

**ESB Summary Regulatory Financial Statements**  
**31 December 2007**



**ESB GROUP - Summary Regulatory Accounts**  
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**December 2007**

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## **Statement of Board Members' Responsibilities**

In respect of the Summary Regulatory Accounts for the year ended 31 December 2007

The Board Members are responsible for the preparation of individual accounts for the separate businesses and activities of the Board as set out in Regulation 27(2) and Regulation 27(3) of the Statutory Instrument 445 of 2000. The Electricity Supply Acts 1927 to 2004 require the Board Members to prepare Financial Statements for each financial year in accordance with those Acts.

The Board Members consider that, in preparing the summary regulatory accounts on page 3 to page 30, appropriate accounting policies have been used and consistently applied and that reasonable and prudent judgements and estimates have been made. The Board Members also consider that all applicable accounting standards have been followed, and that the accounts have been prepared on a going concern basis.

The Board Members have responsibility for keeping proper books of account for each of the separate businesses and for taking such steps as are reasonably open to them to safeguard the assets of the separate businesses and to prevent and detect fraud and other irregularities.

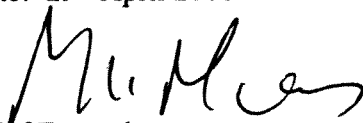
On behalf of the Board

Chairman



Date: 29<sup>th</sup> April 2008

Chief Executive



Date: 29<sup>th</sup> April 2008



**KPMG**  
**Chartered Accountants**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland

## Report of the Independent auditors to the board members of Electricity Supply Board and the Commission for Energy Regulation

We have examined the summary regulatory accounts, set out on pages 3 to 30, which have been prepared in accordance with the accounting policies set out therein. The summary regulatory accounts have been extracted from the full regulatory accounts for the year ended 31 December 2007 prepared by Electricity Supply Board for submission to the Commission for Energy Regulation as required by Regulation 27 of Statutory Instrument 445 of 2000.

This report is made solely to the board members of Electricity Supply Board and the Commission for Energy Regulation. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board members of Electricity Supply Board and the Commission for Energy Regulation for this report, or for the opinions we have formed.

### **Respective responsibilities of board members and auditors**

As described on page 1, the board members are responsible for the preparation of the summary regulatory accounts. It is our responsibility to report to you our opinion as to whether the summary regulatory accounts have been properly prepared from and are consistent with the full regulatory accounts.

### **Basis of opinion**

We issued an unqualified audit report in respect of the full regulatory accounts described above on 29 April 2008.

Our examination of the summary regulatory accounts consisted of procedures which we consider necessary to assess whether the accounts contain all information necessary to ensure consistency with the full regulatory accounts and of whether the detailed information has been properly extracted from the full regulatory accounts and included in the summary regulatory accounts.

### **Opinion**

In our opinion the summary regulatory accounts set out on pages 3 to 30 are consistent with, and properly extracted from, the full regulatory accounts as described above.

Chartered Accountants  
Registered Auditors

29 April 2008

# Statement of Summary Regulatory Accounting Policies

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## Background

### Full Regulatory Accounts

Articles 13 and 14 of Directive 96/92/EC of the European Parliament and of the Council of 19 December 1996 provides for the unbundling and transparency of accounts for electricity undertakings and integrated electricity undertakings. Statutory Instrument No. 445 of 2000 transposes this into Irish law and, for the purposes of the Directive, designates the Commission for Energy Regulation (“CER” or “regulator”) as the competent authority which has the right to require the preparation of, and to have access to, accounts in whatever form may be required to discharge its functions.

Regulation 27 of Statutory Instrument No. 445 of 2000 requires electricity undertakings to keep accounts in statutory format. In addition, Regulation 27 requires integrated electricity undertakings to keep separate accounts for their generation, transmission, distribution and supply activities and where appropriate, consolidated accounts for other non-electricity activities as if the activities were carried out by separate companies. Regulation 27 also requires ESB to keep separate accounts for each business separately licensed under section 14(1) of the Electricity Regulation Act of 1999.

Under Section 14 (1) of the 1999 Act, (as amended by S.I. 445), the CER issued a Transmission System Owner Licence and Distribution System Operator Licence to ESB.

These licences contain specific provisions that require ESB to keep separate accounts for the Power Generation, Transmission, Distribution and Customer Supply businesses as well as for its licensed independent supply arm, ESB Independent Energy Limited (ESBIE) for the financial year 2007.

The way in which each Licensee or regulated business must prepare its accounts for the purposes of regulatory accounts is specified by the CER in the Regulatory Accounting Guidelines (“RAGs”), issued by the CER on 26 June 2002, updated in March 2006. These specify the format, content and, where the CER has deemed appropriate, specific accounting policies to be followed by the Licensee or regulated business in meeting requirements under the following:

- Condition 19 of the Distribution System Operator Licence;
- Condition 14 of the Transmission System Owner Licence;
- Regulation 27 of S.I. 445 of 2000.

Other than with respect to specific accounting policies set out in the Regulations, the accounts are prepared on the basis of International Financial Reporting Standards as adopted by the EU and the Electricity Supply Acts, 1927 to 2004, incorporating accounting policies adopted by ESB in its statutory financial statements.

# Statement of Summary Regulatory Accounting Policies

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## Summarised Regulatory Accounts

At the Commission for Energy Regulation's discretion, extracts from the full regulatory accounts described above may be published. The accounts on pages 14 to 30 represent a summarised version of the full regulatory accounts. The information included in these accounts is extracted from, and is consistent with, the full regulatory accounts.

The following are the main differences between the full regulatory accounts and these accounts:

- The results for subsidiaries, joint ventures and associates not subject to the requirements of the Regulations and licence conditions set out above are not included;
- A reconciliation of the results of the regulated businesses set out in the regulatory accounts to the consolidated financial statements of the group is not included;
- Group taxation is charged and managed centrally at group level. With the exception of ESBIE, taxation charges or credits, deferred tax provisions and accrued balance sheet amounts relating to taxation are not disclosed in the summary regulatory accounts;
- IAS 19 "Employee benefits requires that the deficit existing in the defined benefit pension scheme, as calculated by the actuaries in accordance with the standard, be reflected in the income statement and balance sheet of ESB. The pension scheme is managed centrally and as such the deficit is not allocated to the business units regulatory accounts;
- ESB maintains a central treasury function to manage and control its cash and borrowings on a group-wide basis. ESBIE maintains certain separate cash balances and borrowings because it is a separate legal entity. These are presented in the balance sheet of the ESBIE business.

Power Generation, Distribution and PES business units do not manage and control separate cash accounts or borrowings. ESB Group Treasury manages cash and debt and employs appropriate financial policies to actively manage the exposures of ESB Group as a whole, not on an individual business basis. These balances are therefore not reflected in the accounts of Power Generation, Distribution and PES.

