OFFERING CIRCULAR

ELECTRICITY SUPPLY BOARD

(*a body corporate established in Ireland under the Electricity (Supply) Acts 1927-2004 of Ireland*)

ESB FINANCE LIMITED

(*a private company incorporated with limited liability in Ireland with registration number 480184*)

EUR3,000,000,000
Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by

ELECTRICITY SUPPLY BOARD

(*a body corporate established in Ireland under the Electricity (Supply) Acts 1927 to 2004 of Ireland*)

Under this EUR3,000,000,000 Euro Medium Term Note Programme (the **Programme**), Electricity Supply Board (**ESB**) and ESB Finance Limited (**ESB Finance**) (together, the **Issuers** and each of them, an **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of Notes issued by ESB Finance will be unconditionally and irrevocably guaranteed by ESB (in such capacity, the **Guarantor**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the relevant Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

The Offering Circular has been approved by the Irish Financial Services Regulatory Authority (the **Financial Regulator**) as competent authority under Directive 2003/71/EC (the **Prospectus Directive**). The Financial Regulator only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive (as defined below). Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and trading on its regulated market.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the Irish Stock Exchange, will be filed with the Financial Regulator.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer. Either Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The relevant Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

The Royal Bank of Scotland

Dealers

Barclays Capital	**BNP PARIBAS**
BofA Merrill Lynch	**Crédit Agricole CIB**
Citi	**Danske Bank**
J & E Davy	**Mitsubishi UFJ Securities International plc**
RBC Capital Markets	**The Royal Bank of Scotland**

The date of this Offering Circular is 12 February 2010.

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive for giving information with regard to the issue of Notes by either of the Issuers under the Programme during the period of twelve months after the date hereof.

Each of ESB and ESB Finance (the Responsible Persons) accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of ESB and ESB Finance (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the relevant Issuer and the specified office set out below of each of the Paying Agents (as defined below).

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by ESB and/or ESB Finance in connection with the Programme. No Dealer nor the Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by ESB and/or ESB Finance in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by ESB, ESB Finance, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by ESB or ESB Finance, any of the Dealers or the Trustee that any recipient of this Offering Circular or of any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of ESB and/or ESB Finance. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of ESB or ESB Finance, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning ESB and/or ESB Finance is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of ESB or ESB Finance during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. ESB, ESB Finance, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by ESB, ESB Finance, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold,

directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Ireland) and Japan, see "*Subscription and Sale*".

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for ESB or ESB Finance or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither ESB, ESB Finance nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for ESB or ESB Finance or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to *U.S. dollars*, *U.S.$* and *$* refer to United States dollars. In addition, all references to *Sterling* and *£* refer to pounds sterling and to *euro, EUR* and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

CONTENTS

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuers:	Electricity Supply Board and ESB Finance Limited
Guarantor (in the case of Notes issued by ESB Finance only):	Electricity Supply Board
Risk Factors:	There are certain factors that may affect ESB's ability to fulfil its obligations under Notes issued under the Programme or, in the case of Notes issued by ESB Finance, under the Guarantee. These are set out under "*Risk Factors*" below and include legal, regulatory risks, political risks, financial risks and business risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	The Royal Bank of Scotland plc
Dealers:	Barclays Bank PLC BNP Paribas Crédit Agricole Corporate and Investment Bank Citigroup Global Markets Limited Danske Bank A/S J&E Davy Merrill Lynch International Mitsubishi UFJ Securities International plc Royal Bank of Canada Europe Limited The Royal Bank of Scotland plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** In respect of any Notes issued by the relevant Issuer having a maturity of less than one year from the date of their issue, the relevant Issuer will issue such Notes only in accordance with one of the exemptions from the requirement to hold a banking licence provided by Notice BSD C 01/02 issued by the Central Bank and Financial Services Authority of Ireland pursuant to section 8(2) of

	the Central Bank Act 1971 of Ireland, inserted by section 31 of the Central Bank Act 1989 of Ireland, as amended by section 70(d) of the Central Bank Act 1997 of Ireland. Any such Notes will not have the status of a bank deposit and will not be within the scope of the Deposit Protection Scheme operated by the Central Bank and Financial Services Authority of Ireland. Neither ESB nor ESB Finance are regulated by the Central Bank and Financial Services Authority of Ireland. Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Trustee:	Citicorp Trustee Company Limited
Programme Size:	Up to EUR3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4 (*Redenomination*).
Maturities:	The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. There are certain regulatory requirements as regards any Notes having a maturity of less than a year, as to which see the section above titled "*Certain Restrictions*".
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA

	Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Index Linked Interest Notes or Index Linked Redemption Notes may be redeemed prior to Final Maturity as further described in Condition 7.6 *(Redemption and Purchase – Redemption for Indexation Reasons).* Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer. The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Change of Control Redemption:	Noteholders may have the option to require the relevant Issuer to redeem or, at the relevant Issuer's option, purchase Notes on the occurrence of an Event Risk Put Event to the extent (if at all) specified in the relevant Final Terms, as described in Condition 7.5 (*Redemption as a result of a Change in Control of the Issuer*).

Redemption for tax reasons:	Except as described in ''Redemption'', ''Redemption for Change of Control Event '' and ''Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes'', early redemption will only be permitted for tax reasons as described in Condition 7.2 *(Redemption and Purchase – Redemption for tax reasons).*
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see ''*Certain Restrictions – Notes having a maturity of less than one year*'' above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR50,000 (or, if the Notes are denominated in a currency other than EUR, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8 (*Taxation*). In the event that any such deduction is made, the relevant Issuer, or as the case may be the Guarantor will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Covenants*).
Asset Sales:	The terms of the Notes will contain an asset disposals covenant as further described in Condition 3 (*Covenants*).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 3 (*Events of Default and Enforcement*).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 10 (*Covenants*)) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
Guarantee:	The Notes issued by ESB Finance will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.
Rating:	The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.
Listing and admission to trading:	Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market.

	Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Ireland) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

Each of ESB and ESB Finance believe that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither ESB nor ESB Finance is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of ESB and ESB Finance believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of either of ESB and/or ESB Finance to pay interest, principal or other amounts on or in connection with any Notes and/or the Guarantee may occur for other reasons which may not be considered significant risks by ESB and ESB Finance based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect ESB's ability to fulfil its obligations under Notes issued under the Programme or in the case of Notes issued by ESB Finance, factors that may affect ESB's ability to fulfil its obligations under the Guarantee

Political, regulatory and legal risks

Regulated Markets

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 in markets where the prices charged by the Group are regulated (including, without limitation, the setting by the Irish energy regulator, the Commission for Energy Regulation (**CER**) of (i) tariffs charged by ESB Customer Supply (**ESBCS**) under the public electricity supply (**PES**) licence held by it and (ii) revenues to be allowed to the Group as owner of the Irish electricity distribution and transmission systems – see further the section of this Offering Circular entitled "*Description of ESB*"), changes to market mechanisms such as the Single Electricity Market (**SEM**) (see further the section of this Offering Circular entitled "*Overview of the Electricity Markets in Ireland and Northern Ireland*"), agreements with regulatory authorities, such as the Asset Strategy Agreement (see further the section of this Offering Circular entitled "*Description of ESB*") and an evolving EU regulatory framework. In addition, changes to the electricity generation market, such as an increase in the share of that market of wind energy, may result in changes to the structure and regulation of the market, which may have adverse impacts on the Group's business, results of operations, operating costs, prospects and/or financial condition.

