Energy for generations

INTERIM FINANCIAL STATEMENTS

For the period to 30 June 2016

esb.ie

CONTENTS

FINANCE REVIEW

FIGURE 1: FIVE YEAR SUMMARY

	June 2016 €'m	June 2015 €'m	June 2014 €'m	June 2013 €'m	June 2012 €'m
Revenue and other operating income[1]	**1,647**	1,720	1,654	1,724	1,660
Operating profit before exceptional items[1]	**287**	337	327	359	309
EBITDA[2]	**638**	690	665	680	637
Capital expenditure	**356**	405	450	296	285

	June 2016 €'m	December 2015 €'m	December 2014 €'m	December 2013 €'m	December 2012 €'m
Net debt	**4,531**	4,975	4,639	4,144	4,414
Gearing (%)[3]	**52%**	55%	53%	48%	53%
Total assets	**12,774**	13,157	12,973	12,782	12,600

[1] Before the following exceptional item: 2014: profit on disposal of investments in Bizkaia Energia SL (€38 million)

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

[3] Excludes joint ventures

HIGHLIGHTS

OPERATING PROFIT:

€287 million

(€50 MILLION DECREASE ON JUNE 2015)

CAPITAL EXPENDITURE:

€356 million

(€49 MILLION DECREASE ON JUNE 2015)

DIVIDEND PAYMENTS:

€31 million[1]

(€193 MILLION DECREASE ON JUNE 2015 - INCLUDED SPECIAL DIVIDEND)

[1]See note 16 in the interim financial statements for dividend details

FIGURE 2: SUMMARISED INCOME STATEMENT

	June 2016 €'m	June 2015 €'m
Revenue and other income	1,647	1,720
Operating costs	(1,360)	(1,383)
Operating profit	**287**	**337**
Net finance costs	(88)	(125)
Fair value movements on financial instruments	(121)	26
Share of equity accounted investees loss	(8)	(2)
Profit before tax	**70**	**236**
Tax charge	(6)	(35)
Profit after tax	**64**	**201**

SEGMENTAL PERFORMANCE

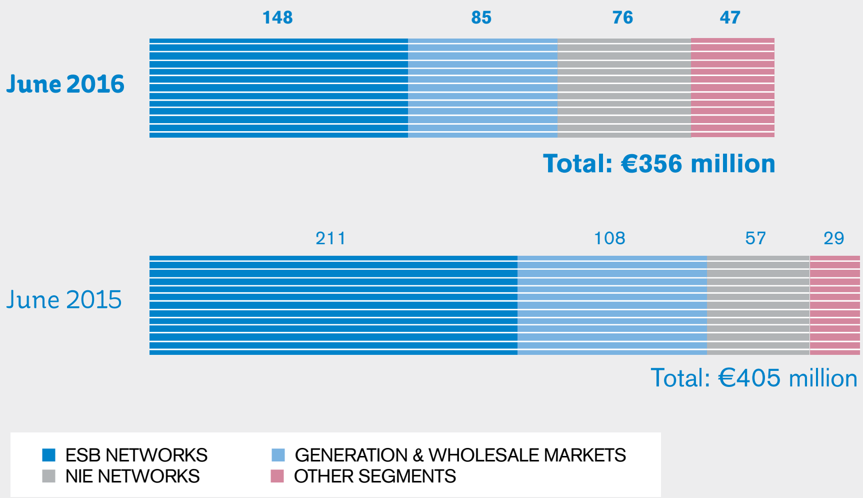
The Group is organised into five main reportable segments or strategic divisions, which are managed separately. Further details on the business segments are included in note 4 of the interim financial statements. The Group operating profit of €287 million is set out below on a segmental basis.

- Generation and Wholesale Markets (G&WM) operating profit to 30 June 2016 at €112 million is down €28 million on 2015 mainly due to lower energy margin as a result of lower wholesale electricity prices.
- ESB Networks operating profit to 30 June 2016 at €148 million is up €20 million due to higher network usage and a change in regulated tariffs compared to 2015.
- Northern Ireland Electricity Networks (NIE Networks) operating profit to 30 June 2016 amounted to €15 million and is up €2 million on 2015 due to higher regulated tariffs in 2016 partially offset by negative foreign exchange movements.
- Electric Ireland's operating profit of €57 million is up €32 million on 2015. This is due to positive mark to market movement on hedges and lower wholesale electricity prices. In this context, Electric Ireland reduced electricity prices for all residential customers at the start of June 2016 by 6%. The impact of this price reduction on Electric Ireland's results will be seen in the second half of the year.
- Other Segments include Innovation, Corporate Centre and the Business Service Centre which provide services to the main business segments above. This segment, which includes most of the financing costs of the Group, reported an operating loss of €45 million to June 2016 compared to a €32 million profit in 2015. This movement primarily relates to a foreign exchange translation loss on sterling denominated intercompany positions.

FIGURE 3: SUMMARISED CASH FLOW STATEMENT

	June 2016 €'m	June 2015 €'m
EBITDA	**638**	690
Provision utilisation and other movements	**75**	26
Interest and tax	**(146)**	(163)
Net cash inflow from operating activities	**567**	553
Disposal proceeds	**1**	4
Capital expenditure	**(332)**	(404)
Other	**-**	1
Net cash outflow from investing activities	**(331)**	(399)
Net cash outflow from financing activities	**(48)**	(68)
Net increase in cash	**188**	86

FIGURE 4: CAPITAL EXPENDITURE



CAPITAL EXPENDITURE

ESB Networks expenditure is down €63 million as a result of timing of spend on the transmission and distribution network systems.

Capital expenditure in G&WM in 2016 at €85 million is down €23 million due to reduced investment in Carrington, the combined cycle gas turbine (CCGT) plant in Great Britain, partially offset by increased spend on generation plant overhauls. Carrington achieved commercial operation in September 2016.

NIE Networks expenditure of €76 million in 2016 is up €19 million due to completion works on the regulatory period 5 (RP5) price control capital expenditure programme.

Other Segments capital investment of €47 million is up €18 million predominantly due to increased investments by Novusmodus, the clean technology and renewable energy fund in the Innovation business unit.

NET DEBT AND GEARING

The decrease in net debt to €4.5 billion in 2016 from €5.0 billion in December 2015 reflects the positive EBITDA and the weakening of sterling offset by the continued capital investment programme, finance costs and tax payments.

The gearing level of 52% for 2016 has decreased 3% from December 2015 primarily reflecting favourable foreign currency movements in GBP denominated debt and lower borrowings.

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 2016, ESB issued a €600 million fixed-rate bond at 1.875%, which will mature in June 2031. Some of the proceeds were used to buy back €285 million of a seven year 4.375% bond issued in November 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 2016, the Group's Revolving Credit Facility, agreed in January 2015 was extended by one year to 2021. The facility provides ESB with a very substantial level of standby liquidity for the next five years of €1.44 billion, with an option for a further one year extension, to 2022.

Following these transactions, the weighted average interest rate on the Group's portfolio of outstanding borrowings at 30 June 2016 was 4.5%, and the weighted average duration of such borrowings as at that date was eight years. Both of these metrics improved in the first half of 2016 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. In the context of ESB's ongoing EBITDA performance (€638 million in the six months to 30 June 2016, and €1.3 billion in the full year 2015) and liquidity of €1.9 billion (between cash and undrawn committed facilities) at 30 June 2016, ESB's debt maturity profile does not pose significant risks to the Group. 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.

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 2016, 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,

Ellvena Graham, Chairman

Pat O'Doherty, Chief Executive

29 September, 2016

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 condensed consolidated interim financial statements for the six month period ended 30 June 2016, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes thereto. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards as adopted by the European Union (EU) (IFRSs). Our review was conducted in accordance with the 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.

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 2016 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU.

BASIS OF OUR REPORT, RESPONSIBILITIES AND RESTRICTION ON USE

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 EU. The consolidated condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU.

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. 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.

