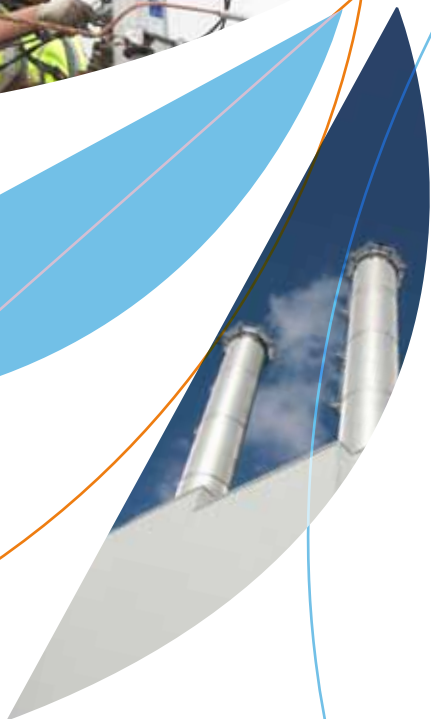






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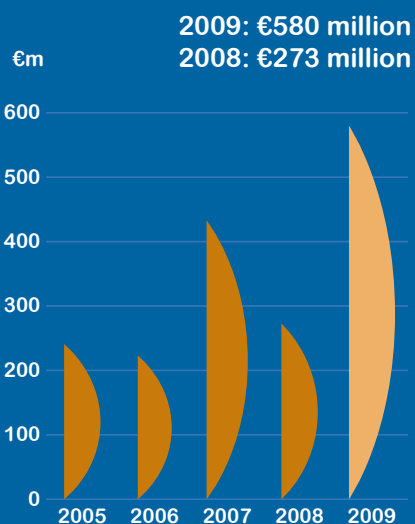
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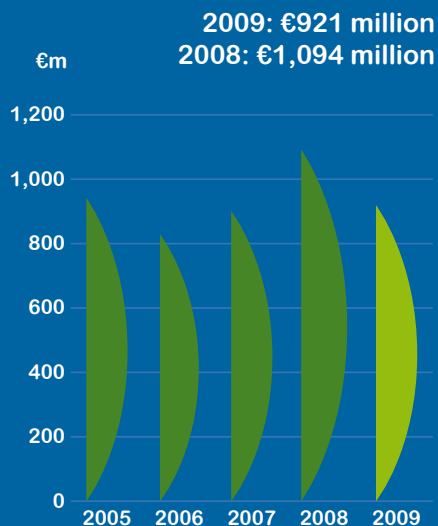
ESB is building a truly sustainable company, investing in smart networks, renewable energy and modernising our generation portfolio.

Financial Highlights

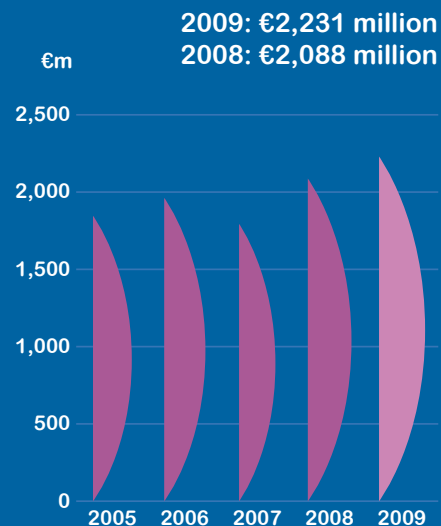
Profit After Tax



Capital Expenditure

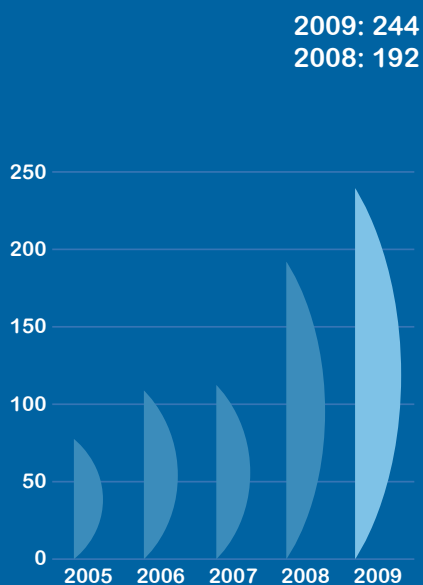


Net Debt

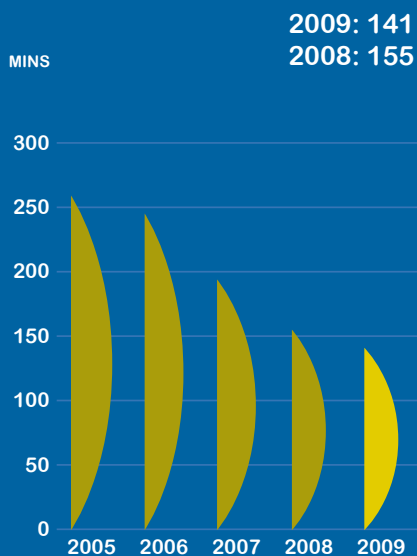


Operating Highlights

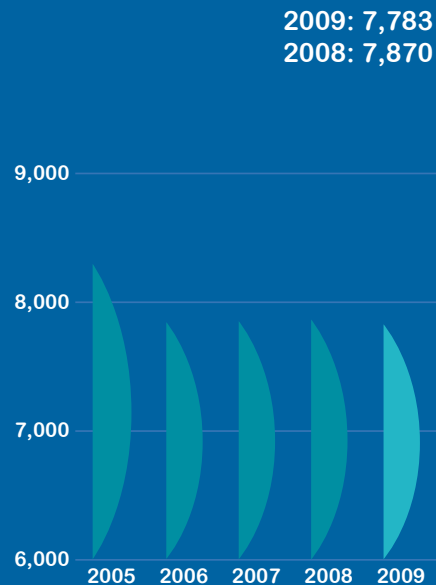
Wind Generation *



Average Minutes Lost Per Customer



Staff Numbers



* megawatts commissioned
and under construction

Chairman's Statement



In a difficult environment ESB put in a good performance in 2009.

Revenue (including other operating income) was €3.1 billion, down €401 million on 2008. Profit attributable to stockholders was €580 million, up €307 million on 2008. This increase was primarily due to the exceptional profits earned from the sale of two older power stations and other generation assets to the Spanish utility, Endesa.

The Board is recommending a final dividend of 4.77 cent per unit of stock or €94.4 million in aggregate, which is 30% of profit after tax for the year, after excluding the exceptional profits from the sale of assets to Endesa, on which dividends of €185 million were paid during the year. Capital investment was over €900 million and net debt increased during the year by €143 million to €2,231 million.

**Commercial freedom
in our competitive
businesses is critical
for the long-term
financial strength
of ESB.**

The €6 billion of investment over the last decade enabled ESB Networks to provide a safe and reliable service to two million customers during 2009, including during the severe winter weather at the end of the year and into the New Year. The enhanced networks are also supporting the greatly increased wind generation being connected to the networks.

Our generation and supply businesses are sub-divided, for regulatory reasons, into a number of ring-fenced business units. This increases the cost of doing business, complicates risk management and restricts ability to compete in the market. For this reason we welcome the consultation process initiated by the Commission for Energy Regulation concerning deregulation which should allow ESB to compete on an equal footing with other suppliers in the market.

Commercial freedom in our competitive businesses is critical for the long-term financial strength of ESB on which, in turn, depends our ability to provide a return to our owners, to invest for our customers and to deliver on our renewable energy and other strategic objectives.

As regards return to our owners, it is worth noting at this time of multiple demands on the tax payer that ESB has paid dividends totalling €815 million since 2002 (inclusive of the special interim dividend of €185 million in 2009 and the proposed final dividend for 2009). 95% of these dividends were paid to the Exchequer.

In 2009, ESB also provided some €400 million of support to the market to stabilise and reduce the price of electricity for all users.

For the future the Board and management remain committed to the Strategic Framework announced in 2008 which sees ESB as the leading sustainable energy company in Ireland with a strategic presence in Britain and other European markets.

On behalf of all stakeholders I am delighted to acknowledge the commitment of staff and management in 2009 which delivered an excellent performance for the company and the country in a very challenging environment.

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 2009.

Lochlann Quinn
Chairman

Chief Executive's Review



Notwithstanding fall in demand, increased competition and the regulatory issues outlined below, ESB performed extremely well in 2009. We continue to implement the Strategic Framework to 2020 which is aimed at building a truly sustainable company: investing in the networks, in renewable energy, in modernising our generating portfolio and in value adding investments abroad. In addition we are engaging with our staff to embed sustainability in the culture of ESB.

During 2009 we re-organised our main businesses as follows:

- ESB Energy International – comprising the generation business in Ireland and abroad and the consultancy, asset management and investment businesses of ESB International;
- ESB Energy Solutions – comprising principally the regulated and unregulated supply businesses and the energy services business; and
- ESB Networks, including ESB Networks Limited (which operates as an independent, ring-fenced subsidiary) and the telecoms business.

It was a challenging year for all of our businesses.

In the first place we had to deal with increased competition in both generation and supply and at the same time respond to reduced demand for electricity.

On the generation side, our competitors – including Endesa (the Spanish utility), Scottish and Southern Electricity (who purchased Airtricity), Viridian and a range of renewables companies – now generate more electricity on an all island basis than ESB.

For ESB Customer Supply (ESBCS), our regulated retail electricity business, it was also a tough year. The new entrants to the residential market, Bord Gáis Energy and Airtricity, were able to take advantage of falling commodity

prices to offer significant discounts on ESBCS's regulated prices. Over 400,000 customers had left ESBCS by the end of 2009 and this had increased to over 550,000 in the first four months of 2010. The retail electricity market is now fully competitive and ESB looks forward to competing on the same terms as other suppliers in the near future.

In the case of ESB Networks new connections were just under 35,000 in 2009, down from a peak of over 105,000 in 2006.

During the year, nearly €600 million was invested in ESB Networks bringing total investment over the last decade to €6 billion. Specific sustainability initiatives included rolling out the Smart Metering User Trial and a range of Smart Networks initiatives. ESB Networks also continued to deliver under its multi-annual customer service programme with significant reductions in customers minutes lost. The ESB Networks' customer satisfaction survey for 2009 returned a 78% positive response, the highest since the survey began.

On the generation side of the business notable developments included:

- the disposal of two older generating stations and other generation assets to the Spanish utility, Endesa, as part of our goal of becoming a smaller and more efficient market participant;
- the construction of the 430MW Combined Cycle Gas Turbine (CCGT) plant at Aghada in Cork is nearing completion and the plant is scheduled to commence commercial operation in early 2010;
- the €368 million environmental retrofit project at our coal-fired plant in Moneypoint, Co. Clare is scheduled for completion in early 2010;
- ESB purchased the minority 30% interest held by Royal Bank of Scotland (RBS) in the Synergen CCGT plant in Dublin which is now 100% owned by ESB; and
- the Marchwood 840MW CCGT in Southampton – a joint venture with Scottish and Southern Electricity – was successfully commissioned.

While the regulated side of the supply business lost market share for the reasons already discussed, our independent supply business – ESB Independent Energy – responded well to increased competition and a general reduction in demand across the customer base in 2009. Market share was maintained in the Republic at 14% and 17% in Northern Ireland. In addition ESB Independent Energy successfully entered the industrial retail gas market securing dual fuel contracts with a number of customers.

Significant progress was made in building ESB's wind portfolio, keeping the company well on track to deliver on its strategic objective of decarbonising its electricity generation business. During 2009 five wind farm projects were in construction across Ireland, North and South, which will deliver 98MW of clean new renewable generation in coming years. In addition we acquired our first wind farm projects in Great Britain with a 24MW operational plant in West Durham and a 66MW development project in Devon.

During 2009 ESB, in co-operation with Minister Eamon Ryan and Renault-Nissan, launched an initiative to promote the use of electric vehicles in Ireland. ESB has committed to provide the necessary charging points infrastructure on a country-wide basis.

We also established a €200 million renewables technologies investment fund – called ESB Novus Modus – which to date has committed €26 million to investments in companies in the renewable energy sector.

While our strategic framework commits us to decarbonise our generation activities progressively to 2035 we are also committed to reducing the carbon footprint of all of our business activities and have set and are meeting demanding targets in this regard. ESB wants to take a lead in reducing the impact of the way we do business on our environment.

Safety is and always must be a core value for ESB. Injuries to staff are being driven down year-on-year. 2009 was the best performance in ESB's history when injuries requiring an

absence from work of over one day totalled 43; down from 203 ten years ago. We are also committed to ensuring the highest levels of safety for the many contractors working for ESB. The overall goal is zero injuries for staff, contractors and the public and we are getting closer each year to achieving that target.

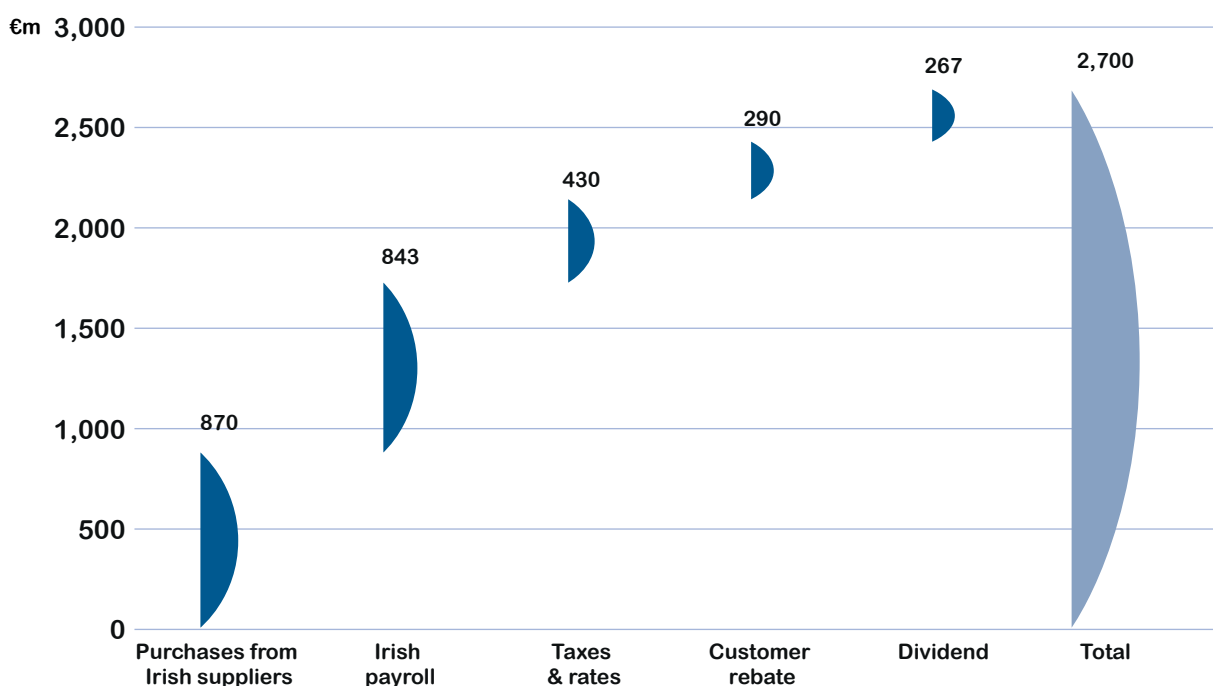
A range of ESB corporate responsibility initiatives are described further in this Annual Report. I would like to highlight among the many excellent initiatives the completion during 2009 by ESB staff volunteers of the refurbishment of the Teshi School in Accra which serves thousands of Ghanaian children and also the extraordinary work at home and abroad by ElectricAid, the staff social justice fund.

The Company's financial performance in 2009 – more fully described in the Financial Review – represents a great achievement by all staff in the current challenging environment.

ESB is and will continue to be an exciting place to work. The challenges facing the country and the energy sector are great indeed but I am confident that ESB staff will continue to meet these challenges through their professionalism and hard work

Padraig McManus
Chief Executive

ESB's Contribution to the Irish Economy in 2009





ESB

Financial Review

The Group continued its significant capital investment programme in 2009 with spend of over €900 million, including €595 million on the national electricity infrastructure and €186 million on renewable energy.



Financial Review

	2009 €m	Restated 2008 €m	Change €m	Change %
Revenue and other operating income	3,114	3,515	(401)	(11.4%)
Operating profit	615	340	275	81%
Profit after tax	580	273	307	112%
Capital expenditure	921	1,094	(173)	(16%)
Net debt	(2,231)	(2,088)	143	6.8%
EBIT interest cover (times)	6.1	3.5	2.6	74%
Gearing*	40.6%	43.5%	(2.9%)	(6.7%)
Return on capital employed (ROCE)*	10.1%	6.7%	3.4%	51%

* Restated following change of accounting policy, as described on page 68.

Overview

Group results for 2009 continue to be strong with revenue and profit after tax at €3 billion and €580 million respectively. Profit after tax includes a gain on the sale of generation assets to Endesa of €265 million.

The significant capital investment programme continued during 2009, with capital expenditure of €921 million. €595 million was spent in Networks and €186 million was invested by the Renewables business.

Net debt at €2,231 million increased by €143 million on 2008 (€2,088 million). Gearing and EBIT interest cover were comfortably within acceptable parameters at 41% and 6.1 times respectively. Return on Capital Employed at 10.1% is up on 2008 (6.7%), due largely to the profit on the sale of generation assets to Endesa.

Revenue

Revenue, including other operating income, at €3,114 million decreased by €401 million compared to 2008. This reflects a number of factors including, a contraction in the electricity market, a significant volume of customer losses arising from increased competition in the domestic market in 2009 and reduced prices in the competitive supply business. Operating income in 2009 includes a gain arising from the acquisition of the remaining 30% of Synergen from Royal Bank of Scotland (RBS) during the year.

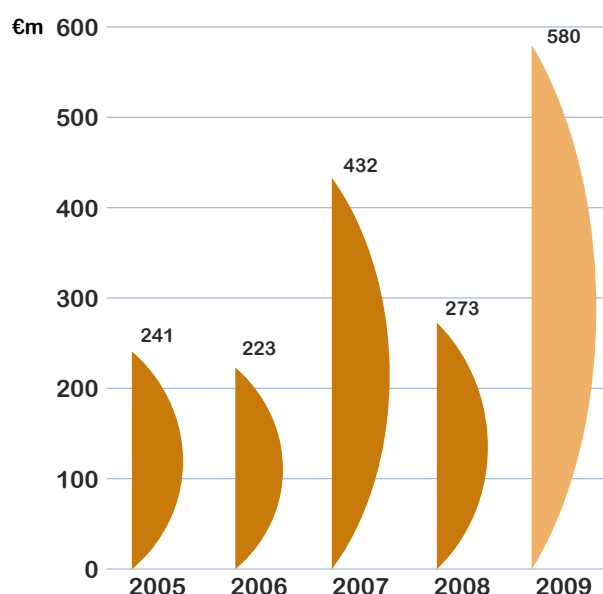
Operating Costs

Operating costs at €2.8 billion are €411 million less than in 2008, the key driver of this decrease is a reduction in energy costs of €754 million. This is offset in part by an increase in the pension charge, arising from the impact on the pension fund assets of a fall in the value of the equity markets in 2008. Operating costs include increased depreciation charges and costs associated with a staff rationalisation programme.

Operating Profit

Operating profit for the year is €615 million compared to €340 million in 2008. The 2009 outturn includes the profit on sale of generation assets to Endesa (€265 million).

Profit After Tax



Taxation

The Group tax charge for 2009 was €20 million (2008: €31 million) and represents an effective tax rate of 7.2% (2008: 12.7%) when the share of joint venture profits and the profits on disposal of generation assets are excluded.

Profit after Tax

Profit after tax at €580 million is up €307 million on 2008. The increased outturn primarily reflects the gain on the sale of generation assets to Endesa in 2009.

Business Unit Performance

Group profit after tax of €580 million consists of profits generated in ESB Energy International comprising of €576 million in Power Generation and €240 million in ESBI, offset by losses after tax in Networks of €97 million, Energy Solutions of €63 million and other activities of €76 million.

- **Energy International's** profits in 2009 have increased as follows:

Power Generation's profits for 2009 have increased by €377 million on 2008 due mainly to the profit on disposal of generation assets (€265 million). In addition, the energy margin shows a further year on year increase of €135 million due to the negative margin impact in 2008 of the customer rebate provision as agreed with CER. These positives are partly offset by an increase in operating expenditure (€39 million), primarily relating to additional pension charges and staff exit costs associated with business rationalisation in 2009.

ESB International's profits for 2009 of €240 million have increased by €140 million due mainly to gains arising in Synergen during the year.

- **Networks** profits fell by €140 million from profits of €43 million in 2008 to a loss of €97 million in 2009. This is primarily driven by a higher pension charge and significant staff exits in 2009. In both 2008 and 2009, there were significant reductions in profitability as a result of initiatives agreed with the CER which focused on reducing electricity costs for all customers.

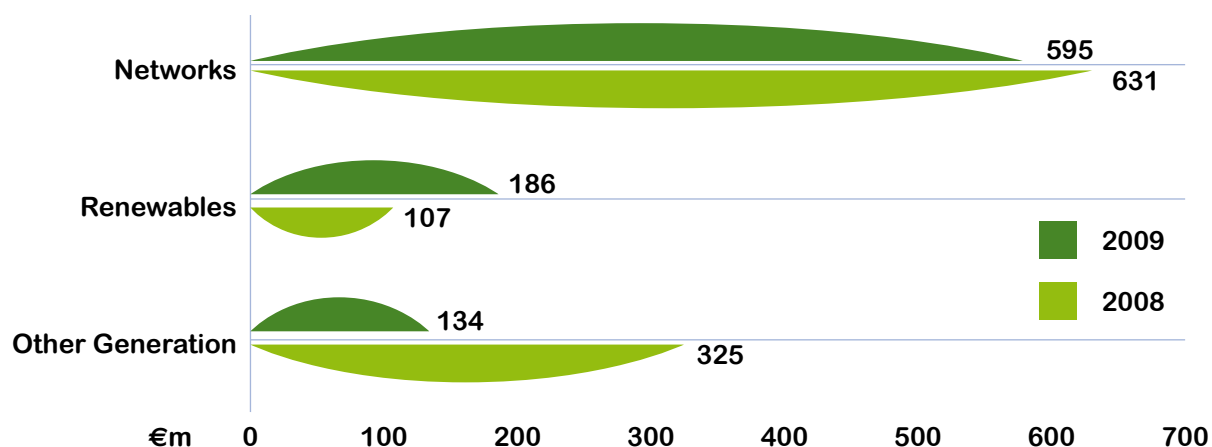
- **Energy Solutions** incurred losses in 2009 as follows:

Losses in **Customer Supply** of €48 million in 2009 are €26 million less than those incurred in 2008. The financial outturn of Customer Supply fluctuates due to the nature of the regulatory regime where under or over recoveries in one year are recovered in subsequent years. The high level of customer losses which arose during 2009 has led to an overall operating loss in the business and this will be subject to recovery in subsequent years. The business also experienced a higher pension charge, increased bad debt provision reflecting economic conditions and increased staff exit costs in 2009.

Losses in the **other Energy Solutions businesses** (including ESB Independent Energy, Contracts and the Energy Services Unit) are €15 million in 2009 compared to profits of €6 million in 2008. The losses are primarily due to the costs associated with the sale of the public lighting business and the costs associated with the first year of operation of the Energy Services Unit.

- Costs of **other activities** at €76 million are due primarily to losses in the Services and Corporate areas arising from increased pension charges and rationalisation costs taken in these businesses.

Capital Expenditure



Change in Accounting Policy

A change in accounting policy was adopted in 2009 in relation to the treatment of certain electricity contracts, which since the inception of the Single Electricity Market (SEM) had been accounted for as derivatives and fair valued. With greater experience of the way in which the SEM pool operates as an intermediary between generators and electricity suppliers, the Group now considers that the SEM pool is an agent only and that the 'own use' exemption under IAS 39 applies. This change has led to a restatement of the 2008 balance sheet, with a reduction in net assets at 31 December 2008 of €161 million. Reported profit for 2008 was unaffected.

Capital Expenditure

The Group continued its significant capital investment programme in 2009 with spend of over €900 million. A further €93 million was incurred by the Group's joint venture undertakings. The main areas of spend in 2009 were as follows:

- €595 million in Networks on the distribution and transmission infrastructure;
- €186 million invested by the ESB Renewables business in renewable energy;
- €83 million by Power Generation primarily on the new Combined Cycle Gas Turbine plant at Aghada, County Cork; and

- €51 million spent by ESBI on the Synergen (Dublin) and Carrington (Greater Manchester) power plants.

Net Debt and Gearing

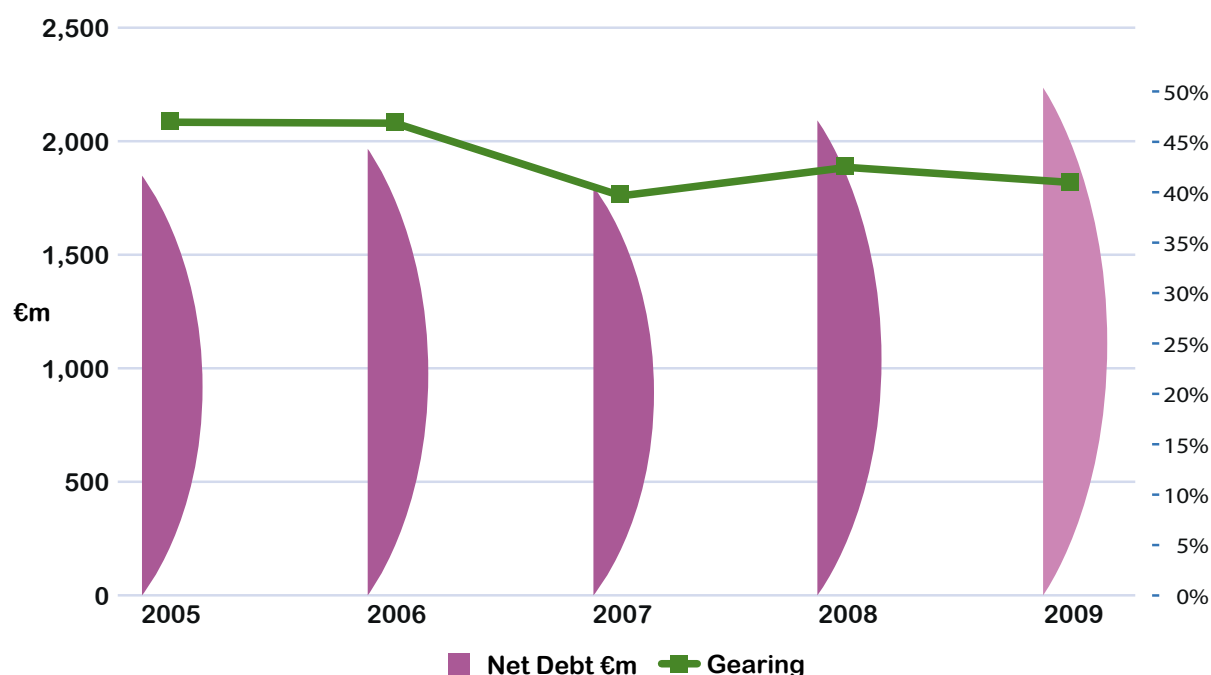
Net debt at €2,231 million is up €143 million on 2008 (€2,088 million). Net funding requirements of €581 million were attributable to the 2009 capital programme (after receipt of proceeds from the Endesa sale) and dividend payments. Additionally, net debt increased by €116 million following acquisitions during 2009. Offsetting these increases are reductions in net debt driven by funds generated from operations during the year of €526 million and the revaluation of debt, in accordance with IAS 21, of €28 million.

