

ESB Summary Regulatory Financial Statements
31 December 2008



ESB GROUP - Summary Regulatory Accounts
Contents
December 2008

| | Page |
|--|-------------|
| <u>Part 1 - Statements and Reports</u> | |
| Statement of Board Members Responsibilities | 1 |
| External Auditors Report | 2 |
| Statement of Summary Accounting Policies | 3 |
| <u>Part 2 - Summary Regulatory Accounts</u> | |
| Summary Regulatory Income Statement | 15 |
| Summary Regulatory Balance Sheet | 16 |
| Summary Regulatory Statement of Recognised Income and Expenses | 18 |
| Summary Regulatory Cash Flow | 19 |
| Notes to Summary Regulatory Accounts | 20 |

Statement of Board Members' Responsibilities

In respect of the Summary Regulatory Accounts for the year ended 31 December 2008

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 32, 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: 22nd April 2009



Chief Executive

Date: 22nd April 2009



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 32, 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 2008 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 22 April 2009.

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 32 are consistent with, and properly extracted from, the full regulatory accounts as described above.

Chartered Accountants
Registered Auditors

22 April 2009

Statement of Summary Regulatory Accounting Policies

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 2008.

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

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 15 to 32 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

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 2008. 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 2008.

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 comprises sales of electricity and other goods and services and excludes value added tax. Electricity revenue includes the value of units supplied to customers between the date of the last meter reading and the period end and this estimate is included in trade and other receivables in the balance sheet as unbilled consumption. Electricity revenue is recognised on consumption of electricity. Contract Revenue is recognised on a time apportionment basis by reference to the stage of completion of the contract at the balance sheet date.

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 (Applicable prior to commencement of Single Electricity Market (SEM) on 1 November 2007):* 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 2008.
- *Sales to Virtual Independent Power Producers (VIPP) (Applicable prior to commencement of SEM):* Revenue is calculated based on the terms and conditions agreed with the CER during the VIPP capacity auction process.
- *Top Up Sales (Applicable prior to commencement of SEM):* 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.

Statement of Summary Regulatory Accounting Policies

- *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 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.

Sales into the SEM pool by ESB Power Generation are recognised in Revenue within Power Generation’s segmental accounts. ESB Customer Supply in turn purchases its fuel requirements from the pool and this is reflected within Other Electricity Related Costs in Customer Supply segmental accounts. As ESB is a net purchaser from the pool, from a

Statement of Summary Regulatory Accounting Policies

Group prospective, Power Generation sales are eliminated on consolidation, and net purchases from the pool are reflected within Other Electricity Related Costs.

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.

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

Statement of Summary Regulatory Accounting Policies

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 CO₂ 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 the scheme within four months from the end of that calendar year, in order to cover the liability for actual emissions of CO₂ 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

Statement of Summary Regulatory Accounting Policies

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.

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.

Statement of Summary Regulatory Accounting Policies

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.

11. Pension Obligations

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

Statement of Summary Regulatory Accounting Policies

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.

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

Statement of Summary Regulatory Accounting Policies

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 Assets and Liabilities

(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.

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.

Loans to and receivables from Group Companies

Loans to and receivables from Group Companies are non-derivative financial assets which are not quoted in an active market. They are included in current assets on the balance sheet, except for those with maturities greater than twelve months after the balance sheet date, which are included in non-current assets. Loans and receivables are included within trade and other receivables in the Parent balance sheet and are initially recorded at fair value and after at amortised cost.

Available for Sale Financial Assets

Available for sale financial assets are non-derivatives which are not classified as loans and advances or held-to-maturity investments. They are included in non-current assets on the balance sheet unless management intends to dispose of the investment within 12 months of the balance sheet date. Interest on available for sale securities, calculated using the effective interest method, is recognised in the income statement.

Purchases and sales of available for sale financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. They are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive the cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arms' length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Statement of Summary Regulatory Accounting Policies

(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 2007 and 2008 figures are compliant with IAS 39 which requires all derivatives to be included in the balance sheet at fair value at period end. The Group does not hold or issue derivative instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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) 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 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.

(ii) 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,

Statement of Summary Regulatory Accounting Policies

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.

16. Other Operating Income

Profit on disposal of Property

The gain arising from the de-recognition of an item of property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

17. Costs

(a) Energy Costs

Energy Costs comprise direct fuel (primarily coal, oil & gas), purchased electricity and is stated net of emission costs. Fuel and purchased electricity costs are recognised as they are utilised. The company has entered into certain long term power purchase agreements that are for fixed amounts and meet the definition of a derivative. Amounts payable under the contracts that are in excess of or below market rates are recoverable by the company or repayable to the market under the public service obligation levy. These derivative contracts are designated as cashflow hedges of the public service obligation cashflows.

Energy costs also include emission allowance income net of associated costs. This is a change in presentation and disclosure from the prior year whereby emission allowances were credited to revenue. This change in presentation avoids the grossing up of revenue by the purely notional value of free emissions allowances. The directors believe that this presentation provides users of the accounts with a more meaningful insight into the effective cost of emissions to ESB, as the amounts disclosed within operating costs represent the actual amount payable by ESB in respect of emissions costs, arising from any excess over the CO₂ emission limits imposed on the Group's generation operations.

