact of fair value adjustments in operating costs	(2,804)	(36,975)
Losses from equity accounted investees	2,457	438
Profit on disposal of subsidiaries and equity accounted investees	-	(38,395)
Income tax expense	34,568	4,792
Operating cash flows before changes in working capital and provisions	715,451	633,081
Charge in relation to provisions	1,374	1,660
Charge in relation to employee related liabilities	2,154	10,088
Utilisation of provisions	(4,624)	(5,078)
Utilisation of employee related liabilities	(34,872)	(39,873)
Decrease in trade and other receivables	56,001	137,230
Increase in inventories	(2,453)	(15,463)
Decrease in trade and other payables	(17,140)	(92,123)
Cash generated from operations	715,891	629,522
Current tax paid	(17,395)	(9,423)
Financing costs paid	(145,462)	(104,632)
Net cash inflow from operating activities	553,034	515,467
Cash flows from investing activities		
Purchase of property, plant and equipment	(340,967)	(371,367)
Purchase of intangible assets	(17,739)	(11,196)
Proceeds from sale of non-current assets	4,342	394
Purchase of financial assets	(45,354)	(12,710)
Proceeds from sale of subsidiaries and equity accounted investees	-	45,290
Interest received	684	564
Net cash outflow from investing activities	(399,034)	(349,025)
Cash flows from financing activities		
Dividends paid	(223,999)	(236,181)
Repayments of term debt facilities and finance leases	(51,406)	(86,197)
Proceeds from the issue of new debt	216,181	141,437
Increase in other borrowings (net)	57	10,500
Payments on inflation linked interest rate swaps	(8,905)	(95,600)
Net cash outflow from financing activities	(68,072)	(266,041)
Net increase / (decrease) in cash and cash equivalents	85,928	(99,599)
Cash and cash equivalents at 1 January	143,731	370,848
Effect of exchange rate fluctuations on cash held	4,401	2,023
Cash and cash equivalents at 30 June	234,060	273,272

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

ESB is a company domiciled in the Republic of Ireland. The condensed consolidated interim financial statements of ESB as at and for the six months ended 30 June 2015 comprise the results of the Company and its subsidiaries (together referred to as ESB or 'the Group') and the Group's interests in associates and joint arrangements. These results are unaudited but were reviewed by our auditors. The condensed financial information herein does not constitute the statutory financial statements of ESB, which were prepared as at and for the year ended 31 December 2014 and are available on our website www.esb.ie. The auditor's report on those financial statements was unmodified.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 - Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

As none of the newly effective amendments to IFRS standards had an impact on the Group, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

A number of new standards, amendments to standards and interpretations are not yet effective for the period, and have not been applied in preparing the financial statements. We are currently assessing the full impact of these amendments on the Group.

New / Revised International Financial Reporting Standards	Expected effective date
Defined Benefit Plans: Employee contributions (Amendments to IAS 19)	1 February 2015*
Amendments to IAS 27: Equity method in separate financial statements	1 January 2016*
Amendments to IFRS 11: Accounting for acquisitions of interest in joint operations	1 January 2016*
IFRS 14: Regulatory Deferral Accounts	1 January 2016*
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation	1 January 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception	1 January 2016*
Amendments to IAS 1: Disclosure Initiative	1 January 2016*
IFRS 15: Revenue from Contracts with Customers	1 January 2018*
IFRS 9: Financial Instruments	1 January 2018*
Annual Improvements to IFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	1 January 2016*

*These are the IASB effective dates not yet endorsed under EU IFRS

Going Concern

The Group's performance, business model, strategy and principal risks and uncertainties and how these are managed and mitigated are set out in the strategy and performance section of the latest annual report.

The funding and liquidity management of the Group are described in note 19 and the amount of cash and cash equivalents that the Group had on hand (€234 million) in note 16.

Note 26 includes an overview of financial risk management, details of the Group's financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries the Board is satisfied that ESB has adequate resources to continue in operational existence for the next financial year and the foreseeable future. Accordingly the condensed consolidated interim financial statements are prepared on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING

As a result of issuing publicly traded debt, the Group comes within the scope of IFRS 8 Operating Segments, and has made the appropriate disclosures in these financial statements.

(a) Income statement

(i) Segment revenue - 2015

	Electric Ireland € '000	ESB Networks € '000	Generation and Wholesale Markets € '000	NIE ¹ € '000	Other Segments € '000	Consolidation and eliminations € '000	Total € '000
External revenues	1,077,536	202,506	256,292	125,790	38,637	-	1,700,761
Inter-segment revenue	2,294	271,873	484,223	11,213	99,466	(869,069)	-
Revenue	1,079,830	474,379	740,515	137,003	138,103	(869,069)	1,700,761

All inter-segment revenues are eliminated upon consolidation and are reflected in the eliminations column above.

(ii) Segment operating costs - 2015

Depreciation and amortisation	(4,048)	(180,713)	(103,183)	(73,163)	(7,694)	-	(368,801)
Other operating costs	(1,051,423)	(181,502)	(496,916)	(50,922)	(102,624)	869,069	(1,014,318)

(iii) Operating result - 2015

Operating profit	24,359	128,190	140,355	12,918	31,538	-	337,360
Net finance cost	(142)	(332)	(14,684)	(28,007)	(55,860)	-	(99,025)
Share of equity accounted investees loss	-	-	(142)	-	(2,315)	-	(2,457)
Profit / (loss) before taxation	24,217	127,858	125,529	(15,089)	(26,637)	-	235,878

(i) Segment revenue - 2014

	Electric Ireland € '000	ESB Networks € '000	Generation and Wholesale Markets € '000	NIE ¹ € '000	Other Segments € '000	Consolidation and eliminations € '000	Total € '000
External revenues	1,038,945	237,433	203,867	125,518	32,985	-	1,638,748
Inter-segment revenue	1,465	241,884	534,635	11,709	96,861	(886,554)	-
Revenue	1,040,410	479,317	738,502	137,227	129,846	(886,554)	1,638,748

All inter-segment revenues are eliminated upon consolidation and are reflected in the eliminations column above.

(ii) Segment operating costs - 2014

Depreciation and amortisation	(4,255)	(176,371)	(104,730)	(63,217)	(6,236)	-	(354,809)
Other operating costs	(1,009,094)	(199,982)	(491,526)	(45,922)	(112,758)	886,554	(972,728)

(iii) Operating result - 2014

Operating profit	27,061	119,369	180,642	28,088	9,370	-	364,530
Net finance cost	(213)	(659)	(17,555)	(24,795)	(207,533)	-	(250,755)
Share of equity accounted investees loss	-	-	-	-	(438)	-	(438)
Profit / (loss) before taxation	26,848	118,710	163,087	3,293	(198,601)	-	113,337

¹NIE segment includes depreciation on fair value uplift recognised on the acquisition of NIE.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING (continued)

(b) Other disclosures	June 2015 € '000	June 2014 € '000
Additions to non-current assets (excluding acquisitions)		
Electric Ireland	5,742	3,795
ESB Networks	211,147	176,242
Generation and Wholesale Markets	108,442	188,843
NIE	56,966	52,689
Other Segments	22,522	28,690
Total	404,819	450,259

Additions to non-current assets (excluding acquisitions) includes investments in property, plant and equipment, intangible assets (excluding emissions allowances), financial assets and equity accounted investees.

5. EXCEPTIONAL ITEMS

The Group presents certain items separately which are unusual by virtue of their size and incidence in the context of its ongoing core operations. This presentation is made in the income statement to aid understanding of the performance of the Group's underlying business. Judgement is used by the Group in assessing the particular items which should be disclosed as exceptional.

	June 2015 € '000	June 2014 € '000
Profit on disposal of subsidiaries and equity accounted investees	-	38,395

There were no exceptional items during the period ended 30 June 2015.

On 30 April 2014 ESB completed the sale of its interest in Bizkaia Energia SL and the Group's 100% subsidiary ESBI Facility Management España SL to an affiliate of ArLight Capital Partners, LLC.

The profit on disposal of ESB's shareholding in Bizkaia Energia SL and ESBI Facility Management España SL, being the proceeds received less the carrying amount of the investment as at the sale date, direct selling expenses, associated translation reserve and cash flow hedge reserve amounts reclassified on disposal, was €38.4 million.

6. OTHER OPERATING INCOME / (EXPENSES)

	June 2015 € '000	June 2014 € '000
Profit on disposal of property, plant and equipment and intangible assets	783	272
Profit on disposal of subsidiaries ¹	4,585	-
Amortisation of supply contributions	16,111	16,273
Fair value movements on assets held at fair value through profit and loss ²	(1,761)	(1,621)
Total	15,133	14,924

¹ The profit on disposal of subsidiaries relates to the sale of wind farm subsidiaries of which €25.5 million was included in property, plant and equipment (see note 10).