We read the other information contained in the condensed consolidated interim financial statements to identify material inconsistencies with the information in the condensed set of financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

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

29 September, 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2016

	Notes	**Unaudited June 2016 € '000**	Unaudited June 2015 € '000
Revenue	4	**1,630,657**	1,700,761
Other operating income	5	**16,066**	19,718
Operating costs	6	**(1,360,100)**	(1,383,119)
Operating profit		**286,623**	337,360
Net interest on borrowings	7	**(78,837)**	(106,228)
Financing charges	7	**(16,075)**	(19,643)
Fair value movement on financial instruments	7	**(119,882)**	26,162
Finance income	7	**6,594**	684
Net finance cost		**(208,200)**	(99,025)
Share of equity accounted investees loss, net of tax	12	**(7,903)**	(2,457)
Profit before taxation		**70,520**	235,878
Income tax expense	17	**(6,282)**	(34,568)
Profit after taxation		**64,238**	201,310
Attributable to:			
Equity holders of the Parent		**64,482**	201,240
Non-controlling interest		**(244)**	70
Profit for the financial period		**64,238**	201,310

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2016

	Unaudited June 2016 € '000	Unaudited June 2015 € '000
Profit for the financial period	**64,238**	201,310
Items that will never be reclassified subsequently to profit or loss:		
NIE Networks pension scheme actuarial gains / (losses)	**(49,621)**	(16,725)
Tax on items that will never be reclassified to profit or loss	**8,923**	3,345
	(40,698)	(13,380)
Items that are or may be reclassified subsequently to profit or loss:		
Effective hedge of a net investment in foreign subsidiary	**2,532**	(2,091)
Translation differences on consolidation of foreign subsidiaries	**(42,368)**	39,345
Fair value (losses) / gains on cash flow hedges	**(12,553)**	63,389
Transferred to income statement on cash flow hedges	**25,282**	(62,485)
Fair value (losses) on cash flow hedges in equity accounted investees	**(1,383)**	-
Tax on items that are or may be reclassified subsequently to profit or loss	**2,788**	(7,699)
Tax on items that are or may be reclassified subsequently to profit or loss for equity accounted investees	**173**	-
Tax on items transferred from other comprehensive income (OCI)	**(3,436)**	7,425
	(28,965)	37,884
Other comprehensive income for the financial period, net of tax	**(69,663)**	24,504
Total comprehensive income for the financial period	**(5,425)**	225,814
Attributable to:		
Equity holders of the Parent	**(5,181)**	225,744
Non-controlling interest	**(244)**	70
Total comprehensive income for the financial period	**(5,425)**	225,814

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Notes	Unaudited June 2016 € '000	Audited December 2015 € '000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**10,457,058**	10,872,836
Intangible assets	10	**188,763**	227,740
Goodwill	11	**183,606**	206,759
Investments in equity accounted investees	12	**86,865**	94,850
Financial asset investments	12	**67,218**	62,563
Trade and other receivables	14	**45,501**	44,777
Derivative financial instruments	19	**247,104**	236,565
Deferred tax assets		**234,720**	207,246
Total non-current assets		**11,510,835**	11,953,336
Current assets			
Inventories	13	**81,681**	96,670
Derivative financial instruments	19	**162,681**	214,400
Current tax asset		**8,247**	7,853
Trade and other receivables	14	**697,178**	751,177
Cash and cash equivalents	15	**313,726**	133,863
Total current assets		**1,263,513**	1,203,963
Total assets		**12,774,348**	13,157,299
EQUITY			
Capital stock		**1,979,882**	1,979,882
Translation reserve		**11,540**	51,376
Cash flow hedging reserve		**60,670**	49,799
Other reserves		**(194,567)**	(151,098)
Retained earnings		**1,967,094**	1,930,558
Equity attributable to equity holders of the Parent		**3,824,619**	3,860,517
Non-controlling interest		**(2,118)**	(1,874)
Total equity		**3,822,501**	3,858,643
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	18	**4,632,529**	4,690,314
Liability – ESB pension scheme	21	**498,297**	493,148
Liability – NIE Networks pension scheme	20	**164,945**	142,069
Employee related liabilities	21	**88,276**	91,057
Trade and other payables	22	**-**	8,686
Deferred income and government grants	23	**498,700**	510,011
Provisions	24	**186,965**	196,431
Deferred tax liabilities		**737,867**	751,082
Derivative financial instruments	19	**806,135**	754,537
Total non-current liabilities		**7,613,714**	7,637,335
Current liabilities			
Borrowings and other debt	18	**212,582**	418,825
Liability – ESB pension scheme	21	**154,796**	154,981
Employee related liabilities	21	**46,134**	54,353
Trade and other payables	22	**671,849**	695,535
Deferred income and government grants	23	**50,974**	48,273
Provisions	24	**48,831**	79,000
Current tax liabilities		**9,782**	3,250
Derivative financial instruments	19	**143,185**	207,104
Total current liabilities		**1,338,133**	1,661,321
Total liabilities		**8,951,847**	9,298,656
Total equity and liabilities		**12,774,348**	13,157,299

Ellvena Graham, Chairman

Pat O'Doherty, Chief Executive

Pat Fenlon, Group Finance Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

Unaudited reconciliation of changes in equity	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**
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 Networks 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	-	-	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
Balance at 1 January 2016	**1,979,882**	**51,376**	**49,799**	**(151,098)**	**1,930,558**	**3,860,517**	**(1,874)**	**3,858,643**
Total comprehensive income / (loss) for the period								
Profit for the financial period	-	-	-	-	64,482	64,482	(244)	**64,238**
NIE Networks pension scheme actuarial losses	-	-	-	(49,621)	-	(49,621)	-	**(49,621)**
Revaluation reserves on acquisition of Synergen Power Ltd.	-	-	-	(2,771)	2,771	-	-	**-**
Translation differences net of hedging	-	(39,836)	-	-	-	(39,836)	-	**(39,836)**
Cash flow hedges:								
- Net fair value gains / (losses)	-	-	(12,553)	-	-	(12,553)	-	**(12,553)**
- Transfers to income statement								
- Finance cost (interest)	-	-	3,188	-	-	3,188	-	**3,188**
- Finance cost (foreign translation movements)	-	-	17,738	-	-	17,738	-	**17,738**
- Other operating expenses	-	-	4,356	-	-	4,356	-	**4,356**
- Fair value gains for hedges in equity accounted investees	-	-	(1,383)	-	-	(1,383)	-	**(1,383)**
Tax on items taken directly to statement of comprehensive income (OCI)	-	-	2,788	8,923	-	11,711	-	**11,711**
Tax on items transferred to income statement	-	-	(3,436)	-	-	(3,436)	-	**(3,436)**
Tax on items taken directly to OCI for equity accounted investees	-	-	173	-	-	173	-	**173**
Total comprehensive income / (loss) for the period	**-**	**(39,836)**	**10,871**	**(43,469)**	**67,253**	**(5,181)**	**(244)**	**(5,425)**
Transactions with owners recognised directly in equity								
Dividends	-	-	-	-	(30,717)	(30,717)	-	**(30,717)**
Balance at 30 June 2016	**1,979,882**	**11,540**	**60,670**	**(194,567)**	**1,967,094**	**3,824,619**	**(2,118)**	**3,822,501**

[1]Other reserves comprises of (i) a €36.1 million revaluation reserve (December 2015: €38.8 million) which arose following the acquisition of the remaining 30% of Synergen Power Limited in 2009; (ii) other reserves relating to the NIE Networks pension scheme of (€212.6 million) (December 2015: (€171.9) million); (iii) a non-distributable reserve (€5.0 million) which was created on the sale of the Group's share in Ocean Communications Limited in 2001; and (iv) an ESOP repurchase provision which relates to the amount that ESB has committed to date to purchase from the ESOP internal market (€12.1 million). Refer to note 29 for information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six month period ended 30 June 2016