ESB GROUP
Summary Regulatory Income Statement
Year ended 31 December 2008

| | Note | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|---|------|------------------|-----------|-----------------------|--------|--------------|---------|-----------------|-----------|---------|---------|
| | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| €M | | | | | | | | | | | |
| Revenue | | 1,495.6 | 1,429.5 | 173.1 | 141.1 | 723.5 | 684.8 | 2,127.0 | 2,103.1 | 468.0 | 443.3 |
| Other operating income | 5 | - | - | 3.8 | 4.4 | 25.4 | 20.7 | - | - | - | - |
| Total Revenue | | 1,495.6 | 1,429.5 | 176.9 | 145.5 | 748.9 | 705.5 | 2,127.0 | 2,103.1 | 468.0 | 443.3 |
| (Loss)/Profit on disposal of property | | 0.9 | 0.3 | - | - | (0.9) | 16.1 | - | - | - | - |
| Operating costs | 1 | (1,285.9) | (1,166.2) | (77.5) | (70.5) | (702.8) | (551.1) | (2,199.2) | (2,083.7) | (456.4) | (435.3) |
| Operating profit/(loss) | | 210.6 | 263.6 | 99.4 | 75.0 | 45.2 | 170.5 | (72.1) | 19.4 | 11.6 | 8.0 |
| Net interest cost and other financing charges # | 2 | (14.8) | (13.4) | - | - | (1.9) | (2.2) | (0.7) | (0.9) | 0.7 | 0.2 |
| Share of joint venture's profit | | - | - | - | - | - | - | - | - | - | - |
| Profit/(loss) before taxation | | 195.8 | 250.2 | 99.4 | 75.0 | 43.3 | 168.3 | (72.8) | 18.5 | 12.3 | 8.2 |
| Income tax expense # | | - | - | - | - | - | - | - | - | (1.6) | (1.1) |
| Profit/(loss) after taxation | | 195.8 | 250.2 | 99.4 | 75.0 | 43.3 | 168.3 | (72.8) | 18.5 | 10.7 | 7.1 |
| Minority interests | | - | - | - | - | - | - | - | - | - | - |
| Profit/(loss) for the financial year | 4 | 195.8 | 250.2 | 99.4 | 75.0 | 43.3 | 168.3 | (72.8) | 18.5 | 10.7 | 7.1 |

Signed:



Chairman

Signed:



Chief Executive

Date: 22nd April 2009

Date: 22nd April 2009

The interest and Tax expense for the regulated businesses are managed centrally and accounted for at group level only.

ESB GROUP
Summary Regulatory Balance Sheet
As at 31 December 2008

€M

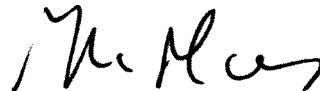
| ASSETS | Note | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|----------------------------------|------|------------------|----------------|-----------------------|--------------|----------------|----------------|-----------------|--------------|--------------|--------------|
| | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Non-current assets | | | | | | | | | | | |
| Property, plant & equipment | 6 | 1,172.6 | 1,017.0 | 919.7 | 843.5 | 4,458.9 | 4,170.7 | 0.8 | 1.4 | 0.1 | 0.2 |
| Intangible assets | 7 | 191.9 | 87.7 | - | - | 41.0 | 54.9 | 34.3 | 44.4 | 4.2 | 5.1 |
| Derivative Financial instruments | 14 | - | - | - | - | - | - | 110.9 | 260.4 | 3.3 | 32.0 |
| Deferred tax assets | | - | - | - | - | - | - | - | - | 12.0 | 0.1 |
| Total non-current assets | | 1,364.5 | 1,104.7 | 919.7 | 843.5 | 4,499.9 | 4,225.6 | 146.0 | 306.2 | 19.6 | 37.4 |
| Current assets | | | | | | | | | | | |
| Inventories | 9 | 136.7 | 155.6 | - | - | - | - | - | - | - | - |
| Trade and other receivables | 10 | 143.5 | 72.9 | 36.5 | 32.7 | 138.6 | 132.3 | 430.9 | 347.8 | 51.0 | 54.0 |
| Investments | | - | - | - | - | - | - | - | - | - | - |
| Cash and cash equivalents | | - | - | - | - | - | - | - | - | 15.2 | 9.5 |
| Current tax asset | | - | - | - | - | - | - | - | - | - | - |
| Derivative Financial instruments | 14 | 137.8 | 36.1 | - | - | - | - | - | 13.3 | 49.1 | - |
| Assets held for sale | | 85.7 | 30.7 | - | - | 0.7 | 0.7 | - | - | - | - |
| Total current assets | | 503.7 | 295.3 | 36.5 | 32.7 | 139.3 | 133.0 | 430.9 | 361.1 | 115.3 | 63.5 |
| Total assets | | 1,868.2 | 1,400.0 | 956.2 | 876.2 | 4,639.2 | 4,358.6 | 576.9 | 667.4 | 134.9 | 100.9 |

Signed:



Chairman

Signed:



Chief Executive

Date: 22nd April 2009

Date: 22nd April 2009

ESB GROUP

Summary Regulatory Balance Sheet continued

As at 31 December 2008

€M

| | Note | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|--|------|------------------|----------------|--------------------------|--------------|----------------|----------------|-----------------|--------------|---------------|--------------|
| | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| EQUITY | | | | | | | | | | | |
| Capital stock and Notional Bank | | (218.0) | (137.2) | 428.3 | 460.7 | 2,515.4 | 2,467.9 | 231.4 | 98.0 | 11.1 | 11.1 |
| Translation reserve | | - | - | - | - | - | - | - | - | - | - |
| Cash Flow Hedging & Other Reserves | | - | - | - | - | 96.0 | 96.0 | 34.6 | 273.0 | (40.9) | 23.9 |
| Retained Earnings | | 1,108.0 | 912.2 | 406.8 | 307.5 | 1,244.6 | 1,201.2 | (77.7) | (4.9) | 11.5 | 9.8 |
| Equity attributable to equity holders of the Parent | | 890.0 | 775.0 | 835.1 | 768.2 | 3,856.0 | 3,765.1 | 188.3 | 366.1 | (18.3) | 44.8 |
| Minority interests | | - | - | - | - | - | - | - | - | - | - |
| Total equity | | 890.0 | 775.0 | 835.1 | 768.2 | 3,856.0 | 3,765.1 | 188.3 | 366.1 | (18.3) | 44.8 |
| LIABILITIES | | | | | | | | | | | |
| Non-current liabilities | | | | | | | | | | | |
| Borrowings and other debt | | - | - | - | - | - | - | - | - | - | - |
| Employee related liabilities | | (12.6) | (14.9) | - | - | (44.7) | (34.2) | 4.7 | 7.4 | - | - |
| Trade and other payables | 11 | - | - | - | - | - | - | - | - | - | - |
| Deferred income and government grants | 12 | - | - | 91.6 | 83.6 | 562.5 | 499.1 | - | - | - | - |
| Provisions | 13 | 241.4 | 271.3 | - | - | 13.4 | 14.0 | - | - | - | - |
| Deferred tax liabilities | | - | - | - | - | - | - | - | - | 6.5 | 3.4 |
| Derivative Financial instruments | 14 | - | - | - | - | - | - | - | - | - | - |
| Total non-current liabilities | | 228.8 | 256.4 | 91.6 | 83.6 | 531.2 | 478.9 | 4.7 | 7.4 | 6.5 | 3.4 |
| Current Liabilities | | | | | | | | | | | |
| Borrowings and other debt | | - | - | - | - | - | - | - | - | - | - |
| Employee related liabilities | | 10.5 | 20.0 | - | - | 25.9 | 8.9 | 0.8 | 0.8 | 0.1 | 0.2 |
| Trade and other payables | 11 | 229.6 | 240.1 | 25.6 | 20.6 | 70.8 | 77.5 | 306.2 | 293.1 | 51.4 | 44.8 |
| Deferred income and government grants | 12 | - | - | 3.9 | 3.8 | 27.5 | 25.4 | - | - | - | - |
| Provisions | 13 | 385.3 | 65.4 | - | - | 127.8 | 2.8 | - | - | - | - |
| Derivative Financial instruments | 14 | 100.9 | 43.1 | - | - | - | - | 76.9 | - | 95.2 | 7.7 |
| Liabilities associated with assets held for sale | | 23.1 | - | - | - | - | - | - | - | - | - |
| Total current liabilities | | 749.4 | 368.6 | 29.5 | 24.4 | 252.0 | 114.6 | 383.9 | 293.9 | 146.7 | 52.7 |
| Total liabilities | | 978.2 | 625.0 | 121.1 | 108.0 | 783.2 | 593.5 | 388.6 | 301.3 | 153.2 | 56.1 |
| Total equity and liabilities | | 1,868.2 | 1,400.0 | 956.2 | 876.2 | 4,639.2 | 4,358.6 | 576.9 | 667.4 | 134.9 | 100.9 |

Signed:



Chairman

Signed:



Chief Executive

Date: 22nd April 2009

Date: 22nd April 2009

ESB Group
Summary Regulatory Statement of Recognised Income and Expense
Year ended 31 December 2008

€M

| | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|--|------------------|--------------|-----------------------|-------------|--------------|--------------|-----------------|--------------|---------------|-------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Profit for the financial year | 195.8 | 250.2 | 99.4 | 75.0 | 43.3 | 168.3 | (72.8) | 18.5 | 10.7 | 7.1 |
| Fair value gains / (losses) on cash flow hedges | 43.9 | (6.9) | - | - | - | - | (239.1) | 273.7 | (64.9) | 23.9 |
| Net income recognised directly in equity | 239.7 | 243.3 | 99.4 | 75.0 | 43.3 | 168.3 | (312.0) | 292.2 | (54.2) | 31.0 |
| Transferred to income statement on cash flow hedges | 26.5 | 8.6 | - | - | - | - | - | - | - | - |
| Total recognised income and expenses for the financial year | 266.2 | 251.9 | 99.4 | 75.0 | 43.3 | 168.3 | (312.0) | 292.2 | (54.2) | 31.0 |

| | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|---|------------------|--------------|-----------------------|--------------|----------------|----------------|-----------------|--------------|---------------|-------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Reconciliation of Movements in Stockholders' Funds | | | | | | | | | | |
| Total recognised income & expenses for year | 266.2 | 251.9 | 99.4 | 75.0 | 43.3 | 168.3 | (312.0) | 292.2 | (54.2) | 31.0 |
| Dividends | - | - | - | - | - | - | - | - | (9.0) | - |
| Transfer to/from Corporate Funds | (151.3) | (435.4) | (32.3) | (28.0) | 47.6 | 42.1 | 133.3 | 131.7 | - | - |
| Transfer from Other Reserves | - | - | - | - | - | - | - | - | - | - |
| Opening stockholders' funds | 775.0 | 958.5 | 768.2 | 721.2 | 3,765.1 | 3,554.7 | 366.9 | (57.0) | 44.7 | 13.7 |
| Closing stockholders' funds | 890.0 | 775.0 | 835.3 | 768.2 | 3,856.0 | 3,765.1 | 188.3 | 366.9 | (18.5) | 44.7 |

ESB Group
Summary Regulatory Cash Flow Statement
Year ended 31 December 2008

€M

| | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|--|------------------|---------|-----------------------|--------|--------------|---------|-----------------|---------|-------|--------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Cash flows from operating activities | | | | | | | | | | |
| Profit before tax | 195.8 | 250.2 | 99.4 | 75.0 | 43.3 | 168.3 | (72.8) | 18.5 | 12.3 | 8.2 |
| Adjustments for: | | | | | | | | | | |
| Depreciation & Amortisation of non current assets | 100.1 | 115.3 | 34.3 | 33.0 | 251.0 | 236.9 | 16.5 | 12.7 | 1.3 | 1.0 |
| Amortisation of supply contributions and other deferred income | - | - | (3.8) | (4.4) | (25.4) | (20.7) | - | - | - | - |
| Amortisation of Emissions Allowances | (189.5) | (72.0) | - | - | - | - | - | - | - | - |
| Loss on disposal of plant and equipment | - | 2.0 | - | - | - | - | - | - | - | - |
| (Profit)/loss on disposal of property | (0.9) | (0.3) | - | - | 0.7 | (13.9) | - | - | - | - |
| (Profit) on disposal of businesses | - | - | - | - | - | - | - | - | - | - |
| Translation differences | - | - | - | - | - | - | - | - | - | - |
| Net interest expense | 14.6 | 13.4 | - | - | 1.9 | 2.2 | 0.7 | 0.9 | (0.7) | (0.2) |
| Impact of fair value movements on financial instruments | 26.5 | 8.6 | - | - | - | - | 1.3 | - | (3.3) | - |
| Profits from joint ventures | - | - | - | - | - | - | - | - | - | - |
| Operating profit before changes in working capital and provisions | 146.6 | 317.2 | 129.9 | 103.6 | 271.5 | 372.8 | (54.3) | 32.1 | 9.6 | 9.0 |
| Charge in relation to provisions | 375.2 | 65.2 | - | - | 127.3 | - | - | - | - | - |
| Charge in relation to employee related liabilities | 0.5 | 8.6 | - | - | 33.8 | 4.0 | 0.3 | 0.7 | - | - |
| Utilisation of provisions | (12.4) | (13.9) | - | - | (2.9) | (1.5) | - | - | - | - |
| Utilisation of employee related liabilities | (11.8) | (13.2) | - | - | (36.9) | (8.5) | (3.6) | (3.9) | - | - |
| (Increase)/Decrease in trade and other receivables | (70.5) | 182.8 | (3.8) | (7.1) | (6.3) | (15.7) | (83.1) | (13.8) | 2.8 | (10.8) |
| (Increase)/Decrease in inventories | (4.6) | (12.1) | - | - | - | - | - | - | - | - |
| Increase/(Decrease) in trade and other payables | (18.5) | 92.4 | 4.4 | 5.1 | (14.0) | 10.1 | 13.1 | (128.4) | 3.7 | 5.2 |
| Cash generated from the operations | 404.5 | 627.0 | 130.5 | 101.6 | 372.5 | 361.2 | (127.7) | (113.3) | 16.1 | 3.4 |
| Current tax paid | - | - | - | - | - | - | - | - | (1.8) | (1.1) |
| Interest paid | 10.6 | (8.1) | (4.4) | (4.1) | (13.9) | (9.4) | - | - | - | (0.1) |
| <i>Net cash inflow from operating activities</i> | 415.1 | 618.9 | 126.1 | 97.5 | 358.6 | 351.8 | (127.7) | (113.3) | 14.3 | 2.2 |
| Cash flows from investing activities | | | | | | | | | | |
| Purchase of property, plant and equipment | (262.9) | (171.0) | (105.6) | (84.3) | (498.0) | (532.1) | (0.1) | (18.4) | - | - |
| Purchase of intangible assets | (1.7) | (12.7) | - | - | - | - | (5.6) | - | (0.3) | (2.2) |
| Proceeds from sale of property, plant and equipment | 0.9 | 0.3 | - | - | 0.9 | 9.6 | - | - | - | - |
| Proceeds from sale of intangible assets | - | - | - | - | - | - | - | - | - | - |
| Proceeds to financial asset transactions | - | - | - | - | - | - | - | - | - | - |
| Proceeds from financial asset transactions | - | - | - | - | - | - | - | - | - | 2.0 |
| Supply contributions and other deferred income received | - | - | 11.8 | 14.8 | 90.9 | 128.6 | - | - | - | - |
| Proceeds from disposal of businesses | - | - | - | - | - | - | - | - | - | - |
| Dividends received from joint venture undertakings | - | - | - | - | - | - | - | - | - | - |
| Interest received | - | - | - | - | - | - | - | - | 0.7 | 0.3 |
| <i>Net cash outflow from investing activities</i> | (263.7) | (183.4) | (93.8) | (69.5) | (406.2) | (393.9) | (5.7) | (18.4) | 0.4 | 0.1 |
| Cash flows from financing activities | | | | | | | | | | |
| Dividends paid - Net | - | - | - | - | - | - | - | - | (9.0) | - |
| (Decrease)/Increase in loans and finance leases (net) | - | - | - | - | - | - | - | - | - | - |
| Interest element of finance lease payments | - | - | - | - | - | - | - | - | - | - |
| <i>Net cash inflow from financing activities</i> | - | - | - | - | - | - | - | - | (9.0) | - |
| Net (Decrease) / Increase in cash and cash equivalents | 151.3 | 435.4 | 32.3 | 28.0 | (47.6) | (42.1) | (133.4) | (131.7) | 5.7 | 2.3 |
| Cash and cash equivalents at 1 January | 538.3 | 103.0 | | | | | | | 9.5 | 7.2 |
| Effect of exchange rate fluctuations on cash held | | | | | | | | | | |
| Cash and cash equivalents at 31 December | 689.6 | 538.3 | | | | | | | 15.3 | 9.5 |
| Transfer to stockholders Funds*** | (151.3) | (435.4) | (32.3) | (28.0) | 47.6 | 42.1 | 133.3 | 131.7 | - | - |

