ESB Finance Limited

Directors' report and
financial statements

Year ended 31 December 2015

Registered number: 480184

ESB Finance Limited

Directors' report and financial statements

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Directors and other information

Directors	Deirdre Cowler Pat Fenlon Joe Lawlor Deirdre Shields
Secretary	John Redmond
Auditor	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
Bankers	Danske Bank International House 3 Harbourmaster Place IFSC Dublin 1
Solicitors	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2
Registered office	27 Lower Fitzwilliam Street Dublin 2
Registered Number	480184

ESB Finance Limited

Directors' report

The directors present their annual report and audited financial statements of the company for the year ended 31 December 2015.

Principal activities

ESB Finance Limited is a wholly owned subsidiary of the Electricity Supply Board ("ESB" or "parent entity"). The principal activity of the company is the issue of loan notes and the provision of funding to undertakings in the ESB group. The directors have no plans to significantly change the activities and operations of the company in the foreseeable future.

Review of the business and future developments

ESB Finance Limited ("the company") was incorporated on 26 January 2010 and holds external finance as follows:

- In March 2010, the company issued a Stg£275m 10 year Eurobond with a fixed coupon of 6.5% under the ESB and the ESB Finance Limited €3bn Euro Medium Term Note (EMTN) Programme, which is fully, irrevocably and unconditionally guaranteed by ESB.

- In September 2012, the company issued a €600m 5 year Eurobond with a fixed coupon of 6.25% under the ESB and the ESB Finance Limited €3bn EMTN Programme, which is fully, irrevocably and unconditionally guaranteed by ESB. On 5 June 2015, the company successfully bought back a €300 million portion of this €600 million Eurobond debt

- In November 2012, the company issued a €500m 7 year Eurobond with a fixed coupon of 4.375% under the ESB and the ESB Finance Limited €3bn EMTN Programme, which is fully, irrevocably and unconditionally guaranteed by ESB.

- In December 2012, the company entered into interest rate swaps on the Stg£275m portion of the 10 year Eurobond which was swapped to floating for the remaining term of the loan, in order to hedge interest rate risk from an ESB Group perspective. The company then entered back to back interest rate swaps with ESBNI Limited, a group company, on which they receive a margin, in order to manage the company's interest rate risk.

- In November 2013, the company issued a €300m 10 year Eurobond with a fixed coupon of 3.494% under the ESB and the ESB Finance Limited €3bn EMTN Programme, which is fully, irrevocably and unconditionally guaranteed by ESB.

- On 5 June 2015, the company issued a €500m 12 year Eurobond with a fixed coupon of 2.125% under the ESB and the ESB Finance Limited €3bn Euro Medium Term Note (EMTN) Programme, which is fully, irrevocably and unconditionally guaranteed by ESB. Some of the proceeds of the issuance were used by the company as part of a Tender Offer to buy back €300m of the company's existing bonds, with maturity dates of September 2017, as outlined above.

At 31 December 2015, ESB was rated A- from Standard & Poor's, BBB+ from Fitch and Baa1 (equivalent to BBB+) from Moody's. The outlook on each of the three agencies at year end was 'stable'.

The parent undertaking, ESB, has guaranteed the borrowings of the company.

Review of the business and future developments *(continued)*

The key risks and uncertainties facing the company include events or occurrences which would result in the requirement to repay debt. The company considers the possibility of such a situation arising to be remote owing to continued parent entity support. Further disclosures in relation to financial risks are given in note 10 of the financial statements. The company is ultimately dependent on its parent entity. Accordingly, the principal risks and uncertainties pertain to the parent entity's continued ability to generate sufficient cash and liquid resources to meet its liquidity requirements for the foreseeable future and consequently to fund its contractual commitments in respect of the borrowings as they fall due.