- No cash, borrowings or interest on such borrowings is allocated to the individual business units, with the following exceptions:
  - Interest earned or incurred by ESBIE on its own bank accounts and borrowings;
  - Interest capitalised on tangible fixed assets: ESB's accounting policy is to capitalise an appropriate portion of interest on borrowing to finance production of tangible fixed assets, in accordance with FRS 15 "Tangible fixed assets". ESB allocates a portion of the overall interest expense in the ESB parent entity to the separate businesses for the purposes of this capitalisation using the computational rules set out in FRS 15 for the capitalisation of interest from a general pool of borrowings to specific tangible fixed assets.

# Statement of Summary Regulatory Accounting Policies

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## Principal Regulatory Accounting Policies

The principal accounting policies adopted by each business and the Group in preparing the accounts are as follows:

### *1. Basis of accounting*

ESB is a statutory corporation established under the Electricity (Supply) Act, 1927 and is domiciled in Ireland. These financial statements are for the year ended 31 December 2007. They are prepared under IFRS (International Financial Reporting Standards) as adopted by the EU (EU IFRS) financial statements. They have been prepared in accordance with those EU IFRS standards and IFRIC interpretations issued and effective for accounting periods ending on or before 31 December 2007.

The preparation of regulatory accounts in conformity with EU IFRS 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.

As Power Generation, Transmission, Distribution and Customer Supply are separate businesses within ESB, in order to prepare the regulatory accounts in the format specified by the CER certain accounting policies and methodologies have been adopted, particularly with regard to internal transactions and balances.

### *Revenue*

Revenue between group businesses is calculated in accordance with ESB's arrangements for internal trading which, where appropriate, provide for cost recovery or trading at arms length, based on market rates. Where applicable, income subject to regulation is calculated in accordance with the licence conditions or regulatory determinations applicable to each business.

Regulated revenue consists of the following:

#### ■ **Power Generation:**

- *Sales to Customer Supply:* Revenue derived from Customer Supply is based on the quantity of electricity delivered to Customer Supply during the year and the Power Generation to Customer Supply tariffs. These tariffs are in accordance with the determination of the CER appropriate to 2007.
- *Sales to Virtual Independent Power Producers (VIPP):* Revenue is calculated based on the terms and conditions agreed with the CER during the VIPP capacity auction process.
- *Top Up Sales:* This revenue is calculated based on the quantity of top up delivered to customers during the year under the rules of the Trading and Settlement code and at the top up price as determined by the CER.
- *Capacity Margin Revenue:* This revenue is calculated based on the availability of spare capacity under the terms and conditions as determined by the CER.
- *Ancillary Services Revenue:* This revenue relates to the provision of specified services to the system in accordance with an agreement with the Transmission Systems Operator.
- *Sales to the Electricity Pool:* This revenue is calculated based on the quantity of electricity sold to the pool at the System Marginal Price (SMP) for a given half hour. Revenue is determined in accordance with the regulations governing the pool.

- **Transmission:** Revenue derived from use of system or "TUoS" charges has been calculated based on the usage of the transmission network during the year in

## Statement of Summary Regulatory Accounting Policies

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accordance with the appropriate determination of the Regulator. Transmission makes use of system sales to external parties, and to other businesses within the ESB group;

- **Distribution:** Revenue derived from use of system or “DUoS” charges, has been calculated based on the quantity of electricity delivered to customers during the year and the use of system tariffs, in accordance with the appropriate determination of the Regulator. Distribution makes use of system sales to external parties, and to other businesses within the ESB group;
- **Customer Supply:** Turnover predominantly comprises net sales of electricity to customers outside the group and excludes value-added tax. Electricity turnover includes an estimate of the value of units supplied to customers between the date of the last meter reading and the year-end and this estimate is included in debtors in the balance sheet as ‘unbilled consumption’.
- **ESBIE:** Turnover predominantly comprises net sales of electricity to customers outside the group and excludes value-added tax. Electricity turnover includes an estimate of the value of units supplied to customers between the date of the last meter reading and the year-end and this estimate is included in debtors in the balance sheet as ‘unbilled consumption’.

Revenue relating to the non-regulated businesses of ESB largely relates to contracting and service based activities.

### *Inter-business and inter-company trading – allocated and shared costs*

Certain ESB Group business areas and companies provide services to other ESB group businesses or companies, such as IT services and development, facilities management, telecommunications as well as other shared and corporate services.

The Power Generation, Transmission, Distribution, Customer Supply and ESBIE businesses are charged or allocated corporate and other shared costs in accordance with ESB’s internal trading arrangements.

Because of the integrated nature of ESB’s activities, it is sometimes necessary to reasonably attribute by apportionment certain elements of costs to each business as an individual activity.

Revenues, expenses and capital expenditure directly incurred by each business are recorded in the separate accounts of the businesses. A system of internal trading is operated to reflect internal transactions between the different businesses. Trade indebtedness as a result of such trading between the internal businesses is recorded as internal debtor and internal creditor balances in the accounts of each business as appropriate.

### *Stockholders Funds*

ESB’s reserves and capital stock balances relate to the statutory entity as a whole only and are not allocated to the separate business areas. These businesses are centrally funded by ESB, and this is reflected as corporate capital employed for each business. This does not represent reserves distributable by a constituent business.

Cash balances receivable or payable by a business area, from or to either internal or external sources are recorded in a notional bank account of each business. In the regulatory accounts, these notional bank accounts are treated as funding from the corporate centre (as the corporate centre physically manages and controls the cash), and are treated in the regulatory accounts as corporate funds in corporate capital employed.

## Statement of Summary Regulatory Accounting Policies

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### *Comparison with statutory financial statements*

ESB's statutory financial statements for any period present the results of the Group on a consolidated basis in accordance with the requirements of the Electricity Acts and relevant Accounting Standards. The regulatory accounts format requires that four business areas within the ESB parent entity, namely Power Generation, Transmission, Distribution and Customer Supply, and one subsidiary, ESBIE, are separately detailed.

Extracts from the statutory financial statement numbers are given in summary format in certain instances.

### **2. Foreign currencies**

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 balance sheet date and the exchange differences are dealt with in the Income Statement. Non monetary assets and liabilities are carried at historical cost and not subsequently retranslated.

### **3. Goodwill and Intangible Assets**

#### **(a) Goodwill**

Goodwill represents the excess of consideration paid on the acquisition of a business over the fair value of the identifiable assets and liabilities. Goodwill is tested annually for impairment and carried as an asset at cost less accumulated impairment losses. Goodwill on acquisitions and joint ventures is included in non current assets under investments in joint ventures.

#### **(b) Software Costs**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years) and on a straight line basis.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development, employees and an appropriate portion of relevant overheads. These costs are amortised over their estimated useful lives (three to five years) on a straight line basis.

#### **(c) Emission Allowances**

In accordance with the provisions of the European CO<sub>2</sub> emissions trading scheme, emissions allowances covering a percentage of the expected emissions during the year are granted to ESB at the beginning of each year by the relevant Government Authority.