² These fair value movements relate to adjustments to the value of investments in renewables enterprises held by Novusmodus, a subsidiary, as detailed in note 13.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. OPERATING COSTS

	June 2015 € '000	June 2014 € '000
Employee costs (note 9)	213,783	226,337
Fuel costs	361,488	353,383
Other electricity related costs	213,844	153,867
Operations and maintenance	225,203	239,141
Depreciation and amortisation (notes 10/11)	368,801	354,809
Total	1,383,119	1,327,537

8. NET FINANCE COST AND OTHER FINANCING CHARGES

	June 2015 € '000	June 2014 € '000
Interest payable on borrowings	130,542	120,972
Less capitalised interest	(24,314)	(21,358)
Net interest on borrowings	106,228	99,614
Financing charges:		
- on NIE pension scheme (note 21)	2,761	2,255
- on ESB pension scheme (note 22)	15,394	17,340
- on employee related liabilities (note 22)	701	1,214
- on power station closure costs (note 25)	556	1,793
- on other provisions (note 25)	231	476
Total financing charges	19,643	23,078
Fair value (gains) / losses on financial instruments:		
- currency / interest rate swaps: cash flow hedges, transfer from OCI	7,541	5,031
- interest rate swaps and inflation linked swaps not qualifying for hedge accounting	(33,703)	123,542
- foreign exchange contracts not qualifying for hedge accounting	-	54
Total fair value (gains) / losses on financial instruments	(26,162)	128,627
Finance cost	99,709	251,319
Finance income	(684)	(564)
Net finance cost	99,025	250,755

The financing charges on provisions are calculated in accordance with the policy for discounting of future payment obligations as disclosed in the latest annual report.

Fair value (gains) / losses on interest rate swaps and inflation linked interest rate swaps primarily relate to fair value movements on inflation linked interest rate swaps, which were acquired as part of the purchase of the NIE business in December 2010. As these swaps had a fair value at the acquisition date, they do not qualify for hedge accounting under IAS 39 and accordingly fair value movements following their acquisition are recognised in the income statement. Their fair value is affected by relative movements in interest rates and in market expectations of future retail price index (RPI) movements in the United Kingdom (UK). Movements in 2015 and 2014 also include the valuation of interest rate swaps contracted in December 2012.

During 2014, the Group, and its counterparty banks, agreed a restructuring of the swaps, together with amendments to certain of their critical terms. These changes included an extension of the mandatory break in the swaps from 2015 to 2022, immediate settlement in 2014 of accretion payments of €90.1 million (previously due for payment in 2015), amendments to the fixed interest rate element of the swaps, and an expansion in the number of swap counterparties. Future accretion payments are now scheduled to occur every 5 years, starting in 2018, with remaining accretion paid at maturity. Negative fair value movements of €244.9 million (€95.7 million of which is attributable to the restructuring noted above) arose on the swaps during 2014 reflecting the current low interest rate environment in the UK. These have been recognised within finance costs in the income statement, as hedge accounting was not available.

In addition to the amounts transferred from the other comprehensive income relating to interest rate swaps and foreign exchange contracts disclosed above, a further €62.9 million (30 June 2014: gain of €6.2 million) has been transferred from the cash flow hedge reserve to net finance cost and other financing charges during the year. However this amount is fully offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEES

Employee costs in the period	June 2015 € '000	June 2014 € '000
Current staff costs (excluding pension)		
Salaries	222,764	222,759
Overtime	17,141	18,056
Social welfare costs	16,281	15,616
Other payroll benefits ¹	14,216	13,126
	270,402	269,557
Capitalised payroll	(83,717)	(69,506)
Net payroll cost for employees	186,685	200,051
Pension and other employee benefit costs		
Pensions charge – other schemes ²	22,046	21,127
NIE pension scheme charge ³	5,052	5,159
	27,098	26,286
Total employee related costs charged to the income statement	213,783	226,337

¹ These benefits primarily include travel and subsistence expenses and accruals for holiday leave balances remaining at period end.

² The pension charge to other schemes include contributions to the ESB Defined Contribution Scheme, the ESB General Employees' Superannuation Scheme and the Options section of the Northern Ireland Electricity Scheme (NIE Scheme).

³ The NIE pension scheme charge relates solely to the Focus section to the NIE Scheme. See note 21 for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings € '000	Plant and machinery € '000	Total assets in commission € '000	Assets under construction € '000	Total € '000
Cost					
Balance at 1 January 2014	1,161,523	14,846,597	16,008,120	1,129,110	17,137,230
Additions	128	73,592	73,720	351,646	425,366
Retirements / disposals	(56)	(4,009)	(4,065)	-	(4,065)
Transfer from assets held for resale	146	435,137	435,283	-	435,283
Transfers out of assets under construction	2,902	95,102	98,004	(98,004)	-
Transfers (to) / from intangible assets	(69)	222	153	(3,481)	(3,328)
Translation difference	338	156,145	156,483	18,325	174,808
Balance at 30 June 2014	1,164,912	15,602,786	16,767,698	1,397,596	18,165,294
Balance at 1 January 2015	1,180,201	16,033,296	17,213,497	1,572,404	18,785,901
Additions	73	95,427	95,500	246,226	341,726
Retirements / disposals	(1,273)	(3,757)	(5,030)	(25,528)	(30,558)
Transfers out of assets under construction	3,877	201,125	205,002	(205,002)	-
Transfers to intangible assets	-	(33,512)	(33,512)	-	(33,512)
Translation difference	856	398,106	398,962	65,028	463,990
Balance at 30 June 2015	1,183,734	16,690,685	17,874,419	1,653,128	19,527,547
Depreciation					
Balance at 1 January 2014	636,876	6,343,391	6,980,267	-	6,980,267
Charge for the period	11,560	327,801	339,361	-	339,361
Retirements / disposals	(52)	(3,891)	(3,943)	-	(3,943)
Transfers from assets held for resale	59	270,251	270,310	-	270,310
Transfers (to) / from intangible assets	69	(222)	(153)	-	(153)
Translation difference	76	54,010	54,086	-	54,086
Balance at 30 June 2014	648,588	6,991,340	7,639,928	-	7,639,928
Balance at 1 January 2015	660,244	7,409,071	8,069,315	-	8,069,315
Charge for the period	10,151	342,537	352,688	-	352,688
Retirements / disposals	(621)	(3,498)	(4,119)	-	(4,119)
Translation difference	201	147,478	147,679	-	147,679
Balance at 30 June 2015	669,975	7,895,588	8,565,563	-	8,565,563
Net book value at 30 June 2015	513,759	8,795,097	9,308,856	1,653,128	10,961,984
Net book value at 31 December 2014	519,957	8,624,225	9,144,182	1,572,404	10,716,586
Net book value at 30 June 2014	516,324	8,611,446	9,127,770	1,397,596	10,525,366
Net book value at 1 January 2014	524,647	8,503,206	9,027,853	1,129,110	10,156,963

During the period the Group capitalised interest of €24.3 million (30 June 2014: €21.4 million) in assets under construction, using an effective interest rate of 4.8% (30 June 2014: 4.9%).

The carrying value of non-depreciable assets at 30 June 2015 is €89.4 million (31 December 2014: €89.2 million).

Property, plant and equipment with a net book value of €nil at 30 June 2015 is included above at a cost of €3,209.4 million (31 December 2014: €3,173.1 million).

Retirements / disposals in both 2015 and 2014 primarily relate to the retirement of assets that have been fully depreciated in addition to the disposal of developmental wind farms from assets under construction in 2015 (see note 6).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS

	Software and other intangible assets € '000	Emissions allowances € '000	Software under development € '000	Total € '000
Cost				
Balance at 1 January 2014	550,570	60,241	22,783	633,594
Software additions	4,715	-	6,481	11,196
Purchase of emissions	-	2,595	-	2,595
Software disposals	(195)	-	-	(195)
Settlement of emissions allowances	-	(58,738)	-	(58,738)
Transfers out of software under development	5,673	-	(5,673)	-
Transfers (to) / from property, plant and equipment	(153)	-	3,481	3,328
Translation differences	6,754	67	66	6,887
Balance at 30 June 2014	567,364	4,165	27,138	598,667
Balance at 1 January 2015	581,298	50,023	26,573	657,894
Software additions	5,231	-	12,508	17,739
Purchase of emissions	-	2,017	-	2,017
Software disposals	(56)	-	-	(56)
Settlement of emissions allowances	-	(50,213)	-	(50,213)
Transfers out of software under development	66	-	(66)	-
Transfers from property, plant and equipment	33,512	-	-	33,512
Translation differences	17,246	-	40	17,286
Balance at 30 June 2015	637,297	1,827	39,055	678,179
Amortisation				
Balance at 1 January 2014	395,229	-	-	395,229
Charge for the period	15,448	-	-	15,448
Transfers from property, plant and equipment	153	-	-	153
Retirements / disposals	(195)	-	-	(195)
Translation differences	3,647	-	-	3,647
Balance at 30 June 2014	414,282	-	-	414,282
Balance at 1 January 2015	454,234	-	-	454,234
Charge for the period	16,113	-	-	16,113
Retirements / disposals	(56)	-	-	(56)
Translation differences	11,870	-	-	11,870
Balance at 30 June 2015	482,161	-	-	482,161
Net book value at 30 June 2015	155,136	1,827	39,055	196,018
Net book value at 31 December 2014	127,064	50,023	26,573	203,660
Net book value at 30 June 2014	153,082	4,165	27,138	184,385
Net book value at 1 January 2014	155,341	60,241	22,783	238,365

Software costs include both internally developed and externally purchased assets. The majority of these costs however are represented by internally developed assets.