Going concern

The directors, having made enquiries, believe that the company has adequate resources and support from its parent, ESB (which is committed for a period of greater than one year from the date of signing the financial statements), to continue in operational existence for the foreseeable future and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Results and dividends

In the year to 31 December 2015, the company recorded income of €97.2m (2014: €94.8m) and a profit before tax of €0.004m (2014: loss of €0.4m). The directors are satisfied with the company's performance during the year. The directors do not recommend the payment of a dividend (2014: €nil).

Directors and secretary and their interests

The directors who served during the year were:

D. Cowler
J. Lawlor
C. Marley
C. Moriarty

In accordance with the Articles of Association, the directors are not required to retire by rotation.

On 4 March 2016, Cathal Marley resigned as a director of the company. On the same date, Pat Fenlon was appointed as a director of the company.

On 20 April 2016, Colm Moriarty resigned as a director of the company. On the same date Deirdre Shields was appointed as a director of the company.

The directors and secretary who held office at 31 December 2015, held no interests in the shares of the company or group companies at the beginning or end of the year, other than their entitlements under the ESB ESOP.

ESB Finance Limited

Directors' report *(continued)*

Internal control and risk management systems relating to the financial reporting process

The board of directors are responsible for ensuring that appropriate internal control and risk management procedures relating to the financial reporting process are in place. Those systems are designed to manage, rather than eliminate, risks and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The company has procedures to ensure all relevant accounting records are properly maintained and are readily available, including production of annual financial statements. The annual financial statements of the company are required to be approved by the board of directors of the company and filed with the Irish Stock Exchange.

The company's parent entity, ESB, provides secretarial and accountancy services to the company. ESB complies with the Code of Practice for the Governance of State Bodies and conforms, as far as possible and on a voluntary basis, to the UK Corporate Governance Code. ESB has developed and maintains policies and systems to identify, monitor and control risk arising in respect of its activities. The Board of Directors also considers and evaluates any reports by independent auditors concerning the operation of controls over its financial accounting and reporting process.

Political donations

The company made no political donations during the year (2014: €nil) and complied with the Electoral Act, 1997.

Post balance sheet events

In June 2016, the company issued a €600m 15 year Eurobond with a fixed coupon of 1.875% under the ESB and the ESB Finance Limited €3bn Euro Medium Term Note (EMTN) Programme, which is fully, irrevocably and unconditionally guaranteed by ESB. Some of the proceeds of the issuance were used by the company, as part of a Tender Offer, to redeem €285m of the company's existing bonds, with maturity dates of November 2019.

Accounting records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act, 2014 with regard to keeping adequate accounting records by employing, through its parent undertaking, accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the company are maintained at the company's registered office, at 27 Lower Fitzwilliam Street, Dublin 2.

Auditor

In accordance with Section 383(2) of the Companies Act 2014, the auditor, KPMG, Chartered Accountants will continue in office.

On behalf of the board

Pat Fenlon
Director

Deirdre Cowler
Director

4 July 2016

ESB Finance Limited

Statement of directors' responsibilities in respect of the directors' report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company and of its profit or loss for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the company and enable them to ensure that its financial statements comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

On behalf of the board

Pat Fenlon

Pat Fenlon
Director

Deirdre Cowler

Deirdre Cowler
Director

4 July 2016

ESB Finance Limited

Independent auditor's report to the members of ESB Finance Limited

We have audited the financial statements of ESB Finance Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in shareholder's equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Our audit was conducted in accordance with International Standards on Auditing (ISA's) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the financial statements:
- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

3 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

ESB Finance Limited

Independent auditor's report to the members of ESB Finance Limited *(continued)*

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited 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 audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sean O'Keefe

Sean O'Keefe
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

04/07/2016

ESB Finance Limited

Statement of comprehensive income
for the year ended 31 December 2015

	Note	2015 €'000	2014 €'000
Finance income	*2*	**97,206**	94,805
Finance expense	*2*	**(96,174)**	(94,249)
Net finance income		**1,032**	556
Other expenses	*3*	**(1,028)**	(947)
Profit/(loss) before taxation	*4*	**4**	(391)
Income tax (charge)/credit	*5*	**(2)**	99
Profit/(loss) for the year		**2**	(292)
Other comprehensive income		**-**	-
Profit/(loss) attributable to equity shareholders		**2**	(292)

There are no items of income or expense for inclusion in other comprehensive income.