In particular, changes to the regulatory regimes operated by the CER or by the Northern Ireland Authority for Utility Regulation (**NIAUR**) and/or changes in regulated rates of return, or the basis on which such rates of return are calculated, including, for example, the continued use of the Capital Asset Pricing Model (**CAPM**), and/or changes in margins earned by the Group, could impact adversely the Group's financial performance. The CER has recently published a paper in which it has put forward proposals for potential amendments to the regulatory framework for the retail electricity supply market in Ireland. Any amendment of such regulatory framework could have an adverse impact on the Group's business, results of operations, operating costs, prospects and/or financial condition.

Even in markets where the Group is not subject to price regulation directly, changes to the structure or regulation of the relevant market could materially and adversely impact the Group's financial performance.

State ownership and Government control

ESB is majority owned by the Government of Ireland (see further the section of this Offering Circular entitled "*Description of ESB*"). As such, the Group's strategy, business operations, capital structure, corporate and environmental policies, profitability, dividend policy and level of retained profit are directly and indirectly influenced by decisions of the Government of Ireland over which the Group has no control. In particular, the Group's actions and policies may be influenced by political imperatives. For example, ESB has in the past agreed to implement measures designed to mitigate the impact of significant potential electricity price increases on the market in Ireland. In addition, under its governing legislation, ESB is required to obtain the consent of the Minister for Communications, Energy and Natural Resources of Ireland and/or the Minister for Finance of Ireland in order to engage in a variety of commercial transactions. There can be no assurance that such consents will be forthcoming when requested by the management of ESB. Political developments and considerations, therefore, have the ability to materially and adversely impact upon the Group's business, results of operations, operating costs, prospects and/or financial condition.

Potential divestment of transmission assets

On 13 July 2009, the European Parliament and the EU Commission adopted a number of legislative measures commonly referred to as the "Third Energy Package", which further deregulate the European energy sector. Amongst other matters, the Third Energy Package gives a number of options to EU Member States to legislate for the unbundling of electricity transmission assets from vertically integrated electricity utilities. The options include full ownership unbundling, an independent system operator (**ISO**) model and an independent transmission operator (**ITO**) model.

It is possible for Ireland to comply with the relevant aspects of the Third Energy Package with minimal change to the existing structure of the Irish electricity transmission industry, as EirGrid plc (**EirGrid**) already acts as the independent system operator of the ESB owned transmission assets (see further the section of this Offering Circular entitled "*Overview of the Electricity Markets in Ireland and Northern Ireland*").

In March 2007, the Irish Government published an Energy White Paper which outlined the Government's energy policy for the period 2007 to 2020, including a proposal to transfer ownership of electricity transmission assets from ESB to EirGrid. In March 2008, the Irish Government announced that it was to commission an independent analysis of this proposal in the context of the Third Energy Package and the current operation of the SEM. In June 2009, a Chairman was appointed to conduct this independent analysis. The Chairman intends to appoint consultants to review the alternative options available under the Third Energy Package and compare them to the Government's preferred option as set out in the Energy White Paper.

Any structural changes to the transmission industry, including the transfer of the ownership of the electricity transmission assets outside the Group, could adversely affect the Group's financial performance and risk profile.

Environmental, health and safety risks

Many of ESB's activities have potential for significant environmental impact and are regulated by relevant national authorities in the EU under the integrated pollution prevention and control framework and under other national and EU legislation. Regular compliance audits are a feature of this system.

In addition, safety hazards may arise for employees, contractors and the public from the Group's activities. In common with other electricity utilities, the Group uses and generates hazardous and potentially hazardous products and by-products in the course of its operations.

The Group commits significant resources towards ensuring compliance with applicable planning, environmental, health and safety laws and regulations. Nevertheless, a major safety or environmental impact incident could cause injury, loss of life, financial loss, a security of supply issue, property damage and/or reputational damage to the Group. In addition, breaches of applicable environmental or health and safety laws or regulations could expose the Group to significant penalties, claims for financial compensation and/or adverse regulatory consequences. Furthermore, there can be no assurance that costs of compliance with applicable environmental standards and regulations will not increase and any such increased costs could adversely affect the Group's financial performance.

ESB is a member of the EU Emissions Trading Scheme (**ETS**). The ETS is a 'cap and trade' scheme, that is to say it caps the overall level of CO_2 emissions allowed but, within that limit, allows participants in the system to buy and sell allowances as they require. Until 2013, a significant proportion of allowances required by operators will be provided free of charge. From 2013, an auction process will take place for these allowances, with enterprises having to bid competitively to obtain them. The requirement to purchase such allowances from 2013 will result in additional costs being incurred by the Group, which may adversely affect the Group's financial performance.

Increased costs of environmental regulatory compliance could have an adverse impact on the Group's business, results of operations, generating costs, prospects and/or financial condition.

Compliance with competition and procurement laws

The Group currently owns and operates some of the key energy infrastructure and services in Ireland. Its ownership of such infrastructure and/or its position in some of the markets in which it operates may result in the Group being required to comply with competition law. In addition, the Group is subject to public procurement law and the provisions of the EU Utilities Directive.

Whilst the Group has policies and procedures in place which seek to ensure compliance with the relevant competition and procurement legislation, any failure by the Group to comply with relevant law could result in penalties being imposed on the Group. The imposition of any such penalties may have an adverse effect on the Group's business, results of operations, prospects and/or financial condition.

Compliance with data protection laws

The Group's activities involve the collection and processing of personal data relating to customers and employees. Any breach of data protection laws could result in a complaint being made to the relevant authorities. In Ireland, the Data Protection Commissioner has power to investigate data protection breaches and has a number of remedies at his disposal including the issue of enforcement and/or information notices, criminal prosecution and the naming of non-compliant organisations in his annual report. The Group has policies and procedures in place which are designed to ensure that it remains compliant with its data protection obligations, particularly those which relate to its marketing activities. Nevertheless, any failure by the Group to comply with relevant law could result in penalties being imposed on the Group. The imposition of any such penalties may have an adverse effect on the Group's business, results of operations, prospects and/or financial condition.

Litigation

Whilst ESB is not currently party to any material legal proceedings, it is, from time to time, involved in legal proceedings and it may, in the future be involved in other legal proceedings, that may or may not be material. Any adverse result in relation to any such proceedings could have a significant effect on the Group's financial position and profitability.

Financial risks

Pension risk

The Group operates a defined benefit pension scheme of which most of its employees are members. At the end of 2008 the deficit applicable to the scheme calculated in compliance with IFRS was EUR2.6 billion, an increase of EUR1.2 billion on 2007. The actuarial deficit as at the end of 2008 was EUR1.96 billion. In calculating the 2008 pension deficit, the full liability of pension costs were considered, 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.