Gearing was 41% at year end and 69% of the debt portfolio was at fixed interest rates. The average coupon rate was 4.1%.

Performance Improvement Programme

A Corporate Performance Improvement Programme was launched during 2009 and forms part of ESB's Strategic Framework which was set out in 2008. It is also designed to drive competitiveness at a time of fundamental and unprecedented change in the economy and the energy market. The programme is a key priority in the context of ESB's absolute commitment to its corporate strategy and is designed to further reduce operating costs, increase efficiencies and simplify business processes and structures throughout the Group. This will maximise funds available for

Net Debt and Gearing



investment in value adding growth opportunities. The focus of the programme is across all business areas.

A dedicated team led by senior management has been established to manage this programme. Initial savings were achieved in 2009 and significant further cost reductions have been targeted for the period 2010 - 2014.

Employee Benefits

For financial reporting under EU IFRS, the full pension liability and associated costs have been considered in determining the appropriate employee benefit 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 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. As a result only 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. At the end of 2009 the full pension deficit, calculated in accordance with IAS 19, was €2.2 billion, a decrease of €382 million on 2008. The element of the deficit which is reflected in the balance sheet is €516 million.

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, in relation to 2009 ESB Power Generation sold 12 terrawatts (TWh) of Contracts for Differences, 8 TWh of which were directed by the CER. This offered fixed price power to other market participants.

Electricity tariffs for the regulated businesses (ESB Customer Supply and ESB Networks) are set in advance, usually annually by the CER, based on a forecast of both customer demand and relevant costs in both ESB Customer Supply and ESB Networks. As with any forecast, there is almost always a difference with the actual outturn for the period, which results in either an under or over recovery of revenue by ESB. Any such under or over recovery of allowed revenue is usually adjusted by the CER in setting the price determinations for subsequent periods. 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 affected businesses and cause distortions in reviewing the year on year performance of these businesses. Timing differences have resulted in significant year on year variances in the Supply business as noted in the business unit performance section. This is driven by an insufficient tariff in 2008 and 2009 to recover energy costs that arose during these years.

Financial Risk Management

Framework for Treasury and Trading Operations

The main financial risks faced by the Group relate to liquidity, 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 Finance Committee of the Board 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 (ESB Energy International and Energy Solutions) 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

A Corporate Performance Improvement Programme was launched during 2009 to drive competitiveness at a time of fundamental and unprecedented change in the economy and the energy market.

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 2009, 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 certain commodity and foreign exchange hedges.

Foreign Exchange and Interest Rate

Risk Management

The majority of the Group's business is transacted within the eurozone. 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 2009, 89% 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. To this end ESB listed a €3 billion Euro Medium Term Note (EMTN) Programme on 12 February 2010. An amount of sterling £275 million has been drawn down under this programme up to the date of this report.

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 €950 million of undrawn committed facilities, the first of which does not mature until 2012. 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 outturn was strong for 2009 with all key financial indicators comfortably 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 and maintaining strong financial indicators and a healthy balance sheet;
- Maintaining focus on the performance improvement programme is a priority in order to deliver sustained growth in shareholder value especially in the context of the economic downturn and increased competitive environment;
- Conclusion of ongoing negotiations with employee representatives to secure the financial position of the pension scheme;
- 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;
- Successful completion of the Price Review 3 negotiations between ESB Networks and the CER;
- Ensuring our Supply businesses compete successfully in the unregulated retail electricity market; and
- Continued focus on the funding and liquidity markets.

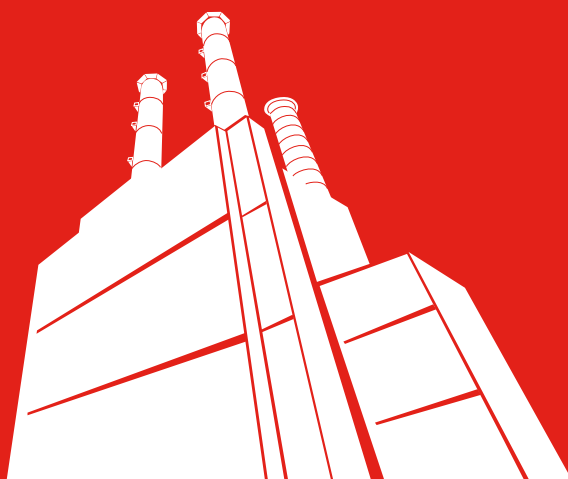


The construction of the 430MW CCGT plant, at Aghada in Cork, continued during 2009. This plant is nearing completion and is scheduled to commence commercial operation in early 2010.



ESB Energy International

We will continue developing growth options for ESB Group by seeking a significant market position in the UK and through selected investments in Europe.



ESB Energy International

		2009	2008	Variance
		€m	€m	€m
Profit after tax	– ESB Power Generation	576	199	377
	– ESBI	240	100	140
Capital expenditure (inc joint ventures)		169	563	(394)
		%	%	%
Market share (all-island)	– ESB Power Generation	27	30	(3)
	– ESBI	15	14	1

Overview

ESB Energy International consists of a range of businesses operating in competitive markets. The key business activities are:

- ESB Power Generation (PG) operates ESB's regulated portfolio of power plants in Ireland;
- ESB Independent Generation (ESBIg) operates ESB's unregulated and renewables portfolio in both the Irish electricity market and in other international markets, primarily in the UK and Spain;
- ESB International Engineering Solutions (ESBI Engineering Solutions) provides commercial engineering, consulting and asset management services to ESB Group and other clients. It also provides power plant operation and maintenance services to ESBIg and to international customers; and
- ESB International Investments (ESBIi) is the business development group responsible for identifying and delivering investment opportunities for ESB Group, with a primary focus on European markets and on emerging energy technologies.

In support of activities at home and overseas, staff numbers in ESB Energy International were over 2,300 by the end of 2009. This included 19 engineering graduates who joined the Graduate Development Programme in September. Resourcing was also strong in the areas of finance and trading.

For a third successive year, the business worked closely with Dublin schools to promote engineering as a career choice for students. Supported by Engineers Ireland, the ESB Energy International 'Women in Engineering' programme took place in November with 14 students participating.

The capital expenditure programme amounted to €169 million during 2009. This primarily related to the

construction of the Marchwood 840MW CCGT plant in Southampton, the Aghada 430MW CCGT plant in Co. Cork, investment in renewables assets both in Ireland and Britain, and the Moneypoint station's Environmental Retrofit Project.

ESB Energy International continues to generate significant employment throughout the country, with major capital works in Aghada, Moneypoint and in renewables investment as outlined above, as well as ongoing maintenance of other plant. Significant contracts for the Marchwood development in the UK were also placed with Irish firms. These projects, combined with extensive procurement from companies across a wide range of goods and services, illustrate ESB Energy International's commitment to the Irish economy.

During the year, the sale of the Tarbert and Great Island stations to the Spanish utility Endesa was concluded, and closure of older plant in Marina and Poolbeg was agreed with staff.

Operational Review

2009 was the second full year of trading in the Single Electricity Market (SEM). In total, ESB had 42% of the market in 2009.

PG administered subscription processes for the tariff year 2009/2010 to sell 3 terrawatts (TWh) of Contract for Differences (CfDs) to eligible suppliers as directed by the Commission for Energy Regulation (CER). In separate processes, a further 2TWh of non-directed CfDs were auctioned on a non-discriminatory basis and 4TWh 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. The business secured its physical fuel, which accounts for approximately 45% 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.

2009 Map of Activities – ESB Energy International



PG's availability outturn was 88% for 2009 which is a significant increase from the 2008 outturn of 79%. Plant forced outage rate is a key performance indicator, and the forced outage rate of 4.5% for 2009 was also a significant improvement over previous years.

Endesa's purchase of generation plants at Tarbert, Great Island, Rhode and Tawnaghmore, as well as two sites in Lanesboro and Shannonbridge was successfully concluded on 8 January 2009. The 30MW steam turbine in Marina closed in September 2009 and Units 1 and 2 in Poolbeg are scheduled to close at the end of March 2010.

ESBIg continued to trade effectively in the SEM during 2009, serving 15% of the market from its thermal and wind portfolio. It extended its trading and risk management capability with the development of a gas and electricity trading business to support the planned entry into the British electricity generation market.

The Coolkeeragh and Synergen plants performed ahead of targets due to strong technical performance and achievement of cost efficiencies. The business acquired Royal Bank of Scotland's 30% stake in the Synergen

plant during the year and is now the 100% owner of this business. In compliance with regulatory license restrictions, Synergen Power Limited continues to be operated at arm's length from ESBIg's other businesses.

During the year, ESBIg acquired West Durham, a 24MW operating wind farm located in Durham, UK.

Despite the difficult economic climate both nationally and globally, **ESBI Engineering Solutions** delivered a very strong performance in 2009 reflected in continuing growth both at home and in targeted international markets. The business supported ESB Group in providing engineering and project management services for its wind development strategy, with five wind projects totalling 98MW under construction by year end. The business provided critical support to the capital projects in Marchwood, Aghada and Moneypoint as well as supporting ESB Networks' high voltage work programmes, with the first phase of Cork harbour transmission reinforcement completed during the year.

For external clients, business remains strong both at home in providing services to EirGrid, and overseas with new and ongoing projects in Bahrain, Tanzania, Vietnam, Romania and South Africa.

ESBI Engineering Solutions Operation & Maintenance Division had another very successful year in terms of overall financial outcome with individual plant performance in terms of availability and efficiency remaining strong. The business is responsible for operating over 5,500MW of capacity worldwide.

ESBli successfully delivered the Marchwood CCGT project at Southampton, UK, which entered commercial operation in December 2009. Marchwood is a joint venture with Scottish and Southern Energy (SSE). The business also made significant progress in the development of an 860MW CCGT plant at Carrington near Manchester. This development is now in receipt of all its key permits and licenses. ESBli also received environmental and administrative authorisation for its 860MW CCGT project in Corvera, northern Spain. These permits fully validate the environmental quality of the plant, and preparations are now underway to secure long-term contractual arrangements for the project.

Safety

Safety and health remains our number one priority and we are committed to creating an injury-free workplace. In 2009, ESB Energy International incurred 39 lost time injuries, 14 to staff and 25 to contractors. Safety efforts in 2009 focused on engaging individuals in managing their personal safety. Preparations for current projects concentrated on embedding learning from previous projects at the individual, contractual and site levels. Specific improvements during the year focused on contractor safety management, plant safety, emergency response management, safety leadership, safety awareness and safety training. A special initiative on the risk assessment of slips, trips and falls was undertaken during European Safety Week.

One of the businesses' key objectives in 2010 will be to seek further opportunities in new and emerging technologies.

2009 saw the continued safe deployment of staff in various overseas locations in Eastern Europe, the Middle East, the Far East and Africa. Uch and Rousch plants in Pakistan and the Derrybrien Wind Farm were added to the list of business areas now operating under an externally recognised safety management system, OHSAS 18001.

Sustainability and Renewables

ESB Energy International operates its business with a focus on minimising environmental impact and there were no environmental violations in 2009.

Completion of the Moneypoint Environmental Retrofit Project in early 2010 will provide a significant reduction in emissions of Nitrogen Oxide (NO_x), Sulphur Dioxide (SO_x) and dust from the plant.

Currently ESBli has 122MW of wind power installed in Ireland with a further 98MW under construction. It has 24MW of wind assets in Britain.

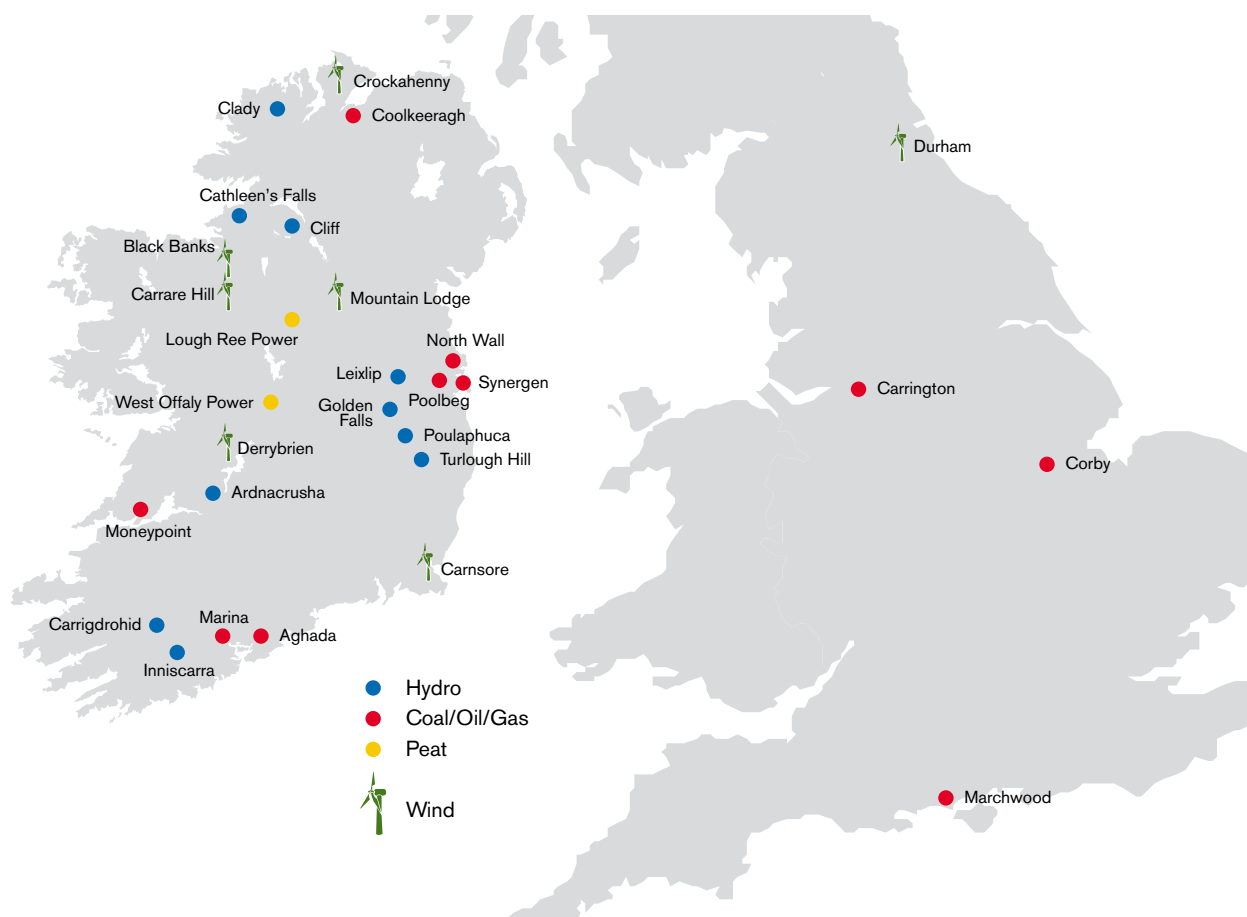
ESBli is developing two 50MW wind farms at Alda and Iturrieta, both in the Basque region of northern Spain. It is also in discussions with a Polish wind developer regarding development of c. 400MW over multiple sites.

ESBli Carbon Solutions business signed Carbon Services Agreements for projects in South Africa and Senegal. As part of these agreements, ESBli Carbon Solutions will manage the Clean Development Mechanism registration process for each project from start to finish.

In the wave and tidal energy sectors, ESB Energy International's Ocean Energy team continued to position ESB for future licensing of promising ocean energy sites around the island of Ireland. The business supported tidal stream technology developer, Marine Current Turbines, gaining considerable operational experience of their Seagen device, which is now fully operational and delivering power into the Northern Ireland electricity grid. It is also providing dedicated resources to a number of wave energy developers, assisting in electrical infrastructure design and generator selection.

A total of seven biomass fuel handling trials were undertaken in three solid fuel plants (Lough Ree, West Offaly and Moneypoint). Wood pellets, sawdust and woodchip were trialed in Lough Ree and West Offaly power stations, with preliminary wood pellet co-milling trials being completed in Moneypoint. Extensive testing has been undertaken in laboratories in Finland on burning of various blends of biomass in circulating fluidised bed boiler conditions and this will form the basis of further large scale combustion tests.

ESB Group's Generation Portfolio



Looking Ahead

In the context of the current economic climate, ESB Energy International expects significant challenges during 2010 in both its Irish and overseas markets. Within this, the following are the key objectives of the business for 2010:

- To continue focusing on improvements in safety, aimed at creating and sustaining a healthy and injury free workplace;
- To seek further environmental performance improvements through the successful delivery of the Moneypoint Environmental Retrofit Project and the peat station remediation projects, as well as undertaking other initiatives to protect the environment. Improving plant performance through best practice operations and maintenance within its stations and delivery of a portfolio of flexible plant capable of competing successfully in the SEM are also key objectives;
- In Ireland, to continue optimising its traded position in fuel and wholesale energy markets and to maximise the availability of its plants to provide competitively priced

energy for customers. Internationally, it will operate its overseas assets to the highest standard;

- To continue providing competitive engineering services and expertise to ESB Group and external clients. A key element of this focus will be support for new and emerging technologies. There will also be focus on rebranding the business to enhance and reinforce the company's positioning in key overseas markets coupled with a customer service improvement initiative;
- To seek further opportunities to develop and exploit new and emerging technologies;
- To continue developing material growth options for ESB Group by seeking a significant market position in the UK and through selected investments in Europe. Safety will be the highest priority on all projects; and
- To achieve significant performance improvements through the implementation of identified competitive measures.



HALO
the home energy
efficiency programme

Energy Services

HALO

the home energy
efficiency programme

HALO Survey covers:

- Attic Insulation
- Wall Insulation: External, Cavity & Dry-lining
- High efficiency Boilers
- Heating Systems & Controls
- Lagging jackets *
- Draught proofing *
- Energy efficient lighting *
- Double glazed low-e windows *

Energy Services

Energy Solutions

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.



Energy Solutions

		2009	2008	Variance
(Loss)/profit after tax (€m)	– ESB Customer Supply	(48)	(74)	26
	– ESBIE	1	12	(11)
	– Other	(16)	(6)	(10)
Market share (all-island)	– ESB Customer Supply	35%	40%	(5%)
	– ESBIE	15%	15%	-
National Customer Call Centre (NCCC):				
Telephone Success Factor *		85%	82%	3%

* % calls answered within 20 seconds

Overview

Energy Solutions is the retail business of ESB which supplies electricity and related services. The key focus of the business is delivering and improving customer service and value. It comprises three business lines, ESB Customer Supply which is regulated by the Commission for Energy Regulation (CER), Energy Services and ESB Independent Energy which competes in business markets (and is ring-fenced from ESB Customer Supply).

The electricity retail market in the Republic of Ireland has changed dramatically in 2009 with the entry of Bord Gáis Energy and Airtricity into the domestic market. In accordance with regulatory arrangements, ESB Customer Supply had contracted for much of its wholesale energy requirements for 2009. Fuel commodity prices fell significantly towards the end of 2008, allowing new entrants to offer significant discounts on ESB Customer Supply's regulated prices. Over 400,000 customers switched supplier by the end of 2009, and this increased to over 550,000 in the first four months of 2010.

ESB welcomes CER's recent decision to deregulate ESB Customer Supply when certain market conditions are met and to allow us compete on a level playing field. Clearly the current form of tariff regulation and ring-fencing of ESB Customer Supply within the ESB Group is no longer appropriate in an active competitive market.

We look forward to competing in the electricity retail market on an open and equitable basis to deliver benefits to customers in terms of competitive prices, product innovation and quality value added services. We are currently examining opportunities to broaden our customer offerings including the retail gas market and expanding our energy efficiency services.

Safety Review

Energy Solutions continues to prioritise safety and health to achieve our goal of an injury free workplace. The number of Lost Time Injuries (LTI) in the business was 3 in 2009 (5 in 2008).

During 2009 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 was placed on health and well-being of staff during 2009.

Customer Supply

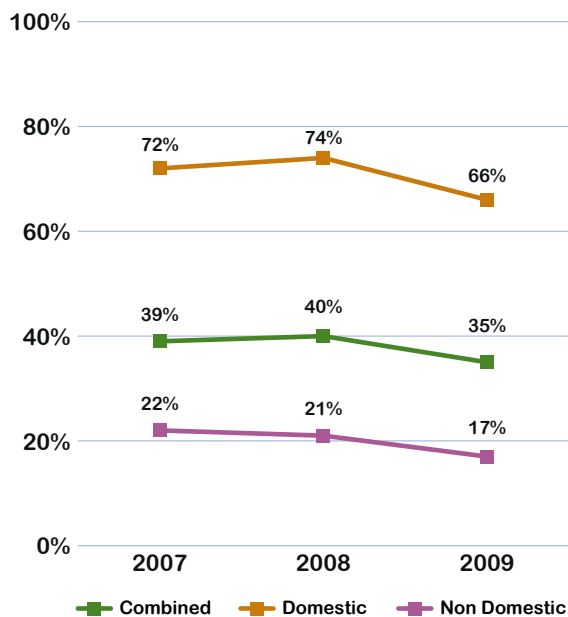
Operational Review

ESB Customer Supply (licensed as the Public Electricity Supplier) provides an electricity supply service in the Republic of Ireland retail market. Its customer terms and conditions are subject to approval by the CER. ESB Customer Supply operates on a ring-fenced basis from other businesses within ESB Group. It purchases electricity from the Single Electricity Market (SEM) and through industry auctions overseen by CER 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.

2009 was a particularly challenging year for ESB Customer Supply, with the emergence of residential market competition from Bord Gáis Energy and Airtricity. ESB Customer Supply's market share on a consumption basis has fallen to 45% of the total Republic of Ireland market by the end of 2009. This equates to 35% of the SEM market.

The dramatic customer losses experienced in 2009 have had a significant impact on the business and the underlying cost base. ESB Customer Supply has already taken steps to reduce its cost base and is working to achieve further progress in this area, and looks forward to being able to compete to the benefit of customers, in the near future.

ESB Customer Supply Market Share – All Island



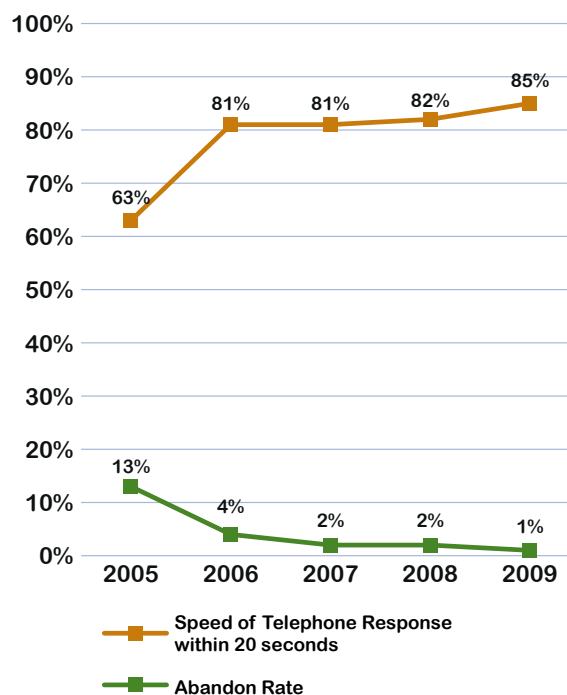
Customer Service Delivery

Providing quality customer service continues to be Customer Supply's number one priority. The National Customer Contact Centre again exceeded its service targets and also retained the accreditation under the Customer Contact Centre Association 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 2009 a number of new customer service initiatives were progressed including:

- Promotion of a new e-billing service which provides online bills 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;
- Enhanced quality management and first contact resolution to support continuous service improvement; and
- Process improvements to enhance customer service and efficiency.

National Customer Contact Centre Customer Service



The economic downturn has presented new challenges for the business particularly in terms of debt collection. While proactively working to ensure that debt is collected in this difficult economic environment, ESB Customer Supply has also actively engaged with St Vincent de Paul, the Money Advice and Budgeting Service (MABS) and other agencies to support customers experiencing energy affordability issues and those with special requirements. Supports provided included debt repayment programmes, information on budgeting for electricity costs and advice on how to use energy more efficiently.

Community Support

ESB is engaged in a number of sponsorships aimed at supporting the community and promoting important activities such as music and sport. Highlights of our contributions in 2009 included ESB GAA Football/Hurling Minor Championships, Feis Ceoil, Ireland Under 20's Rugby Home Series, Women's & Girl's Hockey.

ESB Customer Supply also works closely with the charity Age Action and sponsors Positive Ageing Week (PAW). The aim of PAW is to celebrate our older community and promote a positive image of ageing and older people.

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 2009 with ESB Customer Supply helping customers to save more than 630 GWh of electricity, equivalent to a reduction in CO₂ emissions of 335,790 tonnes (533g/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' and the Des Bishop Unplugged blog.

The planned introduction of Smart Metering will enable electricity users to manage their electricity 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. During 2009, over 5,000 customers were selected for one of the largest Smart Metering behavioural trials internationally. These customers had smart meters installed during 2009. The active involvement of customers in the behaviour trial commenced in January 2010, with customers in the pilot receiving enhanced and more frequent information on electricity usage and costs.

ESB is the proud sponsor of Cúl Green, a sustainability programme for Croke Park. The goal is to make the stadium carbon neutral by 2014. The environmental improvement programme for energy, waste and water led to the certification of the stadium under ISO 14001 in 2009.

ESB sponsors the Sustainable Energy Awards in partnership with SEAI. The awards encourage, recognise and reward excellence in energy management among business energy users of all sizes.

Energy Services

Energy Services was established in 2008 to deliver on ESB's commitment to providing leadership on the energy challenges facing Ireland. ESB is committed to supporting government to deliver reductions in energy demand across the economy.

During 2009 two key programmes were launched and delivered – the Home Insulation Scheme (HIS) and the HALO Home Energy Efficiency Programme.

- The Home Insulation Scheme delivered a free home insulation package to over 3,000 eligible elderly householders. The package included the installation of insulation for attics and cavity walls as well as lagging jackets, draught proofing and CFL energy efficient light bulbs. The Home Insulation Scheme has made an enormous difference to the comfort and warmth of these homes, in particular during the cold winter weather.
- Under the HALO programme ESB carried out free home energy efficiency surveys and tens of thousands of householders received practical, professional advice on the steps they should take to make their homes more energy efficient.

Both of these programmes have been very successful and are evidence of ESB's real commitment to supporting national efforts to improve energy efficiency and to improving the standard of living of those at risk of fuel poverty.