Other intangible assets include grid connections and other wind farm development costs.

Emissions allowances are not amortised as they are held for settlement in the following year.

Amortisation of intangible assets is charged to the income statement as part of operating costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. GOODWILL

	€ '000
Balance at 1 January 2014	182,013
Translation differences	7,313
Balance at 30 June 2014	189,326
Balance at 1 January 2015	194,827
Translation differences	18,486
Balance at 30 June 2015	213,313

Goodwill was recognised on the acquisition of NIE in December 2010, and relates to the fair value of the expected return on future investment in the Regulated Asset Base (RAB) of the NIE business. Goodwill is reviewed annually at year end for impairment, by assessing the recoverable amount of the investment, based on its value in use.

The latest annual impairment test of Goodwill was carried out at December 2014 in accordance with IAS 36. This impairment review incorporated the final determination of the most recent price control programme (RP5) applicable to NIE. No reduction in the value of goodwill was required. During the period to 30 June 2015, there were no indicators of impairment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL ASSET INVESTMENTS

	Equity accounted investees € '000	Financial assets at fair value through profit or loss € '000	Total € '000
Balance at 1 January 2014	-	49,359	49,359
Additions	987	12,710	13,697
Disposals	-	(2,897)	(2,897)
Transfers from other payables	(249)	-	(249)
Share of losses	(438)	-	(438)
Fair value movements - transfer to the income statement	-	(1,621)	(1,621)
Balance at 30 June 2014	300	57,551	57,851
Balance at 1 January 2015	99,464	63,638	163,102
Additions	40,331	5,023	45,354
Transfers to other payables	394	-	394
Share of loss	(2,457)	-	(2,457)
Fair value movement - transfer to income statement	-	(1,761)	(1,761)
Translation reserve	732	-	732
Balance at 30 June 2015	138,464	66,900	205,364

Equity accounted investees' investments

The following companies have been included in the ESB Group accounts as joint ventures using equity accounting:

Name of the Company	Country	Holding 30 June 2015 % of share capital owned	Holding 31 December 2014 % of share capital owned
Oweninny Power Limited ¹	Republic of Ireland	50%	50%
Emerald Bridge Fibres Limited ¹	Republic of Ireland	50%	50%
SIRO Limited (formerly Evolve Structuring Services Limited)	Republic of Ireland	50%	50%
Raheenleagh Power Limited	Republic of Ireland	50%	-
Tilbury Green Power Holdings Limited	United Kingdom	47%	-

¹ At 30 June 2015, the investments in both Oweninny Power Limited and Emerald Bridge Fibres Limited were held at €nil.

SIRO Limited (SIRO) (formerly Evolve Structuring Services Limited)

SIRO is an unlisted joint arrangement in which the Group has joint control and a 50% ownership interest. SIRO was founded by the Group with Vodafone Ireland Limited acquiring a 50% stake in November 2014.

Vodafone's acquisition of shares in SIRO was pursuant to a Joint Venture Arrangement (JVA) concluded between both parties.

SIRO is structured as a separate vehicle, is jointly controlled by the Group and Vodafone Ireland Limited and the Group has a residual interest in the net assets of the Company. Accordingly, the Group has classified its interest in SIRO as an equity accounted investee. ESB has committed to provide capital funding to SIRO amounting to €85 million over the next 5 years.

Tilbury Green Power Holdings Limited (Tilbury)

During the period ended 30 June 2015, the Group became a 47% partner in Tilbury, a joint arrangement formed with Green Investment Bank (47%) and EPC / O&M consortium (6%). The purpose of this joint arrangement is to construct and operate a biomass plant in the United Kingdom. The amount invested in Tilbury to date amounts to €36.5 million.

Tilbury is legally separated from the parties and the legal form and the contractual arrangement do not give the parties direct rights to the assets and liabilities of the vehicle. Accordingly, the Group has classified its interest in Tilbury as an equity accounted investee as both parties have a residual interest in the net assets of the arrangement.

The Group has entered into a 15 year arrangement with Tilbury to purchase physical power, renewable obligation certificates and levy exemption certificates from the plant. Payments made under this contract are contingent upon actual production.

Raheenleagh Power Limited (Raheenleagh)

During the period ended 30 June 2015, the Group became a 50% partner in Raheenleagh, a joint arrangement formed with Coillte Teoranta. The purpose of this joint arrangement is to construct and operate a 35 MW wind farm in Co Wicklow. The amount invested in Raheenleagh to date amounts to €4.5 million.

Raheenleagh is legally separated from the parties and the legal form and the contractual arrangement do not give the parties direct rights to the assets and liabilities of the vehicle. Accordingly, the Group has classified its interest in Raheenleagh as an equity accounted investee as both parties have a residual interest in the net assets of the arrangement.

The Group has entered into a 15 year arrangement with Raheenleagh to purchase physical power from the wind farm. Payments made under this contract are contingent upon actual production.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL ASSET INVESTMENTS (continued)

The following table summarises financial information for the Group's equity accounted investees based on their consolidated financial statements prepared in accordance with IFRS.

The Group's aggregate share of the non-current assets, current assets, non-current liabilities, current liabilities, income and expenses related to its interests in these equity accounted investees are as follows:

	SIRO Limited		Tilbury Green Power Holdings Limited		Other equity accounted investees ¹	
	June 2015 €'000	June 2014 €'000	June 2015 €'000	June 2014 €'000	June 2015 €'000	June 2014 €'000
Summarised income statement						
Revenue	-	-	-	-	245	195
Loss	(3,959)	-	(180)	-	(787)	(876)
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive income	(3,959)	-	(180)	-	(542)	(681)
Group share of loss	(1,979)		(84)		(394)	(438)
	June 2015 €'000	December 2014 €'000	June 2015 €'000	December 2014 €'000	June 2015 €'000	December 2014 €'000
Summarised statement of financial position						
Cash	90,114	99,930	4,235	-	-	-
Current assets	348	65	71,468	-	-	-
Non-current assets	113,058	108,949	6,389	-	-	-
Current liabilities	(7,642)	(10,016)	(2,613)	-	-	-
Non-current liabilities	-	-	(73,091)	-	-	-
Net assets	195,878	198,928	6,388	-	-	-

Reconciliation of the above amounts to the investment recognised in the consolidated statement of financial position:

	50%	50%	47%	0%	50%	50%
Group equity interest	50%	50%	47%	0%	50%	50%
Net assets	195,878	198,928	6,388	-	-	-
Group share	97,939	99,464	3,002	-	-	-
Other adjustments	(454)	-	33,490	-	4,487	-
Carrying value of Group's equity interest	97,485	99,464	36,492	-	4,487	-

¹ Other equity accounted investees includes Emerald Bridge Fibres Limited, Oweninny Power Limited and Raheenleagh Power Limited in 2015. 2014 included Emerald Bridge Fibres Limited and Oweninny Power Limited.

Interest in financial assets held at fair value through profit and loss

The Group owns a venture capital business, Novusmodus, in which seed capital is invested into emerging technology entities. These investments are managed purely for an investment return and are consequently carried at fair value through the income statement. No financial assets held at fair value through profit or loss are controlled by ESB. Additions include investments in a number of clean energy and new technology companies and also additional investment in the VantagePoint clean energy fund. These investments have been fair valued at the year end and the movement transferred to the income statement. The fair value movements in both 2015 and 2014 primarily relate to adjustments to the value of certain investments in renewables enterprises.

At 30 June 2015, the Group could be called upon by its partners in the VantagePoint fund to make a further €0.9 million investment in the fund (December 2014: €0.8 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. INVENTORIES

	June 2015 € '000	December 2014 € '000
Materials	22,735	20,262
Fuel	58,556	58,576
Total	81,291	78,838

Inventories consumed during the six month period to 30 June 2015 totalled €66.2 million (30 June 2014: €69.5 million). The value of inventory impairments recognised during the year amounted to €nil (31 December 2014: €nil).

15. TRADE AND OTHER RECEIVABLES

	June 2015 € '000	December 2014 € '000
Retail electricity receivables - billed	109,628	88,933
Retail electricity receivables - unbilled	153,972	205,484
Total retail electricity receivables	263,600	294,417
SEM pool related receivables	56,361	74,485
Use of System receivables (including unbilled)	165,175	207,848
Other electricity receivables	70,958	106,552
Total electricity receivables	556,094	683,302
Trade receivables - non-electricity	42,533	37,521
Amounts due from equity accounted undertakings	17,514	9,549
Other receivables	49,383	47,638
Prepayments	87,517	31,513
Total	753,041	809,523

Wholesale and retail credit risk

Trade and other receivables can be divided into final retail electricity customers (billed and unbilled), SEM pool related receivables, Use of System receivables, and other (non-electricity) receivables.