	Notes	Unaudited June 2016 € '000	Unaudited June 2015 € '000
Cash flows from operating activities			
Profit after taxation		**64,238**	201,310
Adjustments for:			
Depreciation and amortisation	6	**368,090**	368,801
Amortisation of supply contributions and other deferred income		**(25,825)**	(18,467)
Net emissions costs		**1,474**	35,929
Loss / (profit) on disposal of non-current assets	5	**398**	(5,368)
Net finance cost	7	**208,200**	99,025
Impact of fair value adjustments in operating costs		**(1,632)**	(2,804)
Losses from equity accounted investees	12	**7,903**	2,457
Income tax expense	17	**6,282**	34,568
Operating cash flows before changes in working capital and provisions		**629,128**	715,451
Charge in relation to provisions		**995**	1,374
Charge in relation to employee related liabilities		**6,525**	2,154
Utilisation of provisions		**(9,786)**	(4,624)
Utilisation of employee related liabilities		**(35,572)**	(34,872)
Decrease in trade and other receivables		**75,102**	56,001
Decrease / (increase) in inventories		**14,989**	(2,453)
Increase / (decrease) in trade and other payables		**30,938**	(17,140)
Cash generated from operations		**712,319**	715,891
Current tax paid		**(13,431)**	(17,395)
Financing costs paid		**(132,238)**	(145,462)
Net cash inflow from operating activities		**566,650**	553,034
Cash flows from investing activities			
Purchase of property, plant and equipment		**(309,780)**	(340,967)
Purchase of intangible assets		**(17,170)**	(17,739)
Proceeds from sale of non-current assets		**1,408**	4,342
Purchase of financial assets		**(5,570)**	(45,354)
Interest received		**371**	684
Net cash outflow from investing activities		**(330,741)**	(399,034)
Cash flows from financing activities			
Dividends paid	16	**(30,717)**	(223,999)
Repayments of term debt facilities and finance leases		**(65,574)**	(51,406)
Proceeds from the issue of new debt		**306,305**	216,181
(Decrease) / increase in other borrowings (net)		**(250,000)**	57
Payments on inflation linked interest rate swaps		**(8,301)**	(8,905)
Net cash outflow from financing activities		**(48,287)**	(68,072)
Net increase in cash and cash equivalents		**187,622**	85,928
Cash and cash equivalents at 1 January	15	**133,863**	143,731
Effect of exchange rate fluctuations on cash held		**(7,759)**	4,401
Cash and cash equivalents at 30 June	15	**313,726**	234,060

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 2016 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 2015 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 2015.

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 2015.

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
IFRS 14: Regulatory Deferral Accounts	1 January 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception	1 January 2016*
Amendments to IAS 7: Disclosure Initiative	1 January 2017*
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
IFRS 15: Revenue from Contracts with Customers	1 January 2018*
IFRS 9: Financial Instruments	1 January 2018*
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	1 January 2018*
Clarifications to IFRS 15: Revenue from Contracts with Customers	1 January 2018*
IFRS 16 Leases	1 January 2019*

* 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 is described in note 18 and the amount of cash and cash equivalents that the Group had on hand at 30 June 2016 was €313.7 million.

Note 25 in the interim financial statements 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

	Electric Ireland € '000	ESB Networks € '000	Generation and Wholesale Markets € '000	NIE Networks[1] € '000	Other Segments € '000	Consolidation and eliminations € '000	**Total € '000**
(i) Segment revenue – 2016							
External revenues	1,011,869	230,932	221,962	130,842	35,052	-	**1,630,657**
Inter-segment revenue	2,076	271,204	424,035	7,828	101,459	(806,602)	**-**
Revenue	1,013,945	502,136	645,997	138,670	136,511	(806,602)	**1,630,657**

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

	Electric Ireland € '000	ESB Networks € '000	Generation and Wholesale Markets € '000	NIE Networks[1] € '000	Other Segments € '000	Consolidation and eliminations € '000	**Total € '000**
(ii) Segment operating costs – 2016							
Depreciation and amortisation	(4,396)	(188,626)	(93,816)	(72,232)	(9,020)	-	**(368,090)**
Other operating costs	(952,802)	(181,702)	(440,441)	(51,617)	(172,050)	806,602	**(992,010)**
(iii) Operating result – 2016							
Operating profit / (loss)	56,747	148,116	111,743	14,821	(44,804)	-	**286,623**
Net finance cost	(68)	(385)	(17,639)	(26,695)	(163,413)	-	**(208,200)**
Share of equity accounted investees profit / (loss)	-	-	124	-	(8,027)	-	**(7,903)**
Profit / (loss) before taxation	56,679	147,731	94,228	(11,874)	(216,244)	-	**70,520**

	Electric Ireland € '000	ESB Networks € '000	Generation and Wholesale Markets € '000	NIE Networks[1] € '000	Other Segments € '000	Consolidation and eliminations € '000	Total € '000
(i) Segment Revenue – 2015							
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.

	Electric Ireland € '000	ESB Networks € '000	Generation and Wholesale Markets € '000	NIE Networks[1] € '000	Other Segments € '000	Consolidation and eliminations € '000	Total € '000
(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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING (continued)

(b) Other disclosures

	June 2016 € '000	June 2015 € '000
Additions to non-current assets (excluding acquisitions)		
Electric Ireland	**3,354**	5,742
ESB Networks	**147,657**	211,147
Generation and Wholesale Markets	**84,691**	108,442
NIE Networks	**76,296**	56,966
Other Segments	**43,795**	22,522
Total	**355,793**	404,819

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. OTHER OPERATING INCOME / (EXPENSES)

	June 2016 € '000	June 2015 € '000
(Loss) / profit on disposal of property, plant and equipment and intangible assets	**(398)**	783
Profit on disposal of subsidiaries[1]	**-**	4,585
Amortisation of supply contributions	**16,275**	16,111
Fair value movements on assets held at fair value through profit and loss[2]	**189**	(1,761)
Total	**16,066**	19,718

[1]The profit on disposal of subsidiaries relates to the sale of windfarm subsidiaries in 2015 of which €25.5 million was included in property, plant and equipment (note 9).

[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 12.

6. OPERATING COSTS

	June 2016 € '000	June 2015 € '000
Employee costs (note 8)	**226,701**	213,783
Fuel costs	**265,131**	361,488
Other electricity related costs	**211,606**	213,844
Operations and maintenance[1]	**288,572**	225,203
Depreciation and amortisation (notes 9 / 10)	**368,090**	368,801
Total	**1,360,100**	1,383,119

[1] Included in operations and maintenance is a FX retranslation loss of €37 million on sterling denominated intercompany positions (2015: €21 million gain).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. NET FINANCE COST AND OTHER FINANCING CHARGES

	June 2016 € '000	June 2015 € '000
Interest payable on borrowings	**109,154**	130,542
Less capitalised interest	**(30,317)**	(24,314)
Net interest on borrowings	**78,837**	106,228
Financing charges:		
- on NIE Networks pension scheme (note 20)	**2,428**	2,761
- ESB pension scheme (note 21)	**12,329**	15,394
- on employee related liabilities (note 21)	**303**	701
- on power station closure costs (note 24)	**738**	556
- on other provisions (note 24)	**277**	231
Total financing charges	**16,075**	19,643
Fair value (gains) / losses on financial instruments:		
- currency / interest rate swaps: cash flow hedges, transfer from OCI	**3,188**	7,541
- interest rate swaps and inflation linked swaps not qualifying for hedge accounting	**116,694**	(33,703)
Total fair value (gains) / losses on financial instruments	**119,882**	(26,162)
Finance cost	**214,794**	99,709
Finance income	**(6,594)**	(684)
Net finance cost	**208,200**	99,025

The financing charges on provisions are calculated in accordance with the policy for discounting of future payment obligations as disclosed in the annual report – see note 1.

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 Networks 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 2016 and 2015 also include the valuation of interest rate swaps contracted in December 2012.

Negative fair value movements of €121.1 million arose on the swaps during 2016 (30 June 2015: positive fair value movements of €30.4 million) 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 statement of comprehensive income relating to interest rate swaps and foreign exchange contracts disclosed above, a loss of €17.7 million (30 June 2015: gain of €62.9 million) has been transferred from the cash flow hedge reserve to net finance cost and other financing charges during the period. 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

8. EMPLOYEES

Employee costs in the period	June 2016 € '000	June 2015 € '000
Current staff costs (excluding pension)		
Salaries	**234,360**	222,764
Overtime	**16,437**	17,141
Social welfare costs (PRSI)	**17,880**	16,281
Other payroll benefits[1]	**16,123**	14,216
	284,800	270,402
Capitalised payroll	**(85,809)**	(83,717)
Net payroll cost for employees	**198,991**	186,685
Pension and other employee benefit costs		
Pensions charge – other schemes[2]	**22,792**	22,046
NIE Networks pension scheme charge[3]	**4,918**	5,052
	27,710	27,098
Total employee related costs charged to the income statement	**226,701**	213,783

[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 Pension Scheme, the ESB Defined Benefit Pension Scheme and the Options section of the NIE Networks Pension Scheme (NIE Networks Scheme).

