Registered No. NI607246

NIE Finance PLC

31 December 2013

Annual Report and Accounts

GENERAL INFORMATION

Directors
Mary Collins
Peter Ewing
Joe O'Mahony

Company Secretary
Ruth Conacher

Registered Office Address
120 Malone Road
Belfast
BT9 5HT

Company Number
NI607246

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2013.

The accounts presented are for the year to 31 December 2013 with the comparative period reported being the nine months to 31 December 2012.

Business Overview

Principal Activities

The Company's principal activity is to raise finance on behalf of Northern Ireland Electricity Limited (NIE or the Guarantor). In June 2011 the Company issued £400m 6.375% Guaranteed Notes due 2026 (the Bond) on behalf of the Guarantor. The payments of all amounts in respect of the Bond are unconditionally and irrevocably guaranteed by the Guarantor. The directors anticipate that the activity of the Company will continue for the foreseeable future.

Financial Review

During the prior period, the Company changed its accounting reference date from 31 March to 31 December. Therefore the results for the current period are for the year to 31 December 2013 whereas the results for the comparative period are for the nine month period to 31 December 2012.

The results for the year ended 31 December 2013 show a result of £nil (9 month period ended 31 December 2012 - £nil). No dividends were paid during the year and no dividend in respect of the year has been proposed.

On 2 June 2011, the Company issued a 15 year £400m bond which carries interest at a coupon of 6.375%. The Bond matures on 2 June 2026 and has been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market. On 2 June 2011, the Company granted a back-to-back loan of £400m to the Guarantor. Interest is paid on the Bond, and earned on the loan to the Guarantor, at a fixed rate of 6.375%.

Risk Management and Principal Risks and Uncertainties

The Company is committed to successfully managing exposure to risk and to minimising the impact of risk on the achievement of business objectives. The directors acknowledge that they have responsibility for the Company's systems of internal control and risk management.

NIE's risk management framework incorporates the Company and comprises:

- appropriate structures in place to support risk management;
- formal assignment of risk responsibilities to facilitate managing/reporting on individual risks and to ensure specific risks are understood;
- procedures and systems for risk identification, assessment and reporting; and
- ongoing monitoring of the effectiveness of risk mitigation actions and controls.

The principal risks and uncertainties that affect the Company are described below.

Capital management and liquidity risk

The Company is financed through debt finance and interest receivable on the loan issued to the Guarantor. The Company's debt finance at 31 December 2013 comprised the Bond which is repayable on 2 June 2026.

The main source of liquidity for the Company is interest receivable on the loan to the Guarantor. The Company has assessed the liquidity and credit risk of the Guarantor and deems this risk to be low. The Guarantor's Annual Report and Accounts at 31 December 2013 indicate that the Guarantor has a cash surplus of £31.8m (31 December 2012 - £38.6m) and net assets totalling £270.8m (31 December 2012 - £202.8m).

The directors review capital structure on an annual basis to ensure that the Company will be able to continue as a going concern through optimisation of the debt and equity balance. The Company manages liquidity risk by continuously monitoring forecasts and funding requirements and matching the maturity profiles of financial assets and liabilities.

Interest rate risk
The Bond is denominated in Sterling and carries a fixed interest rate of 6.375%. The interest rate charged on the loan to the Guarantor is also fixed at 6.375%. Therefore, the Company has no interest rate risk and holds no derivative financial instruments in respect of interest rates.

Currency risk
The assets and liabilities of the Company are denominated in Sterling and are therefore not exposed to foreign currency risk.

Credit risk
The Company's principal financial assets are the loan to the Guarantor and the associated interest receivable outlined in note 6 to the accounts. The credit risk in respect of financial assets is considered by the directors to be low given that the Company's credit risk is attributable to amounts owed by the Guarantor. As noted in the Capital Management and Liquidity Risk section above, this assessment is made based on the cash surplus and net assets of the Guarantor at 31 December 2013.

The Company may be exposed to credit-related loss in the event of non-performance by bank counterparties who hold cash deposits from time to time. This risk is managed through conducting business only with approved counterparties which meet the criteria outlined in NIE's treasury policy.

Further information on financial instruments is set out in the notes to the accounts in compliance with IFRS 7 Financial Instruments: Disclosures.