16. CASH AND CASH EQUIVALENTS

	June 2015 € '000	December 2014 € '000
Cash at bank and in hand	234,060	143,731

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. EQUITY

(i) Non-controlling interest

Non-controlling interests at 31 December 2014 and 30 June 2015 relate to the minority shareholdings in Crockahenny Wind Farm Limited, Mountain Lodge Power Limited and Airvolution Energy Limited.

(ii) Dividends

	June 2015 € '000	June 2014 € '000
Dividends on capital stock:		
Total dividend paid 11.31 (30 June 2014: 11.92) cents per capital stock unit	223,999	236,181

Total dividends paid during the period includes a final dividend of €10.3 million (0.52 cent per unit of stock) in respect of 2014 and the remaining special dividend of €213.7 million (10.79 cents per unit of stock) declared by the Board in July 2014.

Total dividends paid during the period ended 30 June 2014 included a final dividend of €28.8 million (1.46 cents per unit of stock) in respect of 2013, a dividend of €160.9 million (8.12 cents per unit of stock) paid in January 2014 and €46.5 million (2.34 cents per unit of stock) paid in May 2014, both arising from the sale of generation assets.

18. TAXATION

Income tax expense / (credit)	June 2015 € '000	June 2014 € '000
Current tax expense		
Current tax	29,410	26,871
Prior year (over) / under provision	(61)	2,095
	29,349	28,966
Deferred tax expense		
Origination and reversal of temporary differences	5,189	(22,410)
Prior year (over) / under provision	30	(1,764)
	5,219	(24,174)
Total	34,568	4,792

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. BORROWINGS AND OTHER DEBT

(a)	Recourse borrowings € '000	Non-recourse borrowings € '000	June 2015 Total € '000	December 2014 Total € '000
Current borrowings				
- Repayable by instalments	103,004	5,162	108,166	103,738
- Repayable other than by instalments	283,221	4,355	287,576	266,854
Total current borrowings	386,225	9,517	395,742	370,592
Non-current borrowings				
- Repayable by instalments				
Between one and two years	99,244	29,519	128,763	108,890
Between two and five years	254,287	93,859	348,146	320,556
After five years	466,490	354,981	821,471	799,549
	820,021	478,359	1,298,380	1,228,995
- Repayable other than by instalments				
Between one and two years	42,742	-	42,742	22,194
Between two and five years	1,513,258	258,549	1,771,807	1,697,882
After five years	1,097,714	560,032	1,657,746	1,463,306
	2,653,714	818,581	3,472,295	3,183,382
Total non-current borrowings	3,473,735	1,296,940	4,770,675	4,412,377
Total borrowings outstanding	3,859,960	1,306,457	5,166,417	4,782,969

See section (c) for details of applicable interest rates.

Current borrowings by facility		June 2015 € '000	December 2014 € '000
	Ref		
Long-term bank borrowings	5	103,004	101,350
Private placement borrowings	6	253,235	211,127
Fuel financing arrangement	3	29,986	29,922
Non-recourse long-term project finance debt	2	5,162	2,388
Non-recourse short-term project finance debt	7	4,355	25,805
		395,742	370,592
Non-current borrowings by facility		June 2015 € '000	December 2014 € '000
	Ref		
Non-recourse long-term project finance debt	2	478,359	386,876
ESB Eurobonds	1	1,933,845	1,745,910
NIE Eurobonds	4	818,581	749,987
Long-term bank borrowings	5	820,021	842,119
Private placement borrowings	6	719,869	687,485
		4,770,675	4,412,377

With the exception of borrowings relating to the non-recourse project finance debt, which is secured against specific assets, none of the borrowings are secured against the Group assets.

At 30 June 2015, ESB was rated A- from Standard & Poor's, BBB+ from Fitch and Baa1 (equivalent to BBB+) from Moody's. The outlook on all three rating agencies at 30 June 2015 was stable.

1. ESB Eurobonds

The table below provides details of ESB Eurobonds included in borrowings at 30 June 2015:

Issuer	Value	Date	Tenor	Coupon
ESB Finance Limited	Stg£275.0 million	March 2010	10 years	6.500%
ESB Finance Limited	€300.0 million	September 2012	5 years	6.250%
ESB Finance Limited	€500.0 million	November 2012	7 years	4.375%
ESB Finance Limited	€300.0 million	November 2013	10 years	3.494%
ESB Finance Limited	€500.0 million	June 2015	12 years	2.125%

On 5 June 2015, ESB successfully raised a €500.0 million, 2.125% fixed rate Eurobond maturing in June 2027. In addition to this, on the same date, the Group successfully bought back a €300.0 million portion of its existing €600.0 million Eurobond debt which was originally raised in September 2012, as outlined above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. BORROWINGS AND OTHER DEBT (continued)

2. Non-recourse long-term project finance debt

In September 2012 Carrington Power Limited (CPL), a wholly owned subsidiary of ESB, completed the financial close of an 881MW Combined Cycle Gas Turbine power plant in Carrington, near Manchester. Finance was structured on a 70/30 debt/equity basis, with the debt of Stg£523.0 being provided by a syndicate of banks by way of non-recourse project finance, incorporating export credit support from the Swiss Export Credit Agency, SERV. Stg£346.8 million (31 December 2014: Stg£305.9 million) debt was drawn at the 30 June 2015. The plant is scheduled to be commissioned in 2016, and the assets under construction are Stg£477.9 million at 30 June 2015 (31 December 2014: Stg£442.1 million). The remainder of this debt is in relation to a wind farm in the United Kingdom (UK).

3. Fuel financing arrangement

In December 2012 the Group received €30.0 million from the sale of fuel inventories, and at the same date contracted to buy them back in December 2015 at a fixed price. This transaction has the effect of a financing arrangement, and is disclosed in current borrowings on page 26.

4. NIE Eurobonds

As part of the acquisition of NIE, a Eurobond of Stg£175.0 million was also acquired at fair value at the acquisition date. This facility had a 6.875% fixed coupon rate and is repayable in 2018.

In June 2011, NIE Limited issued a Stg£400.0 million 15 year sterling bond with a fixed coupon of 6.375%.

5. Long-term bank borrowings

Long-term bank borrowings include €182.6 million (31 December 2014: €171.5 million) of floating rate debt borrowed on a bilateral basis, while the remainder is fixed interest debt.

A €1.40 billion revolving credit facility with a syndicate of 14 banks to draw down bank finance as required up to February 2018 was available to the Group at 31 December 2014, and was undrawn. An amended revolving credit facility amounting to €1.44 billion was agreed with a syndicate of 14 banks in January 2015 to draw down bank finance up to 2020, with an option to extend this for a further two years.

A facility signed in December 2013 with the European Investment Bank (EIB) to support renewable connections to the electricity network in the southwest of Ireland was increased by a further €100.0 million in October 2014, bringing the total value of the facility to €200.0 million. The facility is undrawn at 30 June 2015.

6. Private placement borrowings

The first private placement senior unsecured notes were issued, to a range of institutional investors, in December 2003. These fixed rate notes were issued in US dollars and sterling and at 30 June 2015 comprise US\$626.5 million, maturing on dates between 2015 and 2023, and Stg£20.0 million, maturing on dates between 2018 and 2023.

The second private placement senior unsecured notes were issued in June 2009. These notes were issued in US dollars, sterling and euro and at 30 June 2015 comprise US\$253.0 million, maturing on dates between 2016 and 2019, Stg£85.0 million maturing on dates between 2017 and 2021 and €40.0 million maturing in 2019.

The private placement debt and certain other facilities have conditions which require ESB to maintain certain interest cover and asset covenants. To date ESB has complied with all the covenant requirements associated with the private placement debt and other facilities.

7. Non-recourse short-term project finance debt

Short-term private equity funding of Stg£3.1 million had been drawn down at 30 June 2015 (31 December 2014: Stg£20.0 million). This is in relation to the financing of certain clean energy infrastructure acquisitions.

Hedge of net investment in foreign operations

Included in borrowings above are sterling denominated bank loans, which have been designated as a hedge of the Group's investment in a sterling denominated subsidiary in the UK, as outlined below.

Sterling denominated loans designated as a hedge of Group's investment in subsidiary	June 2015 € '000	December 2014 € '000
Value at 1 January	73,477	80,041
Repayments in period	(6,350)	(11,822)
Loss on translation to euro	6,617	5,258
Value at 30 June	73,744	73,477
Gain on translation of intra-group euro loan to subsidiary (taken to OCI)	4,525	3,544

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. BORROWINGS AND OTHER DEBT (continued)

(b) Funding and liquidity management

The principal liquidity risks faced by the Group relate to cash flow requirements arising from day-to-day operations, maturing debt obligations and the funding of capital investment programmes. The Group's treasury function manages this risk through a combination of liquid investments, cash and cash equivalents and undrawn committed bank facilities. The Group negotiates facilities with relationship banks and debt capital markets to pre-fund any requirements arising from maturing debt and capital expenditure.

At 30 June 2015 the Group had €1,788.1 million available in cash or cash equivalents and committed bank facilities, ensuring liquidity demands can be met as required. The committed bank facilities include a syndicated loan facility with a large number of well-rated financial institutions as well as facilities with the EIB. Included in the amount disclosed are facilities totalling €200.0 million which may only be drawn against certain scheduled capital expenditure.