Emission allowances issued to ESB are recorded as intangible assets at market value on the date of issue. At that date, the allowances are recorded as a government grant in deferred income, at the same market value as the intangible assets and are amortised to the Income Statement on the basis of actual emissions during the year.

As emissions arise, a provision is recorded in the Income Statement to reflect the amount required to settle the liability to the Authority. This provision will include the carrying value of the emission allowances held, as well as the current market value of any additional allowances required to settle the obligation. These allowances, together with any additional allowances purchased during the year, are returned to the relevant Authority in charge of

## Statement of Summary Regulatory Accounting Policies

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the scheme within four months from the end of that calendar year, in order to cover the liability for actual emissions of CO<sub>2</sub> during that year. Emissions allowances held as intangible assets are not amortised as they are held for settlement of the emission liability in the following year.

### ***4. Property, plant and equipment and depreciation***

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment in value, except for land which is shown at cost less impairment. Property, plant and equipment includes capitalised employee, interest and other costs that are directly attributable to the asset. The charge for depreciation is calculated to write down the cost of property, plant and equipment to its estimated residual value over its expected useful life using methods appropriate to the nature of the Group's business and to the character and extent of its property, plant and equipment. Major asset classifications and their allotted lifespans are:

Generation Plant and Thermal Station Structures	20 years
Distribution Plant and Structures	25/30 years
Transmission Plant and Structures	30 years
General Buildings and Hydro Stations	50 years

Depreciation is provided:

- On the straight-line method for Transmission Distribution and General Assets.
- On a projected plant usage basis for Generating Units.
- On all assets from date of commissioning.

Reviews of depreciation rates and residual values are conducted annually. No depreciation is provided on freehold land or on assets in the course of construction.

Subsequent expenditure on property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred

Included in property, plant and equipment are strategic spares in relation to the Power Generation business. Capital stock in the Networks business is carried within Assets under Construction pending commissioning.

### ***5. Borrowing Costs***

Borrowing costs attributable to the construction of major assets, which necessarily take substantial time to bring into use, are added to the cost of those assets at the weighted average cost of borrowings, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the Income Statement in the period in which they are incurred. The capitalisation rate applied equates to the average cost of ESB's outstanding debt.

### ***6. Inventories***

Inventories are carried at the lower of average cost and net realisable value. Cost comprises all purchase price and direct costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on normal selling price less further costs expected to be incurred prior to disposal.

## Statement of Summary Regulatory Accounting Policies

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

### ***7. Impairment of Assets***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### ***8. Leased assets***

Finance leases are leases where the Group assumes substantially all the risks and rewards of ownership, while operating leases are those in which the lessor retains those risks and rewards of ownership.

Non-current assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their expected useful lives. The corresponding liabilities are recorded as a finance lease payable and the interest element of the finance lease payments is charged to the Income Statement on an annuity basis. Operating lease rentals are charged to the Income Statement on a straight-line basis over the lease term.

### ***9. Non-repayable supply contributions and capital grants***

Non-repayable supply contributions and capital grants received are recorded as deferred income and released to the Income Statement on a basis consistent with the depreciation policy of the relevant assets.

### ***10. Provisions for generating station closure***

The provision for generating station closure represents the present value of the current estimate, of the costs of closure of stations at the end of their useful lives.

The estimated costs of closing stations are recognised in full at the outset of the asset life, but discounted to present values using a risk free rate. The costs are capitalised in property, plant and equipment and depreciated over the useful economic lives of the stations to which they relate. The costs are reviewed each year and amended as appropriate. Amendments to the discounted estimated costs are capitalised into the relevant assets and depreciated over the remaining life of the relevant assets. As the costs are capitalised and initially provided on a discounted basis, the provision must be increased by a financing charge each period, which is calculated based on the provision balance and discount rate applied at the last measurement date and is included in the Income Statement as a finance charge. In this way, the provision will equal the estimated closure costs at the end of the useful economic lives of stations. The actual expenditure is set against the provision as stations are closed.

The provision for station closure costs is included within current or non-current provisions as appropriate on the Balance Sheet.

## Statement of Summary Regulatory Accounting Policies

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### *11. Pension Obligations*

#### **Pension obligations**

The Group operates a defined benefit pension scheme and a defined contribution pension scheme.

Despite the fact that the defined benefit scheme is not typical of a balance of cost defined benefit scheme (where the employer is liable to pay the balance of contributions required to fund the benefits), for the purposes of reporting under IAS 19 the scheme has been accounted for as if it was such a scheme.

#### **Defined Benefit Pension Scheme**

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The current service cost, interest cost and expected return on plan assets are recognised within the employee benefits expense in the Income Statement in the year in which they arise. Past service costs are recognised immediately in the Income Statement, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period. Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation are spread to income over the active employees' expected average remaining working lives.

The liability recognised in the Balance Sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

#### **Defined Contribution Pension Scheme**

For the defined contribution scheme, the Group has no further payment obligations once the contributions have been made. The contributions are recognised as an employee benefit expense when they are due.

### *12. Employee Related Liabilities*

#### **Restructuring Liabilities**

Voluntary termination Benefits are payable under a tripartite agreement between the Board of ESB, the Group of Unions and Government when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to providing severance benefits as a result of an offer of voluntary redundancy made to employees and accepted by those employees. Benefits falling due more than 12 months after Balance Sheet date are discounted to present value.

#### **Other Short Term Employee Related Liabilities**

The costs of vacation leave are recognised when employees render the service that increases their entitlement to future compensated absences.

## Statement of Summary Regulatory Accounting Policies

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### **13. Cash and Cash Equivalents**

The cash and borrowings of Power Generation, Distribution and Customer Supply are managed centrally by ESB Group Treasury. The definition of cash and cash equivalents as set out in IAS 7 'Cash Flow Statements' implies that, these businesses would not be considered to have a cash flow of their own, as they do not receive or transfer cash in a physical sense themselves.

However, as the intention of the regulatory accounts is to show accounting transactions and cash flows attributable to the businesses, ESB has attributed cash flows arising from the trading of the businesses, both internal and external, although managed centrally, as cash flows of the businesses themselves. Funding and servicing of financing in the form of external borrowings managed centrally by ESB is not included in the cash flows. ESBIE controls and manages its own bank accounts and borrowings. Therefore, under the definitions set out in IAS 7, these balances have been recognised as the assets or liabilities of that entity.

For the purpose of ESBIE's cash flow statement, cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### **14. Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity. Current tax is provided at current rates and is calculated on the basis of results for the period, taking account of manufacturing relief, where appropriate. The income tax expense in the Income Statement does not include taxation on the Group's share of profits of joint venture undertakings, as this is included within the separate line on the face of the Income Statement for profits from joint ventures.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date. Deferred tax is charged or credited to the Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### **15. Financial Instruments**

#### **(a) Non – Derivative Financial Instruments**

##### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method less provision made for doubtful receivables.

Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision is made on a portfolio basis to cover additional incurred losses based on an analysis of previous losses experienced.

## Statement of Summary Regulatory Accounting Policies

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### **Trade and other payables**

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

### **(b) Derivative Financial Instruments**

The Group uses derivative financial instruments and non-derivative financial instruments to hedge its exposure to foreign exchange, interest rate, and commodity price risk arising from operational, financing and investing activities. The principal derivatives used include interest rate swaps, currency swaps, forward foreign currency contracts, indexed swap contracts relating to the purchase of fuel, and contracts for differences in relation to sales and purchases through the electricity trading pool of the Single Electricity Market (SEM).

The Group enters into commodity contracts in the normal course of business. Arising from the introduction of the SEM during the year, the Group has entered into derivative financial instruments in respect of electricity sales and purchases, which in the main, qualify for hedge accounting under the terms of IAS 39 and are accounted for as such. In addition certain other long term contracts could be classified as financial instruments under IAS 39. However, as these contracts are entered into to satisfy the Group's fuel usage requirements, they are not treated as financial instruments.

Derivative financial instruments are recognised initially at fair value. Subsequently, these instruments are restated at fair value at the Balance Sheet date. Movements during the financial year in the fair value of derivatives classified as trading investments are recognised in the Income Statement in that financial year.

Derivatives are derecognised on settlement or sale.

### ***Inter-business and inter-company trading – derivatives***

Derivatives entered into between ESB businesses, which are eliminated on consolidation, are not included in derivative financial instruments on the balance sheet.

### **(c) Hedging**

#### ***(i) Fair value hedges***

Where a derivative instrument hedges the changes in the fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the Income Statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the Income Statement. To the extent that the hedge is effective there will be no net impact on the Income Statement.

#### ***(ii) Cash flow hedges***

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from equity and recognised in the Income Statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the Income Statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is

## Statement of Summary Regulatory Accounting Policies

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recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

***(iii) Hedge of net investment in foreign entity***

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in equity, and taken to the translation reserve, with any ineffective portion recognised immediately in the income statement.

**(d) Interest bearing borrowings**

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

**(e) Insurance contracts**

During the normal course of business, ESBI provides Parent company guarantees and bonds to its subsidiary companies. These guarantees and bonds are classified under IFRS 4 as insurance contracts. Where it is expected that no claims will be made on these contracts, no provision is made in the accounts.

**ESB GROUP**  
**Regulatory Income Statement**  
**Year ended 31 December 2007**

€M	Note	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue		1,429.5	1,371.6	141.1	116.8	684.8	643.4	2,103.1	1,849.5	443.3	356.6
Other operating income	5	72.0	245.6	4.4	3.8	20.7	15.7	-	-	-	-
<b>Total Revenue</b>		<b>1,501.5</b>	<b>1,617.2</b>	<b>145.5</b>	<b>120.6</b>	<b>705.5</b>	<b>659.1</b>	<b>2,103.1</b>	<b>1,849.5</b>	<b>443.3</b>	<b>356.6</b>
(Loss)/Profit on disposal of property		0.3	0.8	-	-	16.1	29.5	-	-	-	-
Operating costs	1	(1,238.2)	(1,354.7)	(70.5)	(69.8)	(551.1)	(560.3)	(2,083.7)	(1,894.1)	(435.3)	(354.3)
<b>Operating profit/(loss) #</b>		<b>263.6</b>	<b>263.3</b>	<b>75.0</b>	<b>50.8</b>	<b>170.5</b>	<b>128.3</b>	<b>19.4</b>	<b>(44.6)</b>	<b>8.0</b>	<b>2.3</b>
Net interest cost and other financing charges	2	(13.4)	(10.2)	-	-	(2.2)	(1.5)	(0.9)	(0.8)	0.2	0.2
Share of joint venture's profit		-	-	-	-	-	-	-	-	-	-
<b>Profit before taxation #</b>		<b>250.2</b>	<b>253.1</b>	<b>75.0</b>	<b>50.8</b>	<b>168.3</b>	<b>126.8</b>	<b>18.5</b>	<b>(45.4)</b>	<b>8.2</b>	<b>2.5</b>
Income tax expense		-	-	-	-	-	-	-	-	(1.1)	(0.4)
<b>Profit after taxation #</b>		<b>250.2</b>	<b>253.1</b>	<b>75.0</b>	<b>50.8</b>	<b>168.3</b>	<b>126.8</b>	<b>18.5</b>	<b>(45.4)</b>	<b>7.1</b>	<b>2.1</b>
Minority interests		-	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) for the financial year</b>	4	<b>250.2</b>	<b>253.1</b>	<b>75.0</b>	<b>50.8</b>	<b>168.3</b>	<b>126.8</b>	<b>18.5</b>	<b>(45.4)</b>	<b>7.1</b>	<b>2.1</b>

Signed:



Chairman

Signed:



Chief Executive

Date: 29th April 2008

Date: 29th April 2008

**ESB GROUP**  
**Regulatory Balance Sheet**  
**As at 31 December 2007**

€M

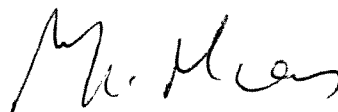
		Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>ASSETS</b>											
<b>Non-current assets</b>											
Property, plant & equipment	6	1,017.0	947.0	843.5	788.1	4,170.7	3,877.4	1.4	1.9	0.2	0.3
Intangible assets	7	87.7	235.2	-	-	54.9	62.5	44.5	38.3	5.1	3.9
Investment property	8	-	-	-	-	-	0.3	-	-	-	-
Investments in joint ventures	9	-	-	-	-	-	-	-	-	-	-
Financial asset investments	9	-	-	-	-	-	-	-	-	-	-
Derivative Financial instruments		-	-	-	-	-	-	260.4	-	32.0	-
Deferred tax assets		-	-	-	-	-	-	-	-	0.1	0.1
<b>Total non-current assets</b>		<b>1,104.7</b>	<b>1,182.2</b>	<b>843.5</b>	<b>788.1</b>	<b>4,225.6</b>	<b>3,940.2</b>	<b>306.3</b>	<b>40.2</b>	<b>37.4</b>	<b>4.3</b>
<b>Current assets</b>											
Inventories	10	155.6	143.5	-	-	-	-	-	-	-	-
Trade and other receivables	11	72.9	255.5	32.7	25.6	132.3	119.3	347.8	333.6	54.0	42.8
Investments		-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents		-	-	-	-	-	-	-	-	9.5	7.2
Current tax asset		-	-	-	-	-	-	-	-	-	-
Derivative Financial instruments		36.1	0.2	-	-	-	-	13.3	-	-	-
Assets held for sale		30.7	-	-	-	0.7	1.4	-	-	-	-
<b>Total current assets</b>		<b>295.3</b>	<b>399.2</b>	<b>32.7</b>	<b>25.6</b>	<b>133.0</b>	<b>120.7</b>	<b>361.1</b>	<b>333.6</b>	<b>63.5</b>	<b>50.0</b>
<b>Total assets</b>		<b>1,400.0</b>	<b>1,581.4</b>	<b>876.2</b>	<b>813.7</b>	<b>4,358.6</b>	<b>4,060.9</b>	<b>667.4</b>	<b>373.8</b>	<b>100.9</b>	<b>54.3</b>