A comprehensive review of the pension scheme involving ESB management and staff representatives took place during 2009. Management and staff are seeking to reach an agreement as to how the actuarial deficit identified in the scheme should be addressed. The size of the pension deficit could increase if investment market conditions deteriorate further, or if the assumptions used to calculate the scheme's liabilities were to be modified. The existence of this deficit and/or any measures taken by the Group to address it could have a material adverse effect on the Group's operations, operating costs, prospects and/or financial condition.

Financial market risks

The Group is exposed to a variety of financial market risks, including interest rate, foreign exchange, counterparty credit, funding and liquidity risks. The Group seeks to ensure that these risks are, wherever possible, monitored, reported and managed within a strict framework of controls and procedures. Nevertheless, there can be no assurance that market, political or legislative developments will not have a material adverse effect on the Group's financial performance.

Borrowing restrictions and covenants

ESB is subject to certain statutory borrowing restrictions, including a statutory borrowing limit which is currently set at EUR6 billion. ESB is also subject to certain covenants and restrictions under the terms of its senior unsecured debt securities and credit facilities. Any failure to comply with such restrictions, limits or covenants could have a material adverse effect on the Group's operations, operating costs, prospects and/or financial condition.

Commodity price movements

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. The Group's profits could be (and have been) materially affected by changes in power prices, fuel and CO_2 prices, and by relative movements between prices of different fuel types.

In addition, retail customers in Ireland who obtain their electricity supply from ESBCS are free to choose an alternative supplier. Under the terms of its PES licence, the prices charged by ESBCS to its retail customers in Ireland are fixed each year by the CER. ESBCS seeks to hedge its power price risk. Therefore, any significant migration of customers from ESBCS in a particular year may result in an over-hedged position for ESBCS, which may result in losses being incurred. Whilst any loss incurred as a result of such an over-hedged position should be recoverable in subsequent years through k-factors (see further the section of this Offering Circular entitled "*Description of ESB*"), there can be no assurance that the scale of the k-factor adjustments that would be required and/or a change in the applicable regulatory pricing model would not result in an irrecoverable loss.

Continuing volatility in power and fuel prices could have a material adverse effect on ESB's results of operations, prospects and/or financial condition.

Accounting and tax risks

Non-compliance with applicable accounting standards, revisions to existing accounting standards, or the introduction of new accounting standards, rules or interpretations could have an adverse effect on the Group's reported financial results.

The effective rate of tax paid by the Group may be influenced by a number of factors, including changes in law and accounting standards, and changes in the practices of, or legal interpretations adopted by, relevant tax authorities. Changes in such factors could result in an increase in the effective rate of tax paid by the Group and therefore could have a material adverse effect on the Group's prospects and/or financial condition.

Business risks

The economic environment in which the Group operates

The ability of the Group to maintain and grow its business and profit levels could be adversely affected by economic factors, such as a general economic downturn, as is currently being experienced in Ireland, the United Kingdom and elsewhere. This could result in lower business activity levels and/or lower profitability in existing business lines. In addition, the fixed nature of a significant proportion of the Group's cost base may make it difficult for the Group to achieve cost savings which may be required in response to lower business activity levels. The economic downturn may also adversely affect the ability of the Group to proceed with planned investment. Furthermore the value of ESB's regulated asset base and its allowed cost base, is adjusted for inflation or deflation as part of the applicable regulatory pricing structure (see further the section of this Offering Circular entitled "*Description of ESB*"). Therefore a significant period of economic recession and/or deflation in Ireland could have a material adverse effect on the Group's results of operations, prospects and/or financial condition.

Competition

The Group faces strong competition in its generation, supply and overseas markets. There can be no assurance that existing or increased competition will not adversely affect the Group in one or more of the markets in which it operates, in particular in markets in which the Group is subject to price regulation. For example, increased competition is likely to result, and in the recent past has resulted, in a decline in the Group's customer numbers and demand for the Group's products or services in certain competitive markets in which the Group operates, and consequently in revenues earned by the Group in such markets. There can be no assurance that further declines in customer numbers will not occur in such markets. In addition, the Group may encounter difficulties in transitioning to deregulated markets, when required to do so. Adverse consequences which may affect the Group include loss of profitability and an inability to recover stranded fixed costs.

Surplus capacity

The SEM is a small electricity market by international standards, where the addition of a new thermal power plant represents a material increase to total capacity. Two new thermal plants are due to be commissioned in the twelve months following the date of this Offering Circular and significant new wind capacity is being added each year. In addition, the East-West Interconnector, which is scheduled for completion in 2012, will introduce the potential for a further 500MW of capacity in Ireland (see further the section of this Offering Circular entitled ''*Overview of the Electricity Markets in Ireland and Northern Ireland*''). Combined with an observed fall in demand in 2009 and the potential for further reductions in the future, the SEM faces the possibility of excess capacity until additional demand materialises, or some existing capacity closes. Surplus capacity could result in lower power prices and reduced profits, or losses, to generators in the SEM, including the Group. Sustained excess capacity could have a material adverse effect on the Group's results of operations, prospects and/or financial condition.

The Group's interaction with EirGrid

The interaction between the Group as owner of the Irish electricity transmission system and EirGrid as operator of the system (see further the section of this Offering Circular entitled ''*Overview of the Electricity Markets in Ireland and Northern Ireland*'') is the subject of an agreement between the Group and EirGrid which has been approved by the CER. Nevertheless, there is no assurance that EirGrid's operations will not have a negative impact upon the Group's business, results of operations and/or financial performance.

Formulation and implementation of strategy

It is the responsibility of the Board of ESB to consider strategic issues including capital investment in projects, acquisitions, disposals, investments, market positioning, climate change, sustainable development and new technologies. The Group's 'Strategic Framework to 2020' launched in 2008 sets out the Group's investment and growth targets for that period (see further the section of this Offering Circular entitled ''*Description of ESB*''). Implementation of the Group's investment and growth targets will require significant borrowing and there can be no assurance that the Group will be able to raise the necessary funds on acceptable terms, or at all. In addition, a failure to formulate a successful strategy, to review and refine such strategy in the light of economic, regulatory and market developments, or to implement such strategy effectively could adversely impact on the financial or market position of the Group.

Project execution

Project execution in general is subject to commercial, construction, technical, contractor, planning permission, relevant approvals and economic risks. Failure to secure an appropriate revenue structure is an additional key risk for any project. Failure to deliver planned new projects to successful technical and commercial operation could have a material adverse effect on the Group's business, results of operations, operating costs, prospects and/or financial condition.

Labour relations

As at 31 December 2009, the Group employed approximately 7,500 employees, the majority of whom are represented by trade unions. While relations between Group management and the employees and trade unions are good, any industrial action by employees could affect critical services, curtail operations and have an adverse financial and reputational impact on the Group and/or result in adverse regulatory action.

Reputational risk

The Group's reputation for professionalism and competence within the energy sector is exposed to the risk of an occurrence of any adverse event or circumstance that may damage its brand or public standing. This in turn could have an adverse impact on the Group's business, results of operations, operating costs, prospects and/or financial condition.