[3] The NIE Networks pension scheme charge relates solely to the Focus section of the NIE Networks Scheme. See note 20 for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. PROPERTY, PLANT & 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 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 differences	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**
Balance at 1 January 2016	1,201,419	16,944,704	18,146,123	1,682,110	**19,828,233**
Additions	667	106,853	107,520	225,533	**333,053**
Retirements / disposals	(3,307)	(6,998)	(10,305)	-	**(10,305)**
Transfers out of assets under construction	4,878	51,750	56,628	(56,628)	**-**
Transfers to intangible assets	-	(3,391)	(3,391)	-	**(3,391)**
Translation differences	(1,072)	(513,527)	(514,599)	(92,310)	**(606,909)**
Balance at 30 June 2016	1,202,585	16,579,391	17,781,976	1,758,705	**19,540,681**
Depreciation					
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 differences	201	147,478	147,679	-	**147,679**
Balance at 30 June 2015	669,975	7,895,588	8,565,563	-	**8,565,563**
Balance at 1 January 2016	681,045	8,274,352	8,955,397	-	**8,955,397**
Charge for the period	10,532	336,830	347,362	-	**347,362**
Retirements / disposals	(1,608)	(6,891)	(8,499)	-	**(8,499)**
Translation differences	(268)	(210,369)	(210,637)	-	**(210,637)**
Balance at 30 June 2016	689,701	8,393,922	9,083,623	-	**9,083,623**
Net book value at 30 June 2016	**512,884**	**8,185,469**	**8,698,353**	**1,758,705**	**10,457,058**
Net book value at 31 December 2015	520,374	8,670,352	9,190,726	1,682,110	**10,872,836**
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 1 January 2015	519,957	8,624,225	9,144,182	1,572,404	**10,716,586**

During the period the Group capitalised interest of €30.3 million (30 June 2015: €24.3 million) in assets under construction, using an effective interest rate of 4.4% (30 June 2015: 4.8%).

The carrying value of non-depreciable assets at 30 June 2016 is €87.9 million (31 December 2015: €89.2 million).

Property, plant and equipment with a net book value of €nil million at 30 June 2016 is included above at a cost of €3,702.8 million (31 December 2015: €3,613.9 million).

Retirements / disposals in both 2016 and 2015 primarily relate to the retirement of assets that have been fully depreciated in addition to the disposal of development wind farms from assets under construction in 2015 (refer to note 5).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

	Software and other intangible assets € '000	Emissions allowances € '000	Software under development € '000	**Total € '000**
Cost				
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**
Balance at 1 January 2016	661,932	31,963	33,753	**727,648**
Software additions	1,620	-	15,550	**17,170**
Purchase of emissions	-	29,599	-	**29,599**
Software disposals	(1,144)	-	-	**(1,144)**
Settlement of emissions allowances	-	(61,154)	-	**(61,154)**
Transfers out of software under development	97	-	(97)	**-**
Transfers from property, plant and equipment	3,391	-	-	**3,391**
Translation differences	(22,037)	-	(46)	**(22,083)**
Balance at 30 June 2016	643,859	408	49,160	**693,427**
Amortisation				
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**
Balance at 1 January 2016	499,908	-	-	**499,908**
Charge for the period	20,728	-	-	**20,728**
Retirements / disposals	(54)	-	-	**(54)**
Translation differences	(15,918)	-	-	**(15,918)**
Balance at 30 June 2016	504,664	-	-	**504,664**
Net book value at 30 June 2016	**139,195**	**408**	**49,160**	**188,763**
Net book value at 31 December 2015	162,024	31,963	33,753	**227,740**
Net book value at 30 June 2015	155,136	1,827	39,055	**196,018**
Net book value at 1 January 2015	127,064	50,023	26,573	**203,660**

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 assets.

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

11. GOODWILL

	€ '000
Balance at 1 January 2015	194,827
Translation differences	18,486
Balance at 30 June 2015	213,313
Balance at 1 January 2016	206,759
Translation differences	(23,153)
Balance at 30 June 2016	**183,606**

Goodwill was recognised on the acquisition of NIE Networks in December 2010 and relates to the fair value of the expected return on future investment in the Regulated Asset Base (RAB) of NIE Networks. Goodwill is reviewed annually in December 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 in December 2015 in accordance with IAS 36. This impairment review incorporated the final determination of the most recent price control programme (RP5) applicable to NIE Networks. No reduction in the value of goodwill was required. During the period to 30 June 2016, there were no indicators of impairment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL ASSET INVESTMENTS

	Equity accounted investees € '000	Financial assets at fair value through profit or loss € '000	Total € '000
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 movements – transfer to income statement (note 5)	-	(1,761)	**(1,761)**
Translation differences	732	-	**732**
Balance at 30 June 2015	138,464	66,900	**205,364**
Balance at 1 January 2016	94,850	62,563	**157,413**
Additions	100	5,470	**5,570**
Transfers to other payables	1,355	-	**1,355**
Share of loss	(7,903)	-	**(7,903)**
Fair value movement on cash flow hedges	(1,210)	-	**(1,210)**
Fair value movements – transfer to income statement (note 5)	-	189	**189**
Translation differences	(327)	(1,004)	**(1,331)**
Balance at 30 June 2016	**86,865**	**67,218**	**154,083**

Financial assets at fair value through profit or loss
Translation differences for 2016 relate to VantagePoint, an investment held by Novusmodus Investments Limited. The translation movement on this investment has been recognised separately in the income statement to the fair value movement on the investment for 2016. The net movement on this investment as at 30 June 2016 is €0.8 million of a loss.

Equity accounted investees investments
The fair value movement on cash flow hedges for equity accounted investees relates to derivatives held in Raheenleagh Power Limited, which have been designated as cash flow hedging relationships in this entity.

Translation differences on equity accounted investees relate to Tilbury Green Power Holdings Limited as this Company's functional currency is sterling.

The following companies have been included in the ESB Group accounts as equity accounted investees:

Name of the company	Country	Holding 30 June 2016 % of share capital owned	Holding 31 December 2015 % 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	Republic of Ireland	**50**	50
Raheenleagh Power Limited[1]	Republic of Ireland	**50**	50
Kingspan ESB Limited[1]	Great Britain	**50**	50
Tilbury Green Power Holdings Limited	Great Britain	**47**	47

[1] At 30 June 2016, the investments in Oweninny Power Limited, Emerald Bridge Fibres Limited, Raheenleagh Power Limited and Kingspan ESB Limited were held at €nil.

SIRO Limited (SIRO)
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 five years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL ASSET INVESTMENTS (continued)

Tilbury Green Power Holdings Limited (Tilbury)
The Group is 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 €48.1 million, €2.6 million was advanced as equity and €45.5 million as shareholder loans.

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 power production.

Raheenleagh Power Limited (Raheenleagh)
The Group is 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 €5.6 million of which €1.8 million was advanced as equity and €3.8 million as shareholder loans.

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 power production.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. 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 and its other equity accounted investees are as follows:

	SIRO Limited		Tilbury Green Power Holdings Limited		Other equity accounted investees[1&2]	
Summarised income statement	**June 2016 €'000**	June 2015 €'000	**June 2016 €'000**	June 2015 €'000	**June 2016 €'000**	June 2015 €'000
Revenue	**139**	-	**-**	-	**1,951**	245
Loss	**(14,085)**	(3,959)	**-**	(180)	**(1,722)**	(787)
Group share of loss	**(7,042)**	(1,979)	**-**	(84)	**(861)**	(394)

Summarised balance sheet	**June 2016 €'000**	December 2015 €'000	**June 2016 €'000**	December 2015 €'000	**June 2016 €'000**	December 2015 €'000
Cash	**45,353**	71,426	**-**	-	**-**	361
Current assets	**6,585**	5,549	**96,865**	95,307	**-**	-
Non-current assets	**138,791**	129,475	**5,499**	6,192	**-**	27,033
Current liabilities	**(21,709)**	(23,345)	**-**	-	**-**	(25,712)
Non-current liabilities	**-**	-	**(96,865)**	(95,307)	**-**	-
Net assets	**169,020**	183,105	**5,499**	6,192	**-**	1,682

Reconciliation of the above amounts to the investment recognised in the balance sheet:

Group equity interest	**50%**	50%	**47%**	47%	**50%**	50%
Net assets	**169,020**	183,105	**5,499**	6,192	**-**	1,682
Group share	**84,510**	91,553	**2,585**	2,910	**-**	841
Other adjustments	**(230)**	(454)	**-**	-	**-**	-
Carrying value of Group's equity interest	**84,280**	91,099	**2,585**	2,910	**-**	841

[1] Other equity accounted investees include Emerald Bridge Fibres Limited, Kingspan ESB Limited, Raheenleagh Power Limited and Oweninny Power Limited.