ESB Finance Limited

Statement of financial position

as at 31 December 2015

	Note	2015 €'000	2014 €'000
Non-current assets			
Deferred tax asset	6	**3,242**	3,244
Derivative financial instruments	10	**3,733**	1,525
Loans to related party undertakings	7	**1,925,976**	1,750,321
Total non-current assets		**1,932,951**	1,755,090
Current assets			
Loans to related party undertakings	7	**46,733**	43,801
Total current assets		**46,733**	43,801
Total assets		**1,979,684**	1,798,891
Equity			
Share capital	11	**-**	-
Retained earnings		**(9,732)**	(9,734)
Shareholder's deficit		**(9,732)**	(9,734)
Non-current liabilities			
Loans and borrowings	9	**1,923,757**	1,745,861
Derivative financial instruments	10	**3,733**	1,525
Total non-current liabilities		**1,927,490**	1,747,386
Current liabilities			
Loans from related party undertakings	8	**17,456**	18,284
Trade and other payables	8	**44,470**	42,955
Total current liabilities		**61,926**	61,239
Total liabilities		**1,989,416**	1,808,625
Total equity and liabilities		**1,979,684**	1,798,891

On behalf of the board

Pat Fenlon

Pat Fenlon
Director

Deirdre Cowler

Deirdre Cowler
Director

4 July 2016

ESB Finance Limited

Statement of changes in shareholder's equity
for the year end 31 December 2015

	* Share Capital €'000	Retained earnings €'000	Total €'000
At 1 January 2014	-	(9,442)	(9,442)
Loss for the year	-	(292)	(292)
At 31 December 2014	-	(9,734)	(9,734)
At 1 January 2015	-	**(9,734)**	**(9,734)**
Profit for the year	-	**2**	**2**
At 31 December 2015	-	**(9,732)**	**(9,732)**

* On incorporation on the 26th January 2010, the company issued one ordinary share for consideration of €1. This share was allotted to ESB.

ESB Finance Limited

Statement of cash flows
for the year ended 31 December 2015

	2015 €'000	2014 €'000
Cash flows from operating activities		
Profit/(loss) after taxation	**2**	(292)
Adjust for:		
Foreign currency losses	**1,023**	942
Interest income	**(97,206)**	(94,805)
Interest expense	**96,174**	94,249
Income tax charge/(credit)	**2**	(99)
Operating cash outflow before changes in working capital	**(5)**	(5)
Increase in loans and other receivables	**(153,789)**	(1,886)
Increase in loans and other payables	**152,374**	879
Interest received	**99,183**	91,223
Interest paid	**(97,763)**	(90,211)
Net cash inflow from operating activities	**5**	5
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at 1 January	**-**	-
Cash and cash equivalents at 31 December	**-**	-

ESB Finance Limited

Notes
forming part of the financial statements

1 Accounting policies

ESB Finance Limited is a company domiciled in Ireland and a wholly owned subsidiary of the Electricity Supply Board ("ESB" or "parent entity").

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU. The financial statements have been prepared in accordance with the IFRS standards and interpretations issued and effective for accounting periods ending or before 31 December 2015.

The following standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the EU, are effective for the first time in the current financial year and have been adopted with no significant impact on the company's results for the period or financial position:

New/Revised International Financial Reporting Standards	***Effective Date***
Annual improvements to IFRSs 2011-2013 cycle	*1 January 2015*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these financial statements. The items that may have relevance to the company are as follows, however none are expected to have a material impact on the financial statements.

New/Revised International Financial Reporting Standards	***Effective Date***[1]
Amendments to IFRS Disclosure Initiative (January 2016)	*1 January 2017*[2]
Disclosure Initiative (amendments to IAS 1)	*1 January 2016*
Annual Improvements to IFRSs 2012-2014 Cycle	*1 January 2016*
IFRS 9 Financial Instruments (July 2014)	*1 January 2018*[2]

[1] The effective dates are these applying to EU endorsed IFRS if later than the IASB effective dates and relate to periods beginning on or after those dates detailed above.
[2] This is the IASB effective date, not yet endorsed under EU IFRS.