Going concern
The Company's business activities, together with the principal risks and uncertainties likely to affect its future performance, are described above. As noted above, the Company is financed through a combination of debt finance and interest receivable.

In arriving at its conclusion on going concern, the directors have also considered the financial resources of NIE for a 12 month period from the date of approval of the accounts. NIE is deemed to have sufficient resources in order for it to meet its obligations under the terms of its loan with the Company.

On the basis of their assessment of the Company's financial position, which included a review of the Company's projected funding requirements and the cash flow forecasts of NIE, for a period of 12 months from the date of approval of the accounts, the directors have a reasonable expectation that the Company will have adequate financial resources for the 12 month period and accordingly adopt the going concern basis in preparing the report and accounts.

By Order of the Board

Joe O'Mahony
Director

Date: 13 March 2014

Registered Office
120 Malone Road
Belfast BT9 5HT
Company Number: NI607246

DIRECTORS' REPORT

The directors present their Director's Report for the year ended 31 December 2013.

In the Directors' Report and accounts, unless specified otherwise, the 'Company' refers to NIE Finance PLC, a public limited company registered in Northern Ireland with registered number NI607246.

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applied in accordance with the provisions of the Companies Act 2006.

The immediate parent undertaking of the Company and the parent of the smallest group for which group accounts are prepared is Northern Ireland Electricity Limited. The ultimate parent undertaking and controlling party of the Company, and the parent of the largest group of which the Company is a member and for which group accounts are prepared, is Electricity Supply Board (ESB). A copy of ESB's accounts is available from 27 Lower Fitzwilliam Street, Dublin 2.

The accounts presented are for the year ended 31 December 2013 with the comparative period reported being the nine months ended 31 December 2012.

Results and dividends

The results for the year ended 31 December 2013 show a result of £nil (nine months ended 31 December 2012 - £nil). The Company did not pay any dividends during the year (nine months ended 31 December 2012 - £nil) and no dividend in respect of the year has been proposed. The business and financial review together with future business developments is provided in the Strategic Report.

Corporate Governance

Internal control and risk management in relation to the financial reporting process
Strong financial controls are necessary to ensure the integrity and reliability of financial and other information on which the Company relies for day-to-day operations, external reporting and for longer term planning. The Company exercises financial control through a combination of: appropriately qualified and experienced personnel; rigorous business planning processes; an integrated accounting system; and clearly defined approval limits. The internal auditors test the effectiveness of financial controls. The external auditors provide advice on specific accounting and tax issues.

The remit of NIE's Audit & Risk Committee includes the Company. The Audit & Risk Committee reviews:

- the effectiveness of the Company's internal controls and the risk management system;
- the Company's accounts considering the appropriateness of the accounting policies, whether the accounts give a true and fair view and the appropriateness of the going concern assumption and reviewing the significant issues and judgements;
- the external auditors' plan for the scope of the audit of the statutory accounts;
- reports from the external auditor on its audit of the Company's accounts and the recommendations made by the auditor and management's response; and
- a report on the effectiveness and independence of the external auditors.

Directors

During the year there were no changes to the Board of directors with the following holding office throughout the year.

Mary Collins (Finance Director, NIE).

Peter Ewing (Deputy Managing Director and Director of Regulation, NIE).

Joe O'Mahony (Managing Director, NIE).

Directors' insurance

The Company purchased and maintained directors' and officers' liability insurance throughout the year.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Re-appointment of auditors

In accordance with Section 487 of the companies Act 2006, Ernst & Young LLP is deemed to be reappointed as external auditors of the Company. A resolution to re-appoint Ernst & Young LLP as external auditors and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

Financial risk management

Details of the Company's objectives and policies for financial risk management (including liquidity risk and credit risk) are provided in the Risk Management and Principal Risks and Uncertainties section of the Strategic Report.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and accounts in accordance with applicable United Kingdom law and Generally Accepted Accounting Practice in the UK (UKGAAP) or, if so elected, International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The directors have elected to prepare the accounts in accordance with IFRS as adopted by the EU.

Company law requires the directors to prepare accounts for each financial period. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company for that period.