[2] Raheenleagh Power Limited was in a net liability position as at 30 June 2016 (€0.4 million) and subsequently transferred to other payables. This Company was in a net asset position as at 31 December 2015 (€0.8 million).

Interest in financial assets held at fair value through profit and loss
The Group owns a venture capital fund, 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 an 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.

At 30 June 2016, the Group could be called upon by its partners in the VantagePoint fund to make a further €0.4 million investment in the fund (December 2015: €0.5 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INVENTORIES

	June 2016 € '000	December 2015 € '000
Materials	**32,146**	29,489
Fuel	**49,535**	67,181
Total	**81,681**	96,670

Inventories consumed during the period to 30 June 2016 totalled €55.6 million (30 June 2015: €66.2 million). There were no inventory impairments recognised during the period (31 December 2015: €nil).

14. TRADE AND OTHER RECEIVABLES

	June 2016 € '000	December 2015 € '000
Current Receivables:		
Retail electricity receivables – billed	**87,711**	89,881
Retail electricity receivables – unbilled	**146,417**	187,853
Total retail electricity receivables	**234,128**	277,734
SEM pool related receivables	**50,362**	54,882
Use of system receivables (including unbilled)	**178,247**	212,527
Other electricity receivables	**16,861**	38,082
Total electricity receivables	**479,598**	583,225
Trade receivables – non-electricity	**69,095**	58,683
Amounts due from equity accounted undertakings	**15,933**	16,218
Other receivables	**60,987**	56,706
Prepayments	**71,565**	36,345
Total	**697,178**	751,177

	June 2016 € '000	December 2015 € '000
Non-current receivables:		
Amounts due from equity accounted undertakings	**45,501**	44,777

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.

15. CASH AND CASH EQUIVALENTS

	June 2016 € '000	December 2015 € '000
Cash at bank and in hand	**313,726**	133,863

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. CHANGES IN EQUITY

(i) Non-controlling interest

Non-controlling interests at 31 December 2015 and at 30 June 2016 relate to the minority shareholdings in Crockahenny Wind Farm Limited, Mountain Lodge Power Limited, Airvolution Energy Limited, Coriolis Energy Limited and Geothermal International Limited.

(ii) Dividends

	June 2016 € '000	June 2015 € '000
Dividends on capital stock:		
Total dividend paid 1.55 (30 June 2015: 11.31) cents per capital stock unit	**30,717**	223,999

Total dividends paid during the period includes a final dividend of €30.7 million (1.55 cent per unit of stock) in respect of 2015.

Total dividends paid during the period ended 30 June 2015 included a final dividend of €10.3 million (0.52 cent per unit of stock) in respect of 2014 and the last payment of the special dividend of €213.7 million (10.79 cents per unit of stock).

17. TAXATION

Income tax expense / (credit)	June 2016 € '000	June 2015 € '000
Current tax expense		
Current tax	**26,153**	29,410
Prior year over provision	**(6,400)**	(61)
	19,753	29,349
Deferred tax expense		
Origination and reversal of temporary differences	**(20,049)**	5,189
Prior year under provision	**6,578**	30
	(13,471)	5,219
Total	**6,282**	34,568

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS AND OTHER DEBT

(a)

	Recourse borrowings € '000	Non-recourse borrowings € '000	June 2016 Total € '000	December 2015 Total € '000
Current borrowings				
- Repayable by instalments	96,197	28,484	**124,681**	118,171
- Repayable other than by instalments	40,475	47,426	**87,901**	300,654
Total current borrowings	136,672	75,910	**212,582**	418,825
Non-current borrowings				
- Repayable by instalments				
Between one and two years	94,165	24,827	**118,992**	124,843
Between two and five years	219,701	103,015	**322,716**	353,292
After five years	375,720	307,476	**683,196**	772,179
	689,586	435,318	**1,124,904**	1,250,314
- Repayable other than by instalments				
Between one and two years	291,996	217,637	**509,633**	339,082
Between two and five years	925,276	-	**925,276**	1,454,859
After five years	1,590,782	481,934	**2,072,716**	1,646,059
	2,808,054	699,571	**3,507,625**	3,440,000
Total non-current borrowings	3,497,640	1,134,889	**4,632,529**	4,690,314
Total borrowings outstanding	3,634,312	1,210,799	**4,845,111**	5,109,139

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

Current borrowings by facility

	Ref	June 2016 € '000	December 2015 € '000
Long-term bank borrowings	4	**96,197**	347,067
Private placement borrowings	5	**40,475**	24,785
Non-recourse long-term project finance debt	2	**28,484**	18,893
Non-recourse short-term project finance debt	6	**47,426**	28,080
		212,582	418,825

Non-current borrowings by facility

	Ref	June 2016 € '000	December 2015 € '000
Non-recourse long-term project finance debt	2	**435,318**	485,041
ESB Eurobonds	1	**2,153,619**	1,918,096
NIE Networks Eurobonds	3	**699,571**	791,849
Long-term bank borrowings	4	**689,586**	765,273
Private placement borrowings	5	**654,435**	730,055
		4,632,529	4,690,314

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

At 30 June 2016, ESB was rated A- by Standard & Poor's (outlook stable), BBB+ by Fitch (outlook stable), and Baa1 (equivalent to BBB+) by Moody's (outlook positive).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS AND OTHER DEBT (continued)

1. ESB Eurobonds

The table below provides details of ESB Eurobonds included in borrowings at 30 June 2016:

Issuer	Value	Issue Date	Tenor	Coupon
ESB Finance Limited	Stg£275.0 million	March 2010	10 years	6.500%
ESB Finance Limited	Euro €300.0 million	September 2012	5 years	6.250%
ESB Finance Limited	Euro €215.2 million	November 2012	7 years	4.375%
ESB Finance Limited	Euro €300.0 million	November 2013	10 years	3.494%
ESB Finance Limited	Euro €500.0 million	June 2015	12 years	2.125%
ESB Finance Limited	Euro €600.0 million	June 2016	15 years	1.875%

On 14 June 2016, ESB successfully raised a €600 million, 1.875% fixed rate Eurobond maturing in June 2031. In addition to this, on the same date, the Group successfully bought back a €284.8 million portion of its existing €500 million Eurobond debt which was originally raised in November 2012, as outlined above.

As the terms of the existing bond and the new issue were not substantially different, quantitatively or qualitatively, and the counterparty remained the same, under International Accounting Standard 39 – Financial Instruments Recognition and Measurement, this transaction was considered an exchange of existing debt instruments rather than the issue of new debt. As it was an exchange of existing debt instruments the difference between the tendered value of the existing bonds and the par value of the new issue (€43.5 million) was rolled into the effective interest rate of the new bonds. The €43.5 million will be amortised to the income statement over the life of the new bonds. €0.2 million has been amortised to the income statement as at 30 June 2016.

2. Non-recourse long-term project finance debt

In September 2012, Carrington Power Limited (CPL), a 100% owned subsidiary of ESB, completed the financial close of an 881 MW 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 million 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£384.2 million (31 December 2015: Stg£372.4 million) debt was drawn at the 30 June 2016. The plant achieved commercial operation in September 2016 and the assets under construction are Stg£540.4 million at 30 June 2016 (31 December 2015: Stg£509.8 million). The remainder of this debt is in relation to a wind farm in Great Britain.

3. NIE Networks Eurobonds

As part of the acquisition of NIE Networks, 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 Networks Limited issued a Stg£400.0 million 15-year sterling bond with a fixed coupon of 6.375%.

4. Long-term bank borrowings

Long-term bank borrowings include €346.3 million (31 December 2015: €406.0 million) of floating rate debt borrowed on a bilateral basis, while the remainder is fixed interest debt.

A €1.44 billion revolving credit facility with a syndicate of 14 banks to draw down bank finance as required up to February 2021, with an option to extend this for a further year, was available to the Group at 30 June 2016, and was undrawn.

A separate 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 million in October 2014, bringing the total value of the facility to €200 million. The facility is undrawn at 30 June 2016.

5. 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 dollar and sterling and at 30 June 2016 comprise US$370.0 million, maturing on dates between 2018 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 dollar, sterling and euro and at 30 June 2016 comprise US$226.0 million maturing in 2019, Stg£85.0 million maturing on dates between 2017 and 2021 and €40.0 million maturing in 2019. US$27.0 million of this debt was repaid in June 2016 as scheduled.

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 been fully in compliance with all the covenant requirements associated with the private placement debt and other facilities.