ESB Finance Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of preparation

The financial statements are presented in euro, rounded to the nearest thousand, which is the company's functional currency, and are prepared on an historical cost basis, except for derivative financial instruments, which are measured at fair value.

The preparation of the financial statements in conformity with IFRSs, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. There have been no judgements made by management in the application of EU IRFS that could have a significant effect on the financial statements or estimates with a significant risk of material misstatement in the next year.

Going concern

The company's parent undertaking, ESB, has confirmed that it will continue to provide financial support to the company in order to enable it to meet its liabilities as they fall due and to enable it to continue in operational existence for the foreseeable future. The parent undertaking has guaranteed the third party loan note obligations of ESB Finance Limited. Based on the amount and expected level of resources available to these entities, the directors have determined on this basis that it is appropriate to prepare these financial statements on the going concern basis.

Financial instruments

The company uses derivative financial instruments to hedge the exposure to interest rate risk in ESB Group. Such derivative financial instruments are recognised at fair value and are re-measured to fair value at the reporting date, with fair value changes recorded through profit or loss.

Non-derivative financial instruments comprise loans and receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represents cash in hand.

1 Accounting policies *(continued)*

Loans to and receivables from group companies and loans from group companies

Loans to and receivables from group companies and loans from group companies are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets or liabilities on the statement of financial position, except for those with maturities greater than twelve months after the reporting date, which are included in non-current assets or liabilities. At initial recognition, they are measured at fair value and thereafter at amortised cost using the effective interest method, less (in the case of assets) any impairment losses. Interest calculated using the effective interest method is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that they are impaired.

Impairment

An impairment loss on financial assets / loans and receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the impairment loss is recognised in profit or loss. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition these borrowings are measured at amortised cost using the effective interest rate method.

Finance income and expense

Finance income represents the return receivable by the company on loans to and receivables from group undertakings and is recognised in the profit or loss as it accrues using the effective interest rate method.

Interest expense on loans and borrowings is recognised in profit or loss as it accrues using the effective interest rate method.

1 Accounting policies *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that are expected to be applied using rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. The resulting monetary assets and liabilities are translated at the rate ruling at the reporting date and the exchange differences are dealt with through profit or loss in the statement of comprehensive income. Non-monetary assets and liabilities are carried at historical cost and not subsequently retranslated.

ESB Finance Limited

Notes *(continued)*

2 Net finance income

	2015	2014
	€'000	€'000
Finance income		
Interest on loans to parent undertaking	**68,697**	71,067
Interest on loans to group undertaking	**28,358**	23,697
Net mark to market on interest rate swap	**151**	41
	97,206	94,805
Finance expense		
Interest on bank borrowings	**(206)**	(315)
Interest payable on Eurobond	**(95,968)**	(93,934)
	(96,174)	(94,249)
Net finance income	**1,032**	556

The interest rate swaps do not qualify for hedge accounting under IAS 39 and accordingly fair value movements are recognised in the statement of comprehensive income.

3 Other expenses

	2015	2014
	€'000	€'000
Audit fees	**5**	5
Foreign currency losses	**1,023**	942
	1,028	947

4 Statutory and other information

Profit/(loss) before taxation is stated after charging:

	2015	2014
	€'000	€'000
Auditor's remuneration, including expenses	**5**	5
Directors' fees	**-**	-

The company had no directly hired employees during the year and hence incurred no direct labour costs (2014: €nil). The directors received no remuneration for their services to the company.