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

ESB Group
Notes to the Summary Regulatory Accounts
Year ended 31 December 2008
€M

| 1 OPERATING COSTS | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|--|------------------|---------|-----------------------|-------|--------------|-------|-----------------|---------|-------|-------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Employee costs (Note 3) | 147.8 | 142.2 | 9.5 | 3.3 | 154.6 | 149.1 | 34.6 | 30.2 | 4.3 | 4.2 |
| Fuel costs | 628.2 | 583.0 | - | - | - | - | - | - | - | - |
| Other electricity related costs | 44.6 | 141.6 | - | - | - | - | 1,488.6 | 1,377.8 | 446.9 | 428.3 |
| Customer rebate provision | 175.0 | - | - | - | 125.0 | - | - | - | - | - |
| Operations and maintenance | 190.2 | 184.1 | 33.7 | 34.2 | 172.2 | 165.1 | 659.5 | 663.0 | 3.9 | 1.8 |
| Depreciation and amortisation of property, plant & equipment / intangible assets | 100.1 | 115.3 | 34.3 | 33.0 | 251.0 | 236.9 | 16.5 | 12.7 | 1.3 | 1.0 |
| | 1,285.9 | 1,166.2 | 77.5 | 70.5 | 702.8 | 551.1 | 2,199.2 | 2,083.7 | 456.4 | 435.3 |
| 2 NET INTEREST COST AND FINANCING CHARGES | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Interest payable on borrowings | 10.6 | 8.1 | 4.4 | 4.1 | 13.9 | 9.4 | - | - | - | 0.1 |
| Interest payable on finance leases | - | - | - | - | - | - | - | - | - | - |
| Interest payable | 10.6 | 8.1 | 4.4 | 4.1 | 13.9 | 9.4 | - | - | - | 0.1 |
| Less capitalised interest | (10.6) | (8.1) | (4.4) | (4.1) | (13.9) | (9.4) | - | - | - | - |
| Interest payable less capitalised interest | - | - | - | - | - | - | - | - | - | 0.1 |
| Financing charges: | | | | | | | | | | |
| - on restructuring liabilities | 0.9 | 1.0 | - | - | 1.9 | 1.4 | 0.7 | 0.9 | - | - |
| - on power station closure costs | 12.6 | 11.2 | - | - | - | - | - | - | - | - |
| - on other provisions | 1.1 | 1.2 | - | - | - | 0.8 | - | - | - | - |
| Fair value losses/(gains) on financial instruments: | | | | | | | | | | |
| - currency/interest rate swaps: cash flow hedges, transfers from equity | 0.2 | - | - | - | - | - | - | - | - | - |
| - currency/interest rate swaps: fair value hedges | - | - | - | - | - | - | - | - | - | - |
| - foreign exchange contracts not qualifying for hedge accounting | - | - | - | - | - | - | - | - | - | - |
| Total interest receivable on bank deposits | - | - | - | - | - | - | - | - | (0.7) | (0.3) |
| Net interest cost and other financing charges | 14.8 | 13.4 | - | - | 1.9 | 2.2 | 0.7 | 0.9 | (0.7) | (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 2008
€M

