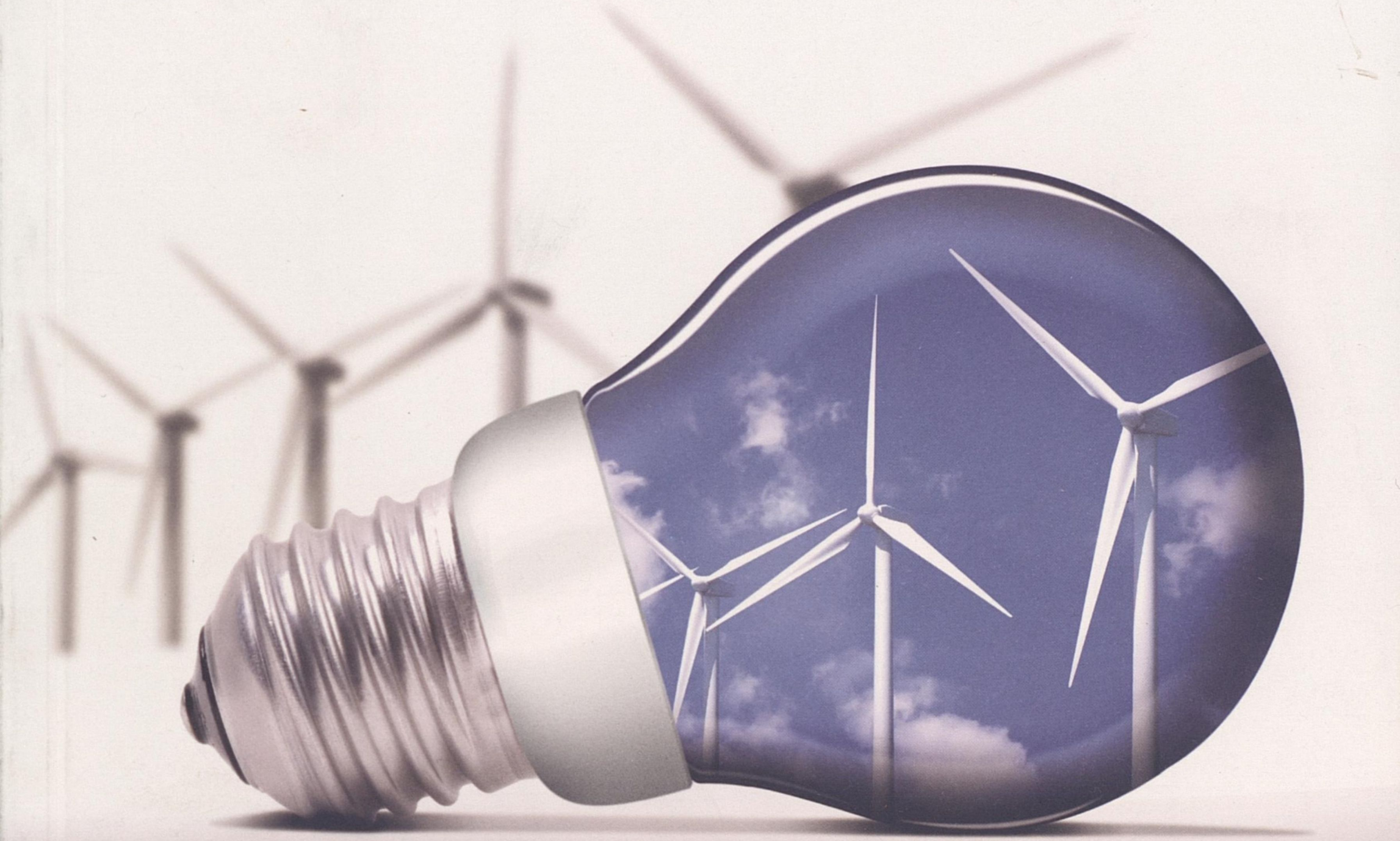
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ESB Annual Report
and Accounts



www.esb.ie

ESB is the leading Irish energy company investing in the economy, the community and the environment

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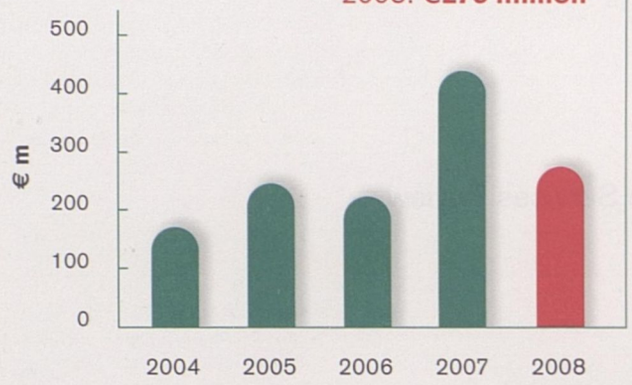
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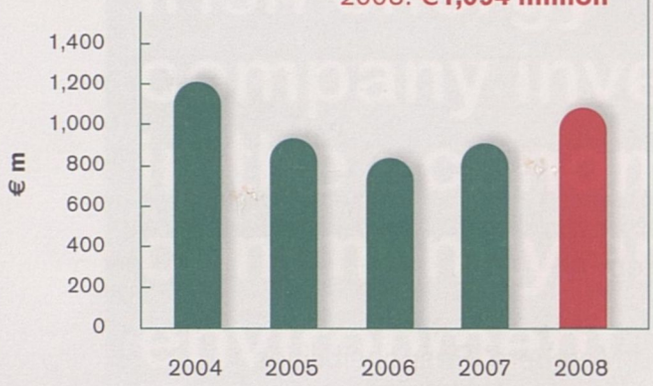
Profit After Tax

2007: **€432 million**
2008: **€273 million**



Capital Expenditure

2007: **€903 million**
2008: **€1,094 million**



Net Debt

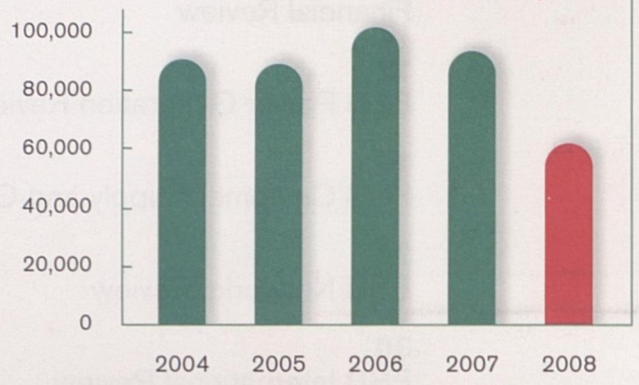
2007: **€1,797 million**
2008: **€2,088 million**



Operating Highlights

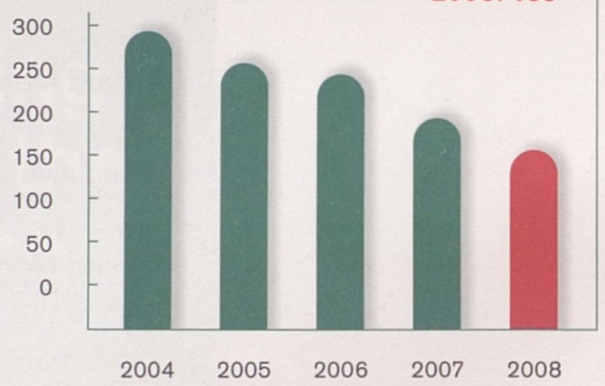
New Connections

2007: **94,400**
2008: **63,099**



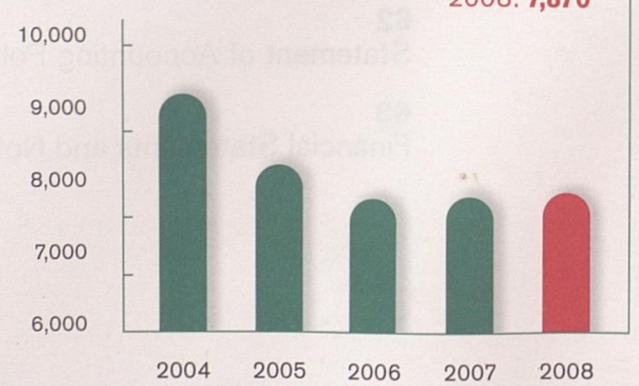
Average Minutes Lost Per Customer

2007: **194**
2008: **155**

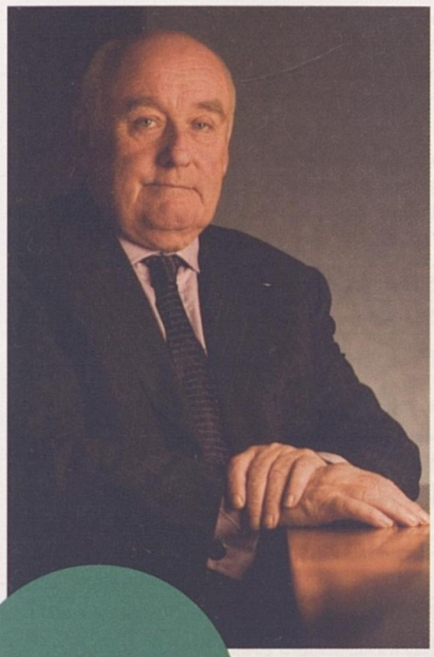


Staff Numbers

2007: **7,856**
2008: **7,870**



Chairman's Review



Lochlann Quinn
Chairman

There is a misconception that ESB determines the price of electricity

In spite of extremely difficult economic conditions at home and abroad ESB delivered a strong performance in 2008. Revenue was €3.5 billion which was in line with 2007. Profit attributable to stockholders was €273 million. The Board is recommending a final dividend of 4.14 cent per unit of stock, or €82 million in aggregate which is 30% of distributable profits for the year. Capital investment was €1.1 billion for the year while total borrowings were an acceptable €2.2 billion at the end of the year.

A competitive Irish electricity market, which ESB has done so much to facilitate, is now fully operational. As a result, ESB's regulated generation and supply businesses have only approximately 30% and 40% respectively of the market on an all-island basis. Other utilities now operating in the market include Scottish & Southern, Bord Gáis and Viridian. They have recently been joined by Endesa, the Spanish utility.

The emergence of Bord Gáis and Airtricity as active competitors in the residential sector is strongly welcomed by ESB and should finally dispel any lingering perception of ESB as a monopoly. The price which ESB can charge its domestic customers is determined by the Commission for Energy Regulation (CER) and ESB is not permitted to discount from this price. As competitors take this opportunity to grow market share it is to be hoped that the regulatory restrictions on ESB will be lifted to allow ESB to compete on an equal footing.

In these difficult economic times the main focus for ESB and for our customers is on the price of electricity. For this reason, for the period 1 January to 30 September 2009, ESB is contributing over €400 million through the regulatory process to achieve a significant price saving for all electricity customers, irrespective of whether they are supplied by ESB or by competitors of ESB. This extraordinary support from ESB is by definition a temporary measure and it will be necessary to address the situation after 30 September 2009.

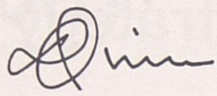
Electricity prices for Irish domestic customers are in line with the eurozone average. Prices for small and medium enterprises prices are below the eurozone average. However prices for Large Energy Users (LEUs) are above the eurozone average. The Regulator has pointed out that in Ireland "fossil fuel dependence is the chief reason for high relative energy prices, accounting for approximately 70% of the higher average cost of electricity" here. 90% of consumption in the LEU sector is supplied by six independent suppliers with ESB Customer Supply's market share at 10%.

Notwithstanding the difficult environment for business, ESB remains fully committed to implementing our ambitious Strategic Framework to 2020 announced in March 2008 to make ESB the leading renewables company in Ireland. There is a compelling economic as well as environmental case for this strategy.

2008 was a year of real achievement for ESB and for its staff under the leadership of Padraig McManus. I am delighted that, following Ministerial approval, Padraig has agreed to serve as Chief Executive for a further three years until 2012.

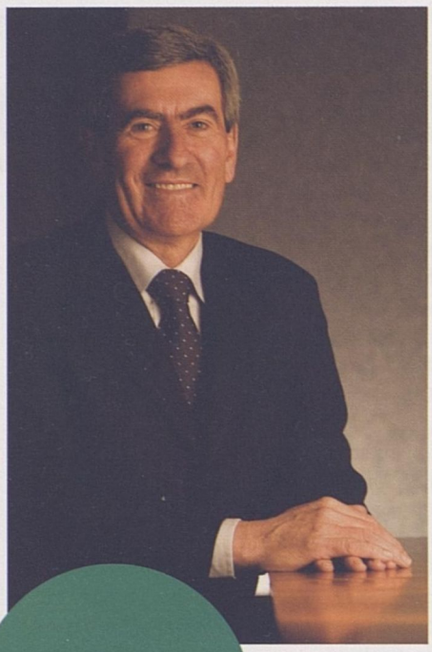
In 2009 ESB's Board, management and staff will continue to serve our customers to pursue the strategy agreed with Government and to support the Irish economy.

In accordance with the provisions of the Electricity (Supply) Acts 1927 to 2004 the Board presents the annual report and accounts for the year ended 31 December 2008.



Lochlann Quinn
Chairman

Chief Executive's Review



Padraig McManus
Chief Executive

ESB will continue investing in job creation through its green strategy

Overview

As a strong, innovative Irish energy company, ESB looks back on what was a profitable year and looks forward to continuing to make a major contribution to the Irish economy.

Well-resourced and delivering a secure and safe electricity service to all customers, ESB has an ambitious programme that will contribute to substantial job creation and to economic activity at home while growing abroad.

We are leading the way in delivering a clean environment and becoming a carbon-neutral generator by 2035, developing a smart grid and smart metering for the smart management of energy consumption and a network system to pave the way for electric transport. Promoting a clean and sustainable environment and helping Ireland meets its climate change targets is a key element of our strategy.

Renewable Energy

In 2008 ESB launched its Strategic Framework to 2020 based on investing in renewable energy, on halving of ESB's carbon emissions within twelve years and ultimately becoming a carbon net-zero generator. In spite of seismic changes in the global financial system, our determination remains to establish ESB as a world class renewables company.

We currently have 122 MW of wind power installed in Ireland with a further 70 MW in construction. ESB plans to expand its wind portfolio to 600 MW by 2012. By 2020 ESB will be generating one third of its electricity from wind and other renewables.

In 2008 ESB Networks launched its smart networks strategy, established two smart metering pilot projects and supported the development of microgeneration and an electric vehicle infrastructure.

ESB Power Generation continued to renew its generation portfolio, using the most environmentally friendly and efficient technology. Progress on building the new, energy efficient combined cycle gas turbine power station at Aghada in Cork and on the major environmental project to reduce emissions at Moneypoint means that these projects are planned to be delivered in 2009.

In 2008 we reached agreement with Endesa, the Spanish utility, on the sale of 1,000 MW of plant at Tarbert, Great Island, Rhode and Tawnaghmore, together with other power generation sites. This is in line with ESB's strategy and with Government policy to encourage competition.

In 2008 the following was the market share for generation on an all island basis:

	2007	2008
ESB Power Generation	35%	30%
ESB Independent Energy	12%	14%
Independent Power Producers	53%	56%

On the supply side the following are the respective market shares in 2008 again on an all-island basis. These are in line with 2007.

	Residential	Industrial/ Commercial
ESB Customer Supply	73%	21%
ESB Independent Energy	–	23%
Other Independents	27%	56%

This increasing market share for independent companies shows the extent to which competition is now established in the Irish market.

While the residential supply market has been open to competition since 2005 it is only recently that competitors have emerged. We welcome this development. Of course we do not like losing customers but we want to encourage a range of suppliers so that the regulatory restrictions on ESB are removed.

Price

ESB's core mission is to provide excellence of service and value to all electricity customers. We are acutely aware of the impact of price on the customer and, unfortunately, mid-2008 saw immense volatility in fuel costs – the main driver in the price of electricity. Looking at comparable British utilities, price increases ranged from 24% to 36%. In Northern Ireland prices increased by 52%.

While Irish prices rose by 17.5% in 2008, they remained broadly in line with the eurozone average prices for domestic customers. Prices in Ireland for small and medium sized enterprises were below the eurozone average. Irish industrial prices for large energy users are significantly above the eurozone average. ESB Customer Supply has a small share of this sector – approximately 10% which it supplies on prices determined by the

Regulator. While competition has increased efficiency and transparency, it cannot on its own address higher Irish industrial prices relative to the eurozone average, principally because of Ireland's greater dependency on imported fossil fuel. The challenge for all market participants is to lessen that dependency by increasing investment in indigenous, renewable generation and by increased interconnection.

ESB Action on Price

In order to reduce the impact of price increases on the customers to the greatest possible degree, ESB has made a very large contribution to offset a potential rise. In agreement with the Regulator, ESB is providing over €400 million support in the period from January to September 2009. Of this, €300 million has been recognised as a provision at 31 December 2008. In addition, over €100 million of income has been temporarily deferred and will also contribute to lower prices in the short term. All electricity users will benefit from these contributions. Such support is obviously exceptional and the position as from 1 October 2009 will need to be addressed again.

Financial Performance

ESB performance in 2008 involved revenues of €3.5 billion and after tax profit of €273 million. A dividend of €82 million is proposed bringing total dividend payments to the Exchequer since 2002 to €508 million. While capital expenditure is at €1.1 billion a year, we have managed our borrowings conservatively with net debt at €2.1 billion.

ESB International

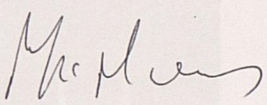
2008 marked significant progress in delivering our growth programme internationally. All of our current international investments performed well during the year meeting or beating our profit targets. The construction of Marchwood, an 840 MW Combined Cycle Gas Turbine (CCGT) plant near Southampton in partnership with Scottish and Southern Energy, progressed well during the year. ESBI also acquired an 85% share in a development project which will facilitate the construction of an 860 MW CCGT plant near Manchester. We were also pleased to receive all the necessary environmental permits to facilitate the development of a new power plant project at Covera in the Asturias region of north west Spain.

Sponsorship and Corporate Responsibility

ESB's sponsorship programme is focussed on support for young people and the community. In particular we are promoting the All Ireland minor hurling and football championships, the international Irish womens hockey team and international Under 20s rugby. We have recently and proudly become the named sponsor of the Feis Ceoil. Our major Cúl Green partnership with the GAA will meet its target of making Croke Park a net carbon-neutral stadium by the end of 2009.

I am immensely proud of the culture of social responsibility that permeates ESB. ElectricAid, the social justice fund to which staff contribute each month, has gone from strength to strength and last year saw further growth in membership and donations. The fund has contributed millions of euro to causes worldwide and in 2008, two teams of ESB volunteers travelled to Ghana in West Africa to work on the total refurbishment of a school in a township in the capital, Accra. As a result, thousands of children now have a better opportunity to find a way out of poverty through the only means at their disposal – education.

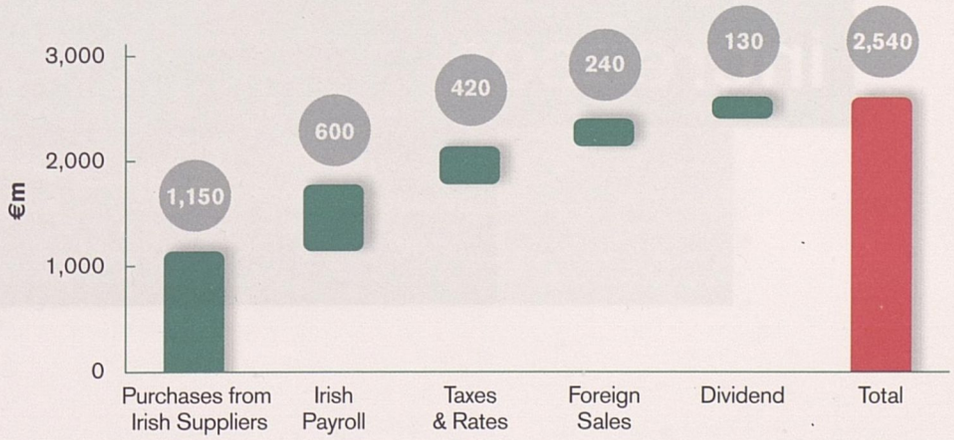
That ethos of service has underpinned ESB since its foundation over 80 years ago. It is an ethos that is particularly important today as we face unprecedented challenges as a company and as an economy.



Padraig McManus
Chief Executive

What was ESB's contribution to the Irish Economy in 2008?

Over €2.5 billion



Financial Review



In 2008, ESB contributed €300 million to mitigate the need for significant customer tariff increases

Financial Review

	2008 €m	2007 €m	Change €m	Change %
Revenue and other operating income	3,515	3,514	1	–
Operating profit	340	523	(183)	(35%)
Profit after tax	273	432	(159)	(37%)
Capital expenditure	1,094	903	191	21%
Net debt	(2,088)	(1,797)	(291)	16%
EBIT interest cover (times)	3.5	5.0	(1.5)	(30%)
Gearing	42.4%	39.5%	2.9%	7%
Return on Capital Employed (ROCE)	6.6%	10.0%	(3.4%)	(34%)

Overview

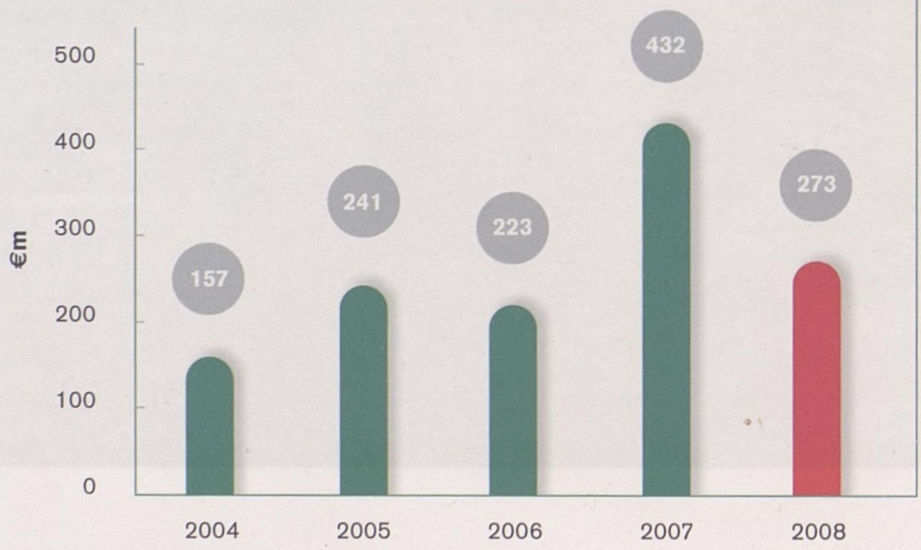
Group results for 2008 are strong with revenue and profit after tax at €3.5 billion and €273 million respectively. The unregulated businesses in particular contributed to the strong outturn, accounting for a substantial proportion of profits. The results for the year are stated after providing a €300 million rebate to mitigate the need for significant tariff increases for all electricity customers. The substantial capital programme continued during the year, with an investment of €1.1 billion of which €630 million was spent in the Networks business. Net debt at €2.1 billion increased by close to €300 million on 2007 with gearing and EBIT interest cover at 42% and 3.5 times respectively. Return on Capital Employed at 6.6% is lower than 2007 but reflects the impact of the €300 million contribution.

Revenue

Year on year comparisons of revenue are distorted by the introduction of the Single Electricity Market (SEM) in late 2007, which has resulted in changes in the way electricity sales and purchases are classified in the financial statements. The effect of the new market on year on year comparatives, reduced both revenue and energy costs by €250 million.

Within the context of the above, revenue including other operating income was €3.5 billion for the year, which was consistent with 2007, with overall market growth in the SEM and higher electricity tariffs being offset by SEM distortions referred to above and lower property disposals.

Profit After Tax



Operating Costs
Operating costs of €3.2 billion increased by €184 million on 2007, of which €143 million related to fuel costs. Fuel costs per GWh increased by 30% on 2007.

Operating Profit
Operating profit for 2008 was €340 million (2007: €523 million) resulting in a decrease of €183 million on 2007, reflecting the impact of the €300 million customer rebate.

Joint Ventures
2008 was another good year for joint venture investments generating profits of €63 million for the Group (2007: €47 million). Increased production from the Synergen plant in particular contributed to the improved outturn.

Taxation
The Group tax charge for 2008 was €31 million (2007: €48 million) and represents an effective tax rate of 12.7% (2007: 11.2%) when the share of joint venture profits is excluded.

Profit after Tax
Profit after tax at €273 million (2007: €432 million) reflects the impact of the €300 million contribution to electricity customers and strong results from the unregulated activities including an increased return from joint venture investments.

Business Unit Performance

Group profit after tax of €273 million arises in Power Generation €199 million, Networks €49 million and the unregulated businesses €99 million, offset by losses of €74 million within the Supply business.

- Power Generation's profits declined by €33 million over 2007 mainly due to lower energy margins, reduced market share and Power Generation's share of the €300 million customer rebate in 2008.
- Networks' profits declined by €90 million compared to 2007 and reflects Networks' share of the €300 million customer rebate and higher interest costs offset by the net impact of Network tariff increases in 2008.
- Supply's profits fell by €87 million over 2007 and was primarily driven by a regulatory under recovery in 2008 as a result of significant fuel price increases during the year.
- Profits from the unregulated businesses increased by €51 million over 2007 reflecting the improved outturn from the independent generation plants offset by reduced property disposals in 2008.

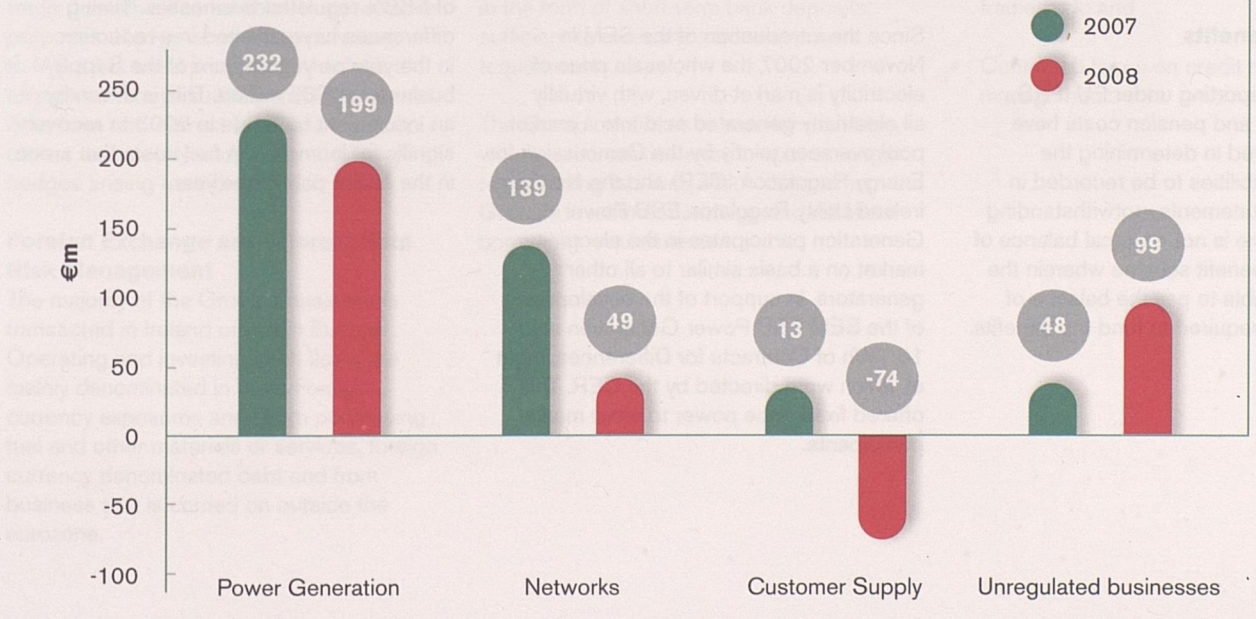
Capital Expenditure

€1.1 billion was invested directly by the Group in capital programmes in 2008. A further €124 million was incurred by the Group's joint venture undertakings. €630 million was spent on the Distribution and Transmission Infrastructure bringing the total investment in this area to over €3 billion over the past five years. €263 million was invested by Power Generation and mainly related to:

- the progression of the construction of the new 430 MW Combined Cycle Gas Turbine (CCGT) plant in Aghada, Co. Cork; and
- the Environmental Retrofit Project in Moneypoint, Co. Clare which will significantly reduce the sulphur dioxide (SO_x) and nitrogen oxide (NO_x) emissions from the station over the next ten years.

€180 million was invested by ESB International during 2008 including €102 million on renewable investments and €62 million on the 860 MW Carrington, Greater Manchester, CCGT project.

Business Unit Performance (Profit after tax)



Net Debt and Gearing



Net Debt and Gearing

Net debt (borrowings of €2.2 billion less cash of €83 million) was €2.1 billion at the year end (2007: €1.8 billion). Funds generated from operations during the year were €872 million while funding requirements for the 2008 capital programme, interest, dividend payments and other funding requirements were €1.1 billion. The revaluation of debt at year end foreign exchange rates as required under IAS 21, further increased the debt balance by €33 million. Gearing was 42% at year end and 61% of the debt portfolio was at fixed interest rates. The average coupon rate was 5%.

Employee Benefits

For financial reporting under EU IFRS, the full liability and pension costs have been considered in determining the appropriate liabilities to be recorded in the financial statements, notwithstanding that the scheme is not a typical balance of cost defined benefit scheme wherein the employer is liable to pay the balance of contributions required to fund the benefits.

In compliance with EU IFRS, a portion of the net assets and liabilities of ESB's defined pension scheme, computed in accordance with IAS 19 have been included in the Balance Sheet under employee related liabilities. In accounting for the pension deficit ESB has availed of the option to defer the unrecognised portion of the pension deficit over the future service lives of employees. At the end of 2008 the pension deficit calculated in accordance with IAS 19 was €2.6 billion, an increase of €1.2 billion on 2007. This primarily reflects the impact of the economic downturn on the fund's asset valuation.

Regulation

Since the introduction of the SEM in November 2007, the wholesale price of electricity is market driven, with virtually all electricity generated sold into a market pool overseen jointly by the Commission for Energy Regulation (CER) and the Northern Ireland Utility Regulator. ESB Power Generation participates in the electricity market on a basis similar to all other generators. In support of the development of the SEM ESB Power Generation sold 13 TWh of Contracts for Differences, eight of which were directed by the CER. This offered fixed price power to other market participants.

Annual electricity tariffs are set in advance of the relevant year by the CER, based on a forecast of both customer demand and relevant costs. As with any forecast, there is almost invariably a difference with the actual outturn for the year which results in either an under or over recovery of revenue by ESB. Any such under or over recovery of allowed revenue is adjusted by the CER in setting the price determinations for subsequent years. In addition, specific costs reflected in the Income Statement may be recovered in the tariff in different or over a number of accounting periods. Such timing differences can cause material variations in the annual profits earned by the individual regulated businesses and cause distortions in reviewing the year on year performance of ESB's regulated businesses. Timing differences have resulted in a reduction in the year on year outturn of the Supply business of €85 million. This is driven by an insufficient tariff rate in 2008 to recover significant increases in fuel costs that arose in the earlier part of the year.

Financial Risk Management

Framework for Treasury and Trading Operations

The main financial risks faced by the Group relate to foreign exchange, interest rates, commodity (electricity and fuel) price movements, counterparty credit and operational risk.

Group Treasury is responsible for the day to day treasury activities of the Group. The Board Finance Committee is updated on an ongoing basis on key treasury matters and an annual report covering the treasury activity is also submitted to the Committee for review.

Commodity price and counterparty credit risks are managed by the relevant business unit (Power Generation, Customer Supply and ESBI) in the context of an overall Group trading risk management framework. These efforts are co-ordinated by Group Trading Risk Management, which works to ensure that the Group's market, credit and operational risks are managed in a way to protect the company from loss, while respecting the ring-fencing obligations in place between the business units. Treasury and trading risk management activities are reviewed regularly by Group Internal Audit.

Derivative instruments are used to mitigate financial risks and are executed in compliance with the Specification of the Minister for Finance issued under the aegis of the "Financial Transactions of Certain Companies and Other Bodies Act 1992" During 2008, the Group did not hold or trade derivative instruments for speculative purposes. Hedge accounting pursuant to IAS 39 is used primarily for hedges of foreign currency liabilities and interest rate risks from non-current liabilities. It also covers commodity and foreign exchange hedges arising from the SEM.

Foreign Exchange and Interest Rate Risk Management

The majority of the Group's business is transacted in Ireland or within Europe. Operating and investing cash flows are mainly denominated in euro. Foreign currency exposures arise from purchasing fuel and other materials or services, foreign currency denominated debt and from business that is carried on outside the eurozone.

The majority of fuel related currency exposures are managed using currency derivatives such as forward purchase contracts. Other material foreign currency exposures are hedged as appropriate. The Group's policy is to borrow directly in euro or to convert any foreign currency borrowing to euro through the use of derivative instruments. There are specific instances where foreign currency denominated debt is matched by a foreign currency denominated asset or net revenue flow. At the end of 2008, 95% of ESB's debt was effectively denominated in euro. It is also the Group's policy to have a minimum of 50% of the debt portfolio at fixed rates of interest, subject to cost and market outlook.

Funding and Liquidity Management

The Group's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. Structured non-recourse and limited recourse financing is used where appropriate, taking into account the compatibility between funding costs and risk mitigation. All borrowing facilities are in compliance with the Electricity Acts and relevant regulatory requirements and Group Treasury maintains diversity in ESB's lender base in order to achieve a strategic spread of risk.

ESB has adequate undrawn committed borrowing facilities in place to ensure that liquidity demands can be met as required. At year end, the Group had over €600 million of undrawn committed facilities, the first of which does not mature until 2012. In addition, the Group holds cash balances in the form of short-term bank deposits, sufficient to meet any immediate cash requirements.

The Group continues to monitor markets where opportunities exist to access longer term funding facilities which complement the Group's investment strategy and resultant borrowing requirements.

Counterparty Credit Risk

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts within financial and commodity markets. The Group's policy is to limit exposure to counterparties based on assessments of credit risk. Exposures and related limits are subject to ongoing review and monitoring. Dealing activities are controlled by putting in place dealing mandates with counterparties.