In preparing those accounts, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements of IFRS as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and disclose and explain any departure from IFRS as adopted by the EU where, in their view, compliance would be so misleading as to conflict with a fair presentation; and
- state that (except for any such departure) the accounts have been prepared in accordance with IFRS as adopted by the EU.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

Joe O'Mahony
Director

Date: 13 March 2014

Registered Office
120 Malone Road
Belfast BT9 5HT
Company Number: NI607246

INDEPENDENT AUDITOR'S REPORT
To the members of NIE Finance PLC

We have audited the accounts of NIE Finance PLC for the year ended 31 December 2013 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (ISA) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 accounts. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited accounts 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.

Opinion on the accounts

In our opinion the accounts:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its results for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Galbraith (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 13 March 2014

- The maintenance and integrity of the Northern Ireland Electricity Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INCOME STATEMENT
for the year ended 31 December 2013

	Note	**12 months to 31 December 2013 £'000**	9 months to 31 December 2012 £'000
Finance income	4	**25,520**	19,238
Finance costs	4	**(25,520)**	(19,238)
Result before tax		**-**	-
Tax		**-**	-
RESULT FOR THE YEAR/PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**-**	-

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

Other than the results noted above, the Company had no other comprehensive income for the year ended 31 December 2013 or the nine month period ended 31 December 2012.

BALANCE SHEET
As at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Financial assets	6	**398,059**	397,958
Current assets			
Financial assets	6	**14,811**	14,891
Cash and cash equivalents	7	**50**	50
		14,861	14,941
TOTAL ASSETS		**412,920**	412,899
Current liabilities			
Financial liabilities	8	**14,811**	14,891
Non-current liabilities			
Financial liabilities	8	**398,059**	397,958
TOTAL LIABILITIES		**412,870**	412,849
NET ASSETS		**50**	50
Equity			
Share capital	10	**50**	50
Accumulated losses		**-**	-
TOTAL EQUITY		**50**	50

The accounts were approved by the Board of directors and authorised for issue on 13 March 2014.

They were signed on its behalf by:

Joe O'Mahony
Director

Date: 13 March 2014

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital £'000	Accumulated profits £'000	Total £'000
At 1 April 2012	13	-	**13**
Result for the period	-	-	**-**
Net other comprehensive income for the period	-	-	**-**
Total comprehensive income for the period	-	-	**-**
Proceeds from fully paid shares (Note 10)	37	-	**37**
At 1 January 2013	50	-	**50**
Result for the year	-	-	**-**
Net other comprehensive income for the year	-	-	**-**
Total comprehensive income for the year	-	-	**-**
At 31 December 2013	50	-	**50**

CASH FLOW STATEMENT
for the year ended 31 December 2013

	Note	**12 months to 31 December 2013 £'000**	9 months to 31 December 2012 £'000
Cash flows from operating activities			
Result for the year / period		**-**	-
Interest paid		**25,500**	25,500
Interest received		**(25,500)**	(25,500)
Net cash flows from operating activities		**-**	-
Cash flows from financing activities			
Proceeds from fully paid shares	10	**-**	37
Net cash flows from financing activities		**-**	37
Net increase in cash and cash equivalents		**-**	37
Cash and cash equivalents at beginning of year / period		**50**	13
Cash and cash equivalents at end of the year / period	7	**50**	50

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash at bank and in hand at 31 December 2013.

1. General information

NIE Finance PLC (the Company) is a public limited company incorporated on 28 April 2011 and domiciled in Northern Ireland. It was issued with a certificate for trading on 6 May 2011. The Company is a wholly owned subsidiary of Northern Ireland Electricity Limited.

The accounts have been prepared in accordance with IFRS as adopted by the EU and applied in accordance with the provisions of the Companies Act 2006. The accounts are presented in Sterling (£) with all values rounded to the nearest £1,000 except where otherwise indicated.