Signed:



Chairman

Signed:



Chief Executive

Date: 29th April 2008

Date: 29th April 2008

# ESB GROUP

## Regulatory Balance Sheet continued

As at 31 December 2007

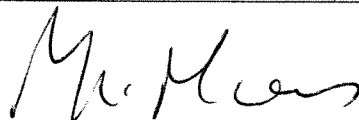
	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>EQUITY</b>										
Capital stock	(137.2)	296.7	460.7	488.7	2,467.9	2,425.8	98.0	(33.9)	11.1	11.1
Translation reserve	-	-	-	-	-	-	-	-	-	-
Cash Flow Hedging & Other Reserves	-	-	-	-	96.0	96.0	273.0	-	23.9	-
Retained Earnings	912.2	661.8	307.5	232.5	1,201.2	1,032.8	(4.9)	(23.1)	9.8	2.6
<b>Equity attributable to equity holders of the Parent</b>	<b>775.0</b>	<b>958.5</b>	<b>768.2</b>	<b>721.2</b>	<b>3,765.1</b>	<b>3,554.6</b>	<b>366.1</b>	<b>(57.0)</b>	<b>44.8</b>	<b>13.7</b>
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>775.0</b>	<b>958.5</b>	<b>768.2</b>	<b>721.2</b>	<b>3,765.1</b>	<b>3,554.6</b>	<b>366.1</b>	<b>(57.0)</b>	<b>44.8</b>	<b>13.7</b>
<b>LIABILITIES</b>										
<b>Non-current liabilities</b>										
Borrowings and other debt	-	-	-	-	-	-	-	-	-	-
Derivative Financial instruments	-	-	-	-	-	-	-	-	-	-
Trade and other payables	12	-	-	-	-	-	-	-	-	-
Provisions	14	271.3	265.9	-	14.0	13.2	-	-	-	-
Employee related liabilities		(14.9)	(2.5)	-	(34.2)	(31.1)	7.4	10.4	-	-
Deferred tax liabilities		-	-	-	-	-	-	-	3.4	-
Deferred income and government grants	13	-	-	87.4	77.0	524.5	418.3	-	-	-
<b>Total non current liabilities</b>		<b>256.4</b>	<b>263.4</b>	<b>87.4</b>	<b>77.0</b>	<b>504.3</b>	<b>400.4</b>	<b>7.4</b>	<b>10.4</b>	<b>3.4</b>
<b>Current Liabilities</b>										
Borrowings and other debt		-	-	-	-	-	-	-	-	-
Trade and other payables	12	240.1	111.8	20.6	15.5	77.5	88.0	293.1	417.2	44.8
Current tax liabilities		-	-	-	-	-	-	-	-	-
Employee related liabilities		20.0	8.6	-	-	8.9	15.1	0.8	3.2	0.2
Provisions	14	65.4	239.1	-	-	2.8	2.8	-	-	-
Derivative Financial instruments		43.1	-	-	-	-	-	-	7.7	-
<b>Total current liabilities</b>		<b>368.6</b>	<b>359.5</b>	<b>20.6</b>	<b>15.5</b>	<b>89.2</b>	<b>105.9</b>	<b>293.9</b>	<b>420.4</b>	<b>52.7</b>
<b>Total liabilities</b>		<b>625.0</b>	<b>622.9</b>	<b>108.0</b>	<b>92.5</b>	<b>593.5</b>	<b>506.3</b>	<b>301.3</b>	<b>430.8</b>	<b>56.1</b>
<b>Total equity and liabilities</b>		<b>1,400.0</b>	<b>1,581.4</b>	<b>876.2</b>	<b>813.7</b>	<b>4,358.6</b>	<b>4,060.9</b>	<b>667.4</b>	<b>373.8</b>	<b>100.9</b>

Signed:



Chairman

Signed:



Chief Executive

Date: 29th April 2008

Date: 29th April 2008

ESB Group

Summary Regulatory Statement of Recognised Income and Expense

Year ended 31 December 2007

€M

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Profit for the financial year	250.2	253.1	75.0	50.8	168.3	126.8	18.5	(45.4)	7.1	2.1
Fair value gains / (losses) on cash flow hedges	(6.9)	-	-	-	-	-	273.7	-	23.9	-
<b>Total recognised income and expenses for the financial year</b>	<b>243.3</b>	<b>253.1</b>	<b>75.0</b>	<b>50.8</b>	<b>168.3</b>	<b>126.8</b>	<b>292.2</b>	<b>(45.4)</b>	<b>31.0</b>	<b>2.1</b>

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Reconciliation of Movements in Stockholders' Funds</b>										
Total recognised income & expenses for year	243.3	253.1	75.0	50.8	168.3	126.8	292.2	(45.4)	31.0	2.1
Transfer to/from Corporate Funds	(426.7)	(263.0)	(28.0)	(31.7)	42.1	186.8	131.7	1.8	-	-
Transfer from Other Reserves	-	-	-	11.3	-	-	-	-	-	-
Opening stockholders' funds	958.5	968.4	721.2	690.8	3,554.7	3,241.0	(57.0)	(13.4)	13.7	11.6
<b>Closing stockholders' funds</b>	<b>775.1</b>	<b>958.5</b>	<b>768.2</b>	<b>721.2</b>	<b>3,765.1</b>	<b>3,554.6</b>	<b>366.9</b>	<b>(57.0)</b>	<b>44.7</b>	<b>13.7</b>