| 3 EMPLOYEES | Power Generation | | Networks Transmission & Distribution | | Customer Supply | | ESBie | |
|--|------------------|-------|--------------------------------------|---------|-----------------|-------|-------|-------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (a) Average number of employees in year by business activity including temporary employees | 1,308 | 1,309 | 3,617 | 3,638 | 544 | 550 | 65 | 65 |
| (b) Employee costs in year | | | | | | | | |
| Current staff costs (excluding pension) | | | | | | | | |
| Salaries | 126.7 | 121.8 | 261.2 | 254.5 | 28.9 | 25.9 | 3.7 | 4.0 |
| Social welfare costs (PRSI) | 4.2 | 3.6 | 11.6 | 10.7 | 1.6 | 1.3 | 0.3 | 0.3 |
| Contribution to defined contribution plans | - | - | - | - | - | - | 0.4 | 0.4 |
| Other payroll benefits | 8.4 | 4.8 | 22.7 | 21.7 | 1.5 | 1.6 | - | - |
| Payroll Costs for Employees | 139.3 | 130.2 | 295.5 | 286.9 | 32.0 | 28.8 | 4.4 | 4.6 |
| Capitalised payroll | (6.0) | (7.8) | (174.8) | (164.3) | (0.5) | (1.7) | (0.1) | (0.4) |
| Net Payroll Cost for Employees | 133.3 | 122.4 | 120.7 | 122.6 | 31.5 | 27.1 | 4.3 | 4.2 |
| Pension and Retirement Benefit Costs | | | | | | | | |
| Increase in pension liability | 14.2 | 17.2 | 43.4 | 28.4 | 3.1 | 3.1 | - | - |
| Voluntary severance costs | 0.3 | 2.6 | - | 1.4 | - | - | - | - |
| Total Employee Related Costs Charged to Income Statement | 147.8 | 142.2 | 164.1 | 152.4 | 34.6 | 30.2 | 4.3 | 4.2 |

ESB Group

Notes to the Summary Regulatory Accounts

Year ended 31 December 2008

€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 | |
|---|------------------|-------|-----------------------|-------|--------------|--------|-----------------|------|-------|------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Depreciation and amortisation of non current assets | 100.1 | 115.3 | 34.3 | 33.0 | 251.0 | 236.9 | 16.5 | 12.7 | 1.3 | 1.0 |
| Impairment of Assets | - | - | - | - | - | - | - | - | - | - |
| Operating lease charges | | 0.9 | - | - | - | 0.5 | - | - | 0.4 | - |
| Amortisation of deferred income | - | - | (3.8) | (4.4) | (25.4) | (20.7) | - | - | - | - |
| Loss on disposal of plant & equipment | 6.3 | 2.0 | - | - | - | - | - | - | - | - |
| (Profit) on disposal of property | 0.9 | (0.3) | - | - | (0.9) | (16.1) | - | - | - | - |
| (Profit) on disposal of business | - | - | - | - | - | - | - | - | - | - |

ESB Group

Notes to the Summary Regulatory Accounts

Year ended 31 December 2008

€M

5 OTHER OPERATING INCOME

Profit on disposal of businesses

Amortisation of supply contributions and deferred income

Total

| Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|-------------------------|-------------|------------------------------|-------------|---------------------|-------------|------------------------|-------------|--------------|-------------|
| 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | 3.8 | 4.4 | 25.4 | 20.7 | - | - | - | - |
| - | - | 3.8 | 4.4 | 25.4 | 20.7 | - | - | - | - |