Summary and Future Outlook

The Group delivered a strong financial performance during 2008 with all key financial indicators within acceptable parameters. Looking forward, key financial priorities for the Group will include:

- Continuing to successfully deliver the significant capital expenditure programmes while funding this growth, both internally and externally, maintaining strong financial indicators and a healthy balance sheet;
- Continuing with performance improvement programmes to deliver sustained growth in Shareholder Value;
- Management of the trading risk arising from the SEM and related markets while continuing with effective fuel procurement strategies to mitigate the volatility in market prices;
- Successfully operating the regulated businesses within the agreed regulatory framework; and
- Continued focus on credit risk management.

We renew our generation portfolio with the most environmentally friendly and efficient technology

ESB Power Generation Review



ESB Power Generation Review

Overview

ESB Power Generation owns and operates generation stations in the Republic of Ireland with an installed capacity of 4,391 MW at 31 December 2008. This includes the capacity of plant sold in early 2009.

Operational Review

Safety Performance

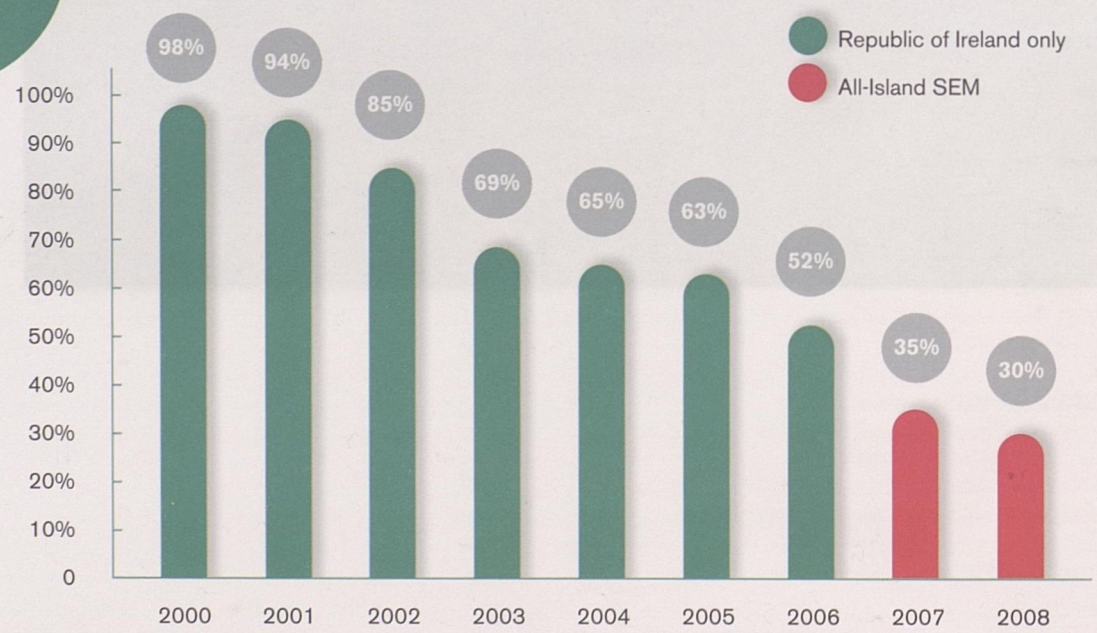
Whilst Lost Time Injuries (LTI) to staff members declined from 8 in 2007 to 6 in 2008, LTI to contractors increased from 11 in 2007 to 14 in 2008. Power Generation is embarking on a major contractor management initiative in 2009, which will include contractor safety management and expects to reverse the upward trend in contractor LTI through this initiative.

We have completed the implementation of OHSAS 18001 (Occupational Health and Safety Assessment Series) across all work locations in Power Generation during 2008 and maintaining this external accreditation is a key priority for 2009. Safety and health remains our number one priority and we are committed to creating an injury free workplace.

What is ESB Power Generation's market share?

30%

At the end of 2008 ESB Power Generation had 30% of total generation in the all-island Single Electricity Market (SEM)



Customers and the Energy Market
2008 was Power Generation's first full year of trading in the Single Electricity Market (SEM). In this market, Power Generation submits bids for each of its operating units per each half hour and the Independent Market Operator decides which generators actually run and at what price.

Power Generation had a 30% share of SEM generation in 2008, compared to 32% for the first two months of operation of the SEM in 2007, reflecting continuing growth of the independent generation sector.

Power Generation administered subscription processes to sell 3 TWhs of Contract for Differences (CfDs) to eligible suppliers as directed by the Commission for Energy Regulation (CER). In separate processes, a further 5 TWh of Non-Directed CfDs were auctioned on a non-discriminatory basis. A further 5 TWh of Public Service Obligation (PSO) backed contracts were also sold. The total CfDs sold amounted to the bulk of Power Generation's in-merit plant running in the SEM, and had the effect of offering a substantial volume of fixed price power to other players in the market.

As in 2007, Power Generation secured its physical fuel, which accounts for approximately 50% of its total operating cost base, at or below market indices. Consistent with prudent energy price risk management, fuel swap derivative transactions were also executed.

Capital Expenditure
Power Generation's capital expenditure programme amounted to €263 million. This primarily related to the construction of the 430 MW Combined Cycle Gas Turbine (CCGT) plant in Aghada, Co. Cork, which is on target for commercial operation in late 2009. This plant will be a state of the art gas-fired CCGT plant using technology which is the most environmentally friendly and efficient in the world.

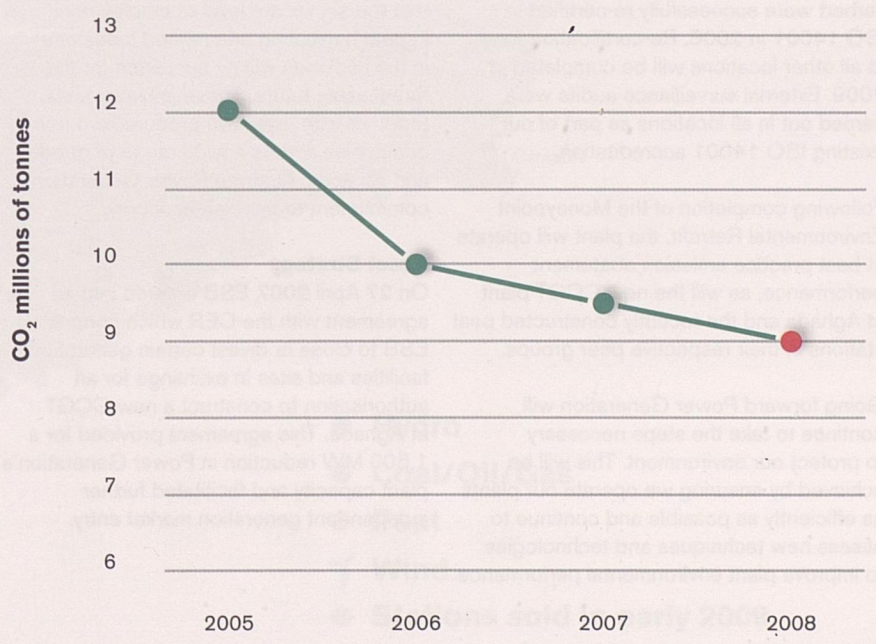
Another major capital spend in 2008 related to the Moneypoint Environmental Retrofit Project (MERP) which is due to be completed in 2009. This investment provides a significant reduction in emissions of Nitrogen Oxide (NO_x), Sulphur Dioxide (SO_x) and dust from the plant.

In addition to these major capital projects, Power Generation continues its planned maintenance programme to deliver a competitive portfolio of plant capable of successfully operating in the SEM.

How much has ESB Power Generation reduced its CO_2 emissions by?

26%

ESB Power Generation has reduced its CO_2 emissions by 26% since 2005



Plant Performance
Power Generation's availability outturn was 79%, a 4% increase on the 2007 level. While this level of portfolio availability is still below best international practice, most stations in the portfolio performed to best practice. The underlying cause of lower than best practice portfolio availability in 2008 was a significant scheduled maintenance programme, combined with a higher than planned forced outage rate due to plant failure in a small number of locations. A long term solution for the boiler corrosion problems in the peat stations was finalised with the boiler manufacturer during the year.

Environmental Performance
Power Generation is fully committed to conducting its activities in an environmentally responsible manner. During 2008, Power Generation proactively managed its environmental commitments.

The verification process for 2008 CO_2 emissions has been successfully completed. Power Generation's CO_2 emissions were 9.04 million tonnes, a decline from 9.78 million tonnes in 2007.

Environmental exit audits were completed in those sites to be divested under an agreement with the CER as set out under the Asset Strategy below. Environmental Management Systems (EMS) in Ardnacrusha, Great Island, Lee, Lough Ree Power, West Offaly Power, North Wall, Moneypoint, Poolbeg and Tarbert were successfully re-certified to ISO 14001 in 2008. Re-certification work at all other locations will be completed in 2009. External surveillance audits were carried out in all locations as part of our existing ISO 14001 accreditation.

Following completion of the Moneypoint Environmental Retrofit, the plant will operate at best practice emission abatement performance, as will the new CCGT plant at Aghada and the recently constructed peat stations in their respective peer groups.

Going forward Power Generation will continue to take the steps necessary to protect our environment. This will be achieved by ensuring we operate our plants as efficiently as possible and continue to assess new techniques and technologies to improve plant environmental performance.

Sustainability
A Power Generation Sustainability Team was established in 2008 and focused on delivering the carbon reduction targets detailed in the 2020 Strategic Framework. The three main streams of activity are reducing carbon emissions through:

1 changing the way we work;

2 changes to the generation process; and

3 the use of new technologies and fuels in power generation. For example, the replacement of a single bypass valve in Aghada in 2008 will result in a carbon saving of 3,000 tonnes per annum.

The main areas of activity in 2009 will be driving further process efficiency, progressing biomass co-firing proposals for the peat stations and Moneypoint, participating in district heating as it develops and the ongoing development of a clean coal proposal.

Input into the Irish Economy
As outlined above, Power Generation has continued to invest heavily in its portfolio throughout 2008. Major capital works taking place in Aghada and Moneypoint, as well as ongoing maintenance of other plant, ensures that Power Generation is continuing to generate significant employment throughout the country. In addition, conclusion of an agreement to remedy the boiler problems in the peat stations will ensure that the significant level of employment in peat harvesting and related industries in the midlands will be sustained for the foreseeable future. These achievements, together with extensive procurement from companies across a wide range of goods and services, illustrate Power Generation's commitment to the Irish economy.

Asset Strategy
On 27 April 2007, ESB entered into an agreement with the CER which committed ESB to close or divest certain generation facilities and sites in exchange for an authorisation to construct a new CCGT at Aghada. This agreement provided for a 1,500 MW reduction in Power Generation's plant capacity and facilitated further independent generation market entry.

During 2008, Power Generation negotiated an agreement with Endesa to sell 1,000 MW of plant comprising Tarbert, Great Island, Rhode, Tawnaghmore and two sites in Lanesboro and Shannonbridge in accordance with the CER agreement. The transaction successfully concluded on 8 January 2009.

Looking Ahead
Looking forward to 2009 and beyond, key challenges for Power Generation include:

- Continued focus on improvements in safety, aimed at delivering our target of creating and sustaining a healthy and injury free workplace;

- Continuing to improve our environmental performance through the successful delivery of Power Generation's major projects (MERP, Aghada CCGT, peat station remediation and maintenance programme) as well as undertaking other initiatives to protect our environment;

- Completing the agreed reduction in our generation plant capacity as per the CER agreement through the closure of Poolbeg thermal station and converting Marina station to open cycle;

- Improving plant performance through best practice operations and maintenance within our stations, to deliver a portfolio of flexible plant capable of competing successfully in the SEM;

- Continuing to support the structure of the SEM, including consolidating and further enhancing our trading strategies, processes, systems and competencies; and

- Maintaining a strong and viable business by reducing our cost base, while ensuring Power Generation delivers on its social and environmental obligations.

ESB Group's Generation Portfolio in the all-island SEM

This map shows all the power generation in Ireland which was in operation by either ESB Power Generation or ESB International in 2008



ESB Customer Supply & Group Services



Online billing will help the environment and give customers more control over their energy usage

ESB Customer Supply & Group Services

Safety Review

Customer Supply and Group Services continues to prioritise safety and health to achieve our goal of an injury free workplace.

During 2008 a significant Health and Safety Improvement programme was implemented including formal Occupational Health and Safety Assessment Series (OHSAS) assessments, a comprehensive auditing programme and regular reviews of performance. An increased focus has been placed on health and well-being of staff during 2008, including initiatives relating to managing stress, health screening and healthy lifestyle choices.

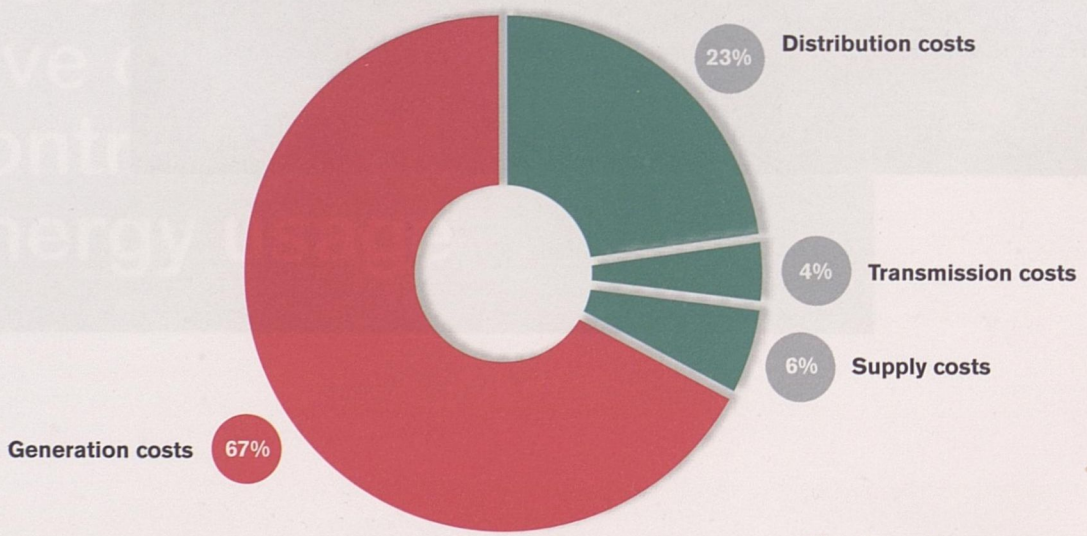
The number of Lost Time Injuries (LTI) in the business was 11 in 2008 (14 in 2007). Eliminating workplace injuries is an ongoing challenge and we are committed to ensuring that all our staff and contractors work in an environment which reduces risk of injury.

Customer Supply

Operational Review

ESB Customer Supply (licensed as the Public Electricity Supplier) provides an electricity supply service to over two million customers in the Republic of Ireland retail market. Its terms and conditions are subject to approval by the Commission for Energy Regulation (CER). ESB Customer Supply operates on a standalone basis from other businesses within ESB Group. It purchases electricity from the Single Electricity Market (SEM) in order to supply the electricity needs of its customers. It charges customers for this electricity based on tariff rates that are set in advance of the usage period. Tariff rates are set in line with agreed principles of satisfying economic purchase obligations, achieving cost reflectivity and transparency and are approved by the CER.

Generation costs, mainly fuel, drive the customer tariff



The above chart represents the breakdown of the customer supply tariff for 2008

The retail electricity market has been fully open to competition since February 2005, with all electricity users, business and residential, having the freedom to choose from a number of independent licensed suppliers, including ESB Customer Supply. While the number of customers (business and residential) served by ESB Customer Supply increased from 2.06 million to 2.1 million during 2008, market share of the SEM remained substantially unchanged at the end of 2008 at 40%.

Customer Service Delivery

ESB Customer Supply provides a quality service to its customers. The National Customer Contact Centre again exceeded its service targets and also achieved the accreditation under the Customer Contact Centre Association Revised Global Standard.

In addition, ESB Customer Supply continued to deliver service levels in line with its Customer Charter and Customer Service Codes of Practice. During 2008 a number of new customer service initiatives were introduced including:

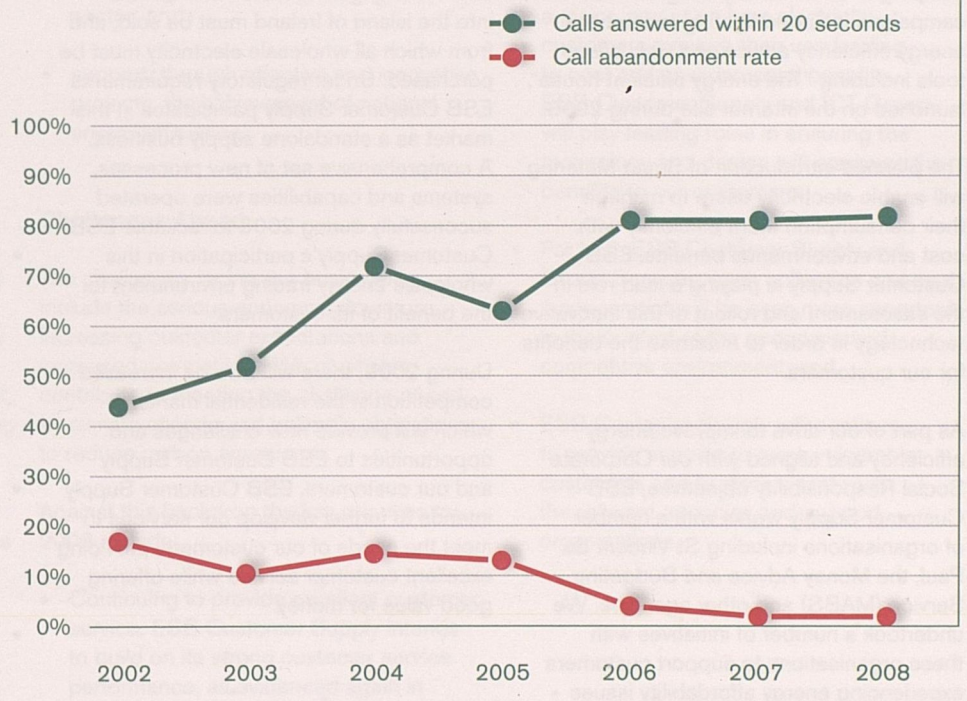
- an improved website with valuable information on more efficient use of electricity; and
- the launch of a new e-billing service providing an online bill and information on the customer's pattern of electricity usage. E-billing also contributes to a better environment by avoiding the need for paper bills.

82%

In 2008 ESB Customer Supply dealt with almost 4 million customer telephone calls – 82% of which were answered within 20 seconds

National Customer Contact Centre service performance trend

Customer Supply National Customer Centre Speed of Call Answering & Call abandonment rate (2002 – 2008)



"The energy efficient house"

from www.esb.ie/home



Sustainability Initiatives

ESB Customer Supply has worked with customers for many years to help them to reduce electricity usage and get better value from their electricity consumption. This continued during 2008 with ESB Customer Supply helping customers to save more than 350 GWh of electricity, equivalent to a reduction in CO_2 emissions of 190,000 tonnes (538 g/KWh). These savings were achieved through the promotion of energy efficient products and awareness campaigns on electricity usage. These campaigns included lighting promotions, energy efficiency advice and web based tools including "The energy efficient house", launched on the internet site during 2008.

The planned introduction of Smart Metering will enable electricity users to manage their consumption more efficiently with cost and environmental benefits. ESB Customer Supply is playing a lead role in the assessment and rollout of this innovative technology in order to maximise the benefits for our customers.

As part of our drive to improve energy efficiency and aligned with our Corporate Social Responsibility objectives, ESB Customer Supply works with a number of organisations including St Vincent de Paul, the Money Advice and Budgeting Service (MABS) and other agencies. We undertook a number of initiatives with these organisations to support customers experiencing energy affordability issues and those with special requirements. These included debt repayment programmes, information on budgeting for electricity costs and advice on how to use energy more efficiently.

Changing Market Environment

A major development and important milestone for the electricity market in Ireland was the successful introduction of the SEM on 1st November 2007. The SEM is a wholesale electricity pool market, into which all electricity generated on or imported into the island of Ireland must be sold, and from which all wholesale electricity must be purchased. Under regulatory requirements ESB Customer Supply participates in this market as a standalone supply business. A comprehensive set of new processes, systems and capabilities were operated successfully during 2008 to facilitate ESB Customer Supply's participation in this wholesale energy trading environment for the benefit of its customers.

During 2009, there will also be increased competition in the residential market which will provide new challenges and opportunities to ESB Customer Supply and our customers. ESB Customer Supply intends to further develop our services to meet the needs of our customers, providing excellent customer service while offering good value for money.

Group Services

Group Services is responsible for a number of business activities and provides internal services for the various business lines within the ESB Group including:

- Information Communication Technology (ICT) Group provides essential IT and telecommunications infrastructure services and project support which underpin ESB's day to day business operations;
- A wholly-owned subsidiary of ESB and part of the ICT Group, ESB Telecoms Limited is the leading independent network provider in Ireland and competes strongly in the telecoms market providing wholesale telecom services and infrastructure to almost all telecom operators in Ireland;
- Shared Services provide a range of support services including facilities management for properties used by ESB staff, HR and payroll administration for staff and pensioners, accounting services and professional services such as procurement, property and legal services;
- The Pensions Office supports the pension arrangements within the ESB Group, including administration and investment support;
- ESB Contracts Limited constructs and maintains public lighting for local authorities and installs major electrical projects for external commercial customers; and

Smart Meters will allow consumers to better manage energy consumption, resulting in economic and environmental benefits

- The Energy Services business was established during 2008 to promote and deliver energy efficiency solutions to the residential and business markets.

Operational Review

ICT Group and Shared Services worked closely with other ESB businesses during 2008 to consolidate service delivery and to improve efficiency and customer service in the services being provided.

Significant milestones for ICT Group in 2008 included the commissioning of Customer Supply's e-billing service, mobilisation of the Smart Metering projects, establishment of a 24/7 telecom operations centre and a number of significant infrastructure and application upgrade programmes.

ESB Contracts Limited continued to provide excellent service to our customers and worked closely with Local Authorities to ensure service standards in the area of public lighting are met.

Sustainability Initiatives

In line with ESB Corporate Strategy, Group Services are playing a significant role in delivering a number of internal sustainability initiatives including waste management, building efficiency, sustainable procurement, IT sustainability, and staff advice and training on sustainability.

Shared Services has been actively involved in reducing ESB's internal carbon emissions for a number of years. Over 76% of the total waste generated in ESB Head Office was recycled in 2008 compared to 40% in 2005.

Energy Services was established in 2008 under ESB's Strategic Framework. ESB is committed to providing leadership on the energy challenges facing Ireland. The Energy Services team will work with the Government and other agencies to achieve the national energy efficiency target of a 20% reduction in energy use by 2020.

The Energy Services team will use ESB's expertise and experience and will build on our strong technical and managerial resources and capability to:

- work with a wide range of stakeholders and communities to achieve success;
- support people implementing energy efficiency measures in their homes and businesses;
- act as a catalyst to support the development of the energy efficiency sector; and
- support, through effective and innovative projects, the achievement of national energy efficiency.

Challenges Ahead

The challenges facing our businesses include the serious economic downturn, increasing customer expectations and increased competition. We must also contribute to meeting the challenge posed by climate change and Ireland's obligations to reduce carbon emissions.

Against this backdrop the key priorities for 2009 include:

- Continuing to provide excellent customer service. ESB Customer Supply intends to build on its strong customer service performance, as evidenced again in 2008, by further developing our services to meet the needs of our customers while offering good value for money. ESB Telecoms and ESB Contracts will continue to work closely with our customers to ensure we meet their service needs;
- Promoting sustainability and energy efficiency, by increasing awareness among customers and ESB staff of the need to use electricity efficiently and by supporting customers in making the necessary changes;
- Developing the Energy Services business by working with the Government and relevant agencies, thus making a significant contribution to helping homes and businesses become more energy efficient during 2009 and in the future;
- The development of Smart Metering technology has the potential to have a major impact on how electricity customers manage their use leading to cost and environmental benefits. ESB Customer Supply and ICT Group will play leading roles in ensuring the technology and design will maximise the benefits to our customers;
- For both ESB Customer Supply and Group Services, cash collection and cost management will be even more important in the context of the economic and competitive environment; and
- ESB Customer Supply will continue to provide support to more vulnerable customers and to work closely with the relevant agencies and support organisations.

ESB Networks Review



Environmentally friendly vehicles will reduce emissions from the fleet by up to 90%

ESB Networks Review

Operational Review

2008 was a significant year for ESB Networks. The ongoing investment programmes to extend and renew the Transmission and Distribution networks, together with supporting IT systems, continued during the year. Approximately €630 million was spent on the networks in 2008, as part of an overall €6 billion investment programme over this decade. Arising from this continuing investment programme, there has been a marked improvement in the overall continuity of electricity supply to customers over the last number of years.

During 2008, the business launched its Sustainable Networks strategy. As described below, this is a major commitment by ESB Networks to the future of Ireland and all electricity customers.

Profit after tax for Networks was €49 million, a decrease of €90 million on the results for 2007. Included in the accounts for 2008 is a provision of €125 million (Networks' share of the €300 million rebate). This amount will be paid by ESB Networks in 2009 to EirGrid and will reduce the Transmission charges to the entire market. This was agreed with the Commission for Energy Regulation (CER) as part of a reduction in the electricity costs of all electricity customers in 2009, irrespective of their supplier.

Sustainability

Throughout 2008, ESB Networks has put in place the building blocks to progress its vision to be a leading utility in terms of sustainability and smart networks.

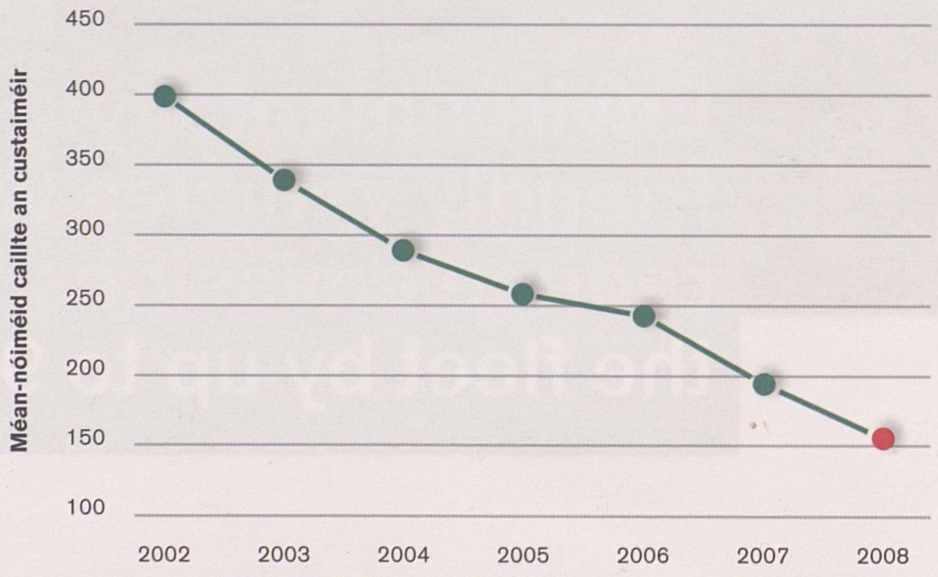
The new sustainability strategy includes the following initiatives:

- A restructuring of the organisation and management structure to specifically focus on sustainability;

How has Networks' investment programme reduced customer outages?

61%

Customer outages have reduced by 61% since 2002



- Creation of an integrated smart network vision. The vision includes the following objectives:
  - Integration of electricity from renewable energy sources into the energy system;
  - Engineering smarter electricity networks;
  - Establishing smart metering throughout Ireland; and
  - Support for electric vehicle infrastructure.
- Establishment of a dedicated Smart Metering project. During 2008 ESB Networks successfully commenced a customer behaviour and smart metering technology trial. This project is on target and will continue until 2011;
- Development of a microgeneration initiative to stimulate this sustainability market in Ireland;
- Continued roll-out of a network automation programme, live line working and continuity initiatives to enhance service;
- Commencement of a number of smart network initiatives, including network self-healing pilot, having completed the upgrade of core network IT systems and progressed an integrated IT platform to support our smart network initiatives into the future;
- The roll-out of an intensive internal sustainability programme to reduce our internal carbon footprint, including the introduction of electric vehicles and biofuel to our fleet; and
- Formation of strategic alliances with national and international R&D institutions to help progress the ambitious smart network roadmap to 2020.

Changing Market Environment

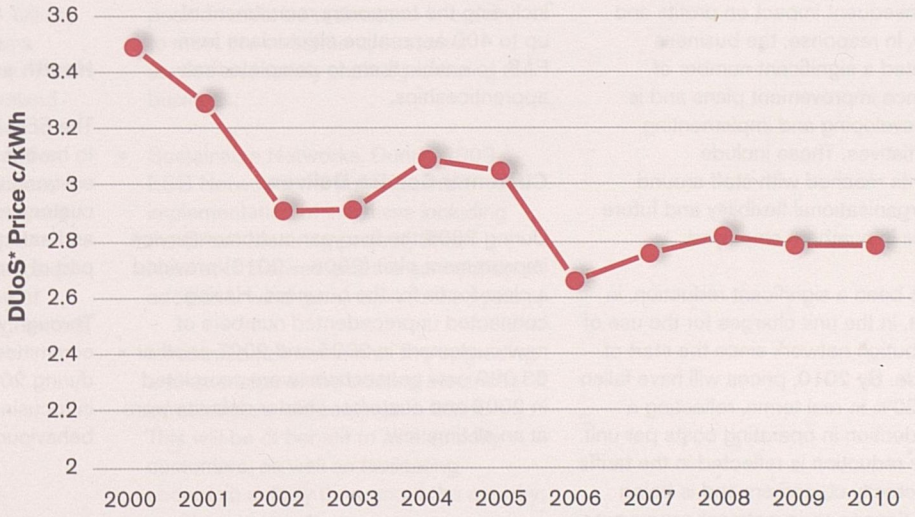
With effect from 1 January 2009, ESB Networks Limited was established as a separate company to act as the independent Distribution System Operator (DSO) in the Republic of Ireland. ESB Networks had previously operated as a ring-fenced division of ESB. The new company is a wholly-owned subsidiary of ESB and is subject to corporate governance oversight by the Board of ESB, but will operate independently of ESB in relation to its DSO functions.

The establishment of ESB Networks Limited is in compliance with the 2003 EU Energy Directive which is reflected in Irish law by Statutory Instrument No. 280 of 2008. The new arrangements are intended to further enhance the confidence of the market and all industry players in the ability of the DSO to act independently when making decisions in relation to the operation, maintenance and development of the distribution network.

How much have Networks' prices declined since 2000?

20%

ESB Network's prices and costs are reducing by up to 20% in real terms over the course of this decade



*Distribution Use of System Income

€6 billion in Network investment has delivered one of the most robust electricity systems in the world

The Board of ESB Networks Limited includes two external Directors: Gina Quinn (CEO, Dublin Chamber of Commerce) and Des Geraghty (Chairman of Affordable Homes Partnership and former MEP). The arrangements will be subject to ongoing Regulatory oversight by the CER.

2008 was the third year in the current Regulatory Price Control determination, covering the period 2006 to 2010. This determination was finalised in 2005, following an in-depth review by the CER of the planned investment and expenditure by ESB Networks over those years.

The review resulted in a substantial reduction in the allowed revenues of the business over the five year period, with a consequent impact on profits and cash flow. In response, the business implemented a significant number of performance improvement plans and is actively developing and implementing further initiatives. These include agreements reached with staff around greater organisational flexibility and future reductions in numbers employed.

There has been a significant reduction, in real terms, in the unit charges for the use of the Distribution network since the start of the decade. By 2010, prices will have fallen by up to 20% in real terms, reflecting a similar reduction in operating costs per unit. This price reduction is reflected in the tariffs for all electricity customers and is being achieved despite an investment programme of €6 billion over the same period.

The business will engage with the CER during 2009, in respect of the next Regulatory Price Control period, covering the years 2011 to 2015. The outcome of this engagement will determine the customer charges for those years, as well as the level of investment in the networks.

The current economic conditions will have a significant impact on the business, with reduced demand for electricity and lower volumes of new customer connections. In response, the business is actively reviewing its cost base, to ensure that all expenditure is efficiently and necessarily incurred.

In addition, and in order to sustain employment within Ireland, ESB Networks has launched a number of training initiatives, including the temporary recruitment of up to 400 apprentice electricians from FÁS, to enable them to complete their apprenticeships.

Customer Service Delivery

During 2008 the five year customer service improvement plan (2006 – 2010) provided a clear focus for the business. Having connected unprecedented numbers of new customers in 2006 and 2007, another 63,099 new connections were completed in 2008 and customer charter defaults were at an all time low.

The level of service to customers was maintained and enhanced, with improved performance delivery for electricity suppliers in the all-island Single Electricity Market (SEM). Our customer satisfaction survey returned a 74% positive response, achieving the annual target. The Networks National Call Centre performance is now world class and this achievement is acknowledged internationally.

Significant customer service improvements were made in the areas of customer communication, relationships with key customer representative groups and continuity of supply performance through the use of liveline working and mobile generation. Further service improvements will be implemented in 2009.

Health and Safety

The ESB Networks business is committed to having a healthy and safe working environment for staff, contractors, customers and the general public. Health and safety is a core value and an integral part of the business.

Through working with staff, safety committees and safety representatives during 2008, good progress was made in focusing on the important area of safe behaviours and team-based safety.

ESB is enabling 400 part qualified apprentice electricians to complete their training



In the area of public safety a Code of Practice was published jointly with the Health & Safety Authority on "*Avoiding Danger while working near Overhead Electricity Lines*". This is an important step forward in construction site safety.

During 2008, ESB Networks Safety Organisation was successful in achieving a Certificate of Registration to the Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 safety standard. The achievement of this standard will form the basis of our journey towards our goal of zero injuries.