ESB Finance Limited

Notes *(continued)*

5 Taxation on profit/(loss) on ordinary activities

	2015	2014
	€'000	€'000
Current tax expense	**-**	-
Deferred tax (charge)/credit	**(2)**	99
Total income tax (charge)/credit	**(2)**	99

Reconciliation of effective tax rate:

Profit /(loss) before taxation	**4**	(391)
Tax charge/credit at 25%	**(1)**	99
Deferred tax provided at rates different to average rates	**1**	-
Utilisation of deferred tax asset	**(2)**	-
Total tax (charge)/credit	**(2)**	99

ESB Finance Limited has established itself for tax purposes under Section 110 Taxes Consolidation Act 2007. The applicable tax rate for companies taxed under Section 110 is 25%.

6 Deferred tax

	2015	2014
	€'000	€'000
Deferred tax	**3,242**	3,244
	3,242	3,244

The movements in temporary differences for the company were as follows:

	Balance at 31 December 2014 €'000	**Recognised in income €'000**	**Balance at 31 December 2015 €'000**
Tax losses carried forward	3,244	(2)	3,242
Total deferred tax assets	**3,244**	**(2)**	**3,242**

The deferred tax asset of €3.2m at 31 December 2015 relates to losses forward of €13.0m available for offset against taxable profits in the future. The tax losses do not expire under current tax legislation. The directors believe that it is probable that these losses forward will be utilised in the future by way of offset against future taxable profits of the company.

7 Loans to related party undertakings

	2015 €'000	2014 €'000
Amounts owed from parent undertaking (note 13)	**25,581**	23,791
Amounts owed from fellow group undertaking (note 13)	**21,152**	20,010
Total current amounts receivable	**46,733**	43,801
Amounts owed from parent undertaking (note 13)	**1,551,031**	1,397,014
Amounts owed from fellow group undertaking (note 13)	**374,945**	353,307
Total non-current amounts receivable	**1,925,976**	1,750,321
Total loans to related party undertakings	**1,972,709**	1,794,122

At 31 December 2015 there was €25.6m (2014: €23.8m) interest accrued included in amounts owed from parent undertaking and €21.2m (2014: €20.0m) interest accrued on amounts owed from the fellow group undertaking.

All of the loans are performing in accordance with their terms and conditions and are expected to be recovered. None of the loans were impaired at 31 December 2015.

8 Trade and other payables

	2015 €'000	2014 €'000
Accrued interest and other payables	**44,470**	42,955
Amounts owed to parent undertaking (note 13)	**17,456**	18,284
	61,926	61,239

All trade and other payables fall due within one year; their carrying value equates to fair value due to their short term nature.

ESB Finance Limited

Notes *(continued)*

9 Loans and borrowings

	2015	2014
	€'000	€'000
Non-current borrowings repayable between one and five years (Eurobond)	**1,170,378**	1,092,799
Non-current borrowings repayable after five years (Eurobond)	**753,379**	653,062
	1,923,757	1,745,861

The total outstanding principal of borrowings was €1,974.7m (2014: €1,753.1m) at 31 December 2015 and has been recorded net of unamortised financing costs of €50.9m (2014: €7.2m).

For information and disclosure on the company's exposure to interest rate and liquidity risks see note 10. The following table summarises the terms of the outstanding borrowings as at 31 December:

Facility	**Repayable**	**Interest**	**2015**	2014
			€'000	€'000
Stg£275m 10 year Eurobond	March 2020	6.500%	**374,685**	353,062
€300m (2014: €600m) 5 year Eurobond	September 2017	6.250%	**300,000**	600,000
€500m 7 year Eurobond	November 2019	4.375%	**500,000**	500,000
€300m 10 year Eurobond	January 2024	3.494%	**300,000**	300,000
€500m 12 year Eurobond	June 2027	2.125%	**500,000**	-
Deferred financing costs and unamortised debt issuance discount			**(50,928)**	(7,201)
			1,923,757	1,745,861

On 5 June 2015, ESB Finance Limited issued raised a €500m, 2.125% fixed rate Eurobond maturing in June 2027. In addition to this, on the same date, the company bought back a €300m portion of its existing €600m Eurobond debt which was originally raised in September 2012. As the terms of the existing bond and the new issue was 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 (€41.7 million) was rolled into the effective interest rate of the new bond. The €41.7 million will be amortised to the income statement over the life of the new bond. €2.0 million has been amortised to the income statement as at 31 December 2015.