ESB Independent Energy (ESBIE)

ESB Independent Energy is unregulated and competes in the business market only. It is strictly ring-fenced from the regulated ESB Customer Supply business.

Under the HALO programme ESB carried out free energy surveys and gave advice to customers on how they could make their homes more energy efficient.



ESBIE maintained its strong presence in the Republic of Ireland and Northern Ireland markets despite a significant increase in the level of competition in the company's market segments, retaining approximately 14% and 17% market shares respectively. ESBIE has a primary focus on the large energy user (or LEU) sector and is also looking to build up its strategic presence in the SME sectors during 2010. 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 solutions.

ESBIE entered into the gas retail market during 2009, a significant step for the company and the ESB Group to strengthen relationships with customers through this new product offering. ESBIE will concentrate in 2010 on the high end sector of the market.

Looking ahead

Energy Solutions is facing into exciting but challenging times as the electricity market becomes fully deregulated. We look forward to being able to compete fully in the business and domestic markets when market share conditions set by CER are met over the coming months. It is critical that current ring-fencing restrictions (between the regulated

and unregulated supply businesses and between supply and generation) are also lifted so that ESB can operate on a level playing pitch with its competitors. We also recognise our key role in continuing to contribute to the challenges posed by climate change.

The priorities for 2010 for Energy Solutions are to:

- Respond effectively to business and domestic market deregulation in the coming months.
- Continue to provide excellent customer service and to launch new product offerings adding value for our customers.
- Address our cost base in light of our significantly reduced market share.
- Continue to work with customers to manage debt repayment in the current economic climate.
- Engage with our customers to ensure the successful completion of the Smart Metering trial.
- Develop new ways of contributing to Ireland's energy efficiency targets, helping homes and businesses to become more energy efficient.



ESB Networks

In the context of the Sustainable Networks 2020 strategy, ESB Networks continues to work towards becoming a world leader in smart networks implementation.



ESB Networks

	2009	2008	Variance
(Loss)/profit after tax (€m)	(97)	43	(140)
Capital expenditure (€m)	595	631	(36)
New connections	33,719	63,099	(29,380)
Customer minutes lost*	141	155	(14)
Staff: Lost time injuries	23	28	(5)

*Average annual minutes lost per customer due to outages

Operational Review

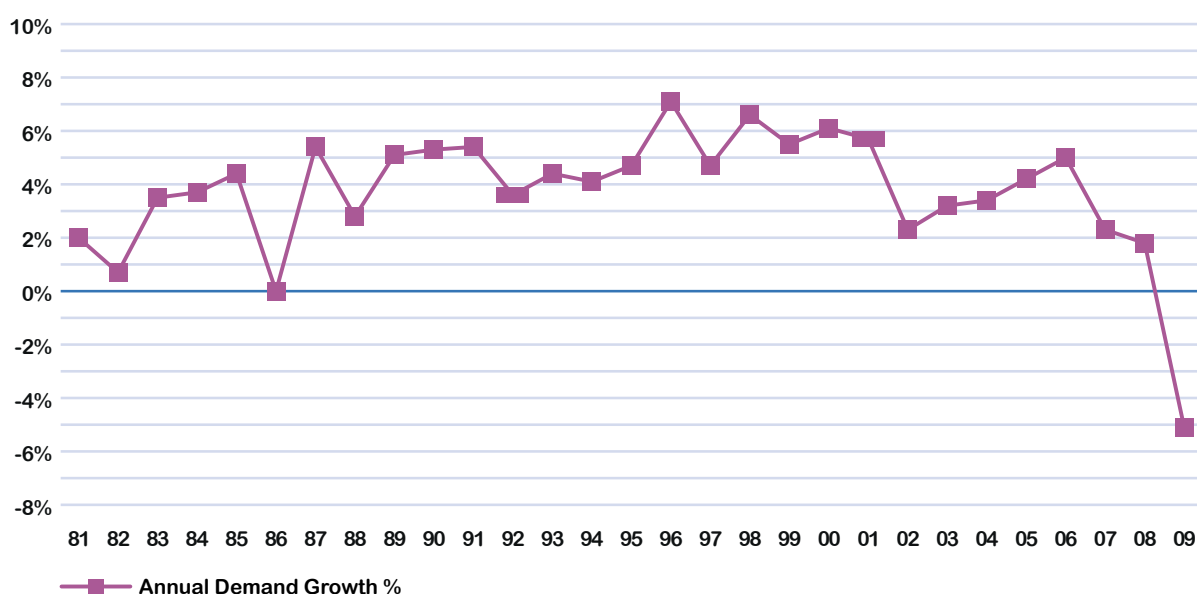
2009 was an important and challenging year for ESB Networks. The substantial capital investment in the distribution and transmission networks made in recent years continued as part of the PR 2 (the regulatory price control period from 2006 to 2010 inclusive) programme of work agreed with the Commission for Energy Regulation (CER). The benefits of these improved assets to the country were demonstrated during the severe weather conditions at the end of 2009 and beginning of 2010. During these storms, the improved and robust networks infrastructure was better able to withstand the very severe weather conditions and resulted in significantly less disruption of electricity supply to customers than would have been the case historically.

The financial result for the year was a loss after interest and tax of €97 million, a decrease of €140 million on the results for the preceding year. The main reasons for this loss were higher pension and staff severance costs, on top of significant financial support in both years to the electricity market.

The rise in severance costs reflects the cost of over 420 staff exits, as a result of a rationalisation scheme launched in 2008. This initiative will yield significant reductions in operating costs in future years. The increased pension cost reflects the ESB Networks share of the higher overall pension scheme charge for the year.

Compared with the prior year, income fell in 2009 for two reasons; a tariff reduction and lower electricity usage in the market. Tariffs charged to customers were temporarily

Annual Electricity Demand Growth

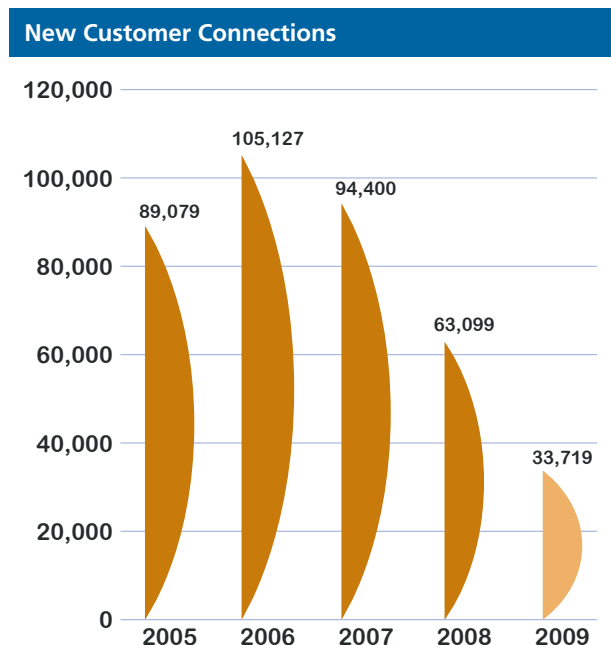


reduced for part of 2009, following a direction by the Commission for Energy Regulation (CER) to give a 10% reduction in end user prices from May to September. This reduction for customers followed a charge in 2008 of €125 million, which was the ESB Networks share of the Customer Rebate Provision recognised in that year. In addition, in 2009 there was a fall in overall electricity usage in Ireland of around 5%, mirroring the reduced economic activity in the country.

Capital Expenditure

The changed economic circumstances of the country had a significant impact on the nature of the capital programme. New customer connections, which peaked at just over 105,000 in 2006, fell to just under 35,000 in 2009. This change in work load required a rapid shift in planning and focus within the business, which was successfully achieved. Resources were diverted onto other areas of necessary investment, particularly the high voltage transmission system, which facilitates the growing wind energy industry in Ireland.

In all, nearly €600 million was invested in 2009 in the national electricity infrastructure, as well as supporting IT systems and other assets, as part of an overall €6 billion investment programme over this decade. The forward looking Integrated Work Management (IWM) IT system went live in 2009 and this will facilitate, for the first time, end to end management of capital work on a single IT system.



Sustainability

In 2009, ESB Networks launched its new strategy around Sustainability, 'Sustainable Networks Strategy Towards 2020', which aims to deliver a world-class sustainable networks business for Ireland. This strategy is designed to ensure:

- Delivery of a networks infrastructure and services that support national economic growth and sustainability targets; and
- Business and value growth with excellence in safety, customer service, asset management and people development.

ESB Networks successfully embedded sustainability in its business during 2009 through positive engagement with staff, suppliers, key stakeholders and customers. Significant progress was made across all areas of our sustainability program and some of the key highlights are outlined below:

- ESB Networks installed 10,000 smart meters and associated communications and IT systems to support the Smart Metering User Trial which was established by the CER as part of the national smart metering plan. ESB Networks provides the relevant electricity supplier with daily consumption data for these customers. About 1,200 customers received in-home display units linked to their meters;
- Sustainability was emphasised as a core value of ESB Networks through the ongoing monitoring and communication of sustainability performance in line with our plan to reduce carbon emissions by 30% by 2012. ESB Networks made significant progress during 2009 to improve sustainability performance across all aspects of its business and to reduce its internal carbon footprint. Many initiatives were introduced and significant progress was made in reducing energy usage in our buildings by 9% and improving our waste recycling rates by 9% also;
- In the context of Sustainable Networks 2020 Strategy, ESB Networks continues to work towards becoming a world leader in smart networks implementation. A number of projects were initiated in 2009 to assist in this aim including:
 - Membership of an approved research and demonstration programme with The Electric Power Research Institute (EPRI), an American based research institute geared to enable the smart networks strategy;

- Involvement with Mobile Energy Resources in Grids of Electricity (MERGE) which is a collaborative project incorporating 17 member organisations and established to assess the strategic impact of the roll out of electric and plug in hybrid vehicles on grid infrastructure;
- The government extended the scope of Science Foundation Ireland (SFI) as the agency to cover R&D on energy. ESB Networks has been working with Electricity Research Centre (ERC) in UCD, Academia, EPRI and some of the largest companies in Ireland, to create a coalition to focus research on the integrated smart networks strategy;
- A package of supports were introduced by ESB Networks to promote micro-generation in the context of the sustainability strategy, the development of smart networks, the support for the government sustainability strategy and in support of a jobs stimulus package;
- A research pilot was initiated to assess the possibility of using pure biodiesel (B100) and biodiesel blends (B20/B30) in ESB fleet vehicles. The fuels are tested across a range of vehicles with a view to deciding what fuel or fuel blend is most suitable for adaptation in fleet vehicles. The vehicle trial is unique in that it involves both on-road and off-road vehicles; and
- ESB Networks erected the first electric vehicle charging posts, giving visible evidence of the ESB rollout of public charging infrastructure.

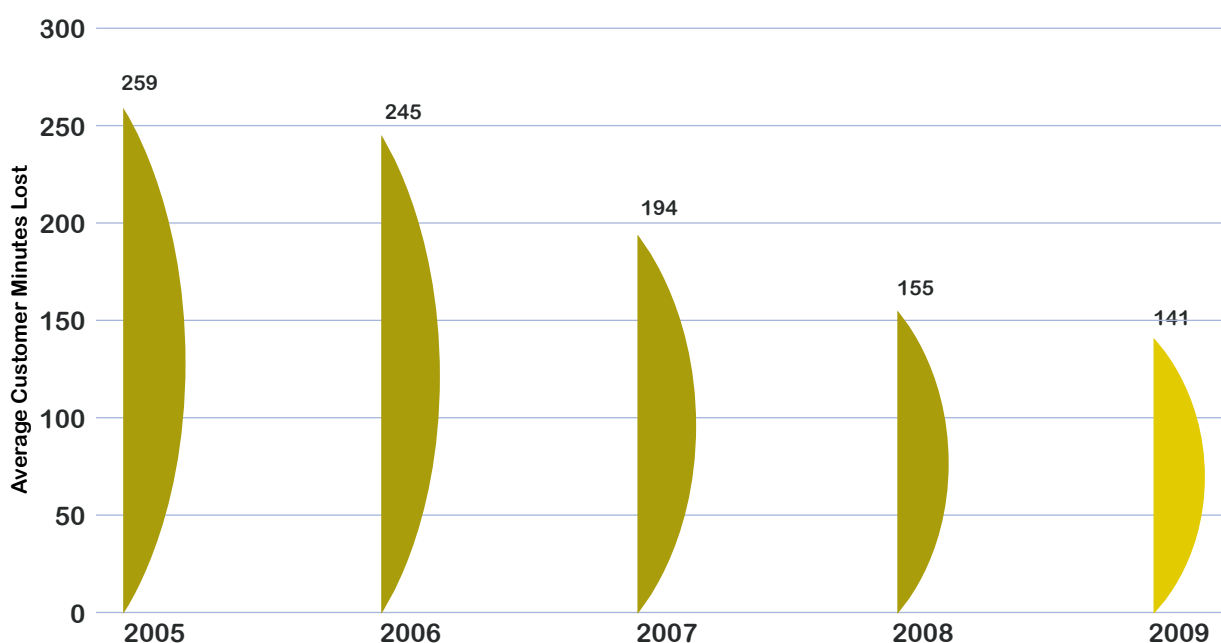
Changing Market Environment

In 2009 ESB Networks Limited was established as a separate company to act as the independent Distribution System Operator (DSO), in accordance with the 2003 EU Energy Directive which was transposed into Irish Law by Statutory Instrument No. 280 of 2008. The effective date for these new arrangements was 1 January 2009. In January 2009 the CER issued the Distribution System Operator Licence to ESB Networks Limited, pursuant to the Electricity Regulation Act, 1999.

The Board of ESB Networks Limited, which includes two external Directors, has been active during 2009 with regular Board Meetings and has put in place an appropriate governance framework to enable the DSO to operate independently in respect of its functions.

ESB Networks Limited submitted a draft Compliance Programme to the CER for approval in accordance with Section 11 of the European Communities (Internal Market in Electricity) (Electricity Supply Board) Regulations 2008 (S.I. 280/2008) and Condition 18 of the DSO licence. The Commission approved the Compliance Programme in October 2009. Mr Paul Stapleton was appointed Compliance Officer by the Board of ESB Networks Limited.

Reduced Network Customer Outages



2009 was the fourth year in the current price control determination, which covers the years 2006 to 2010 inclusive. Initial engagement with the CER took place towards the end of 2009 with respect to the next Regulatory Price Control which will cover the period 2011 to 2015. The final determination with regard to this price control will be made in the summer of 2010.

Our regulatory and industry service level agreements in relation to the high profile meter reading activity were fully achieved, while work continues with Northern Ireland Electricity and energy regulators in both the North and South to harmonise the retail electricity market and related systems on the island.

Customer Service Delivery

ESB Networks' five year customer service improvement plan, which covers the years 2006 – 2010, continued to provide a clear focus in the commitment to ensure that customer service is of the highest quality in terms of reliability and value.

Construction and maintenance techniques continue to evolve to ensure that all major work programmes are completed to schedule with minimum impact on continuity of customer supply performance.

The level of service to customers was enhanced, with improved performance delivery for electricity suppliers in the all-island Single Electricity Market (SEM). The customer satisfaction survey carried out in 2009 returned a 78% positive response, the highest figure since the survey began and telephone response in the National Customer Contact Centre (NCCC) continues at world class levels.

Health and Safety

Safety is a core value in ESB Networks and the business is committed to maintaining a safe working environment for staff, contractors and visitors.

As part of the junior schools public safety commitment, considerable progress was made in developing a comprehensive resource pack and delivery programme designed to raise awareness about the dangers of electricity amongst school children.

During 2009 a joint trade union, management and safety committee working group was established to review all aspects of safety related behaviour. The initiative concluded with the publication of an agreed 'Code of Best Practice on Safe Behaviours'. The document will form a basis against which all safety related conduct can be reviewed and will provide considerable support in moving the business towards the goal of zero injuries.

Input into the Irish Economy

ESB Networks has contributed significantly to the Irish economy, with an annual spend of over €1 billion. The value of materials and services bought in Ireland amounted to approximately €250 million in 2009. This was in addition to €50 million in rates to local authorities. The business directly employs over 3,500 staff and provides work for over 1,000 independent contractors, who are involved in the construction and maintenance of the networks and in a number of other related programmes across the country.

During 2009, as part of a Group wide response to the current economic conditions in the country, ESB Networks helped 150 FÁS-sponsored apprentice electricians to complete their qualifications by providing on-the-job work experience. At the beginning of 2010, a further 100 FÁS-sponsored apprentices were temporarily employed by ESB Networks and in total up to 400 people will benefit from this initiative over the two years.

The Future

Looking forward to 2010 and beyond, some of the key issues will include:

- **Safety:** This continues as a primary value of the business and will remain so into the future;
- **Financial Health:** In the current economic conditions, a healthy financial position is essential in order to meet the many safety, customer service and investment challenges facing the business;
- **Sustainable Networks:** In 2010 ESB Networks will continue the implementation of initiatives including the Smart Metering project, a range of Smart Network initiatives and the connection of further wind generation to the electricity networks;
- **Infrastructure Investment:** The extension and upgrading of the national electricity infrastructure will continue into 2010. This will benefit all electricity customers, as well as providing the country with a long-term asset required for economic recovery;
- **Customer service:** Excellent service to customers will remain as a key business objective for the years ahead; and
- **Regulation:** The achievement of the present regulatory targets and the preparation for the next Regulatory Price Control period.



Sustainability and Corporate Responsibility

The aim of ESB is to be a leading, commercially successful, environmentally responsible utility with sustainability firmly embedded in its corporate culture.



Sustainability and Corporate Responsibility

Sustainability

Overview

The aim of ESB is to be a leading, commercially successful, environmentally responsible utility with sustainability firmly embedded in its corporate culture. ESB's strategic targets will see us reduce our carbon dioxide emissions by 30% by 2012, 50% by 2020, and will be net-zero by 2035. We have already closed or divested much of our older, less efficient thermal plant and replaced it with highly efficient combined cycle gas turbine plants and are making rapid progress in building our renewables portfolio based primarily on wind, with ocean-based generation technologies to follow.

ESB Wind Development

ESB Wind Development was established in 2009 to focus on the acquisition, development and construction of wind farms in Ireland and Great Britain. This is in line with ESB's strategy to deliver one third of its electricity from renewable generation and 1,400MW of wind generation by 2020.

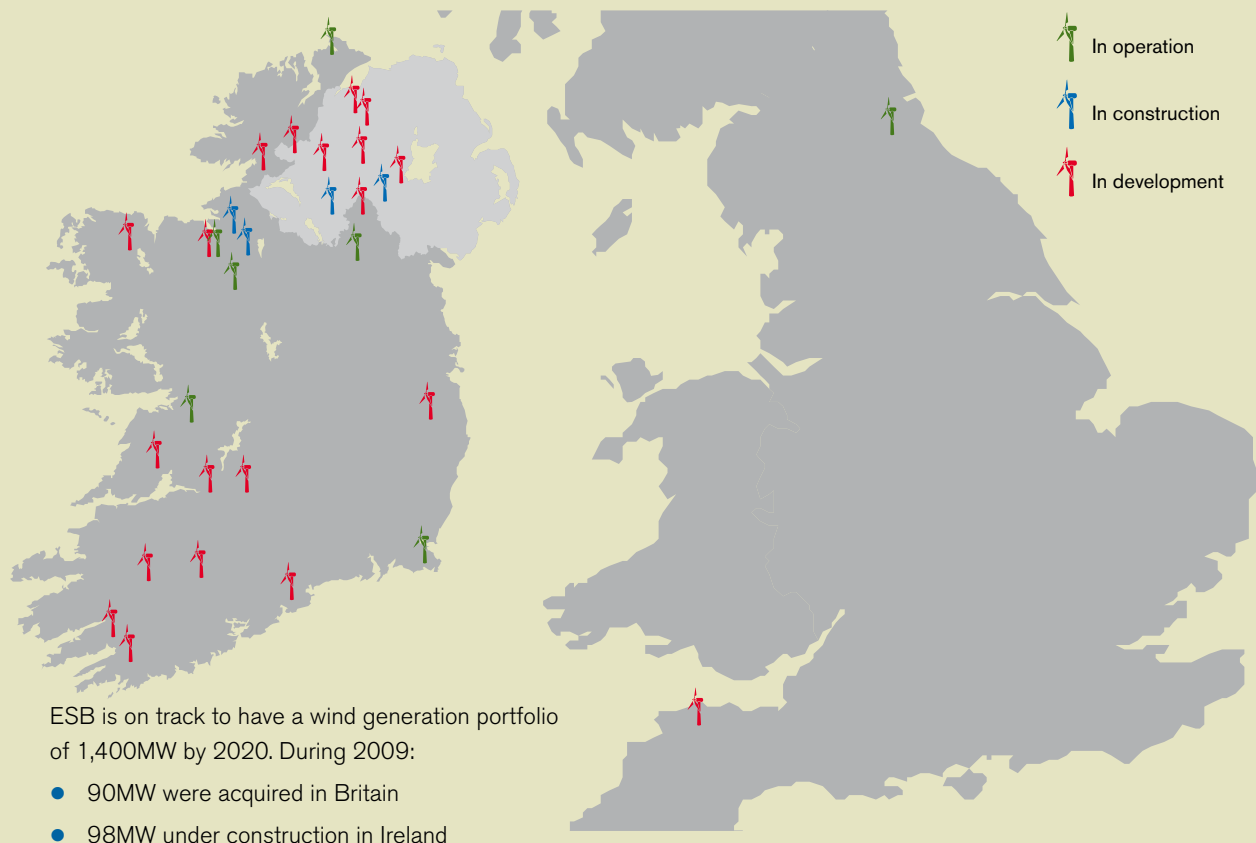
We spent over €180 million acquiring and developing wind farms in 2009, as follows:

- 20MW Hunter's Hill Wind Farm in Co. Tyrone, which is currently under construction;
- 24MW West Durham Wind Farm, an operational wind farm, in England; and
- 100% of Devon Wind Power Limited which has the rights to develop the 22 turbine Fullabrook Wind Farm in Co. Devon, England.

ESB Wind Development is currently managing 98MW of assets under construction, across 5 wind farms in Ireland and Northern Ireland.

Planning permission was obtained for ESB Wind Development's first greenfield wind farm development in Northern Ireland with the Carrickatane project (22.5MW) in Co. Derry.

ESB Wind Generation targets on track for 2020, significant progress made in 2009.





We spent over €180 million acquiring and developing wind farms in 2009.

Going forward, ESB Wind Development will continue to develop and explore opportunities for wind farm development and acquisition in Ireland and Great Britain with a view to increasing ESB's existing portfolio in line with the strategic targets. 80MW of wind farm projects currently under construction will achieve commercial operation during 2010.

In addition, ESB Wind Development expects to commence construction on over 100MW of assets including Fullabrook Wind Farm, its first construction project in Great Britain.

Novus Modus

Novus Modus was established as a €200 million venture capital fund to invest in innovative renewable technologies and projects while also leveraging the expertise of (and sharing knowledge with) the ESB Group. Novus Modus is focused on opportunities in technologies and projects related to renewable energy generation, energy efficiency and clean transportation. To date, it has committed a total of €26 million to investments in VantagePoint Venture Partners, Nualight Limited, a manufacturer of innovative LED lighting systems, and Airvolution Energy Limited, a new venture that will develop, construct and operate small onshore wind projects in Britain.

Other Initiatives

- The national target for wind power for 2020 is in the order of 5,000MW. ESB will make the necessary investment in our infrastructure at both distribution and transmission levels to meet this target. Our networks will be smarter and more interactive through network automation. We installed over 10,000 meters in 2009 as part of our smart metering trial.
- ESB is also supporting electric vehicles and energy efficient/smart applications of electricity.
- ESB has also contributed to the national programme with the Home Insulation Scheme to combat fuel poverty and with the HALO scheme to provide free home energy audits.
- An intensive change programme within the company to embed sustainability includes:
 - Energy audits on all of our buildings with aggressive targets for energy reduction;
 - Appointment of 180 sustainability champions across the company; and
 - A sustainability roadshow that was visited by 3,500 members of staff.



ESB Electric Vehicles (ecars)

ESB's strategy to decarbonise its electricity generation by 2035 will ensure that carbon neutral electricity will power an emissions free transport system. In April 2009, a significant and new collaboration, between Government, ESB and car manufacturers Renault-Nissan alliance, was agreed to ensure electric vehicles will be on Irish roads within two years. ESB ecars is committed to rolling out the infrastructure with an extensive network of charge points installed in homes, on-street and along motorways nationwide.

ESB ecars is also engaging in research, trials and technology standards to guarantee open access to all electricity suppliers and car manufacturers and ensure adherence to the strictest safety standards for the charging infrastructure.

Environment

ESB's response to the threats and opportunities presented by climate change is set out in ESB's Strategic Framework,

announced in March 2008, which commits ESB to achieve net-zero carbon emissions by 2035, with a 30% reduction by 2012 and 50% by 2020 from 2005 levels.

ESB is working with Government and state agencies to support the delivery of transport emission reductions. In particular, ESB has committed to put in place a nationwide battery charging infrastructure by end of 2011 to support the early uptake of electric and hybrid-electric vehicles in Ireland.

Health and Safety

ESB met its objective of reducing the number of Lost Time Injuries (LTI) to staff (injuries involving one or more day's absence from work) to 43 compared to 47 in 2008, as part of the goal of achieving a zero injury workplace. The objective in 2010 is to reduce staff injuries to no more than 30. In addition, 43 contractor LTI were recorded against an objective of no more than 30. This higher than anticipated number of injuries was as a result of increased contractor activity on major construction projects and improved reporting from smaller contractors. Adverse winter weather conditions also had an impact. The 2010 objective is to reduce contractor injuries to no more than 28.

There have been no staff fatalities since 2003 and no contractor fatalities since 2005. Sadly, however, one member of the public was fatally injured through contact with a high voltage electricity overhead line. Also two members of the public were fatally injured in separate road traffic collisions involving ESB and contractor vehicles. ESB continues to provide significant resources towards raising public awareness of the dangers associated with electricity and towards contributing to the national road safety effort.



Cúl Green, the joint initiative between ESB and the GAA to transform Croke Park into a net carbon neutral stadium, received an important boost in April 2009 when the stadium received ISO 14001 accreditation for the first time.

ESB initiatives will help address an emerging shortage in the numbers qualifying nationally in electrical engineering.

Driving and road use remain a significant risk for ESB. The 'Safe Driving' programme was revised and refreshed during 2009 with the aim of zero injuries and a continued reduction in all collision types. ESB has entered into a three year strategic alliance with the Road Safety Authority with the aim of helping to reduce road deaths in Ireland.

Two major strategic safety initiatives were pursued during the year to promote contractor safety and to improve safety risk assessment.

Engineering Skills

Following an initiative announced with Engineers Ireland, ESB is supporting additional places in Cork Institute of Technology to facilitate the entry of additional qualified electricians into a Level 7 engineering degree programme. We have also taken 100 new electrical apprentices into ESB in 2009 which is 50 above our required number. Suitable candidates will be offered the opportunity to pursue funded third level engineering degree programmes.

These initiatives will, over the next few years, help address an emerging shortage in the numbers qualifying nationally in electrical engineering.