Input into the Irish Economy

With annual expenditure of over €1 billion, mostly in Ireland, ESB Networks has a significant input to the Irish economy. Materials and services sourced in Ireland amounted to €350 million, in addition to the payment of approximately €50 million in rates to local authorities. The business directly employs around 3,600 employees and provides work for over 1,000 independent contractors, who are involved in the construction and maintenance of networks and other operational programmes nationwide.

As described earlier, in 2009 the business will undertake a number of employment and training initiatives relating to the recruitment of graduate engineers and new apprentices, and enable FÁS-sponsored apprentice electricians to complete their qualification.

The Future

Looking forward to 2009 and beyond, key issues include:

- Safety. The business is committed to safety as a primary value and this will continue in 2009 and future years;
- Financial viability. Despite the current economic conditions, a healthy financial position must be maintained in order to meet the investment, customer service and safety challenges facing the business;
- Sustainable Networks. During 2009, ESB Networks will continue the implementation of initiatives including the Smart Metering project, Smart Network initiatives and the connection of additional wind generation to the system;
- Infrastructure investment. The upgrading and extension of the existing electricity infrastructure will continue in 2009. This will be of benefit to all electricity customers, as well as facilitating economic activity throughout the country;
- Customer service. The delivery of excellent service to customers and the achievement of challenging customer service targets remain key objectives of the business in 2009; and
- The achievement of the current regulatory targets and the preparation for the next Regulatory Price Control engagement are key strategic objectives of the business.

ESB International Review



ESB International's strategy is to expand in Europe through continued investment

ESB International Review

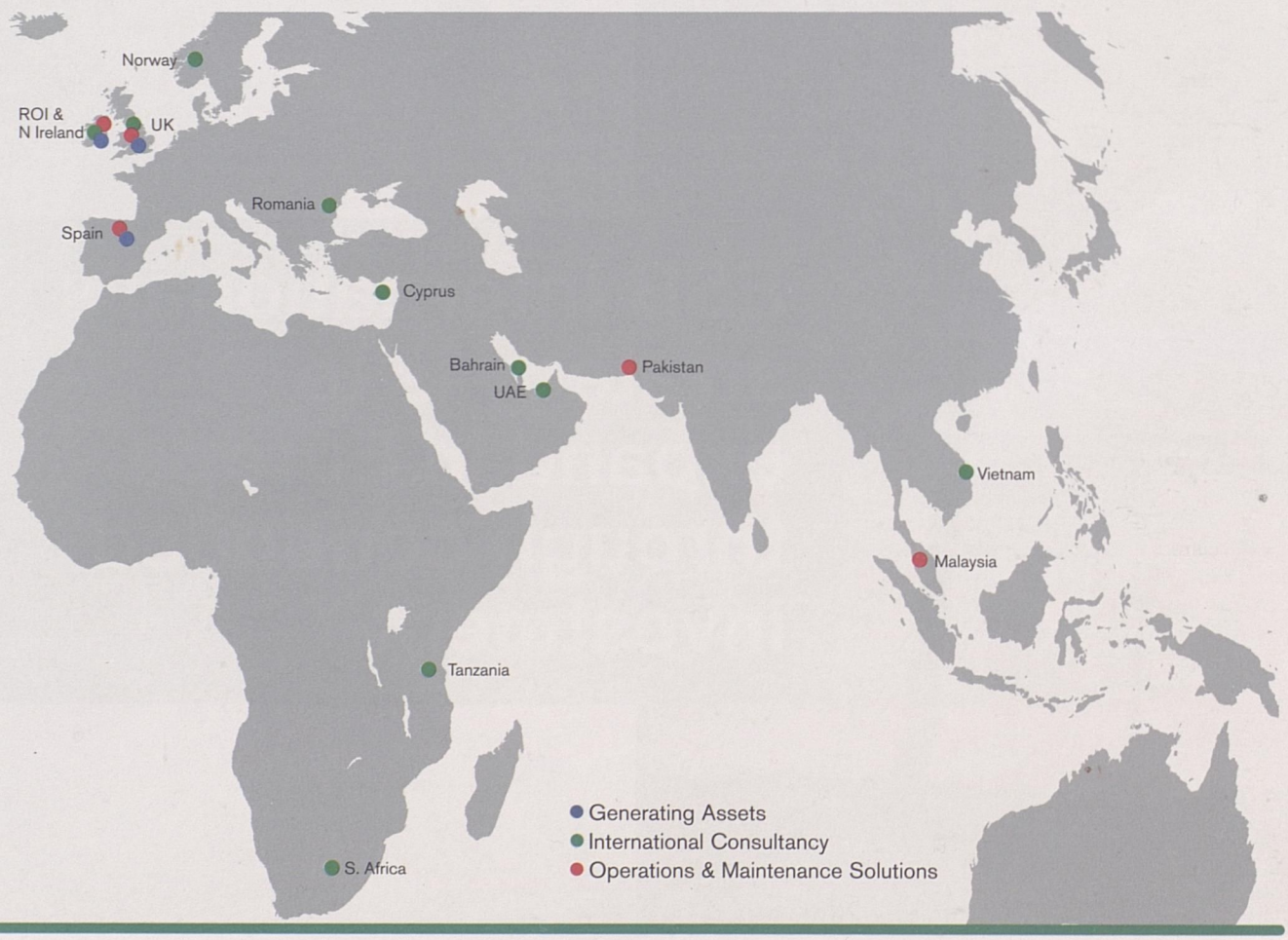
Overview

ESB International (ESBI) is structured as a group of companies and consists of a range of businesses operating in the competitive market place. The key business activities are:

- ESB Independent Generation (ESBIg) and ESB Independent Energy (ESBIe) which provide competitive electricity solutions to customers, both in the Republic of Ireland and Northern Ireland. ESBIg is also responsible for operating our renewables portfolio in Ireland and our international generation assets, primarily in the UK and Spain;
- ESBI Engineering is an international engineering and consulting organisation providing engineering and utility solutions to ESB Group and a wide range of international customers;
- ESBI Facility Management (ESBIfm) provides power plant operation and maintenance services to ESBIg and to international customers. At present ESBIfm is responsible for operating over 5,500 MW of plant worldwide; and
- ESBI Investments (ESBIi) is our business development group and is responsible for identifying and delivering investment opportunities for ESB Group with a primary focus on European markets.

ESBI staff numbers grew by over 60 in 2008 to support business activities across the Group both in Ireland and internationally and the business now has in excess of 1,300 staff. Despite the reducing numbers of engineers graduating from Irish colleges, we recruited 35 graduates from various engineering disciplines and from a range of third level institutions. A critical role for

2008 Map of Activities – ESB International



ESBI is to ensure a continuing high level of engineering capability within ESB.

Operational Review

The Single Electricity Market (SEM) opened in November 2007 and ESBI has successfully completed its first full year in the market. To date it has operated its trading systems and processes effectively in the new market.

ESBIe maintained its strong presence in the Republic of Ireland and Northern Ireland markets, retaining 14.3% and 17.4% market shares respectively. ESBIe's primary focus is on the industrial and large commercial sectors. Its customers are predominantly high load factor customers to whom the company provides tailored one-to-one customer service supported by a range of sophisticated energy efficiency services.

ESBIg's portfolio of plant performed ahead of targets during the year. In particular the Coolkeeragh plant made a very significant recovery from its challenges in 2007 and the plant's availability performance for 2008 was in line with best practice. Our operating wind business delivered to plan in 2008 and also saw the successful integration of Mountain Lodge (34 MW) and operating assets acquired from DP Energy (14 MW) into the portfolio towards the end of the year.

ESBI Engineering delivered a very good performance in 2008 with strong growth both at home and in international markets. A key focus at home has been providing support to the ESB Networks High Voltage work programmes. In relation to ESB Power Generation, the key projects were Moneypoint Environmental Retrofit Programme (MERP), Aghada Unit 1 refurbishment and Aghada 430 MW Combined Cycle Gas Turbine (CCGT) projects. ESBI Engineering also continues to support the activities of ESBI Investments. It is acting as owner engineers on the construction of the 840 MW CCGT plant in Marchwood, near Southampton in the UK. It also provided engineering support during the acquisition of the Carrington development site in Manchester. For external clients, business remains strong with new and ongoing projects in South Africa, Vietnam, Bahrain and Tanzania.

ESBIfm also performed very well across all plants in terms of plant performance and related performance bonuses. ESBIfm continues to seek new opportunities for this business and is actively monitoring key markets and clients in this regard.

ESBIi acquired 85% of Bridestones Development Limited from Carlton Power on 25 September 2008. Bridestones have the rights to develop the 860 MW Carrington CCGT project which is fully permitted and has the potential to commence commercial operations in 2013.

ESBIi has made very significant progress in the construction of the Marchwood 840 MW CCGT power plant, a joint venture with Scottish & Southern Energy (SSE). The construction phase of the project is nearing completion and commissioning commenced in the first quarter of 2009.

Separately ESBIi successfully completed the construction of a 34 MW windfarm in Mountain Lodge, Co. Cavan and achieved commercial operation in late 2008.

Safety

In 2008 ESBI incurred 14 Lost Time Injuries (LTI), which comprised 4 staff and 10 contractor LTI. This outcome is disappointing in light of the increased efforts across the business in a wide range of safety programmes and initiatives. Safety improvement programmes were implemented across the business with specific emphasis on the major construction sites in Marchwood and Mountain Lodge. All four ESBIg plants now operate under a formal externally recognised safety management system and during the year ESBI Engineering and ESBIfm were granted OHSAS 18001 certification.

We spent over €100 million acquiring and developing windfarms in 2008

2008 saw the continued safe deployment of staff in various overseas locations in Eastern Europe, the Middle East, the Far East and Africa. There were no staff injuries arising from security, medical or transport incidents at these project locations.

Environment

ESBI operates its business with a focus on minimising environmental impact. Most of our plants have ISO 14001 accreditation and we are working to extend this to all plants. There were no environmental violations in 2008. Currently ESBI has 122 MW of wind power installed in Ireland with a further 70 MW under construction. ESBI are actively reviewing developments in the wave and tidal energy sectors and the emerging related technologies with a view to assisting the best potential technologies to reach commercial application. In that light, ESBI acquired a 13% share in Marine Current Turbines, a tidal energy company with a 1.2 MW tidal device operating in Strangford Lough, Northern Ireland.

Looking Ahead

In the context of the world economic climate we expect 2009 will see significant challenges for the business in the electricity market in Ireland and abroad. The following will be of particular focus:

- ESBIe will continue to provide flexible competitive energy solutions to its customers and retain its position as the primary independent supplier in terms of customer service;
- In Ireland, ESBIg will continue to optimise its traded position in fuel and wholesale energy markets and maximise the availability of its plants to provide competitive energy for retail by ESBIe. It will also operate its international assets to the highest standard;
- ESBI Engineering will continue to provide competitive engineering services and expertise to ESB Group and international clients and will further develop its role as the centre of engineering capabilities for ESB Group;
- ESBIfm will continue to operate on a profitable basis and to operate and maintain client plants to international best practice. It will also pursue strong growth in selected markets in 2009;
- ESBIi will continue to develop material growth options for ESB Group by developing a significant market position in the UK and through selected investments in Europe. It will achieve commercial operation of the Marchwood 840 MW CCGT in 2009 and will continue to develop the Carrington 860 MW project in the UK with a view to commencing commercial operations in 2013. Safety will be the highest priority on these projects while focusing on delivering them to quality, time and budget.

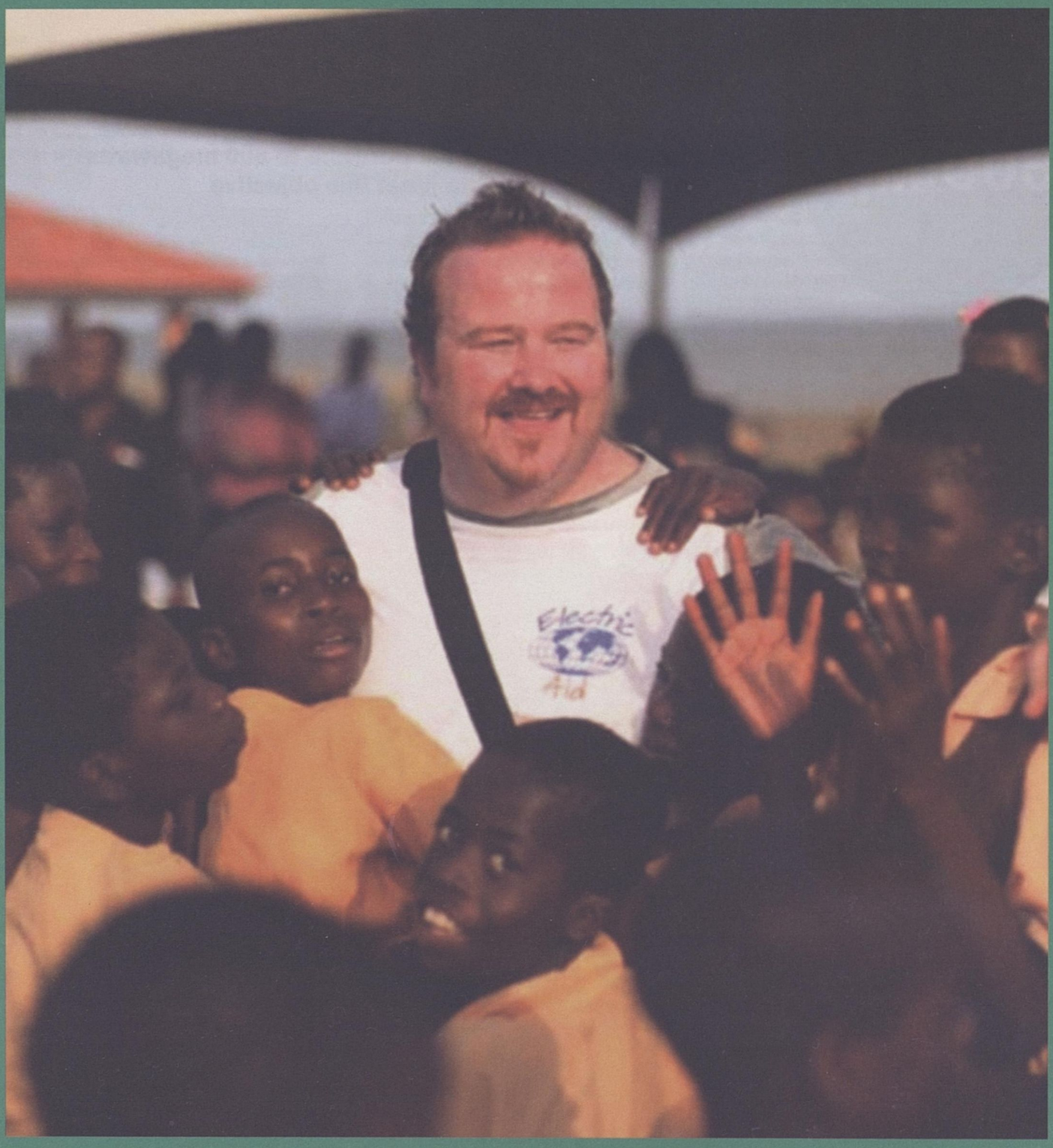
How many megawatts of wind power will ESB have by 2012?

600 MW

ESB plans to expand its wind portfolio to 600 megawatts by 2012, and is on target to meet this objective



Corporate Responsibility



In 2008 50 staff volunteers travelled, at their own expense, to Ghana to refurbish the Teshie Primary Schools on the outskirts of Accra. Pictured above is Daragh Mulligan, one of the team from ESB in Teshie.

The project, which was a partnership between ESB and ElectricAid (ESB Staff's social justice and developing world fund) was a great success and brought electricity, water and sanitation to the schools for the first time. The Teshie schools cater for 4,500 children.



In 2008 ESB assisted **Mark Pollock** in his bid to navigate across 1,000 km of the Antarctic Plateau in temperatures which could reach as low as -50 degrees Celsius while pulling a 70 kg sled. No mean feat in itself, but to add to the challenge Mark, from Holywood, Co. Down, is blind.

Sustainability

Under the 2020 Strategic Framework, ESB is committed to leadership in carbon management and energy efficiency. This requires that we also become exemplary in energy efficiency and environmental performance in how we carry out our internal business activities. To underline the importance of this, ESB has put in place a sustainability programme responsible to an Executive Director of Sustainability.

ESB Sustainability Charter

We will achieve our objectives by:

- Adopting a target of a 30% reduction in carbon emissions from our internal business activities by 2012, in addition to our targets for the performance of Network and Generation assets;
- Committing to Leadership in Sustainability through partnership at all levels in the organisation;
- Reducing our impact on the environment to a practicable minimum by the prevention of pollution, reduction of waste and the efficient use of energy, water and other resources;
- Identification and dissemination of Best Practice in Sustainability throughout ESB, including our international operations;
- Integrating sustainability considerations into our procurement activities as well as in our investment and expenditure decisions;
- Ensuring that all new ESB buildings will be built to best sustainable standards;
- Actively and effectively communicating and involving staff and contractors in identifying and implementing performance improvements;
- Adopting appropriate management structures, management systems and targets;
- Assessing the impact of our operations on biodiversity and implementing opportunities for enhancement; and
- Openly reporting on our environmental performance in a verifiable way.

ESB's strength is in its people; working together we can provide national leadership and demonstrate how the challenges of climate change can effectively be addressed for the benefit of everyone.

Change and Communications

In addition to the projects outlined, the programme has embarked on a comprehensive change and communications process. The main elements of this are as follows:

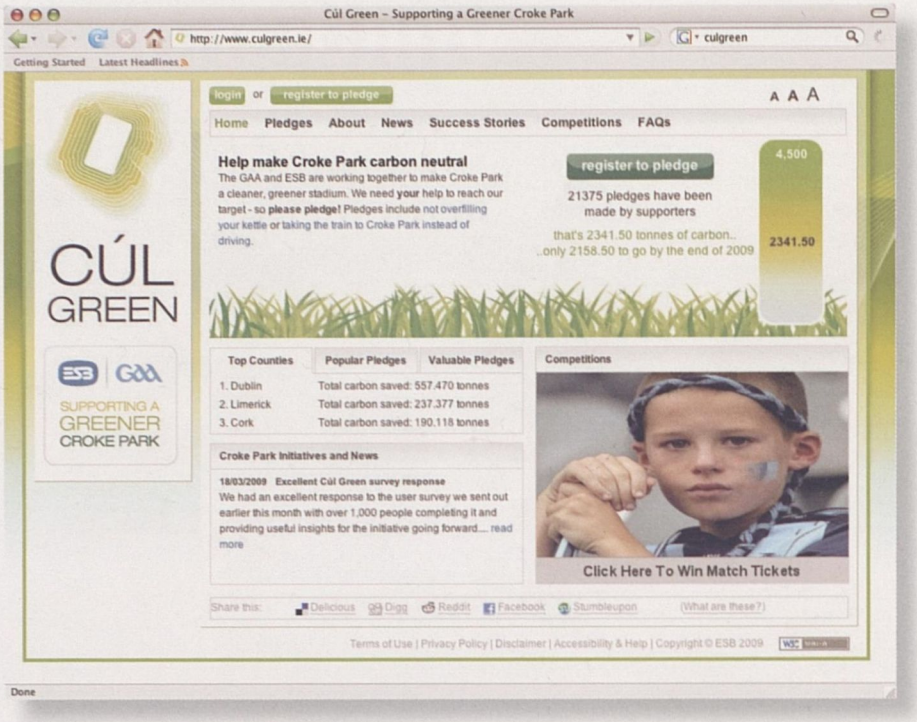
- A leadership plan for the Executive Team to make significant and visible commitments both as a team and individually;
- Engage with the partnership process to drive a bottom-up approach to complement leadership from the top;
- Encourage staff to volunteer to become "Sustainability Champions" and to carry out local initiatives and to be the "eyes and ears" of sustainability on the ground; and
- Establish Sustainability Managers in each Business Unit / Business Line to provide the continuity necessary to embed sustainability in the organisation.

Environment

- Scientific evidence of human induced climate change continues to accumulate with increasing concern that the planet is approaching a "tipping point". Beyond such a point rapid, irreversible and globally destructive climate change is projected. The pressures on other key environmental resources – air, water and land – also continue to increase.

Cúl Green (www.culgreen.ie)
In August we launched an environmental initiative with the GAA aimed at making Croke Park carbon neutral.

To date 20,000 pledges have been made equating to a carbon saving of over 2,200 tonnes. The site has won two prestigious internet awards since.



- ESB engaged actively in discussions on the climate energy package of proposals issued by the Commission in January 2008. Amended versions of these proposals were adopted by the European Parliament and Council in December 2008.

- Of most significance is the fundamental revision of the Emissions Trading Directive. A reducing, top down, EU-wide cap is now set from 2013 rather than the current system of national caps. Emission allowances (EUAs) will be auctioned to the power sector by Governments from the same date rather than being issued free of charge. An important directive setting the framework for licensing future CO_2 storage sites was also adopted and a scheme to part-fund carbon capture pilot plants was created.

- ESB also engaged in discussions through Eurelectric on the Commission's proposal to revise and extend the Integrated Pollution Prevention and Control (IPPC) Directive. This will require additional reductions in sulphur and nitrogen oxides emissions after 2016 and has the potential to severely reduce ESB's flexibility in meeting targets for existing generating plant.

- ESB Power Generation emitted 9.04 million tonnes of CO_2 in the first year of the 5-year Kyoto period. This was 0.26 Mt CO_2 above the amount of free emissions received. A purchasing strategy is in place to acquire emission credits to offset any shortfall in allocated allowances.

- Implementation of the agreement with the Department of Environment, Heritage and Local Government and the EPA on a national plan for emissions of sulphur and nitrogen oxides (SO_x and NO_x) and particulate matter proceeded.

- An international workshop on the preservation and protection of Atlantic eels was successfully organised with academic, government and electricity industry participation.

- Further progress was made in expanding ESB's portfolio of renewable generation. During 2008 ESB increased its installed wind generation capacity to 122 megawatts (MW) with a further 70 MW under construction. ESB plans to expand its wind portfolio to 600 MW by 2012, and is on target to meet this objective.

- Accreditation to the ISO 14001 environmental management system standard was retained at all ESB generation sites and ESB fisheries. Further progress was made in bringing ESB Networks' environmental management system to this international standard.

- A programme of internal energy efficiency initiatives, aimed at delivering the Government's 33% public sector energy efficiency improvement target by 2020, has already resulted in a 12% reduction in energy consumption across all ESB buildings since 2006.

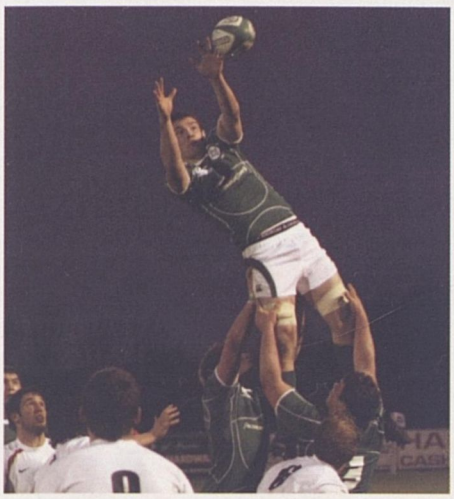
Workplace

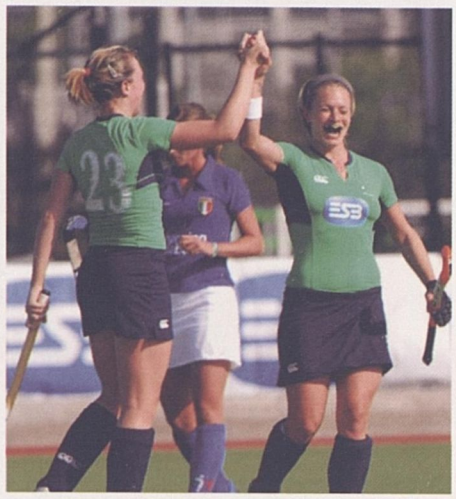
- The third annual Group wide survey of staff opinion took place in 2008. This survey attracted over 3,000 responses which was very encouraging. The survey elicits employee views in the areas of Communications, Relationships, Partnership, Training and Development and Health, Safety & Environment. While in general trends are positive, the survey also identified areas for improvement.

- The results of a diversity awareness survey of 300 managers in ESB were communicated in 2008. Among the findings were that 98% of respondents believe there are benefits associated with having a diverse workplace. The aspects of diversity thought to contribute most to a positive workplace are diversity in relation to skills, experience, disposition and work motivation.

- Training and Development programmes continue to provide core skills including mandatory technical and safety training, personal development and competence in emerging areas. We continue to encourage continuous professional development and work with accrediting professional bodies such as Engineers Ireland to support this. Significant senior and middle management training and development was delivered during 2008. As an example, 20 staff commenced the 'HR for Line Managers' programme. This is one of very few in-house HR programmes in the UK or Ireland accredited by the Chartered Institute for Personnel and Development (CIPD). This brings the number who has completed the programme to date to over 80.

- ESB announced a scholarship programme with Engineers Ireland to route more





As part of our sports sponsorships ESB continued to support the U20 Rugby home international matches at Buccaneers in Athlone and continues to be the main sponsors of girls and womens hockey in Ireland.

students into Electrical Engineering degree programmes over the next few years to help address an emerging shortage in the numbers qualifying in this discipline.

- A new executive coaching initiative was launched in 2008. This initiative is to provide 10 hours coaching over the 'first 100 days' to people appointed to senior management positions. Over the last few years a significant number of employees have been trained to deliver executive coaching within the company. A study was also carried out which evaluated the impact of coaching in ESB.

- The three year disability traineeship programme was completed in 2008. This was designed to give people with disabilities a six month work placement with ESB. 15 people participated in the programme this year, bringing the total to over 30 in the three year period. A number of these have found permanent employment since.

- 2008 was the first full year of implementation of the updated ESB Partnership Strategy which was reviewed in 2007 and launched at the Annual National Partnership Conference in September 2007. During 2008 there were many supporting actions and activities across the five strategy development areas – Partnership Structures, Partnership Training, Communications, Business Issues and Publicity & Promotion. These development areas are targeted at supporting the development of local Partnership Groups and providing better links with the Group Level Partnership Forum which continues to function effectively providing a role model to local Partnership Groups.

Community

- ElectricAid and ElectricAID Ireland form a partnership which is at the core of the ESB's social responsibility policy.

  ElectricAid is a staff-led developing-world charity, with almost 2,800 contributing members. In 2008, they delivered 144 separate development projects in 42 different countries, funding them with a total of €1.2 million (This does not include funding of the Teshie project).

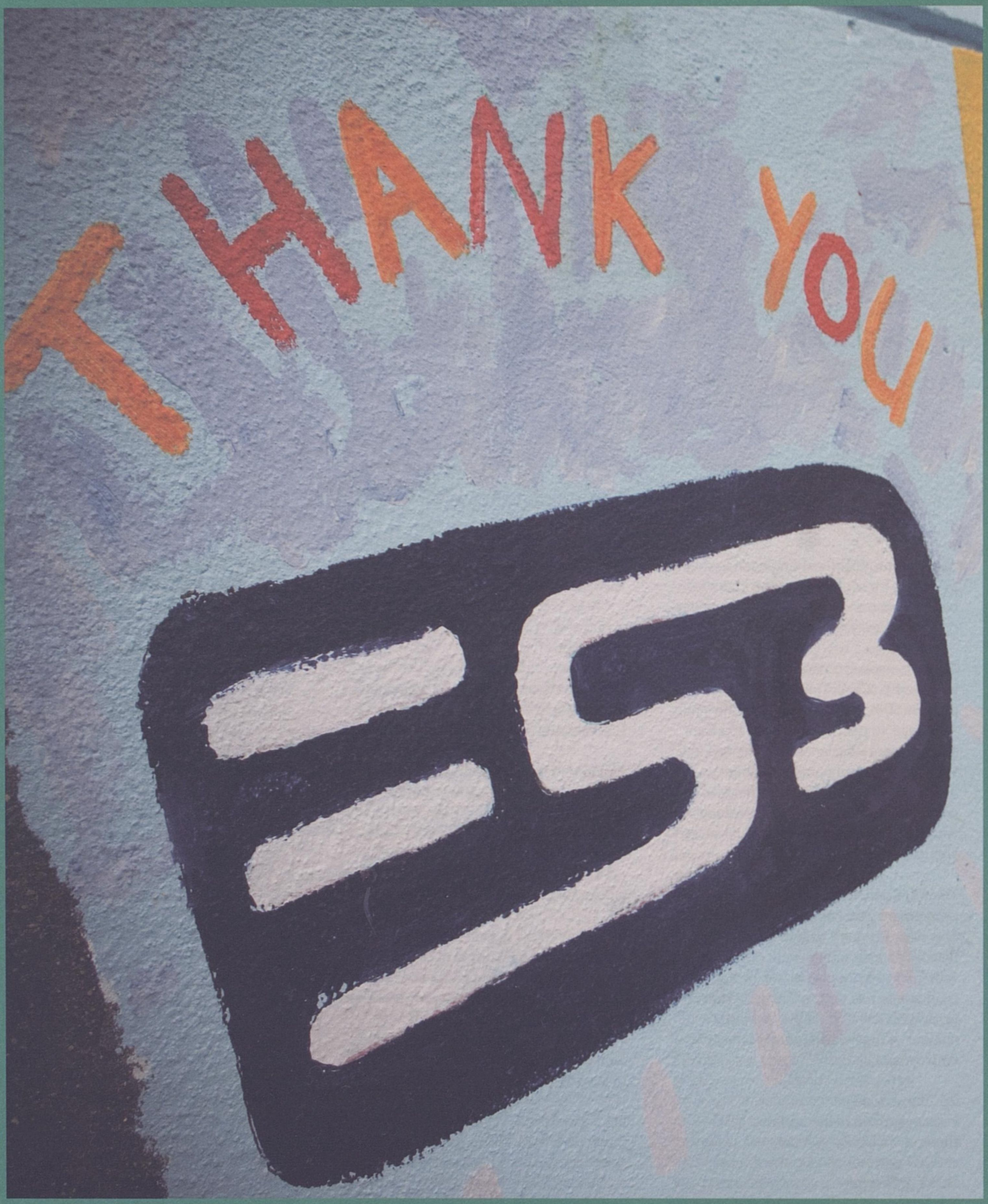
  A typical project was the co-funding with Aidlink of a revolving micro-credit programme for micro-enterprise in Nyanza, Kenya. A grant of €10,000 provided seed capital for more than 150 micro-entrepreneurs, lifting them and their families into self-reliance and out of poverty.

- In Ireland (North & South), ESB ElectricAID Ireland focuses on two specific issues – homelessness and suicide. In 2008, 90 separate projects were funded with €900,000 and included the Life Centre in Cork, an educational centre for out-of-home and troubled young people. An initial funding of €14,000 provided woodwork equipment and a counselling programme. The second funding of €15,000 provided the materials for a magnificent display of enthusiastic volunteerism by 30 ESB staff and friends, who painted the imposing exterior of the Life Centre, rehabilitated and painted seven classrooms and fitted out an IT room – all over one glorious weekend in September!

- ESB continues to develop its suite of corporate sponsorships. In 2008 we formed a partnership with Feis Ceol and will sponsor this for the next 3 years. We continue to sponsor the ESB Minor Hurling and Minor Football Championships, ESB Ladies and Girls Hockey, ESB International Under 20's Rugby home internationals and the ESB BEO Celtic Music Festival.

- In August, ESB along with the GAA launched an environmental initiative aimed at making Croke Park carbon neutral. The Cúl Green (www.culgreen.ie) website encourages fans to make energy saving pledges. A €20,000 grant will be awarded to the county that makes more carbon-saving pledges per head of population and this will go towards funding sports equipment for juvenile clubs in the county. To date over 20,000 pledges have been made on the site, which range from switching off lights that are not in use to installing a woodchip boiler and an impressive 11,000 pledges have been completed. To date this equates to a carbon saving of over 2,200 tonnes. Croke Park has also entered into a renewable energy contract for electricity at the stadium.

  The Cúl Green website has also won two awards – the iReach Green IT Project of the Year and the Irish eGovernment Marketing award.



ESB partnered with St Catherine McAuley's National School (beside ESB Head Office) to brighten up the school yard by painting a mural on the wall. The theme for the mural was on green / sustainable energy.



During the year ESB formed a partnership with the Feis Ceol and will have title sponsorship for the next three years. The community based element of the competition appeals strongly to ESB, as involvement in local communities is an integral part of our activities throughout Ireland.

- An environmental management system, focusing on energy, waste and water management, is also being implemented at Croke Park Stadium. A thorough environmental audit undertaken in June 2008 identified a number of opportunities for improvement in each of the three areas. By December 2008 recycling and composting had been introduced, water meters were installed on all water tanks within the stadium and energy monitoring and submetering has been installed.

  It is projected that energy usage at the stadium will be reduced by approximately 20% in 2009 compared to 2008.

- The fundamental aim of Business in the Community's (BITC) Schools Business Partnership Programme is to address educational disadvantage in Ireland.

  This is done by bringing the strengths, talents and skills that business has and uses on a daily basis into the lives of young people in identified schools throughout Ireland. There are over 150 schools already matched and ESB currently have three school links currently running with an aim to have a total of five before the end of 2009. The three schools are Pobalscoil Rosmini Dublin (partnered with Corporate Centre), Tarbert Comprehensive School (partnered with Tarbert Power Station) and St. John's De La Salle Clondalkin (partnered with Fleet and Equipment in Tallaght). The Fleet and Equipment link is unique in that it is run by the local Partnership Group which has sole responsibility for managing the relationship with the school. Irish business is positively influencing educational inclusion in Ireland and ESB is helping to play a part through our support for this programme.

Marketplace

- ESB Customer Supply provides a customer charter which contains seven key commitments on customer service performance. In 2008 the business achieved the resolution of 93% of queries/complaints/refunds within 10 days. A total of 2,999 payments were made under our customer charter during the year.

- ESB Networks charter payments dropped again in the year to 5,030, a 40% reduction on the previous year. This is still well within the target of 11,000 set by the Commission for Energy Regulation (CER). Independently measured customer satisfaction ratings have also improved to 74% for 2008.

During 2008 ESB Customer Supply continued to support and promote a number of community based partnerships which included:

- Continued support of Macra na Feirme's "Know your Neighbour" weekend. The initiative was designed to foster community spirit across the country by providing people with the opportunity to meet their neighbours at a variety of local social events.