ESB Group  
Summary Regulatory Cash Flow Statement  
Year ended 31 December 2007

€M

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Cash flows from operating activities</b>										
Profit before tax	250.2	253.1	75.0	50.8	168.3	126.8	18.5	(45.4)	8.2	2.5
<b>Adjustments for:</b>										
Depreciation & Amortisation	115.3	111.9	33.0	30.0	236.9	218.5	12.7	11.8	1.0	0.3
Amortisation of supply contributions and other deferred income	-	-	(4.4)	(3.8)	(20.7)	(15.7)	-	-	-	-
Amortisation of Emissions Allowances	(72.0)	(245.6)	-	-	-	-	-	-	-	-
Loss on disposal of property, plant and equipment	2.0	-	-	-	-	1.4	-	-	-	-
(Profit) on disposal of property, plant and equipment	(0.3)	(0.8)	-	-	(13.9)	(29.5)	-	-	-	-
Interest expense	13.4	10.2	-	-	2.2	1.5	0.9	0.8	(0.2)	-
Impact of fair value movements on financial instruments	8.6	-	-	-	-	-	-	-	-	-
<b>Operating profit before changes in working capital and provisions</b>	317.2	128.8	103.6	77.0	372.8	303.0	32.1	(32.8)	9.0	2.8
Charge in relation to provisions	65.2	221.9	-	-	-	1.1	-	-	-	-
Charge in relation to employee related liabilities	8.6	4.7	-	-	4.0	8.3	0.7	3.3	-	-
Utilisation of provisions	(13.9)	(17.4)	-	-	(1.5)	(2.9)	-	-	-	-
Utilisation of employee related liabilities	(13.2)	0.6	-	-	(8.5)	(25.3)	(3.9)	(3.9)	-	-
(Increase)/Decrease in trade and other receivables	182.8	70.1	(7.1)	11.8	(15.7)	0.2	(13.8)	27.7	(10.8)	2.8
(Increase)/Decrease in inventories	(12.1)	12.8	-	-	-	-	-	-	-	-
Increase/(Decrease) in trade and other payables	92.4	(41.9)	5.1	2.6	10.1	(76.4)	(128.4)	8.5	5.2	4.4
Other reserves movement	-	-	-	11.3	-	-	-	-	-	-
<b>Cash generated from the operations</b>	627.0	379.6	101.6	102.7	361.2	208.0	(113.3)	2.8	3.4	10.0
Current tax paid	-	-	-	-	-	-	-	-	(1.1)	(0.4)
Interest paid	(8.1)	(2.9)	(4.1)	(3.7)	(9.4)	(7.8)	-	-	(0.1)	-
Payment for business separation costs	-	-	-	-	-	-	-	-	-	-
<i>Net cash inflow from operating activities</i>	618.9	376.7	97.5	99.0	351.8	200.2	(113.3)	2.8	2.2	9.6
<b>Cash flows from investing activities</b>										
Purchase of property, plant and equipment	(171.0)	(112.6)	(84.3)	(77.2)	(532.1)	(517.3)	(18.4)	(4.6)	-	(0.2)
Purchase of intangible assets	(12.7)	(2.1)	-	-	-	(15.3)	-	-	(2.2)	(3.6)
Proceeds from sale of property, plant and equipment	0.3	1.0	-	-	9.6	30.6	-	-	-	-
Proceeds from financial asset transactions	-	-	-	-	-	-	-	-	2.0	-
Supply contributions and other deferred income received	-	-	14.8	9.9	128.6	115.0	-	-	-	-
Interest received	-	-	-	-	-	-	-	-	0.3	0.2
<i>Net cash outflow from investing activities</i>	(183.4)	(113.7)	(69.5)	(67.3)	(393.9)	(387.0)	(18.4)	(4.6)	0.1	(3.6)
<b>Cash flows from financing activities</b>										
Dividends paid	-	-	-	-	-	-	-	-	-	-
(Decrease)/Increase in loans and finance leases (net)	-	-	-	-	-	-	-	-	-	-
Interest element of finance lease payments	-	-	-	-	-	-	-	-	-	-
<i>Net cash inflow from financing activities</i>	-	-	-	-	-	-	-	-	-	-
<b>Net (Decrease) / Increase in cash and cash equivalents</b>	435.5	263.0	28.0	31.7	(42.1)	(186.8)	(131.7)	(1.8)	2.3	6.0
<b>Cash and cash equivalents at 1 January</b>	103.0	-	-	-	-	-	-	-	7.2	1.4
<b>Effect of exchange rate fluctuations on cash held</b>	-	-	-	-	-	-	-	-	-	-
<b>Cash and cash equivalents at 31 December</b>	538.3	-	-	-	-	-	-	-	9.5	7.2
Transfer to stockholders Funds**	(426.7)	(263.0)	(28.0)	(31.7)	42.1	186.8	131.7	1.8	-	-

\*\* Only notional cash is transferred to stockholders funds.

ESB Group  
Notes to the Summary Regulatory Accounts  
Year ended 31 December 2007  
€M

1 OPERATING COSTS	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Employee costs	142.2	139.1	3.3	7.7	149.1	130.2	30.2	33.5	4.2	3.5
Energy costs	729.3	668.3	-	-	-	-	1,377.8	1,201.6	428.3	281.3
Emission costs including impairment charge	67.3	229.7	-	-	-	-	-	-	-	-
Operations and maintenance	184.1	205.7	34.2	32.1	165.1	211.6	663.0	647.2	1.8	69.2
Depreciation and amortisation of property, plant & equipment / intangible assets	115.3	111.9	33.0	30.0	236.9	218.5	12.7	11.8	1.0	0.3
	1,238.2	1,354.7	70.5	69.8	551.1	560.3	2,083.7	1,894.1	435.3	354.3
2 NET INTEREST COST AND FINANCING CHARGES	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Interest payable on borrowings	8.1	2.9	4.1	3.7	9.4	7.3	-	-	0.1	-
Interest payable on finance leases	-	-	-	-	-	-	-	-	-	-
Interest payable	8.1	2.9	4.1	3.7	9.4	7.3	-	-	0.1	-
Less capitalised interest	(8.1)	(2.9)	(4.1)	(3.7)	(9.4)	(7.3)	-	-	-	-
Interest payable less capitalised interest	-	-	-	-	-	-	-	-	0.1	-
<b>Financing charges:</b>										
- on restructuring liabilities	1.0	0.8	-	-	1.4	0.9	0.9	0.8	-	-
- on power station closure costs	11.2	8.5	-	-	-	-	-	-	-	-
- on other provisions	1.2	0.9	-	-	0.8	0.6	-	-	-	-
<b>Fair value losses/(gains) on financial instruments:</b>										
- currency/interest rate swaps: cash flow hedges, transfers from equity	-	-	-	-	-	-	-	-	-	-
- currency/interest rate swaps: fair value hedges	-	-	-	-	-	-	-	-	-	-
<b>Total interest receivable</b>	-	-	-	-	-	-	-	-	(0.3)	(0.2)
<b>Net interest cost and other financing charges</b>	13.4	10.2	-	-	2.2	1.5	0.9	0.8	(0.2)	(0.2)

The financing charges on provisions are calculated in accordance with the policy for discounting of future commitments.