ESB Networks staff attend a Women's Learning and Networking Programme aimed at promoting and cultivating the growth and development of women in the organisation.

Promoting Equality and Diversity in ESB

The Equality and Diversity Office focused on five key areas in 2009:

- **Equality**
Exceeding equality legislation and being leaders in best practice;
- **Diversity**
Raising awareness of the benefits from valuing and harnessing difference in ESB;
- **Respect & Dignity**
Promoting positive respect and dignity values amongst all staff;
- **Disability**
Promoting disability awareness, implementing our Code of Practice and exceeding the 3% statutory disability employment target. The figure for 2009 is 5.19%; and
- **Work Life Balance**
Guiding staff on balancing their careers with other commitments.

Coaching

Executive coaching is an integral part of the talent management system in ESB. The overall objective of the coaching investment is to create a high performance culture through improving individual self-awareness and behaviours to the benefit of the individual and the organisation as a whole.



ESB are proud sponsors of the GAA All-Ireland Minor Hurling and Football Championships.

Workplace – Partnership

ESB continues to operate in accordance with the principles of Partnership, and under the terms of an Internal Partnership Agreement. This is supported by full time staff, who work to develop the Partnership model within ESB and to support the work of almost 40 local Partnership Groups and newly formed business unit groups across our organisation.

Our Executive Director Team and the officials of the ESB Group of Unions continue to meet monthly in a Partnership Forum where current issues and strategic issues facing our business are discussed and staff input expressed through their representatives.

Social Initiatives

ESB social initiatives in 2009 included:

Support for SEAI Warmer Homes Scheme

ESB Customer Supply supported the SEAI Warmer Homes Scheme by purchasing 40,000 CFL energy efficient light bulbs and 4,000 cylinder lagging jackets and distributing these to 20 Community Based Organisations (CBOs) delivering on the Warmer Homes Scheme.

Positive Ageing Week

ESB Customer Supply sponsored Positive Ageing Week 2009, organised by Age Action. Positive Ageing Week aims to combat ageism and to promote a positive image of ageing in communities throughout Ireland.



ESB's Eugene Dalton outlining career options to Rosmini School students in Dublin as part of the Schools Business Partnership, run with Business in the Community Ireland.

ESB social initiatives included support of the SEAI Warmer Homes Scheme, by purchasing 40,000 CFL energy efficient light bulbs and 4,000 cylinder lagging jackets and distributing these to 20 community-based organisations.



Teachers and pupils at the Teshie School near Accra, Ghana enjoy the facilities and possibilities of a new fully equipped IT Room. ESB's staff social justice fund, ElectricAid, funded the complete transformation of the school, with ESB volunteers actively involved in the installation of electricity, air conditioning and modern equipment as well as providing IT training.

CARI Sponsorship

ESB Customer Supply sponsored former Dublin Senior Football Captain, Collie Moran, in a fundraising trek to Machu Picchu in support of CARI (Children at Risk in Ireland) Foundation. CARI provides support to children (and their families) who have suffered abuse. The funds raised through this trek to Peru will help to provide therapy and support for abused Irish children and their families. Collie and 18 other trekkers completed the trek.

Know your Neighbour Weekend

ESB Customer Supply sponsored the Macra Na Feirme 'Know your Neighbour Weekend' for the fourth consecutive year. This initiative aims to strengthen community support and reduce isolation at local neighbourhood level, by encouraging local communities around the country to do something on that weekend to help get to know their neighbours better.

ElectricAid Project in Ghana

This project was initiated in 2007 to mark the 80th anniversary of ESB and supports the construction and rehabilitation of schools to cater for over 4,000 school children in Teshie, Accra (capital city of Ghana). Over 100 ESB volunteers have worked on site while funding their own travel and accommodation costs.

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

ESB agreed a language scheme in March 2008, under Section 11 of the Official Languages Act 2003. It is one of the functions of the Language Commissioner under Section 21 of the Official Languages Act 2003 to monitor compliance with the provisions of the Act. As part of that remit a review/audit of the implementation of the scheme was conducted, which found that ESB has made substantial progress in the implementation of the scheme.

9,400 electricity bills are issued in Irish each year. A publicity campaign was used to inform customers of the choice of being billed in Irish.

Leaflets and brochures enclosed with household customers' bills are in both Irish and English. They are also available to business customers.

There is currently a panel of Irish speakers available within ESB Customer Supply to deal with customers seeking service through Irish.

Board Members

Lochlann Quinn *Chairman*

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 *Chief Executive*

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

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

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.



Eoin Fahy

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



Seán Conlan

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.





Georgina Kenny

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.



Tony Merriman

Tony Merriman was appointed to the Board in January 2007 under the Worker Participation (State Enterprises) Act, 1977. He is currently a Board member of ESB ESOP Trustee Limited. He joined ESB in 1979 as a Network Technician and 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.



Seamus Mallon

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.



John Nugent

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.



Garry Keegan

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.



Bobby Yeates

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



John Shine
Deputy Chief Executive

John Shine was appointed Deputy Chief Executive in November 2009. Previously, he held the position of Executive Director, ESB Networks since November 2002 and Chairman and Managing Director of ESB Networks Limited since 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.



Bernard Byrne
Group Finance and Commercial Director

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
Executive Director, Sustainability

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
Executive Director, Energy Solutions

Brid Horan was appointed Executive Director, Energy Solutions in November 2009. Previously, she held the position of Executive Director, ESB Customer Supply and Group Services since 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.



Pat O'Doherty

Executive Director, ESB Energy International

Pat O'Doherty was appointed Executive Director, ESB Energy International in February 2010. Previously, he held the position of Executive Director, ESB Networks since November 2009 and Executive Director ESB Power Generation since 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 other senior positions in ESB Networks.



John Redmond

*Company Secretary and
Head of Corporate Affairs*

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.



Luke Shinnors

*Executive Director,
Human Resources*

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 Human Resources Manager, Networks. He joined ESB in 1973 and holds an Electrical Engineering degree from UCD and an MBS in HR Strategies from DCU.



Jerry O'Sullivan
*Managing Director,
ESB Networks*

Jerry O'Sullivan was appointed Managing Director, ESB Networks in 2010. He joined ESB in 1981 and held a number of positions in Power Station Construction, Marketing, Customer Service, Distribution and Transmission. He was appointed Head of Network Services in 2002 and Head of Sustainability and Network systems in 2008. He holds a degree in Civil Engineering from University College Cork.

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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 2009.

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 2009, 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 €580 million compared with €273 million for 2008.

Total dividends paid in 2009 came to €267.3 million in aggregate, comprising a final dividend of €82 million paid in 2009 in respect of 2008 and an interim dividend of €185.3 million. Board Members are recommending that a final dividend of 4.77 cent per unit of capital stock, amounting to €94.4 million in aggregate be paid in 2010 in respect of 2009. 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. 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 ('Combined Code'). Companies listed on the Irish Stock Exchange are required, as part of the listing rules, to describe how they apply the Combined 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 as amended and, accordingly, is not obliged to comply with the Combined Code. However, ESB supports the principles and provisions of the Combined Code and voluntarily complies with them subject to the following exceptions:

- (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 (i.e. the Chief Executive) are in accordance with applicable State Body Guidelines issued by the Department of Finance. The details of Board Members' remuneration on page 49 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. During the year one independent Board Member exceeded the nine year period as a Board Member which the Combined Code regards as one of the relevant factors in considering whether a Board Member is independent. Having considered all of the other factors relevant to Board Members' independence as outlined in the Combined Code, the Board is satisfied that the Board Member, whose term of office expires in May 2010, is independent.

PRINCIPLES OF GOOD GOVERNANCE

Attendance at Meetings

There were 11 General Board Meetings during the year ended 31 December 2009. The number below opposite each name represents the attendance by each Board Member at Board Meetings, during the year.

Board Members 2009	Meetings Attended
Lochlan Quinn, Chairman	9
Brendan Byrne*	11
John Coleman	11
Eoin Fahy*	11
Seán Conlan*	11
Garry Keegan*	10
Georgina Kenny*	10
Seamus Mallon*	10
Padraig McManus	11
Tony Merriman	11
John Nugent	11
Bobby Yeates	11

* Independent Board Members

Board Members' Report

(continued)

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 2009. 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.

The Combined Code outlines seven types of relationships or circumstances which are relevant when a Board is determining that a director is or is not independent. One of these circumstances is having served on the Board for more than nine years. Ms. Kenny was first appointed to the Board in 2000 and will complete her second term of five years in May 2010. In the circumstances and having regard to the other tests of independence set out in the Combined Code, the Board has determined that Ms. Kenny remained an independent Board Member during 2009.

Mr Lochlann Quinn was appointed Chairman of the Board in January 2008. 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 Group'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 the Chief Executive, to Senior Management and of the Company Secretary.

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

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 2009. 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.

BOARD COMMITTEES IN 2009

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 2009 the Committee reviewed:

- The 2009 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 Committee's own terms of reference to ensure they remained relevant and up to date.



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. 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 five meetings during 2009 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
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
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 2009, the Committee considered the remuneration and targets of the Chief Executive and the senior executives and the developmental needs of the Group's Senior Managers. The Committee held two meetings during 2009 which were attended by all who were Committee Members.

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.

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;

Board Members' Report

(continued)

- 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 46 and 47.

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 and regular risk management updates;
- 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 ESB's 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 and Commercial 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.

Group Internal Audit 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 51 and 52.

BOARD MEMBERS' REMUNERATION 2009

	2009 €	2008 €
Chairman:		
Lochlann Quinn (appointed January 2008)		
Fees	70,309	85,438
Tadhg O'Donoghue (retired January 2008)		
Fees	-	16,809
Once off payment on retirement	-	70,000
	70,309	172,247

Chief Executive:

Padraig McManus		
From 1 January to 31 March 2009		
Salary	116,943	112,235
Performance related pay:		
- Annual bonus	105,410	80,141
- Long-term incentive	103,906	-
Taxable benefits	6,017	5,775
Pension contributions	19,179	18,407
Fees	4,375	4,375
	355,830	220,933
From 1 April to 31 December 2009		
Salary	315,745	346,074
Taxable benefits	17,325	17,433
Pension contributions	51,782	56,756
Fees	11,886	13,125
	396,738	433,388

Non-Executive Board Members:

Brendan Byrne	15,915	17,500
John Coleman *	16,260	17,500
Seán Conlan	16,260	17,500
Garry Keegan	16,260	17,500
Eoin Fahy	16,260	17,500
Seamus Mallon	16,260	17,500
Georgina Kenny	16,260	17,500
Tony Merriman *	16,260	17,500
John Nugent *	16,260	17,500
Bobby Yeates *	16,260	17,500
	162,255	175,000

During 2009, the Chief Executive completed a seven year employment contract pursuant to which the long-term incentive payment was made. The Chief Executive entered into a new three year contract which will expire in July 2012, and, effective 1st April 2009, he accepted a voluntary reduction in salary of 10%.

In 2009 Board fees were reduced by 10%.

* 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 three 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 MEMBER EXPENSES

In compliance with the revised Code of Practice for the Governance of State Bodies, disclosure is required of the expenses paid to the Board Members, broken down by category. During 2009, the following amounts were reimbursed to, or paid on behalf of, Board Members: €1,519 for telephone expenses, €66,129 for travel expenses, €42,018 for subsistence, €11,673 for entertainment, €10,626 for conferences and €4,379 for subscriptions.

The above expenses include those of the Chief Executive both in his capacity as Chief Executive and as a Board Member.

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.

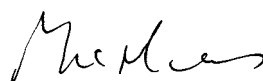
CONCLUSION

This report was approved by the Board on 24 March 2010 for submission to the Minister for Communications, Energy and Natural Resources.

On behalf of the Board



Lochlann Quinn Chairman



Padraig McManus Chief Executive

24 March 2010

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 ESB's governing regulations (the 'Regulations'), adopted pursuant to the Electricity Supply Acts 1927 to 2004, the Board is required to prepare financial statements and reports as required by, and in accordance with, the Companies Acts 1963 to 2009 (the 'Companies Acts'), in the same manner as a company established under the Companies Acts. Further, the Board Members have elected to prepare the financial statements of the Parent and the Group in accordance with IFRS as adopted by the EU, and as applied in accordance with the Companies Acts.

The Group financial statements are required by law to present a true and fair view of the state of affairs of the Parent and the Group as at the end of the financial year, and of the profit and/or loss of the Parent and the Group for the financial year. Pursuant to IFRS as adopted by the EU, the financial statements are required to present fairly the financial position and performance of the Group and the Parent.

In preparing each of the Group and Parent financial statements on pages 54 to 120, 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 correctly record and explain the transactions of the Group and the Parent, disclose with reasonable accuracy at any time the financial position of the Group and Parent, enable them to ensure that the financial statements comply with the Companies Acts and enable the financial statements of the Group and the Parent to be readily and properly audited. The Board Members 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.

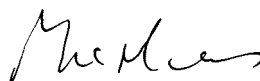
The Board Members are responsible for preparing a Board Members' Report that complies with the requirements of the Companies Acts.

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

24 March 2010

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.

Impact of Economic Downturn

The current economic downturn, reduced business activity generally and consequent reduction in energy demand present risks and challenges to the Group's profitability levels and potentially to delivery of the Group's investment and growth targets. As part of the regulatory pricing structure, ESB Networks' regulated asset base and its allowed cost base is adjusted for inflation or deflation. Therefore the risk of a significant period of economic recession and/or deflation impacts on ESB Group.

ESB is addressing the various risks and uncertainty associated with the current economic climate. Our risk management process has helped to identify and manage the increased financial risks. Performance risks specific to each business are identified in individual risk plans, where specific mitigation actions are planned and assigned. 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.

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, adjust the cost and to meet the challenges of the current economic environment.

Regulatory Risk

A significant part of the Group's business activities are carried on in regulated markets and are therefore subject to regulation. The principal regulatory risks faced by the Group originate from licence compliance, ring-fencing requirements, the impact of price control reviews, and an evolving EU regulatory framework. The latest legislative measures adopted by the European Parliament in July 2009, commonly referred to as the 'Third Energy Package', provide for further deregulation of the European energy sector and include, among other items, options for EU member states to legislate for the unbundling of transmission assets. The Irish Government has commenced a review of the options available to Ireland under the EU 'Third Energy Package'.

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 of 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.

Competitor Action

The Group faces strong competition in its generation, supply and overseas markets. In addition to established competitors in the generation sector in Ireland, the nature of the domestic supply sector during 2009 has been fundamentally altered by strong competitor activity by new entrants.

Risk Management Report

(continued)

ESB has to continue to adapt to increased competition, aggressive new entrants and significant loss of market share. ESB is preparing for active participation in any Commission for Energy Regulation (CER) consultation process regarding the potential for further deregulation in the light of ESB's reduced market share/increased competition. ESB is also progressing a transition to a new organisation structure to further improve its competitiveness and cost base. The new structure is designed to be more appropriate to the new competitor market and, in line with appropriate CER approvals, will address price controls and other regulatory restrictions that were more appropriate when there was less competition in the Irish market.

Pension Risk

ESB's defined benefit pension scheme, which covers most of its employees, has an actuarial deficit of approximately €2 billion. The deficit reflects factors common to pension funds generally, including the impact of the global economic downturn on the scheme's asset valuation and trends in average life expectancy. In calculating the deficit, the full liability of pension costs were considered, notwithstanding that the scheme is not a typical 'balance of cost' defined benefit scheme (where in such cases, the employer would be liable to pay the balance of contributions required to fund the benefits).

A comprehensive review of the pension scheme involving ESB management and staff representatives took place during 2009. Following the review, negotiations commenced between management and staff representatives with a view to reaching an agreement on addressing the actuarial deficit identified in the scheme and to provide a new pension model.

Financial and Treasury Risks

Policies and procedures to protect the Group from the key financial 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.

Single Electricity Market (SEM) Trading Risk

Power prices in the SEM, and fuel prices paid by the Group in connection with its electricity generating activities, have shown significant volatility in recent years. ESB's profits could be materially affected by changes in power prices, fuel and CO₂ prices, and by relative movements between prices of different fuel types.

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.

During 2009, ESB business units participating in the market (ESB Power Generation, ESB Customer Supply and ESB) operated, in line with regulatory ring-fencing requirements, 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 new technologies such as smart metering, renewables, electric vehicles, smart grids, etc. 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.

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.

Environment and Climate Change

Many ESB activities have potential for significant environmental impact and are regulated by relevant national and EU laws. Strong control and regulatory compliance auditing are a feature of ESB's environmental protection systems. The Group commits significant resources towards ensuring compliance with applicable planning and environmental laws/regulations and works closely with all relevant authorities. To address the challenges of climate change, ESB is pursuing an ambitious carbon reduction strategy and investing strongly in renewable energy and environmentally friendly technology.

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 2009 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent balance sheets, the Group and Parent statement of changes in equity, 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 the stockholders of 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 2009, 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.

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 IFRS as adopted by the EU and in the case of the Parent applied in accordance with the Companies Acts 1963 to 2009 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. We also report to you whether, in our opinion, proper books of account have been kept by the Parent; and whether the information in the Board Members' Report is consistent with the financial statements. 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 45 to 49 reflects the Board's compliance with the nine provisions of the 2008 FRC Combined Code specified for review by auditors and (2) the statement on the system of internal controls on pages 47 and 48 reflects the Board's compliance with the provisions 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 Board Members 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 2009 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 2009 as applied by the Electricity (Supply) Acts 1927 to 2004, of the state of the Parent's affairs as at 31 December 2009; and
- the financial statements have been properly prepared in accordance with the provisions of the Companies Acts 1963 to 2009 as applied by the Electricity (Supply) Acts 1927 to 2004.

We have obtained all the information and explanations which we considered 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.

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



Chartered Accountants / Registered Auditor
1 Stokes Place, St. Stephen's Green, Dublin 2

24 March 2010

Statement of Accounting Policies

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 2009 comprise the Parent and its subsidiaries (together referred to as 'ESB' or 'the Group') and the Group'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 2009. The Companies Acts 1963 to 2009 provide a Parent company that presents its individual financial statements together with its consolidated financial statements with an exemption from publishing the Parent 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 2009.

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

These financial statements are prepared in euro. 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 29 to the financial statements.

The policies set out below have been consistently applied to all years presented in these consolidated financial statements – except with regard to non-repayable supply contributions (see section 11 below) – and have been applied consistently by Group entities.

A change in accounting policy was implemented during the year concerning the application of IAS 39 *Financial Instruments: Recognition and Measurement* to certain power supply contracts, and the financial information presented in respect of prior years in the consolidated financial statements has been restated accordingly. See Note 1 to the financial statements for more information.

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 2009. The results of subsidiary undertakings acquired or disposed of in the year are included in the Group 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 2009.

Subsidiaries

Subsidiaries are entities controlled by the ESB. Control exists when the 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.

Joint Ventures

Joint venture undertakings (joint ventures) are those undertakings over which the 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 share of items of other comprehensive income is shown in the statement of comprehensive income. The Group's interests in the net assets or liabilities of joint ventures 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 Group's balance sheet date.

3. Intangible Assets

(a) Emission Allowances

In accordance with the provisions of the European CO₂ emissions trading scheme, emissions allowances covering a percentage of the expected emissions during the year are granted to ESB at the beginning of each year by the relevant government authority.

Emission allowances issued to ESB are recorded as intangible assets at market value on the date of issue. At that date, the allowances are recorded as a government grant in deferred income, at the same market value attributed to 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 appropriate 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 CO₂ during that year. Emission allowances are held at cost as intangible assets and are not amortised as they are held for settlement of the emission liability in the following year.

(b) Software Costs and Other Intangible Assets

Acquired computer software licenses and other intangible assets including grid connections and other acquired rights, are capitalised on the basis of the costs incurred to acquire and bring to use the specific asset. These costs are amortised over their estimated useful lives on a straight line basis.

Costs directly associated with the production of identifiable and unique software products controlled by the Group which 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.

4. Foreign Currencies

These financial statements are prepared in euro, which is the Parent's functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. The resulting monetary assets and liabilities are translated at the rate ruling at the balance sheet date and the exchange differences are dealt with in the income statement. Non monetary assets and liabilities are carried at historical cost and not subsequently retranslated.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured accordingly. The Group's net investments in overseas 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 cash flows of overseas 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 overseas 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 Group statement of comprehensive income. 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
Wind farm generating assets	20/25 years
Distribution plant and structures	25/30 years
Transmission plant and structures	30 years
General buildings and hydro stations	50 years

Depreciation is provided:

- On the straight-line method for transmission, distribution and general assets.
- On a projected plant usage basis for generating units.
- On all assets from date of commissioning.

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

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

Included in property, plant and equipment are strategic spares in relation to the Power Generation business. Parts used in capital projects in the Networks business are 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 get ready 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.

Statement of Accounting Policies

(continued)

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. Certain short-term overdrafts are also included in this caption within the balance sheet

Loans to and Receivables from Group Companies

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

Financial Assets or Liabilities at Fair Value through Profit or Loss

Financial instruments classified as assets or liabilities at fair value through the income statement are financial instruments either held for trading or categorised as such at inception.

Instruments held for trading are those that are acquired principally for the purpose of sale in the near term, are part of a portfolio of investments which are managed together and where short-term profit taking occurs, or are derivative financial instruments, other than those in effective hedging relationships.

Financial assets that the Group designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in the income statement, and are subsequently measured at fair value. Gains and losses on financial assets that are designated at fair value through profit or loss are recognised in the income statement as they arise.

(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 and indexed swap contracts relating to the purchase of fuel.

Within its regular course of business, the Group routinely enters into sale and purchase derivative contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as 'own use' contracts and are measured at cost. These contracts are not within the scope of IAS 39.

The Group has restated its 2008 financial statements for a change in accounting policy relating to Group and Parent bilateral electricity supply arrangements, which are now deemed to be executory contracts meeting the 'own use' criteria within IAS 39 (see Note 1 for further details).

Derivative commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value. Where a hedge accounting relationship is designated and is proven to be effective, the changes in fair value will be recognised in accordance with IAS 39 as 'cash flow' hedges or 'fair value' hedges.

Financial derivative instruments are used by the Group to hedge interest rate and currency exposures. All such derivatives are recognised at fair value and are re-measured to fair value at each reporting period. The majority of derivative financial instruments are designated as being held for hedging purposes. The designation of the hedge relationship is established at the inception of the contract and procedures are applied to ensure the derivative is highly effective in achieving its objective and that the effectiveness of the hedge can be reliably measured. The treatment of gains and losses on re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a 'fair value' or 'cash flow' hedge.



Derivatives not part of effective hedging relationships are treated as if held for trading, with all fair value movements attributable to the risk being hedged are recorded through the income statement.

(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 other comprehensive income. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from other comprehensive income 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income, and taken to the translation reserve, with any ineffective portion recognised immediately in the income statement.

(c) 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.

(d) Insurance contracts

During the normal course of business, Parent company guarantees and bonds are provided to subsidiary companies of the Parent. 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 financial statements.

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 for the majority of the current year have been recorded as deferred income and released to the income statement on a basis consistent with the depreciation policy of the relevant assets.

Following the implementation of IFRIC 18 Transfer of Assets from Customers, which is effective for EU preparers of financial statements for periods commencing on or after 1 November 2009, non-repayable supply contributions received after 1 July 2009 (the effective date of the interpretation) are recognisable in full in the income statement upon completion of services rendered.

12. Capital Stock

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

13. Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. 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 temporary 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 other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Statement of Accounting Policies

(continued)

14. Provisions for Generating Station Closure

The provision for closure of generating stations represents the present value of the current estimate of the costs of closure of the 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 are 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 in 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 generating station closure costs is included within current or non-current provisions as appropriate on the balance sheet.

15. Revenue

(a) Electricity Revenue

Revenue comprises the sales value derived from the generation, distribution and sale of electricity, together with 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

Other operating income comprises of income which accrues to the Group outside of the Group's normal trading activities.

17. Costs

(a) Energy Costs

Energy costs comprise direct fuel, (primarily coal and gas), purchased electricity, use of system charges and net emissions costs/revenue ('other electricity related costs'). Fuel and purchased electricity costs are recognised as they are utilised. The Group has entered into certain long-term power purchase agreements for fixed amounts. Amounts payable under these contracts that are in excess of or below market rates are recoverable by the Group or repayable to the market under the public service obligation levy (PSO).

(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 cost and curtailment cost are recognised immediately in the income statement. In the case of past service costs, where changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period) they 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 allocated to the income statement 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. 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.

(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

(a) Restructuring Liabilities

Voluntary termination benefits are payable under a tripartite agreement between the Board of ESB, the Group of Unions and the 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.

(b) Other Short-term Employee Related Liabilities

The costs of vacation leave and bonuses accrued 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 2009, and have not been applied in preparing these consolidated financial statements.

IFRS 3 (Revised) *Business combinations* changes 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 the income statement. 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.

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

- Amendment to IFRS 2 – Share-based Payments (1 July 2009 and 1 January 2010);
- Amendment to IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations (1 January 2010);
- Amendment to IFRS 8 – Operating Segments (1 January 2010);
- IFRS 9 – Financial Instruments: Classification and Measurement (Phase 1) (1 January 2013);
- Amendment to IAS 1 – Presentation of Financial Statements (1 January 2010);
- Amendment to IAS 7 – Statement of Cash Flows (1 January 2010);
- Amendment to IAS 17 – Leases (1 January 2010);
- Amendment to IAS 24 – Related Party Disclosures (1 January 2011);
- 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 February 2010);
- Amendment to IAS 36 – Impairment of Assets (1 January 2010);
- Amendment to IAS 38 – Intangible Assets (1 July 2009);
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement (1 July 2009 and 1 January 2010);
- IFRIC Interpretation 17 – Distributions of Non-Cash Assets to Owners (1 July 2009); and
- IFRIC Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments (1 July 2010).

Group Income Statement

For the year ended 31 December 2009

	Notes	2009 €'000	2008 €'000
Revenue	2	3,014,985	3,488,352
Other operating income	4	99,054	26,744
Operating costs	5	(2,763,935)	(3,175,226)
Operating profit before profit on disposal of generation assets		350,104	339,870
Profit on disposal of generation assets	3	265,004	–
Operating profit after profit on disposal of generation assets		615,108	339,870
Finance cost	6	(79,738)	(102,029)
Finance income	6	2,680	3,120
Net finance cost	6	(77,058)	(98,909)
Share of joint ventures' profit	12	61,729	62,903
Profit before taxation		599,779	303,864
Income tax expense	8	(19,761)	(30,566)
Profit after taxation		580,018	273,298
Attributable to:			
Equity holders of the Parent		579,898	273,019
Non controlling interest		120	279
Profit for the financial year		580,018	273,298

Notes 1 to 33 form an integral part of these financial statements.