- Warmer Home Plan Support to help low income families and the elderly to become more energy efficient and reduce their energy costs by providing 40,000 energy saving bulbs (CFLs) & 4,000 Lagging Jackets through Community based Partnerships, in support of the Sustainable Energy Ireland Warmer Home Plan;

- Saint Vincent de Paul (SVP) support: ESB provided CFLs in December 2008 for installation in homes of SVP clients with bill paying difficulties;

- Age Action support: ESB Customer Supply sponsored Age Action's Positive Ageing Week and Positive Ageing Photography Competition; and

- Reachout support: ESB supported the development of a website for Reachout (www.reachout.ie).

Children having fun at the launch of the Green Schools Energy initiative by ESB Independent Energy (ESBIe).



Health and Safety

- ESB met its objective of reducing the number of Lost Time Injuries (LTI) to staff (injuries involving over one day's absence from work) to 47 compared to 50 in 2007 as part of our goal of achieving a zero injury workplace. The objective in 2009 is to reduce staff injuries to no more than 43. In addition 34 contractor LTI were recorded against an objective of no more than 36. The goal for 2009 is to reduce contractor injuries to no more than 30.

- The welcome reduction in the number of injuries has also had the impact of reducing the opportunities to identify and address unforeseen risks. In order to counter this trend a programme to encourage reporting and investigation of "near misses" has been put in place. 2,485 "near misses" were reported in 2008 providing a valuable opportunity to identify and address risks before they could trigger injuries.

- Further progress was achieved in implementing the OHSAS 18001 safety management system standard across the organisation in 2008. 22 of ESB's 44 main management areas are now accredited to this standard including all ESB Power Generation activities. It is planned to accredit a further six locations in 2009.

- Transport remains a significant safety risk factor for ESB. The "Safe Driving" programme has continued and a range of further initiatives is underway. These seek to improve driver behaviour and ensure vehicle road-worthiness. New operational guidance and training requirements on working on roadways have been introduced. However, we regretfully note that four people died in traffic accidents involving vehicles related to ESB in 2008.

- Programmes and initiatives aimed at improving staff Health and Wellbeing continued in 2008 including health awareness seminars and a major Health and Wellbeing Conference. ESB canteens co-operated in promoting healthy diets by providing and highlighting healthy eating options.

- A "Healthy Minds" pilot programme was launched. A special presentation aims to assist staff identify and manage both general and work-related mental stress. This programme will be rolled out to cover 60% of staff in 2009. In addition the Health and Safety Authority sponsored "Work Positive" initiative will be implemented in 14 locations in 2009 following a pilot in 2008. This initiative assists in ensuring mental stress is appropriately managed in the workplace.

Report on ESB's implementation of the provisions of the Official Languages Act (2003)

Under the provisions of the Official Languages Act (2003) ESB received notification in September 2007 from the Minister of Community, Rural and Gaeltacht Affairs to prepare its first Scheme (a three year plan detailing actions to be taken to improve the accessibility of services to customers in the Irish language).

ESB was already complying with its obligations under the Act with regard to stationary headings, recorded oral announcements, signage and publication of official documents simultaneously in both the Irish and English language (e.g. Annual Reports).

A Project Leader was appointed in 2007 to co-ordinate the preparation of the Scheme, supported by a Project Board headed by the Company Secretary.

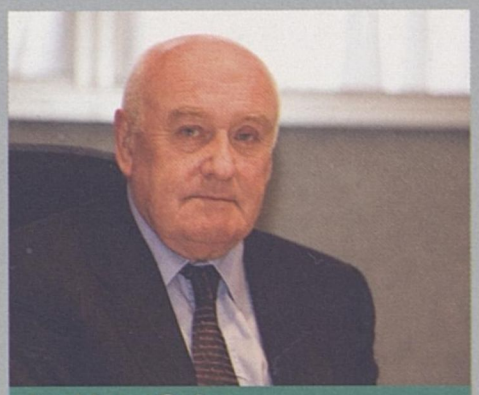
After a process of external and internal consultation, the Scheme was presented to and approved by the Minister in March 2008 and was officially launched to staff and the public by the Chief Executive of ESB.

The Scheme covers the services supplied by ESB Customer Supply and ESB Networks and includes the period from March 2008 until March 2011.

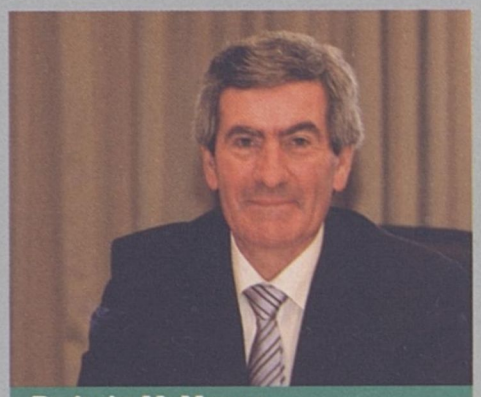
The main elements of the Scheme completed in 2008 are outlined below.

Commitments	Action
Proactively increase the awareness among customers of the availability of Irish language electricity bills	We continue to place advertisements in Irish language media and to publicise this service on electricity bills produced.
Media communications	All our advertisements and communications are broadcast in both Irish and English.
Provision of all publicity material in a bilingual format	We make all forms of publicity material (brochures, application forms, standard letters, notices, by lines on e-mails, etc.) available in both Irish and English.
Provision of Irish language service to customers from our National Customer Contact Centre (NCCC)	We are continually training staff at our NCCC to ensure a sufficient number are available at all times to provide an Irish language service.
Management of customer contacts outside the NCCC	We are updating automatic systems to ensure that all communications are issued in both the Irish and English languages. This process is being phased in over the duration of the Scheme.
Ensure availability of documents in both the Irish and English language	We have put in place a panel of translation companies to provide support.
Staff training / Capacity building	We encourage our staff to engage with the Irish language by organising regular social events outside working hours. We assist our staff who choose to attend Irish language classes through the staff Professional Development Programmes. On our internal website (intranet), we provide resources and learning opportunities for staff. We include Irish language articles in the staff magazine 'Electric Mail'. We promote the Irish language in the work place.
Monitoring the implementation of the scheme	During the year we included questions on levels of satisfaction with Irish language services included on our customer satisfaction surveys. Results show 75% satisfaction rate with current services. The Project Leader has a role in working closely with the Business Units to assist and support them in the implementation of the provisions of the Scheme.

Board Members



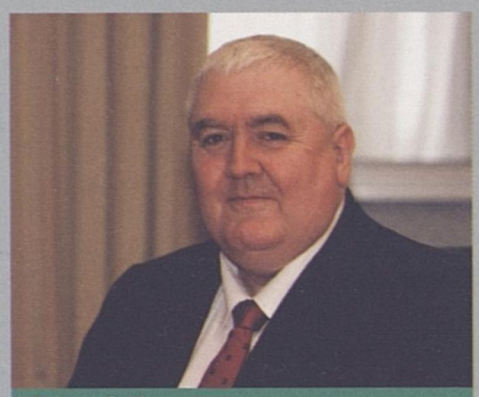
Lochlann Quinn
Chairman



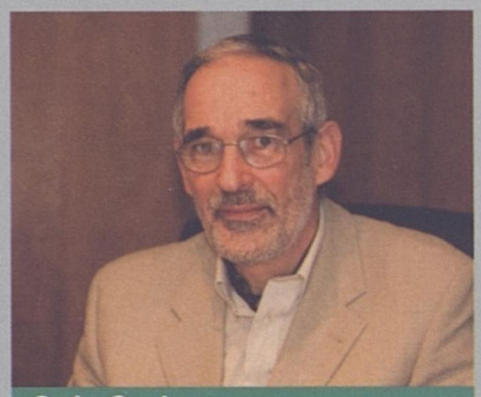
Padraig McManus
Chief Executive



Brendan Byrne



John Coleman



Seán Conlan



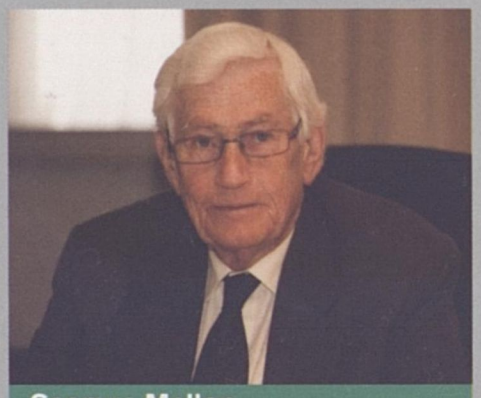
Eoin Fahy



Garry Keegan



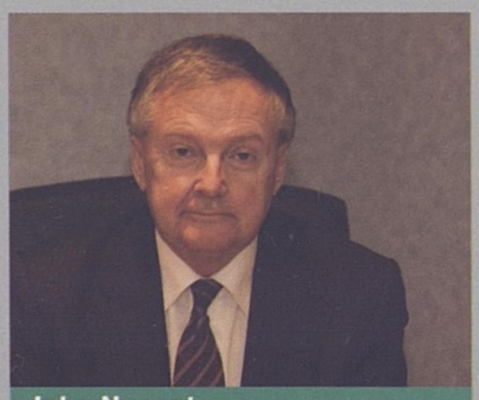
Georgina Kenny



Seamus Mallon



Tony Merriman



John Nugent



Bobby Yeates

Lochlann Quinn was appointed Chairman and Board member of ESB in January 2008. Mr. Quinn, a Chartered Accountant, was a partner with Arthur Andersen & Co. and is a former Chairman and Director of Allied Irish Banks plc. He was Deputy Chairman of Glen Dimplex. Mr. Quinn is a member of the Board of Smurfit Graduate School at University College Dublin and Chairman of the National Gallery of Ireland.

Mr. Quinn is Chairman of the Remuneration and Management Development Committee and Chairman of the Finance Committee.

Padraig McManus was appointed Chief Executive and member of the Board in July 2002. Following Ministerial approval during 2008, Mr. McManus agreed to serve as Chief Executive for a further 3 years until 2012. He joined ESB in 1973 and spent fifteen years in the Company's international businesses and later became Managing Director, ESB International and Commercial Director, ESB. He is a Board member of the Irish Management Institute and a Trustee of the Conference Board of the United States.

Mr. McManus is a member of the Health, Safety and Environment Committee and the Business Development and International Committee.

Brendan Byrne was appointed to the Board in September 2004. Mr. Byrne is a director of a number of companies in the aviation industry and is Managing Partner of ClearVision Consulting which provides financial and strategic planning services to a range of airline clients. Mr. Byrne previously held a number of senior management positions in Aer Lingus and has worked extensively in the field of change management. He is a Chartered Accountant.

Mr. Byrne is Chairman of the Audit Committee and a member of the Finance Committee.

John Coleman was appointed to the Board in January 2007 under the Worker Participation (State Enterprises) Act, 1977. He joined ESB in 1979 as a Day Worker in Ferbane Generating Station. He is the secretary of the ATGWU Day Workers Association. He is the current chairman of the ATGWU ESB Branch.

Mr. Coleman is a member of the Business Development and International Committee and the Health, Safety and Environment Committee.

Seán Conlan was appointed to the Board in October 2007. An Electrical Engineer, he worked in a variety of engineering roles in Africa, Ireland and several countries in Europe. He was Chief Executive of Excellence Ireland (the national independent quality association) from 1994 to 2003. He also served as President of EOQ (European Organisation for Quality). Other roles include Trustee of the Irish National Hygiene Partnership, a former Board member of the Irish National Accreditation Board, and a member of the Consultative Council of the Food Safety Authority of Ireland. He is currently lecturing in the Institute of Technology in Sligo.

Mr. Conlan is a member of the Audit Committee and of the Market and Customer Committee.

Eoin Fahy was appointed to the Board in January 2001 and reappointed in February 2006. He is Chief Economist with KBC Asset Management Limited, Dublin and has been a member of the Commission on Taxation since February 2008.

Mr. Fahy is a member of the Remuneration and Management Development Committee, the Business Development and International Committee and of the Audit Committee.

Garry Keegan was appointed to the Board in June 2007. He is a Director of Acumen, a company specialising in the provision of public consultation services for urban design and infrastructural projects.

Mr. Keegan has served as a Board member of a number of organisations, including: Temple Bar Properties, Dublin City Enterprise Board, Hugh Lane Gallery, St. James's, Hume St. and Holles St. hospitals. He also served as a Council Member on the Dublin Docklands Development Authority. In May 2007 he was appointed as a member of the Expert Group of Future Skills Needs by the Minister of Enterprise, Trade and Employment.

Mr. Keegan is Chairman of the Market and Customer Committee and a member of the Regulation Committee.

Georgina Kenny was appointed to the Board in April 2000 and was reappointed in May 2005. A Solicitor, Ms. Kenny is Managing Director of Shannon Dry Cleaners.

Ms. Kenny is Chairman of the Business Development and International Committee and a member of the Remuneration and Management Development Committee. She is also the Senior Independent Board member.

Seamus Mallon was appointed to the Board in February 2006. He was elected to Armagh District Council in 1973, to the then Northern Ireland Assembly (1973-74) and to the Northern Ireland Convention (1975-76). He was a member of Seanad Éireann in 1981. From 1986 to 2005 he was MP for Newry and Armagh at Westminster. He was Deputy Leader of the SDLP and, subsequent to the signing of the Good Friday Agreement in April 1998, Deputy First Minister of Northern Ireland.

Mr. Mallon is a member of the Health, Safety and Environment Committee and of the Regulation Committee.

Tony Merriman was appointed to the Board in January 2007 under the Worker Participation (State Enterprises) Act, 1977. He joined ESB in 1979 as a Network Technician. He has served as an officer with the ESB Group of Unions.

Mr. Merriman is Chairman of the Health, Safety and Environment Committee and a member of the Regulation Committee.

John Nugent was appointed to the Board in January 2007 under the Worker Participation (State Enterprises) Act, 1977. He joined ESB as an Executive Officer in 1967. He was a member of the ESB's Joint Industrial Council from 1991 to 2003. He was President of the Electricity Supply Board Officers' Association (ESBOA) from 2002 to 2006 and is currently a Board member of ESB ESOP Trustee Limited.

Mr. Nugent is Chairman of the Regulation Committee and a member of the Finance Committee.

Bobby Yeates was appointed to the Board in January 2007 under the Worker Participation (State Enterprises) Act, 1977. He joined ESB in 1967 and has worked on a range of ESB activities starting in Service Repair and is currently working as a Network Technician. He is an Executive Member Trustee of the TEEU and also a member of the ESB Superannuation Committee.

Mr. Yeates is a member of the Business Development and International Committee and the Market and Customer Committee.

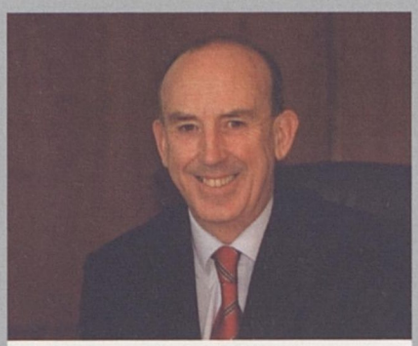
Executive Team



Aidan O'Regan
Deputy Chief Executive



Bernard Byrne
Group Finance Director



John Campion
Executive Director,
Sustainability



Brid Horan
Executive Director, ESB Customer
Supply and Group Services



Michael McNicholas
Executive Director,
ESB International



Pat O'Doherty
Executive Director,
ESB Power Generation



John Redmond
Company Secretary and
Head of Corporate Affairs



John Shine
Executive Director,
ESB Networks



Luke Shinnors
Executive Director,
Human Resources

Aidan O'Regan joined ESB in 1965. He was appointed Head of Regulatory Affairs in January 1997 and Deputy Chief Executive in January 2007. He was Manager, Corporate Change during the Cost and Competitiveness Review. He has previously held senior management positions in the human resources, financial and project management areas and has managed international consultancy assignments.

Bernard Byrne was appointed Group Finance Director in January 2004. A Chartered Accountant, he previously held the position of Deputy Chief Executive and Group Finance Director of IWP International plc.

John Campion was appointed Executive Director, Sustainability in March 2008. Previously he had held the position of Executive Director, Human Resources and Corporate Affairs since November 2002. He joined ESB in 1978 and worked in various roles connected with industrial relations and personnel management, including Manager Human Resources in Power Generation. He also worked as a regional manager in both Sligo and Dublin. Prior to his appointment as Executive Director, he was Head of Network Projects.

Brid Horan was appointed Executive Director ESB Customer Supply and Group Services in December 2006. She joined ESB in 1997 as Group Pensions Manager. She has been a Commissioner of the National Pensions Reserve Fund since it was established in 2001 and was a Board member of IDA Ireland from 1996 to 2006. Before joining ESB she headed KPMG Pension & Actuarial Consulting.

Michael McNicholas was appointed Executive Director, ESB International, in June 2005. Previous to that he held the position of Executive Director, ESB Power Generation and ESB Customer Supply since July 2002. Prior to this he held senior positions in the Group in ESB Power Generation, ESB Networks and ESB Customer Supply having joined ESB in 1982. He is also a Director of ESB ESOP Trustee Limited.

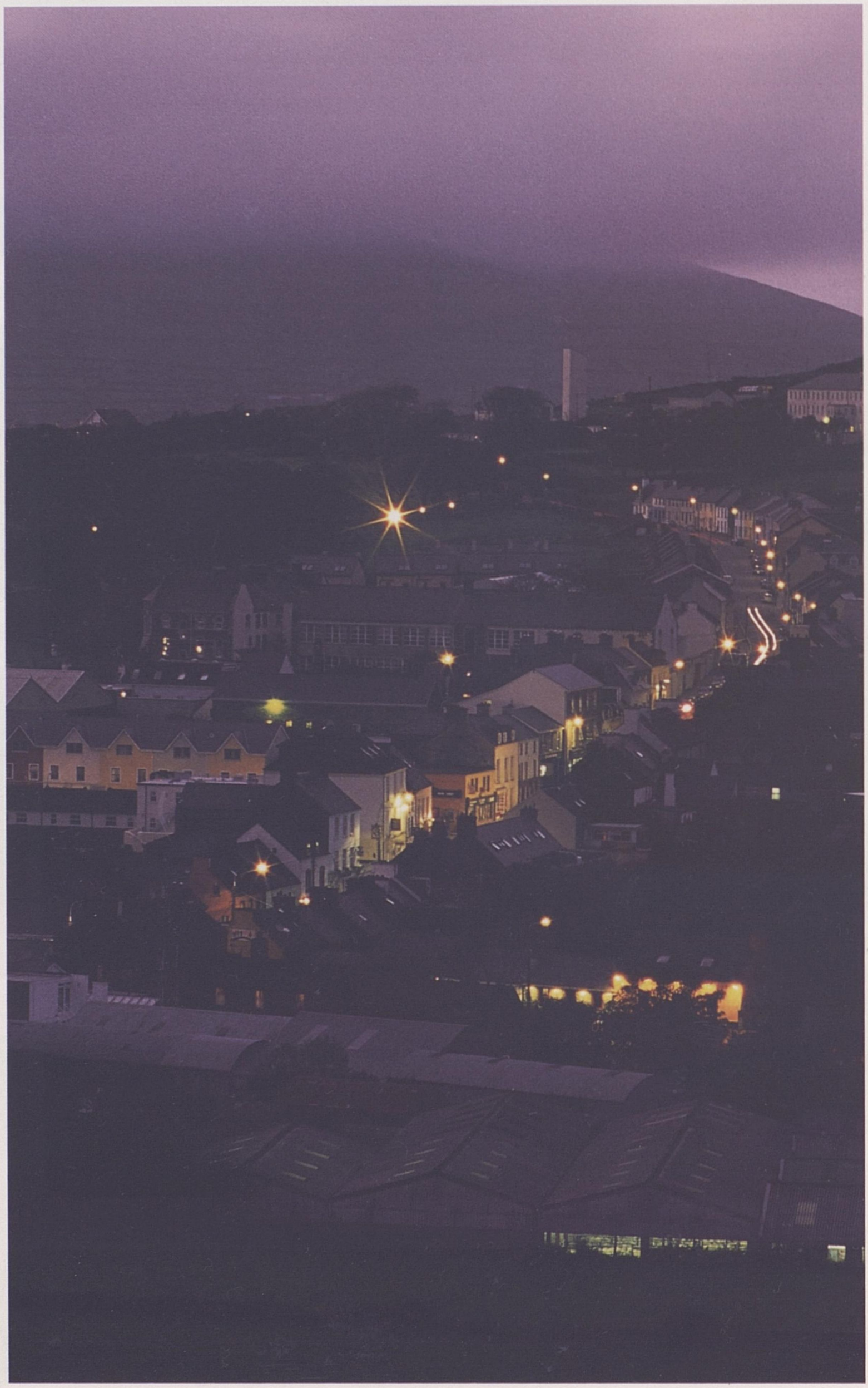
Pat O'Doherty was appointed Executive Director, ESB Power Generation in July 2005. He joined ESB in 1981 and has worked in various customer service, project management and general management roles. Prior to his appointment as Executive Director, Power Generation, he held the position of General Manager, Synergen. He has also held senior positions in ESB Networks.

John Redmond is Company Secretary and Head of Corporate Affairs. He was appointed Company Secretary in 2002. He was previously Company Secretary of GPA Group plc. and worked in the Department of Foreign Affairs.

John Shine was appointed Executive Director ESB Networks in November 2002 and Chairman and Managing Director of ESB Networks Limited in November 2008. He joined ESB in 1978 and held a number of senior positions in the Networks, Marketing and Business Development areas of ESB. He spent some years outside ESB developing a successful international services business before rejoining in 2002. He has Electrical Engineering and MBA degrees from University College Dublin.

Luke Shinnors was appointed Executive Director, Human Resources in March 2008. Prior to his appointment he was Group Manager, Power Generation. He has also held other senior management positions across ESB including Manager, Corporate Change and HR Manager, Networks. He joined ESB in 1973 and holds an Electrical Engineering degree from UCD and an MBS in HR Strategies from DCU.

Executive Team



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Board Members' Report

The Board Members present their report together with the audited financial statements of the Parent and of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the ESB Group are the generation, transmission, distribution and supply of electricity. The Group also operates internationally, in related activities.

BUSINESS REVIEW

Commentaries on performance in the year ended 31 December 2008, including information on recent events and likely future developments, are contained in the Chairman's Review and the Chief Executive's Review. The performance of the business and its financial position together with the principal risks faced by the Group are reflected in the Financial Review as well as the reviews for each major business line within the Group.

RESULTS FOR THE YEAR

The financial results of the Group show a profit for the financial year, amounting to €273 million compared with €432 million for 2007.

No interim dividends were paid during 2008. The Board Members are recommending that a final dividend of 4.14 cent per unit of capital stock, amounting to €82.0 million in aggregate be paid in 2009 in respect of 2008. A total dividend per unit of stock of 6.54 cent, amounting to €129.5 million in aggregate, was paid in 2008 in respect of the year 2007. Further details of the results for the year and results for the prior year are set out in the Group Income Statement and related notes.

CORPORATE GOVERNANCE

ESB complies with the Code of Practice for the Governance of State Bodies approved by the Government on 2 October 2001. The Code sets out principles of corporate governance which the Boards of State Bodies are required to observe. ESB also complies with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

ESB conforms as far as possible, and on a voluntary basis, with the Combined Code of Corporate Governance. Companies listed on the Irish Stock Exchange are required, as part of the listing rules, to describe how they apply the Code's principles and either to confirm that they comply with the Code's provisions or provide an explanation of non-compliance. ESB is a statutory corporation established under the Electricity (Supply) Act 1927 and, as a result, the Combined Code is not applicable to ESB. However, ESB supports the principles and provisions of the Combined Code and complies with them except for:

(i) Appointments to the Board are a matter for Government and accordingly ESB does not have a nomination committee.

(ii) Board Members are appointed for terms of up to four or five years and therefore are not subject to re-election to the Board at intervals not exceeding three years.

(iii) ESB's policies and disclosures in relation to remuneration of Executive Board Members (Chief Executive) are in accordance with the State Body Guidelines issued by the Department of Finance. The details of Board Members' remuneration on page 55 does not include amounts paid to the four Worker Board Members as employees of ESB, but does include amounts paid to them by way of fees.

(iv) The Board evaluation process does not evaluate the individual performance of Board Members.

(v) The Chairman consults regularly with the non-executive Board Members, but not by way of formal meetings.

(vi) The Board Chairman is also Chairman of the Remuneration and Management Development Committee.

(vii) One independent Board Member is an employee of a company which itself, or through a Group company, provides credit and other financial services to ESB but this is not viewed as compromising the independence of the Board Member concerned.

PRINCIPLES OF GOOD GOVERNANCE

Attendance at Meetings

There were 11 General Board Meetings and one Special Board Meeting during the year ended 31 December 2008. The number in brackets below opposite each name represents the attendance by each Board Member at Board Meetings, during the year.

Board Members 2008	General	Special
Lochlann Quinn, Chairman (appointed January 2008)	11	1
Tadhg O'Donoghue, Chairman (retired January 2008)	1	-
Brendan Byrne*	11	1
John Coleman	11	1
Eoin Fahy*	10	1
Séan Conlan*	10	1
Garry Keegan*	11	1
Georgina Kenny*	10	1
Seamus Mallon*	10	1
Padraig McManus	11	1
Tony Merriman	11	1
John Nugent	11	1
Bobby Yeates	11	1

** Independent Board Members*

Changes to Board Membership

The term of office of Mr. O'Donoghue as Board Member and Chairman expired in January 2008 when Mr Quinn was appointed as his successor.

The Board

While day to day responsibility for the leadership and control of the company is delegated to the Chief Executive and his Senior Management Team, within pre-defined authority limits, the Board is ultimately responsible for the performance of the company. Seven Board Members have been appointed by the Government for terms of up to five years and four Worker Board Members are appointed by the Minister for Communications, Energy and Natural Resources for a four year term following election by staff. The Chief Executive has been appointed a Board Member for a period not exceeding his term as Chief Executive.

The Board has determined that the Board Members identified above were independent during 2008. The Chief Executive and the four Worker Board Members are permanent employees of ESB and their employment periods are governed by their contracts of employment with the company.

Mr Lochlann Quinn was appointed Chairman of the Board in January 2008, succeeding Mr Tadhg O'Donoghue. The Chairman's responsibilities include leading the Board, determining its agenda, ensuring its effectiveness and facilitating full participation by each Board Member. The Chairman is also responsible for ensuring effective communication with the Company's owners and stakeholders: the Ministers for Finance and for Communications, Energy and Natural Resources and their officials and with ESB ESOP Trustee Limited, the Employee Share Ownership Plan for ESB. The roles of the Chairman, who is part-time, and the Chief Executive are separate.

Georgina Kenny is the Senior Independent Non-Executive Director.

The Board meets monthly (except August) and also meets on other occasions as necessary. The Board has a formal schedule of matters specifically reserved to it for decision at Board Meetings. The principal matters reserved to the Board include:

- Approval of Group strategy, annual budgets and annual and interim accounts;
- Reviewing operational and financial performance;
- Approval of major capital expenditure;
- Review of the Group's internal controls and risk management;
- Overall review of Group health and safety performance; and
- Appointment of Chief Executive, Senior Management and Company Secretary.

The Board has delegated authority to management for normal course of business decisions subject to specified limits and thresholds.

Board Members' Report
(continued)

The Board Members, in the furtherance of their duties, may take independent professional advice as required, at the expense of ESB. All Board Members have access to the advice and services of the Company Secretary. Insurance cover is in place to protect Board Members and Officers against liability arising from legal actions taken against them in the course of their duties. An induction programme is in place to familiarise new Board Members with the operations of the Group. The Board Members receive monthly financial statements for the Group and full Board Papers are sent to each member on a timely basis before the Board Meetings. The Board Papers include the minutes of Board Committee Meetings.

The Chairman conducted the performance evaluation of the Board and of its Committees in respect of 2008. This evaluation was undertaken in order to comply, so far as possible, with the Combined Code. The evaluation related to the Board's collective performance and not to the individual performance of Board Members.

The Board will keep under review the extent to which evaluations of individual Board Members are appropriate in ESB's circumstances.

BOARD COMMITTEES IN 2008

Committees are established to assist the Board in the discharge of its responsibilities. The committees are set out below.

Audit Committee
Members:
Brendan Byrne, Chairman
Eoin Fahy
Seán Conlan

The Audit Committee is a formally constituted committee of the Board with written terms of reference. The purpose of the Audit Committee is to oversee the financial reporting process and internal control system of ESB. The Company Secretary acts as Secretary of the Committee.

During 2008 the Committee reviewed:

- The 2008 risk plan and regular risk reports;
- The internal audit plan and regular implementation reports; the effectiveness of the internal audit function;
- The external audit plan, the scope of the audit as set out in the engagement letter and the effectiveness of the external audit;
- The system of Group internal controls and their adequacy;
- The interim and annual financial statements;
- Corporate Governance compliance;
- A report from the external auditor on its audit of the financial statements and the recommendations made by the auditor in its management letter and management's response; and
- The committees own terms of reference to ensure they remained relevant and up to date.

During 2008, the Committee oversaw the selection process regarding the appointment of an external auditor and made a recommendation to the Board in this regard.

The Committee has developed a policy regarding the provision of non-audit services by the external auditor, whereby, other than as notified to the Committee, such services should be limited to advice in relation to accounting, taxation and compliance issues and the fees payable for non-audit services in any financial year should not exceed audit fees for that year. The internal and external auditors have full and unrestricted access to the Audit Committee. The Committee held six meetings during 2008 which were attended by all members. The Committee Chairman reports the outcome of its meetings to the Board. The Board is satisfied that at all times during the year at least one member of the Committee had recent and relevant financial experience.

Business Development and International Committee
Members:
Georgina Kenny, Chairman
Bobby Yeates
Eoin Fahy
Padraig McManus
John Coleman

The purpose of the Business Development and International Committee is to review investment proposals aimed at ensuring the positioning of ESB for future success consistent with the strategy approved by the Board.

Health, Safety and Environment Committee
Members:

Tony Merriman, Chairman
John Coleman
Seamus Mallon
Padraig McManus

The purpose of the Health, Safety and Environment Committee is to advise the Board on health, safety and environmental matters.

Finance Committee
Members:

Lochlann Quinn, Chairman (appointed 22 January 2008)
Tadhg O'Donoghue, Chairman (retired 22 January 2008)
John Nugent
Brendan Byrne

The purpose of the Finance Committee is to oversee strategy and policy on financial matters and to advise the Board as appropriate.

Regulation Committee
Members:

John Nugent, Chairman
Tony Merriman
Seamus Mallon
Garry Keegan

The purpose of this Committee is to monitor evolving legislation and regulatory matters and to oversee compliance with regulatory requirements.

Remuneration and Management Development Committee
Members:

Lochlann Quinn, Chairman (appointed 22 January 2008)
Tadhg O'Donoghue, Chairman (retired 22 January 2008)
Eoin Fahy
Georgina Kenny

The purpose of the Remuneration and Management Development Committee is to advise the Board on all aspects of the remuneration of the Chief Executive, to approve any changes to the remuneration of Worker Board Members, to set the remuneration of the executive management group following consultation with the Chief Executive and to monitor the development of current and future leaders of ESB. During 2008, the Committee considered the remuneration and targets of the Chief Executive and the senior executives and the developmental needs of the Company's Senior Managers. The Committee held six meetings during 2008 which were attended by all who were Committee Members at the time of the meeting except that Ms Kenny attended five meetings.

Market and Customer Committee
Members:

Garry Keegan, Chairman
Bobby Yeates
Seán Conlan

The Market and Customer Committee advises the Board on all aspects of customer service.

Board Members' Report
(continued)

Internal Controls
The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The system of internal control is designed to provide reasonable but not absolute assurance against material misstatement or loss. In order to discharge that responsibility in a manner which ensures compliance with legislation and regulations, the Board has established an organisational structure with clear operating and reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

The Board has reviewed the effectiveness of the Group's system of internal control covering all material controls, including financial, operational and compliance controls and risk management systems. ESB has in place a strong control framework, which includes the following:

- A code of ethics that requires all employees to maintain the highest ethical standards in conducting business;
- Clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Board which support the maintenance of a strong control environment;
- A Corporate Governance framework which includes risk analysis, financial control review and formal annual governance statements by the management of business lines and in the Corporate Centre. This is monitored by the Group Internal Audit department, which reports to the Audit Committee on an ongoing basis;
- A comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require the approval of the Board, and are closely monitored on an ongoing basis by the Business Development and International Committee of the Board. They are also subject to post completion audits;
- Comprehensive budgeting systems with an annual budget approved by the Board;
- A comprehensive system of financial reporting. Cumulative monthly actual results are reported against budget and considered by the Board on a monthly basis. Any significant changes and adverse variances are questioned by the Board, and remedial action taken where appropriate; and
- Consideration of operational and financial issues by Board Committees as described on pages 52 to 53.

These controls are reviewed systematically by Group Internal Audit. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis. The Board, supported by the Audit Committee, have reviewed the effectiveness of the system of internal control. The process used by the Board and the Audit Committee to review the effectiveness of the system of internal control includes:

- A designated risk management function in ESB;
- Review and consideration of the half-yearly risk review process;
- Independent advice on the adequacy of the current risk management process in operation in ESB;
- Review and consideration of certifications from management of satisfactory and effective operation of systems of internal controls, both financial and operational;
- A review of the programme of Group Internal Audit and consideration of their findings and reports;
- Group Internal Audit also report regularly on the status of issues raised previously from their own reports and reports from the external auditor; and
- A review of reports of the external auditor, KPMG, which contain details of any significant control issues identified, arising from its work as auditor.

The Board's Enterprise Risk Management (ERM) Process
ESB ensures risk management is an integral part of all business activity and is managed in a consistent manner across the Business Units. To achieve this, the Group has adopted an enterprise-wide approach to risk management. Across ESB Group, a consistent framework for the identification, assessment, management and reporting of risk applies.

This risk management framework is maintained and updated by the Group Risk Manager, overseen by the Board and Audit Committee, and implemented by management at all levels of the Group.