2. Accounting policies

Adoption of new and revised accounting standards and interpretations

The following amendments to existing standards and interpretations were effective for the year, but did not have a material impact on the Company's accounts:

IFRS 1 (amendment)	First time adoption for government loans (effective for accounting periods beginning on or after 1 January 2013)
IFRS 7 (amendments)	Offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013)
IAS 1	Presentation of Financial Statements: Presentation of items of Other Comprehensive Income (amendments) (effective for accounting periods beginning on or after 1 January 2013)
IAS 19 (revised)	Employee Benefits (Revised 2011) (effective for accounting periods beginning on or after 1 January 2013)
IFRIC 20	Production phase stripping costs of a surface mine (effective for accounting periods beginning on or after 1 January 2013)
Improvements to IFRSs 2009-2011	(effective for accounting periods beginning on or after 1 January 2013)

At the date of authorisation of these accounts, the following standards and interpretations, which have not been applied in the accounts, were in issue but not yet effective:

IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2014)
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2014)
IFRS 12	Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2014)
IAS 27 (revised)	Reissued as *Separate Financial Statements* (as amended 2011) (effective for accounting periods beginning on or after 1 January 2014)
IAS 28	Reissued as *Investments in Associates and Joint Ventures* (as amended 2011) (effective for accounting periods beginning on or after 1 January 2014)

2. Accounting Policies (continued)

Adoption of new and revised accounting standards and interpretations *(continued)*

IAS 32	Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)
IAS 36	Impairment of Assets – recoverable amount disclosures for non-financial assets (amendments) (effective for accounting periods beginning on or after 1 January 2014)
IAS 39	Financial Instruments: Recognition and Measurement – Novation of derivatives and Continuation of Hedge Accounting (amendments) (effective for accounting periods beginning on or after 1 January 2014)
Investment entities	(Amendments to IFRS 10, IFRS 12, IAS 27) (effective for accounting periods beginning on or after 1 January 2014)

Whilst the directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's accounts in the period of initial application, the adoption of the standards and interpretations may result in certain changes in the presentation of the Company's accounts from 2014 onward.

Basis of Preparation – Going Concern
The Company's business activities including financial risk management along with the factors likely to affect its future development are set out within the Strategic Report.

As described in the Strategic Report, on the basis of their assessment of the Company's financial position, which included a review of the Company's projected funding requirements and the cash flow forecasts of Northern Ireland Electricity Limited for a period of 12 months from the date of approval of the accounts, the directors have a reasonable expectation that the Company will have adequate financial resources for the 12 month period and accordingly continue to adopt the going concern basis in preparing the report and accounts.

The principal accounting policies are set out below.

Financial instruments

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, and short-term deposits with maturities of three months or less.

Loan receivables
Loan receivables are initially recorded at fair value. After initial recognition, they are subsequently measured at amortised cost using the effective interest method.

Interest bearing loans
Interest bearing loans are initially recorded at fair value, being the proceeds received net of direct issue costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest method.

Borrowing costs
Borrowing costs are reflected in the income statement in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

3. Operating costs

Fees payable to the company's auditor for the audit of the company's accounts totalled £3,000 (nine month period ended 31 December 2012 - £3,000). These fees were paid for and borne by the Guarantor on behalf of the Company.

4. Net finance costs

	12 months to 31 December 2013 £'000	9 months to 31 December 2012 £'000
Finance income:		
Interest receivable on loan to immediate parent undertaking	**25,420**	19,212
Amortisation of financing income	**100**	26
Total finance income	**25,520**	19,238
Finance costs:		
Interest payable on £400m bond	**25,420**	19,212
Amortisation of financing charges	**100**	26
Total finance costs	**25,520**	19,238
Net finance costs	**-**	-

All of the Company's income and expenses, and assets and liabilities derive from its sole activity in the UK, being the provision of loan finance to Northern Ireland Electricity Limited.

5. Employees and directors

The Company has no employees. Due to the limited activities of the Company no remuneration has been paid to the directors.

6. Financial assets

	2013 £'000	2012 £'000
Financial assets – non-current		
Loan to immediate parent undertaking	**398,059**	397,958
Financial assets – current		
Interest receivable on loan to immediate parent undertaking	**14,811**	14,891

On 2 June 2011 the Company issued a loan of £400m to Northern Ireland Electricity Limited, the Company's immediate parent undertaking, net of £2.1m of costs associated with raising finance. Interest is paid on the loan at a fixed rate of 6.375%. The loan has a maturity date of 2 June 2026 and interest is earned at a fixed rate of 6.375%. The loan is neither past due nor impaired.