Lochlann Quinn
Chairman

Padraig McManus
Chief Executive

Bernard Byrne
Group Finance and Commercial Director

24 March 2010

Group Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 €'000	2008 €'000 (restated) (see Note 1)
Profit for the financial year	580,018	273,298
Other Comprehensive Income		
Translation differences net of hedge of a net investment	566	(18,883)
Fair value gains/(losses) on cash flow hedges	492,891	(33,707)
Fair value gains on cash flow hedges in joint ventures	1,571	9,861
Net fair value gains on cash flow hedges attributable to minority interests	–	937
Tax on items taken directly to statement of comprehensive income (OCI)	(62,157)	(3,172)
Transferred to income statement on cash flow hedges	(15,535)	(55,990)
Transferred to income statement on cash flow hedges in joint ventures	–	(1,598)
Tax on items taken directly to/transferred from OCI for joint ventures	(285)	(2,047)
Tax on items transferred from OCI	2,743	2,349
Revaluation reserves on acquisition	73,199	–
Total other comprehensive income	492,993	(102,250)
Total comprehensive income for the financial year	1,073,011	171,048
Attributable to:		
Equity holders of the Parent	1,072,891	169,832
Non controlling interest	120	1,216
Total comprehensive income for the financial year	1,073,011	171,048

Lochlann Quinn

Chairman

Padraig McManus

Chief Executive

Bernard Byrne

Group Finance and Commercial Director

24 March 2010

Group Balance Sheet

As at 31 December 2009

		2009 €'000	2008 €'000 (restated) (see Note 1)	2007 €'000 (restated) (see Note 1)
ASSETS	Notes			
Non-current assets				
Property, plant and equipment	10	7,628,787	6,978,384	6,385,576
Intangible assets	11	330,152	317,178	223,225
Investments in joint ventures	12	18,650	117,118	71,742
Financial asset investments	12	7,775	7,030	2,773
Derivative financial instruments	20 (g)	548,049	3,209	24,387
Deferred tax assets	21	112,567	77,198	67,450
Total non-current assets		8,645,980	7,500,117	6,775,153
Current assets				
Inventories	13	145,739	144,727	160,722
Derivative financial instruments	20 (g)	90,628	49,484	49,767
Current tax asset	14	441	5,619	5,901
Trade and other receivables	15	684,292	775,483	630,565
Cash and cash equivalents	16	–	83,210	53,318
Assets held for sale	17	–	86,398	31,373
Total current assets		921,100	1,144,921	931,646
Total assets		9,567,080	8,645,038	7,706,799
EQUITY				
Capital stock		1,979,882	1,979,882	1,979,882
Translation reserve		(18,245)	(18,811)	72
Cash flow hedging and revaluation reserves		451,085	(41,342)	42,962
Retained earnings		1,619,428	1,306,814	1,163,281
Equity attributable to equity holders of the Parent		4,032,150	3,226,543	3,186,197
Non controlling interest	18	1,745	1,861	645
Total equity	18	4,033,895	3,228,404	3,186,842
LIABILITIES				
Non-current liabilities				
Borrowings and other debt	19	2,094,900	1,928,748	1,707,515
Pension liabilities	22	515,707	307,005	325,693
Employee related liabilities	23	87,810	78,025	122,209
Trade and other payables	24	10,706	14,242	17,314
Deferred income and government grants	25	692,578	657,307	585,410
Provisions	26	241,219	261,289	291,766
Deferred tax liabilities	21	458,507	341,495	318,903
Derivative financial instruments	20 (g)	296,965	60,440	166,467
Total non-current liabilities		4,398,392	3,648,551	3,535,277
Current liabilities				
Borrowings and other debt	19	128,928	242,324	142,346
Employee related liabilities	23	109,520	107,822	65,802
Trade and other payables	24	630,139	618,725	629,993
Deferred income and government grants	25	38,584	30,126	26,742
Provisions	26	178,693	534,794	75,892
Derivative financial instruments	20 (g)	48,929	211,189	43,905
Liabilities associated with assets held for sale	17	–	23,103	–
Total current liabilities		1,134,793	1,768,083	984,680
Total liabilities		5,533,185	5,416,634	4,519,957
Total equity and liabilities		9,567,080	8,645,038	7,706,799

Lochlann Quinn

Chairman

24 March 2010

Padraig McManus

Chief Executive

Bernard Byrne

Group Finance and Commercial Director

Parent Balance Sheet

As at 31 December 2009

		2009 €'000	2008 €'000 (restated) (see Note 1)	2007 €'000 (restated) (see Note 1)
ASSETS				
Non-current assets				
Property, plant and equipment	10	6,774,261	6,585,427	6,069,251
Intangible assets	11	235,274	279,818	206,144
Investments in subsidiary undertakings	12	72,832	72,832	72,982
Derivative financial instruments	20 (g)	–	–	–
Deferred tax assets	21	85,832	63,688	60,125
Total non-current assets		7,168,199	7,001,765	6,408,502
Current assets				
Inventories	13	132,483	141,329	159,636
Derivative financial instruments	20 (g)	997	456	49,539
Current tax asset	14	2,590	9,848	8,378
Trade and other receivables	15	1,088,731	1,448,317	923,003
Cash and cash equivalents	16	–	62,284	4,260
Assets held for sale	17	–	700	31,373
Total current assets		1,224,801	1,662,934	1,176,189
Total assets		8,393,000	8,664,699	7,584,691
EQUITY				
Capital stock		1,979,882	1,979,882	1,979,882
Cash flow hedging and other reserves		(22,605)	(22,700)	22,828
Retained earnings		1,202,326	1,408,845	1,120,276
Equity attributable to equity holders of the Parent	18	3,159,603	3,366,027	3,122,986
LIABILITIES				
Non-current liabilities				
Borrowings and other debt	19	1,975,149	1,901,032	1,675,017
Pension liabilities	22	515,707	307,005	325,693
Employee related liabilities	23	87,810	78,025	122,209
Trade and other payables	24	9,124	10,978	12,760
Deferred income and government grants	25	686,130	640,925	569,008
Provisions	26	238,869	260,883	290,766
Deferred tax liabilities	21	334,788	323,785	318,839
Derivative financial instruments	20 (g)	180,813	58,029	152,622
Total non-current liabilities		4,028,390	3,580,662	3,466,914
Current liabilities				
Borrowings and other debt	19	110,172	237,530	137,914
Employee related liabilities	23	100,065	97,611	57,433
Trade and other payables	24	809,224	701,529	658,444
Deferred income and government grants	25	33,485	30,126	26,742
Provisions	26	145,652	515,167	70,419
Derivative financial instruments	20 (g)	6,409	136,047	43,839
Total current liabilities		1,205,007	1,718,010	994,791
Total liabilities		5,233,397	5,298,672	4,461,705
Total equity and liabilities		8,393,000	8,664,699	7,584,691

Lochlann Quinn

Chairman

24 March 2010

Padraig McManus

Chief Executive

Bernard Byrne

Group Finance and Commercial Director

Group Statement of Changes in Equity

As at 31 December 2009

	Capital Stock €'000	Translation Reserve €'000	Cash Flow Hedging & Other Reserves €'000	Retained Earnings €'000	Total €'000	Non Controlling Interest €'000	Total Equity €'000
Reconciliation of changes in equity							
Balance at 1 January 2008 (previously reported)	1,979,882	72	221,750	1,163,281	3,364,985	645	3,365,630
Prior year adjustment (see Note 1)	–	–	(178,788)	–	(178,788)	–	(178,788)
Balance at 1 January 2008 (restated)	1,979,882	72	42,962	1,163,281	3,186,197	645	3,186,842
Income for the year	–	–	–	273,019	273,019	279	273,298
Dividends	–	–	–	(129,486)	(129,486)	–	(129,486)
Translation differences net of hedging	–	(18,883)	–	–	(18,883)	–	(18,883)
Cash flow hedges:							
- Net fair value (losses)/gains	–	–	(33,707)	–	(33,707)	1,071	(32,636)
- Transfers to income statement							
- Finance cost (interest)	–	–	4,734	–	4,734	–	4,734
- Finance cost (foreign translation movements)	–	–	(32,987)	–	(32,987)	–	(32,987)
- 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 statement of comprehensive income (OCI)	–	–	(3,172)	–	(3,172)	(134)	(3,306)
Tax on items transferred to income statement			2,349	–	2,349	–	2,349
Tax on items taken directly to OCI for joint ventures	–	–	(2,047)	–	(2,047)	–	(2,047)
Balance at 31 December 2008 (restated)	1,979,882	(18,811)	(41,342)	1,306,814	3,226,543	1,861	3,228,404
Balance at 1 January 2009 (previously reported)	1,979,882	(18,811)	117,880	1,306,814	3,385,765	3,485	3,389,250
Prior year adjustment (see Note 1)	–	–	(159,222)	–	(159,222)	(1,624)	(160,846)
Balance at 1 January 2009 (restated)	1,979,882	(18,811)	(41,342)	1,306,814	3,226,543	1,861	3,228,404
Income for the year	–	–	–	579,898	579,898	120	580,018
Dividends	–	–	–	(267,284)	(267,284)	–	(267,284)
Dividends to minority interest	–	–	–	–	–	(236)	(236)
Revaluation reserves on acquisition	–	–	73,199	–	73,199	–	73,199
Translation differences net of hedging	–	566	–	–	566	–	566
Cash flow hedges							
- Net fair value gains	–	–	492,891	–	492,891	–	492,891
- Transfers to income statement							
- Finance cost (interest)	–	–	6,689	–	6,689	–	6,689
- Finance cost (foreign translation movements)	–	–	(27,840)	–	(27,840)	–	(27,840)
- Other operating expenses	–	–	5,616	–	5,616	–	5,616
- Fair value gains for hedges in joint ventures	–	–	1,571	–	1,571	–	1,571
Tax on items taken directly to OCI	–	–	(62,157)	–	(62,157)	–	(62,157)
Tax on items transferred to income statement	–	–	2,743	–	2,743	–	2,743
Tax on items taken directly to OCI for joint ventures	–	–	(285)	–	(285)	–	(285)
Balance at 31 December 2009	1,979,882	(18,245)	*451,085	1,619,428	4,032,150	1,745	4,033,895

*Included in cash flow hedging and other reserves is a €73 million revaluation reserve which arose following the acquisition of the remaining 30% of Synergen Power Limited from RBS in 2009.

Parent Statement of Changes in Equity

As at 31 December 2009

	Capital Stock €'000	Cash Flow Hedging Reserve €'000	Retained Earnings €'000	Total €'000
Reconciliation of changes in equity				
Balance at 1 January 2008 (previously reported)	1,979,882	250,629	1,120,276	3,350,787
Prior year adjustment (see Note 1)	–	(227,801)	–	(227,801)
Balance at 1 January 2008 (restated)	1,979,882	22,828	1,120,276	3,122,986
Income for the year	–	–	418,055	418,055
Dividends	–	–	(129,486)	(129,486)
Cash flow hedges:				
- Net fair value losses	–	(1,016)	–	(1,016)
- Transfers to income statement				
- Finance cost (interest)	–	4,734	–	4,734
- Finance cost (foreign translation movements)	–	(32,987)	–	(32,987)
- Other operating expenses	–	(24,684)	–	(24,684)
Tax on items taken directly to statement of comprehensive income (OCI)	–	1,808	–	1,808
Tax on items transferred from OCI to income statement	–	6,617	–	6,617
Balance at 31 December 2008 (restated)	1,979,882	(22,700)	1,408,845	3,366,027
Balance at 1 January 2009 (previously reported)	1,979,882	158,631	1,408,845	3,547,358
Prior year adjustment (see Note 1)	–	(181,331)	–	(181,331)
Balance at 1 January 2009 (restated)	1,979,882	(22,700)	1,408,845	3,366,027
Income for the year	–	–	60,765	60,765
Dividends	–	–	(267,284)	(267,284)
Cash flow hedges:				
- Net fair value gains	–	22,055	–	22,055
- Transfers to income statement				
- Finance cost (interest)	–	5,929	–	5,929
- Finance cost (foreign translation movements)	–	(27,840)	–	(27,840)
- Other operating expenses	–	(35)	–	(35)
Tax on items taken directly to statement of comprehensive income (OCI)	–	(2,757)	–	(2,757)
Tax on items transferred from OCI to income statement	–	2,743	–	2,743
Balance at 31 December 2009	1,979,882	(22,605)	1,202,326	3,159,603

Group Cash Flow Statement

For the year ended 31 December 2009

		2009	2008
		€'000	€'000
Cash flows from operating activities	Notes		
Profit before taxation		599,779	303,864
<i>Adjustments for:</i>			
Depreciation and amortisation	5	494,272	439,731
Amortisation of supply contributions and other deferred income	4	(30,199)	(26,744)
Amortisation of emission allowances	25	(137,373)	(211,207)
(Profit) on disposal of generation assets	3/17	(265,004)	–
(Profit)/loss on disposal of property, plant and equipment	9	(4,250)	6,674
Negative goodwill arising on acquisition	4	(68,855)	–
Net finance cost	6	77,058	98,909
Impact of fair value movement on financial instruments		(30,458)	32,475
Profits from associates and joint ventures	12	(61,729)	(62,903)
Operating cash flows before changes in working capital and provisions		573,241	580,799
Charge in relation to provisions		116,477	529,341
Charge in relation to employee related liabilities		459,283	130,802
Utilisation of provisions		(323,177)	(20,014)
Utilisation of employee related liabilities		(244,242)	(156,337)
Decrease/(increase) in trade and other receivables		111,926	(144,918)
Decrease/(increase) in inventories		7,197	(7,516)
(Decrease) in trade and other payables		(54,661)	(40,148)
Cash generated from operations		646,044	872,009
Current tax paid		(27,748)	(18,827)
Interest paid		(92,597)	(100,479)
Net cash inflow from operating activities		525,699	752,703
Cash flows from investing activities			
Purchase of property, plant and equipment		(872,426)	(952,265)
Purchase of intangible assets		(68,742)	(36,267)
Proceeds from sale of generation assets		440,000	–
Proceeds from sale of property, plant and equipment		13,839	2,796
Proceeds from sale of intangible assets		1,493	–
Payments in relation to financial asset transactions		(5,139)	(6,913)
Proceeds from financial asset transactions		91,174	2,656
Supply contributions and other deferred income received	25	73,928	102,025
Dividends received from joint venture undertakings	12	14,713	15,925
Interest received		2,680	3,120
Net cash outflow from investing activities		(308,480)	(868,923)
Cash flows from financing activities			
Dividends paid	18	(267,284)	(129,486)
Proceeds from issue of private placement debt		354,651	–
(Decrease)/increase in loans and finance leases (net)		(390,454)	287,783
Interest element of finance lease payments		(5,831)	(7,275)
Net cash (outflow)/inflow from financing activities		(308,918)	151,022
Net (decrease)/increase in cash and cash equivalents		(91,699)	34,802
Cash and cash equivalents at 1 January	16	83,210	53,318
Effect of exchange rate fluctuations on cash held		1,613	(4,910)
Bank overdraft/Cash and cash equivalents at 31 December	24/16	(6,876)	83,210

Parent Cash Flow Statement

For the year ended 31 December 2009

		2009	2008
		€'000	€'000
Cash flows from operating activities	Notes		
Profit before tax		67,285	438,529
<i>Adjustments for:</i>			
Depreciation and amortisation		452,481	418,254
Amortisation of supply contributions and other deferred income	25	(29,789)	(26,724)
Amortisation of emissions allowances	25	(122,012)	(165,863)
Loss on disposal of property, plant and equipment		–	6,674
(Profit) on disposal of property, plant and equipment		(3,862)	(268,604)
Net finance cost		70,357	91,340
Impact of fair value movement on financial instruments		(35,363)	26,098
Operating cash flows before changes in working capital and provisions		399,097	519,704
Charge in relation to provisions		94,672	478,881
Charge in relation to employee related liabilities		450,358	121,537
Utilisation of provisions		(323,125)	(15,696)
Utilisation of employee related liabilities		(234,561)	(148,918)
Decrease/(increase) in trade and other receivables		400,834	(257,227)
Decrease in inventories		8,847	18,307
Decrease/(increase) in trade and other payables		120,153	(4,508)
Cash generated from operations		916,275	712,080
Current tax paid		(10,418)	(12,135)
Interest paid		(93,696)	(99,502)
Net cash inflow from operating activities		812,161	600,443
Cash flows from investing activities			
Purchase of property, plant and equipment		(634,427)	(795,180)
Purchase of intangible assets		(58,302)	(17,796)
Proceeds from sale of property, plant and equipment		7,750	2,201
Proceeds from financial asset transactions		–	150
Supply contributions and other deferred income received	25	78,353	102,025
Interest received		12,143	10,740
Net cash outflow from investing activities		(594,483)	(697,860)
Cash flows from financing activities			
Dividends paid	18	(267,284)	(129,486)
Proceeds from issue of private placement debt		354,651	–
(Decrease)/increase in loans and finance leases (net)		(380,052)	292,202
Interest element of finance lease payments		(5,831)	(7,275)
Net cash (outflow)/inflow from financing activities		(298,516)	155,441
Net (decrease)/increase in cash and cash equivalents		(80,838)	58,024
Cash and cash equivalents at 1 January	16	62,284	4,260
Bank overdraft/Cash and cash equivalents at 31 December	24/16	(18,554)	62,284

Notes to the Financial Statements

1. CHANGE OF ACCOUNTING POLICY

Application of IAS 39 'Financial instruments: Recognition and Measurement' to certain power supply contracts

In late 2007, the Single Electricity Market ('SEM') became operational in Ireland. This is a wholesale electricity market and all electricity power transactions above a threshold are required to be transacted through the SEM. The SEM Operator (SEMO) provides a market pricing and scheduling facility to all Irish wholesale electricity market participants and ESB's various Irish power generation and customer supply activities sell and buy electricity via the SEM. Previous to the implementation of this market mechanism, the wholesale market operated on a bilateral basis, whereby wholesale power generators and suppliers entered into direct floating and fixed price arrangements for the supply of electricity. Following the introduction of the SEM, the majority of these bilateral arrangements were required to be transacted through the SEM, under which power generators and suppliers receive or pay the SEM market price for electricity supplied, from or to SEMO, and to the extent that there are other bilateral pricing arrangements between the parties, the difference between the SEM price and the bilateral contracted arrangement is settled directly between these parties.

Based on the legislation enshrining the SEM and on the understanding of its pricing and scheduling functions and absent direct accounting guidance for such matters, it was the Group's view in 2007 and 2008 that SEMO acted as a principal in its function as market operator, and accordingly, that supplies of power via SEMO represented the principal supply of power, and that any ancillary bilateral arrangements between suppliers and generators were derivative financial instruments in accordance with IAS 39. These bilateral arrangements were considered not to have met the 'own use' criteria within IAS 39 because the transactions comprising the Group's arrangement to supply electricity via the SEM and the bilateral contract with a third party did not form a single arrangement and because such bilateral arrangements were settled in cash, they met the criteria for derivative financial instrument accounting under IAS 39. The Group classified these contracts as cash flow hedges of the underlying supply/purchase of power to or from SEMO.

Having considered the actual manner in which SEMO has operated in Ireland since 2007 and having regard to emerging experience in similar markets outside of Ireland, the Group now considers that SEMO is acting as an agent rather than a principal in relation to wholesale supplies of power. This is the case because, amongst other factors, SEMO does not take title to the electricity scheduled via the SEM and it bears no credit risk associated with the underlying physical supplies of power between the generators and wholesale customers. Accordingly, having considered these factors, where SEMO is deemed to act in an agency capacity only, and where there is an underlying physical supply or purchase of electricity which is made in accordance with the Group's expected normal purchase, sale or usage requirements, any bilateral agreements entered into related to the supply of electricity with third parties are no longer considered financial instruments within the meaning of IAS 39 but instead meet the exemption for 'own use' contracts.

Accordingly, the accounting policy with regard to a substantial portion of the bilateral electricity supply arrangements has been changed and these contracts are deemed to be executory contracts for normal own-use purchases and sales rather than financial instruments. This provides more relevant and reliable information in relation to how the business and the actual interaction with SEMO operates. This has resulted in a prior year adjustment in order to present our prior year balance sheets on a basis consistent with the current year and the net effect of this is presented below. As these bilateral arrangements had been treated as cash flow hedges of the underlying physical supply of electricity, there is no impact arising from this change of accounting policy on reported profits to date, with all adjustments relating to derivative financial instrument balances, the cash flow hedging reserve and deferred tax assets/liabilities, being balance sheet accounts only.

1. CHANGE OF ACCOUNTING POLICY (continued)

	Balance at 1 January 2008 (previously reported) €'000	Prior year adjustment €'000	Balance at 1 January 2008 (restated) €'000	Balance at 31 December 2008 (previously reported) €'000	Prior year adjustment €'000	Balance at 31 December 2008 (restated) €'000
(a) GROUP						
Balance Sheet						
Non-current assets						
Derivative financial instruments	237,086	(212,699)	24,387	90,453	(87,244)	3,209
Deferred tax assets	64,569	2,881	67,450	71,574	5,624	77,198
Current assets						
Derivative financial instruments	49,675	92	49,767	187,187	(137,703)	49,484
Total assets	351,330	(209,726)	141,604	349,214	(219,323)	129,891
Equity						
Cash flow hedging and other reserves	221,750	(178,788)	42,962	117,880	(159,222)	(41,342)
Non controlling interest	645	–	645	3,485	(1,624)	1,861
Total equity	222,395	(178,788)	43,607	121,365	(160,846)	(39,481)
Non-current liabilities						
Derivative financial instruments	167,743	(1,276)	166,467	60,657	(217)	60,440
Deferred tax liabilities	348,565	(29,662)	318,903	358,377	(16,882)	341,495
Current liabilities						
Derivative financial instruments	43,905	–	43,905	252,567	(41,378)	211,189
Total liabilities	560,213	(30,938)	529,275	671,601	(58,477)	613,124
Total equity and liabilities	782,608	(209,726)	572,882	792,966	(219,323)	573,643
(b) PARENT						
Non-current assets						
Derivative financial instruments	260,435	(260,435)	–	110,910	(110,910)	–
Deferred tax assets	60,125	–	60,125	58,053	5,635	63,688
Current assets						
Derivative financial instruments	49,448	91	49,539	138,159	(137,703)	456
Total assets	370,008	(260,344)	109,664	307,122	(242,978)	64,144
Equity						
Cash flow hedging and other reserves	250,629	(227,801)	22,828	158,631	(181,331)	(22,700)
Total equity	250,629	(227,801)	22,828	158,631	(181,331)	(22,700)
Non-current liabilities						
Derivative financial instruments	152,622	–	152,622	58,029	–	58,029
Deferred tax liabilities	351,382	(32,543)	318,839	344,055	(20,270)	323,785
Current liabilities						
Derivative financial instruments	43,839	–	43,839	177,424	(41,377)	136,047
Total liabilities	547,843	(32,543)	515,300	579,508	(61,647)	517,861
Total equity and liabilities	798,472	(260,344)	538,128	738,139	(242,978)	495,161

Notes to the Financial Statements

(continued)

2. REVENUE

(a) Revenue by geographic market

	2009 €'000	2008 €'000
Ireland	2,829,373	3,252,129
UK & Europe	152,811	209,967
Other	32,801	26,256
Total	3,014,985	3,488,352

(b) Revenue by business line

	2009 €'000	2008 €'000
ESB Power Generation	1,220,402	1,487,025
ESB Customer Supply	1,852,413	2,126,972
ESB Networks	761,925	902,066
ESBI *	698,245	794,206
Other **	(1,518,000)	(1,821,917)
Total	3,014,985	3,488,352

* Included in ESBI revenue is contracting revenue of €41 million (2008: €37 million).

** Included in this caption are inter business unit amounts eliminated on consolidation.

3. PROFIT ON DISPOSAL OF GENERATION ASSETS

	2009 €'000	2008 €'000
Profit on disposal of generation assets	265,004	–

The profit on disposal of generation assets relates to assets sold to Endesa S.A. in January 2009. The disposed assets comprised of 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. See Note 17 for further information on this disposal.

4. OTHER OPERATING INCOME

	2009 €'000	2008 €'000
Amortisation of supply contributions and other deferred income (Note 25)	30,199	26,744
Negative goodwill arising on acquisition (Note 12)	68,855	–
Total	99,054	26,744



5. OPERATING COSTS	2009 €'000	2008 €'000
Employee costs (Note 7)	857,732	576,458
Fuel costs	523,605	775,707
Other electricity related costs	488,536	690,180
Customer rebate provision	–	300,000
Operations and maintenance	399,790	393,150
Depreciation and amortisation (Notes 10/11)	494,272	439,731
Total	2,763,935	3,175,226

Included in fuel costs is a credit of €35.9 million (2008: charge of €25.5 million) relating to the fair valuing of fuel commodity swaps which have not been designated as accounting hedges.

Included in operations and maintenance costs above is a charge of €5.9 million (2008: charge of €2.2 million) relating to ineffectiveness on certain cash flow hedges and to fair value movements on assets held at fair value through profit and loss.

Other electricity related costs above include net emissions revenue of €1.6 million (2008: net emissions cost €22.6 million). The net emissions revenue consists of amortised emissions allowances of €134.6 million (2008: €203.0 million) less emissions cost of €133.0 million (2008: €225.6 million).

The customer rebate provision charged in 2008 related to payments from ESB to all Irish electricity customers, in order to mitigate the requirement for increased electricity tariffs in 2008/2009 due to volatility in fuel prices.