A Group Risk Committee of senior managers from across the Group, chaired by the Group Finance Director, supports the Board in fulfilling its risk management responsibilities. The Committee oversees and directs risk policy and practice, considers risk assessments carried out at Business Unit and Group level, and reviews overall risk trends for the Group. The committee reports to the Executive Director Team, the Audit Committee, and the Board on a regular basis.

The Group Internal Auditor is independent of the risk management process and has provided independent assurance to the Audit Committee on the adequacy of the risk management arrangements in place in the Group.

Details of all risks are maintained and updated in the Corporate Risk Register. Risks are ranked by probability and potential consequences. The nature of each risk determines how the exposure is dealt with.

The enterprise approach provides ongoing assessment of the consolidated risk position for the Group. The combined risk plans of each Business Unit are reviewed to highlight trends and to identify common or interdependent risks across the Group. The Group Risk Committee provides a key input to the assessment and ranking of risk from a Group perspective.

For more information on the established risk management framework, including some of the Group's most significant risks, see the Risk Management Report on pages 58 to 59.

Board Members' Report
(continued)

BOARD MEMBERS' REMUNERATION 2008

Remuneration	**2008**	2007
	€	€
Chairman:		
Lochlann Quinn (appointed January 2008)		
Fees	**85,438**	-
Tadhg O'Donoghue (retired January 2008)		
Fees	**16,809**	111,513
Once off payment on retirement	**70,000**	-
Taxable benefits	**-**	3,193
	172,247	114,706
Chief Executive:		
Padraig McManus		
Salary	**458,309**	376,879
Performance related pay:		
- Annual bonus	**80,141**	57,487
- Long term incentive	**-**	-
Taxable benefits	**23,208**	23,378
Pension contributions	**75,163**	59,754
Fees	**17,500**	17,500
	654,321	534,998
Non-Executive Board Members:		
Brendan Byrne	**17,500**	17,500
John Coleman *	**17,500**	17,500
Séan Conlan (appointed October 2007)	**17,500**	3,356
Garry Keegan (appointed June 2007)	**17,500**	9,949
Eoin Fahy	**17,500**	17,500
Seamus Mallon	**17,500**	17,500
Georgina Kenny	**17,500**	17,500
Will McKee (term expired May 2007)	**-**	7,144
Derry O'Donovan (term expired May 2007)	**-**	7,144
Tony Merriman *	**17,500**	17,500
John Nugent *	**17,500**	17,500
Bobby Yeates *	**17,500**	17,500
	175,000	167,593

• In addition to their Board fees, the four Worker Board Members were paid as employees of ESB.

EXECUTIVE BOARD MEMBERS' REMUNERATION

The only executive Board Member is the Chief Executive, Mr Padraig McManus. The Chief Executive's remuneration is set within a range determined by the Ministers for Finance and for Communications, Energy and Natural Resources. It is determined annually, within this range, by the Remuneration and Management Development Committee, which comprises three Non-Executive Board Members, and is approved by the Board.

The remuneration of the Chief Executive consists of basic salary, a company car and performance related bonus payments of up to 35% of annual salary, on condition that of this a minimum of 10% of salary should be applied to a multi-annual (e.g. three or four year) bonus scheme related to multi-annual objectives, subject to the overall maximum of 35% of salary per year over the period. In his role as a Board Member, the Chief Executive also receives a fee as determined by the Minister for Communications, Energy and Natural Resources.

NON-EXECUTIVE BOARD MEMBERS' REMUNERATION

Board Members appointed under the Worker Participation (State Enterprises) Act 1977 are remunerated as employees of ESB. They participate in the ESB superannuation scheme. The remuneration of the other, Non-Executive Board Members (including the Chairman) is determined by the Minister for Communications, Energy and Natural Resources and they do not receive pensions.

Board Members' Report
(continued)

GOING CONCERN
The financial statements are prepared on a going concern basis as the Board, after making appropriate enquiries, is satisfied that ESB has adequate resources to continue in operational existence for the foreseeable future.

ACCOUNTING RECORDS
The Board Members believe that they have employed accounting personnel with appropriate expertise and provided adequate resources to the financial function to ensure compliance with ESB's obligation to keep proper books of account. The books of account of ESB are held at 27 Lower Fitzwilliam Street, Dublin 2.

ELECTORAL ACT, 1997
The Board made no political donations during the year.

CONCLUSION
This report was approved by the Board on 25 February 2009 for submission to the Minister for Communications, Energy and Natural Resources.

On behalf of the Board

Lochlann Quinn Chairman

Padraig McManus Chief Executive

25 February 2009

Statement of Board Members' Responsibilities

The Board Members are responsible for preparing the Annual Report and the Group and Parent financial statements.

The Electricity Supply Acts 1927 to 2004 require the Board Members to prepare Group and Parent financial statements for each financial year. Under company law, made applicable to ESB by virtue of the Regulations adopted by it as its governing regulations under the Electricity (Supply) Act, 1927, as amended by the Electricity (Supply) (Amendment) Act, 2004, the Board Members have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the Parent financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2006.

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group and the Parent; the Companies Acts 1963 to 2006 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent financial statements on pages 62 to 118, the Board Members are required to:

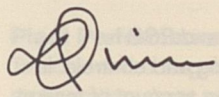
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent will continue in business.

The Board Members are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and Parent and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

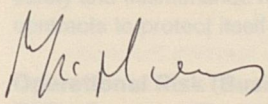
The Board Members are also responsible for preparing a Board Members' Report that complies with the requirements of the Companies Acts, 1963 to 2006.

The Board Members are responsible for the maintenance and integrity of the financial information included on the Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



Lochlann Quinn Chairman



Padraig McManus Chief Executive

25 February 2009

Risk Management Report

ENTERPRISE APPROACH
Risk is an active element of the environment within which ESB operates. ESB is committed to successfully managing the Group's exposure to risk and to minimising its impact on the achievement of business objectives.

ESB has put in place a risk management framework comprising of the following components:

- Processes for identifying and prioritising the Group's risks for Management and Board attention;
- Monitoring mechanisms to ensure proper execution of mitigation plans and strategies;
- Ongoing assessments to highlight trends and to identify new and emerging risk areas; and
- Maintenance of a Group perspective on risk through a process of consolidating and aligning the various views of risk across the Group.

The risk management framework outlined above is based on an Enterprise Risk Management (ERM) model, which ESB adopted in 2005. ERM provides an integrated approach to risk and has become established practice in ESB for managing uncertainty and minimising threats.

The enterprise approach provides ongoing assessment of the consolidated risk position for ESB Group. The combined risk plans of each Business Unit are reviewed to highlight trends and to identify common and interdependent risks across the Group.

Health and Safety Risk
ESB is committed to the highest possible safety standards to protect against the risk of injury to staff, contractors and the general public. Safety is a core value of ESB. There is a continuing drive to maintain awareness among all staff concerning the importance of safety. A health and safety culture is strongly promoted throughout the Group. ESB rigorously enforces its safety policies and standards to achieve its ultimate target of zero injuries.

In relation to public safety, ongoing media and direct marketing campaigns are run to increase public awareness of the risks and dangers. ESB has a strategic partnership with the Health and Safety Authority to improve electrical safety in the construction and agricultural sectors.

An extensive safety leadership programme, fully supported by the Board and Management, is in place throughout ESB to address key strategic safety issues. Staff and Management at all levels are involved in undertaking safety audits and reviews.

ESB Group Strategy and the Impact of Economic Downturn
ESB launched its "Strategic Framework to 2020" in April 2008, which contains ambitious investment and growth targets. A process has been established to monitor the risks and progress of specific strategy delivery projects. As part of this process, new organisational structures have been established to deliver the Group's strategy.

The current financial crisis and the economic downturn present challenges to the delivery of ESB business objectives and ESB is addressing the various risks and uncertainty associated with the current financial climate through appropriate monitoring and controls. In relation to the availability and cost of funding for key investments, ESB maintains an overall financing strategy that takes account of market conditions and is appropriate to ESB's strategic plan and targets. Performance risks specific to each business are identified in individual risk plans, where specific mitigation actions are planned and assigned.

At Group level, the overall business performance risk is managed through a number of measures:

- ensuring the appropriate management team is in place for each business;
- rigorous budget and business planning;
- monthly reporting and variance analysis;
- financial controls; and
- key performance indicators and regular forecasting.

Financial and Treasury Risks
Policies and procedures to protect the Group from the key risk areas, such as liquidity risk and counterparty credit risk, are regularly reviewed, revised and approved by the Board as appropriate. There is a firmly established process of ongoing monitoring and reporting of:

- the level of exposure to financial and commodity counterparties;
- the financial and operational controls in place; and
- the mitigation measures available.

Group Treasury is responsible for the day to day treasury activities of the Group, including the trading of specific derivative instruments to mitigate these risks. The main treasury risks faced by the Group relate to foreign exchange, interest rate and commodity (electricity and fuel) price movements.

For a more detailed description of Group Treasury activities and the management of related financial risks, see the section on Treasury Operations Management on page 11.

Regulatory Risk
ESB regulatory risk relates to compliance with licence obligations, the impact of price reviews and the ongoing development of energy regulation. It is essential for ESB that it fully understands the implications of all regulatory proposals and is in a position to effectively engage where appropriate in any consultation or negotiation with the regulatory authorities. The Group also needs to be fully aware of all its compliance obligations in respect of regulatory issues. The scope of ESB activities that are subject to regulation make this a significant risk issue for the Group.

ESB manages these risks through a dedicated Regulatory Affairs team of senior managers. This team provides ongoing input to the development the regulatory, trading and pricing regimes and also monitors compliance with the Group's regulatory and licence requirements.

ESB maintains a proactive and structured approach to its various interactions and formal consultations with the regulatory authorities on the development and operation of the market.

Single Electricity Market (SEM) Trading Risk
ESB has adopted an appropriate trading and hedging strategy to manage potential price volatility and uncertainty in the SEM. Financial contracts are entered into and trading decisions are taken in line with this strategy. Business Units have strengthened their traditional energy trading functions to ensure the full extent of ongoing SEM trading positions is fully understood.

ESB Business Units participating in the market (ESB Power Generation, ESB Customer Supply and ESBI) have put in place the appropriate trading capability, structures and systems for effective management of risk in the SEM. The embedded risk management and controls covering trading activities that apply in the relevant Business Units are subject to a strict governance and reporting regime, including regular review by Group Internal Audit.

Knowledge and Skills
ESB recognises it has a high dependency on the technical competence and credibility of its management and staff. The Group strongly appreciates the need to maintain high standards of competence and effectiveness in new and developing areas of the business, particularly in the context of the new strategic framework. ESB is determined to maintain the necessary knowledge and skills for high levels of competitiveness both in the Irish market and abroad.

To this end, ESB continues to invest in staff training and development and in ongoing performance improvement. A major engineering graduate development programme has been prepared and will commence in 2009. Resource and future skills planning takes place at all levels in the Business Units. The Group has developed a recruitment strategy to attract, recruit and assimilate best fit candidates in all disciplines.

Plant Performance Risk
To achieve the targeted performance and availability of existing generation plant, ESB has in place an overhaul investment programme, a generation asset management strategy and established policies and procedures covering the operation and maintenance of plant. While ESB plant can be damaged as a result of incidents and breakdowns, such plant risks are minimised through ESB's well established plant safety and maintenance regimes, operating and technical procedures and staff training. The Group also has in place appropriate insurance contracts to protect itself against financial loss from outages arising from plant damage.

Operational Risk (Business Processes and IT)
ESB's Enterprise Risk Management processes identify and address (escalating where appropriate) a wide range of potential operational risk from across the Group. Operational risk in this context is defined as the risk of incurring losses or reputational damage due to mistakes or shortcomings in the Group's business processes and IT systems.

Each Business Unit is responsible for limiting and managing operational risks within its area of responsibility by ensuring that well-documented routines, reliable IT systems and satisfactory internal controls are in place. The internal control framework is subject to internal and external audit. The planning of the Group's internal audit programme takes account of the potential operational risks identified by the risk management framework.

Independent Auditor's Report to the Stockholders of Electricity Supply Board (ESB)

As the auditor appointed by the Minister for Communications, Energy and Natural Resources with the consent of the Minister for Finance, under Section 7 of the Electricity (Supply) Act 1927, we have audited the Group and Parent financial statements (the "financial statements") of ESB for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Statement of Recognised Income and Expense, the Group and Parent Balance Sheets, the Group and Parent Cash Flow Statements, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to ESB as a body, in accordance with section 193 of the Companies Act 1990, made applicable to ESB by virtue of the Regulations adopted by it as its governing regulations under the Electricity (Supply) Act, 1927, as amended by the Electricity (Supply) (Amendment) Act 2004. Our audit work has been undertaken so that we might state to the stockholders of ESB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ESB and its stockholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board Members and the Auditor
The Board Members' responsibilities for preparing the Annual Report and the financial statements in accordance with the provisions of the Companies Acts 1963 to 2006, as applied by the Electricity Supply Acts 1927 to 2004 and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Board Members' Responsibilities on page 57.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and in the case of the Parent as applied in accordance with the the Companies Acts 1963 to 2006 applied to the Board by the Electricity Supply Acts 1927 to 2004, and have been properly prepared in accordance with the provisions of those Acts and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, proper books of account have been kept by the Parent. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Parent's Balance Sheet is in agreement with the books of account.

We review at the request of Board members, whether (1) the voluntary statement on pages 50 to 56 reflects the Board's compliance with the nine provisions of the 2006 Combined Code specified for review by auditors and (2) the statement on the system of internal controls on page 54 reflects the Board's compliance with the provision of The Code of Best Practice for the Governance of State Bodies that is specified for review by auditors and we report if those statements do not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information, including the corporate governance statement, contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within it. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Parent's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Parent financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts 1963 to 2006 applied to the Board by the Electricity Supply Acts 1927 to 2004, of the state of the Parent's affairs as at 31 December 2008; and
- the financial statements have been properly prepared in accordance with the provisions of the Electricity Supply Acts 1927 to 2004 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Parent. The Parent Balance Sheet is in agreement with the books of account.

KPMG

Chartered Accountants
Registered Auditor
1 Stokes Place
St. Stephen's Green
Dublin 2
25 February 2009

Statement of Accounting Policies

for the year ended 31 December 2008

1. BASIS OF ACCOUNTING

ESB is a statutory corporation established under the Electricity (Supply) Act, 1927 and is domiciled in Ireland. The consolidated financial statements of ESB as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as ESB) and ESB's interests in associates and jointly controlled entities.

The Parent and consolidated financial statements are prepared under IFRS (International Financial Reporting Standards) as adopted by the EU (EU IFRS) and in the case of the Parent as applied in accordance with the Companies Acts 1963 to 2006. The Companies Acts 1963 to 2006 provide a Parent company that presents its individual financial statements together with its consolidated financial statements with an exemption for publishing an entity Income Statement which forms part of the Parent financial statements prepared and approved in accordance with the Acts. They have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective for accounting periods ending on or before 31 December 2008.

The Parent and consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

The Parent and consolidated financial statements are prepared in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

The preparation of financial statements 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Judgements made by management in the application of EU IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 30 to the financial statements.

The policies set out below have been consistently applied to all years presented in these consolidated financial statements and have been applied consistently by Group entities.

2. BASIS OF CONSOLIDATION

The Group's financial statements consolidate the financial statements of the Parent and of all subsidiary undertakings made up to 31 December 2008. The results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated Income Statement from the date of acquisition or up to the date of disposal. The financial statements of all subsidiary undertakings are drawn up to 31 December 2008.

Subsidiaries

Subsidiaries are entities controlled by ESB. Control exists when ESB has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Parent's investments in subsidiaries in its Balance Sheet are recognised at cost.

Joint Ventures

Joint venture undertakings (joint ventures) are those undertakings over which ESB exercises contractual control jointly with another party.

Joint ventures are accounted for using the equity method of accounting. The Group's share of the profits after tax of joint ventures is included in the consolidated Income Statement after interest and financing charges. The Group's interests in their net assets or liabilities are included as investments in joint ventures on the face of the consolidated Balance Sheet at an amount representing the Group's share of the fair values of the net assets at acquisition plus goodwill, less any impairment and the Group's share of post acquisition retained income and expenses.

The amounts included in the consolidated financial statements in respect of post acquisition results of joint ventures are taken from their latest audited financial statements made up to the Balance Sheet date.

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, liabilities and contingent liabilities acquired. Goodwill is tested annually for impairment and carried as an asset at cost less accumulated impairment losses. Goodwill on acquisitions of associates and joint ventures is included in non current assets under investments in associates and joint ventures.

3. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(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) on a straight line basis.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Company, 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_2 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 includes 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 of the end of that calendar year, in order to cover the liability for actual emissions of CO_2 during that year. Emissions allowances held at cost as intangible assets are not amortised as they are held for settlement of the emission liability in the following year.

4. FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate applying at the date of the transactions. The resulting monetary assets and liabilities are translated at the rate applying 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.

The Group's entities are measured in their functional currencies and the consolidation is presented in the presentational currency which is euro. The Group's net investments in foreign subsidiary undertakings, joint ventures, associates and related goodwill are translated at the rate ruling at the Balance Sheet date. Where an intergroup loan is made for the long term and its settlement is neither planned nor foreseen, it is accounted for as part of the net investment in a foreign operation. The profits, losses and cashflows of foreign subsidiary undertakings, joint ventures and associates are translated at average rates for the period. Exchange differences resulting from the retranslation of the opening Balance Sheets of foreign subsidiary undertakings, joint ventures and associates at closing rates, together with the differences on the translation of the Income Statements, are dealt with through a separate component of equity (translation reserve) and reflected in the Statement of Recognised Income and Expenses. Translation differences held in this reserve are released to the Income Statement on disposal of the relevant entity.

Where foreign currency denominated borrowings are designated as a hedge of the net investment in a foreign operation, exchange differences on such borrowings are taken to the same translation reserve to the extent that they are effective hedges.

5. 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 life spans 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.

Statement of Accounting Policies

for the year ended 31 December 2008 (continued)

5. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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.

6. BORROWING COSTS

Borrowing costs attributable to the construction of major assets, which necessarily take substantial time to complete for intended 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.

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 circumstance 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. 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.

9. FINANCIAL ASSETS AND LIABILITIES

(a) Non-Derivative Financial Assets and Liabilities

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.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents includes cash in hand, deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less, less overdrafts payable on demand.

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 included in current assets and liabilities 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 and liabilities. Loans and receivables are included within trade and other receivables in the Parent Balance Sheet and are initially recorded at fair value.

9. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Available for Sale Financial Assets
Available for sale financial assets are non-derivative financial assets 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 rate 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 the Income Statement, 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.

(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. The Group has entered into derivative financial instruments in respect of electricity 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. Subsequent to initial recognition, these instruments are stated at fair value. Movements during the financial year in the fair value of derivatives classified as trading instruments are recognised in the Income Statement in that financial year.

Derivatives are derecognised on settlement or sale.

(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, 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.

Statement of Accounting Policies

for the year ended 31 December 2008 (continued)

9. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(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.

10. 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.

11. 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.

12. CAPITAL STOCK

The units of capital stock are valued at the price at which they were issued to the Department of Finance and the ESB ESOP Trustee Limited.

13. INCOME TAX

Income tax on the profit 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 the Board consider that it is 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 recognised in equity.

14. PROVISIONS FOR POWER STATION CLOSURE

The provision for power 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 is increased by a financing charge each period, which is calculated based on the provision balance and discount rate applied at last measurement date and is included in the Income Statement as a financing 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.

15. REVENUE

(a) Electricity Revenue

Revenue comprises sales of electricity and other goods and services to customers outside the Group 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.

(b) Contract Revenue

Contract Revenue is recognised on a time apportionment basis by reference to the stage of completion of the contract at the Balance Sheet date.

16. OTHER OPERATING INCOME

Profit on Disposal of Property

The gain arising from the derecognition 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 and gas), purchased electricity, use of system charges ('other electricity related costs') and net 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 costs net of associated allowances. This is a change in presentation and disclosure on 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 Board believe that this presentation provides users of the accounts with more meaningful information on 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 CO_2 emission limits imposed on the Group's generation operations.

(b) Operating and Other Maintenance Costs

Operating and other maintenance costs relate primarily to overhaul and project costs, contractor costs and establishment costs. These costs are recognised in the Income Statement as they are incurred.

18. PENSION OBLIGATIONS

Pension obligations

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

(a) 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.

Statement of Accounting Policies

for the year ended 31 December 2008 (continued)

18. PENSION OBLIGATIONS (CONTINUED)

(b) 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.

19. 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 termination 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 the 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.

20. NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements.

IFRS 8 ***Operating Segments*** changes the requirements for operating segments. It is effective for annual periods beginning 1 January 2009. IFRS 8 should be applied by entities whose equity or debt securities are publicly traded and by entities that are in the process of issuing equity or debt securities in public securities markets. As ESB has not issued any debt or equity instruments for trading in a public market, the requirements of IFRS 8 do not apply.

IFRS 3 (Revised) ***Business combinations*** change the acquisition method for business combinations. It is effective for annual periods beginning on or after 1 July 2009. These changes include a requirement that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured through income. Goodwill may be calculated based on the Parent's share of net assets or it may include goodwill related to minority interest. All transaction costs will be expensed. The Group will apply this revised standard from the effective date for any future acquisitions.

IAS 23 (Amendment) ***Borrowing costs*** requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amendment) for financial periods beginning on or after 1 January 2009 (the effective date), however it is not expected to have any material impact on the Group's financial statements.

In addition, the following new standards, amendments and interpretations are not expected to have a material impact on the consolidated financial statements once applied:

- Amendment to IFRS 2 – Share-Based Payments (applicable for annual periods beginning on or after 1 January 2009);
- Amendment to IAS 1 – Presentation of Financial Statements (1 January 2009);
- Amendment to IAS 27 – Consolidated and Separate Financial Statements (1 July 2009);
- Amendment to IAS 28 – Investments in Associates (1 July 2009);
- Amendment to IAS 31 – Interests in Joint Ventures (1 July 2009);
- Amendment to IAS 32 – Financial Instruments: Presentation (1 January 2009);
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items (1 July 2009);
- IFRIC Interpretation 15 – Agreement for the Construction of Real Estate (1 January 2009); and
- IFRIC Interpretation 17 – Distributions of Non-Cash Assets to Owners (1 July 2009).

Group Income Statement

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Revenue	1	**3,488,352**	3,461,021
Profit on disposal of property	2	**-**	21,713
Other operating income	3	**26,744**	31,599
Operating costs	4	**(3,175,226)**	(2,991,125)
Operating profit		**339,870**	523,208
Interest cost and other financing charges	5	**(102,029)**	(91,998)
Interest income	5	**3,120**	1,840
Net interest cost and other financing charges		**(98,909)**	(90,158)
Share of joint ventures' profit	12	**62,903**	47,050
Profit before taxation		**303,864**	480,100
Income tax expense	7	**(30,566)**	(48,368)
Profit after taxation	18	**273,298**	431,732
Attributable to:			
Equity holders of the Parent	18	**273,019**	431,816
Minority interests	18	**279**	(84)
Profit for the financial year	18	**273,298**	431,732

Notes 1 to 34 form an integral part of these financial statements. 2007 results have been reclassified - see Notes 3 and 4.

Signed: **Lochlann Quinn** Chairman

Signed: **Padraig McManus** Chief Executive
Signed: **Bernard Byrne** Group Finance Director
25 February 2009

Group Balance Sheet

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
ASSETS			
Non-current assets			
Property, plant & equipment	9	**6,978,384**	6,385,576
Intangible assets	10	**317,178**	223,225
Investments in joint ventures	12	**117,118**	71,742
Financial asset investments	12	**7,030**	2,773
Derivative financial instruments	20	**90,453**	237,086
Deferred tax assets	21	**71,574**	64,569
Total non-current assets		**7,581,737**	6,984,971
Current assets			
Inventories	13	**144,727**	160,722
Trade and other receivables	14	**775,404**	630,486
Investments	15	**79**	79
Cash and cash equivalents	16	**83,210**	53,318
Current tax asset	27	**5,619**	5,901
Derivative financial instruments	20	**187,187**	49,675
Assets held for sale	17	**86,398**	31,373
Total current assets		**1,282,624**	931,554
Total assets		**8,864,361**	7,916,525
EQUITY			
Capital stock	18	**1,979,882**	1,979,882
Translation reserve	18	**(18,811)**	72
Cash flow hedging and other reserves	18	**117,880**	221,750
Retained earnings	18	**1,306,814**	1,163,281
Equity attributable to equity holders of the Parent		**3,385,765**	3,364,985
Minority interests	18	**3,485**	645
Total equity		**3,389,250**	3,365,630
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	19	**1,928,748**	1,707,515
Pension liabilities	22	**307,005**	325,693
Employee related liabilities	23	**78,025**	122,209
Trade and other payables	24	**14,242**	17,314
Deferred income and government grants	25	**657,307**	585,410
Provisions	26	**261,289**	291,766
Deferred tax liabilities	21	**358,377**	348,565
Derivative financial instruments	20	**60,657**	167,743
Total non-current liabilities		**3,665,650**	3,566,215
Current liabilities			
Borrowings and other debt	19	**242,324**	142,346
Employee related liabilities	23	**107,822**	65,802
Trade and other payables	24	**618,725**	629,993
Deferred income and government grants	25	**30,126**	26,742
Provisions	26	**534,794**	75,892
Derivative financial instruments	20	**252,567**	43,905
Liabilities associated with assets held for sale	17	**23,103**	-
Total current liabilities		**1,809,461**	984,680
Total liabilities		**5,475,111**	4,550,895
Total equity and liabilities		**8,864,361**	7,916,525

Signed: **Lochlann Quinn** Chairman

Signed: **Padraig McManus** Chief Executive
Signed: **Bernard Byrne** Group Finance Director
25 February 2009

Parent Balance Sheet

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
ASSETS			
Non-current assets			
Property, plant & equipment	9	**6,585,427**	6,069,251
Intangible assets	10	**279,818**	206,144
Financial asset investments	12	**72,832**	72,982
Derivative financial instruments	20	**110,910**	260,435
Deferred tax assets	21	**58,053**	60,125
Total non-current assets		**7,107,040**	6,668,937
Current assets			
Inventories	13	**141,329**	159,636
Trade and other receivables	14	**1,448,238**	922,924
Investments	15	**79**	79
Cash and cash equivalents	16	**62,284**	4,260
Current tax asset	27	**9,848**	8,378
Derivative financial instruments	20	**138,159**	49,448
Assets held for sale	17	**700**	31,373
Total current assets		**1,800,637**	1,176,098
Total assets		**8,907,677**	7,845,035
EQUITY			
Capital stock	18	**1,979,882**	1,979,882
Cash flow hedging & other reserves	18	**158,631**	250,629
Retained earnings	18	**1,408,845**	1,120,276
Equity attributable to equity holders of the Parent		**3,547,358**	3,350,787
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	19	**1,901,032**	1,675,017
Pension liabilities	22	**307,005**	325,693
Employee related liabilities	23	**78,025**	122,209
Trade and other payables	24	**10,978**	12,760
Deferred income and government grants	25	**640,925**	569,008
Provisions	26	**260,883**	290,766
Deferred tax liabilities	21	**344,055**	351,382
Derivative financial instruments	20	**58,029**	152,622
Total non-current liabilities		**3,600,932**	3,499,457
Current liabilities			
Borrowings and other debt	19	**237,530**	137,914
Employee related liabilities	23	**97,611**	57,433
Trade and other payables	24	**701,529**	658,444
Deferred income and government grants	25	**30,126**	26,742
Provisions	26	**515,167**	70,419
Derivative financial instruments	20	**177,424**	43,839
Total current liabilities		**1,759,387**	994,791
Total liabilities		**5,360,319**	4,494,248
Total equity and liabilities		**8,907,677**	7,845,035

Signed: **Lochlann Quinn** Chairman

Signed: **Padraig McManus** Chief Executive
Signed: **Bernard Byrne** Group Finance Director
25 February 2009

Group Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Translation differences on consolidation of foreign joint ventures	18	**(9,416)**	(4,622)
Translation differences on consolidation of foreign subsidiaries	18	**(45,377)**	(15,687)
Transferred from Income Statement on hedge of a net investment	18	**35,910**	15,356
Fair value (losses)/gains on cash flow hedges	18	**(63,310)**	210,600
Fair value gains on cash flow hedges in joint ventures	18	**9,861**	6,846
Net fair value gains on cash flow hedges – minority interests	18	**2,561**	-
Tax on items taken directly to equity	18	**6,865**	(25,328)
Net income recognised directly in equity		**(62,906)**	187,165
Transferred to Income Statement on cash flow hedges	18	**(55,990)**	90,805
Transferred to Income Statement on cash flow hedges in joint ventures	18	**(1,598)**	421
Tax on items taken directly to / transferred from equity for joint ventures	18	**(2,047)**	(2,009)
Tax on items transferred from equity	18	**2,349**	(11,350)
Profit for the financial year	18	**273,298**	431,732
Total recognised income and expense for the financial year		**153,106**	696,764
Attributable to:			
Equity holders of the parent		**149,621**	696,848
Minority interest		**3,485**	(84)
Total recognised income and expense for the financial year		**153,106**	696,764

Parent Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Fair value (losses)/gains on cash flow hedges	18	**(54,124)**	250,910
Tax on items taken directly to equity	18	**8,446**	(30,935)
Net income recognised directly in equity		**(45,678)**	219,975
Transferred to Income Statement on cash flow hedges	18	**(52,937)**	90,805
Tax on items transferred from equity	18	**6,617**	(11,350)
Profit for the financial year	18	**418,055**	383,578
Total recognised income and expense for the financial year		**326,057**	683,008
Attributable to:			
Equity holders of the parent		**326,057**	683,008

Group Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Cash flows from operating activities			
Profit before taxation		**303,864**	480,100
Adjustments for:			
Depreciation and amortisation of non-current assets	4	**439,731**	433,554
Amortisation of supply contributions and other deferred income	25	**(26,744)**	(29,744)
Amortisation of emissions allowances	25	**(211,207)**	(70,746)
Loss on disposal of plant and equipment	8	**6,674**	1,879
(Profit) on disposal of property		**-**	(21,713)
(Profit) on disposal of businesses	3	**-**	(2,267)
Translation differences		**24,049**	16,867
Net interest expense	5	**98,909**	90,158
(Profit) from joint ventures	12	**(62,903)**	(47,050)
Impact of fair value movements on financial instruments		**32,475**	9,167
Operating cash flows before changes in working capital and provisions		**604,848**	860,205
Charge in relation to provisions		**529,341**	71,668
Charge in relation to employee related liabilities		**130,802**	130,397
Utilisation of provisions		**(20,014)**	(16,345)
Utilisation of employee related liabilities		**(156,337)**	(142,284)
(Increase) in trade and other receivables		**(144,918)**	(21,407)
(Increase) in inventories		**(7,516)**	(9,900)
(Decrease)/increase in trade and other payables		**(64,197)**	132,255
Cash generated from operations		**872,009**	1,004,589
Current tax paid		**(18,827)**	(65,327)
Interest paid		**(100,479)**	(84,742)
Net cash inflow from operating activities		**752,703**	854,520
Cash flows from investing activities			
Purchase of property, plant and equipment		**(952,265)**	(835,659)
Purchase of intangible assets		**(36,267)**	(61,592)
Proceeds from sale of property, plant and equipment		**2,796**	28,943
Proceeds from sale of intangible assets		**-**	707
Payments in relation to financial asset transactions		**(6,913)**	-
Proceeds from financial asset transactions		**2,656**	8,327
Supply contributions and other deferred income received	25	**102,025**	152,483
Proceeds from disposal of businesses		**-**	10,798
Dividends received from joint venture undertakings	12	**15,925**	5,556
Interest received		**3,120**	1,840
Net cash outflow from investing activities		**(868,923)**	(688,597)
Cash flows from financing activities			
Dividends paid	18	**(129,486)**	(66,722)
Increase in loans and finance leases (net)		**287,783**	(73,325)
Interest element of finance lease payments		**(7,275)**	(9,555)
Net cash inflow/(outflow) from financing activities		**151,022**	(149,602)
Net increase in cash and cash equivalents		**34,802**	16,321
Cash and cash equivalents at 1 January	16	**53,318**	37,733
Effect of exchange rate fluctuations on cash held		**(4,910)**	(736)
Cash and cash equivalents at 31 December	16	**83,210**	53,318

Parent Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Cash flows from operating activities			
Profit before tax		**438,529**	434,809
Adjustments for:			
Depreciation and amortisation of non-current assets		**418,254**	412,562
Amortisation of supply contributions and other deferred income	25	**(26,724)**	(22,200)
Amortisation of emissions allowances	25	**(165,863)**	(66,854)
Loss on disposal of property, plant and equipment		**6,674**	1,879
(Profit) on disposal of property, plant and equipment		**(268,604)**	(21,713)
Interest expense		**91,340**	85,173
Impact of fair value movement on financial instruments		**26,098**	10,204
Operating cash flows before changes in working capital and provisions		**519,704**	833,860
Charge in relation to provisions		**478,881**	62,949
Charge in relation to employee related liabilities		**121,537**	129,117
Utilisation of provisions		**(15,696)**	(14,275)
Utilisation of employee related liabilities		**(148,918)**	(141,919)
(Increase) in trade and other receivables		**(257,227)**	(23,051)
Decrease/(increase) in inventories		**18,307**	(12,199)
(Decrease)/increase in trade and other payables		**(4,508)**	52,475
Cash generated from operations		**712,080**	886,957
Current tax paid		**(12,135)**	(58,277)
Interest paid		**(99,502)**	(90,729)
Net cash inflow from operating activities		**600,443**	737,951
Cash flows from investing activities			
Purchase of property, plant and equipment		**(795,180)**	(763,539)
Purchase of intangible assets		**(17,796)**	(52,631)
Proceeds from sale of property, plant and equipment		**2,201**	29,963
Proceeds from financial asset transactions		**150**	25,256
Supply contributions and other deferred income received	25	**102,025**	144,039
Interest received		**10,740**	10,217
Net cash outflow from investing activities		**(697,860)**	(606,695)
Cash flows from financing activities			
Dividends paid		**(129,486)**	(66,722)
Increase in loans and finance leases (net)		**292,202**	(69,537)
Interest element of finance lease payments		**(7,275)**	(8,179)
Net cash inflow from financing activities		**155,441**	(144,438)
Net increase/(decrease) in cash and cash equivalents		**58,024**	(13,182)
Cash and cash equivalents at 1 January	16	**4,260**	18,178
Effect of exchange rate fluctuations on cash held		**-**	(736)
Cash and cash equivalents at 31 December	16	**62,284**	4260

Notes to the Financial Statements

1. REVENUE

(a) Revenue by Geographic Market	2008 €'000	2007 €'000
Ireland	**3,252,129**	3,158,448
UK & Europe	**209,967**	272,482
Other	**26,256**	30,091
Total	**3,488,352**	3,461,021

(b) Revenue by business line	2008 €'000	2007 €'000
Power Generation	**1,487,025**	1,431,471
ESB Customer Supply	**2,126,972**	2,103,025
ESB Networks	**902,066**	828,710
ESBI*	**794,206**	794,517
Other**	**(1,821,917)**	(1,696,702)
Total	**3,488,352**	3,461,021

* Included in ESBI revenue is contracting revenue of €37.0 million (2007: €39.9 million).
** Included in this caption are inter business unit amounts eliminated on consolidation.