10 Financial instruments and risk management

Interest rate risk

In March 2010, the company issued a Stg£275m 10 year Eurobond, with a fixed coupon of 6.5%, under the ESB and ESB Finance Limited €3.0bn Euro Medium Term Note (EMTN) Programme, which is fully, irrevocably and unconditionally guaranteed by ESB. As at 31 December 2015, ESB was rated A- from Standard & Poor's, BBB+ from Fitch and Baa1 (equivalent to BBB+) from Moody's respectively. The outlook from each of the three agencies at year end was stable. The company has lent the proceeds, from the issuance of the Eurobond, to ESBNI Limited (a fellow group subsidiary) at a margin of 0.35%, which the directors believe to be a market rate of return. This loan to ESBNI Limited is repayable in 2020, with matching terms to that of the external Eurobond loan note.

In September 2012, ESB Finance Limited issued a €600m 5 year Eurobond with a fixed coupon of 6.25%, €300m of which was successfully bought back in June 2015. In November 2012, ESB Finance Limited issued a €500m 7 year Eurobond with a fixed coupon of 4.375%. In November 2013, ESB Finance Limited issued a €300m 10 year Eurobond with a fixed coupon of 3.494%. In June 2015, ESB Finance Limited issued a €500m 12 year Eurobond with a fixed coupon of 2.125%.

In managing interest rate risk, ESB Finance Limited aims to reduce the impact of short term fluctuations on the company's earnings. In December 2012, ESB Finance Limited entered into fixed to floating interest rate swaps with a notional amount of Stg£275m and a settlement date of March 2020 as part of the wider ESB Group hedging position. ESB Finance Limited also immediately entered back to back interest rate swaps with ESBNI Limited to effectively eliminate the company's interest rate exposure on these derivatives. Over the longer term, however, permanent changes in interest rates will have an impact on the company's earnings. It is estimated that a general increase of 50 basis points in interest rates at 31 December 2015 would have reduced equity and profit before taxation by approximately €0.1m (2014: €0.1m). A decrease of 50 basis points in interest rates would have an equal and opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

ESB Finance Limited

Notes *(continued)*

10 Financial instruments and risk management *(continued)*

Foreign currency risk

Foreign currency exposures arise mainly on the translation of foreign currency denominated liabilities and receivable balances into euro, which is the company's functional currency. As the principal activity of the company is the provision of funding to entities in the ESB Group, such exposures are principally managed by matching the currency of borrowings, secured externally or from other ESB Group companies, with the currency of amounts advanced to such undertakings and included within trade and other receivables.

At 31 December 2015, ESB Finance Limited's debt portfolio (including accrued interest) amounted to €2.0bn. The net currency exposure at 31 December was as follows:

	Denominated in Euro 2015 €'000	**Denominated in Sterling 2015 €'000**	**Total 2015 €'000**
Included in accrued interest and other payables	**24,496**	**19,974**	**44,470**
Included in amounts owed to parent	**-**	**17,456**	**17,456**
Included in borrowings	**1,551,065**	**372,692**	**1,923,757**
Total liabilities	**1,575,561**	**410,122**	**1,985,683**
Included in current and non-current assets	**(1,576,612)**	**(396,097)**	**(1,972,709)**
Net (asset) / liability exposure	**(1,051)**	**14,025**	**12,974**

	Denominated in Euro 2014 €'000	Denominated in Sterling 2014 €'000	Total 2014 €'000
Included in accrued interest and other payables	23,861	19,094	42,955
Included in amounts owed to parent	1,771	16,513	18,284
Included in borrowings	1,395,262	350,599	1,745,861
Total liabilities	1,420,894	386,206	1,807,100
Included in current and non-current assets	(1,421,422)	(372,700)	(1,794,122)
Net (asset) / liability exposure	(528)	13,506	12,978

10 Financial instruments and risk management *(continued)*

Foreign currency risk *(continued)*

A 10% strengthening of the euro against sterling would have increased equity and profit before taxation as outlined below. A 10% weakening of the euro would have decreased equity and profit before taxation in the opposite manner as outlined below.