6. NET FINANCE COST	2009 €'000	2008 €'000
Interest payable on borrowings	83,742	96,297
Interest payable on finance leases	5,738	6,999
Interest payable	89,480	103,296
Less capitalised interest	(30,735)	(28,892)
	58,745	74,404
Financing charges:		
- on restructuring liabilities	5,144	4,683
- on power station closure costs	9,916	12,548
- on other provisions	2,498	2,495
Fair value (gains)/losses on financial instruments:		
- currency/interest rate swaps: cash flow hedges, transfer from equity	6,689	4,734
- foreign exchange contracts not qualifying for hedge accounting	(3,254)	3,165
Finance cost	79,738	102,029
Finance income	(2,680)	(3,120)
Net finance cost	77,058	98,909

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

In addition to the amounts transferred from the statement of comprehensive income relating to interest rate swaps and foreign exchange contracts disclosed above, a further €27.8 million (2008: €33.0 million) has been transferred to the cash flow hedge reserve from net finance cost 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)

7. EMPLOYEES

GROUP

(a) Average number of employees in year by business activity, including temporary employees:	2009 Number	2008 Number
ESB Power Generation	1,124	1,308
ESB Customer Supply	568	544
ESB Networks	3,569	3,617
ESBI	1,435	1,354
Other	1,087	1,047
	7,783	7,870
(b) Employee costs in year	2009 €'000	2008 €'000
Current staff costs (excluding pension)		
Salaries	546,003	541,603
Overtime	41,882	56,877
Social welfare costs (PRSI)	27,756	26,124
Contribution to defined contribution plans	4,957	4,039
Other payroll benefits*	35,964	43,577
Capitalised payroll	(169,245)	(174,574)
Net payroll costs for employees	487,317	497,646
(c) Pension & retirement benefit costs		
Exit costs	20,607	1,973
Increase in pension liability (Note 22)	349,808	76,839
	370,415	78,812
Total employee related costs charged to the income statement	857,732	576,458

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

7. EMPLOYEES (continued)

PARENT

(a) Average number of employees in year by business activity, including temporary employees:		2009 Number	2008 Number
ESB Power Generation		1,124	1,308
ESB Customer Supply		568	544
ESB Networks		3,569	3,617
Other		1,052	1,047
		6,313	6,516
(b) Employee costs in year		2009 €'000	2008 €'000
Current staff costs (excluding pension)			
Salaries		435,245	445,852
Overtime		40,398	55,781
Social welfare costs (PRSI)		21,029	20,889
Other payroll benefits*		29,411	36,231
Capitalised payroll		(167,218)	(174,574)
Net payroll costs for employees		358,865	384,179
(c) Pension & retirement benefit costs			
Exit costs		20,607	1,973
Increase in pension liability (Note 22)		349,808	76,839
		370,415	78,812
Total employee related costs charged to the income statement		729,280	462,991

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

Notes to the Financial Statements

(continued)

8. INCOME TAX EXPENSE	2009	2008
	€'000	€'000
Current tax expense		
Current tax	39,068	17,669
Prior year (over)/under provision	(4,996)	876
	34,072	18,545
Deferred tax expense		
Origination and reversal of temporary differences	(15,435)	11,764
Prior year under provision	1,124	257
	(14,311)	12,021
Total	19,761	30,566
Reconciliation of effective tax rate	2009	2008
<i>in thousands of euro</i>	€'000	€'000
Profit before tax	599,779	303,864
Less: After tax share of joint venture profit	(61,729)	(62,903)
Profit before tax (excluding joint venture profits)	538,050	240,961
Taxed at 12.5% (2008: 12.5%)	67,256	30,120
Expenses not deductible	6,601	3,128
Tax effect of losses forward previously not provided	(8,254)	(2,084)
Impairments not deductible for tax purposes	–	(804)
Income not taxable	(43,129)	(2,530)
Higher tax on chargeable gains	84	–
Income taxed at higher rate	1,091	703
Manufacturing relief	(1,424)	(889)
Higher tax rates on overseas earnings	1,969	2,110
Prior year (over)/under provisions	(3,872)	1,133
Other items	(561)	(321)
Income tax expense	19,761	30,566

9. PROFIT FOR THE FINANCIAL YEAR

	2009 €'000	2008 €'000
The profit for the financial year is stated after charging/(crediting):		
Depreciation and amortisation	494,272	439,731
Operating lease charges	10,221	9,689
Amortisation of deferred income	(30,199)	(26,744)
Loss on disposal of property, plant and equipment	881	6,674
(Profit) on disposal of property, plant and equipment and intangible assets	(5,131)	–
Profit on disposal of generation assets	(265,004)	–
Negative goodwill arising on acquisition	(68,855)	–
Auditor's remuneration:		
- audit services	787	724
- taxation	27	25
- non-audit services	57	122
ESB (Parent) Board Members' remuneration:		
- fees	249	295
- other remuneration	736	707

Notes to the Financial Statements

(continued)

10. 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 2008	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/disposals	(1,333)	(48,332)	(49,665)	(2,127)	(51,792)
Transfer of assets held for resale	(18,825)	(145,630)	(164,455)	–	(164,455)
Transfers out 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
Additions	4,750	98,933	103,683	725,815	829,498
Retirements/disposals	(39)	(20,542)	(20,581)	–	(20,581)
Transfers from assets held for resale	700	–	700	–	700
Transfers out of assets under construction	34,691	600,719	635,410	(635,410)	–
Acquisitions	–	262,455	262,455	–	262,455
Transfers to intangible assets	–	(671)	(671)	–	(671)
Translation difference	(87)	14,900	14,813	(1,163)	13,650
Balance at 31 December 2009	972,134	10,193,817	11,165,951	1,372,897	12,538,848
Depreciation					
Balance at 1 January 2008	508,522	3,802,910	4,311,432	–	4,311,432
Charge for the year	26,722	363,330	390,052	–	390,052
Retirements/disposals	(249)	(42,140)	(42,389)	–	(42,389)
Transfers to assets held for resale	(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
Charge for the year	27,965	413,792	441,757	–	441,757
Retirements/disposals	(32)	(11,661)	(11,693)	–	(11,693)
Transfers to intangible assets	–	(380)	(380)	–	(380)
Translation difference	–	4,964	4,964	–	4,964
Balance at 31 December 2009	544,145	4,365,916	4,910,061	–	4,910,061
Net book value at 31 December 2009	427,989	5,827,901	6,255,890	1,372,897	7,628,787
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 1 January 2008	408,396	5,146,634	5,555,030	830,546	6,385,576

During the year the Group capitalised interest of €30.7 million (2008: €28.9 million) in assets under construction, using an effective interest rate of 4.25% (2008: 5%).

The carrying value of non-depreciable assets at 31 December 2009 is €47.8 million (2008: €42.8 million).

Property, plant and equipment with a net book value of nil at 31 December 2009 is included above at a cost of €1,291.2 million (December 2008: €1,194.0 million).

Assets under construction of €635.4 million were completed during the year, with €600.7 million transferred to plant and machinery (2008: €507.3 million) and €34.7 million transferred to land & buildings (2008: €31.8 million).

Acquisition of assets relates to the purchase of an operating wind farm and the purchase of the remaining 30% of shares in Synergen Power Limited, which has the impact of converting ESB's joint venture holding in the company to a 100% full subsidiary holding (see Note 12 for further details).

Finance leases

All finance leases are held by the Parent. The net book value of property, plant and equipment includes an amount of €50.0 million (2008: €60.0 million) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to €10.0 million (2008: €10.0 million).

10. PROPERTY, PLANT & EQUIPMENT (continued)

	Land and buildings €'000	Plant and machinery €'000	Total assets in commission €'000	Assets under construction €'000	Total €'000
(b) PARENT					
Cost					
Balance at 1 January 2008	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/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
Additions	4,266	46,156	50,422	576,622	627,044
Retirements/disposals	(39)	(14,351)	(14,390)	–	(14,390)
Transfers to assets available for sale	700	–	700	–	700
Transfers out of assets under construction	34,691	600,645	635,336	(635,336)	–
Other transfers	(43,184)	(9,848)	(53,032)	–	(53,032)
Balance at 31 December 2009	944,614	9,555,252	10,499,866	1,135,879	11,635,745
Depreciation					
Balance at 1 January 2008	508,523	3,652,067	4,160,590	–	4,160,590
Charge for the year	26,722	344,909	371,631	–	371,631
Retirements/disposals	(249)	(41,976)	(42,225)	–	(42,225)
Balance at 31 December 2008	534,996	3,955,000	4,489,996	–	4,489,996
Charge for the year	27,474	375,641	403,115	–	403,115
Retirements/disposals	(32)	(10,471)	(10,503)	–	(10,503)
Other transfers	(18,276)	(2,848)	(21,124)	–	(21,124)
Balance at 31 December 2009	544,162	4,317,322	4,861,484	–	4,861,484
Net book value at 31 December 2009	400,452	5,237,930	5,638,382	1,135,879	6,774,261
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 1 January 2008	405,708	4,856,345	5,262,053	807,198	6,069,251

During the year the Parent capitalised interest of €29.5 million (2008: €28.9 million) in assets under construction, using an effective interest rate of 4.25% (2008: 5%).

The carrying value of non-depreciable assets at 31 December 2009 is €42.4 million (2008: €42.8 million)

Property, plant and equipment with a net book value of nil at 31 December 2009 are included above at a cost of €1,282.3 million (December 2008: €1,189.0 million).

Assets under construction of €635.4 million were completed during the year, with €600.7 million transferred to plant and machinery (2008: €457.1 million) and €34.7 million transferred to land & buildings (2008: €31.8 million).

Other transfers in 2009 include the sale of property to a subsidiary company during the year (net book value €31.1 million) and transfers to Intangible assets (net book value €0.8 million).

Finance leases

All finance leases are held by the Parent. The net book value of property, plant & equipment includes an amount of €50.0 million (2008: €60.0 million) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the period amounted to €10.0 million (2008: €10.0 million).

Notes to the Financial Statements

(continued)

11. INTANGIBLE ASSETS

(a) GROUP

	Software costs and other intangible assets €'000	Emission allowances €'000	Software under development €'000	Total €'000
Cost				
Balance at 1 January 2008	252,510	69,294	21,355	343,159
Software additions	12,606	–	13,872	26,478
Allocation of emissions allowances	–	212,134	–	212,134
Purchase of emission 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 of assets held for sale	–	(31,250)	–	(31,250)
Translation difference	–	(4,688)	–	(4,688)
Balance at 31 December 2008	276,900	186,443	22,767	486,110
Software additions	6,714	–	49,506	56,220
Allocation of emission allowances	–	132,784	–	132,784
Purchase of emission allowances	–	12,891	–	12,891
Acquisitions	38,794	20,431	–	59,225
Software disposals	(2,174)	–	–	(2,174)
Settlement of emission allowances	–	(196,775)	–	(196,775)
Transfers out of software under development	42,707	–	(42,707)	–
Transfers from property, plant and equipment	671	–	–	671
Translation difference	–	2,335	–	2,335
Balance at 31 December 2009	363,612	158,109	29,566	551,287
Amortisation				
Balance at 1 January 2008	119,934	–	–	119,934
Charge for the year	49,679	–	–	49,679
Software disposals	(681)	–	–	(681)
Balance at 31 December 2008	168,932	–	–	168,932
Charge for the year	52,515	–	–	52,515
Software disposals	(692)	–	–	(692)
Transfers from property, plant and equipment	380	–	–	380
Balance at 31 December 2009	221,135	–	–	221,135
Net book value at 31 December 2009	142,477	158,109	29,566	330,152
Net book value at 31 December 2008	107,968	186,443	22,767	317,178
Net book value at 1 January 2008	132,576	69,294	21,355	223,225

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 emission allowances included above were received by way of Government grant and are also included in deferred income, as shown in Note 25.

Acquisition of assets relates to the purchase of an operating wind farm and the purchase of the remaining 30% of shares in Synergen Power Limited, which has the impact of converting ESB's joint venture holding in the company to a 100% full subsidiary holding (see Note 12 for further details).

Amortisation of intangible assets is charged to the income statement as part of operating costs.

11. INTANGIBLE ASSETS (continued)

(b) PARENT

	Software costs and other intangible assets €'000	Emission allowances €'000	Software under development €'000	Total €'000
Cost				
Balance at 1 January 2008	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 emission allowances	–	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
Software additions	2,548	–	49,746	52,294
Allocation of emission allowances	–	122,012	–	122,012
Purchase of emission allowances	–	5,435	–	5,435
Software disposals	(189)	–	–	(189)
Settlement of emission allowances	–	(175,491)	–	(175,491)
Transfers out of software under development	39,077	–	(39,077)	–
Other transfers	1,191	–	(239)	952
Balance at 31 December 2009	304,287	119,147	29,638	453,072
Amortisation				
Balance at 1 January 2008	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
Charge for the year	49,366	–	–	49,366
Retirements/disposals	(189)	–	–	(189)
Other transfers	380	–	–	380
Balance at 31 December 2009	217,798	–	–	217,798
Net book value at 31 December 2009	86,489	119,147	29,638	235,274
Net book value at 31 December 2008	93,419	167,191	19,208	279,818
Net book value at 1 January 2008	124,527	63,821	17,796	206,144

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

Other transfers in 2009 relate to transfers from property, plant and equipment (net book value €0.8 million) and a transfer of software under development from the Parent to a subsidiary company (€0.2 million).

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)

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 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
Balance at 1 January 2009	117,118	6,913	117	124,148
Additions	–	–	5,140	5,140
Transfers	–	(3,111)	3,111	–
Conversion of Synergen Power Limited to full subsidiary undertaking	(148,754)	–	–	(148,754)
Share of profit	61,729	–	–	61,729
Fair value movement on cash flow hedges	1,286	–	–	1,286
Dividends received	(14,713)	–	–	(14,713)
Translation differences	1,984	–	–	1,984
Fair value movement – transferred to income statement	–	(3,802)	(593)	(4,395)
Balance at 31 December 2009	18,650	–	7,775	26,425

Joint venture investments

The conversion of Synergen Power Limited to a full subsidiary undertaking (€148.8 million) arises from the purchase of the remaining 30% of shares in Synergen Power Limited, which has the impact of converting ESB's joint venture holding in the company to a 100% full subsidiary holding.

The fair value movement on cash flow hedges relates to derivatives held in Bizkaia Energia SL and Marchwood Power Limited, which have been designated into cash flow hedging relationships in those entities.

Dividends received from joint ventures relate to Synergen Power Limited €1.4 million (2008: €2.9 million), Bizkaia Energia SL €10.6 million (2008: €10.6 million) and Corby Power Limited €2.7 million (2008: €2.4 million).

Translation differences for 2009 relate primarily to Corby Power Limited €2.0 million (2008: €8.7 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 2009 % of share capital owned	Holding 31 December 2008 % of share capital owned
Bizkaia Energia SL	Spain	50%	50%
Corby Power Limited	United Kingdom	50%	50%
Garvagh Glebe Power Limited	Ireland	50%	50%
Marchwood Power Limited	United Kingdom	50%	50%
Synergen Power Limited *	Ireland	100%	70%

* Synergen Power Limited became a wholly owned subsidiary from 16 September 2009 and its results up to that date are reflected in the following table.

12. FINANCIAL ASSET INVESTMENTS (continued)

	2009 €'000	2008 €'000
Joint venture summary financial information		
Non-current assets	466,874	530,893
Current assets	70,045	163,442
Derivatives	–	26,105
Total assets	536,919	720,440
Equity	45,617	124,622
Cash flow hedging reserve	(14,751)	5,414
Total equity	30,866	130,036
Non-current liabilities	350,238	328,478
Current liabilities	138,659	243,012
Derivative liabilities	17,156	18,914
Total liabilities	506,053	590,404
Total equity and liabilities	536,919	720,440
Income	205,759	266,521
Expenses	(125,713)	(178,001)
Operating profit	80,046	88,520
Profit after interest and tax	61,729	62,903

The share of total equity of €30.9 million above reflects the individual balance sheets of the joint venture investments. The value of the joint venture investments in the Group balance sheet is €18.7 million. The difference is attributable to the receipt of a construction bonus for the completion of the power plant owned by Bizkaia Energia SL, which has been netted against the joint venture investments and the receipt of a contingency payment from Bizkaia Energia SL to ESB Contracting Limited which has also reduced the value of the joint venture investments.

Available for sale financial assets

Available for sale financial assets in the Group at 31 December 2008 related to an investment in a wave power technology company (€4.6 million) and a stake in a clean energy investment fund, VantagePoint (€2.4 million). During 2009, the investment in the wave power technology company was fair valued through the income statement (€3.8 million). In 2009 the Group expanded its renewable energy investment activities and transferred the VantagePoint investment to its dedicated renewable investment venture capital portfolio, which is accounted for at fair value through the income statement.

Other Investments

Other investments include financial assets held at fair value through profit or loss (€6.8 million) relating to the Group's venture capital portfolio, none of which are controlled or significantly influenced by ESB. Transfers relate to the value of investments transferred from available for sale financial assets transferred into financial assets at fair value through the profit or loss (€3.1 million) during the year. Additions include an investment in an Irish company, Nualight (€2.5 million) and also additional spend in the VantagePoint clean energy investment. These investments have been fair valued at the year end and the movement transferred to the income statement.

At 31 December 2009 the Group could be called upon by its partners in the VantagePoint fund to make a further €9.3 million investment in the fund (2008: €12.2 million). This potential further investment is included within Capital Commitments in Note 27 of these financial statements. Further information on these investments is included in Note 20.

Notes to the Financial Statements

(continued)

12. FINANCIAL ASSET INVESTMENTS (continued)

(b) PARENT	Subsidiary Undertakings €'000
Balance at 1 January 2008	72,982
Repayments	(150)
Balance at 31 December 2008	72,832
Balance at 1 January 2009 and 31 December 2009	72,832

(c) GROUP ACQUISITIONS

During the year the Group completed the acquisitions of Synergen Power Limited (previously a joint venture) and an operating wind farm by acquiring 100% of the share capital of the entities involved. Full details of all of ESB's subsidiary undertakings at 31 December 2009 are given in Note 33. The acquisitions had the following effect on ESB's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts €'000	Fair value adjustments €'000	Recognised values on acquisitions €'000
Property, plant & equipment	135,871	126,584	262,455
Intangible assets	20,431	38,794	59,225
Other assets	71,819	–	71,819
Cash and cash equivalents	149,117	–	149,117
Loans and borrowings	(116,400)	–	(116,400)
Deferred tax liabilities	(15,104)	(27,473)	(42,577)
Trade and other payables	(34,888)	–	(34,888)
Net identifiable assets and liabilities	210,846	137,905	348,751
Less cash paid for acquisitions			(57,943)
Less amounts previously recognised as joint ventures			(148,754)
Negative goodwill arising on acquisition			142,054
Recognised			
- in income statement (Note 4)			68,855
- as revaluation of previously held interest (OCI)			73,199
			142,054

The companies acquired by ESB Group during 2009 had the following operating performance during the year:

	€'000
Total revenue for the year	256,093
Total profit after tax for the year	104,671
Total profit after tax since acquisition date	57,295

13. INVENTORIES

	GROUP		PARENT	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Materials	33,806	28,826	28,285	28,803
Fuel	111,933	115,901	104,198	112,526
	145,739	144,727	132,483	141,329

Inventories consumed during the year ended 31 December 2009 totalled €184.2 million (2008: €272.2 million). The value of inventory impairments recognised during the year (Group and Parent) amounted to €3.4 million (2008: €4.0 million).

14. CURRENT TAX ASSET

	GROUP		PARENT	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Corporation Tax	441	5,619	2,590	9,848

The current tax asset represents preliminary corporation tax payments in excess of final liability.

15. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Trade receivables	205,646	269,002	140,235	220,924
Unbilled consumption	271,505	370,888	187,955	320,415
Amounts owed by subsidiary undertakings	–	–	628,224	848,415
Amounts owed by joint venture undertakings	66,319	38,219	23,033	–
Other receivables	140,822	97,374	109,284	58,563
	684,292	775,483	1,088,731	1,448,317

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

16. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Cash at bank and in hand	–	83,210	–	62,284

Notes to the Financial Statements

(continued)

17. ASSETS HELD FOR SALE

	GROUP		PARENT	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Property, plant and equipment	-	31,637	-	700
Emission allowances	-	31,250	-	-
Inventories	-	23,511	-	-
Total assets held for sale	-	86,398	-	700
Emission provision	-	(23,103)	-	-
Total liabilities associated with assets held for sale	-	(23,103)	-	-
Total assets held for sale – net	-	63,295	-	700

Assets held for sale at 31 December 2008 mainly comprised of 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 were sold in January 2009 for €440.0 million. A profit of €265.0 million was earned on the sale, after allowing for the net assets of €63 million above and additional liabilities taken on in January 2009 associated with the disposal (primarily relating to a public service obligation (PSO)).

Liabilities associated with assets held for sale at 31 December 2008 comprised emissions provisions attributable to the power stations described above that were sold in January 2009.

18. CHANGES IN EQUITY

(i) Capital stock

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

	2009
	€'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 equity of ESB was 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) Non-controlling interest – Group

Non-controlling interests at 31 December 2009 relate to the minority shareholdings in Crockahenny Wind Farm Limited, Mountain Lodge Power Limited and Carrington Power Limited (formerly Bridestones Development Limited).

18. CHANGES IN EQUITY (continued)

(iii) Cash flow hedging and other reserves – Group and Parent

Fair value reserves primarily represent the fair value of derivatives which are part of effective cash flow 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 include revaluation reserves of €73 million which arose following the acquisition of the remaining 30% of Synergen Power Limited from RBS in 2009.

Other reserves also include €5 million which was created on the sale of the Group's share in Ocean Communications Limited in 2001. This reserve is non-distributable.

(iv) Dividends – Group and Parent

2009 **2008**
€'000 **€'000**

Dividends on capital stock:

Total dividends paid 13.50 (2008: 6.54) cents per capital stock unit	267,284	129,486
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Total dividends paid during 2009 include a final dividend of €82.0 million in respect of 2008 and an interim dividend, declared and paid, of €185.3 million in respect of 2009.

The Board Members are recommending that a final dividend of 4.77 cent per unit of capital stock, amounting to €94.4 million in aggregate, be paid in 2010, in respect of 2009.

19. BORROWINGS AND OTHER DEBT

(a) GROUP	Finance Leases €'000	Recourse Borrowings €'000	Non Recourse Borrowings €'000	2009 Total €'000	2008 Total €'000
*Current borrowings					
- Repayable by instalments	8,140	39,865	6,915	54,920	95,630
- Repayable other than by instalments	–	74,008	–	74,008	146,694
Total current borrowings	8,140	113,873	6,915	128,928	242,324
Non-current borrowings					
- Repayable by instalments					
Between one and two years	8,941	40,567	7,217	56,725	40,509
Between two and five years	69,110	186,531	16,110	271,751	189,493
After five years	–	308,160	29,850	338,010	372,624
	78,051	535,258	53,177	666,486	602,626
- Repayable other than by instalments					
Between one and two years	–	–	–	–	35,209
Between two and five years	11,220	649,173	–	660,393	819,747
After five years	–	768,021	–	768,021	471,166
	11,220	1,417,194	–	1,428,414	1,326,122
Total non-current borrowings	89,271	1,952,452	53,177	2,094,900	1,928,748
Total borrowings outstanding	97,411	2,066,325	60,092	2,223,828	2,171,072

See Note 20 for details of applicable interest rates.

* There is also a short-term overdraft facility of €6.9 million which is included in Trade and Other Payables (Note 24) which forms part of the overall Group debt.

Notes to the Financial Statements

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19. BORROWINGS AND OTHER DEBT (continued)

Current borrowings

Finance leases of €8.1 million (2008: €7.4 million) refer to the capital element of finance leases payable in the next 12 months. The recourse borrowings of €113.9 million (2008: €230.1 million) includes long-term debt repayable within the next 12 months of €73.9 million (2008: €83.5 million), short-term debt of €40.0 million (2008: €37.5 million), and no amounts payable to joint venture undertakings at 31 December 2009 (2008: €109.1 million). The non-recourse borrowings of €6.9 million (2008: €4.8 million) relate to long-term project finance debt repayable within the next 12 months.

Non-current borrowings

Non-current borrowings include ESB Stock of €10.3 million (2008: €10.3 million), the capital element of finance leases payable after one year of €89.3 million (2008: €97.4 million), private placement borrowings of €1,036.1 million (2008: €739.9 million), other long-term bank borrowings of €906.1 million (2008: €1,053.4 million) and €53.2 million (2008: €27.7 million) of non-recourse long-term project finance debt.

The first private placement senior unsecured notes were issued, to a range of institutional investors, in December 2003. These fixed rate notes were issued in US dollars and sterling and comprised of US\$1,000.5 million, maturing on dates between 2010 and 2023, and Stg£20 million, maturing on dates between 2018 and 2023.

The second private placement senior unsecured notes were issued in June 2009. These notes were issued in US dollars, sterling and euro and comprised of US\$301 million, maturing on dates between 2013 and 2019, Stg£85 million maturing on dates between 2017 and 2021 and €50 million maturing on dates between 2014 and 2019.

Long-term bank borrowings include (a) a revolving credit facility which has been drawn down to the value of €380.8 million – this is floating rate euro debt which is available under this facility until May 2012 and any debt drawn thereunder is not required to be paid until this date; and (b) €250.9 million of floating rate debt and €284.4 million of fixed rate debt which has been drawn down from another lender. €118.1 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.

Included in borrowings above are sterling denominated bank loans, which have been designated as a hedge of the Group's investment in a sterling denominated subsidiary in the United Kingdom. The carrying amount of the loans at December 2009 was €118.1 million (2008: €120.2 million). A loss of €8.9 million (2008: gain of €35.9 million) arose during the year on the translation of the loans to euro. Separately recognised in the translation reserve is a gain of €7.6m (2008: loss of €28.4 million) on the translation of a euro denominated intragroup loan to the same sterling denominated subsidiary entity, which has been designated as part of the Group's investment in the subsidiary, and has accordingly been recognised directly in the statement of comprehensive income.

With the exception of borrowings relating to finance leases and the non-recourse project finance debt relating to certain wind farm assets, which are secured against those 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.

19. BORROWINGS AND OTHER DEBT (continued)

Future finance lease commitments are as follows:

	2009 Minimum Lease Payments €'000	2009 Present value of Minimum Lease Payments €'000	2008 Minimum Lease Payments €'000	2008 Present value of Minimum Lease Payments €'000
Amounts payable:				
Within one year	13,469	8,140	13,124	7,386
Between one and five years	101,527	89,271	114,996	97,410
	114,996	97,411	128,120	104,796
Less future lease charges	(17,585)		(23,324)	
Present value of lease obligations	97,411		104,796	

(b) PARENT

	Finance Leases €'000	Recourse Borrowings €'000	2009 Total €'000	2008 Total €'000
*Current borrowings				
- Repayable by instalments	8,140	28,019	36,159	90,836
- Repayable other than by instalments	–	74,013	74,013	146,694
Total current borrowings	8,140	102,032	110,172	237,530
Non-current borrowings				
- Repayable by instalments				
Between one and two years	8,941	28,721	37,662	35,432
Between two and five years	69,110	150,989	220,099	174,563
After five years	–	288,979	288,979	364,915
	78,051	468,689	546,740	574,910
- Repayable other than by instalments				
Between one and two years	–	–	–	35,209
Between two and five years	11,220	649,173	660,393	819,747
After five years	–	768,016	768,016	471,166
	11,220	1,417,189	1,428,409	1,326,122
Total non-current borrowings	89,271	1,885,878	1,975,149	1,901,032
Total borrowings outstanding	97,411	1,987,910	2,085,321	2,138,562

* There is also a short-term overdraft facility of €18.6 million which is included in trade and other payables (Note 24) which forms part of the overall Group debt.

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20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Overview of Financial Risk Management

Risk environment

The main financial risks faced by the Group relate to liquidity, foreign exchange, interest rate, commodity (electricity and fuel) price movements and operational risk. Policies to protect the Group from these risks, and other risk areas, such as 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 front and middle office functions of the relevant business units: ESB Energy International and Energy Solutions. This is done in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit. 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.

Contracts entered into in order to hedge exposures arising from the production and sale of electricity may be divided into forward fuel price contracts, forward electricity price contracts and foreign exchange contracts. As described in more detail in Note 1, during the current year the Group amended its accounting policy concerning certain bilateral electricity contracts. This change has resulted in a restatement of many of the comparative balances disclosed in Note 1.

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 has 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. Furthermore the Group Trading Risk Management Policy 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 the Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management and ensuring that there is an effective control framework in place.

The Trading Risk Management Committees report 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 trading operations of the business units are subject to review by Group Internal Audit.

For further information on the Group's Risk Management policy and objectives see the Risk Management Report on pages 51 and 52.

Hedge accounting

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 in the normal course of operations from US dollar and sterling denominated borrowings, from its foreign currency subsidiaries, and from the use of foreign currency suppliers. 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 current and non-current liabilities.