The Group's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. Structured non-recourse and limited recourse financing is used where appropriate, taking into account funding costs and risk mitigation. All borrowing facilities are in compliance with the Electricity Acts and relevant regulatory requirements.

The maturity profile of the carrying amount of the Group's borrowings, and the expiry of material undrawn committed bank borrowing facilities are as follows:

Maturing	30 June 2015		31 December 2014	
	Drawn Debt € '000	Undrawn Debt € '000	Drawn Debt € '000	Undrawn Debt € '000
In one year or less	395,742	-	370,592	-
Between one and two years	171,504	114,000	131,084	200,000
Between two and five years	2,119,953	1,440,000	2,018,438	1,387,161
In more than five years	2,479,218	-	2,262,855	-
	5,166,417	1,554,000	4,782,969	1,587,161

(c) Interest rate risk management

The Group's interest rate policy was updated in 2013 and the target is to have a significant majority of its debt at fixed (or inflation linked) interest rate to maturity, with a minimum of 50% fixed (or inflation linked) at all times. This is achieved either by borrowing directly at fixed interest rates or via interest rate swaps. At 30 June 2015, 96% of the Group's debt was fixed to maturity or inflation linked (31 December 2014: 96%). The fair value of interest rate swaps is disclosed in note 20.

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date taking into account the effect of interest rate swaps and cross currency swaps:

	Effective interest rate %	Total € '000	Within 1 year € '000	1-2 years € '000	2-5 years € '000	More than 5 years € '000
Private placement borrowings (fixed interest rate)	6.1	973,104	253,235	49,172	342,099	328,598
Non-recourse borrowings (fixed interest rate)	5.7	1,306,457	9,517	29,519	352,408	915,013
Other long-term borrowings (fixed and variable interest rate)	5.2	2,886,856	132,990	92,814	1,425,446	1,235,606
		5,166,417	395,742	171,505	2,119,953	2,479,217

Included within other long-term borrowings in this analysis are floating rate liabilities of €182.6 million (31 December 2014: €171.5 million).

The effective interest rate on the private placement borrowings has been fixed through the use of cross currency swaps and interest rate swaps. The effective rate of non-recourse borrowings of Stg£370.3 million has been fixed using interest rate swaps. In the absence of these interest rate swaps, the floating rate on the underlying sterling and euro borrowings at 30 June 2015 would be 0.62%, in line with prevailing interest rates in those monetary areas on borrowings of a similar duration. Inflation linked swaps are included at equivalent nominal interest rate levels.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value by class of derivative financial instrument

Derivative financial instruments are carried at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method used to calculate the fair value of the Group's financial instruments is discounted cash flow analysis, using a zero coupon discount rate and reflecting counterparty credit risk. This method enables the Group to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

The fair values of financial instruments, grouped by class of instrument, are as follows:

	Non-current assets		June 2015		Total € '000
	€ '000	Current assets € '000	Non-current liabilities € '000	Current liabilities € '000	
Interest rate swaps	1,765	-	(29,978)	-	(28,213)
Inflation linked interest rate swaps	-	-	(646,319)	(15,285)	(661,604)
Currency swaps	65,157	-	(18,965)	-	46,192
Foreign exchange contracts	1,255	31,736	(18,462)	(40,310)	(25,781)
Forward fuel price contracts	78,336	116,434	(57,128)	(108,334)	29,308
Forward electricity price contracts	122,341	56,749	-	-	179,090
	268,854	204,919	(770,852)	(163,929)	(461,008)

	Non-current assets		December 2014		Total € '000
	€ '000	Current assets € '000	Non-current liabilities € '000	Current liabilities € '000	
Interest rate swaps	1,849	-	(35,352)	-	(33,503)
Inflation linked interest rate swaps	-	-	(626,136)	(15,070)	(641,206)
Currency swaps	-	-	(28,611)	(3,764)	(32,375)
Foreign exchange contracts	1,444	16,919	(7,251)	(28,663)	(17,551)
Forward fuel price contracts	82,611	136,960	(41,166)	(141,081)	37,324
Forward electricity price contracts	145,720	41,638	-	-	187,358
	231,624	195,517	(738,516)	(188,578)	(499,953)

With the exception of inflation linked interest rate swaps, the great majority of the derivative balances shown in the tables above are designated as cash flow hedges of interest rate, currency or commodity risk arising from highly probable forecast interest, revenue, or other operating cost cash flows.

When interpreting the positive and negative fair values of derivative financial instruments, it should be noted that they are matched with underlying transactions with offsetting risks. The fair value of derivative financial instruments is determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The interest rate used to discount future estimated cash flows was 1.0% (31 December 2014: 0.9%). The rate is based on the EURIBOR yield curve at the reporting date.

(i) Interest rate swaps

The Group has executed interest rate swaps of Stg€760.0 million in connection with certain of its borrowings, including project finance debt secured by Carrington Power Limited and West Durham Wind Farm Limited and in relation to fixed rate borrowings held by the Parent and ESB Finance Limited. These have all been classified as cash flow hedges.

For interest rate swaps, the fair value takes into account the fixed, floating and market rates prevailing at the period end. As interest rate swaps are marked to market at the period end, their carrying value is equal to their fair value.

Total fair value gains of €5.2 million (30 June 2014: losses of €6.8 million) were recognised during the six month period to the 30 June 2015 in relation to interest rate swaps, of which losses of €4.7 million were recognised directly in finance costs in the income statement, with gains of €9.9 million recognised in OCI (30 June 2014: gains of €5.1 million recognised in finance costs and losses of €11.9 million recognised in OCI).

(ii) Inflation linked interest rate swaps

Inflation linked interest rate swaps with a fair value on acquisition of €272.5 million were acquired in December 2010 as part of the purchase of the NIE business. The inflation linked interest rate swaps did not qualify for hedge accounting under IAS 39 on acquisition of the NIE business. The fair value of the inflation linked interest rate swaps is affected by relative movements in interest rates and in market expectations of future retail price index (RPI) movements in the United Kingdom.

On 22 June 2014 the Group, and its counterparty banks, together agreed a restructuring of the swaps, including amendments to certain critical terms. These changes included an extension of the mandatory break period in the swaps from 2015 to 2022, immediate settlement in 2014 of accrued accretion payments of €90.1 million (previously due for payment in 2015), amendments to the fixed interest rate element of the swaps, and an expansion in the number of swap counterparties. Future accretion payments are now scheduled to occur every 5 years, starting in 2018, with remaining accretion paid at maturity in 2036.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Fair value by class of derivative financial instrument (continued)

(ii) Inflation linked interest rate swaps (continued)

Arising from movements in forward interest rates and RPI forward prices during the year positive fair value movements of €30.4 million occurred in the period ended 30 June 2015 (30 June 2014: negative fair value movements of €128.8 million). These have been recognised within finance costs in the income statement, as hedge accounting was not available. Positive fair value movements in the underlying swaps reflected in the income statement were more than offset by negative translation movements of €59.7 million during the period on translation of the swaps from sterling to euro.

(iii) Currency swaps

The fair value of currency swaps is affected by movements in foreign exchange and interest rates. ESB's currency swaps are primarily classified as cash flow hedges and relate mainly to the cross currency swaps entered into in connection with the private placement debt, which is described in note 19. These cross currency swaps were entered into in order to swap US dollar and sterling interest and principal repayments on the underlying debt to euro, thereby hedging the risk on these payments over the periods to maturity from 2010 to 2023.

Ineffectiveness under the meaning of IAS 39 arose on the currency swaps during the six months to June 2015 resulting in the recognition of a credit of €0.6 million (30 June 2014: charge €1.0 million) within finance costs in the income statement. Separately included in the income statement at 30 June 2015 is a gain of €62.8 million (30 June 2014: gain of €6.2 million) arising on cross currency swaps which is fully offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates (see note 6).

In addition to foreign currency forward contracts entered into in relation to the Group's borrowings, the Group has entered into foreign currency contracts in relation to pool purchases, fuel purchase requirements (which are in US dollars and sterling) and in relation to power station projects (including Carrington Power Limited). These contracts have maturities extending until 2022. Total negative fair value movements of €8.2 million (30 June 2014: negative movements of €13.8 million) were recognised during the six months in relation to such foreign exchange contracts, of which a negative fair value movement of €7.0 million (30 June 2014: negative fair value movements of €14.6 million) was recognised through OCI and a negative fair value movement of €1.2 million (30 June 2014: positive fair value movements of €0.8 million) was recognised in the income statement.

Fair value hierarchy

Further information on the methods of valuing financial instruments is included in note 26.