6. Non-recourse short-term project finance debt

Short-term non-recourse project funding of Stg£39.2 million had been drawn down at 30 June 2016. This is in relation to the financing of certain Airvolution projects (a Novusmodus investee).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS AND OTHER DEBT (continued)

Hedge of net investment in foreign operations

Included in borrowings on the previous page are sterling denominated bank loans, which have been designated as a hedge of the Group's investment in a sterling denominated subsidiary in the United Kingdom, as outlined below.

Sterling denominated loans designated as a hedge of Group's investment in subsidiary	June 2016 € '000	December 2015 € '000
Value at 1 January	**64,981**	73,477
Repayments in year	**(6,242)**	(13,123)
(Gain) / loss on translation to euro	**(6,805)**	4,627
Value at 30 June	**51,934**	64,981
(Loss) / gain on translation of intragroup euro loan to subsidiary (taken to OCI)	**(4,273)**	3,265

(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 2016 the Group had over €1.9 billion 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 €154 million which may only be drawn against certain specified 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 both 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 is as follows:

	30 June 2016		31 December 2015	
Maturing	Drawn Debt € '000	Undrawn Debt € '000	Drawn Debt € '000	Undrawn Debt € '000
In one year or less	**212,582**	**-**	418,825	-
Between one and two years	**628,625**	**154,000**	463,925	145,000
Between two and five years	**1,247,992**	**1,440,000**	1,808,151	1,190,000
In more than five years	**2,755,912**	**-**	2,418,238	-
	4,845,111	**1,594,000**	5,109,139	1,335,000

(c) Interest rate risk management

The Group's interest rate policy was updated in 2013 and is to target to have a significant majority of its debt at fixed (or inflation linked) 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 2016, 96% of the Group's debt was fixed to maturity or inflation linked (December 2015: 92%). The fair value of interest rate swaps is disclosed in note 19.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS AND OTHER DEBT (continued)

(c) Interest rate risk management (continued)

In respect of income-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)	**6.5%**	**694,910**	40,475	-	396,130	258,305
Non-recourse borrowings (fixed interest rate)	**6.1%**	**1,210,799**	75,910	242,464	103,015	789,410
Other long-term borrowings (fixed and variable interest rate)	**3.2%**	**2,939,402**	96,197	386,161	748,847	1,708,197

Included within other long-term borrowings in this analysis are floating rate liabilities of €180.4 million (31 December 2015: €406.0 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 sterling borrowings of Stg£434.9 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 2016 would be 0.27%, 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

19. 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 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 0.8% (31 December 2015: 0.9%). The rate is based on the EURIBOR yield curve at the reporting date.

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

			June 2016		
	Non-current assets € '000	Current Assets € '000	Non-current liabilities € '000	Current liabilities € '000	**Total € '000**
Interest rate swaps	16,312	183	(64,597)	-	**(48,102)**
Inflation linked interest rate swaps	-	-	(648,532)	(17,365)	**(665,897)**
Currency swaps	49,078	-	(14,117)	-	**34,961**
Foreign exchange contracts	5,959	5,894	(2,610)	(18,953)	**(9,710)**
Forward fuel price contracts	17,511	72,497	(76,279)	(106,867)	**(93,138)**
Forward electricity price contracts	158,244	84,107	-	-	**242,351**
	247,104	**162,681**	**(806,135)**	**(143,185)**	**(539,535)**

			December 2015		
	Non-current assets € '000	Current Assets € '000	Non-current liabilities € '000	Current liabilities € '000	Total € '000
Interest rate swaps	3,750	-	(28,607)	-	(24,857)
Inflation linked interest rate swaps	-	-	(619,204)	(14,838)	(634,042)
Currency swaps	43,040	5,768	-	-	48,808
Foreign exchange contracts	283	6,820	(12,049)	(14,013)	(18,959)
Forward fuel price contracts	11,999	82,523	(94,677)	(178,253)	(178,408)
Forward electricity price contracts	177,493	119,289	-	-	296,782
	236,565	214,400	(754,537)	(207,104)	(510,676)

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.

(i) Interest rate swaps

The Group has executed interest rate swaps of Stg£805 million in connection with certain 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 balance sheet date. As interest rate swaps are marked to market at 30 June 2016, their carrying value is equal to their fair value.

Total fair value losses of €23.3 million (30 June 2015: gains of €5.2 million) were recognised during the period to 30 June 2016 in relation to interest rate swaps, of which gains of €3.0 million was recognised directly in finance costs in the income statement, with losses of €26.3 million recognised in OCI (30 June 2015: losses of €4.7 million recognised in finance costs and gains of €9.9 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 Networks business. The inflation linked interest rate swaps did not qualify for hedge accounting under IAS 39 on acquisition of the NIE Networks 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. 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, UK RPI forward prices, and foreign currency exchange rates during the period, negative fair value movements of €31.9 million on these swaps occurred in the period ended 30 June 2016 (30 June 2015: positive fair value movements of €30.4 million). Negative fair value movements in the underlying swaps of €129.4 million, reflected in finance costs in the income statement (as hedge accounting was not available), were partly offset by positive translation movements of €89.2 million during the period on translation of the swaps from sterling to euro, and by payments of €8.3 million arising under the swaps during the period.

(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 18. 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 year resulting in the recognition of a charge of €0.8 million (30 June 2015: credit of €0.6 million) within finance costs in the income statement. Separately included in the income statement at 30 June 2016 is a loss of €17.7 million (30 June 2015: gain of €62.8 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 7).

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 dollar and sterling) and in relation to power station projects (including Carrington Power Limited). These contracts have maturities extending until 2022. Total positive fair value movements of €9.2 million (30 June 2015: negative movements of €8.2 million) were recognised during the period in relation to such foreign exchange contracts, of which a positive fair value movement of €7.4 million (30 June 2015: negative fair value movements of €7.0 million) was recognised through other comprehensive income and a positive fair value movement of €1.8 million (30 June 2015: negative movement of €1.2 million) was recognised in the income statement.

Fair value hierarchy
Further information on the methods of valuing financial instruments is included in note 25.

20. PENSION LIABILITIES

Northern Ireland Electricity Networks (NIE Networks) Pension Scheme

	June 2016 €'000	June 2015 €'000
Net deficit at 1 January	**(142,069)**	(164,022)
Movements during the period:		
Actuarial losses recognised in OCI during the period	**(49,621)**	(16,725)
Charge to the income statement	**(4,918)**	(6,013)
Pension contributions paid	**15,299**	15,920
Net pension scheme interest	**(2,428)**	(2,761)
Translation differences	**18,792**	(15,927)
Net deficit at 30 June	**(164,945)**	(189,528)

Pension liability
The majority of the employees of NIE Networks Limited and subsidiaries are members of the NIE Networks Pension Scheme (the NIE Networks 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 Networks 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 a decrease in the discount rate used to value the scheme liabilities to 2.90% at 30 June 2016, from 3.80% at 31 December 2015, in addition to an increase in life expectancy assumptions. This is offset in part by a higher than expected return on scheme assets and a decrease in the inflation rate assumption to 1.6% at 30 June 2016 from 1.9% at 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. LIABILITY - ESB PENSION SCHEME AND EMPLOYEE RELATED LIABILITIES

		Employee related liabilities		
	Liability - ESB pension scheme € '000	Restructuring liabilities € '000	Other € '000	**Total € '000**
Balance at 1 January 2015	**731,070**	133,164	32,538	**165,702**
Movements during the period:				
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**
Balance at 1 January 2016	**648,129**	111,726	33,684	**145,410**
Movements during the period:				
Charge to the income statement	**-**	-	1,607	**1,607**
Utilised during the period	**(7,365)**	(8,236)	(4,672)	**(12,908)**
Financing charge	**12,329**	303	-	**303**
Translation differences	-	(2)	-	**(2)**
Balance at 30 June 2016	**653,093**	103,791	30,619	**134,410**
Analysed as follows:				
Non-current liabilities	**498,297**	88,276	-	**88,276**
Current liabilities	**154,796**	15,515	30,619	**46,134**
Total	**653,093**	103,791	30,619	**134,410**

Liability for pension obligation

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 2015 annual report.

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, which are expected to be materially discharged by 2027. 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.