2. PROPERTY DISPOSALS INCOME

	2008 €'000	2007 €'000
Profit on disposal of property	**-**	21,713

No material property disposals occurred during the year. During 2007, properties with a net book value of €4.4 million at date of disposal were disposed of at a profit of €21.7 million.

3. OTHER OPERATING INCOME

	2008 €'000	2007 €'000
Profit on disposal of businesses	**-**	2,267
Amortisation of supply contributions & other deferred income (Note 25)	**26,744**	29,332
Total	**26,744**	31,599

In 2008, emission allowances are netted against emission costs and are included within operating costs. Emission allowances of €77.8 million included in other operating income in 2007, have been reclassified accordingly (see Note 4).

In 2007, the profits on the disposal of businesses comprised profits of €2.3 million on the sale of CHP plants.

Notes to the Financial Statements
(continued)

4. OPERATING COSTS

	2008 €'000	2007 €'000
Employee costs (Note 6)	**576,458**	560,519
Fuel costs	**775,707**	632,294
Customer rebate provision	**300,000**	-
Other electricity related costs	**690,180**	986,848
Operations and maintenance	**393,150**	377,910
Depreciation and amortisation of property, plant & equipment and intangible assets (Notes 9 and 10)	**439,731**	433,554
Total	**3,175,226**	2,991,125

The customer rebate provision relates to a payment due from ESB to all Irish electricity customers, to mitigate the requirement to significantly increase electricity tariffs in 2008 due to volatility in fuel prices. The mechanism for payment was agreed with the Commission for Energy Regulation (CER) in 2008 and the rebate will be paid in 2009.

Other electricity related costs above include emission costs of €225.6 million partly offset by amortised emission allowances of €203.0 million (2007: €75.0 million and €77.8 million respectively). The 2007 comparatives have been restated to ensure consistency with the current year treatment.

Included in fuel costs is a charge of €25.5 million (2007: €9.6 million) relating to the fair valuing of fuel commodity swaps not qualifying for hedge accounting.

Included in operations and maintenance costs above is a charge of €2.2 million (2007: charge of €0.2 million) relating to ineffectiveness on cash flow hedges, and to a hedge not qualifying for hedge accounting.

5. NET INTEREST COST AND OTHER FINANCING CHARGES

	2008 €'000	2007 €'000
Interest payable on borrowings	**96,297**	79,358
Interest payable on finance leases	**6,999**	10,272
Interest payable	**103,296**	89,630
Less capitalised interest	**(28,892)**	(22,989)
	74,404	66,641
Financing charges:		
- on restructuring liabilities	**4,683**	5,434
- on power station closure costs	**12,548**	11,219
- on other provisions	**2,495**	2,245
Fair value (gains)/losses on financial instruments:		
- interest rate swaps: cash flow hedges, transfer from equity	**4,734**	7,096
- interest rate swaps: fair value hedges	**-**	(637)
- foreign exchange contracts not qualifying for hedge accounting	**3,165**	-
Total interest payable	**102,029**	91,998
Total interest receivable	**(3,120)**	(1,840)
	98,909	90,158

The financing charges on provisions are calculated in accordance with the policy for discounting of future commitments. In addition to the amounts transferred from equity relating to interest rate swaps and foreign exchange contracts disclosed above, a further €33 million has been transferred from the cash flow hedging reserve to interest costs and other financing charges during the year. However this amount is fully offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates.

Notes to the Financial Statements
(continued)

6. EMPLOYEES

GROUP

(a) Average number of employees in year by business activity, including temporary employees:	2008 Number	2007 Number
Power Generation	**1,308**	1,309
ESB Customer Supply	**544**	550
ESB Networks	**3,617**	3,638
ESBI	**1,354**	1,288
Other	**1,047**	1,071
	7,870	7,856

(b) Employee costs in year	2008 €'000	2007 €'000
Current staff costs (excluding defined benefit pension)		
Salaries	**541,603**	512,784
Overtime	**56,877**	57,149
Social welfare costs	**26,124**	25,979
Contribution to defined contribution plans	**4,039**	3,186
Other payroll benefits*	**43,577**	38,955
Capitalised payroll	**(174,574)**	(170,216)
Net payroll cost for employees	**497,646**	467,837
(c) Pension & retirement benefit costs		
Voluntary severance costs	**1,973**	9,927
Increase in pension liability	**76,839**	82,755
	78,812	92,682
Total employee related costs charged to the Income Statement	**576,458**	560,519

* These benefits primarily include travel and subsistence expenses and accruals for holiday leave balances remaining at year end.

PARENT

(a) Average number of employees in year by business activity, including temporary employees:	2008 Number	2007 Number
Power Generation	**1,308**	1,309
ESB Customer Supply	**544**	550
ESB Networks	**3,617**	3,638
Other	**1,047**	1,071
	6,516	6,568

(b) Employee costs in year	2008 €'000	2007 €'000
Current staff costs (excluding defined benefit pension)		
Salaries	**445,852**	425,369
Overtime	**55,781**	56,317
Social welfare costs	**20,889**	20,369
Other payroll benefits*	**36,231**	32,101
Capitalised payroll	**(174,574)**	(169,513)
Net payroll cost for employees	**384,179**	364,643
(c) Pension & retirement benefit costs		
Voluntary severance costs	**1,973**	9,927
Increase in liability for defined benefits	**76,839**	82,755
	78,812	92,682
Total employee related costs charged to the Income Statement	**462,991**	457,325

* These benefits primarily include travel and subsistence expenses and accruals for holiday leave balances remaining at year end.

Notes to the Financial Statements
(continued)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 €'000	2007 €'000
Current tax expense		
Current tax	**17,669**	51,160
Prior year under/(over) provision	**876**	(8,948)
Value of tax losses surrendered to joint ventures	**-**	(4,000)
	18,545	38,212
Deferred tax expense		
Origination and reversal of temporary differences	**11,764**	7,790
Reduction in tax rate	**-**	10
Prior year under provision	**257**	2,356
Total	**30,566**	48,368

Reconciliation of effective tax rate	2008 €'000	2007 €'000
Profit before tax	**303,864**	480,100
Taxed at 12.5% (2005: 12.5%)	**37,983**	60,012
Expenses not deductible	**3,128**	4,800
Tax effect of deferred tax asset not provided	**(2,084)**	1,608
Loss on property, plant and equipment not deductible	**(804)**	(1,311)
Income not taxable	**(2,530)**	(1,225)
Higher tax on chargeable gains	**-**	(312)
Income taxed at higher rate	**703**	597
Manufacturing relief	**(889)**	(4,117)
Higher tax rates on overseas earnings	**2,110**	555
Prior year under/(over) provision	**1,133**	(6,592)
Other items	**(321)**	234
Tax effect of joint ventures included in profit before tax	**(7,863)**	(5,881)
Income tax expense	**30,566**	48,368

The value of tax losses surrendered to joint ventures in 2007 relates to amounts surrendered to Corby Power Limited for cash.

8. PROFIT FOR THE FINANCIAL YEAR

The profit for the financial year is stated after charging/(crediting):	2008 €'000	2007 €'000
Depreciation and amortisation	**439,731**	433,554
Impairment of assets	**-**	7,025
Operating lease charges	**9,689**	8,501
Amortisation of deferred income	**(26,744)**	(29,332)
Loss on disposal of plant and equipment	**6,674**	1,879
Profit on disposal of business	**-**	(2,267)
Auditor's remuneration:		
- audit services	**595**	448
- taxation	**25**	113
- non-audit services	**122**	197
ESB (Parent) Board Members' remuneration:		
- fees	**295**	297
- other remuneration	**707**	521

Notes to the Financial Statements
(continued)

9. PROPERTY, PLANT & EQUIPMENT

(a) GROUP	Land and buildings €'000	Plant and machinery €'000	Total assets in commission €'000	Assets under construction €'000	Total €'000
Cost					
Balance at 1 January 2007	876,635	8,549,919	9,426,554	575,133	10,001,687
Additions	463	18,976	19,439	824,361	843,800
Retirements and disposals	(3,768)	(44,018)	(47,786)	-	(47,786)
Transfers of assets held for resale	685	(77,220)	(76,535)	-	(76,535)
Transfers of assets under construction	42,495	526,453	568,948	(568,948)	-
Transfers from investment property	408	-	408	-	408
Translation difference	-	(24,566)	(24,566)	-	(24,566)
Balance at 31 December 2007	916,918	8,949,544	9,866,462	830,546	10,697,008
Additions	3,642	37,829	41,471	994,317	1,035,788
Retirements and disposals	(1,333)	(48,332)	(49,665)	(2,127)	(51,792)
Transfers to assets held for sale	(18,825)	(145,630)	(164,455)	-	(164,455)
Transfers of assets under construction	31,762	507,319	539,081	(539,081)	-
Other transfers	(45)	45	-	-	-
Translation difference	-	(62,752)	(62,752)	-	(62,752)
Balance at 31 December 2008	932,119	9,238,023	10,170,142	1,283,655	11,453,797
Depreciation					
Balance at 1 January 2007	483,008	3,518,186	4,001,194	-	4,001,194
Charge for the year	25,844	367,223	393,067	-	393,067
Retirements and disposals	(478)	(29,668)	(30,146)	-	(30,146)
Transfers of assets held for resale	-	(46,569)	(46,569)	-	(46,569)
Transfers from investment property	148	-	148	-	148
Translation difference	-	(6,262)	(6,262)	-	(6,262)
Balance at 31 December 2007	508,522	3,802,910	4,311,432	-	4,311,432
Charge for the year	26,722	363,330	390,052	-	390,052
Retirements and disposals	(249)	(42,140)	(42,389)	-	(42,389)
Transfers to assets held for sale	(18,783)	(145,408)	(164,191)	-	(164,191)
Translation difference	-	(19,491)	(19,491)	-	(19,491)
Balance at 31 December 2008	516,212	3,959,201	4,475,413	-	4,475,413
Net book value at 31 December 2008	**415,907**	**5,278,822**	**5,694,729**	**1,283,655**	**6,978,384**
Net book value at 31 December 2007	408,396	5,146,634	5,555,030	830,546	6,385,576
Net book value at 1 January 2007	393,627	5,031,733	5,425,360	575,133	6,000,493

During the year the group capitalised interest of €28.9 million (2007: €23.0 million) in assets under construction. The interest rate used for capitalising interest was 5% (2007: 5%).

The carrying value of non-depreciable assets at 31 December 2008 is €42.8 million (2007: €39.5 million)

Property, plant and equipment with a net book value of nil at 31 December 2008 are included above at a cost of €1,194 million (2007: €1,134 million).

Assets under construction of €539.1 million were completed during the year, with €507.3 million transferred to plant and machinery (2007: €526.5 million) and €31.8 million transferred to land & buildings (2007: €42.5 million).

Finance leases
All finance leases are held by the Parent. The net book value of property, plant and equipment includes an amount of €113.3 million (2007: €129.3 million) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to €16.0 million (2007: €16.5 million).

Notes to the Financial Statements
(continued)

9. PROPERTY, PLANT & EQUIPMENT (continued)

(b) PARENT	Land and buildings €'000	Plant and machinery €'000	Total assets in commission €'000	Assets under construction €'000	Total €'000
Cost					
Balance at 1 January 2007	874,572	8,072,015	8,946,587	560,527	9,507,114
Additions	463	11,528	11,991	814,437	826,428
Retirements and disposals	(4,392)	(23,182)	(27,574)	-	(27,574)
Transfer of assets held for resale	685	(77,220)	(76,535)	-	(76,535)
Transfers out of assets under construction	42,495	525,271	567,766	(567,766)	-
Transfers to investment property	408	-	408	-	408
Balance at 31 December 2007	914,231	8,508,412	9,422,643	807,198	10,229,841
Additions	3,606	14,628	18,234	878,361	896,595
Retirements and disposals	(1,374)	(47,512)	(48,886)	(2,127)	(51,013)
Transfers out of assets under construction	31,762	457,077	488,839	(488,839)	-
Other transfers	(45)	45	-	-	-
Balance at 31 December 2008	948,180	8,932,650	9,880,830	1,194,593	11,075,423
Depreciation					
Balance at 1 January 2007	483,008	3,369,107	3,852,115	-	3,852,115
Charge for the year	25,844	347,636	373,480	-	373,480
Retirements and disposals	(477)	(18,107)	(18,584)	-	(18,584)
Transfer of assets held for resale	-	(46,569)	(46,569)	-	(46,569)
Transfers to investment property	148	-	148	-	148
Balance at 31 December 2007	508,523	3,652,067	4,160,590	-	4,160,590
Charge for the year	26,722	344,909	371,631	-	371,631
Retirements and disposals	(249)	(41,976)	(42,225)	-	(42,225)
Balance at 31 December 2008	534,996	3,955,000	4,489,996	-	4,489,996
Net book value at 31 December 2008	**413,184**	**4,977,650**	**5,390,834**	**1,194,593**	**6,585,427**
Net book value at 31 December 2007	405,708	4,856,345	5,262,053	807,198	6,069,251
Net book value at 1 January 2007	391,564	4,702,908	5,094,472	560,527	5,654,999

During the year the Parent capitalised interest of €28.9 million (2007: €23.0 million) in assets under construction. The capitalisation rate was 5% (2007: 5%).

The carrying value of non-depreciable assets at 31 December 2008 is €42.8 million (2007: €39.5 million).

Property, plant and equipment with a net book value of nil are included above at a cost of €1,189 million (2007: €1,133 million).

Assets under construction of €488.8 million were completed during the year, with €457.1 million transferred to plant and machinery (2007: €525.3 million) and €31.7 million transferred to land & buildings (2007: €42.5 million).

Finance leases
All finance leases are held by the Parent. The net book value of property, plant and equipment includes an amount of €113.3 million (2007: €129.3 million) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to €16.9 million (2007: €16.5 million).

Notes to the Financial Statements
(continued)

10. INTANGIBLE ASSETS

(a) GROUP	Software Costs €'000	Emission Allowances €'000	Software under development €'000	Total €'000
Cost				
Balance at 1 January 2007	196,098	247,602	24,018	467,718
Software additions	27,615	-	31,113	58,728
Allocation of emissions allowances	-	77,478	-	77,478
Purchase of emissions allowances	-	2,865	-	2,865
Impairment of emissions allowances	-	(7,025)	-	(7,025)
Software disposals	(4,972)	-	(7)	(4,979)
Settlement of emission allowances	-	(251,626)	-	(251,626)
Transfers out of software under development	33,769	-	(33,769)	-
Balance at 31 December 2007	252,510	69,294	21,355	343,159
Software additions	12,606	-	13,872	26,478
Allocation of emission allowances	-	212,134	-	212,134
Purchase of emissions allowances	-	9,789	-	9,789
Software disposals	(676)	-	-	(676)
Settlement of emission allowances	-	(68,836)	-	(68,836)
Transfers out of software under development	12,460	-	(12,460)	-
Transfers to assets held for sale	-	(31,250)	-	(31,250)
Translation differences	-	(4,688)	-	(4,688)
Balance at 31 December 2008	276,900	186,443	22,767	486,110
Amortisation				
Balance at 1 January 2007	83,719	-	-	83,719
Charge for the year	40,487	-	-	40,487
Retirements and disposals	(4,272)	-	-	(4,272)
Balance at 31 December 2007	119,934	-	-	119,934
Charge for the year	49,679	-	-	49,679
Retirements and disposals	(681)	-	-	(681)
Balance at 31 December 2008	168,932	-	-	168,932
Net book value at 31 December 2008	**107,968**	**186,443**	**22,767**	**317,178**
Net book value at 31 December 2007	132,576	69,294	21,355	223,225
Net book value at 1 January 2007	112,379	247,602	24,018	383,999

Software costs include both internally developed and externally purchased assets. The majority of these costs however are represented by internally developed assets.

Emission allowances are not amortised as they are held for settlement in the following year. The emissions allowances included above were received by way of Government grant and are also included in deferred income, as shown in Note 25.

Amortisation of intangible assets is charged to the Income Statement as part of operating costs.

Notes to the Financial Statements
(continued)

10. INTANGIBLE ASSETS (continued)

(b) PARENT	Software Costs €'000	Emission Allowances €'000	Software under development €'000	Total €'000
Cost				
Balance at 1 January 2007	192,888	224,029	19,921	436,838
Software additions	22,421	-	31,113	53,534
Allocation of emission allowances	-	71,978	-	71,978
Purchase of emissions	-	966	-	966
Impairment of emissions	-	(5,125)	-	(5,125)
Settlement of emission allowances	-	(228,027)	-	(228,027)
Transfers out of software under development	31,369	-	(33,238)	(1,869)
Balance at 31 December 2007	246,678	63,821	17,796	328,295
Software additions	3,828	-	13,872	17,700
Allocation of emission allowances	-	165,863	-	165,863
Purchase of emissions	-	870	-	870
Software disposals	(614)	-	-	(614)
Settlement of emission allowances	-	(63,363)	-	(63,363)
Transfers out of software under development	11,768	-	(12,460)	(692)
Balance at 31 December 2008	261,660	167,191	19,208	448,059
Amortisation				
Balance at 1 January 2007	83,069	-	-	83,069
Charge for the year	39,082	-	-	39,082
Balance at 31 December 2007	122,151	-	-	122,151
Charge for the year	46,623	-	-	46,623
Retirements & disposals	(533)	-	-	(533)
Balance at 31 December 2008	168,241	-	-	168,241
Net book value at 31 December 2008	**93,419**	**167,191**	**19,208**	**279,818**
Net book value at 31 December 2007	124,527	63,821	17,796	206,144
Net book value at 1 January 2007	109,819	224,029	19,921	353,769

Software costs include both internally developed and externally purchased assets. The majority of these costs however are represented by internally developed assets.

Emission allowances are not amortised as they are held for settlement in the following year. The emissions allowances included above were received by way of Government grant and are also included in deferred income, as shown in Note 25.

Amortisation of intangible assets is charged to the Income Statement as part of operating costs.

Transfers out of software under development includes €0.7 million (2007 €1.9 million) transferred from ESB Parent to ESB subsidiary undertakings.

Notes to the Financial Statements
(continued)

11. INVESTMENT PROPERTY

GROUP & PARENT	2008 Total €'000	2007 Total €'000
Cost		
Balance at 1 January	-	408
Transferred to property, plant and equipment	-	(408)
Balance at 31 December	-	-
Depreciation		
Balance at 1 January	-	148
Transferred to property, plant and equipment	-	(148)
Balance at 31 December	-	-
Closing net book value	-	-
Opening net book value	-	260

The investment property held at 1 January 2007 was transferred to property, plant and equipment during 2007 having come back into use.

Notes to the Financial Statements
(continued)

12. FINANCIAL ASSET INVESTMENTS

(a) GROUP	Joint venture investments €'000	Available for sale financial assets €'000	Other investments €'000	Total €'000
Balance at 1 January 2007	30,418	-	11,164	41,582
Share of profit	47,050	-	-	47,050
Fair value movement on cash flow hedges	4,452	-	-	4,452
Dividends received	(5,556)	-	-	(5,556)
Translation differences	(4,622)	-	92	(4,530)
Repayments	-		(8,483)	(8,483)
Balance at 1 January 2008	71,742	-	2,773	74,515
Additions	-	6,913	-	6,913
Share of profit	62,903	-	-	62,903
Fair value movement on cash flow hedges	7,814	-	-	7,814
Dividends received	(15,925)	-	-	(15,925)
Translation differences	(9,416)	-	-	(9,416)
Repayments	-	-	(2,656)	(2,656)
Balance at 31 December 2008	**117,118**	**6,913**	**117**	**124,148**

Joint venture investments
The fair value movement on cash flow hedges relates to the interest rate swaps and Contracts for Differences associated with Bizkaia Energia S.L., Synergen Power Limited and Marchwood Power Limited.

Dividends received from joint ventures relate to Synergen Power Limited €13.5 million (2007: €2.8 million) and Corby Power Limited €2.4 million (2007: €2.7 million).

Translation differences for 2008 relate to Corby Power Limited, €8.7 million (2007 €4.2 million) and Marchwood Power Limited, €0.7 million (2007 €0.1 million).

Interests in joint ventures
The following companies have been included in the ESB Group accounts as joint ventures using equity accounting:

Name of the company	Country	Holding 31 December 2008 % of share capital owned	Holding 31 December 2007 % of share capital owned
Synergen Power Limited	Ireland	**70%**	70%
Bizkaia Energia S.L.	Spain	**50%**	50%
Corby Power Limited	United Kingdom	**50%**	50%
Marchwood Power Limited	United Kingdom	**50%**	50%
Garvagh Glebe Limited (incorporated June 2008)	Ireland	**50%**	-

Notes to the Financial Statements
(continued)

12. FINANCIAL ASSET INVESTMENTS (continued)

	2008	2007
	€'000	€'000
Non current assets	**530,893**	396,039
Current assets	**163,442**	108,077
Derivatives	**26,105**	1,317
Total assets	**720,440**	505,433
Equity	**124,622**	85,183
Cashflow hedging reserve	**5,414**	(642)
Total equity	**130,036**	84,541
Non current liabilities	**328,478**	256,551
Current liabilities	**243,012**	163,295
Derivative liabilities	**18,914**	1,046
Total liabilities	**590,404**	420,892
Total equity and liabilities	**720,440**	505,433
Income	**266,521**	274,493
Expenses	**(178,001)**	(214,849)
Operating profit	**88,520**	59,644
Profit after interest and tax	**62,903**	47,050

The share of total equity of €130.0 million above reflects the individual Balance Sheets of the joint venture investments. The value of the joint venture investments on the Balance Sheet is €117.1 million. The difference is attributable to the receipt by ESB of a construction bonus for the completion of the power plant owned by Bizkaia Energia S.L., which has been netted against the joint venture investments to the extent of the Group's interest in the joint venture and the receipt of a contingency payment from Bizkaia Energia S.L. to ESBI Contracting Limited which has also reduced the value of the joint venture investments to the extent of the Group's interest in the joint venture investments.

Available for sale financial assets
Available for sale financial assets in the Group at 31 December 2008 relate to an investment in a wave power technology company (€4.6 million) and a stake in a clean energy investment fund (€2.4 million). The investment in the clean energy investment fund represents the valuation of the investment already made. At 31 December 2008 the Group could be called upon by its partners in the fund to make a further €12.2 million investment in the fund. This further investment is included within Capital Commitments in Note 28 of these financial statements. Given the timing of purchase of these investments towards the end of 2008, the fair value of these investments has been deemed to equal the carrying value.

Other investments
The other investment balance at 31 December 2007 related primarily to a loan of €2.7 million provided by ESBII BV to Bizkaia Energia S.L. which was repaid during 2008. Subsidiary, associated and joint venture undertakings are listed in Note 34.

(b) PARENT	Subsidiary Undertakings		
	Shares	**Loans**	**Total**
	€'000	**€'000**	**€'000**
Balance at 1 January 2007	68,755	29,483	98,238
Additions	2,627	-	2,627
Repayments	-	(27,883)	(27,883)
Other	1,600	(1,600)	-
Balance at 31 December 2007	72,982	-	72,982
Repayments	(150)	-	(150)
Balance at 31 December 2008	**72,832**	**-**	**72,832**

Notes to the Financial Statements
(continued)

13. INVENTORIES

	GROUP		PARENT	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Materials	**28,826**	30,004	**28,803**	30,004
Fuel	**115,901**	130,718	**112,526**	129,632
	144,727	160,722	**141,329**	159,636

Inventories consumed during the year ended 31 December 2008 total €272.7 million (2007: €223.2 million). The value of inventory impairments recognised during the year (Group and Parent) amounted to €4.0 million (2007: €1.0 million).

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

14. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Trade receivables	**269,002**	233,217	**220,924**	207,042
Unbilled consumption	**370,888**	303,125	**320,415**	252,526
Amounts owed by subsidiary undertakings	**-**	-	**848,415**	416,382
Amounts owed by joint venture undertakings	**38,219**	16,450	**-**	-
Other receivables	**97,295**	77,694	**58,484**	46,974
	775,404	630,486	**1,448,238**	922,924

Further analysis of these receivables can be found in note 20, section (c).

15. INVESTMENTS

GROUP & PARENT		
	2008	2007
	€'000	€'000
Listed investments at cost	**79**	79

Investments represent the repurchase of ESB loan stock, pending cancellation. The fair value of these investments is approximately equal to the carrying value on the Balance Sheet.

16. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**83,210**	53,318	**62,284**	4,260

Notes to the Financial Statements
(continued)

17. ASSETS FOR SALE & LIABILITIES ASSOCIATED WITH ASSETS FOR SALE

	GROUP		PARENT	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Property, plant & equipment	**31,637**	31,373	**700**	31,373
Emission allowances	**31,250**	-	**-**	-
Inventories	**23,511**	-	**-**	-
Total assets for sale	**86,398**	31,373	**700**	31,373
Emission provision	**(23,103)**	-	**-**	-
Total liabilities associated with assets for sale	**(23,103)**	-	**-**	-
Total	**63,295**	31,373	**700**	31,373

Assets held for sale mainly comprise power generation assets at Tarbert, Co. Kerry, Great Island, Co. Wexford, Tawnaghmore, Co. Mayo, and Rhode, Co. Offaly as well as sites at Shannonbridge, Co Offaly and Lanesboro, Co. Longford, together with associated trading and inventory balances and emission allowances. These assets had a carrying value at 31 December 2008 of €85.7 million and were sold in January 2009.

The remaining assets held for resale comprised ESB Networks assets held for sale. Liabilities associated with assets held for sale comprise emission provisions attributable with the power stations held for sale. During the year assets classified as held for sale were sold by the Parent to another Group company. The profit on disposal recognised by the Parent in 2008 was in line with the profit on disposal recognised by the Group in 2009 on the final sale of these assets from the Group. See Note 32 for more information. The assets held for sale at 31 December 2007 related to the two sites at Shannonbridge and Lanesboro, together with ESB Networks assets held for sale.

Notes to the Financial Statements
(continued)

18. CAPITAL & RESERVES

(a) GROUP

Reconciliation of movement in capital and reserves

	Capital Stock	Translation Reserve	Cash Flow Hedging & Other Reserves	Retained Earnings	Total	Minority interest	Total Equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2007	1,979,882	5,025	(48,235)	798,187	2,734,859	729	2,735,588
Income for the year	-	-	-	431,816	431,816	(84)	431,732
Dividends	-	-	-	(66,722)	(66,722)	-	(66,722)
Other changes	-	(4,953)	-	-	(4,953)	-	(4,953)
Cash flow hedges:							
- Net fair value gains	-	-	210,600	-	210,600	-	210,600
- Transfers to income statement							
- Interest	-	-	7,096	-	7,096	-	7,096
- Other Operating Expenses	-	-	83,709	-	83,709	-	83,709
- Fair value gains for hedges in joint ventures	-	-	6,846	-	6,846	-	6,846
- Transfers to Income Statement for joint ventures	-	-	421	-	421	-	421
Tax on items taken directly to / transferred from equity	-	-	(36,678)	-	(36,678)	-	(36,678)
Tax on items taken directly to / transferred from equity for joint ventures	-	-	(2,009)	-	(2,009)	-	(2,009)
Balance at 31 December 2007	1,979,882	72	221,750	1,163,281	3,364,985	645	3,365,630
Balance at 1 January 2008	1,979,882	72	221,750	1,163,281	3,364,985	645	3,365,630
Income for the year	-	-	-	273,019	273,019	279	273,298
Dividends	-	-	-	(129,486)	(129,486)	-	(129,486)
Other changes	-	(18,883)	-	-	(18,883)	-	(18,883)
Cash flow hedges							
- Net fair value (losses)/gains	-	-	(63,310)	-	(63,310)	2,927	(60,383)
- Transfers to Income Statement							
- Interest	-	-	(28,253)	-	(28,253)	-	(28,253)
- Other Operating Expenses	-	-	(27,737)	-	(27,737)	-	(27,737)
- Fair value gains for hedges in joint ventures	-	-	9,861	-	9,861	-	9,861
Transfers to Income Statement for joint ventures	-	-	(1,598)	-	(1,598)	-	(1,598)
Tax on items taken directly to / transferred from equity	-	-	9,214	-	9,214	(366)	8,848
Tax on items taken directly to / transferred from equity for joint ventures	-	-	(2,047)	-	(2,047)	-	(2,047)
Balance at 31 December 2008	**1,979,882**	**(18,811)**	**117,880**	**1,306,814**	**3,385,765**	**3,485**	**3,389,250**

Notes to the Financial Statements
(continued)

18. CAPITAL & RESERVES (continued)

(b) PARENT

Reconciliation of movement in capital and reserves

	Capital Stock	Cash Flow Hedging Reserve	Retained Earnings	Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2007	1,979,882	(48,801)	803,420	2,734,501
Income for the year	-	-	383,578	383,578
Dividends	-	-	(66,722)	(66,722)
Cash flow hedges:				
Net fair value gains	-	250,910	-	250,910
Transfers to income statement				
- Interest	-	7,096	-	7,096
- Other Operating Expenses	-	83,709	-	83,709
Tax on items taken directly to equity	-	(42,285)	-	(42,285)
Balance at 31 December 2007	1,979,882	250,629	1,120,276	3,350,787
Balance at 1 January 2008	1,979,882	250,629	1,120,276	3,350,787
Income for the year	-	-	418,055	418,055
Dividends	-	-	(129,486)	(129,486)
Cash flow hedges:				
Net fair value losses	-	(54,124)	-	(54,124)
Transfers to income statement				
- Interest	-	(28,253)	-	(28,253)
- Other Operating Expenses	-	(24,684)	-	(24,684)
Tax on items taken directly to equity	-	15,063	-	15,063
Balance at 31 December 2008	**1,979,882**	**158,631**	**1,408,845**	**3,547,358**

Notes to the Financial Statements
(continued)

18. CAPITAL & RESERVES (continued)

(c)

(i) Capital stock

There are 1,979,881,855 units of capital stock in issue at a value of €1 each.

	2008 €'000
Comprised as:	
Stock issued from converted reserves	**1,880,888**
Stock issued for subscription by ESOT	**98,994**
	1,979,882

In accordance with the Electricity (Supply) (Amendment) Act 2001, on 30 December 2001, the capital and reserves of ESB were converted to capital stock and issued to the Department of Finance. At the same time, ESB ESOP Trustee Limited, established to act as Trustee for an ESB employee shareholding scheme, subscribed for 5% of the stock. The principal rights attaching to each unit of capital stock include the rights to exercise a vote at annual meetings, entitlements to dividends from profits when declared and the rights to proportionate participation in a surplus on winding up.

The Energy (Miscellaneous Provisions) Act 2006 amended Section 2 of the 2001 Act to provide that 10% of issued capital stock in ESB now stands vested in the Minister for Communications, Energy and Natural Resources, with the Minister for Finance retaining 85% of ESB's capital stock and the ESOP retaining 5% of the stock.

(ii) Minority interests - Group

Minority interests at the 31 December 2008 relate to the minority shareholdings in Crockahenny Wind Farm Limited, Mountain Lodge Power Limited and Bridestones Development Limited.

(iii) Cash flow hedging & other reserves - Group & Parent

Cash flow hedging reserves primarily represent the gain or loss of derivatives which are part of effective cashflow hedging relationships at year end. As the derivatives are held for hedging purposes as defined by IAS 39, their fair value movements are retained in equity instead of being released to retained earnings at year end.

Other reserves consist of €5 million which was created on the sale of Ocean in 2001. This reserve is non-distributable.

(iv) Dividends - Group & Parent

	2008 €'000	2007 €'000
Dividends on capital stock:		
Total dividend paid 6.54 (2007: 3.37) cents per capital stock unit	**129,486**	66,722

The Board Members are recommending that a final dividend of 4.14 cent per unit of capital stock, amounting to €82.0 million in aggregate, be paid in 2009, in respect of 2008.

Notes to the Financial Statements
(continued)

19. BORROWINGS AND OTHER DEBT

(a) GROUP	Finance Leases €'000	Recourse Borrowings €'000	Non Recourse Borrowings €'000	2008 Total €'000	2007 Total €'000
Current borrowings					
- Repayable by instalments	7,386	83,450	4,794	**95,630**	48,993
- Repayable other than by instalments	-	146,694	-	**146,694**	93,353
Total current borrowings	7,386	230,144	4,794	**242,324**	142,346
- Repayable by instalments					
Between one and two years	8,140	27,292	5,077	**40,509**	98,648
Between two and five years	78,050	96,513	14,930	**189,493**	139,821
After five years	-	364,915	7,709	**372,624**	295,686
	86,190	488,720	27,716	**602,626**	534,155
- Repayable other than by instalments					
Between one and two years	-	35,209	-	**35,209**	-
Between two and five years	11,220	808,527	-	**819,747**	499,733
After five years	-	471,166	-	**471,166**	673,627
	11,220	1,314,902	-	**1,326,122**	1,173,360
Total non-current borrowings	97,410	1,803,622	27,716	**1,928,748**	1,707,515
Total borrowings outstanding	**104,796**	**2,033,766**	**32,510**	**2,171,072**	1,849,861

See Note 20 for details of applicable interest rates.