21. PENSION LIABILITY

Northern Ireland Electricity Pension Scheme

	June 2015 €'000	June 2014 €'000
Net deficit at 1 January	(164,022)	(109,666)
Movements during the period:		
Actuarial (losses) / gains recognised in OCI during the period	(16,725)	1,429
Charge to the income statement	(6,013)	(5,667)
Pension contributions paid	15,920	14,625
Net pension scheme interest	(2,761)	(2,255)
Translation differences	(15,927)	(4,173)
Net deficit at 30 June	(189,528)	(105,707)

Pension liability

The majority of the employees of Northern Ireland Electricity Limited and subsidiaries (NIE) are members of the Northern Ireland Electricity Pension Scheme (NIE Scheme). This has two sections: Options, which is a money purchase arrangement whereby the employer generally matches the members' contributions up to a maximum of 6% of salary, and Focus, which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the NIE Scheme are held under trust and invested by the trustees on the advice of professional investment managers.

The actuarial loss for the period arises due to an increase in the inflation rate assumption used to value scheme liabilities to 2.1% at 30 June 2015, from 1.9% at 31 December 2014, in addition to an increase in the life expectancy assumptions following the completion of a triennial valuation. This is offset in part by an increase in the discount rate used to value the scheme liabilities to 3.7% at 30 June 2015, from 3.5% at 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. LIABILITY - ESB PENSION SCHEME AND EMPLOYEE RELATED LIABILITIES

	Liability - ESB pension scheme € '000	Employee related liabilities		Total € '000
		Restructuring liabilities € '000	Other € '000	
Balance at 1 January 2014	766,228	152,271	30,500	182,771
Movements during the period:				
Charge to the income statement	-	-	4,421	4,421
Utilised during the period	(7,090)	(11,007)	(6,861)	(17,868)
Financing charge	17,340	1,214	-	1,214
Translation differences	-	9	12	21
Balance at 30 June 2014	776,478	142,487	28,072	170,559
Balance at 1 January 2015	731,070	133,164	32,538	165,702
Movements during the period:				
(Release) / charge to the income statement	-	(3,998)	139	(3,859)
Utilised during the period	(7,237)	(9,818)	(1,896)	(11,714)
Financing charge	15,394	701	-	701
Translation differences	-	14	31	45
Balance at 30 June 2015	739,227	120,063	30,812	150,875
Analysed as follows:				
Non-current liabilities	624,061	96,076	-	96,076
Current liabilities	115,166	23,987	30,812	54,799
Total	739,227	120,063	30,812	150,875

Liability – ESB pension scheme

During 2010 the Group reached agreement with the ESB Group of Unions to amend pension arrangements within the Company and this is explained in note 21 to the financial statements in the ESB Annual Report 2014.

Restructuring liabilities

This provision represents the estimated cost of providing post employment payments to former employees, other than those amounts covered by the pension scheme. It includes liabilities for continuing payments to employees who left under past voluntary severance initiatives, as well as liabilities in respect of former employees which may arise as part of other potential legal or constructive post retirement obligations. These liabilities are expected to be materially discharged by 2021.

Other

In accordance with the requirements of IAS 19 Employee Benefits, provision has been made for employee remuneration liabilities, including accrued holiday leave, bonuses and profit share arrangements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES

	June 2015 € '000	December 2014 € '000
Current payables:		
Progress payments on work in progress	70,457	62,781
Trade payables	346,254	358,845
Other payables	36,209	21,701
Employment taxes	20,111	17,520
Value added tax	42,501	46,618
Accruals	72,084	101,660
Accrued interest on borrowings	69,763	79,023
Total	657,379	688,148

	June 2015 € '000	December 2014 € '000
Non-current payables:		
Other payables	8,961	8,185

24. DEFERRED INCOME AND GOVERNMENT GRANTS

	Supply contributions and others € '000
Balance at 1 January 2014	608,320
Receivable	3,468
Released to the income statement	(18,343)
Translation differences	295
Balance at 30 June 2014	593,740
Balance at 1 January 2015	578,844
Receivable	11,258
Released to the income statement	(29,765)
Translation differences	40
Balance at 30 June 2015	560,377
Analysed as follows:	
Non-current liabilities	515,351
Current liabilities	45,026
Total	560,377

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. PROVISIONS

	Power station closure costs € '000	Emissions provisions € '000	Other € '000	Total € '000
Balance at 1 January 2014	139,004	63,958	56,776	259,738
Charged / (credited) to the income statement				
- Emissions	-	17,198	-	17,198
- Legal	-	-	1,660	1,660
Utilised in the period	(3,388)	(60,010)	(1,691)	(65,089)
Financing charge	1,793	-	476	2,269
Translation differences	98	82	488	668
Balance at 30 June 2014	137,507	21,228	57,709	216,444
Balance at 1 January 2015	135,105	49,331	57,255	241,691
Charged / (credited) to the income statement				
- Emissions	-	37,946	-	37,946
- Legal	-	-	1,374	1,374
Utilised in the period	(2,862)	(50,213)	(1,762)	(54,837)
Financing charge	556	-	231	787
Translation differences	260	247	1,105	1,612
Balance at 30 June 2015	133,059	37,311	58,203	228,573
Analysed as follows:				
Non-current liabilities	126,462	-	55,050	181,512
Current liabilities	6,597	37,311	3,153	47,061
Total	133,059	37,311	58,203	228,573

Power station closure costs

The provision at 30 June 2015 of €133.1 million (31 December 2014: €135.1 million) for station closure represents the present value of the current estimate of the costs of closure of generating stations at the end of their useful economic lives. The expected closure dates of most generating stations are up to 2025. As the costs are provided on a discounted basis, a financing charge is included in the income statement and added to the provision each year. The power station closure provision is re-examined annually and the liability re-calculated in accordance with the current expected station closure dates. The estimated value of future closure costs at the balance sheet date include physical dismantling, site remediation, de-manning and associated costs.

There are a number of uncertainties that affect the calculation of the provision for station closure, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, the impact of alternative technologies and changes in the discount rate. The Group has made its best estimate of the financial effect of these uncertainties in the calculation of the provision, but future material changes in any of the assumptions could materially impact on the calculation of the provision. Expected future cash flows are discounted to present value using long-term interest rates based on a zero-coupon discount curve at the reporting date plus an appropriate credit spread.

Emissions provisions

In accordance with the provisions of the European CO₂ emissions trading scheme, a provision is recognised to cover the liability for actual emissions during the year. Allowances purchased during the year are returned to the relevant Authority in charge of the scheme within four months from the end of that calendar year, in line with the actual emissions of CO₂ during the year. The provision represents the obligation to return emissions allowances equal to the actual emissions. This obligation is measured at the carrying amount of the capitalised CO₂ emissions allowances, in addition to the market value of any additional allowances required to settle the year end liability.

Other

Other provisions represent prudent estimates of liabilities to third parties, in respect of claims notified or provided for at period end. In accordance with normal commercial practice, the period end provision includes an estimate for liabilities incurred but not yet notified.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(a) Overview of financial risk management

Risk environment

The main financial risks faced by the Group relate to liquidity, foreign exchange, interest rate, commodity (electricity and fuel) price movements and operational risk. Policies to protect the Group from these risks, and other risk areas, such as credit risk, are regularly reviewed, revised and approved by the Board as appropriate. Group Treasury is responsible for the day-to-day treasury activities of the Group. The Finance and Business Performance Committee of the Board is updated on an ongoing basis on key treasury matters.

Commodity price risk is managed by the front and middle office functions of the relevant business units: ESB Trading (located within Generation and Wholesale Markets) and Electric Ireland. This is done in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit. The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units.

Contracts entered into in order to hedge exposures arising from the production and sale of electricity may be divided into forward fuel price contracts, forward electricity price contracts and foreign exchange contracts. Financial instruments are derecognised on settlement or sale.

Risk reporting structure

Through the Chief Executive, the Board has delegated to the Group Trading Committee (GTC) the broader responsibility of managing ESB's trading risk in a manner consistent with the Group's risk tolerance and business strategies. The GTC has established risk limits to manage and limit trading risk exposure at Group and business unit level. These limits are documented for each of the ESB businesses engaged in wholesale trading activities. Furthermore the Group Trading Risk Management Policy is applicable to each of these businesses.

Within each of these business units, a Trading Risk Management Committee has been established to serve as the primary overseer of trading risk at individual ring-fenced entity level. This Committee includes the head of the front office function, the Trading Risk (Middle Office) Manager, a representative from Group Trading Risk Management, and the business unit Financial Controller. The Trading Risk Management Committees are responsible for formulating trading risk strategy in accordance with the Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management and ensuring that there is an effective control framework in place.

The Trading Risk Management Committees report to the GTC. The middle office function in each business unit provides a separate reporting line to the Group Trading Risk Management function, which is responsible for ensuring that the Group's net exposure to movements in commodity or other price movements is appropriately managed in accordance with Group Trading Risk Management Policy, with due regard to ring-fencing requirements. The trading operations of the business units are subject to robust internal control verification processes, including, as noted above, regular review by Group Internal Audit.

Hedge accounting

ESB funds its operations using borrowings and uses deposit instruments to invest surplus funds and uses interest rate and foreign currency instruments to manage interest rate and currency risks that arise in the normal course of operations from US dollar and sterling denominated borrowings, from its foreign currency subsidiaries, and from the use of foreign currency suppliers. Hedge accounting pursuant to IAS 39 is used both for hedges of foreign currency liabilities and interest rate risks from current and non-current liabilities.