Security of primary energy sources

The principal sources of primary energy in the Irish electricity market are gas, coal, hydro, peat and wind. Approximately 80% of the primary energy for electricity production in Ireland is imported fuel. At present over 95% of gas used in Ireland is purchased on the United Kingdom gas markets, which in turn are supplied by United Kingdom production, European imports and the import of liquified natural gas. Any disruption to the importation of fuel into Ireland could have an adverse impact on the Group's electricity generating capability and its financial condition.

Network, plant and other infrastructure performance and security risk

The Group's businesses include the operation and development of electricity networks and also encompass certain responsibilities in relation to waterways in Ireland. Electricity networks are critical infrastructure for electricity users in Ireland and the Irish economy. The risk of a major network failure or disruption of electricity supply is an inherent part of the business. For example, a failure or disruption to network performance, or damage to other infrastructure, could be a consequence of such factors as under-investment, inadequate maintenance, inadequate planning for future demand, system failure, severe weather conditions, flooding or natural disasters. In addition, sabotage or other intentional and unlawful acts of third parties may result in damage to, or destruction of, plant, networks and other infrastructure owned and/or operated by the Group. The potential consequences for the Group of any of the above risks could include damage to reputation, material financial loss, risk of injury or death, and/or adverse regulatory action.

The breakdown or malfunction of generation plant, including dams associated with hydro-electric generating plants, could also have a material adverse impact on the Group's business, for example as a result of increased exposure to SEM pool market prices, increased cost of production, increased maintenance costs and/or reputational damage.

Insurance

The Group seeks to maintain insurance cover on all its key property and liability exposures in the international insurance market. No assurance can be given that the insurance cover acquired by the Group provides adequate or sufficient cover for all events or incidents. The international insurance market is volatile and therefore there can be no guarantee that existing cover will remain available or will be available at commercially acceptable premiums.

Systems and business interruption

The Group's ability to manage its operations and engage in critical business tasks is dependent on the efficient and uninterrupted operation of its IT, software, hardware and communication systems. The risk extends to reliance on key personnel and suppliers who provide, operate or maintain these systems and on the IT, software, hardware and communication systems used by third parties in the course of their dealings with the Group. A failure in any relevant system could have an adverse effect on the Group's results of operations, operating cost, prospects and/or financial condition.

Information security

The confidentiality, integrity and availability of information could be affected by factors that include human error, ineffective design or operation of key controls, data theft or through cyber attack. Loss of data integrity could affect the Group's ability to conduct day-to-day operations, while any compromise of the confidentiality of information held by the Group may have an adverse impact on the Group's business, reputation, results of operations, operating costs, prospects and/or financial condition.

Operational risk

The Group faces the risk of losses or reputational damage due to human error, fraud or inadequate processes across all its operations, including its trading and treasury operations. Any losses which may arise as a result of human error, fraud or inadequate processes affecting the Group's trading or treasury operations may, due to the nature and scale of such operations, be significant and therefore have a material adverse effect on the Group's financial condition.

Reliance on key personnel

The Group is reliant on the employment of competent and qualified personnel in all areas of its business. Failure to attract or retain key personnel could have an adverse effect on the Group's business, results of operations, prospects and/or financial condition.

Factors that may affect ESB Finance's ability to fulfil its obligations under Notes issued under the Programme

ESB Finance is a special purpose financing entity with no business operations other than the entry into of financing arrangements (including the issuance of Notes under the Programme), the lending of the proceeds to ESB or other members of the Group, and the entry into of certain ancillary arrangements, including related hedging contracts. ESB Finance's only material assets will be receivables due to it from

ESB or other members of the Group under intra-Group financing arrangements and/or from third parties under related hedging contracts. Therefore, ESB Finance is subject to all risks to which ESB is subject, to the extent that such risks could limit ESB's or the relevant Group recipient's ability to satisfy in full and on a timely basis its obligations under such loan. See "*Factors that may affect ESB's ability to fulfil its obligations under Notes issued under the Programme or in case of Notes issued by ESB Finance, factors that may affect ESB's ability to fulfil its obligations under the Guarantee*" above for a further description of certain of these risks.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, currency exchange rates and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither ESB, ESB Finance nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. ESB or ESB Finance is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of ESB or ESB Finance. Neither ESB nor ESB Finance can predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Notes and the Guarantor will make payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and

(ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10 (*Events of Default and Enforcement*)) has occurred and is continuing, or (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE

LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.''

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under ''*Terms and Conditions of the Notes*''), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer, or as the case may be, the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 50,000 (or its equivalent in another currency).

[*Date*]

Electricity Supply Board (ESB)/[ESB Finance Limited (ESB Finance)]

[ESB/ESB Finance] Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[unconditionally and irrevocably guaranteed by Electricity Supply Board]
under the EUR3,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 12 February 2010 [as supplemented by a Supplemental Offering Circular dated [●]] which constitute[s] [together constitute] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular [as supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular [as supplemented]. The Offering Circular [and the Supplemental Offering Circular are] [is] available for viewing during normal business hours at ESB Headquarters, 27 Lower Fitzwilliam Street, Dublin 2, Ireland and copies may be obtained from ESB Headquarters, 27 Lower Fitzwilliam Street, Dublin 2, Ireland.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated [*current date*] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated [*current date*] and [*original date*]. Copies of such Offering Circulars are available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000, €125,000 or its equivalent in any other currency.*]

1.	(a)	Issuer:	[Electricity Supply Board/ESB Finance]
	(b)	[Guarantor:	Electricity Supply Board]
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.		Specified Currency or Currencies:	[ ]
4.		Aggregate Nominal Amount:	
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.		Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[ ] *(Note – where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:* *"[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].")* *(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.)*
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.		Maturity Date:[1]	[*Fixed rate – specify date/* *Floating rate* – Interest Payment Date falling in or nearest to [*specify month*]]

[1] Notes issued by the relevant Issuer which have a maturity of less than one year from the date of their issue must bear the following legend on page 1 of the Final Terms:

"The Notes constitute Commercial Paper for the purposes of Notice BSD C 01/02 issued by the Central Bank and Financial Services Authority of Ireland (the Notice). The Notes are issued in accordance with one of the exemptions from the requirement to hold a banking licence provided by the Notice pursuant to section 8(2) of the Central Bank Act 1971 of Ireland, inserted by section 31 of the Central Bank Act 1989 of Ireland, as amended by section 70(d) of the Central Bank Act 1997 of Ireland. The Notes do not have the status of a bank deposit and are not within the scope of the Deposit Protection Scheme operated by the Central Bank and Financial Services Authority of Ireland. The Issuer is not regulated by the Central Bank and Financial Services Authority of Ireland."

Any such Notes must be issued and transferable in a minimum amount of €125,000 (or its equivalent in other currencies).