**ESB Group**  
**Notes to the Summary Regulatory Accounts**  
**Year ended 31 December 2007**

€M

3 EMPLOYEES	Power Generation		Networks Transmission & Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>(a) Average number of employees in year by business activity including temporary employees</b>	1,309	1,317	3,638	3,696	550	562	65	58
<b>(b) Employee costs in year</b>								
<b>Current staff costs (excluding pension)</b>								
Salaries	121.8	123.0	254.5	240.6	25.9	25.4	4.0	3.5
Social welfare costs (PRSI)	3.6	3.3	10.7	9.4	1.3	1.4	0.3	0.2
Contribution to defined contribution plans	-	-	-	-	-	-	0.4	0.3
Other payroll benefits	4.8	4.6	21.7	22.3	1.6	2.0	-	-
Payroll Costs for Employees	130.2	130.9	286.9	272.3	28.8	28.8	4.6	4.0
Capitalised payroll	(7.8)	(7.4)	(164.3)	(166.2)	(1.7)	(1.0)	(0.4)	(0.5)
Net Payroll Cost for Employees	122.4	123.5	122.6	106.1	27.1	27.8	4.2	3.5
<b>Pension and Retirement Benefit Costs</b>								
Increase in defined benefit pension liability	17.2	11.7	28.4	23.5	3.1	3.7	-	-
Voluntary severance costs	2.6	3.9	1.4	8.3		2.0	-	-
Total Employee Related Costs Charged to Income Statement	142.2	139.1	152.4	137.9	30.2	33.5	4.2	3.5

**ESB Group**

**Notes to the Summary Regulatory Accounts**

**Year ended 31 December 2007**

**€M**

**4 PROFIT FOR THE FINANCIAL YEAR**

The profit for the financial year is stated after charging/(crediting):

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Depreciation and amortisation	115.3	111.9	33.0	30.0	236.9	218.5	12.7	11.8	1.0	0.3
Operating lease charges	0.9	0.9	-	-	0.5	0.5	-	-	-	0.3
Amortisation of deferred income	-	-	(4.4)	(3.8)	(20.7)	(15.7)	-	-	-	-
Loss on disposal of plant & equipment	2.0	-	-	-	-	1.4	-	-	-	-
(Profit) on disposal of property	(0.3)	(0.8)	-	-	(16.1)	(29.5)	-	-	-	-

ESB Group

Notes to the Summary Regulatory Accounts

Year ended 31 December 2007

€M

**5 OTHER OPERATING INCOME**

Profit on disposal of businesses

Amortisation of emissions allowances

Amortisation of supply contributions and deferred income

**Total**

Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
-	-	-	-	-	-	-	-	-	-
72.0	245.6	-	-	-	-	-	-	-	-
-	-	4.4	3.8	20.7	15.7	-	-	-	-
72.0	245.6	4.4	3.8	20.7	15.7	-	-	-	-

6 PROPERTY, PLANT & EQUIPMENT

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>(a) Cost</b>										
Balance at 1 January	2,620.7	2,491.0	1,115.2	1,011.5	5,529.1	4,936.8	5.2	9.7	1.0	0.8
Additions	214.2	119.0	85.7	68.8	516.8	548.8	0.2	0.2	0.1	0.2
Retirements and disposals	(8.4)	(1.8)	(0.2)	(0.1)	(16.9)	(21.5)	-	(4.7)	-	-
Transfers to assets held for resale	(77.2)	-	-	-	0.5	(2.5)	-	-	-	-
Transfers from inventories	-	12.5	-	14.4	-	67.5	-	-	-	-
Transfer from Investment Properties	-	-	-	-	0.4	-	-	-	-	-
Other transfers	-	-	3.0	21.6	(3.0)	-	-	-	(0.1)	-
Translation difference	-	-	-	(1.0)	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>2,749.3</b>	<b>2,620.7</b>	<b>1,203.7</b>	<b>1,115.2</b>	<b>6,026.9</b>	<b>5,529.1</b>	<b>5.4</b>	<b>5.2</b>	<b>1.0</b>	<b>1.0</b>
<b>Depreciation</b>										
Balance at 1 January	1,673.7	1,554.0	327.1	286.8	1,651.7	1,471.1	3.3	6.9	0.7	0.6
Charge for the year	111.5	108.0	33.0	30.0	217.6	200.7	0.7	1.0	0.1	0.1
Retirements and disposals	(6.3)	(0.8)	-	-	(13.0)	(19.0)	-	(4.6)	-	-
Transfers to assets available for resale	(46.6)	-	-	-	-	(1.1)	-	-	-	-
Transfers from inventories	-	12.5	-	-	-	-	-	-	-	-
Transfer from Investment Properties	-	-	-	-	(0.1)	-	-	-	-	-
Other transfers	-	-	0.1	10.3	-	-	-	-	-	-
Translation difference	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>1,732.3</b>	<b>1,673.7</b>	<b>360.2</b>	<b>327.1</b>	<b>1,856.2</b>	<b>1,651.7</b>	<b>4.0</b>	<b>3.3</b>	<b>0.8</b>	<b>0.7</b>
<b>Net book value at 31 December</b>	<b>1,017.0</b>	<b>947.0</b>	<b>843.5</b>	<b>788.1</b>	<b>4,170.7</b>	<b>3,877.4</b>	<b>1.4</b>	<b>1.9</b>	<b>0.2</b>	<b>0.3</b>
<b>Net book value at 1 January</b>	<b>947.0</b>	<b>937.0</b>	<b>788.1</b>	<b>724.7</b>	<b>3,877.4</b>	<b>3,465.7</b>	<b>1.9</b>	<b>2.8</b>	<b>0.3</b>	<b>0.2</b>

7 INTANGIBLE ASSETS

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>(a) Cost</b>										
Balance at 1 January	254.1	137.8	-	-	102.5	86.9	60.4	55.8	6.9	3.3
Software Additions	10.8	5.5	-	-	10.5	15.3	12.8	4.6	2.1	3.6
Software disposals	-	-	-	-	-	-	-	-	-	-
Purchase of emissions allowances	0.9	-	-	-	-	-	-	-	-	-
Impairment of emissions allowances	(5.1)	-	-	-	-	-	-	-	-	-
Other Transfers	5.6	-	-	-	0.8	-	5.4	-	-	-
Translation Differences	-	-	-	-	-	-	-	-	-	-
Allocation of emission allowances	72.0	245.5	-	-	-	-	-	-	-	-
Settlement of emission allowances	(228.0)	(134.7)	-	-	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>110.3</b>	<b>254.1</b>	<b>-</b>	<b>-</b>	<b>113.8</b>	<b>102.2</b>	<b>78.6</b>	<b>60.4</b>	<b>9.0</b>	<b>6.9</b>
<b>Amortisation</b>										
Balance at 1 January	18.9	15.0	-	-	39.6	21.9	22.1	11.3	3.0	2.8
Charge for the year	3.8	3.9	-	-	19.3	17.8	12.1	10.8	0.9	0.2
Retirements and disposals	-	-	-	-	-	-	-	-	-	-
Other Transfers	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>22.7</b>	<b>18.9</b>	<b>-</b>	<b>-</b>	<b>58.9</b>	<b>39.7</b>	<b>34.2</b>	<b>22.1</b>	<b>3.9</b>	<b>3.0</b>
<b>Net book value at 31 December</b>	<b>87.7</b>	<b>235.2</b>	<b>-</b>	<b>-</b>	<b>54.9</b>	<b>62.5</b>	<b>44.5</b>	<b>38.3</b>	<b>5.1</b>	<b>3.9</b>
<b>Net book value at 1 January</b>	<b>235.2</b>	<b>122.8</b>	<b>-</b>	<b>-</b>	<b>62.5</b>	<b>65.0</b>	<b>38.3</b>	<b>44.5</b>	<b>3.9</b>	<b>0.5</b>