7. Cash and cash equivalents

	2013 **£'000**	2012 £'000
Cash at bank and in hand	**50**	50

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The directors consider that the carrying amount of cash and cash equivalents equates to fair value.

8. Financial liabilities

The Company's objectives, policies and strategies in respect of financial liabilities and capital management are disclosed on pages 3-4 of the Strategic Report.

	2013 **£'000**	2012 £'000
Current		
Interest payable on £400m bond	**14,811**	14,891
Non-current		
£400m bond	**398,059**	397,958

On 2 June 2011, the Company issued a 15 year £400m bond which carries interest at a coupon of 6.375%. The payments of all amounts in respect of the Bond are unconditionally and irrevocably guaranteed by the Company's immediate parent company, Northern Ireland Electricity Limited. Interest is due annually in arrears on 2 June.

9. Financial instruments

The Company's objective is to issue financial instruments in order to raise finance on behalf of its immediate parent undertaking. Therefore, the Company is financed through debt finance and interest receivable. The Company's debt finance at 31 December 2013 comprised the Bond which is repayable on 2 June 2026. The bond issue incurred £2.1m of costs associated with raising finance.

Credit risk
The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The maximum exposure to credit risk at the reporting date was:

	Note	**2013** **£'000**	2012 £'000
Loans and receivables	6	**412,870**	412,849
Cash and cash equivalents	7	**50**	50
		412,920	412,899

9. Financial instruments (continued)

Liquidity risk
Liquidity risks are disclosed in the Strategic Report on page 3. The table below summarises the maturity profile of the Bond based on contractual undiscounted payments.

2013	**On demand £'000**	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Financial Liabilities						
£400m bond (including interest payable)	**-**	**-**	**25,500**	**102,000**	**604,000**	**731,500**

2012	**On demand £'000**	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Financial Liabilities						
£400m bond (including interest payable)	-	-	25,500	102,000	629,500	**731,500**

Fair values of financial assets and financial liabilities
The Bond had a fair value at 31 December 2013 of £462.0m (31 December 2012 - £476.6m) based on current market prices. The Company's £400m back-to-back loan had a fair value at 31 December 2013 of £462.0m (31 December 2012 - £476.6m) based on the fair value of the £400m bond. The directors consider that the carrying amount of other financial assets and liabilities equate to fair value.

The Company uses the hierarchy as set out in IFRS 13 Fair Value Measurement. All assets and liabilities for which fair value is disclosed are categorised within the fair value hierarchy described as follows:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable.

The fair value of bonds as at 31 December 2013 and 31 December 2012 is considered by the Company to fall within the level 1 fair value hierarchy as defined in IFRS 13. There have been no transfers between levels in the hierarchy during the year.

10. Share capital

Allotted and partly paid	**2013 £'000**	2012 £'000
50,000 Ordinary shares of £1 each fully paid up	**50**	50

On 17 September 2012 the shares in the Company were fully paid up and the Company received proceeds of £37,500.

11. Related party disclosures

Remuneration of key management personnel
Key management personnel of the Company comprise the directors of the Company. Due to the limited activities of the Company no remuneration has been paid to the directors.

Group
The immediate parent undertaking of the Company and the parent of the smallest group of which the Company is a member and for which group accounts are prepared is Northern Ireland Electricity Limited. The ultimate parent undertaking in the UK is ESBNI Limited. The ultimate parent undertaking and controlling party of the Company and the parent of the largest group of which the Company is a member and for which group accounts are prepared is Electricity Supply Board (ESB), a statutory corporation established under the Electricity (Supply) Act 1927 domiciled in the Republic of Ireland. A copy of ESB's accounts is available from 27 Lower Fitzwilliam Street, Dublin 2.

A full list of the subsidiary undertakings of ESB are included in its accounts.

Transactions between the Company and related parties and the balances outstanding are disclosed below:

	Interest receivable from related party £'000	Amounts owed by related party £'000
Year to 31 December 2013		
Northern Ireland Electricity Limited	**14,811**	**412,870**
9 months to 31 December 2012		
Northern Ireland Electricity Limited	14,891	412,849

On 2 June 2011 a loan of £400m, net of £2.1m of costs associated with raising finance, was issued to Northern Ireland Electricity Limited. The loan has a maturity date of 2 June 2026. Further details of this loan are disclosed in note 6.