9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
11.	Change of Interest Basis or Redemption/ Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(a) Status of the Notes:	Senior
	(b) [Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 5 (Interest)*)
	(b) Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount
	(d) Broken Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [*specify other*]]
	(f) [Determination Date(s):	[ ] in each year

			(*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f)	Screen Rate Determination:	
		• Reference Rate:	[ ] (*Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement*)
		• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
		• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	(g)	ISDA Determination:	
		• Floating Rate Option:	[ ]
		• Designated Maturity:	[ ]
		• Reset Date:	[ ]
	(h)	Margin(s):	[+/-] [ ] per cent. per annum
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum

(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (*See Condition 5 (Interest) for alternatives*)
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Accrual Yield:	[ ] per cent. per annum
(b)	Reference Price:	[ ]
(c)	Any other formula/basis of determining amount payable:	[ ]
(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 7.7 and 7.12. (*Redemption and Purchase – Early Redemption Amounts*) and – Late payment on Zero Coupon Notes)] [apply/ *specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
18.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
(a)	Index/Formula:	[*give or annex details*]
(b)	Calculation Agent:	[*give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address) – such Calculation Agent must be an EU credit institution or equivalent*]
(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]

	(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[ ]
	(h)	Minimum Rate of Interest:	[ ] per cent. per annum
	(i)	Maximum Rate of Interest:	[ ] per cent. per annum
	(j)	Day Count Fraction:	[ ]
	(k)	Minimum Indexation Factor:	[Not Applicable/*specify*]
	(l)	Maximum Indexation Factor:	[Not Applicable/*specify*]
	(m)	Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[ ]
	(n)	Limited Indexation Month Reference Period:	[ ]
	(o)	Index/Index Figure:	[ ]*[Specify relevant retail price index]*
	(p)	Commencement Date of the Index:	[ ]*[Specify the relevant commencement month of the retail price index]*
	(q)	Base Index Figure on commencement of Index:	[ ]*[Specify the relevant commencement month of the retail price index]*
	(r)	Interpolation:	[Applicable/Not Applicable]
	(s)	Indexation Month Reference Period X:	[ ]
	(t)	Indexation Month Reference Period Y:	[ ]
	(u)	Base Index Figure (Condition 5.6):	[ ]
	(v)	Reference Gilt:	[ ]
	(w)	Sovereign:	[ ]
19.	Dual Currency Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a) Optional Redemption Date(s):	[ ]
(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(c) If redeemable in part:	
(i) Minimum Redemption Amount:	[ ]
(ii) Maximum Redemption Amount:	[ ]
(d) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
21. Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a) Optional Redemption Date(s):	[ ]
(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(c) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
22. Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/ see Appendix] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
23. Early Redemption Amount payable on redemption for taxation reasons, indexation reasons (if applicable) or on an event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5.6 or 7.7 (*Redemption and Purchase – Early Redemption Amounts*)):	[[ ] per Calculation Amount/*specify other*/ see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(a) [Form:]	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] (*Ensure that this is consistent with the wording in the ''Form of the Notes'' section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: ''*[*€50,000*] *and integral multiples of* [*€1,000*] *in excess thereof up to and including* [*€99,000*].'' *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)
	(b) [New Global Note:	[Yes][No]]
25.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(c) and 18(g) relate*)
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
28.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	[Not Applicable/*give details*]
	(b) Instalment Date(s):	[Not Applicable/*give details*]
29.	Redenomination applicable:	Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*][*(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)]

30.	Other final terms:	[Not Applicable/*give details*] [(*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*] *(Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)*

DISTRIBUTION

31.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*] *(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
	(b) Date of [Subscription] Agreement:	[ ] (*The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies*).
	(c) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
33.	U.S. Selling Restrictions:	[Reg. S Compliance Category; TEFRA D/ TEFRA C/TEFRA not applicable]
34.	Additional selling restrictions:	[Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [*specify relevant regulated market and, if relevant listing on an official list*] of the Notes described herein pursuant to the EUR3,000,000,000 Euro Medium Term Note Programme of Electricity Supply Board as issuer and guarantor and ESB Finance as issuer.

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as it [they] [is] aware and [are] [is] able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:	[Signed on behalf of the Guarantor:
By:..	By:..
Duly authorised	*Duly authorised]*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing and Admission to trading:	[Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market with effect from [ ].] [Not Applicable.]
(ii) Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's: [ ]] [Fitch: [ ]] [[Other]: [ ]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer:	[ ]
[(ii)] Estimated net proceeds:	[ ]
[(iii)] Estimated total expenses:	[ ]]
	(*N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case 4(i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.*)]

5. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ]
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-linked Notes only*)

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained*.]

[*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute ''significant new factors'' and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

(*N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

7. PERFORMANCE OF RATE[S] OF EXCHANGE (*Dual Currency Notes only*)

[*Need to include details of where past and future performance and volatility of the relevant rates can be obtained*.]

[*(When completing this paragraph, consideration should be given as to whether such matters described constitute ''significant new factors'' and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

(*N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

8. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No] [Note that the designation ''yes'' simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if ''yes'' selected in which case the Notes must be issued in NGN form*]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by either Electricity Supply Board (**ESB**) or ESB Finance Limited (**ESB Finance**) as specified in the applicable Final Terms (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 12 February 2010 made between ESB and ESB Finance as issuers, ESB as guarantor of Notes issued by ESB Finance (the **Guarantor**) and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 12 February 2010 and made between ESB and ESB Finance as issuers, the Guarantor, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 12 February 2010 at Citigroup Centre, Canada Square, London E14 5LB, United Kingdom and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Guarantor (where the Issuer is ESB Finance), the Trustee and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor (where the Issuer is ESB Finance), the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (where the Issuer is ESB Finance), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor (where the Issuer is ESB Finance), any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

2. STATUS OF THE NOTES

2.1 Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 Status of the Guarantee

Where the Issuer is ESB Finance, the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the **Guarantee**). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Guarantor and (subject as aforesaid and save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

3. COVENANTS

3.1 Negative pledge applicable to the Issuer

The Issuer undertakes that so long as any of the Notes remains outstanding (as defined in the Trust Deed) it will not and, where the Issuer is ESB, shall ensure that none of its Principal Subsidiaries (as defined below) will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a **Security Interest**) upon the whole or any part of its/their respective assets or revenues of whatever nature present or future, to secure any Relevant Debt (other than Non Recourse Indebtedness, as defined in Condition 3.2 below), or any guarantee of or indemnity in respect of any Relevant Debt (other than Non Recourse Indebtedness), unless at the same time or prior thereto the Issuer's obligations under the Notes (a) are secured equally and rateably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms (to the extent permitted by Irish or other applicable law or regulation) thereto or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee shall deem not to be materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution.

3.2 Negative Pledge applicable to the Guarantor

The Guarantor undertakes that so long as any of the Notes issued by ESB Finance remain outstanding it will not, and shall ensure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its/their respective assets or revenues of whatever nature present or future, to secure any Relevant Debt (other than Non Recourse Indebtedness), or any guarantee of or indemnity in respect of any Relevant Debt (other than Non Recourse Indebtedness), unless at the same time or prior thereto the Guarantor's obligations under the Guarantee (a) are secured equally and rateably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms (to the extent permitted by Irish or other applicable law or regulation) thereto or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee shall deem not to be materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution.