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

22. TRADE AND OTHER PAYABLES

	June 2016 € '000	December 2015 € '000
Current payables:		
Progress payments on work in progress	**70,523**	76,815
Trade payables	**334,072**	350,692
Other payables	**64,524**	43,070
Employment taxes	**18,457**	20,199
Value added tax	**36,723**	35,681
Accruals	**88,724**	85,737
Accrued interest on borrowings	**58,826**	83,341
	671,849	695,535

	June 2016 € '000	December 2015 € '000
Non-current payables:		
Other payables	**-**	8,686

23. DEFERRED INCOME AND GOVERNMENT GRANTS

	Supply contributions and others €'000
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**
Balance at 1 January 2016	**558,284**
Receivable	**19,830**
Released to the income statement	**(30,050)**
Translation differences	**1,610**
Balance at 30 June 2016	**549,674**
Analysed as follows:	
Non-current liabilities	**498,700**
Current liabilities	**50,974**
Total	**549,674**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. PROVISIONS

	Power station closure costs € '000	Emissions provisions € '000	Other € '000	**Total € '000**
Balance at 1 January 2015	135,105	49,331	57,255	**241,691**
Charged 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**
Balance at 1 January 2016	131,707	62,132	81,592	**275,431**
Charged to the income statement				
- Emissions	-	31,073	-	**31,073**
- Legal	-	-	995	**995**
Utilised in the period	(1,699)	(61,154)	(8,087)	**(70,940)**
Financing charge	738	-	277	**1,015**
Translation differences	(364)	(88)	(1,326)	**(1,778)**
Balance at 30 June 2016	130,382	31,963	73,451	**235,796**
Analysed as follows:				
Non-current liabilities	128,368	-	58,597	**186,965**
Current liabilities	2,014	31,963	14,854	**48,831**
Total	**130,382**	**31,963**	**73,451**	**235,796**

Power station closure costs

The provision at 30 June 2016 of €130.4 million (31 December 2015: €131.7 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 CO_2 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 CO_2 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 CO_2 emissions allowances, in addition to the market value of any additional allowances required to settle the period end liability.

Other provisions

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. 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 Investment Committee is updated on an ongoing basis on key treasury matters and an annual report covering the treasury activity is also submitted to the Committee for review.

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 maintains 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 adequately managed in accordance with Group Trading Risk Management Policy. The trading operations of the business units are subject to review by Group Internal Audit.

Hedge accounting

ESB funds its operations using borrowings and uses deposit instruments to invest surplus funds. ESB also 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 treatment under IAS 39 is applied where possible both for hedges of foreign currency liabilities and interest rate risks. Foreign currency forward contracts, currency swaps, and interest rate swaps on hand which are not specifically designated into hedge relationships from an accounting perspective are nevertheless regarded as valid economic hedges.

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 hedge accounting criteria of IAS 39. As with foreign currency forward contracts, currency swaps, and interest rate swaps, where the IAS 39 hedge criteria are met in respect of forward fuel price contracts and forward electricity price contracts, 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

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Overview of financial assets and liabilities

Financial assets and liabilities, excluding provisions and employee related liabilities, at 30 June 2016, and at 31 December 2015 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 2016 € '000	December 2015 € '000	**June 2016 € '000**	December 2015 € '000	**June 2016 € '000**	December 2015 € '000	**June 2016 € '000**	December 2015 € '000	**June 2016 € '000**	December 2015 € '000
ASSETS										
Non-current assets										
Trade and other receivables	**-**	-	**45,501**	44,777	**-**	-	**-**	-	**45,501**	44,777
Financial asset investments	**67,218**	62,563	**-**	-	**-**	-	**-**	-	**67,218**	62,563
Derivative financial instruments	**-**	-	**-**	-	**214,934**	165,993	**32,170**	70,572	**247,104**	236,565
Total non-current financial assets	**67,218**	62,563	**45,501**	44,777	**214,934**	165,993	**32,170**	70,572	**359,823**	343,905
Current assets										
Trade and other receivables	**-**	-	**697,178**	751,177	**-**	-	**-**	-	**697,178**	751,177
Cash and cash equivalents	**-**	-	**313,726**	133,863	**-**	-	**-**	-	**313,726**	133,863
Derivative financial instruments	**-**	-	**-**	-	**94,549**	181,205	**68,132**	33,195	**162,681**	214,400
Total current financial assets	**-**	-	**1,010,904**	885,040	**94,549**	181,205	**68,132**	33,195	**1,173,585**	1,099,440
Total financial assets	**67,218**	62,563	**1,056,405**	929,817	**309,483**	347,198	**100,302**	103,767	**1,533,408**	1,443,345
LIABILITIES										
Non-current liabilities										
Borrowings and other debt	**-**	-	**4,632,529**	4,690,314	**-**	-	**-**	-	**4,632,529**	4,690,314
Trade and other payables	**-**	-	**-**	8,686	**-**	-	**-**	-	**-**	8,686
Derivative financial instruments	**-**	-	**-**	-	**128,190**	110,664	**677,945**	643,873	**806,135**	754,537
Total non-current financial liabilities	**-**	-	**4,632,529**	4,699,000	**128,190**	110,664	**677,945**	643,873	**5,438,664**	5,453,537
Current liabilities										
Borrowings and other debt	**-**	-	**212,582**	418,825	**-**	-	**-**	-	**212,582**	418,825
Trade and other payables	**-**	-	**671,849**	695,535	**-**	-	**-**	-	**671,849**	695,535
Derivative financial instruments	**-**	-	**-**	-	**73,756**	115,647	**69,429**	91,457	**143,185**	207,104
Total current financial liabilities	**-**	-	**884,431**	1,114,360	**73,756**	115,647	**69,429**	91,457	**1,027,616**	1,321,464
Total financial liabilities	**-**	-	**5,516,960**	5,813,360	**201,946**	226,311	**747,374**	735,330	**6,466,280**	6,775,001

The Group's provisions and employee related liabilities are not analysed in the table above, or in the further analysis below. This includes the liability for pension obligation of €653.1 million at 30 June 2016 (31 December 2015: €648.1 million) See Notes 20, 21 and 24 for further information in relation to this and to the other provisions and employee related liabilities.

(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 2016 € '000**	31 December 2015 € '000
Financial asset investments	**67,218**	62,563
Cash and cash equivalents	**313,726**	133,863
Derivative financial instruments	**409,785**	450,965
Trade and other receivables	**742,679**	795,954
	1,533,408	1,443,345

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Credit risk (continued)

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.

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, specifically in the form of Letters of Credit from certain power Contract for Differences (CfD) counterparties. Total collateral held at the period end 30 June 2016 was €40.8 million (31 December 2015: €49.7 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 18) and investment 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 2016 relate to forecast cash flows expected.

At the six month period ended 30 June 2016, ESB's total debt portfolio amounted to €4.8 billion (31 December 2015: €5.1 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before swaps		After swaps	
	30 June 2016 %	31 December 2015 %	**30 June 2016 %**	31 December 2015 %
Currency				
Euro	**50**	47	**60**	58
US dollar	**11**	11	**-**	-
Sterling	**39**	42	**40**	42
Total	**100**	100	**100**	100

The key exchange rates used at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	31 December 2015
Foreign currency rate (US$ = €1)	**1.1102**	1.0900
Foreign currency rate (Stg£ = €1)	**0.8265**	0.7340

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(e) Fair value

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

	30 June 2016		31 December 2015	
	Carrying value € '000	Fair value € '000	Carrying value € '000	Fair value € '000
Long-term debt	**4,632,529**	**5,381,614**	4,690,314	5,290,073
Short-term borrowings	**212,582**	**128,681**	418,825	472,381
Total borrowings	**4,845,111**	**5,510,295**	5,109,139	5,762,454
Non-current trade and other payables	**-**	**-**	8,686	8,513
Current trade and other payables	**671,849**	**671,849**	695,535	695,535
Non-current trade and other receivables	**(45,501)**	**(73,842)**	(44,777)	(66,001)
Current trade and other receivables	**(697,178)**	**(697,178)**	(751,177)	(751,177)
Cash and cash equivalents	**(313,726)**	**(313,726)**	(133,863)	(133,863)
Net liabilities	**4,460,555**	**5,097,398**	4,883,543	5,515,461

As trade and other payables are all due within one year, their carrying value is considered to be materially in line with their fair value.

The fair value of trade and other receivables is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables due within one year have been provided for where impaired, their carrying value is considered to be materially in line with their fair value.

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 2016 %	31 December 2015 %
Other loans and borrowings	**1.2**	2.2
Derivative financial instruments	**0.9**	0.9
Trade and other payables	**-**	1.0
Trade and other receivables	**4.06**	5.17

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. 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).