In addition, the Group enters into certain commodity hedging transactions to fix fuel costs and to link electricity revenues more closely to fuel inputs, where possible. All of these arrangements are designated into hedge relationships, and in the majority of cases meet the specific hedging accounting criteria of IAS 39. Where the IAS 39 hedge criteria are met in respect of cross currency swaps, interest rate swaps, foreign exchange contracts, forward fuel price contracts and forward electricity price contracts, all of these instruments are designated as cash flow hedges of highly probable forecast interest, revenue or other operating cost cash flows. Any derivatives on hand which are not specifically designated into hedge relationships from an accounting perspective are nevertheless regarded as valid economic hedges.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(b) Overview of financial assets and liabilities

Financial assets and liabilities, excluding provisions and employee related liabilities, at 30 June 2015, and at 31 December 2014 can be analysed as follows:

	Financial assets at fair value through profit or loss		Assets / (liabilities) held at amortised cost		Derivative financial instruments with hedging relationships		Derivative financial instruments with no hedging relationships		Total	
	June 2015 €'000	December 2014 €'000	June 2015 €'000	December 2014 €'000	June 2015 €'000	December 2014 €'000	June 2015 €'000	December 2014 €'000	June 2015 €'000	December 2014 €'000
ASSETS										
Non-current assets										
Financial asset investments	66,900	63,638	-	-	-	-	-	-	66,900	63,638
Derivative financial instruments	-	-	-	-	249,102	218,544	19,752	13,080	268,854	231,624
Total non-current financial assets	66,900	63,638	-	-	249,102	218,544	19,752	13,080	335,754	295,262
Current assets										
Trade and other receivables	-	-	753,041	809,523	-	-	-	-	753,041	809,523
Cash and cash equivalents	-	-	234,060	143,731	-	-	-	-	234,060	143,731
Derivative financial instruments	-	-	-	-	98,325	75,435	106,594	120,082	204,919	195,517
Total current financial assets	-	-	987,101	953,254	98,325	75,435	106,594	120,082	1,192,020	1,148,771
Total financial assets	66,900	63,638	987,101	953,254	347,427	293,979	126,346	133,162	1,527,774	1,444,033
LIABILITIES										
Non-current liabilities										
Borrowings and other debt	-	-	4,770,675	4,412,377	-	-	-	-	4,770,675	4,412,377
Trade and other payables	-	-	8,961	8,185	-	-	-	-	8,961	8,185
Derivative financial instruments	-	-	-	-	105,453	94,164	665,399	644,352	770,852	738,516
Total non-current financial liabilities	-	-	4,779,636	4,420,562	105,453	94,164	665,399	644,352	5,550,488	5,159,078
Current liabilities										
Borrowings and other debt	-	-	395,742	370,592	-	-	-	-	395,742	370,592
Trade and other payables	-	-	657,379	688,148	-	-	-	-	657,379	688,148
Derivative financial instruments	-	-	-	-	40,993	57,284	122,936	131,294	163,929	188,578
Total current financial liabilities	-	-	1,053,121	1,058,740	40,993	57,284	122,936	131,294	1,217,050	1,247,318
Total financial liabilities	-	-	5,832,757	5,479,302	146,446	151,448	788,335	775,646	6,767,538	6,406,396

The Group's provisions and employee related liabilities are not analysed in the table above, or in the further analysis below. See notes 21, 22 and 25 for further information.

(c) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Financial assets	30 June 2015 €'000	31 December 2014 €'000
Trade and other receivables	753,041	809,523
Financial asset investments	66,900	63,638
Cash and cash equivalents	234,060	143,731
Derivative financial instruments	473,773	427,141
	1,527,774	1,444,033

Trade and other receivables

Wholesale and credit risk arising from trade and other receivables has been disclosed in note 15 of the most recent annual report, and has not changed significantly since.

Financial asset investments

Credit risk arising on financial asset investments, including financial assets at fair value through profit or loss, is closely monitored and reflected in the carrying value at year end.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Credit risk (continued)

Treasury related credit risk (relating to cash and derivative instruments)

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts with in the financial markets. The Group's policy is to limit its exposure to each financial institution based on accepted credit ratings of not less than BBB or equivalent.

Trading in derivatives is performed to mitigate financial risks and is executed in compliance with the Specification and Requirements of the Minister for Finance issued under the aegis of the Financial Transactions of Certain Companies and Other Bodies Act 1992. The Specification and Requirements outline the type of derivatives which ESB can transact and the associated requirements which ESB must satisfy regarding each derivative counterparty. Dealing activities are controlled by putting in place robust dealing mandates with counterparties. The Group does not hold or trade derivative instruments for speculative purposes. Exposures, related limits and compliance with the Minister's Specification and Requirements are subject to ongoing review and monitoring. The Group has not experienced any losses due to failure of such counterparties to deliver on their obligations.

Commodity credit risk (relating to derivatives)

The Group also has credit risk associated with commodity positions. These arise from derivative financial instruments that are entered into to hedge energy and fuel price risks and are managed in accordance with the Minister's Specification and Requirements (Financial Transactions of Certain Companies and Other Bodies Act 1992). The Group establishes counterparty credit risk limits to restrict uncollateralised exposure. Net exposures, collateral requirements and compliance are monitored on an ongoing basis. Collateral, in the form of bonds and guarantees, is required by ESB business units from various parties, including Letters of Credit from certain power Contract for Differences (CfD) counterparties. Total collateral held at year end was €147.5 million (31 December 2014: €100.1 million). Given the current economic environment, the Group is particularly cognisant of any changes in the creditworthiness of counterparties, and where such a change occurs all appropriate steps are taken to further secure the Group's position.

(d) Foreign currency risk management

Foreign currency exposures arise mainly through the purchase of fuel and power, station overhaul costs required, other purchases denominated in foreign currencies, borrowings in foreign currencies (including the private placement as described in note 19) and investments outside the Eurozone.

Foreign currency forward purchase contracts and cross currency swaps are used to reduce volatility arising from foreign currency exposures. The foreign currency forward purchase contracts in place at 30 June 2015 relate to forecast cash flows expected to occur up to 2023.

At the six month period, ESB's total debt portfolio amounted to €5.2 billion (31 December 2014: €4.8 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before swaps		After swaps	
	30 June 2015 (%)	31 December 2014 (%)	30 June 2015 (%)	31 December 2014 (%)
Currency				
Euro	43	44	58	59
US dollar	15	15	-	-
Sterling	42	41	42	41
Total	100	100	100	100

The key exchange rates used at 30 June 2015 and 31 December 2014 were as follows:

	30 June 2015	31 December 2014
Foreign currency rate (US\$ = €1)	1.1189	1.2141
Foreign currency rate (Stg£ = €1)	0.7114	0.7789

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(e) Fair value

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	30 June 2015		31 December 2014	
	Carrying value € '000	Fair value € '000	Carrying value € '000	Fair value € '000
Long-term debt	4,770,675	5,404,988	4,412,377	5,226,255
Short-term borrowings	395,742	444,266	370,592	433,804
Total borrowings	5,166,417	5,849,254	4,782,969	5,660,059
Trade and other payables (excluding bank overdrafts)	666,340	666,340*	688,148	688,148
Trade and other receivables	(753,041)	(753,041)*	(809,523)	(809,523)
Cash and cash equivalents	(234,060)	(234,060)	(143,731)	(143,731)
Net liabilities	4,845,656	5,528,493	4,517,863	5,394,953

*As trade and other receivables are all due within one year, and have been provided for where impaired, their carrying value is considered to be materially in line with their fair value. The fair value of trade and other payables is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other debt are Level 2 fair values. The valuation technique used for borrowings and other debt is a comparison of debt stock to the marginal cost of debt (from main funding markets) in addition to discounting using the zero coupon discount curve of the relevant currency.

Fair value - discount rates

The interest rates used to discount future estimated cash flows, where applicable, are based on the EURIBOR yield curve at the reporting date plus an appropriate constant credit spread, and were as follows:

	30 June 2015 %	31 December 2014 %
Other loans and borrowings	2.2	1.8
Derivative financial instruments	1.0	0.9
Trade and other payables	1.1	1.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(f) Fair value hierarchy

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels relevant to financial assets and liabilities held by the Group have been defined as follows:

- Level 2: inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, 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).