Current borrowings
Finance leases of €7.4 million refer to the capital element of finance leases payable in the next 12 months. The recourse borrowings of €230.1 million includes long term debt repayable within the next 12 months of €83.5 million (2007: €34.8 million), short term debt of €37.5 million (2007: €45 million), together with an amount payable to a joint venture undertaking (Synergen Power Limited) of €109.2 million (2007: €48.3 million). The amount due to Synergen Power Limited is repayable on demand. Interest on borrowings from Synergen Power Limited amounting to €3.3 million (2007: €1.7 million) was paid by the Group during the year and is included within the interest payable on borrowings charge to the Income Statement. The non-recourse borrowings of €4.8 million relate to long term project finance debt repayable within the next 12 months.

The increase in the amount due to Synergen Power Limited is the primary reason for the increase in current borrowings repayable other than by instalments during the year. The increase in current borrowings repayable by instalments is largely attributable to a loan repayable in 2009 moving from repayable by instalments between one and two years into current borrowings.

Non-current borrowings
Non-current borrowings include ESB Stock of €10.3 million, the capital element of finance leases payable after one year of €97.4 million, private placement borrowings of €739.9 million, other long term bank borrowings of €1,053.4 million and €27.7 million of non-recourse long term project finance debt.

The private placement debt was drawn down in December 2003. This debt consists of senior notes with institutional investors. These notes were issued in US Dollars and Sterling and comprised US$49 million, US$325 million, US$256.5 million, US$96.5 million and US$273.5 million in 7, 10, 12, 15 and 20 year maturities respectively and also Stg£10 million in both the 15 and 20 year maturities.

A significant portion of the private placement debt is due for repayment in 2013 and has therefore moved from repayable after five years to being repayable between two and three years in the analysis above.

Other long term bank borrowings include (a) a revolving credit facility has been drawn down to the value of €575 million - this is floating rate euro debt and is not to be fully repaid before 2012, and the facility does not mature until May 2012; and (b) €478.4 million of fixed rate debt has been drawn down from another lender. €120.2 million of this is Sterling debt at a fixed interest rate, while the remainder is Euro fixed interest debt.

The private placement debt and certain other facilities have conditions which require ESB to maintain certain interest cover and asset covenants.

Notes to the Financial Statements
(continued)

19. BORROWINGS AND OTHER DEBT (continued)

Included in borrowings above is a Sterling denominated bank loan, which has been designated as a hedge of the Group's investment in a sterling denominated subsidiary in the United Kingdom. The carrying amount of the loan at December 2008 was €120.2 million (2007: €169.2 million). A gain of €35.9 million (2007: €15.3 million) arose during the year on the translation of the loan to the euro. Separately, recognised in the translation reserve is an offsetting loss of €28.4 million on the translation of a Euro denominated intragroup loan in the same Sterling denominated subsidiary entity, which has also been designated as part of the Group's investment in the subsidiary, and has accordingly been recognised directly in equity.

Borrowings of €Nil (2007: €5.8 million) are State guaranteed. With the exception of borrowings relating to finance leases and the non-recourse project finance debt relating to Gort Windfarms Limited, which are secured against specific assets, none of the borrowings are secured against the Group assets.

The Group has entered into a lease arrangement in connection with certain assets included within Property, Plant and Equipment. Payment obligations on both sides of this arrangement were fulfilled immediately, such that the Group has no future net payment obligations under the terms of the arrangement and continues to have unrestricted use of the assets concerned. Accordingly, the asset continues to be recognised in the Financial Statements and there is no corresponding lease obligation.

Future finance lease commitments are as follows:

	2008 Minimum Lease Payments	**2008 Present value of Minimum Lease Payments**	2007 Minimum Lease Payments	2007 Present value of Minimum Lease Payments
	€'000	**€'000**	€'000	€'000
Amounts payable:				
Within one year	13,124	7,386	20,290	9,785
Between one and five years	114,996	97,410	69,096	49,068
After five years	-	-	59,024	55,728
	128,120	104,796	148,410	114,581
Less future lease charges	(23,324)		(33,829)	
Present value of lease obligations	104,796		114,581	

	Finance Leases	**Recourse Borrowings**	**2008 Total**	2007 Total
	€'000	**€'000**	**€'000**	€'000
(b) PARENT				
Current borrowings				
- Repayable by instalments	7,386	83,450	**90,836**	44,561
- Repayable other than by instalments	-	146,694	**146,694**	93,353
Total current borrowings	7,386	230,144	**237,530**	137,914
Non-current borrowings				
- Repayable by instalments				
Between one and two years	8,140	27,292	**35,432**	93,828
Between two and five years	78,050	96,513	**174,563**	123,457
After five years	-	364,915	**364,915**	284,372
	86,190	488,720	**574,910**	501,657
- Repayable other than by instalments				
Between one and two years	-	35,209	**35,209**	-
Between two and five years	11,220	808,527	**819,747**	499,733
After five years	-	471,166	**471,166**	673,627
	11,220	1,314,902	**1,326,122**	1,173,360
Total non-current borrowings	97,410	1,803,622	**1,901,032**	1,675,017
Total borrowings outstanding	**104,796**	**2,033,766**	**2,138,562**	1,812,931

See Note 19 (a) for details of borrowings and other debt in the Parent company.

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Overview of Financial Risk Management

The main financial risks faced by the Group relate to foreign exchange, interest rate, operational risk and commodity (electricity and fuel) price movements. Policies to protect the Group from these risks, and other risk areas, such as liquidity risk and credit risk, are regularly reviewed, revised and approved by the Board as appropriate. Group Treasury is responsible for the day to day treasury activities of the Group. The Board Finance Committee is updated on an ongoing basis on key treasury matters and an annual report covering the treasury activity is also submitted to the Committee for review. Commodity price risk is managed by the relevant business unit (Power Generation, Customer Supply and ESBI) in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit.

The advent of the Single Electricity Market (SEM) from 1 November 2007, changed the nature of the risks posed by electricity and fuel price movements. The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units. Group Trading Risk Management provides regular reporting to the Board.

ESB funds its operations using a combination of borrowings and finance leases, uses deposit instruments to invest surplus funds and uses interest rate and foreign currency instruments to manage interest rate and currency risks that arise from its operational and financial activity. All transactions in financial instruments are non-speculative. Hedge accounting pursuant to IAS 39 is used both for hedges of foreign currency liabilities and interest rate risks from non current liabilities and also covers commodity and foreign exchange hedges arising from electricity trading through the SEM pool.

Financial instruments are derecognised on settlement or sale.

Risk Reporting Structure

Through the Chief Executive, the Board has delegated to the Group Trading Committee (GTC) the broader responsibility of managing ESB's trading risk in a manner consistent with the Group's risk tolerances and business strategies. The GTC have established risk limits to manage and limit trading risk exposure at Group and business unit level. These limits are documented for each of the ESB businesses engaged in wholesale trading activities (Power Generation, Customer Supply and ESBI). Furthermore the Group Trading Risk Management Policy document is applicable to each of these businesses.

Within each of these business units, a Trading Risk Management Committee has been established to serve as the primary overseer of trading risk at individual ring fenced entity level. This committee includes the head of the front office function, the Trading Risk (Middle Office) Manager, a representative from Group Trading Risk Management, and the Business Unit Financial Controller. The Trading Risk Management Committees are responsible for formulating trading risk strategy in accordance with Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management, and reviewing collateral held for adequacy.

The Trading Risk Management Committees reports to the GTC. The Middle Office function in each business unit maintains a separate reporting line to the Group Trading Risk Management function, which is responsible for ensuring that the Group's net exposure to movements in commodity or other price movements is adequately managed in accordance with Group Trading Risk Management Policy. The GTC reports regularly to the Chief Executive and Finance Director, and, separately, to the Board and its sub committees. The trading operations of the business units are subject to review by Internal Audit.

For further information on the Group's Risk Management policy and objectives see the Risk Management Report on pages 58 to 59.

(b) Funding and Liquidity Management

The Group's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. Structured non-recourse and limited recourse financing is used where appropriate, taking into account the compatibility between funding costs and risk mitigation. All borrowing facilities are in compliance with the Electricity Acts and relevant regulatory requirements including Statutory Instrument No. 445 of 2000. ESB is well positioned from a funding and liquidity perspective given the current turbulence in credit markets, and the deteriorating economic climate. With over €600 million available in committed bank facilities, as well as a number of uncommitted facilities available, ESB has in place adequate borrowing facilities in order to ensure that liquidity demands can be met as required.

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial assets and liabilities at 31 December 2008 can be analysed as follows:

Group	Available for sale financial assets	Assets held at amortised cost	Derivative financial instruments	Loans and borrowings	Total
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Intangible assets	-	317,178	-	-	317,178
Investments in joint ventures	-	117,118	-	-	117,118
Financial asset investments	6,913	117	-	-	7,030
Derivative financial instruments	-	-	90,453	-	90,453
Total non-current financial assets	**6,913**	**434,413**	**90,453**	**-**	**531,779**
Current assets					
Trade and other receivables	-	775,404	-	-	775,404
Investments	-	79	-	-	79
Cash and cash equivalents	-	-	-	83,210	83,210
Derivative financial instruments	-	-	187,187	-	187,187
Total current financial assets	**-**	**775,483**	**187,187**	**83,210**	**1,045,880**
Total financial assets	**6,913**	**1,209,896**	**277,640**	**83,210**	**1,577,659**
LIABILITIES					
Non-current liabilities					
Borrowings and other debt	-	-	-	1,928,748	1,928,748
Trade and other payables	-	14,242	-	-	14,242
Derivative financial instruments	-	-	60,657	-	60,657
Total non-current financial liabilities	**-**	**14,242**	**60,657**	**1,928,748**	**2,003,647**
Current liabilities					
Borrowings and other debt	-	-	-	242,324	242,324
Trade and other payables	-	618,725	-	-	618,725
Derivative financial instruments	-	-	252,567	-	252,567
Total current financial liabilities	**-**	**618,725**	**252,567**	**242,324**	**1,113,616**
Total financial liabilities	**-**	**632,967**	**313,224**	**2,171,072**	**3,117,263**

The maturity profile of the carrying amount of the Group's borrowings, and the expiry of material undrawn committed bank borrowing facilities are as follows:

	2008		2007	
	Drawn Debt	**Undrawn Facility**	Drawn Debt	Undrawn Facility
Maturing	**€ m**	**€ m**	€ m	€ m
In one year or less	**242.3**	-	142.3	-
Between one and two years	**75.7**	-	98.6	-
Between two and five years	**1,009.3**	**432.8**	639.6	354.3
In more than five years	**843.8**	**175.0**	969.4	200.0
	2,171.1	**607.8**	1,849.9	554.3

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Funding and Liquidity Management (continued)

The following are the contractual maturities of financial liabilities, including the interest payments:

	Carrying Amount	Contractual cash outflows/ (inflows) - net	Within 1 year	1- 2 years	2 - 5 years	More than 5 years
	€'000	€'000	€'000	€'000	€'000	€'000
31 December 2008						
Finance Leases	104,796	128,120	13,124	13,469	101,527	-
Recourse Borrowings	2,033,766	2,647,902	300,136	126,841	1,090,518	1,130,407
Non Recourse Borrowings	32,510	40,513	6,675	6,706	17,908	9,224
Total Borrowings	2,171,072	2,816,535	319,935	147,016	1,209,953	1,139,631
Trade and Other Payables (excluding tax balances)	581,692	581,692	567,450	2,658	7,350	4,234
Currency Swaps	58,029	173,957	5,209	11,090	54,023	103,635
Interest Rate Swaps	343	614	149	126	225	114
Contracts for Differences (SEM electricity trading)	77,211	78,632	78,632	-	-	-
Forward Electricity Price Contracts	35,745	35,745	35,528	217	-	-
Foreign Exchange Contracts	8,395	8,518	8,518	-	-	-
Forward Fuel Price Contracts	133,500	135,957	135,957	-	-	-
Total Liabilities	3,065,987	3,831,650	1,151,378	161,107	1,271,551	1,247,614
Contracts for Differences (SEM electricity trading)	(137,828)	(139,537)	(139,537)	-	-	-
Forward electricity price contracts	(139,481)	(160,783)	(36,502)	(7,325)	(19,157)	(97,799)
Foreign Exchange Contracts	(331)	(331)	(331)	-	-	-
Total Assets	(277,640)	(300,651)	(176,370)	(7,325)	(19,157)	(97,799)
	2,788,347	**3,530,999**	**975,008**	**153,782**	**1,252,394**	**1,149,815**
31 December 2007						
Finance Leases	114,581	148,410	20,290	13,124	55,972	59,024
Recourse Borrowings	1,698,350	2,205,498	189,469	143,969	734,041	1,138,019
Non Recourse Borrowings	36,930	43,125	5,727	5,919	18,599	12,880
Total Borrowings	1,849,861	2,397,033	215,486	163,012	808,612	1,209,923
Trade and Other Payables (excluding tax balances)	647,307	647,307	629,993	2,658	9,007	5,649
Currency Swaps	152,622	228,471	7,270	6,949	28,271	185,981
Contracts for Differences (SEM electricity trading)	23,566	23,838	23,223	615	-	-
Foreign Exchange Contracts	2,516	2,575	2,575	-	-	-
Forward Fuel Price Contracts	19,098	19,098	19,098	-	-	-
Forward Electricity Price Contracts	13,846	13,846	4,420	1,622	2,586	5,218
Total Liabilities	2,708,816	3,332,168	902,065	174,856	848,476	1,406,771
Interest Rate Swaps	(946)	(1,158)	(262)	(218)	(442)	(236)
Contracts for Differences (SEM electricity trading)	(13,316)	(13,316)	(13,316)	-	-	-
Foreign Exchange Contracts	(728)	(227)	(192)	(35)	-	-
Forward Fuel Price Contracts	(35,631)	(35,631)	(35,631)	-	-	-
Forward Electricity Price Contracts	(236,140)	(338,878)	(44,341)	(37,009)	(87,255)	(170,273)
Total Assets	(286,761)	(389,210)	(93,742)	(37,262)	(87,697)	(170,509)
	2,422,055	**2,942,958**	**808,323**	**137,594**	**760,779**	**1,236,262**

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Financial Assets

	2008		2007	
	Group €'000	**Parent €'000**	Group €'000	Parent €'000
Investments in joint ventures	117,118	-	71,742	-
Financial asset investments	7,030	72,832	2,773	72,982
Listed investments at cost	79	79	79	79
Derivative financial instruments	277,640	249,069	286,761	309,883
Trade and other receivables	775,404	1,448,238	630,486	902,054
Cash and cash equivalents	83,210	62,284	53,318	25,130
	1,260,481	**1,832,502**	1,045,159	1,310,128

Investments in joint ventures and financial asset investments

These investments are detailed in note 12 and relate primarily to joint venture investments in Ireland, the UK, and Spain. No significant credit risk is perceived to arise from these investments.

Treasury Related Credit Risk

Credit risk is managed on a portfolio basis. The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts with in the financial markets. The Group's policy is to limit its exposure to each financial institution based on accepted credit ratings.

Trading in derivatives is performed to mitigate financial risks and is executed in compliance with the Specification and Requirements of the Minister for Finance issued under the aegis of the "Financial Transactions of Certain Companies and Other Bodies Act 1992". The Specification and Requirements outline the type of derivatives which ESB can transact and the associated requirements which ESB must satisfy regarding each derivative counterparty. Dealing activities are controlled by putting in place robust dealing mandates with counterparties. The Group does not hold or trade derivative instruments for speculative purposes. Exposures, related limits and compliance with the Minister's Specification and Requirements are subject to ongoing review and monitoring. The Group has not experienced any losses due to failure of such counterparties to deliver on their obligations.

Total collateral held at year end was €326 million (2007: €275 million). Collateral, in the form of bonds and guarantees, is required by ESB business units from various parties (predominantly contractors), specifically in the form of Letters of Credit from power Contract for Differences (CfD) counterparties. The Group Trading Risk Management function monitors and reports risk exposures on an ongoing basis. The scope of measures used to monitor and assess counterparty risk has been further broadened during 2008 in view of current economic conditions.

Commodity Price Credit Risk

The Group also has credit risk associated with commodity positions. These arise from Contracts for Differences that are entered into to hedge energy and fuel price risks and are managed in accordance with the Specification and Requirements set out above. The Group establishes counterparty credit risk limits to restrict uncollateralised exposure. Net exposures, collateral requirements and compliance are monitored on an ongoing basis. Given the current economic environment, the Group is particularly cognisant of any changes in the creditworthiness of counterparties, and where such a change occurs all appropriate steps are taken to further secure the Group's position.

Wholesale and Retail Credit Risk

Trade and Other Receivables can be divided into final retail electricity customers (billed and unbilled), SEM Pool related receivables, Use of System Receivables, and other (non-electricity) receivables.

	2008		2007	
	Group €'000	**Parent €'000**	Group €'000	Parent €'000
Retail electricity receivables - billed	142,852	130,841	125,384	115,108
Retail electricity receivables - unbilled	342,088	291,489	276,657	226,058
Total retail electricity receivables	484,940	422,330	402,041	341,166
SEM pool related receivables	82,291	64,841	66,508	61,611
Use of System receivables	54,168	54,168	55,847	55,847
Total electricity receivables	621,399	541,339	524,396	458,624
Trade receivables - non electricity	18,491	-	11,946	944
Other receivables (including joint ventures - see Note 14)	135,514	58,484	94,144	46,974
Amounts due from related undertakings	-	848,415	-	395,512
	775,404	**1,448,238**	630,486	902,054

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The maximum credit exposure of the Group at 31 December is set out below:

Group	2008			2007		
	Gross Amount Receivable	**Impairment**	**Net Amount Receivable**	Gross Amount Receivable	Impairment	Net Amount Receivable
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Not past due	637,323	-	637,323	507,455	-	507,455
Past due < 30 days	57,441	699	56,742	54,082	606	53,476
Past due 30 - 120 days	56,800	3,011	53,789	52,635	3,887	48,748
Past due > 120 days	21,692	6,665	15,027	19,848	6,639	13,209
Past due by more than one year	25,661	13,138	12,523	21,137	13,539	7,598
Total	**798,917**	**23,513**	**775,404**	655,157	24,671	630,486

Parent	2008			2007		
	Gross Amount Receivable	**Impairment**	**Net Amount Receivable**	Gross Amount Receivable	Impairment	Net Amount Receivable
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Not past due	1,333,295	-	1,333,295	808,538	-	808,538
Past due < 30 days	42,567	667	41,900	31,419	606	30,813
Past due 30 - 120 days	52,727	2,792	49,935	45,433	2,303	43,130
Past due > 120 days	20,730	6,665	14,065	19,400	6,491	12,909
Past due by more than one year	20,242	11,199	9,043	19,518	12,854	6,664
Total	**1,469,561**	**21,323**	**1,448,238**	924,308	22,254	902,054

Management does not expect any significant losses of receivables that have not been provided for as shown above. The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group	**Parent**
	€'000	**€'000**
Balance at 1 January 2008	24,671	22,254
Impairment loss recognised	13,260	12,913
Utilisation of provision	(14,418)	(13,844)
Balance at 31 December 2008	**23,513**	**21,323**

Wholesale and Retail Credit Risk

The credit risk relating to final electricity retail customers is managed through the ongoing monitoring of debtors days, obtaining appropriate collateral and a collection policy based on the credit worthiness, size and duration of debt. Debt collection policy comprises a combination of internal debt follow up, the use of debt collection agencies and legal follow up including the publication of judgements. The largest single billed retail balance outstanding at 31 December 2008 was €1.2 million (2007: €0.9 million). Unbilled electricity receivables represent estimates of consumption not yet invoiced. Controls around electricity receivables are focused on the full recovery of amounts invoiced. Electricity receivables arise largely in the Republic of Ireland, with 4% relating to Northern Ireland revenue. Deposits are also held as security in respect of new customer accounts - the level of such deposits in place at 31 December 2008 was €14.7 million (2007: €15.4 million).

The impairment provisioning policy is based on the historical experience of debts written off. In 2008, electricity receivables were impaired to the value of €13.8 million. Of this, the single largest customer amount written off during the year was €70,237 relating to a customer who went into liquidation during the year.

Credit risk in relation to SEM Pool related receivables is managed by the Energy Trading and Risk functions (ET&R) within those business units engaged in electricity trading through the SEM Pool. Each of these functions is ring fenced from each other and segregation of responsibilities between the back office, middle office and front office functions is maintained in each case. The Trading Back Office function is responsible for invoicing customers and maintaining all accounts receivable. Payments terms for all trading balances relating to each of the SEM revenue streams are governed by the SEM settlement calendar.

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Use of System income comprises Distribution Use of System (DUoS) income and Transmission Use of System (TUoS) income and arises almost entirely in the Republic of Ireland. DUoS collection procedures are set out in the DUoS Framework Agreements, as approved by the CER, between ESB Networks and the various electricity suppliers. DUoS credit risk is managed through maintenance of the collection procedures set out in these agreements. All suppliers are required to supply a Letter of Credit or to have an approved credit rating, and adequate security cover is in place for all outstanding balances. The largest single balance outstanding at 31 December 2008 is €5.6 million (2007: €5.5 million).

Collection procedures in relation to TUoS are set out in the Infrastructure Agreement between ESB Networks and EirGrid plc. This agreement provides that EirGrid plc shall pay in each year in equal monthly payments, the amount determined by the CER as being due to ESB in respect of ESB Networks' activities as Transmission System owner. In the event of default the matter would be referred to the CER for determination. The amount due in respect of TUoS income at 31 December 2008 was €29.0 million (2007: €25.7 million).

Trade Receivables (non electricity) relate to balances due in respect of the Group's non electricity trading and other operations. It includes amounts due in respect of the Group's telecommunications, contracting, consultancy, facility management and other ancillary operations. Other Receivables include amounts due in respect of the settlement of Contracts for Differences in relation to past transactions and regulatory obligations, together with amounts due from joint venture undertakings (disclosed separately in Note 14). Credit risk with regard to these balances is not considered to be significant. The largest single balance included within this category at 31 December 2008 is an amount of €31.0 million (2007: €14.3 million) due from a joint venture undertaking.

(d) Foreign Currency Risk Management

Foreign currency exposures arise mainly through the purchase of fuel and power, other purchases denominated in foreign currencies, borrowings in foreign currencies (including the private placement as described in Note 19) and investments outside the Eurozone.

Foreign currency forward purchase contracts, cross currency swaps and options, are used to reduce volatility arising from foreign currency exposures. The foreign currency forward purchase contracts in place at 31 December 2008 relate to forecast cash flows expected to occur up to 15 December 2023. There was a negative fair value movement on foreign currency contracts of €14.1 million in 2008 (2007: negative fair value movement of €15.8 million) of which €4.3 million (2007: €0.2 million) was recognised in the Income Statement and €9.8 million (2007: €15.6 million) was recognised directly in Equity. There was no material ineffectiveness recognised in relation to foreign exchange contracts in 2007 or 2008.

As noted above the majority of receivable balances arise in the Republic of Ireland and accordingly, no material foreign currency exposure arises in relation to these.

At year end, ESB's total debt portfolio amounted to €2.17 billion (2007: €1.85 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before Swaps		After Swaps	
	2008	2007	**2008**	2007
	(%)	(%)	**(%)**	(%)
Currency				
Euro	**58%**	51%	**95%**	91%
US Dollar	**35%**	38%	**0%**	0%
Sterling	**7%**	11%	**5%**	9%

As shown above, the majority of the debt portfolio is swapped to euro for both principal and interest, thereby reducing the foreign currency risk exposure in the Group.

In managing its foreign operations the Group is cognisant of borrowing in currencies that match the functional currency of the foreign operation.

A 10% strengthening of the euro against the following currencies at 31 December would have decreased other equity and profit before taxation by the amounts set out below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of the euro against the same currencies would have had a similar but opposite effect, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2007.

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

	31 December 2008		31 December 2007	
	Other Equity Gain / (Loss)	**Profit before taxation Gain / (Loss)**	Other Equity Gain / (Loss)	Profit before taxation Gain / (Loss)
10% Strengthening	**€'000**	**€'000**	€'000	€'000
US Dollar	**(13,831)**	**(112)**	(5,976)	(990)
Sterling	**(22,179)**	**863**	(12,992)	662
10% Weakening				
US Dollar	**16,905**	**137**	7,304	1,210
Sterling	**27,108**	**(1,055)**	15,879	(809)

The following assumptions were made in respect of the sensitivity analysis above:
- changes in the carrying value of derivative financial instruments not in hedging relationships only affect the income statement;
- changes in the carrying value of derivative financial instruments that are cash flow hedges only impact other equity;
- changes in the carrying value of derivative financial instruments designated as net investment hedges arising from movements in the Euro to Pounds Sterling exchange rate are recorded directly in equity, with no ineffectiveness assumed.

(e) Interest Rate Risk Management

The Group's current interest rate policy is to have a minimum of 50% of the debt portfolio at fixed rates of interest. This is achieved either by borrowing directly at fixed interest rates or via interest rate swaps. At 31 December 2008, 61% of the Group's debt was fixed to maturity (2007: 70%). The fair value of interest rate swaps can be seen in paragraph (f).

In respect of income-earning financial assets and financial liabilities, the following table indicates their effective interest rates at the Balance Sheet date taking into account the effect of interest rates swaps and cross currencies swaps:

	Effective interest rate	**Total**	**Within one year**	**1-2 years**	**2-5 years**	**More than five years**
	%	**€m**	**€m**	**€m**	**€m**	**€m**
Cash on deposit (variable interest rate)	2.33%	**83.2**	83.2	-	-	-
Finance leases (fixed interest rate)	5.57%	**104.8**	7.4	8.1	89.3	-
Private Placement Borrowings (fixed interest rate)	5.18%	**867.7**	-	41.1	272.5	554.1
Non Recourse Borrowings (fixed interest rate)	4.16%	**32.5**	4.8	5.1	14.9	7.7
Amounts due to Synergen Power Limited (variable interest rate)	2.50%	**109.2**	109.2	-	-	-
Other Long Term Borrowings (fixed and variable)	4.79%	**1,184.6**	120.9	27.3	671.5	364.9

Included within Other Long Term Borrowings above are floating rate liabilities of €846.5 million (2007: €596.5 million). The principal floating rate facility is due to mature in 2012. Cash on deposit at 31 December 2008 mainly consisted of Euro and Sterling deposits and current accounts, predominantly in Ireland and the UK. Cash placed on deposit was exclusively with institutions with a credit rating of Aa2 or higher as at 31 December 2008.

In managing interest rate risk, the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates will have an impact on consolidated earnings. It is estimated that a general increase of 50 basis points in interest rates at 31 December would have reduced equity and profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant. The analysis is performed on the same basis for 2007.

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

	Profit before taxation		Other Equity	
	50 bp increase Gain/ (Loss) €'000	50 bp decrease Gain/ (Loss) €'000	50 bp increase Gain/ (Loss) €'000	50 bp decrease Gain/ (Loss) €'000
31 December 2008				
Interest rate swaps	(4,260)	4,260	817	(817)
Net sensitivity	**(4,260)**	**4,260**	**817**	**(817)**
31 December 2007				
Interest rate swaps	(2,775)	2,775	6,935	(6,935)
Net sensitivity	(2,775)	2,775	6,935	(6,935)

The following assumptions were made in respect of the sensitivity analysis above:
- the Balance Sheet sensitivity to interest rates relates only to derivative financial instruments, as debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on the income statement;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only; and
- the floating leg of any swap or any floating-rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12 month period for the accrued interest portion of the sensitivity calculations.

(f) Commodity price risk management

The volatility of the fuel prices required for the Group's electricity generating activities has been significant in recent years and the resulting exposures to fuel price movements are managed by the Group on a selective hedging basis. The Group has entered into forward commodity price contracts in relation to the purchase of gas and coal required for electricity generation activities - see paragraph (g) below.

A general increase of 10% in the price of gas and coal at 31 December would (decrease)/increase equity and profit before taxation by the amount set out below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant, and includes the impact on the value of commodity swaps in place. A 10% reduction would have an equal and opposite effect, on the basis that all other variables remained constant.

	2008		2007	
	Other Equity Gain/ (Loss) €'000	Profit before taxation Gain/ (Loss) €'000	Other Equity Gain/ (Loss) €'000	Profit before taxation Gain/ (Loss) €'000
(Loss)/gain due to movement in gas and coal prices	**(2,830)**	**(3,522)**	11,182	4,771

A general increase of 10% in the system marginal price (SMP) of the Single Electricity Market at 31 December would have increased equity and profit before taxation by the amount set out below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant, and includes the impact on the value of commodity swaps in place. A 10% reduction would have an equal and opposite effect, on the basis that all other variables remained constant.

	2008		2007	
	Other Equity Gain/ (Loss) €'000	Profit before taxation Gain/ (Loss) €'000	Other Equity Gain/ (Loss) €'000	Profit before taxation Gain/ (Loss) €'000
Gain due to movement in the SMP	**60,404**	**1,071**	180,174	-

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(g) Fair Value

The fair value of a financial instrument is the amount it could be exchanged for in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. The method used to calculate the fair value of the Group's financial instruments is discounted cash flow analysis, using the zero coupon discount rate and reflecting counterparty credit risk.

This method enables the Group to discount the cashflows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

In the case of interest rate swaps, as the same notional principal is used by the paying and receiving sides, the fair value takes into account the fixed and floating rate margins and the market rate prevailing at year end.

For trade receivables and payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value.

The fair values together with the carrying amounts shown in the Balance Sheet are as follows:

31 December 2008	GROUP			PARENT		
	Nominal Value 2008 €'000	Carrying Value 2008 €'000	Fair Value 2008 €'000	Nominal Value 2008 €'000	Carrying Value 2008 €'000	Fair Value 2008 €'000
Long term debt held to maturity	-	1,831,338	1,830,475	-	1,803,622	1,801,763
Long term finance lease liabilities	-	97,410	98,275	-	97,410	98,275
Short term borrowings (includes finance leases)	-	242,324	242,362	-	237,530	237,429
Sub total borrowings	-	2,171,072	2,171,112	-	2,138,562	2,137,467
Interest rate swaps:						
- LT Liabilities (Cashflow Hedge)	23,007	343	343	-	-	-
Currency swaps:						
- LT Liabilities (Cashflow Hedge)	867,729	58,029	58,029	867,729	58,029	58,029
SEM related derivative financial instruments						
- LT Assets		(90,453)	(90,453)		(110,910)	(110,910)
- ST Assets		(187,187)	(187,187)		(138,159)	(138,159)
- LT Liabilities		2,285	2,285		-	-
- ST Liabilities		252,567	252,567		177,424	177,424
Provisions		796,083	796,083		776,050	776,050
Trade and other payables		632,967	630,449		712,507	710,342
Trade and other receivables		(775,404)	(775,404)		(1,448,238)	(1,448,238)
Cash and cash equivalents		(83,210)	(83,210)		(62,284)	(62,284)
		2,777,092	**2,774,614**		**2,102,981**	**2,099,721**

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

31 December 2007	GROUP			PARENT		
	Nominal Value 2007 €'000	Carrying Value 2007 €'000	Fair Value 2007 €'000	Nominal Value 2007 €'000	Carrying Value 2007 €'000	Fair Value 2007 €'000
Long term debt held to maturity	-	1,602,719	1,634,821	-	1,570,221	1,601,875
Long term finance lease liabilities	-	104,796	111,083	-	104,796	111,083
Short term borrowings (includes finance leases)	-	142,346	146,770	-	137,914	142,294
Sub total borrowings	-	1,849,861	1,892,674	-	1,812,931	1,855,252
Interest rate swaps:						
- LT Assets	26,133	(946)	(946)	-	-	-
Currency swaps:						
- LT Liabilities	867,729	152,622	152,622	867,729	152,622	152,622
SEM related derivative financial instruments						
- LT Assets		(236,140)	(236,140)		(260,435)	(260,435)
- ST Assets		(49,675)	(49,675)		(49,448)	(49,448)
- LT Liabilities		15,121	15,121		-	-
- ST Liabilities		43,905	43,905		43,839	43,839
Provisions		367,658	367,658		361,185	361,185
Trade and other payables		647,307	644,028		671,204	668,203
Trade and other receivables		(630,486)	(630,486)		(902,054)	(902,054)
Cash and cash equivalents		(53,318)	(53,318)		(4,260)	(4,260)
		2,105,909	**2,145,443**		**1,825,584**	**1,864,904**

SEM related derivative financial instruments comprise directed and non-directed Contracts for Differences in connection with the SEM System Marginal Price, forward fuel price contracts and forward electricity price contracts. Where forward fuel price contracts relate to a underlying fuel price denominated in a currency other than euro, they include an associated foreign exchange contract.

When interpreting the positive and negative fair values of derivative financial instruments, it should be noted that they are matched with underlying transactions with offsetting risks. The fair value of derivative financial instruments is determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The fair value of Trade and Other Payables and of Trade and Other Receivables is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date. The nominal value in the table above is applicable only to the derivative financial instruments outstanding at year end. The level of the nominal value enables estimates regarding the use of derivatives in mitigating the risks to which the Group and Parent are exposed to be made.

Notes to the Financial Statements
(continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Fair Value - Discount Rates
The interest rates used to discount future estimated cash flows, where applicable, are based on the EURIBOR yield curve at the reporting date plus an adequate constant credit spread, and were as follows:

	2008	2007
	%	%
Leases	**5.2%**	5.2%
Other Loans and borrowings	**5.6%**	5.3%
Derivative financial instruments	**3.5%**	4.6%
Trade and other payables	**5.3%**	5.2%

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

(i) Interest rate swaps
For interest rate swaps, the fair value takes into account the fixed rate and floating rate margins and market rate prevailing at the year end. As interest rate swaps are marked to market at the year end, their carrying value is equal to their fair value.

Total fair value losses of €1.3 million (2007: gains of €0.4 million) were recognised during the year in relation to interest rate swaps, all of which was recognised directly in Equity. No ineffectiveness relating to interest rate swaps was credited to the Income Statement in 2007 or 2008.

ESB's interest rate swaps are part of effective hedging relationships. The purpose of these hedges is to fix the interest rate payments on the debt over its lifetime.

(ii) Currency swaps
The fair value of currency swaps is affected by movements in foreign exchange and interest rates.

ESB's currency swaps are primarily classified as cash flow hedges and relate mainly to the cross currency swaps entered into in connection with the private placement debt, which is described in note 19. These cross currency swaps were entered into in order to swap US Dollar and Sterling interest and principal repayments on the underlying debt to Euro, thereby hedging the risk on these payments over the periods to maturity from 2010 to 2023.