For the purposes of these Conditions:

Group means ESB and its Subsidiaries taken as a whole.

Non Recourse Indebtedness means any Relevant Debt incurred by a member of the Group on terms that the provider(s) of the Relevant Debt shall have recourse for repayment of such Relevant Debt and for payment of interest thereon only to revenues generated by and/or the proceeds of realisation of, specified asset(s) held by such member of the Group.

Principal Subsidiary means at any time a Subsidiary (other than a Special Purpose Subsidiary) of ESB:

(a) whose net profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of ESB and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated net profits of ESB, or, as the case may be, consolidated net assets, of ESB and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of ESB and its Subsidiaries, provided that:

   (i) if the then latest audited consolidated accounts of ESB and its Subsidiaries show (x) a net loss for the relevant financial period then there shall be substituted for the words ''net profits'' the words ''gross revenues'' for the purposes of this definition and/or (y) negative assets at the end of the relevant financial period then there shall be substituted for the words ''net assets'' the words ''total assets'' for the purposes of this definition;

   (ii) in the case of a Subsidiary of ESB acquired after the end of the financial period to which the then latest audited consolidated accounts of ESB and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of ESB and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by ESB;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of ESB which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of ESB and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of ESB and its Subsidiaries relate, generate net profits equal to) not less than 10 per cent. of the consolidated net profits of ESB, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated net assets of ESB and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net profits equal to) not less than 10 per cent. of the consolidated net profits of ESB, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated net assets of ESB and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of ESB and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Trust Deed.

A report by two Directors of ESB addressed to the Trustee that in their opinion a Subsidiary of ESB is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

Relevant Debt means any present or future indebtedness for borrowed money in the form of, or represented by, bonds, notes or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange or other organised securities market.

Special Purpose Subsidiary means at any time a Subsidiary of ESB which itself has no Subsidiaries (other than a Subsidiary which is a company which falls within paragraph (a) or (b) of this definition) and which either:

(a) is established to be the holding company of a company of the type described in paragraph (b) of this definition and the business of which is comprised wholly or substantially of holding shares or other equity interests in a company of the type described in paragraph (b) of this definition; or

(b) is established solely for the purposes of (i) the design or structure or building of a specified asset or project and/or (ii) holding a specified asset or project and/or receiving revenues therefrom, and/or (iii) incurring Non Recourse Indebtedness, and matters ancillary thereto.

Subsidiary means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership.

3.3 Sales of Assets

(a) ESB will not, and will not permit any Subsidiary to, sell, lease or otherwise dispose of all or any substantial part (as defined in paragraph (b) of this Condition 3.3) of the assets of ESB or the Group (whether by a single transaction or a number of related transactions and whether at the same time or over a period of time), *provided, however,* that:

(i) ESB or the Issuer where the Issuer is ESB Finance (or any other Subsidiary substituted as issuer pursuant to Condition 15.2) may sell, lease or otherwise dispose of all or substantially all of its assets to any other Person (an **Acquiror**) if (x) such Acquiror (1) is a solvent entity organised under the laws of any Approved Jurisdiction and a certificate of two directors of the Acquiror (or other officers acceptable to the Trustee) that the Acquiror is solvent both at the time at which the relevant transaction is proposed to be effected and immediately thereafter and is organised under the laws of any Approved Jurisdiction shall be conclusive evidence thereof and binding on all parties, (2) is immediately thereafter engaged (on a consolidated basis) in any similar line of business as ESB and its Subsidiaries on a consolidated basis, and (3) executes a trust deed or some other form of undertaking is given by the Acquiror in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed and these Conditions with any consequential amendments (including where the Acquiror is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the Tax Jurisdiction (as defined in Condition 8), the giving of undertakings or covenants by the Acquiror in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references to Ireland in the definition of Tax Jurisdiction of references to that other or additional territory in which the Acquiror is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject and (where applicable) Condition 7.2 (*Redemption and Purchase – Redemption for Taxation Reasons*) shall be modified accordingly) which the Trustee may deem appropriate as fully as if the Acquiror had been named in the Trust Deed and these Conditions as the principal debtor in place of the relevant Issuer, and (y) at the time of such transaction and after giving effect thereto, no Event of Default or potential Event of Default shall have occurred and be continuing; and

(ii) any Subsidiary (other than the Issuer where the Issuer is ESB Finance) may sell, lease or otherwise dispose of all or substantially all of its assets to ESB or any other Subsidiary so long as (x) in any such transaction not involving ESB, ESB shall have at least the same degree of voting control and economic interest with respect to the Acquiror as it had with respect to the Subsidiary that sells, leases or otherwise disposes of all of its assets, (y) if such Subsidiary has been substituted as guarantor pursuant to Condition 15.2, the Acquiror executes a trust deed or some other form of undertaking is given by the Acquiror in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed and these Conditions with any consequential amendments (including where the Acquiror is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the Tax Jurisdiction (as defined in Condition 8), the giving of undertakings or covenants by the Acquiror in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references to Ireland in the definition of Tax Jurisdiction of references to that other or additional territory in which the Acquiror is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject and (where applicable) Condition 7.2 (*Redemption and Purchase – Redemption for Taxation Reasons*) shall be modified accordingly) which the Trustee may deem appropriate as fully as if the Acquiror had been named in the Trust Deed and these Conditions in place of the Guarantor, and (z) at the time of such transaction and after giving effect thereto no Event of Default or potential Event of Default shall have occurred and be continuing; and

provided, further, that in the event of a sale described in subparagraph (x) of paragraph (i) or subparagraph (y) of paragraph (ii) of this Condition 3.3(a):

(X) the Trustee shall have received an opinion of independent counsel to the Acquiror, which opinion shall be acceptable to the Trustee, as to (i) the due organisation, valid existence and, if legally applicable, good standing of the Acquiror, (ii) the due authorisation, execution and delivery of any required assumption agreement by the Acquiror, and (iii) the valid, binding and enforceable nature of the obligations of the Acquiror under such assumption agreement subject to reasonable and customary exceptions, assumptions and/or qualifications under the circumstances; and

(Y) the Trustee shall have received from ESB, in the case where the Acquiror shall be the primary obligor of the Notes, unconditional and irrevocable written confirmation and reaffirmation as to its obligations under the Guarantee, provided that the written confirmation is in form and substance satisfactory to the Trustee.

(b) As used in this Condition 3.3, a sale, lease or other disposition of assets shall be deemed to be a *''substantial part''* of the assets of ESB or the Group only if the book value of such assets, (i) when added to the book value of all other assets sold, leased or otherwise disposed of by ESB or its Subsidiaries taken as a whole during the 365-day period ending on the date on which such sale, lease or other disposition occurs, exceeds 20 per cent. of Consolidated Total Assets as of the immediately preceding Year-End Date or (ii) when added to the book value of all other assets sold, leased or otherwise disposed of by ESB or its Subsidiaries during the period from the Issue Date of the first Tranche of Notes of this Series to and including the date that such sale, lease or other disposition occurs, exceeds 30 per cent. of Consolidated Total Assets as of the immediately preceding Year-End Date.