30 June 2016	Level 2 € '000	Level 3 € '000	**Total € '000**
ASSETS			
Derivative financial instruments			
- Currency swaps	49,078	-	**49,078**
- Foreign exchange contracts	11,853	-	**11,853**
- Forward fuel price contracts	90,008	-	**90,008**
- Forward electricity price contracts	18,671	223,680	**242,351**
- Interest rate swaps	16,495	-	**16,495**
Financial assets at fair value through profit or loss	-	66,648	**66,648**
	186,105	**290,328**	**476,433**
LIABILITIES			
Derivative financial instruments			
- Currency swaps	(14,117)	-	**(14,117)**
- Foreign exchange contracts	(21,564)	-	**(21,564)**
- Forward fuel price contracts	(91,050)	(92,095)	**(183,145)**
- Interest rate swaps	(64,597)	-	**(64,597)**
- Inflation linked interest rate swaps	(665,897)	-	**(665,897)**
	(857,225)	**(92,095)**	**(949,320)**
Net (liability) / asset	**(671,120)**	**198,233**	**(472,887)**

31 December 2015	Level 2 € '000	Level 3 € '000	Total € '000
ASSETS			
Derivative financial instruments			
- Currency swaps	48,808	-	48,808
- Foreign exchange contracts	7,103	-	7,103
- Forward fuel price contracts	94,522	-	94,522
- Forward electricity price contracts	574	296,208	296,782
- Interest rate swaps	3,750	-	3,750
Financial assets at fair value through profit or loss	-	61,993	61,993
	154,757	358,201	512,958
LIABILITIES			
Derivative financial instruments			
- Foreign exchange contracts	(26,062)	-	(26,062)
- Forward fuel price contracts	(177,256)	(95,674)	(272,930)
- Interest rate swaps	(28,607)	-	(28,607)
- Inflation linked interest rate swaps	(634,042)	-	(634,042)
	(865,967)	(95,674)	(961,641)
Net (liability) / asset	(711,210)	262,527	(448,683)

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

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(f) Fair value hierarchy (continued)

Measurement of fair values – Valuation techniques and significant unobservable inputs

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	Level 2 – Present valuation of future contracted foreign exchange cash flows using constructed zero-coupon discount curve. The zero-coupon curve is constructed using the interest yield curve of the relevant currency for the relevant time period.		
Forward fuel and electricity price contracts	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. Level 3 – The fair value of some specific forward fuel and electricity contracts are determined by reference to forward electricity prices which are unobservable.	System marginal price (SMP)	The estimated fair value would increase / (decrease) if: SMP was lower / (higher). Generally a change in SMP is accompanied by a directionally similar change in gas prices.
Inflation linked interest rate swaps	Level 2 – Independent valuations are used and validated using the present valuation of expected cash flows using constructed zero-coupon discount curve. The zero-coupon curve is constructed using the interest rate yield curve of the relevant currency for the relevant time period. Future cash flows are estimated using expected UK retail price index (RPI) benchmark levels as well as expected LIBOR rate sets.		
Financial assets at fair value through profit or loss	**Discount cash flows:** The valuation model considers the present value of expected cash flows. 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. **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.	Forecast annual revenue growth rate; Forecast gross margin	Novusmodus typically assess the value of its investments based on the expectations of the proceeds which could be realised in a disposal. 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 thus higher values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(f) Fair value hierarchy (continued)

The following table shows a reconciliation from opening balances at 1 January 2016 to the period ended 30 June 2016 balances for fair value measurements in Level 3 of the fair value hierarchy:

30 June 2016	Financial assets at fair value through profit or loss € '000	Forward electricity price contracts € '000	Forward fuel price contracts € '000	**Total € '000**
Opening balance	61,993	296,208	(95,674)	**262,527**
Purchases	5,470	-	-	**5,470**
Total gains or losses:				
in equity	189	(22,917)	(17,199)	**(39,927)**
Settlements	-	(49,611)	20,778	**(28,833)**
Translation movements	(1,004)	-	-	**(1,004)**
Closing balance - net	**66,648**	**223,680**	**(92,095)**	**198,233**

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.

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 2016		31 December 2015	
	Other comprehensive income gain / (loss) € '000	**Profit before taxation gain / (loss) € '000**	Other comprehensive income gain / (loss) € '000	Profit before taxation gain / (loss) € '000
(Loss) due to 10% increase in gas and coal prices	**(20,121)**	**-**	(35,705)	-
Gain / (loss) due to 10% increase in the SMP	**21,103**	**-**	(29,775)	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	June 2016 € '000	June 2015 € '000
Capital commitments contracted for during the period	**140,029**	134,088

Share of equity accounted investees capital commitments	June 2016 € '000	June 2015 € '000
Capital commitments contracted for during the period	**-**	15,220

No capital commitments have been entered into for the six month period 1 January to 30 June 2016 in relation to the equity accounted investees.

(b) Fuel contract commitments

There are a number of long-term gas supply arrangements in place for different periods up to 2020. 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

Following on from flooding in Cork in November 2009, Aviva as UCC's insurer pursued a legal action against ESB in the High Court seeking recovery of €19 million for property damage. On 5 October 2015 the High Court delivered its judgement in the case and found ESB 60% liable for the damage caused and UCC 40% contributorily negligent.

Based on legal advices received, ESB has appealed the decision to the Court of Appeal and the Appeal has been listed for hearing in October 2017. Pending the appeal hearing, no hearing on quantum (i.e. the actual amount of damages payable in respect of UCC's losses) will take place and the High Court has stayed its order on costs.

In addition to the UCC claim ESB has, since the Judgement in the UCC case, been served with 236 sets of proceedings relating to the flooding in Cork in November 2009. Details of amounts claimed in relation to these proceedings have not yet been received and therefore it is not possible to make a reliable estimate of their cost (should the Court of Appeal find against ESB) at this time. However, ESB does not anticipate that the total amount of damages awarded, if any, and related costs for all of the actions, including the Aviva / UCC action, would exceed its applicable insurance cover.

On the basis of the internal and external legal advice received, ESB believes that it is more probable than not that the appeal will be successful and accordingly, no provision has been made for such claims in the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27. 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.

Banks owned 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 at 30 June 2016. A portion of the cash and cash equivalents as disclosed in note 15 was on deposit with such banks.

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 period.

Equity accounted investees
During the period the Group provided services to Oweninny Power Limited, Emerald Bridge Fibres Limited, Tilbury Green Power Holdings Limited, SIRO Limited (SIRO), Raheenleagh Power Limited (Raheenleagh) and Kingspan ESB Limited (Kingspan).

During the period services to Raheenleagh amounted to €2.2 million (30 June 2015: €4.5 million), Emerald Bridge Fibres Limited €nil (30 June 2015: €0.02 million), Tilbury Green Power Holdings Limited €0.9 million (30 June 2015: €5.5 million) and SIRO €1.5 million (30 June 2015: €0.6 million). Services provided to Oweninny Power Limited during the period amounted to €nil (30 June 2015: €nil).
The Group was owed €61.4 million from the equity accounted investees at 30 June 2016, €6.9 million from Oweninny Power Limited, €3.9 million from Raheenleagh, €5.1 million from Emerald Bridge Fibres Limited and €45.5 million from Tilbury Green Power Holdings Limited.

Interest on borrowings receivable from Emerald Bridge Fibres Limited amounted to €0.2 million (30 June 2015: €0.2 million), Oweninny Power Limited €nil million (30 June 2015: €0.2 million) and Tilbury Green Power Holdings €5.7 million (30 June 2015: €nil). These amounts are included above within amounts owed from equity accounted investees.

28. 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 2015 annual report. There has been no change to the nature of these during the period and they are still considered to be the most appropriate in preparing our financial statements.

29. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as trustee to the ESB Employee Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the Company. The trustee Company is chaired by an independent professional trustee with four directors representing ESB employees and two directors representing the company. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the Company exist. In accordance with IFRS 10 Consolidated Financial Statements, the financial statements for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

During the year ended 31 December 2015, ESB entered into an agreement to support the acquisition of capital stock in future ESOP internal markets. As part of the agreement ESB committed to match the acquisitions made by the ESOP Trustees up to a value of €25 million. The acquisition of this stock by ESB will not commence until 2017. An ESOP repurchase provision of €12.1 million was recognised in the 2015 financial statements in relation to the capital stock repurchase by the ESOP Trustee. There has been no change to the ESOP repurchase provision in 2016.

30. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board approved the condensed consolidated interim financial statements on 29 September, 2016.

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