In addition to foreign currency forward contracts entered into in relation to the Group's borrowings, the Group has entered into foreign currency contracts in relation to pool purchases and fuel purchase requirements. These contracts have maturities extending until October 2009.

Total negative fair value movements of €14.1 million (2007: negative movements of €15.8 million) were recognised during the year in relation to currency swaps, of which €9.8 million (2007: gains of €15.6 million) was recognised directly in equity and €4.3 million (2007: €0.2 million) was recognised in the Income Statement.

(h) Long Term Payables
Long term payables of €14.2 million (2007: €17.3 million) form part of the long term financing of the Group.

(i) Capital Management
The Group considers its capital to comprise Equity, being Capital Stock, Retained Earnings and Cash Flow Hedging and Other Reserves. Movements in Retained Earnings and Cash Flow Hedging and Other Reserves during the year are disclosed in Note 18 of these financial statements. Any changes in the composition of Capital Stock need shareholder approval.

The Group's objective is to maintain strong cash flow generation, interest cover and gearing ratios while funding the growth and capital investment levels targeted in its 2020 strategy.

Notes to the Financial Statements
(continued)

21. DEFERRED TAX ASSETS AND LIABILITIES

GROUP

Deferred tax assets	**2008**	2007
	€'000	€'000
Property plant and equipment and intangible assets	**462**	1,080
Provisions	**19,589**	20,313
Pension	**38,375**	40,703
Tax losses forward	**2,853**	2,473
Derivatives	**10,295**	-
Total	**71,574**	64,569
Deferred tax liabilities		
Property plant and equipment and intangible assets	**323,119**	311,278
Provisions	**354**	352
Retirement benefits	**2,981**	6,093
Capital gains tax	**1,180**	1,180
Derivatives	**30,743**	29,662
Total	**358,377**	348,565
Net deferred tax liability	**286,803**	283,996

The movements in temporary differences were as follows:

	Balance 1 January 2007	**Recognised in income in 2007**	**Recognised in Equity in 2007**	**Deferred Tax balances regarding disposal written off in 2007**	**Balance 31 December 2007**	**Recognised in income in 2008**	**Recognised in Equity in 2008**	**Balance 31 December 2008**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets								
Property, Plant & Equipment and Intangible assets	1,781	(701)	-	-	1,080	(618)	-	462
Pension liability	40,970	(267)	-	-	40,703	(2,328)	-	38,375
Provisions	20,074	239	-	-	20,313	(724)	-	19,589
Tax losses forward	2,427	46	-	-	2,473	380	-	2,853
Derivative financial instruments	6,948	-	(6,948)	-	-	-	10,295	10,295
Total deferred tax assets	72,200	(683)	(6,948)	-	**64,569**	**(3,290)**	**10,295**	**71,574**
Liabilities								
Property, Plant & Equipment & Intangible assets	299,557	12,516	-	(795)	311,278	11,841	-	323,119
Retirement benefits	9,205	(3,112)	-	-	6,093	(3,112)	-	2,981
Provisions	283	69	-	-	352	2	-	354
Capital gains tax	1,180	-	-	-	1,180	-	-	1,180
Derivative financial instruments	-	-	29,662	-	29,662	-	1,081	30,743
Total deferred tax liabilities	310,225	9,473	29,662	(795)	**348,565**	**8,731**	**1,081**	**358,377**
Net deferred tax liability / (asset) for the year	238,025	10,156	36,610	(795)	**283,996**	**12,021**	**(9,214)**	**286,803**

Notes to the Financial Statements
(continued)

21. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The following deferred tax assets have not been recognised in the Balance Sheet as it is not probable that they will be realised for the foreseeable future:

	2008 €'000	2007 € '000
Operating losses	**10,353**	17,563
Capital losses realised	**1,285**	755
Capital losses unrealised	**7,314**	-

There is no expiry date as to when tax losses in the Group can be utilised.

Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas subsidiaries as there is no intention for these reserves to be distributed in the foreseeable future. Nor has deferred tax been provided for in relation to unremitted reserves of the Group's joint ventures as there is no current intention to distribute those reserves. Cumulative unremitted reserves of overseas subsidiaries, joint ventures and associates totalled €138.8 million. In arriving at this amount, retained losses were ignored.

PARENT

Deferred tax assets	2008 €'000	2007 € '000
Pension	**38,375**	40,703
Provisions	**19,678**	19,422
Total	**58,053**	60,125
Deferred tax liabilities		
Property plant and equipment and intangible assets	**319,624**	308,776
Retirement benefits	**2,981**	6,093
Capital gains tax	**1,180**	1,180
Derivatives	**20,270**	35,333
Total	**344,055**	351,382
Net deferred tax liability	**286,002**	291,257

The movement in temporary differences were as follows:

	Balance 1 January 2007 €'000	Recognised in income 2007 €'000	Recognised in Equity in 2007 €'000	Balance 31 December 2007 €'000	Recognised in income 2008 €'000	Recognised in Equity in 2008 €'000	Balance 31 December 2008 €'000
Assets							
Pension	40,970	(267)	-	40,703	(2,328)	-	38,375
Provisions	19,687	(265)	-	19,422	256	-	19,678
Derivatives	7,020	-	(7,020)	-	-	-	-
Total deferred tax assets	67,677	(532)	(7,020)	**60,125**	**(2,072)**	**-**	**58,053**
Liabilities							
Property, Plant & Equipment and Intangible assets	296,987	11,789	-	308,776	10,848	-	319,624
Retirement benefits	9,205	(3,112)	-	6,093	(3,112)	-	2,981
Capital gains tax	1,180	-	-	1,180	-	-	1,180
Derivatives	-	-	35,333	35,333	-	(15,063)	20,270
Total deferred tax liabilities	307,372	8,677	35,333	**351,382**	**7,736**	**(15,063)**	**344,055**
Net deferred tax liability / (asset) for the year	239,695	9,209	42,353	**291,257**	**9,808**	**(15,063)**	**286,002**

Notes to the Financial Statements
(continued)

22. PENSION LIABILITIES

(a) PARENT & GROUP

(i) ESB General Employers' Superannuation Scheme

Pensions for employees in the electricity business are funded through an independent defined benefit scheme called ESB General Employees' Superannuation Scheme. The fund is vested in trustees nominated by ESB and its members for the sole benefit of employees and their dependants.

While the regulations governing the ESB Pension Scheme lay down in considerable detail the benefits that are to be provided they also stipulate the contributions to be paid by both ESB and the contributing members. This does not conform to the normal "balance of cost" defined benefit approach. Moreover, historically the contributions of both ESB and members have been fixed by regulations for long periods. These facts indicate that the ESB Pension Scheme is not typical of the defined benefit approach.

The scheme regulations set out the steps to be taken if either a deficit or surplus emerges. If a deficit is reported, ESB is required to consult with the Superannuation Committee, the scheme Trustees and the scheme Actuary to consider the necessity to amend the scheme. The regulations are silent on the nature of any such amendment. In the case of a surplus, this must be set aside to a reserve fund; and/or used to reduce member and ESB contributions; and/or improve benefits.

Despite the fact that the 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 full liability and pension costs have been included in the financial statements.

(ii) Actuarial Valuation

The funding position of the scheme is assessed in accordance with the advice of independent actuaries, usually obtained at three yearly intervals. An actuarial valuation was completed as at 31 December 2006.

The valuation for the scheme was prepared using the attained age method. The principal actuarial assumption was that, over the long-term, the annual rate of return on investments would be 3% higher than the annual increase in pensionable remuneration and pensions in course of payment. At the date of that actuarial valuation, the market value of the assets of the scheme was €4,841 million and the scheme's actuarial valuation of accrued liabilities based on current earnings was €4,964 million. Hence, the scheme's liabilities exceeded the value of its assets by €123 million.

Given the recent turbulence in international equity and bond markets, and the resulting impact on scheme assets, the Trustees have decided that an actuarial valuation should be carried out at 31 December 2008. This actuarial valuation is currently in progress.

(iii) Pension Benefits

The valuation of the scheme by independent actuaries for the purpose of IAS 19 disclosure is based on data from previous actuarial valuations. They have used this data to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the Balance Sheet date. The scheme assets are stated at their market value at the Balance Sheet date. The valuation was carried out using the projected unit method.

(iv) Assumptions

The assumptions used by the Actuary to calculate the IAS 19 liabilities at the Balance Sheet date are:

	2008	2007
Rate of interest applied to discount liabilities	**5.90%**	5.50%
Price inflation	**2.00%**	2.25%
Rate of increase of pensionable salaries	**3.00%**	3.25%
Rate of increase of pensions in payment	**3.00%**	3.25%
Expected return on plan assets	**8.00%**	7.60%

The discount rate used by the actuaries in the calculation of the pension liability at year end is 5.90%. This is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds. The currency and term of the corporate bonds is consistent with the currency and estimated term of the post-employment benefit obligations. At the year end the iBoxx index of euro-denominated AA rated corporate bonds, adjusted to exclude a particular bond with an exceptionally high return, yielded 5.86% per annum (5.50% at 1 January 2008). Having regard to the duration of the liabilities the Board feel it is appropriate to adopt a discount rate of 5.90% at 31 December 2008 (5.50% at 31 December 2007).

Notes to the Financial Statements
(continued)

22. PENSION LIABILITIES (continued)

Mortality Assumptions

The assumptions relating to life expectancy at retirement for members who retire at ages 60 and 65 respectively are set out below:

	2008		2007	
	Males	**Females**	Males	Females
	Years	**Years**	Years	Years
Current Pensioners aged 60	**25.3**	**28.4**	25.3	28.4
Future Pensioners aged 65	**20.7**	**23.7**	20.7	23.7

Plan Assets
The plan asset allocations at the year end used for valuation purposes were as follows:

Asset Category		
	2008	2007
Equities	**63%**	74%
Bonds	**13%**	8%
Real estate	**17%**	13%
Cash and other	**7%**	5%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the Board considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 8.0% assumption (2007: 7.6%).

The amounts recognised in the Balance Sheet as part of long term employee benefits are determined as follows:

	2008	2007	2006	2005	2004
	€'000	€'000	€'000	€'000	€'000
Present value of funded obligations	**5,004,681**	5,182,466	5,416,310	4,884,093	4,230,795
Fair value of plan assets	**(2,438,000)**	(3,830,027)	(3,784,262)	(3,336,000)	(2,801,014)
Deficit for funded plan	**2,566,681**	1,352,439	1,632,048	1,548,093	1,429,781
Unrecognised net actuarial gains/losses	**(2,259,676)**	(1,026,746)	(1,304,286)	(1,208,917)	(1,159,140)
Net liability	**307,005**	325,693	327,762	339,176	270,641

History of experience gains and losses	**2008**	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets:					
Amount (€m)	**(1,624,769)**	(154,377)	230,832	379,579	94,322
Percentage of scheme assets	**66.6%**	4.0%	6.1%	11.4%	3.4%
Experience gains and losses on scheme liabilities:					
Amount (€m)	**357,940**	381,073	(374,235)	(478,426)	(419,043)
Percentage of the present value of scheme liabilities	**7.2%**	7.4%	6.9%	9.8%	9.9%

Notes to the Financial Statements
(continued)

22. PENSION LIABILITIES (continued)

Change in benefit obligation	2008 €'000	2007 €'000
Benefit obligation at beginning of the year	**5,182,466**	5,416,310
Movement in year:		
Current service cost	**35,728**	33,371
Plan members' contributions	**32,363**	31,747
Curtailments	**11,604**	8,102
Past service costs	**2,458**	3,546
Benefits paid	**(182,069)**	(174,843)
Interest cost	**280,071**	245,306
Actuarial loss	**(357,940)**	(381,073)
Benefit obligation at the end of the year	**5,004,681**	5,182,466
Change in plan assets		
Fair value of plan assets at beginning of the year	**3,830,027**	3,784,263
Movement in year:		
Expected return on plan assets	**286,922**	258,413
Actuarial losses	**(1,624,769)**	(154,377)
Employer contributions	**95,526**	84,824
Member contributions	**32,363**	31,747
Benefits paid	**(182,069)**	(174,843)
Fair value of plan assets at the end of the year	**2,438,000**	3,830,027
Actual return on plan assets for the year	**(1,337,847)**	103,719

The expected employer contributions to the pension in 2009 are €71 million.

Actuarial gains or losses are amortised to the Income Statement over the average remaining service lives of the current members of the Scheme.

Analysis of the amounts recognised in the Income Statement, as part of employee benefit expenses were as follows:

	2008 €'000	2007 €'000
Current service cost	**35,728**	33,370
Past service cost	**2,458**	3,546
Curtailment	**11,604**	8,102
Actuarial losses recognised in the year	**33,900**	50,844
Expected return on pension scheme assets	**(286,922)**	(258,413)
Interest on pension scheme liabilities	**280,071**	245,306
Total net impact on reported profits	**76,839**	82,755

(b) ESB Subsidiary Companies Pension Scheme

ESB also operates an approved defined contribution scheme called ESB Subsidiary Companies Pension Scheme for employees of ESB subsidiary companies. Contributions are paid by the members and employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the scheme are held in a separate trustee administered fund. The pension charge for the year represents the defined employer contribution and amounted to €4.0 million (2007: €3.2 million).

Notes to the Financial Statements
(continued)

23. EMPLOYEE RELATED LIABILITIES

GROUP	Restructuring liabilities €'000	Other €'000	Total €'000
Balance at 1 January 2008	144,077	43,934	188,011
Movements during the year:			
Charge to the Income Statement	1,973	51,991	53,964
Utilised during the year	(22,802)	(38,009)	(60,811)
Financing charge	4,683	-	4,683
Balance at 31 December 2008	**127,931**	**57,916**	**185,847**
Analysed as follows:			
Non current liabilities	78,025	-	78,025
Current liabilities	49,906	57,916	107,822
PARENT			
Balance at 1 January 2008	144,077	35,565	179,642
Movements during the year:			
Charge to the Income Statement	1,973	42,730	44,703
Utilised during the year	(22,802)	(30,590)	(53,392)
Financing charge	4,683	-	4,683
Balance at 31 December 2008	**127,931**	**47,705**	**175,636**
Analysed as follows:			
Non current liabilities	78,025	-	78,025
Current liabilities	49,906	47,705	97,611

Restructuring liabilities
This provision represents the estimated cost of providing post employment payments to former employees, other than those amounts covered by the pension scheme. It includes liabilities for continuing payments to employees who left under past voluntary severance initiatives, as well as liabilities in respect of former employees which may arise as part of other potential legal or constructive post retirement obligations, but not yet reported. These liabilities are expected to be materially discharged by 2020.

Other
In accordance with the requirements of IAS 19 Employee Benefits, provision has been made for employee remuneration liabilities, including accrued holiday leave, bonuses and profit share arrangements.

Notes to the Financial Statements
(continued)

24. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
Current payables:	**2008**	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Progress payments on work in progress	**10,724**	3,544	**10,724**	3,544
Trade payables	**415,652**	446,487	**437,941**	408,677
Other payables	**55,922**	74,517	**75,141**	73,316
Employment taxes	**17,892**	18,343	**17,540**	17,634
Value added tax	**33,383**	13,096	**35,721**	16,721
Accruals	**70,961**	63,256	**10,505**	10,391
Amounts owed to subsidiary undertakings	**-**	-	**105,050**	123,483
Accrued interest on borrowings	**14,191**	10,750	**8,907**	4,678
	618,725	629,993	**701,529**	658,444
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Non-current payables:				
Other payables	**14,242**	17,314	**10,978**	12,760

25. DEFERRED INCOME AND GOVERNMENT GRANTS

(a) GROUP	Emissions Allowances	Supply Contributions & Other	2008 Total
	€'000	**€'000**	**€'000**
Balance at 1 January 2008	-	612,152	612,152
Receivable	212,134	102,025	314,159
Amortised to the Income Statement	(211,207)	(26,744)	(237,951)
Translation differences	(927)	-	(927)
Balance at 31 December 2008	**-**	**687,433**	**687,433**
Analysed as follows			
Non current liabilities	-	657,307	657,307
Current liabilities	-	30,126	30,126

(b) PARENT	Emissions Allowances	Supply Contributions	2008 Total
	€'000	**€'000**	**€'000**
Balance at 1 January 2008	-	595,750	595,750
Receivable	165,863	102,025	267,888
Amortised to the Income Statement	(165,863)	(26,724)	(192,587)
Balance at 31 December 2008	**-**	**671,051**	**671,051**
Analysed as follows			
Non current liabilities	-	640,925	640,925
Current liabilities	-	30,126	30,126

Emissions allowances received during the year are recorded as both intangible assets and deferred income. They are valued at market value on receipt and amortised to the Income Statement on the basis of actual emissions during the year.

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.

Notes to the Financial Statements
(continued)

26. PROVISIONS

(a) GROUP	Power Station Closure Costs €'000	Emissions Provisions €'000	Customer Rebate Provision €'000	Other €'000	Total €'000
Balance at 1 January 2008	251,466	68,836	-	47,356	367,658
Charged/(credited) to the income statement					
- Emissions	-	225,577	-	-	225,577
- Legal	-	-	-	3,925	3,925
- Station Closure	(161)	-	-	-	(161)
- Customer Credit Provision	-	-	300,000	-	300,000
Transferred to liabilities associated with assets held for resale (Note 17)	-	(23,103)	-	-	(23,103)
Utilised in the year	(11,543)	(68,836)	-	(8,471)	(88,850)
Financing Charge	12,548	-	-	2,495	15,043
Translation differences	(156)	(3,850)	-	-	(4,006)
Balance at 31 December 2008	**252,154**	**198,624**	**300,000**	**45,305**	**796,083**
Analysed as follows:					
Non current liabilities	220,854	-	-	40,435	261,289
Current liabilities	31,300	198,624	300,000	4,870	534,794

(b) PARENT	Power Station Closure Costs €'000	Emissions Provisions €'000	Customer Rebate €'000	Other €'000	Total €'000
Balance at 1 January 2008	250,757	63,363	-	47,065	361,185
Charged/(credited) to the income statement					
- Emissions	-	178,997	-	-	178,997
- Legal	-	-	-	(116)	(116)
- Station Closure	-	-	-	-	-
- Customer rebate provision	-	-	300,000	-	300,000
Utilised in the year	(11,543)	(63,363)	-	(4,153)	(79,059)
Financing Charge	12,548	-	-	2,495	15,043
Balance at 31 December 2008	**251,762**	**178,997**	**300,000**	**45,291**	**776,050**
Analysed as follows:					
Non current liabilities	220,462	-	-	40,421	260,883
Current liabilities	31,300	178,997	300,000	4,870	515,167

Power station closure costs
The provision at 31 December 2008 of €252.2 million (2007: €251.5 million) for station closure represents the present value of the current estimate of the costs of closure of generating stations at the end of their useful economic lives. The expected closure dates of most generating stations are up to 2020. As the costs are provided on a discounted basis, a financing charge is included in the Income Statement and added to the provision each year. The Power Station Closure Provision is re-examined annually and the liability re-calculated in accordance with the current expected station closure dates. Closure costs include physical dismantling costs and costs associated with de-manning the stations on closure.

There are a number of uncertainties that affect the calculation of the provision for station closure, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the discount rate. The Group has made its best estimate of the financial effect of these uncertainties in the calculation of the provision, but future material changes in any of the assumptions could materially impact on the calculation of the provision.

Notes to the Financial Statements
(continued)

26. PROVISIONS (continued)

Emissions provisions
In accordance with the provisions of the European CO_2 emissions trading scheme, a provision is recognised to cover the liability for actual emissions during the year. Under this scheme, emissions allowances covering a percentage of the expected emissions are granted at the beginning of each year by the relevant Authority (See Note 10 Intangible Assets). 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 line with the actual emissions of CO_2 during the year. The year end provision represents the obligation to return emissions allowances equal to the actual emissions. This obligation is measured at the carrying amount of the capitalised CO_2 emissions allowances, in addition to the market value of any additional allowances required to settle the year end liability.

Customer rebate provision
The Customer Rebate Provision of €300 million relates to a payment due from ESB to all electricity customers, to mitigate the requirement to significantly increase electricity tariffs in 2008 due to the volatility in fuel prices. The mechanism for payment was agreed with the CER in 2008 and will be paid in 2009.

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

27. CURRENT TAX ASSET

	GROUP		PARENT	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Corporation tax	**5,619**	5,901	**9,848**	8,378

The current tax asset represents the amount of corporation taxes paid in respect of current and prior periods that exceed amounts payable.

Notes to the Financial Statements
(continued)

28 COMMITMENTS AND CONTINGENCIES

(a) Operating lease obligations

Gross operating lease rentals payable in the future in respect of leases expiring:	**2008 €'000**	2007 €'000
Within one year	**9,866**	8,587
Between two and five years	**31,472**	26,825
After five years	**51,630**	43,239
Total payable	**92,968**	78,651

Operating leases payable by the Group generally relate to the rental of land and buildings. These lease costs are based on open market value and are generally subject to rent reviews, on average, every five years. There are no significant or unusual restrictions imposed on the Group by the terms of the operating leases.

(b) Capital commitments

	2008 €'000	2007 €'000
Contracted for	**281,752**	461,709

Capital commitments above include an amount of €12.2 million in respect of an investment in a clean energy investment fund. See Note 12.

	2008 €'000	2007 €'000
Share of Joint Venture Capital commitments		
Contracted for in Marchwood Power Limited	**18,000**	137,000

These contracts relate mainly to commitments under a turnkey construction contract, various interconnection contracts, long term maintenance contracts and a number of consultancy contracts which the Marchwood Power Limited has entered into.

(c) Fuel Contract Commitments

There are a number of long term gas supply arrangements in place for different periods up to 2014. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. These were never considered to be clearly and closely related at inception and do not require to be separately accounted for.

Notes to the Financial Statements
(continued)

29. RELATED PARTY TRANSACTIONS

Semi-State Bodies
In common with many other entities, ESB deals in the normal course of business with other government sponsored bodies such as Bord Gais and Bord na Mona. Long term agreements are negotiated between ESB and Bord na Mona in relation to the purchase of peat for the Midlands Stations.

Board Members' interests
Other than agreed allocations under ESOP, Board Members had no beneficial interest in ESB or its subsidiaries at any time during the year.

Subsidiary undertakings
During the year ended 31 December 2008, ESB Parent purchased €65.8 million (2007: €55 million) from its subsidiaries. These purchases largely relate to engineering and consulting services, mainly by the electricity businesses.

During the year, ESB Parent sold €65.3 million (2007: €103.5 million) to subsidiaries. These sales mainly relate to management services, as well as electricity charges such as use of system charges and sales of electricity.

At 31 December 2008, ESB Parent owed €105.1 million (2007: €123.5 million) to its subsidiaries. These creditors are due largely to the engineering and consulting services businesses and also relate to amounts held on deposit for subsidiaries.

At 31 December 2008, ESB Parent is owed €832.9 million (2007: €395.5 million) from its subsidiaries. These debtors mainly relate to receivable balances associated with assets which will be sold in 2009 (see Note 17 Assets held for sale), to loans to subsidiary companies, as well as receivable balances in respect of management services, electricity charges such as use of system charges and sales of electricity.

At 31 December 2008, balances outstanding between ESB Parent and its subsidiaries, in relation to loans, capital contributions and equity was €72.8 million (2007: €73.0 million).

Joint ventures
During the year the Group provided services to its joint ventures, Synergen Power Limited, Bizkaia Energia S.L., Corby Power Limited, Marchwood Power Limited and Garvagh Glebe Limited. ESB provided services to Synergen Power Limited to the value of €12.9 million (2007: €11.1 million) and had to the year end advanced no capital. Synergen Power Limited had contracted sales of €239.0 million to the Group, physically transacted through the SEM pool through the year (2007: direct sales of €278.0 million). Synergen Power Limited's total sales in 2008 were €275.8 million. In addition at 31 December 2008, total borrowings due by ESB to Synergen Power Limited amounted to €109.2 million (2007: €48.3 million). Interest payable on these borrowings during the year amounted to €3.3 million (2007: €1.7. million). See Note 19.

During 2008, ESB provided no services to Bizkaia Energia S.L. (2007: €5.9 million) and the €2.7 million owed to ESB at 31 December 2007 for capital advanced was fully repaid during 2008.

Services to the value of €5.2 million (2007: €5.7 million) were provided to Corby Power Limited and €2.2 million (2007: €2.7 million) to Marchwood Power Limited. Capital Funding to the value of €16.7 million (2007: €14.3 million) was also provided to Marchwood Power Limited during the year.

During 2008, ESB provided no services to Garvagh Glebe Limited and was owed €6.4 million (2007: nil) at year end for capital advanced.

Key management compensation	**2008**	2007
	€'000	€'000
Salaries and other short-term employee benefits	**3,949**	4,054
Once off payment on retirement	**70**	-
Post-employment benefits	**426**	370
	4,445	4,424

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group.

Notes to the Financial Statements
(continued)

30. ESTIMATES AND JUDGEMENTS

Preparation of consolidated financial statements requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses contained within the Income Statement and the valuation of the assets and liabilities in the Balance Sheet. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

It should be noted that the impact of variation in some assumptions and estimates can have a particularly material impact on the reported results. These include but are not limited to:

(a) The assumptions used in the calculation of the pension liability at year end, as set out in Note 22.

(b) Future costs required to settle current provisions and employee related liabilities, such as power station closure costs and voluntary severance obligations. These liabilities are disclosed in Notes 26 and 23.

(c) The measurement of a number of assets, liabilities, income and costs at year end which require a high degree of estimation and judgement, including, the calculation of unbilled electricity income and trade and other receivables, the valuation of fuel stocks, the cost of fuel consumed, the useful lives of property, plant and equipment and also accruals for goods received or work carried out for which supplier invoices have not yet been received. These items are estimated in accordance with the accounting policies of the Group and current International Financial Reporting Standards.

(d) Providing for doubtful debts
ESB provide services to around 2 million individuals and businesses, mainly on credit terms. It is known that certain debts due to ESB will not be paid through the default of a small number of customers. Estimates, based on historical experience, are used in determining the level of debts that is believed will not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues. Further information regarding the level of receivable balances impaired during the year is contained in note 20 (c).

(e) The Board Members have considered the impact of Statutory Instrument Number 445 of 2000 (European Communities (Internal Market in Electricity Regulations)) on the status of the network's transmission assets owned by ESB and whether IFRIC 4 "Determining Whether an Arrangement Contains a Lease" applies. They have concluded that no leasing arrangement exists in this context.

31. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as trustee to the ESB Employee Share Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the company. The trustee company is chaired by an independent professional trustee with four directors representing ESB employees and two directors representing the Company. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist. In accordance with IAS 27 Consolidated and Separate Financial Statements, the accounts for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

32. SUBSEQUENT EVENTS

On 31 July 2008 ESB Group announced that it had entered into an agreement with Endesa S.A. to sell the mid-merit power stations at Tarbert, Co. Kerry and Great Island, Co. Wexford, the peaking capacity operations at Rhode, Co. Offaly and Tawnaghmore, Co. Mayo and sites at Lanesboro, Co. Longford and Shannonbridge, Co. Offaly. The transaction was conditional upon regulatory and governmental approvals and a number of other completion deliverables.

The sale completed on 8 January 2009 for gross proceeds of €440 million which were subject to adjustments for fuel stock variations, movements in estimated carbon emissions and other sundry trade items. The Group anticipates reporting a profit on disposal of €268 million (subject to change) in the 2009 financial year.

33. APPROVAL OF ACCOUNTS

The Board approved the accounts on 25 February 2009.

Notes to the Financial Statements
(continued)

34. SUBSIDIARY, JOINT VENTURE & ASSOCIATE UNDERTAKINGSS

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
ESB International Ltd.	*	100	Holding company
ESBI Engineering and Facility Management Ltd.	*	100	Engineering
ESBI Engineering Overseas Ltd.	*	100	Engineering
ESBI Contracting Ltd.	*	100	Contracting
ESBI Consultants Ltd.	*	100	Consultancy
ESBI Computing Ltd.	*	100	Computer services
ESB Ireland Holdings Ltd.	*	100	Holding company
ESBII Technology and Construction Ltd.	*	100	Power generation
Elfinance Ltd.	*	100	Customer credit
ESB International Investments Ltd.	*	100	International investments
ESBI Contracts Engineering Ltd.	*	100	Contracting
Salmara Holdings Ltd.	*	100	Holding company
ESB Independent Energy Ltd.	*	100	Electricity sales
ESB Contracts Ltd.	*	100	Contracting
ESB Power Generation Holding Company Ltd.	*	100	Holding company
Gort Windfarms Ltd.	*	100	Wind farm
Crockahenny Wind Farm Ltd.	*	75	Wind farm
Utilities O&M Services Ltd.	58 Upper Mount Street Dublin 2	100	Operation & maintenance services
Hibernian Wind Power Ltd.	*	100	Wind power
ESB Independent Energy NI Ltd.	*	100	Electricity sales
ESB Retail Ltd.	*	100	Sale of electrical appliances
ESB Telecoms Ltd.	*	100	Telecommunications
Facility Management Espana S.L.	****	100	Facility management
ESBI Engineering UK Ltd.	*****	100	Engineering and general consultancy
Electricity Supply Board Services B.V.	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	100	Facility management

Notes to the Financial Statements
(continued)

34. SUBSIDIARY, JOINT VENTURE & ASSOCIATE UNDERTAKINGSS (continued)

Company name	Registered office	Group share %	Nature of business
Electricity Supply Board International Investments B.V.	Strawinskylaan 3105 7th Floor 1077 ZX Amsterdam The Netherlands	100	Holding company
Coolkeeragh ESB Ltd.	2 Electra Road Maydown Derry BT47 6 UL	100	Power generation
ESBII UK Ltd.	*****	100	Power generation
ESBI Luxembourg S.A.	121 Avenue de la Faiencerie L.1511 Luxembourg	100	Holding company
Power Generation Technology Snd. Bhd.	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia.	100	Power generation
Facility Management UK Ltd.	*****	100	Facility management
ESBI Georgia Ltd.	39 Gamsakhurdia Ave Suite 42 Tbilisi Georgia	100	Transmission management
Marchwood Power Development Ltd.	*****	100	Power generation
Menloe Two Ltd.	**	100	Finance leasing
Menloe Investments Ltd.	**	100	Finance leasing
Port Talbot Power Ltd.	*****	100	Power generation
Asturias Generation de Electricidad S.L.	Calle Uria, No 50-4, Oviedo 33001, Asturias, Spain	100	Power generation
Mountainlodge Power Ltd.	*	85.9	Power generation
Tullynahaw Power Ltd.	*	100	Power generation
Boleywind Ltd.	*	100	Power generation
Blackwind Ltd.	*	100	Power generation
Kobai Ltd.	*	100	Power generation
Orliven Ltd.	*	100	Power generation
Cappawhite Ltd.	*	100	Power generation
Waterfern Ltd.	*	100	Power generation
Seltan One Ltd.	*	100	Power generation
Seltan 11 Ltd.	*	100	Power generation
Crockagarran Windfarm Ltd.	2 Electra Road ,Maydown Derry, BT47 6UL	100	Power generation
ESBI Energía España S.L.	****	100	Business development
Bridestones Development Ltd.	*****	85	Power generation

Notes to the Financial Statements
(continued)

34. SUBSIDIARY, JOINT VENTURE & ASSOCIATE UNDERTAKINGSS (continued)

Non-controlled subsidiary undertaking			
ESB ESOP Trustee Ltd.	43 Merrion Square Dublin 2	100	Staff Shareholding Scheme
Subsidiary undertaking of Corby Power Ltd.			
CPL Operations Ltd.	***	50	Facility management
Joint venture undertakings			
Corby Power Ltd.	***	50	Power generation
Synergen Power Ltd.	South Bank Road Ringsend Dublin 4	70	Power generation
Bizkaia Energia S.L.	****	50	Power generation
Marchwood Power Ltd.	*****	50	Power generation
Garvagh Glebe Power Ltd.	*	50	Power generation

* Stephen Court, 18-21 St. Stephen's Green, Dublin 2

** 27 Lower Fitzwilliam Street, Dublin 2.

*** Mitchell Road, Phoenix Parkway, Corby, Northamptonshire N17 1Q7

**** Poligono Industrial de Boroa, Insula A. I-1, 48340 Amorebieta, Spain

***** 165 Queen Victoria Street, London, EC4V 4DD

Note 1: ESB's principal place of business is 27 Lower Fitzwilliam Street, Dublin 2.

Appendix

Report of Board Members on Compliance with the Prompt Payment of Accounts Act, 1997 and European Communities (Late Payments in Commercial Transactions) Regulations, 2002 (S.I. No. 388 of 2002)

Introduction
Prompt payments during 2008 were governed by two items of legislation:

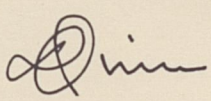
- The Prompt Payment of Accounts Act, 1997 came into effect on 2nd January 1998, and applied to goods and services supplied to ESB by Irish Suppliers after this date.
- European Communities (Late Payments in Commercial Transactions) Regulations, 2002 (S.I. No. 388 of 2002) to combat late payments in commercial transactions, amended the above when they came into effect on 7th August 2002. These Regulations apply to contracts made after 7th August 2002 for goods and services supplied to ESB by EU-based suppliers.

Statement of payment practices including standard payment periods
ESB operates a policy of paying all undisputed supplier invoices within the agreed terms of payment. The standard terms specified in the standard purchase order are net monthly. Other payment terms may apply in cases where a separate contract is agreed with the supplier.

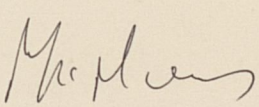
Compliance with the legislation
ESB complies with the requirements of the legislation in respect of external supplier payments within the EU in all material respects.

Procedures and controls in place
Appropriate internal financial controls have been implemented including clearly defined roles and responsibilities. These procedures provide reasonable but not absolute assurance against material non-compliance with the legislation.

Details of interest payments in respect of 2008
When ESB receives a request from the supplier, it is ESB's policy to pay interest due on late payments. No such payment was made in respect of late payments during the year (2007: nil).



Lochlann Quinn Chairman



Padraig McManus Chief Executive

25 February 2009

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