8 INVESTMENT PROPERTY

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>(a) Cost</b>										
Balance at 1 January	-	-	-	-	0.4	0.7	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Transfers to Property, Plant & Equipment	-	-	-	-	(0.4)	-	-	-	-	-
Disposals	-	-	-	-	-	(0.3)	-	-	-	-
<b>Balance at 31 December</b>	-	-	-	-	-	0.4	-	-	-	-
<b>Depreciation</b>										
Balance at 1 January	-	-	-	-	0.1	0.4	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-	-	-
Transfers to Property, Plant & Equipment	-	-	-	-	(0.1)	-	-	-	-	-
Disposals	-	-	-	-	-	(0.3)	-	-	-	-
<b>Balance at 31 December</b>	-	-	-	-	-	0.1	-	-	-	-
<b>Net book value at 31 December</b>	-	-	-	-	-	0.3	-	-	-	-
<b>Net book value at 1 January</b>	-	-	-	-	0.3	0.3	-	-	-	-

ESB GROUP  
Notes to the Summary Regulatory Accounts  
Year ended 31 December 2007  
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9 INVENTORIES	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Materials	26.0	25.9	-	-	-	-	-	-	-	-
Fuel	129.6	117.6	-	-	-	-	-	-	-	-
	155.6	143.5	-	-	-	-	-	-	-	-

The estimated replacement cost of inventories is not considered to be materially different from the amounts stated above.

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10 TRADE AND OTHER RECEIVABLES	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Trade Receivables	8.5	63.0	-	-	33.9	15.8	116.8	103.9	12.2	12.0
Unbilled consumption	47.6	4.4	-	-	-	8.6	226.1	219.7	34.0	26.4
Deferred payment contracts	-	-	-	-	-	-	0.2	0.2	-	-
Value added tax	-	-	-	-	-	-	-	-	-	2.4
Amounts owed by subsidiary undertakings	10.5	184.4	1.5	1.3	88.4	82.2	1.3	1.1	0.5	0.5
Other Receivables	6.3	3.7	31.2	24.3	10.0	12.7	3.4	8.7	7.3	1.5
	72.9	255.5	32.7	25.6	132.3	119.3	347.8	333.6	54.0	42.8

ESB GROUP

Notes to the Summary Regulatory Accounts

Year ended 31 December 2007

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11	TRADE AND OTHER PAYABLES	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	<b>Current payables:</b>										
	Progress payments on work in progress	-	-	-	-	3.5	6.3	-	-	-	0.3
	Trade payables	216.8	98.7	9.9	8.9	55.9	62.4	114.0	96.4	16.2	-
	Other payables	-	-	-	-	-	-	60.1	11.5	-	-
	Employment taxes	-	-	-	-	-	-	-	-	-	0.2
	Value Added Tax	8.7	-	2.9	2.4	(4.7)	(3.0)	11.1	40.1	-	-
	Accruals	1.5	3.6	-	-	-	-	1.7	0.5	22.8	28.5
	Amounts owed to subsidiary undertakings	13.1	9.5	7.8	4.2	22.8	22.3	106.2	268.7	5.5	11.6
	Accrued interest on borrowings	-	-	-	-	-	-	-	-	-	-
		240.1	111.8	20.6	15.5	77.5	88.0	293.1	417.2	44.5	40.6

**Non-Current payables:**

-	-	-	-	-	-	-	-	-	-	-
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12	DEFERRED INCOME AND GOVERNMENT GRANTS	Power Generation		Networks Transmission		Distribution		Customer Supply		ESBie	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Balance at 1 January	-	-	77.0	71.0	418.3	311.0	-	-	-	-
	Receivable	72.0	245.6	14.8	9.8	126.9	123.0	-	-	-	-
	Amortised to the Income Statement	(72.0)	(245.6)	(4.4)	(3.8)	(20.7)	(15.7)	-	-	-	-
	Impairment	-	-	-	-	-	-	-	-	-	-
	Translation difference	-	-	-	-	-	-	-	-	-	-
	<b>Balance at 31 December</b>	-	-	87.4	77.0	524.5	418.3	-	-	-	-

ESB GROUP

Notes to the Summary Regulatory Accounts

Year ended 31 December 2007

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13 PROVISIONS FOR LIABILITIES AND CHARGES

	Power Generation		Networks Transmission		Distribution		Customer Supply		ESB.ie	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Balance at 1 January	505.0	423.9	-	-	16.0	17.2	-	-	-	-
<b>Charges /(credit) to the Income Statement</b>										
- Increase in legal provision	(1.7)		-	-	1.5	1.1	-	-	-	-
- Increase in station closure provision	0.2	(6.0)	-	-	-	-	-	-	-	-
- Financing charge	12.4	9.4	-	-	0.8	0.6	-	-	-	-
Translation differences	-	-	-	-	-	-	-	-	-	-
CO2 Emissions - Charge	63.4	228.7	-	-	-	-	-	-	-	-
CO2 Emissions - Settlement	(228.6)	(133.6)	-	-	-	-	-	-	-	-
Other Provisions Utilised during the year	(13.9)	(17.4)	-	-	(1.5)	(2.9)	-	-	-	-
<b>Balance at 31 December</b>	<b>336.8</b>	<b>505.0</b>	<b>-</b>	<b>-</b>	<b>16.8</b>	<b>16.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current	65.4	239.1	-	-	2.8	2.8	-	-	-	-
Non Current	271.4	265.9	-	-	14.0	13.2	-	-	-	-
	336.8	505.0	-	-	16.8	16.0	-	-	-	-

## ESB Group

### Notes to the Summary regulatory accounts

#### Excluded Notes

The following are a list of notes which are included in ESB's annual report but are excluded from the Regulatory accounts as they do not have specific or material relevance to the individual business

Revenue \*

Property disposals Income

Tax on profit on ordinary activities

Investments

Cash and Cash equivalents

Assets held for resale

Capital and reserves

Borrowings and other debt

Derivative Financial Instruments and Financial Risk Management

Deferred Tax Assets and Liabilities

Pension Liabilities

Employee related Liabilities\*

Current Tax Assets/(Liabilities)

Commitments and Contingencies

Related Party Transactions

Estimates and Judgements

ESB ESOP Trustee Limited

Subsidiary, Joint Venture & Associate Undertakings

\* Detailed information on Revenue and Employee related Liabilities are included in the Appendices to the Regulatory Accounts.