Computations under this paragraph (b) shall include all issues or sales of any shares (or other equity interests) of any class (including as ''shares'' for the purposes of this Condition 3.3, any warrants, rights or options to purchase or otherwise acquire shares, other equity interests or other Securities exchangeable for or convertible into shares or equity interests) of any Subsidiary (valued at the aggregate net book value of the assets of such Subsidiary multiplied by a fraction, the numerator of which is the aggregate number of shares (or other equity interests) of such Subsidiary issued or sold and the denominator of which is the aggregate number of shares (or other equity interests) of such Subsidiary outstanding immediately prior to such issuance or sale) to any Person other than the Guarantor or a Subsidiary over which ESB shall have at least the same degree of voting control and economic interest as it did with respect to the Subsidiary issuing or selling such shares (or other equity interests) or whose shares (or other equity interests) are being sold, except shares (or other equity interests) issued or sold for the purpose of qualifying directors, or except shares (or other equity interests) issued or sold in satisfaction of the validly pre-existing preemptive rights of minority shareholders (or equity holders) in connection with the simultaneous issuance of stock (or equity interests) to ESB and/or Subsidiaries whereby ESB and/or such Subsidiaries maintain their same proportionate interest in such Subsidiary. In the event of a sale of shares, any liabilities or obligations which are assumed by or otherwise become liabilities or obligations of the acquiring Person shall be netted against the assets or shares sold or otherwise disposed of by ESB or any Subsidiary. Computations under this paragraph (b) shall not include sales, leases or other dispositions made:

(i) in the ordinary course of business of ESB or any Subsidiary (including any sale or securitisation of receivables for cash in an amount not less than the fair market value (as determined in good faith by a Senior Financial Officer and certified to the Trustee upon request) thereof; *provided* that the value of any securitisation of receivables contemplated hereby, together with the value of all other such receivable securitisations having occurred during the 365-day period ending on the date on which such securitisation is completed) shall not exceed 5 per cent. of Consolidated Total Assets as of the immediately preceding Year-End Date;

(ii) by ESB to a Wholly-Owned Subsidiary (which is not a Special Purpose Subsidiary) or by a Subsidiary to ESB or another Subsidiary (which is not a Special Purpose Subsidiary) with respect to which ESB shall have at least the same degree of voting control and economic interest as it had with respect to the Subsidiary selling, leasing or otherwise disposing of such assets;

(iii) by a Special Purpose Subsidiary to another Special Purpose Subsidiary;

(iv) to the extent that, substantially concurrently therewith (and in any event within a period of 60 days), ESB or the Subsidiary involved receives, in exchange therefor, assets which are to be used in the business of ESB or a Subsidiary and are of at least substantially equal value;

(v) for fair market value (as determined in good faith by a Senior Financial Officer and certified to the Trustee upon request), to the extent that the Net Proceeds Amount of such transaction (or an equal amount) has been or is applied within 545 days before or after the date of such transaction to either or both of:

   (A) the purchase, acquisition, development, redevelopment or construction of non-financial assets which are to be used or useful in the business of ESB and/or a Subsidiary and a certificate of two directors of ESB addressed to the Trustee that such purchase, acquisition, development, redevelopment or construction are to be used or useful in the business of ESB and/or a Subsidiary shall be conclusive evidence thereof and binding on all parties, or

   (B) the repayment or prepayment of unsubordinated Financial Indebtedness of ESB or a Subsidiary (other than unsubordinated Financial Indebtedness owed by a member of the Group to another member of the Group); *provided* that ESB shall contemporaneously make an offer to purchase some or all of the Notes pursuant to Condition 7.10 in aggregate amount calculated by multiplying the aggregate amount of unsubordinated Financial Indebtedness of ESB or any Subsidiary to be prepaid pursuant to this clause (B) by a fraction, (a) the numerator of which is the aggregate unpaid principal amount of Notes outstanding at the time of such offer and (b) the denominator of which is aggregate unpaid principal amount of unsubordinated Financial Indebtedness (including the Notes) of ESB or any Subsidiary at the time of such offer that is to be the subject of any prepayment pursuant to this clause (B);

   it being understood that the failure to apply (or have applied) such Net Proceeds Amount of such transaction within such 545 day period will not give rise to a claim by the Trustee or any holder of Notes against the acquirer of such assets; or

(vi) with respect to assets acquired in an acquisition subsequent to the Issue Date of the first Tranche of Notes of this Series if (a) such assets are outside the principal business areas to which the assets acquired, taken as a whole, relate, and (b) such assets are sold or disposed of for cash or any other consideration which represents the fair market value of such assets.

For the purposes of these Conditions:

Approved Jurisdiction means and includes any one of the following jurisdictions: Ireland, the United States, the United Kingdom, Canada, Australia, Switzerland, and any member of the OECD as of 12 February 2010 (other than Greece, Italy, Spain, Turkey, Portugal, Slovenia, the Czech Republic, the Slovak Republic, Hungary, Poland, Korea or Mexico);

Consolidated Total Assets means, without duplication, at any time, the aggregate value of the assets of the Group calculated on a consolidated basis in accordance with generally accepted accounting principles in Ireland (**GAAP**);

Net Proceeds Amount means, with respect to any sale, lease or disposition of property by any Person, an amount equal to the result of (a) the aggregate amount of the consideration (valued at the fair market value of such consideration at the time of the consummation of such sale, lease or disposition) received by such Person in respect of such sale, lease or disposition, minus (b) all out-of-pocket costs and expenses actually incurred by such Person in connection with, and taxes in respect of, such sale, lease or disposition;

Person means an individual, partnership, corporation, limited liability guarantor, association, trust, unincorporated organisation, or a government or agency or political subdivision thereof;

Senior Financial Officer means the chief financial officer, finance director, principal accounting officer, treasurer or controller of ESB;

Wholly-Owned Subsidiary means, at any time, any Subsidiary 100 per cent. of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of ESB's other Wholly-Owned Subsidiaries at such time and/or employees or directors of ESB or any Subsidiary at such time (provided that the percentage of the equity interests and voting interests of such Subsidiary owned by such employees and directors shall not exceed 5 per cent. of the equity interests and voting interests of such Subsidiary in the aggregate); and

Year-End Date means December 31 of any year or any such other date that ESB shall specify in writing as its fiscal year-end date.