	Equity /Profit before taxation	Equity/Profit before taxation
	Gain / (loss)	Gain / (loss)
	2015	2014
	€'000	€'000
10% strengthening	**1,275**	1,228
10% weakening	**(1,558)**	(1,501)

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. At year end, the carrying amount of financial assets is as follows:

	2015	2014
	€'000	€'000
Loans to parent undertaking	**1,576,612**	1,420,804
Loans to fellow group undertaking	**396,097**	373,318
Derivative financial instruments	**3,733**	1,525
	1,976,442	1,795,647

Loans receivable above all relate to amounts due from fellow group undertakings. All of the exposures herein are to related entities, which currently have sufficient resources to repay. The overall group policy for managing exposure to credit risk is included in the consolidated financial statements of the parent company; ESB. The parent company's consolidated financial statements can be obtained from the company's registered office at 27 Lower Fitzwilliam Street, Dublin 2.

As at 31 December 2015 and 2014, no amounts were past due or impaired.

10 Financial instruments and risk management *(continued)*

Liquidity risk

The principal liquidity risks faced by the company relate to (i) the inability of ESB Group companies to repay loans and borrowings to ESB Finance Limited when the matching external borrowings fall due, and (ii) the inability to refinance external borrowing facilities to meet the cash flow requirements of the parent and fellow group undertakings which ESB Finance Limited has been established to finance. In order to manage this risk, the company monitors financial markets in order to identify the optimum time to pre-fund any requirements arising from maturing debt and capital expenditure of these ESB Group companies.

The following table sets out the contractual maturities of financial liabilities of a similar nature, including the interest payments associated with borrowings.

	Carrying Amount €'000	Contractual cash outflows €'000	Within 1 year €'000	1 – 2 years €'000	2 – 5 years €'000	After 5 years €'000
31 December 2015						
Borrowings	**1,941,213**	**2,461,469**	**103,710**	**386,137**	**1,054,969**	**916,653**
Trade & other payables	**44,470**	**44,470**	**44,470**	**-**	**-**	**-**
Derivative financial liability	**3,733**	**40,513**	**8,068**	**8,015**	**24,430**	**-**

	Carrying Amount €'000	Contractual cash outflows €'000	Within 1 year €'000	1 – 2 years €'000	2 – 5 years €'000	After 5 years €'000
31 December 2014						
Borrowings	1,764,145	2,235,735	111,090	92,806	1,303,418	728,421
Trade & other payables	42,955	42,955	42,955	-	-	-
Derivative financial liability	1,525	45,742	7,567	7,602	22,679	7,894

ESB Finance Limited

Notes *(continued)*

10 Financial instruments and risk management *(continued)*

Fair values

Fair value 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 fair values of financial assets and liabilities carried at amortised cost, together with their carrying amounts shown in the statement of financial position are set out in the table below. The fair value of loans and borrowings (receivable and payable) has been calculated by reference to publicly available market values for ESB's debt.

	2015		2014	
	Carrying value	**Fair value**	Carrying value	Fair value
	€ '000	**€ '000**	€ '000	€ '000
Long term debt	**1,923,757**	**2,195,916**	1,745,861	2,056,407
Short term borrowings	**17,456**		18,284	
Trade and other payables	**44,470**		42,955	
Loans to related party undertakings				
- current	**(46,733)**		(43,801)	
- non current	**(1,925,976)**	**(2,053,716)**	(1,750,320)	(2,053,716)

As loans to related party undertakings – current, short term borrowings and trade and other payables are due within one year, their carrying value is considered to be materially in line with their fair value.