In addition, the Group enters into certain commodity hedging transactions to fix fuel costs and to link electricity revenues more closely to fuel inputs, where possible. All of these arrangements are designated into hedging relationships, and in the great majority of cases meet the specific hedging accounting criteria of IAS 39. Where the IAS 39 hedge criteria are met in respect of cross currency swaps, interest rate swaps, foreign exchange contracts, forward fuel price contracts and forward electricity price contracts, all of these instruments are designated as cash flow hedges of highly probable forecast interest, revenue or other operating cost cash flows. Any derivatives on hand which are not specifically designated into hedge relationships from an accounting perspective are nevertheless regarded as valid economic hedges.

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

Financial assets and liabilities, excluding provisions and employee related liabilities, at 31 December 2009, and at 31 December 2008 (as restated) can be analysed as follows:

	Financial assets at fair value through profit or loss		Assets/(liabilities) held at amortised cost		Derivative financial instruments		Loans and borrowings and bank overdrafts		Total	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
ASSETS										
Non-current assets										
Financial asset investments	6,829	–	946	117*	–	–	–	–	7,775	117
Derivative financial instruments	–	–	–	–	548,049	3,209	–	–	548,049	3,209
Total non-current financial assets	6,829	–	946	117	548,049	3,209	–	–	555,824	3,326
Current assets										
Trade and other receivables	–	–	684,292	775,483	–	–	–	–	684,292	775,483
Cash and cash equivalents	–	–	–	83,210	–	–	–	–	–	83,210
Derivative financial instruments	–	–	–	–	90,628	49,484	–	–	90,628	49,484
Total current financial assets	–	–	684,292	858,693	90,628	49,484	–	–	774,920	908,177
Total financial assets	6,829	–	685,238	858,810	638,677	52,693	–	–	1,330,744	911,503
LIABILITIES										
Non-current liabilities										
Borrowings and other debt	–	–	–	–	–	–	2,094,900	1,928,748	2,094,900	1,928,748
Trade and other payables	–	–	10,706	14,242	–	–	–	–	10,706	14,242
Derivative financial instruments	–	–	–	–	296,965	60,440	–	–	296,965	60,440
Total non-current financial liabilities	–	–	10,706	14,242	296,965	60,440	2,094,900	1,928,748	2,402,571	2,003,430
Current liabilities										
Borrowings and other debt	–	–	–	–	–	–	128,928	242,324	128,928	242,324
Trade and other payables	–	–	623,263	618,725	–	–	6,876	–	630,139	618,725
Derivative financial instruments	–	–	–	–	48,929	211,189	–	–	48,929	211,189
Total current financial liabilities	–	–	623,263	618,725	48,929	211,189	135,804	242,324	807,996	1,072,238
Total financial liabilities	–	–	633,969	632,967	345,894	271,629	2,230,704	2,171,072	3,210,567	3,075,668
PARENT										
ASSETS										
Non-current assets										
Investments in subsidiary undertakings	–	–	72,832	72,832	–	–	–	–	72,832	72,832
Total non-current financial assets	–	–	72,832	72,832	–	–	–	–	72,832	72,832
Current assets										
Trade and other receivables	–	–	1,088,731	1,448,317	–	–	–	–	1,088,731	1,448,317
Cash and cash equivalents	–	–	–	62,284	–	–	–	–	–	62,284
Derivative financial instruments	–	–	–	–	997	456	–	–	997	456
Total current financial assets	–	–	1,088,731	1,510,601	997	456	–	–	1,089,728	1,511,057
Total financial assets	–	–	1,161,563	1,583,433	997	456	–	–	1,162,560	1,583,889
LIABILITIES										
Non-current liabilities										
Borrowings and other debt	–	–	–	–	–	–	1,975,149	1,901,032	1,975,149	1,901,032
Trade and other payables	–	–	9,124	10,978	–	–	–	–	9,124	10,978
Derivative financial instruments	–	–	–	–	180,813	58,029	–	–	180,813	58,029
Total non-current financial liabilities	–	–	9,124	10,978	180,813	58,029	1,975,149	1,901,032	2,165,086	1,970,039
Current liabilities										
Borrowings and other debt	–	–	–	–	–	–	110,172	237,530	110,172	237,530
Trade and other payables	–	–	790,670	701,529	–	–	18,554	–	809,224	701,529
Derivative financial instruments	–	–	–	–	6,409	136,047	–	–	6,409	136,047
Total current financial liabilities	–	–	790,670	701,529	6,409	136,047	128,726	237,530	925,805	1,075,106
Total financial liabilities	–	–	799,794	712,507	187,222	194,076	2,103,875	2,138,562	3,090,841	3,045,145

The Group's provisions and employee related liabilities are not analysed in the table above, or in the further analysis below. See Notes 22, 23 and 26 for further information in relation to these.

Comparative balances have been restated in relation to certain contracts no longer accounted for as derivative financial instruments. See Note 1 for more information.

* Also included in financial asset investments at 31 December 2008 were available for sale financial assets of €6.9 million.

	GROUP–31 December 2008			PARENT–31 December 2008		
	As reported €'000	Impact of change in accounting policy €'000	Restated €'000	As reported €'000	Impact of change in accounting policy €'000	Restated €'000
Derivative financial instruments – net asset/(liability)	(35,584)	(183,353)	(218,937)	13,316	(207,236)	(193,620)

Notes to the Financial Statements

(continued)

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

(b) Funding and Liquidity Management

The principal liquidity risks faced by the Group relate to cash flow requirements arising from day-to-day operations, maturing debt obligations and the funding of capital investment programmes. The Group's treasury function manages this risk through a combination of liquid investments, cash and cash equivalents and undrawn committed bank facilities.

At 31 December 2009 the Group had over €1,000 million available in liquid investments, cash or cash equivalents and committed bank facilities, ensuring liquidity demands can be met as required. The committed bank facilities include a syndicated loan facility with a large number of well-rated financial institutions and facilities with the EIB.

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.

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:

	Drawn Debt– Group		Drawn Debt– Parent		Undrawn Facility– Group and Parent	
	2009 €M	2008 €M	2009 €M	2008 €M	2009 €M	2008 €M
Maturing						
In one year or less	128.9	242.3	110.2	237.5	–	–
Between one and two years	56.7	75.7	37.7	70.6	–	–
Between two and five years	932.2	1,009.3	880.4	994.4	589.0	432.8
In more than five years	1,106.0	843.8	1,057.0	836.1	375.0	175.0
	2,223.8	2,171.1	2,085.3	2,138.6	964.0	607.8

The following table sets out the contractual maturities of financial liabilities (and assets of a similar nature), including the interest payments associated with borrowings, and the undiscounted net cash flows attributable to derivative financial instruments. Borrowings with a carrying value of €138.5 million (2008: €32.5 million), and net derivative financial instrument assets of €479.0 million (2008: net derivative liabilities of €25.2 million) are included in the Group balances below, but do not comprise part of the Parent's assets and liabilities. See section (g) in this note for further analysis of Group and Parent financial assets and liabilities. In all other respects the Parent entity analysis is identical to the Group table shown overleaf.

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

	Carrying Amount €'000	Contractual cash outflows/ (inflows) -net €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000	More than 5 years €'000
31 December 2009						
Finance leases	97,411	114,996	13,469	13,823	87,704	-
Recourse borrowings	2,066,325	2,446,542	19,948	105,054	1,006,166	1,315,374
Non-recourse borrowings	60,092	65,872	7,983	8,127	18,078	31,684
Total borrowings	2,223,828	2,627,410	41,400	127,004	1,111,948	1,347,058
Bank overdrafts	6,876	6,876	6,876	-	-	-
Trade and other payables (excluding tax balances and bank overdrafts)	583,919	583,919	573,213	2,207	5,754	2,745
Currency swaps	180,813	204,128	13,266	5,855	63,465	121,542
Interest rate swaps	2,634	2,680	3,692	1,213	(1,069)	(1,156)
Forward electricity price contracts	142,706	170,653	29,448	458	31,196	109,551
Forward fuel price contracts	15,010	15,010	14,879	131	-	-
Foreign exchange contracts	4,731	4,731	4,731	-	-	-
Total liabilities	3,160,517	3,615,407	687,505	136,868	1,211,294	1,579,740
Forward fuel price contracts	(609,573)	(717,395)	(72,220)	(60,014)	(191,291)	(393,870)
Forward electricity price contracts	(28,109)	(28,109)	(28,109)	-	-	-
Foreign exchange contracts	(995)	(1,103)	(132)	(295)	(676)	-
Total assets	(638,677)	(746,607)	(100,461)	(60,309)	(191,967)	(393,870)
	2,521,840	2,868,800	587,044	76,559	1,019,327	1,185,870
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
Forward electricity price contracts	35,797	35,748	35,531	217	-	-
Foreign exchange contracts	43,959	43,959	43,959	-	-	-
Forward fuel price contracts	133,502	135,957	135,957	-	-	-
Total liabilities	3,024,394	3,788,462	1,108,190	161,107	1,271,551	1,247,614
Forward electricity price contracts	(52,362)	(52,236)	(52,236)	-	-	-
Foreign exchange contracts	(331)	(331)	(331)	-	-	-
Total assets	(52,693)	(52,567)	(52,567)	-	-	-
	2,971,701	3,735,895	1,055,623	161,107	1,271,551	1,247,614

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.

<i>Financial assets</i>	2009		2008	
	Group €'000	Parent €'000	Group €'000	Parent €'000
Financial asset investments	7,775	72,832	7,030	72,832
Cash and cash equivalents	–	–	83,210	62,284
Derivative financial instruments	638,677	997	52,693	456
Trade and other receivables	684,292	1,088,731	775,483	1,448,317
	1,330,744	1,162,560	918,416	1,583,889

Financial asset investments

Credit risk arising on financial asset investments, including financial assets at fair value through profit or loss, is closely monitored and reflected in the carrying value at year end.

Treasury related credit risk (relating to cash and derivative instruments)

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.

Commodity credit risk (relating to derivatives)

The Group also has credit risk associated with commodity positions. These arise from derivative financial instruments that are entered into to hedge energy and fuel price risks and are managed in accordance with the Minister's Specification and Requirements ('Financial Transactions of Certain Companies and Other Bodies Act 1992'). The Group establishes counterparty credit risk limits to restrict uncollateralised exposure. Net exposures, collateral requirements and compliance are monitored on an ongoing basis. Collateral, in the form of bonds and guarantees, is required by ESB business units from various parties, specifically in the form of Letters of Credit from certain power Contract for Differences (CfD) counterparties. Total collateral held at year end was €244 million (2008: €326 million). 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.

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

Wholesale and retail credit risk (relating to Trade and other receivables)

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.

	2009		2008	
	Group €'000	Parent €'000	Group €'000	Parent €'000
Retail electricity receivables–billed	91,176	85,096	142,852	130,841
Retail electricity receivables–unbilled	205,780	163,145	342,088	291,489
Total retail electricity receivables	296,956	248,241	484,940	422,330
SEM pool related receivables	115,245	95,781	82,291	64,841
Use of system receivables	88,239	25,208	54,168	54,168
Total electricity receivables	500,440	369,230	621,399	541,339
Trade receivables–non electricity	23,130	–	18,491	–
Amounts due from joint venture undertakings	66,319	23,033	38,219	–
Other receivables	94,403	68,244	97,374	58,563
Amounts due from related undertakings	–	628,224	–	848,415
	684,292	1,088,731	775,483	1,448,317

The maximum credit exposure of the Group at 31 December is set out below. Prepayments of €27.7 million (2008: €7.1 million) are excluded from the analysis as no credit exposure is perceived in relation to these. In the case of the Parent, balances stated also exclude amounts due from subsidiary undertakings of €628.2 million (2008: €848.4 million).

GROUP						
	2009			2008		
	Gross Amount Receivable €'000	Impairment €'000	Net Amount Receivable €'000	Gross Amount Receivable €'000	Impairment €'000	Net Amount Receivable €'000
Not past due	526,008	–	526,008	630,228	–	630,228
Past due < 30 days	52,135	(3,172)	48,963	57,441	(699)	56,742
Past due 30–120 days	46,337	(3,408)	42,929	56,800	(3,011)	53,789
Past due > 120 days	41,482	(17,565)	23,917	21,692	(6,665)	15,027
Past due by more than one year	27,947	(13,138)	14,809	25,661	(13,138)	12,523
Total	693,909	(37,283)	656,626	791,822	(23,513)	768,309

PARENT						
	2009			2008		
	Gross Amount Receivable €'000	Impairment €'000	Net Amount Receivable €'000	Gross Amount Receivable €'000	Impairment €'000	Net Amount Receivable €'000
Not past due	330,922	–	330,922	477,785	–	477,785
Past due < 30 days	30,477	(2,534)	27,943	42,567	(667)	41,900
Past due 30–120 days	44,176	(3,408)	40,768	52,727	(2,792)	49,935
Past due > 120 days	38,263	(16,536)	21,727	20,730	(6,665)	14,065
Past due by more than one year	22,750	(11,288)	11,462	20,242	(11,199)	9,043
Total	466,588	(33,766)	432,822	614,051	(21,323)	592,728

Notes to the Financial Statements

(continued)

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

Management does not expect any significant losses of receivables that have not been provided for as shown above. As explained below overdue amounts, including amounts past due by more than one year, are impaired only to the extent that there is evidence that they are not ultimately recoverable. The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	GROUP		PARENT	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Balance at 1 January	23,513	24,671	21,323	22,254
Impairment loss recognised	31,220	13,260	29,053	12,913
Provision utilised	(17,450)	(14,418)	(16,610)	(13,844)
Balance at 31 December	37,283	23,513	33,766	21,323

Wholesale and Retail Credit Risk

Retail electricity receivables

The credit risk on retail electricity accounts is managed through the ongoing monitoring of debtors days, arranging for appropriate collateral, and a collection policy based on the creditworthiness, size and duration of debt. Retail electricity accounts which have closed in arrears are regarded as higher risk and are managed within the Group's debt collection policy by a combination of internal debt follow up, the use of debt collection agencies and legal action where necessary, including the publication of judgements.

The impairment provisioning policy in relation to retail electricity receivables is based on the historical experience of debts written off. Provision may be made in respect of specific balances where there is evidence of a dispute or an inability to settle. An additional provision is made on a portfolio basis to cover additional anticipated losses based on an analysis of previous losses experienced and an evaluation of the impact of economic conditions and particular industry issues. Provision is not made in cases where appropriate repayment arrangements are in place and there is evidence that balances are ultimately recoverable, notwithstanding that such balances may be seriously in arrears. Collateral is held in the form of security deposits on new customer accounts. The largest single billed retail balance outstanding at 31 December 2009 was €801,700 (2008: €3,009,000). Unbilled electricity receivables represent estimates of consumption not yet invoiced. Controls around electricity receivables are focused on the full recovery of amounts invoiced. Deposits are also held as security in respect of new customer accounts. The impairment provisioning policy is based on the historical experience of debts written off. In 2009, electricity receivables were impaired to the value of €37.3 million. Of this, the single largest customer amount written off during the year was €42,000 relating to a customer that went into liquidation during the year. Electricity receivables arise largely in the Republic of Ireland, with 6% relating to Northern Ireland revenue.

SEM pool receivables

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. Payment terms for all trading balances relating to each of the SEM revenue streams are governed by the SEM settlement calendar.

Use of system receivables

Use of system income comprises the relevant share of Distribution Use of System (DUoS) income and Transmission Use of System (TUoS) income and arises almost entirely in the Republic of Ireland. The credit risk in relation to DUoS is managed under section 7 of the DUoS Framework Agreement approved by the CER on 1 August 2002. This section provides for the provision of security by each supplier. Before a supplier can register a customer they must sign up to the DUoS Framework Agreement. All suppliers with the exception of one have supplied a letter of credit in accordance with section 7.2.2. One exception has an approved credit rating in line with section 7.2.1 and this is monitored by Group Treasury. Recovery of DUoS receivable balances is maintained through timely collection procedures in line with section 6 of the DUoS Framework Agreement, and the close monitoring of debtor days. In the event of a supplier defaulting in line with section 7 of the DUoS Framework Agreement there is security cover in place for all suppliers.

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

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 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 2009 was €30.0 million (2008: €29.0 million).

Other trade receivables

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, consultancy, facility management and other ancillary operations. Other receivables include prepayments of €27.7 million (2008: €7.1 million). Credit risk with regard to these balances is not considered to be significant. The largest single balance included within this category at 31 December 2009 is an amount of €39.1 million (2008: €31.0 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 and cross currency swaps are used to reduce volatility arising from foreign currency exposures. The foreign currency forward purchase contracts in place at 31 December 2009 relate to forecast cash flows expected to occur up to 15 December 2023.

There was a positive fair value movement on foreign currency contracts of €12.0 million in 2009 (2008: negative fair value movement of €6.0 million) of which a net negative movement of €25.5 million (2008: positive movement of €30.3 million) was recognised in the income statement and a net positive movement of €37.5 million (2008: negative movement of €24.3 million) was recognised directly in other comprehensive income. The negative amount recognised in the income statement in 2009 is inclusive of a loss of €27.8 million (2008: gain of €33.0 million) arising on cross currency swaps which is fully offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates (see Note 6). There was no material ineffectiveness recognised in relation to foreign exchange contracts in 2008 or 2009.

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 €2.22 billion (2008: €2.17 billion), of which the Parent held €2.09 billion (2008: €2.14 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before swaps		After swaps	
	2009 (%)	2008 (%)	2009 (%)	2008 (%)
Currency				
Euro	46%	58%	89%	95%
US dollar	41%	35%	0%	0%
Sterling	13%	7%	11%	5%
Total	100%	100%	100%	100%

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. The currency profile of Parent borrowings is substantially the same as that of 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 2008.

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(continued)

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

	GROUP 31 December 2009		GROUP 31 December 2008	
	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000
<i>10% Strengthening</i>				
US dollar	(4,960)	1,239	(13,831)	(112)
Sterling	(18,521)	901	(22,179)	863
Swiss Franc	(1,712)	–	–	–
<i>10% Weakening</i>				
US dollar	6,063	(1,514)	16,905	137
Sterling	22,637	(1,101)	27,108	(1,055)
Swiss Franc	2,093	–	–	–

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 affect the income statement only;
- changes in the carrying value of derivative financial instruments that are cash flow hedges impact other comprehensive income only; and
- changes in the carrying value of derivative financial instruments designated as net investment hedges arising from movements in the euro to sterling exchange rate are recorded directly in equity, with no ineffectiveness assumed.

The impact on the Parent of such movements would be substantially the same as that on the Group.

(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 2009, 69% of the Group's debt was fixed to maturity (2008: 61%). The fair value of interest rate swaps can be seen in paragraph (g).

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 currency swaps:

	Effective interest rate %	Total €'000	Within one year €'000	1-2 years €'000	2-5 years €'000	More than 5 years €'000
Bank overdrafts (variable interest rate)	0.7%	6,876	6,876	–	–	–
Finance leases (fixed interest rate)	5.6%	97,411	8,140	8,941	80,330	–
Private placement borrowings (fixed interest rate)	5.7%	1,227,342	41,089	–	316,098	870,155
Non-recourse borrowings (fixed interest rate)	4.1%	60,092	6,915	7,217	16,110	29,850
Other long-term borrowings (fixed and variable interest rate)	1.9%	995,955	79,866	40,568	567,362	308,159

Included within other long-term borrowings above are floating rate liabilities of €720.6 million (2008: €846.5 million). The principal floating rate facility is in place until 2012.

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

The effective interest rate on the private placement borrowings has been fixed through the use of cross currency swaps. The average interest rate on the underlying US dollar and sterling borrowings at 31 December is 5.9%. The effective interest rate on non-recourse borrowings has been fixed through the use of interest rate swaps. In the absence of these interest rate swaps, the floating rate on the underlying sterling and euro borrowings at 31 December 2009 would be 4.1%, in line with prevailing interest rates in those monetary areas on borrowings of a similar duration.

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, remain constant. The analysis is performed on the same basis for 2008. In both years, the net sensitivity in the Parent is substantially in line with that of the Group.

	Profit before taxation		Other comprehensive income	
	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 2009				
Interest rate swaps	2,430	(2,430)	6,158	(6,158)
Net sensitivity	2,430	(2,430)	6,158	(6,158)
31 December 2008				
Interest rate swaps	3,402	(3,402)	817	(817)
Net sensitivity	3,402	(3,402)	817	(817)

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.

Notes to the Financial Statements

(continued)

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

(f) Commodity price risk management

The volatility of the fuel prices required for the Group's electricity generation 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. Forward fuel price contracts are valued based on physical volumes contracted and outstanding, and on the forward prices of products of a similar nature, at the balance sheet date, discounted where necessary based on an appropriate forward interest curve.

A general increase of 10% in the price of gas and coal at 31 December would increase/(decrease) 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 of the value of commodity swaps in place, all of which are in effective hedge relationships at 31 December 2009. A 10% reduction would have an equal and opposite effect, on the basis that all other variables remain constant.

	GROUP 31 December 2009		GROUP 31 December 2008 (Restated)	
	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000
Gain/(loss) due to movement in gas and coal prices	91,435	–	(2,830)	(3,522)

	PARENT 31 December 2009		PARENT 31 December 2008 (Restated)	
	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000
Gain/(loss) due to movement in gas and coal prices	4,856	–	(6,080)	(3,522)

A general increase of 10% in the System Market Price (SMP) of the Single Electricity Market at 31 December would have (decreased)/increased other comprehensive income 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.

	GROUP 31 December 2009		GROUP 31 December 2008 (Restated)	
	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000	Other comprehensive income gain/(loss) €'000	Profit before taxation gain/(loss) €'000
(Loss)/gain due to movement in the SMP	(51,656)	–	3,199	–

A 10% movement in the SMP at 31 December would have no significant impact on other comprehensive income, or profit before taxation, of the Parent in 2009 or 2008 in respect of financial instruments held.

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 a zero coupon discount rate and reflecting counterparty credit risk. This method enables the Group to discount the cash flows 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:

	GROUP			PARENT		
	Nominal Value 2009 €'000	Carrying Value 2009 €'000	Fair Value 2009 €'000	Nominal Value 2009 €'000	Carrying Value 2009 €'000	Fair Value 2009 €'000
Long-term debt held to maturity		2,005,629	2,035,124		1,885,878	1,907,151
Long-term finance lease liabilities		89,271	93,629		89,271	93,629
Short-term borrowings (includes finance leases)		128,928	134,137		110,172	115,090
Sub total borrowings		2,223,828	2,262,890		2,085,321	2,115,870
Bank overdrafts		6,876	6,876		18,554	18,554
Interest rate swaps:						
- Non-current liabilities (cash flow hedges)	42,737	2,634	2,634	-	-	-
Currency swaps:						
- Non-current liabilities (cash flow hedges)	1,081,660	180,813	180,813	1,081,660	180,813	180,813
Foreign exchange contracts (non SEM trading related):						
- Non-current assets		(863)	(863)		-	-
- Current assets		(132)	(132)		-	-
- Current liabilities		656	656		251	251
Foreign exchange contracts (SEM trading related):						
- Current liabilities		4,075	4,075		4,075	4,075
Forward fuel price contracts:						
- Non-current assets		(537,746)	(537,746)		-	-
- Current assets		(71,827)	(71,827)		(997)	(997)
- Non-current liabilities		131	131		-	-
- Current liabilities		14,879	14,879		2,083	2,083
Forward electricity price contracts:						
- Non-current assets		(9,440)	(9,440)		-	-
- Current assets		(18,669)	(18,669)		-	-
- Non-current liabilities		113,387	113,387		-	-
- Current liabilities		29,319	29,319		-	-
Financial assets at fair value through profit or loss		(6,829)	(6,829)		-	-
Other investments		(946)	(946)		-	-
Trade and other payables (excluding bank overdrafts)		633,969	632,531		799,794	798,500
Trade and other receivables		(684,292)	(684,292)		(1,088,731)	(1,088,731)
		1,879,823	1,917,447		2,001,163	2,030,418

Notes to the Financial Statements

(continued)

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

(g) Fair values (continued)

	GROUP (Restated)			PARENT (Restated)		
	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:						
- Non-current liabilities	23,007	343	343	-	-	-
Currency swaps:						
- Non-current liabilities	867,729	58,029	58,029	867,729	58,029	58,029
Foreign exchange contracts (non SEM trading related):						
- Current assets		(331)	(331)		(331)	(331)
- Current liabilities		3,642	3,642		-	-
Foreign exchange contracts (SEM trading related):						
- Current liabilities		40,317	40,317		40,227	40,227
Forward fuel price contracts:						
- Non-current liabilities		2,068	2,068		-	-
- Current liabilities		131,433	131,433		95,820	95,820
Forward electricity price contracts:						
- Non-current assets		(3,209)	(3,209)		-	-
- Current assets		(49,153)	(49,153)		(125)	(125)
- Current liabilities		35,797	35,797		-	-
Available for sale financial assets		(6,913)	(6,913)		-	-
Trade and other payables		632,967	630,449		712,507	710,342
Trade and other receivables		(775,483)	(775,483)		(1,447,731)	(1,447,731)
Cash and cash equivalents		(83,210)	(83,210)		(62,284)	(62,284)
		2,157,369	2,154,891		1,534,674	1,531,414

The majority of the derivative balances shown in the tables above are designated as cash flow hedges of interest rate, currency or commodity risk arising from highly probable forecast interest, revenue, or other operating cost cash flows.

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 to be made regarding the use of derivatives in mitigating the risks to which the Group and Parent are exposed.

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:

	2009	2008
	%	%
Leases	3.9%	5.2%
Other loans and borrowings	4.7%	5.6%
Derivative financial instruments	3.3%	3.5%
Trade and other payables	4.2%	5.3%

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, reflecting counterparty interest risk, their carrying value is equal to their fair value.

Total fair value losses of €2.3 million (2008: losses of €1.3 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 2008 or 2009.

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 September 2012. Total positive fair value movements of €7.2 million (2008: negative movements of €14.1 million) were recognised during the year in relation to currency swaps, of which €4.0 million (2008: €9.8 million) was recognised directly in equity and €3.2 million (2008: €4.3 million) was recognised in the income statement.

Notes to the Financial Statements

(continued)

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

(h) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels relevant to financial instruments held by the Group have been defined as follows:

- Level 2 : inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs)

GROUP-31 December 2009	Level 2 €'000	Level 3 €'000	Total €'000
Assets			
Derivative financial instruments			
Forward electricity price contracts	–	28,109	28,109
Foreign exchange contracts	995	–	995
Forward fuel price contracts	996	608,577	609,573
Financial assets at fair value through profit or loss	4,329	2,500	6,829
	6,320	639,186	645,506
Liabilities			
Derivative financial instruments			
Currency swaps	180,813	–	180,813
Interest rate swaps	2,634	–	2,634
Forward electricity price contracts	–	142,706	142,706
Foreign exchange contracts	4,731	–	4,731
Forward fuel price contracts	2,308	12,702	15,010
	190,486	155,408	345,894
Net (liability)/asset	(184,166)	483,778	299,612

PARENT-31 December 2009

Assets

Derivative financial instruments			
Forward fuel price contracts	997	–	997

Liabilities

Derivative financial instruments			
Currency swaps	180,813	–	180,813
Foreign exchange contracts	4,326	–	4,326
Forward fuel price contracts	2,083	–	2,083
	187,222	–	187,222

Net (Liability)	(186,225)	–	(186,225)
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20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The following table shows a reconciliation from opening balances at 1 January 2009 to the year end balances for fair value measurements in Level 3 of the fair value hierarchy:

GROUP	Forward Electricity Price Contracts €'000	Forward Fuel Price Contracts €'000	Financial Assets at Fair Value through Profit or Loss €'000	Total €'000
Opening balance	52,236	(37,476)	–	14,760
Purchases	–	–	2,500	2,500
Fair value recognised at inception				–
- in profit or loss	–	–	–	–
- in equity	(100,761)	429,695	–	328,934
Total gains or losses:				–
- in profit or loss	–	(2,456)	–	(2,456)
- in equity	(18,656)	177,568	–	158,912
Settlements	(47,416)	28,544	–	(18,872)
Closing balance	(114,597)	595,875	2,500	483,778

Financial assets at fair value through profit or loss are carried at fair value. Where applicable, the fair value is based on the most recent fund valuation statement available. In relation to stand alone investments, the valuation methodology used is in accordance with International Private Equity and Venture Capital Valuation Guidelines which have been developed by a number of international venture capital associations. As this requires the use of model based valuation techniques, with a number of unobservable inputs, one stand alone investment has been categorised as a level 3 investment.