ESB GROUP
Notes to the Summary Regulatory Accounts
Year ended 31 December 2008

€M

6 PROPERTY, PLANT & EQUIPMENT

| | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|--|-------------------------|----------------|----------------------------------|----------------|---------------------|----------------|------------------------|-------------|--------------|-------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (a) Cost | | | | | | | | | | |
| Balance at 1 January | 2,749.3 | 2,620.7 | 1,203.7 | 1,115.2 | 6,026.9 | 5,529.1 | 5.4 | 5.2 | 1.0 | 1.0 |
| Additions | 258.8 | 214.2 | 111.3 | 85.7 | 522.6 | 516.8 | - | 0.2 | - | 0.1 |
| Retirements/disposals | (43.6) | (8.4) | (0.8) | (0.2) | (12.8) | (16.9) | - | - | - | - |
| Transfers to assets held for resale | (164.5) | (77.2) | - | - | - | 0.5 | - | - | - | - |
| Transfer from Investment Properties | - | - | - | - | - | 0.4 | - | - | - | - |
| Other transfers | - | - | - | 3.0 | (0.9) | (3.0) | - | - | - | (0.1) |
| Translation difference | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 December | 2,800.0 | 2,749.3 | 1,314.2 | 1,203.7 | 6,535.8 | 6,026.9 | 5.4 | 5.4 | 1.0 | 1.0 |
| Depreciation | | | | | | | | | | |
| Balance at 1 January | 1,732.3 | 1,673.7 | 360.2 | 327.1 | 1,856.2 | 1,651.7 | 4.0 | 3.3 | 0.8 | 0.7 |
| Charge for the year | 94.2 | 111.5 | 34.3 | 33.0 | 232.7 | 217.6 | 0.6 | 0.7 | 0.1 | 0.1 |
| Retirements/disposals | (34.9) | (6.3) | - | - | (12.0) | (13.0) | - | - | - | - |
| Transfers to assets available for resale | (164.2) | (46.6) | - | - | - | - | - | - | - | - |
| Transfer from Investment Properties | - | - | - | - | - | (0.1) | - | - | - | - |
| Other transfers | - | - | - | 0.1 | - | - | - | - | - | - |
| Translation difference | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 December | 1,627.4 | 1,732.3 | 394.5 | 360.2 | 2,076.9 | 1,856.2 | 4.6 | 4.0 | 0.9 | 0.8 |
| Net book value at 31 December | 1,172.6 | 1,017.0 | 919.7 | 843.5 | 4,458.9 | 4,170.7 | 0.8 | 1.4 | 0.1 | 0.2 |
| Net book value at 1 January | 1,017.0 | 947.0 | 843.5 | 788.1 | 4,170.7 | 3,877.4 | 1.4 | 1.9 | 0.2 | 0.3 |

ESB Group
Notes to the Summary Regulatory Accounts
Year ended 31 December 2008

€M

7 INTANGIBLE ASSETS

| | Power Generation | | Transmission | | Distribution | | Customer Supply | | ESBie | |
|--------------------------------------|------------------|--------------|--------------|----------|--------------|--------------|-----------------|-------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (a) Cost | | | | | | | | | | |
| Balance at 1 January | 110.3 | 254.1 | - | - | 113.8 | 102.5 | 78.6 | 60.4 | 9.0 | 6.9 |
| Software Additions | 4.4 | 10.8 | - | - | 4.4 | 10.5 | 3.3 | 12.8 | 0.3 | 2.1 |
| Software disposals | - | - | - | - | - | - | - | - | - | - |
| Purchase of emissions | - | 0.9 | - | - | - | - | - | - | - | - |
| Impairment of emissions | - | (5.1) | - | - | - | - | - | - | - | - |
| Other Transfers | 2.8 | 5.6 | - | - | - | 0.8 | 2.3 | 5.4 | - | - |
| Transfers to asset held for sale | (31.3) | - | - | - | - | - | - | - | - | - |
| Allocation of emission allowances | 197.0 | 72.0 | - | - | - | - | - | - | - | - |
| Settlement of emission allowances | (63.3) | (228.0) | - | - | - | - | - | - | - | - |
| Translation Differences | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 December | 220.0 | 110.3 | - | - | 118.2 | 113.8 | 84.2 | 78.6 | 9.3 | 9.0 |
| Amortisation | | | | | | | | | | |
| Balance at 1 January | 22.7 | 18.9 | - | - | 58.9 | 39.6 | 34.2 | 22.1 | 3.9 | 3.0 |
| Charge for the year | 5.9 | 3.8 | - | - | 18.3 | 19.3 | 15.8 | 12.1 | 1.2 | 0.9 |
| Retirements/disposals | (0.5) | - | - | - | - | - | - | - | - | - |
| Other Transfers | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 December | 28.1 | 22.7 | - | - | 77.2 | 58.9 | 50.0 | 34.2 | 5.1 | 3.9 |
| Net book value at 31 December | 191.9 | 87.7 | - | - | 41.0 | 54.9 | 34.3 | 44.4 | 4.2 | 5.1 |
| Net book value at 1 January | 87.6 | 235.2 | - | - | 54.9 | 62.9 | 44.4 | 38.3 | 5.1 | 3.9 |

ESB Group
Notes to the Summary Regulatory Accounts
Year ended 31 December 2008

€M

8 INVESTMENT PROPERTY

| | Power Generation | | Transmission | | Distribution | | Customer Supply | | ESBie | |
|--|------------------|------|--------------|------|--------------|-------|-----------------|------|-------|------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (a) Cost | | | | | | | | | | |
| Balance at 1 January | - | - | - | - | - | 0.4 | - | - | - | - |
| Additions | - | - | - | - | - | - | - | - | - | - |
| Transfers to Property, Plant & Equipment | - | - | - | - | - | (0.4) | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 December | - | - | - | - | - | - | - | - | - | - |
| Depreciation | | | | | | | | | | |
| Balance at 1 January | - | - | - | - | - | 0.1 | - | - | - | - |
| Charge for the year | - | - | - | - | - | - | - | - | - | - |
| Transfers to Property, Plant & Equipment | - | - | - | - | - | (0.1) | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 December | - | - | - | - | - | - | - | - | - | - |
| Net book value at 31 December | - | - | - | - | - | - | - | - | - | - |
| Net book value at 1 January | - | - | - | - | - | 0.3 | - | - | - | - |

ESB GROUP**Notes to the Summary Regulatory Accounts****Year ended 31 December 2008**