	Level 2 € '000	Level 3 € '000	Total € '000
30 June 2015			
ASSETS			
Derivative financial instruments			
- Currency swaps	65,157	-	65,157
- Foreign exchange contracts	32,991	-	32,991
- Forward fuel price contracts	134,790	59,980	194,770
- Forward electricity price contracts	427	178,663	179,090
- Interest rate swaps	1,765	-	1,765
Financial assets at fair value through profit or loss	-	66,900	66,900
	235,130	305,543	540,673
LIABILITIES			
Derivative financial instruments			
- Currency swaps	(18,965)	-	(18,965)
- Foreign exchange contracts	(58,772)	-	(58,772)
- Forward fuel price contracts	(156,704)	(8,758)	(165,462)
- Interest rate swaps	(29,978)	-	(29,978)
- Inflation linked interest rate swaps	(661,604)	-	(661,604)
	(926,023)	(8,758)	(934,781)
Net (liability) / asset	(690,893)	296,785	(394,108)

	Level 2 € '000	Level 3 € '000	Total € '000
31 December 2014			
ASSETS			
Derivative financial instruments			
- Foreign exchange contracts	18,363	-	18,363
- Forward fuel price contracts	149,206	70,365	219,571
- Forward electricity price contracts	333	187,025	187,358
- Interest rate swaps	1,849	-	1,849
Financial assets at fair value through profit or loss	-	63,068	63,068
	169,751	320,458	490,209
LIABILITIES			
Derivative financial instruments			
- Currency swaps	(32,375)	-	(32,375)
- Foreign exchange contracts	(35,914)	-	(35,914)
- Forward fuel price contracts	(175,362)	(6,885)	(182,247)
- Interest rate swaps	(35,352)	-	(35,352)
- Inflation linked interest rate swaps	(641,206)	-	(641,206)
	(920,209)	(6,885)	(927,094)
Net (liability) / asset	(750,458)	313,573	(436,885)

When interpreting the positive and negative fair values of derivative financial instruments, it should be noted that they are matched with underlying offsetting risks. The fair value of derivative financial instruments is determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(f) Fair value hierarchy (continued)

The following table shows the valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Currency swaps, foreign exchange contracts and interest rate swaps	<p>Level 2 - Present valuation of future contracted foreign exchange cash flows using constructed zero-coupon discount curve</p> <p>The zero-coupon curve is constructed using the interest yield curve of the relevant currency</p>		
Forward fuel and electricity price contracts	<p>Level 2 - The fair value of forward fuel and electricity contracts is determined by reference to forward electricity, gas, coal and carbon prices with the resulting value discounted to present values</p> <p>Level 3 - The fair value of some specific forward fuel and electricity contracts are determined by reference to forward electricity prices which are unobservable</p>	System Marginal Price (SMP)	<p>The estimated fair value would increase / (decrease) if: SMP was lower / (higher).</p> <p>Generally a change in SMP is accompanied by a directionally similar change in gas prices</p>
Inflation linked interest rate swaps	<p>Level 2 - Independent valuations are used and validated using the present valuation of expected cash flows using constructed zero-coupon discount curve</p> <p>The zero-coupon curve is constructed using the interest rate yield curve of the relevant currency</p> <p>Future cash flows are estimated using expected RPI benchmark levels as well as expected LIBOR rate sets.</p>		
Financial assets at fair value through profit or loss	<p>Discount cash flows: The valuation model considers the present value of expected cash flows.</p> <p>The expected payment is determined by considering the possible scenarios of forecast revenue and gross margin, future cash flows under each scenario and the probability of each scenario</p> <p>Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies to the investee and the expected gross margin of the investee</p>	Forecast annual revenue growth rate; Forecast gross margin	<p>Novusmodus typically assess the value of its investments based on the expectations of the proceeds which could be realised in a disposal</p> <p>This value will usually be driven by a number of inputs including the ability of the investee to grow its revenue and associated margins leading to higher EBITDA and thus higher values</p>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(f) Fair value hierarchy (continued)

The following table shows a reconciliation from opening balances at 1 January 2015 to the period ended 30 June 2015 balances for fair value measurements in Level 3 of the fair value hierarchy:

30 June 2015	Financial assets at fair value through profit or loss € '000	Forward electricity price contracts € '000	Forward fuel price contracts € '000	Total € '000
Opening balance	63,068	187,025	63,480	313,573
Transferred in from Level 2				
- Purchases	5,024	-	-	5,024
Total gains or losses:				
- in profit or loss	(1,761)	-	-	(1,761)
- in OCI	-	16,160	(20,909)	(4,749)
Settlements	-	(24,522)	8,651	(15,871)
Closing balance - net	66,331	178,663	51,222	296,216

Financial assets at fair value through profit or loss are carried at fair value. Where applicable, the fair value is based on the most recent fund valuation statement available. In relation to stand alone investments, the valuation methodology used is in accordance with International Private Equity and Venture Capital Valuation Guidelines which have been developed by a number of international venture capital associations. As this requires the use of model based valuation techniques, with a number of unobservable inputs, all financial assets at fair value through profit or loss have been categorised as Level 3 investments in the current year.

Forward fuel price contracts and forward electricity price contracts included at Level 3 in the fair value hierarchy relate to long-term contracts whose valuations are based on a number of forward price assumptions, with some unobservable inputs, including assumed forward electricity, carbon and gas inputs for longer term periods. Settlements form part of revenue and fuel costs in the income statement.

Sensitivity analysis - Level 3 fair values

For the fair values of forward fuel and electricity price contracts, financial assets at fair value through profit or loss and inflation linked interest rate swaps, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	30 June 2015 Other comprehensive income gain / (loss) € '000	Profit before taxation gain / (loss) € '000	31 December 2014 Other comprehensive income gain / (loss) € '000	Profit before taxation gain / (loss) € '000
Gain due to 10% increase in gas and coal prices	52,474	-	53,869	-
Loss due to 10% increase in the SMP	(63,192)	-	(66,098)	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments	June 2015 € '000	June 2014 € '000
Capital commitments contracted for during the period	134,088	93,584

These contracts relate mainly to commitments under a turnkey construction contract, various interconnection contracts and long-term maintenance contracts.

Share of equity accounted investees capital commitments	June 2015 € '000	June 2014 € '000
Capital commitments contracted for during the period	15,220	-

These commitments relate mainly to the construction phase of Tilbury Green Power Holdings Limited (Tilbury) and Raheenleagh Power Limited (Raheenleagh). ESB has committed to fund Stg£35.0 million in relation to Tilbury of which Stg£26.0 million has been spent to date and €7.0 million in relation to Raheenleagh of which €4.5 million has been spent to date.

(b) Fuel contract commitments

There are a number of long-term gas supply arrangements in place for different periods up to 2019. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. Where appropriate, embedded derivatives have been separated and valued in accordance with IAS 39.

(c) Other disclosures

A number of letters of claim have been received in relation to 2009 flooding in Cork (Ireland); one claimant is pursuing a legal action seeking recovery of circa €19.0 million for property damage and ESB is awaiting judgement from the High Court in that case. There is a possibility of additional property damage claims being brought in connection with the flooding, but ESB intends to strenuously defend all such claims. On the basis of advices obtained, ESB believes that it has a good defence to these claims, and accordingly, no provision has been made for such claims in the financial statements.

28. RELATED PARTY TRANSACTIONS

Semi-state bodies

In common with many other entities, ESB deals in the normal course of business with other Government sponsored bodies such as Ervia and Bord na Móna. Long-term agreements are negotiated between ESB and Bord na Móna in relation to the purchase of peat for the Midland stations.

Board members' interests

Other than agreed allocations under ESOP, Board members had no beneficial interest in ESB or its subsidiaries at any time during the year.

Banks owed by the Irish state

In the normal course of business ESB transacts with certain Irish banks which have become wholly or partially controlled by the Irish Government. All of ESB's transactions with such banks are on normal commercial terms. ESB had no material concentration of borrowings with any such banks during the period or as at 30 June 2015. A portion of the cash and cash equivalents as disclosed in note 16 was on deposit with such banks.

Equity accounted investees

During the period the Group provided services to Oweninny Power Limited, Emerald Bridge Fibres Limited, Tilbury Green Power Holdings Limited (Tilbury), SIRO Limited (SIRO) (formerly Evolve Structuring Services Limited) and Raheenleagh Power Limited (Raheenleagh).

During the period services to Raheenleagh amounted to €4.5 million (30 June 2014: €nil), Emerald Bridge Fibres Limited €0.02 million (30 June 2014: €0.02 million), Tilbury €5.5 million (30 June 2014: €nil) and SIRO €0.6 million (30 June 2014: €nil). Services provided to Oweninny Power Limited during the period amounted to €nil (30 June 2014: €0.4 million).

Capital funding amounting to €4.5 million was advanced to Raheenleagh in the period to 30 June 2015 and €35.8 million to Tilbury. There was no capital funding provided to equity accounted investees up to 30 June 2014.

The Group was owed €17.5 million from equity accounted investees at 30 June 2015, being €1.0 million from Raheenleagh, €6.0 million from Oweninny Power Limited, €5.0 million from Emerald Bridge Fibres Limited and €5.5 million from Tilbury. The Group was not owed any funds from the equity accounted investees at 30 June 2014.

Interest on borrowings receivable from Emerald Bridge Fibres Limited amounted to €0.2 million (30 June 2014: €0.2 million) and Oweninny Power Limited €0.2 million (30 June 2014: €nil). These amounts are included above within amounts owed from equity accounted investees.

29. ESTIMATES AND JUDGEMENTS

Preparation of consolidated financial statements requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses contained within the income statement and the valuation of the assets and liabilities in the balance sheet. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

Key judgemental accounting policies are described in note 29 of the 2014 annual report. There has been no change to the nature of these during the period and they are still considered to be the most subjective in preparing our financial statements.

30. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board approved the condensed consolidated financial statements on 22 September 2015.