Long term debt and loans to related undertakings – non-current are Level 2 fair values. The valuation technique used for long term debt and loans to related party undertakings 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:

	2015	2014
	%	%
Other loans and borrowings	**0.98 - 2.47**	1.00 - 2.00

ESB Finance Limited

Notes *(continued)*

10 Financial instruments and risk management *(continued)*

Fair value hierarchy

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The level relevant to financial assets and liabilities held by the company 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. prices) or indirectly (i.e. derived from prices);

	2015		2014	
	Level 2	**Total**	Level 2	Total
	€ '000	**€ '000**	€ '000	€ '000
Assets				
Interest rate swaps	**3,733**	**3,733**	1,525	1,525
	3,733	**3,733**	1,525	1,525
Liabilities				
Interest rate swaps	**3,733**	**3,733**	1,525	1,525
Net asset	**-**	**-**	-	-

Level 2 – The fair value of interest rate swaps is determined using the present value of expected cashflows using constructed zero coupon discount curve. The zero-coupon curve is constructed using the interest yield curve of the relevant currency.

11 Capital and reserves

On incorporation and at 31 December 2015 the authorised share capital comprised 1,000 ordinary shares of €1 each.

During 2010, the company issued one ordinary share for consideration of €1. This share was allotted to ESB.

The company considers its capital to comprise issued share capital and retained earnings. Movements in share capital and retained earnings during the year are disclosed in the statement of changes in shareholder's equity in these financial statements. The company relies on the support of its parent entity to continue as a going concern as noted in the directors' report and the statement of accounting policies.

ESB Finance Limited

Notes *(continued)*

12 Commitments and contingencies

ESB Finance Limited has provided guarantees in respect of debt issued by ESB Group:

a) Private placement senior unsecured notes issued in December 2003 in US dollars and sterling. At 31 December 2015 outstanding amounts comprise US$370.0m, maturing on dates between 2018 and 2023, and Stg£20.0m, maturing on dates between 2018 and 2023. $256.5m of this private placement debt was repaid in December 2015 as scheduled.

b) Private placement senior unsecured notes issued in June 2009 in US dollars, sterling and euro. At 31 December 2015 outstanding amounts comprise US$253.0m, maturing on dates between 2016 and 2019, Stg£85.0m maturing on dates between 2017 and 2021 and €40.0m maturing in 2019.

The private placement debt has conditions which require the ESB Group to maintain certain interest cover and asset covenants. To date the ESB Group has been fully in compliance with all the covenant requirements associated with the private placement debt.

13 Related parties

ESB Finance Limited is a wholly owned subsidiary of ESB, a statutory corporation established under the Electricity (Supply) Act 1927 and domiciled in Ireland. The consolidated financial statements of the ESB are available to the public and may be obtained from 27 Lower Fitzwilliam Street, Dublin 2.

Transactions with parent undertaking
During the year, the company recognised interest income of €68.7m (2015: €71.1m) (note 2) on loans advanced to the parent undertaking (ESB). Interest accrued at 31 December 2015 on loans to parent undertaking is €25.6m (2014: €23.8m). At 31 December 2015, loans to the parent undertaking were €1.6bn (2014: €1.4bn) (note 7) and other payables due to the parent undertaking were €17.5m (2014: €18.3m) (note 8).

Transactions with fellow group subsidiary undertaking
During the year, the company recognised interest income of €28.4m (2014: €23.7m) (note 2) on loans advanced to ESBNI Limited, a fellow group subsidiary undertaking. Interest accrued at 31 December 2015 is €21.2m (2014: €20.0m). At 31 December 2015, loans (excluding accrued interest) to ESBNI Limited amounted to €374.9m (2014: €353.3m) (note 7). The above transactions were entered into on an arm's length basis.

14 Segment information

Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker, identified as the directors of the company. The company is managed as a single business unit engaged in the issuance of loan notes and the investment of the net proceeds of the issue of these notes. Accordingly, the company operates in one reportable segment, and the directors assess the performance of the business from this perspective, based on the overall profit after tax of the company for the year.

15 Approval of financial statements

The board of directors approved the financial statements on 4 July 2016.