€M

9 INVENTORIES

| | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|-----------|-------------------------|-------------|------------------------------|-------------|---------------------|-------------|------------------------|-------------|--------------|-------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Materials | 24.2 | 26.0 | - | - | - | - | - | - | - | - |
| Fuel | 112.5 | 129.6 | - | - | - | - | - | - | - | - |
| | 136.7 | 155.6 | - | - | - | - | - | - | - | - |

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

ESB Group

Notes to the Summary Regulatory Accounts

Year ended 31 December 2008

€M

| 10 TRADE AND OTHER RECEIVABLES | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|--|------------------|------|-----------------------|------|--------------|-------|-----------------|-------|-------|------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Trade Receivables | 0.5 | 8.5 | - | - | 28.4 | 33.9 | 133.5 | 116.8 | 6.9 | 12.2 |
| Unbilled consumption | 70.3 | 47.6 | - | - | - | - | 291.5 | 226.1 | 37.2 | 34.0 |
| Deferred payment contracts | - | - | - | - | - | - | 0.2 | 0.2 | - | - |
| Amounts owed by subsidiary undertakings | 39.8 | 10.5 | 1.5 | 1.5 | 102.7 | 88.4 | 2.2 | 1.3 | 1.0 | 0.5 |
| Amounts owed by joint venture undertakings | | | | | | | | | | |
| Other Receivables | 32.9 | 6.3 | 35.0 | 31.2 | 7.5 | 10.0 | 3.5 | 3.4 | 5.9 | 7.3 |
| | 143.5 | 72.9 | 36.5 | 32.7 | 138.6 | 132.3 | 430.9 | 347.8 | 51.0 | 54.0 |

ESB GROUP

Notes to the Summary Regulatory Accounts

Year ended 31 December 2008

€M

13 PROVISIONS FOR LIABILITIES AND CHARGES

| | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESB.ie | |
|---|------------------|--------------|-----------------------|----------|--------------|-------------|-----------------|----------|----------|----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Balance at 1 January | 336.8 | 505.0 | - | - | 16.8 | 16.0 | - | - | - | - |
| Transfer from profit & loss account: | | | | | | | | | | |
| Charges /(credit) to the Income Statement | | | | | | | | | | |
| - Increase in legal provision | (1.8) | (1.7) | - | - | 1.3 | 1.5 | - | - | - | - |
| - Customer credit provision | 175.0 | - | - | - | 125.0 | - | - | - | - | - |
| - Increase in station closure provision | (0.2) | 0.2 | - | - | - | - | - | - | - | - |
| - Financing charge | 13.7 | 12.4 | - | - | 1.0 | 0.8 | - | - | - | - |
| Translation differences | - | - | - | - | - | - | - | - | - | - |
| CO2 Emissions - Charge | 202.1 | 63.4 | - | - | - | - | - | - | - | - |
| CO2 Emissions - Settlement | (63.4) | (228.6) | - | - | - | - | - | - | - | - |
| Transferred to liabilities associated with assets held for sale | (23.1) | - | - | - | - | - | - | - | - | - |
| Other Provisions Utilised during the year | (12.4) | (13.9) | - | - | (2.9) | (1.5) | - | - | - | - |
| Balance at 31 December | 626.7 | 336.8 | - | - | 141.2 | 16.8 | - | - | - | - |
| Current | 385.3 | 65.4 | - | - | 127.8 | 2.8 | - | - | - | - |
| Non Current | 241.4 | 271.3 | - | - | 13.4 | 14.0 | - | - | - | - |
| | 626.7 | 336.8 | - | - | 141.2 | 16.8 | - | - | - | - |

ESB GROUP

Notes to the Summary Regulatory Accounts

Year ended 31 December 2008

€M

| | Power Generation | | Networks Transmission | | Distribution | | Customer Supply | | ESBie | |
|---|------------------|--------|-----------------------|------|--------------|------|-----------------|-------|--------|-------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| 14 DERIVATIVE FINANCIAL INSTRUMENTS | | | | | | | | | | |
| Interest rate swaps: | | | | | | | | | | |
| - LT (Liabilities)/Assets (Cash Flow Hedge) | - | - | - | - | - | - | - | - | - | - |
| Currency Swaps: | | | | | | | | | | |
| - LT (Liabilities)/Assets (Cash Flow Hedge) | - | - | - | - | - | - | - | - | - | - |
| SEM related derivative financial instruments | | | | | | | | | | |
| - LT Asset | - | - | - | - | - | - | 110.9 | 260.4 | 3.3 | 32.0 |
| - ST Asset | 137.8 | 36.1 | - | - | - | - | - | 13.3 | 49.1 | - |
| - LT Liabilities | - | - | - | - | - | - | - | - | - | - |
| - ST Liabilities | (100.9) | (43.1) | - | - | - | - | (76.9) | - | (95.2) | (7.7) |
| | 36.9 | (7.0) | - | - | - | - | 34.0 | 273.7 | (42.8) | 24.3 |

ESB Group

Notes to the 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 sale
Capital and reserves
Borrowings and other debt
Liabilities associated with assets held for sale
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
Post Balance Sheet Events

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