Forward fuel price contracts and forward electricity price contracts included at level 3 in the fair value hierarchy relate to long-term contracts for which valuations are based on a number of forward price assumptions, with some unobservable inputs, including assumed forward electricity, carbon and gas inputs for longer term periods.

(i) Long-term payables

Long-term payables of €10.7 million (2008: €14.2 million) form part of the long-term financing of the Group.

(j) Capital Management

The Group considers its capital to comprise equity, being capital stock, retained earnings and cash flow hedging, revaluation and other reserves. Movements in retained earnings and cash flow hedging and revaluation reserves during the year are disclosed in the Group statement of comprehensive income in 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	2009	2008 (restated) (Note 1)	2007 (restated) (Note 1)
GROUP	€'000	€'000	€'000
Deferred tax assets			
Property, plant and equipment and intangible assets	2,681	462	1,080
Pension liabilities	64,463	38,375	40,703
Provisions	16,332	19,589	20,313
Tax losses forward	3,959	2,853	2,473
Derivative financial instruments	25,132	15,919	2,881
Total	112,567	77,198	67,450
Deferred tax liabilities			
Property, plant and equipment	370,902	323,119	311,278
Retirement benefits	–	2,981	6,093
Provisions	–	354	352
Derivative financial instruments	86,425	13,861	–
Capital gains tax	1,180	1,180	1,180
Total	458,507	341,495	318,903
Net deferred tax liability	(345,940)	(264,297)	(251,453)

21. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movement in temporary differences for the Group were as follows:

	Balance 1 January 2008 €'000	Recognised in income 2008 €'000	Recognised in equity 2008 €'000	Balance 31 December 2008 €'000	Transferred in on acquisition €'000	Recognised in income 2009 €'000	Recognised in equity 2009 €'000	Balance 31 December 2009 €'000
Assets								
Property, plant and equipment and intangible assets	1,080	(618)	–	462	–	2,219	–	2,681
Pension liabilities	40,703	(2,328)	–	38,375	–	26,088	–	64,463
Provisions	20,313	(724)	–	19,589	–	(3,257)	–	16,332
Tax losses forward	2,473	380	–	2,853	–	1,106	–	3,959
Derivative financial instruments	2,881	–	13,038	15,919	–	–	9,213	25,132
Total deferred tax assets	67,450	(3,290)	13,038	77,198	–	26,156	9,213	112,567
Liabilities								
Property, plant and equipment and intangible assets	311,278	11,841	–	323,119	11,167	15,180	21,436	370,902
Retirement benefits	6,093	(3,112)	–	2,981	–	(2,981)	–	–
Provisions	352	2	–	354	–	(354)	–	–
Derivative financial instruments	–	–	13,861	13,861	3,937	–	68,627	86,425
Capital gains tax	1,180	–	–	1,180	–	–	–	1,180
Total deferred tax liabilities	318,903	8,731	13,861	341,495	15,104	11,845	90,063	458,507
Net deferred tax liability	251,453	12,021	823	264,297	15,104	(14,311)	80,850	345,940

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:

	2009 €'000	2008 €'000
Operating losses	–	10,353
Capital losses realised	963	1,285
Capital losses unrealised	7,156	7,314

There is no expiry date 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 and joint ventures as there is no intention for these reserves to be distributed in the foreseeable future. Cumulative unremitted reserves of overseas subsidiaries, joint ventures and associates totalled €164.4 million (2008: €138.8 million).

Notes to the Financial Statements

(continued)

21. DEFERRED TAX ASSETS AND LIABILITIES (continued)	2009	2008 (restated) (Note 1)	2007 (restated) (Note 1)
	€'000	€'000	€'000
PARENT			
Deferred tax assets			
Pension liabilities	64,464	38,375	40,703
Provisions	15,616	19,678	19,422
Retirement benefits	131	–	–
Derivative financial instruments	5,621	5,635	–
Total	85,832	63,688	60,125
Deferred tax liabilities			
Property plant and equipment and intangible assets	333,608	319,624	308,776
Retirement benefits	–	2,981	6,093
Capital gains tax	1,180	1,180	1,180
Derivative financial instruments	–	–	2,790
Total	334,788	323,785	318,839
Net deferred tax liability	248,956	260,097	258,714

The movement in temporary differences for the Parent were as follows:

	Balance 1 January 2008 €'000	Recognised in Income 2008 €'000	Recognised in Equity 2008 €'000	Balance 31 December 2008 €'000	Recognised in Income 2009 €'000	Recognised in Equity 2009 €'000	Balance 31 December 2009 €'000
Assets							
Pension liabilities	40,703	(2,328)	–	38,375	26,089	–	64,464
Provisions	19,422	256	–	19,678	(4,062)	–	15,616
Retirement benefits	–	–	–	–	131	–	131
Derivative financial instruments	–	–	5,635	5,635	–	(14)	5,621
Total deferred tax assets	60,125	(2,072)	5,635	63,688	22,158	(14)	85,832
Liabilities							
Property, plant and equipment and intangible assets	308,776	10,848	–	319,624	13,984	–	333,608
Retirement benefits	6,093	(3,112)	–	2,981	(2,981)	–	–
Capital gains tax	1,180	–	–	1,180	–	–	1,180
Derivative financial instruments	2,790	–	(2,790)	–	–	–	–
Total deferred tax liabilities	318,839	7,736	(2,790)	323,785	11,003	–	334,788
Net deferred tax liability	258,714	9,808	(8,425)	260,097	(11,155)	14	248,956



22. PENSION LIABILITIES

(a) PARENT AND 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 Employers' Superannuation Scheme (referred to as 'the 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 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 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), it is accounted for as such for the purposes of reporting under IAS 19. In preparing an opening balance sheet at 1 January 2004 on transition to IFRS, the Group availed of the 'corridor approach' under IAS 19 whereby actuarial gains and losses may be deferred and recognised in the income statement progressively over the weighted average remaining working life of the active members of the Scheme.

(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. The latest actuarial valuation was completed as at 31 December 2008. Due to unprecedented falls in asset values in 2008 and the impact of this on the funding position, the Trustees decided that the actuarial valuation should be brought forward from the end of 2009 to the end of 2008.

The valuation for the Scheme for funding purposes 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 €3,471 million and the Scheme's actuarial valuation of accrued liabilities based on current earnings was €5,428 million. Hence, the Scheme's liabilities exceeded the value of its assets by €1,957 million. The deficit for the purposes of the actuarial valuation is lower than that for financial reporting purposes under the terms of IAS 19, as set out in section (iv) below, due to differences in the way assets and liabilities of the Scheme are calculated under the two methodologies.

Scheme Regulations provide that in the event of a deficit being reported on foot of an actuarial valuation, ESB shall consult with the Actuary, the Trustees and the Superannuation Committee of the Scheme. Arising from this process, negotiations between the company and employee representatives commenced during 2009 and are progressing with a view to securing the financial position of the Scheme.

(iii) Pension Benefits

The valuation of the Scheme by independent actuaries for the purpose of IAS 19 disclosure is based on data from the most recent actuarial valuation. The actuaries 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's assets are stated at their market value at the balance sheet date. The valuation was carried out using the projected unit method.

Notes to the Financial Statements

(continued)

22. PENSION LIABILITIES (continued)

(iv) Assumptions

Financial Assumptions

The principal assumptions used to calculate the IAS 19 liabilities at the balance sheet date are:

	2009	2008
Rate of interest applied to discount liabilities	5.80%	5.90%
Price inflation	2.00%	2.00%
Rate of increase of pensionable salaries	3.00%	3.00%
Rate of increase of pensions in payment	3.00%	3.00%
Expected return on plan assets	7.50%	8.00%

The discount rate used in the calculation of the pension liability at year end is 5.8%. 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. In previous years the discount rate selected closely matched the yield of the iBoxx index of euro-denominated AA rated corporate bonds. However, the liabilities of the Scheme comprise cash flows with a duration considerably longer than those of the bonds underlying the iBoxx index, or of other published indices. Therefore the Scheme's longer term liabilities are discounted at market yields which lie beyond the constituents of these indices. At the balance sheet date, the yield on securities with a longer duration was higher than that of securities of an average duration comparable with the iBoxx index. Having regard to the duration of the liabilities the Board feel it is appropriate to adopt a discount rate of 5.8% at 31 December 2009 (5.9% at 31 December 2008).

Mortality Assumptions

The assumptions relating to life expectancy at retirement for members are set out below:

	2009		2008	
	Males	Females	Males	Females
	Years	Years	Years	Years
Members at age 45 (life expectancy at 65)	22.8	24.8	21.9	24.8
Members at age 65 (current life expectancy)	21.6	23.7	20.7	23.7

Plan Assets

The plan asset allocations at the year end were as follows:

Asset Category	2009	2008
Equities	71%	63%
Bonds	11%	13%
Real estate and infrastructure	12%	17%
Cash and other	6%	7%
	100%	100%

The increase in the proportion of plan assets represented by equities reflects the recovery in market valuations during the year. The strategic long-term target asset allocation for equities is 65%.

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 long-term target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in a 7.5% long-term rate of return (2008: 8.0%).

22. PENSION LIABILITIES (continued)

The amounts recognised in the balance sheet as part of long-term employee benefits are determined as follows:

	2009 €'000	2008 €'000	2007 €'000	2006 €'000	2005 €'000
Present value of funded obligations	5,008,691	5,004,681	5,182,466	5,416,310	4,884,093
Fair value of plan assets	(2,824,000)	(2,438,000)	(3,830,027)	(3,784,262)	(3,336,000)
Deficit for funded plan	2,184,691	2,566,681	1,352,439	1,632,048	1,548,093
Unrecognised net actuarial (losses)	(1,668,984)	(2,259,676)	(1,026,746)	(1,304,286)	(1,208,917)
Net liability	515,707	307,005	325,693	327,762	339,176
History of experience gains and losses	2009	2008	2007	2006	2005
Difference between the expected and actual return on scheme assets:					
Amount (€m)	240,237	(1,624,769)	(154,377)	230,832	379,579
Percentage of scheme assets	8.5%	(66.6%)	(4.0%)	6.1%	11.4%
Experience gains/(losses) on scheme liabilities:					
Amount (€m)	378,732	(140,092)	144,027	(181,920)	(136,931)
Percentage of the present value of scheme liabilities	(7.6%)	2.8%	(2.8%)	3.4%	2.8%
Change in benefit obligations	2009 €'000	2008 €'000			
Benefit obligations at beginning of the year			5,004,681	5,182,466	
<i>Movement in year:</i>					
Current service cost	29,844			35,728	
Interest cost	289,744			280,071	
Plan members' contributions	32,224			32,363	
Actuarial loss/(gain) – impact of assumption changes	145,557			(498,032)	
Actuarial (gain)/loss – experience (gain)/loss	(378,732)			140,092	
Benefits paid	(217,943)			(182,069)	
Curtailment cost	74,313			11,604	
Past service cost	29,003			2,458	
Benefit obligations at the end of the year	5,008,691	5,004,681			
Change in plan assets					
Fair value of plan assets at beginning of the year			2,438,000	3,830,027	
<i>Movement in year:</i>					
Expected return on plan assets	190,376			286,922	
Actuarial gains/(losses)	240,237			(1,624,769)	
Employer contributions	141,106			95,526	
Member contributions	32,224			32,363	
Benefits paid	(217,943)			(182,069)	
Fair value of plan assets at the end of the year	2,824,000	2,438,000			
Reduction/(increase) in net obligation during the year	381,990	(1,337,847)			

The expected employer contributions to the Scheme in 2010 are estimated to be €101 million.

Notes to the Financial Statements

(continued)

22. PENSION LIABILITIES (continued)

Analysis of the amounts recognised in the income statement, as part of employee benefit expenses were as follows:

	2009 €'000	2008 €'000
Current service cost	29,844	35,728
Past service cost	29,002	2,458
Curtailment cost	74,313	11,604
Actuarial losses recognised in the year	117,281	33,900
Expected return on pension scheme assets	(190,376)	(286,922)
Interest on pension scheme liabilities	289,744	280,071
Total net impact on reported profits (Note 7)	349,808	76,839

(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 €5.0 million (2008: €4.0 million).

23. EMPLOYEE RELATED LIABILITIES

GROUP	Restructuring Liabilities €'000	Other €'000	Total €'000
Balance at 1 January 2009	127,931	57,916	185,847
Movements during the year:			
Charge to the income statement	55,601	53,874	109,475
Utilised during the year	(47,526)	(55,610)	(103,136)
Financing charge	5,144	–	5,144
Balance at 31 December 2009	141,150	56,180	197,330
Analysed as follows:			
Non-current liabilities	87,810	–	87,810
Current liabilities	53,340	56,180	109,520
Total	141,150	56,180	197,330

23. EMPLOYEE RELATED LIABILITIES (continued)

PARENT	Restructuring Liabilities €'000	Other €'000	Total €'000
Balance at 1 January 2009	127,931	47,705	175,636
Movements during the year:			
Charge to the income statement	55,601	44,947	100,548
Utilised during the year	(47,526)	(45,927)	(93,453)
Financing charge	5,144	–	5,144
Balance at 31 December 2009	141,150	46,725	187,875
Analysed as follows:			
Non-current liabilities	87,810	–	87,810
Current liabilities	53,340	46,725	100,065
Total	141,150	46,725	187,875

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. These liabilities are expected to be materially discharged by 2021.

Other

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

24. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Current payables:				
Bank overdraft	6,876	–	18,554	–
Progress payments on work in progress	3,129	10,724	–	10,724
Trade payables	309,462	415,652	251,213	437,941
Other payables	192,224	55,922	179,893	75,141
Employment taxes	20,876	17,892	20,924	17,540
Value added tax	29,174	33,383	16,030	35,721
Accruals	56,373	70,961	14,075	10,505
Amounts owed to subsidiary undertakings	–	–	304,345	105,050
Accrued interest on borrowings	12,025	14,191	4,190	8,907
	630,139	618,725	809,224	701,529
Non-current payables:				
Other payables	10,706	14,242	9,124	10,978

Notes to the Financial Statements

(continued)

25. DEFERRED INCOME AND GOVERNMENT GRANTS

(a) GROUP	Emission Allowances €000	Supply Contributions & Other €000	2009 Total €000
Balance at 1 January 2009	–	687,433	687,433
Receivable	132,784	73,928	206,712
Acquisitions	3,844	–	3,844
Amortised	(137,373)	(30,199)	(167,572)
Translation differences	745	–	745
Balance at 31 December 2009	–	731,162	731,162

Analysed as follows:

Non-current liabilities	–	692,578	692,578
Current liabilities	–	38,584	38,584
Total	–	731,162	731,162

(b) PARENT	Emission Allowances €000	Supply Contributions €000	2009 Total €000
Balance at 1 January 2009	–	671,051	671,051
Receivable	122,012	78,353	200,365
Amortised	(122,012)	(29,789)	(151,801)
Balance at 31 December 2009	–	719,615	719,615

Analysed as follows:

Non-current liabilities	–	686,130	686,130
Current liabilities	–	33,485	33,485
Total	–	719,615	719,615

Emission 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. Emission allowances received during the year in relation to a plant under construction amounted to €2.8 million in both Parent and Group and were credited against the cost of property, plant and equipment, rather than being amortised to the income statement.

Non-repayable supply contributions and capital grants received prior to July 2009 were recorded as deferred income and released to the income statement on a basis consistent with the depreciation policy of the relevant assets. Accounting for supply contributions post July 2009 have been described further in the accounting policies.

26. PROVISIONS

	Power Station Closure Costs €'000	Emissions Provisions €'000	Customer Rebate Provision €'000	Other €'000	Total €'000
(a) GROUP					
Balance at 1 January 2009	252,154	198,624	300,000	45,305	796,083
Charged/(credited) to the income statement					
- Emissions	–	132,987	–	–	132,987
- Legal	–	–	–	1,139	1,139
- Station closure	(17,649)	–	–	–	(17,649)
Acquisitions	1,720	11,472	–	–	13,192
Utilised in the year	(27,597)	(196,775)	(291,365)	(4,215)	(519,952)
Financing charge	9,916	–	–	2,498	12,414
Translation differences	59	1,639	–	–	1,698
Balance at 31 December 2009	218,603	147,947	8,635	44,727	419,912
Analysed as follows:					
Non-current liabilities	199,175	–	–	42,044	241,219
Current liabilities	19,428	147,947	8,635	2,683	178,693
Total	218,603	147,947	8,635	44,727	419,912
(b) PARENT					
Balance at 1 January 2009	251,762	178,997	300,000	45,291	776,050
Charged/(credited) to the income statement					
- Emissions	–	111,401	–	–	111,401
- Legal	–	–	–	1,101	1,101
- Station closure	(17,829)	–	–	–	(17,829)
Utilised in the year	(27,597)	(175,491)	(291,365)	(4,163)	(498,616)
Financing Charge	9,916	–	–	2,498	12,414
Balance at 31 December 2009	216,252	114,907	8,635	44,727	384,521
Analysed as follows:					
Non-current liabilities	196,825	–	–	42,044	238,869
Current liabilities	19,427	114,907	8,635	2,683	145,652
Total	216,252	114,907	8,635	44,727	384,521

Notes to the Financial Statements

(continued)

26 PROVISIONS (continued)

Power station closure costs

The provision at 31 December 2009 of €218.6 million (2008: €252.2 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.

Emissions provisions

In accordance with the provisions of the European CO₂ 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 11 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 CO₂ 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 CO₂ emissions allowances, in addition to the market value of any additional allowances required to settle the year end liability.

Customer rebate provision

The provision of €300 million in 2008 related to a payment due from ESB to all Irish electricity customers, in order to mitigate the requirement for increased electricity tariffs in 2008/2009 due to volatility in fuel prices. This was substantially paid in 2009.

Other

Other provisions represent estimates of liabilities that are expected to 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. COMMITMENTS AND CONTINGENCIES

(a) Operating lease obligations	2009	2008
	€'000	€'000
Total commitments under non-cancellable operating leases were as follows:		
Within one year	9,742	9,866
Between two and five years	32,895	31,472
After five years	82,532	51,630
Total payable	125,169	92,968

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.

27. COMMITMENTS AND CONTINGENCIES (continued)

(b) Capital commitments	2009 €'000	2008 €'000
Contracted for	235,776	281,752
Share of joint venture capital commitments	2009 €'000	2008 €'000
Contracted for	4,839	18,000

(c) Fuel contract commitments

There are a number of long-term gas supply arrangements in place for different periods up to 2020. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. Where appropriate, embedded derivatives have been separated and valued in accordance with IAS 39.

28. 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 Gáis 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 2009, ESB Parent purchased engineering, consulting and other services of €98.2 million (2008: €65.8 million) from its subsidiaries.

During the year, ESB Parent had sales of €60.7 million (2008: €65.3 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. During the year, ESB Parent also sold property with a net book value of €24.1 million (2008: €nil) and plant and machinery with a net book value of €7.0 million (2008: €nil) to subsidiaries. ESB Parent did not recognise any profit on disposal on these disposals.

At 31 December 2009, ESB Parent had amounts payable of €304.3 million (2008: €105.1 million) to its subsidiaries. These payables mainly relate to amounts held on deposit for subsidiaries as well as engineering and consulting services.

At 31 December 2009, ESB Parent had balances receivable of €628.2 million (2008: €848.4 million) from its subsidiaries. These receivables mainly relate to management services and loans to subsidiaries as well as electricity charges such as use of system charges. 2008 receivables also included balances associated with assets sold in 2009 (see Note 17: Assets held for sale).

At 31 December 2009, ESB Parent had balances receivable from its subsidiaries, in relation to equity and capital contributions, of €72.8 million (2008: €72.8 million).

Notes to the Financial Statements

(continued)

28. RELATED PARTY TRANSACTIONS (continued)

Joint ventures

On 16 September 2009, Synergen Power Limited converted from a joint venture to a full subsidiary of ESB Group, with the Group acquiring the remaining shares in the company.

During the year the Group provided services to Synergen Power Limited and to its remaining joint ventures, Bizkaia Energia SL, Corby Power Limited, Marchwood Power Limited and Garvagh Glebe Power Limited.

ESB provided services to Bizkaia Energia SL during the year to the value of €6.2 million (2008: €nil) and had to the year end advanced no capital. Bizkaia repaid capital funding of €2.7 million to the Group during 2008.

Services to the value of €3.9 million (2008: €5.2 million) were provided to Corby Power Limited and €0.2 million (2008: €2.2 million) to Marchwood Power Limited. Additional capital funding to the value of €5.9 million (2008: €16.7 million) was also provided to Marchwood Power Limited during the year and interest of €0.4 million (2008: €1.3 million) was receivable in respect of this funding. At 31 December 2009, total capital funding from the Group to Marchwood Power Limited amounted to €39.1 million (2008: €31.0 million)

Also during 2009, ESB provided services to the value of €2.7 million to Garvagh Glebe Power Limited and was owed €23.0 million (2008: €6.4 million) at year end for funding advanced for operating expenditure. Interest of €0.2 million (2008: €nil) was receivable in respect of this funding.

Prior to the full acquisition of Synergen Power Limited, ESB provided services to the company to the value of €9.0 million (2008: €12.9 million). During the same period, Synergen Power Limited had contracted sales of €171.1 million (2008: €239.0 million) to the Group, physically transacted through the SEM pool.

Key management compensation	2009 €'000	2008 €'000
Salaries and other short-term employee benefits	3,934	3,949
Post-employment benefits	550	496
	4,484	4,445

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. These include the remuneration of Board Members and senior executives.



29. 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 exit costs. These liabilities are disclosed in Notes 26 and 22. As they are estimates of the financial cost of events which may not occur for a number of years, the actual outturn may differ from that estimated.
- (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, valuations of certain derivative instruments, 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 over 1.6 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.

30. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited (the 'Trustee Company') was incorporated by ESB during 2001, with a €1 investment, as trustee to the ESB Employee 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 Trustee Company. The Trustee Company is chaired by an independent professional trustee with four directors representing ESB employees and two directors representing ESB. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the Trustee 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.

31. SUBSEQUENT EVENTS

On 12 February 2010, the Group listed a €3 billion wholesale eurobond debt programme, which is listed on the Irish Stock Exchange. An amount of Sterling, £275 million, has been drawn down under this programme up to the date of this report.

32. APPROVAL OF ACCOUNTS

The Board approved the accounts on 24 March 2010.

Notes to the Financial Statements

(continued)

33. SUBSIDIARY, JOINT VENTURE & ASSOCIATE UNDERTAKINGS

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	Engineering
Elfinance Ltd.	*	100	Customer credit
ESB International Investments Ltd.	*	100	International investments
ESBI Contracts Engineering Ltd.	*	100	Contracting
ESB Financial Enterprises Ltd. (formerly 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	Power generation
Crockahenny Wind Farm Ltd.	*	75	Power generation
Utilities O&M Services Ltd.	58 Upper Mount Street, Dublin 2	100	Operation & maintenance services
Hibernian Wind Power Ltd.	*	100	Power generation
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
Electricity Supply Board International Investments B.V.	Strawinskylaan 3105, 7th Floor, 1077 ZX Amsterdam, The Netherlands.	100	Holding company

33. SUBSIDIARY, JOINT VENTURE & ASSOCIATE UNDERTAKINGS (continued.)

Company name	Registered office	Group share %	Nature of business
Coolkeeragh ESB Ltd.	2 Electra Road, Maydown, Derry BT47 6UL.	100	Power generation
ESBII UK Ltd.	*****	100	Power generation
ESBI Luxembourg S.A.	65 Boulevard Grand Duchesse Charlotte, L-1391 Luxembourg.	100	Holding company
Power Generation Technology Snd. Bhd.	10th Floor Wisma Havela Thakardos, No 1 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
Centrum Power Ltd. (formerly 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
ESB Commercial Properties Ltd. (formerly Seltan 11 Ltd.)	*	100	Power generation
Crockagarran Windfarm Ltd.	2 Electra Road, Maydown, Derry BT47 6UL.	100	Power generation
West Durham Wind Farm Holdings Ltd.	*****	100	Power generation

Notes to the Financial Statements

(continued)

33. SUBSIDIARY, JOINT VENTURE & ASSOCIATE UNDERTAKINGS (continued.)

Company name	Registered office	Group share %	Nature of business
West Durham Wind Farm Holdings 2 Ltd.	****	100	Power generation
West Durham Wind Farm Ltd.	****	100	Power generation
Devon Wind Power Ltd.	****	100	Power generation
Synergen Power Ltd. (formerly a 70% joint venture investment)	Power Plant, Pigeon House Road, Ringsend, Dublin 4.	100	Power generation
Novus Modus Ltd.	**	100	Clean technology investment
Novus Modus (Ireland) Ltd.	**	100	Clean technology investment
Airvolution Energy Ltd. (UK)	58 Coinagehall Street, Helston, Cornwall TR13 BEL.	90	Wind generation development
ESB 1927 Properties Ltd.	**	100	Property management
ESBI Carbon Solutions Ltd.	*	100	Carbon emission reduction
ESBI Energía España S.L.	****	100	Business development
Carrington Power Ltd. (formerly Bridestones Developments Ltd.)	*****	85	Power generation
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
Bizkaia Energia S.L.	****	50	Power generation
Marchwood Power Ltd.	Oceanic Way, Marchwood Industrial Estate, Marchwood, Southampton, Hampshire SO40 4BD.	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 2009 were governed by two items of legislation:

- The Prompt Payment of Accounts Act, 1997 came into effect on 2 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 7 August 2002. These Regulations apply to contracts made after 7 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 met 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

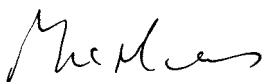
Appropriate internal financial controls have been implemented including clearly defined roles and responsibilities. These procedures provide reasonable but not absolute assurance against material non-compliance with the legislation.

Details of interest payments in respect of 2009

When ESB receives a request from the supplier, it is ESB's policy to pay interest due on late payments. No such payments were made in respect of late payments during the year, or during the previous year.



Lochlann Quinn
Chairman



Padraig McManus
Chief Executive

24 March 2010

Notes



Notes



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