4. REDENOMINATION

4.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders but after prior consultation with the Trustee, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of EUR 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which

Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest EUR 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of EUR 50,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than EUR 50,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 6 (*Payments*); and (ii) in the case of Notes which are not Relevant Notes, in the denominations of EUR 1,000, EUR 10,000, EUR 100,000 and (but only to the extent of any remaining amounts less than EUR 1,000 or such smaller denominations as the Agent and the Trustee may approve) EUR 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

    (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

    (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

    and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

(g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

4.2 Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 4.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

Relevant Notes means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least EUR 50,000 and which are admitted to trading on a regulated market in the European Economic Area;

Treaty means the Treaty establishing the European Community, as amended.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if ''Actual/Actual (ICMA)'' is specified in the applicable Final Terms:

  (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

  (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes (subject to Conditions 5.6 and 5.7 where applicable) for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the

Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if ''Actual/Actual (ISDA)'' or ''Actual/Actual'' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if ''Actual/365 (Fixed)'' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if ''Actual/365 (Sterling)'' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if ''Actual/360'' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if ''30/360'', ''360/360'' or ''Bond Basis'' is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

''Y_1'' is the year, expressed as a number, in which the first day of the Interest Period falls;

''Y_2'' is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

''M_1'' is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

''M_2'' is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

''D_1'' is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

''D_2'' is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if ''30E/360'' or ''Eurobond Basis'' is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

''Y_1'' is the year, expressed as a number, in which the first day of the Interest Period falls;

''Y_2'' is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

''M_1'' is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

''M_2'' is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor (if the Issuer is ESB Finance), the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall (or shall, at the expense of the Issuer, appoint an expert to) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall (or shall, at the expense of the Issuer, appoint an expert to) calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Guarantor (if the Issuer is ESB Finance), the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Guarantor (if the Issuer is ESB Finance), the Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent or the Trustee (or its expert) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5.6 Indexation

In the case of Index Linked Interest Notes or Index Linked Redemption Notes (unless the contrary appears within the applicable Final Terms), the following provisions of Condition 5.6 shall apply.

(a) Indexation of principal

If the Notes are specified as Index Linked Redemption Notes in the applicable Final Terms the Final Redemption Amount payable pursuant to Condition 7.1 and the Early Redemption Amount payable pursuant to Conditions 7.2, 7.3, 7.4, 7.5 or 10 shall be the Final Redemption Amount or Early Redemption Amount (as the case may be) multiplied by the Index Ratio or Limited Index Ratio, in the case of Limited Index Linked Notes, applicable to the date on which the Final Redemption Amount or the Early Redemption Amount (as the case may be) becomes payable.

The Calculation Agent will calculate such Final Redemption Amount or Early Redemption Amount (as the case may be) as soon as practicable after each time such amount is capable of being determined and will notify the Agent thereof as soon as practicable after calculating the same. The Agent will as soon as practicable thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 14 (*Notices*).

(b) Definitions

For the purposes of these Conditions:

Base Index Figure means (subject to Condition 5.7) the base index figure relevant to the Interest Commencement Date as specified in the applicable Final Terms;

Calculation Date means any date when an Interest Amount, Final Redemption Amount or Early Redemption Amount, as applicable, falls due;

Expert means an independent investment bank or other expert in London appointed by the Issuer and approved by the Trustee or (failing such appointment within ten days after the Trustee shall have requested such appointment or failing such approval by the Trustee) appointed by the Trustee;

Index or **Index Figure** means, in relation to any Calculation Date, subject as provided in Condition 5.7 below, the Index or Index Figure as specified in the applicable Final Terms for the indexation of inflation as published by the government department of the Sovereign responsible for the publication of such index and applicable to that Calculation Date or, if that index is not published for any Calculation Date, any substituted index or index figures published by the government department responsible for the publication of such index or the comparable index which replaces such index for the purpose of calculating the amount payable on repayment of the Reference Gilt;

Any reference to the **Index Figure applicable** to a particular Calculation Date shall, subject as provided in Condition 5.7 below;

(i) if the applicable Final Terms specify that interpolation will apply, be calculated in accordance with the following formula:

$$RPI_{m\text{-}y} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (RPI_{m\text{-}x} - RPI_{m\text{-}y})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

RPI_{m-y} means the Index Figure for the first day of the month that is the number of months as specified in the applicable Final Terms (**Indexation Month Reference Period Y**) prior to the month in which the payment falls due; and

RPI_{m-x} means the Index Figure for the first day of the month that is the number of months as specified in the applicable Final Terms (**Indexation Month Reference Period X**) prior to the month in which the payment falls due; or

(ii) otherwise means the Index Figure for the first day of the month that is the number of months as specified in the applicable Final Terms prior to the month in which the payment falls due;

the **Index Ratio** applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

Limited Index Ratio means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, the number of months prior thereto (as specified in the applicable Final Terms (**Limited Indexation Month Reference Period**)); and (c) in respect of any other month or date, as the case may be, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

Limited Indexation Date means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

Limited Indexation Factor means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, the number of months prior thereto (as specified in the applicable Final Terms (Limited Indexation Month Reference Period)), provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the applicable Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

Limited Indexation Month means any month specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

Limited Index Linked Instruments means Index Linked Instruments to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the applicable Final Terms) applies;

the **Rate of Interest** applicable to any amount payable unless stated otherwise in the applicable Final Terms shall be the amount calculated by reference to Condition 5.2(d) and rounded to six decimal places (0.0000005 being rounded upwards); and

Reference Gilt means Treasury Stock specified as such in the applicable Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an **Indexation Adviser**).

5.7 Change in circumstances affecting the Index

(a) Change in base

If at any time the Index is changed by the substitution of a new base for it, then with effect from (and including) the date from and including that on which such substitution takes effect:

(i) the definition of Index in Condition 5.6(b) shall be deemed to refer to the new date in substitution for the Commencement Date of the Index, as specified in the applicable Final Terms (or, as the case may be, for such other date or month as may have been substituted for it); and

(ii) the definition of Base Index Figure in Condition 5.6(b) shall be amended to mean the product of the then applicable Base Index Figure and the Index immediately following such substitution, divided by the Index immediately prior to such substitution.

(b) Delay in publication of the Index

(i) If, in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which the Issuer certifies to the Trustee (in a certificate addressed to the Trustee and signed by two Directors of the Issuer) may fall within Condition 5.7(c) or 7.6 (notwithstanding that the Issuer may subsequently be advised that they do not fall within Condition 5.7(c) or 7.6), the Index Figure relating to any month (the **calculation month**) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth day before the date on which such payment is due (the **date for payment**), the Issuer shall appoint an Expert and the Index Figure for the relevant calculation month shall be the substitute index figure (if any) as is published by the government department responsible for the publication of such index for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more of Sovereign's index-linked stocks, as determined by the Expert; or

(ii) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

Where the provisions of this Condition 5.7(b) apply, the certificate of the Issuer (signed by two Directors), acting on the advice of an Expert, as to the Index Figure applicable to the date for payment falls shall be conclusive and binding upon the Issuer, the Guarantor (if the Issuer is ESB Finance), the Trustee and the Noteholders, Receiptholders and Couponholders. If a substitute index is published as specified in 5.7(b)(i) above, a determination made based on that index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published. If no substitute index is so published and the Index relating to the date for payment is subsequently published then:

(A) in the case of any Note not falling due for redemption on the date for payment, if the Index Figure so subsequently published (if published while that Note remains outstanding) is greater or less than the Index Figure applicable by virtue of 5.7(b)(ii) above, the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest payable on that Note on the date for payment on the basis of the Index Figure applicable by virtue of 5.7(b)(ii) above fell short of, or (as the case may be) exceeded the interest which would have been payable on that Note if the Index

Figure subsequently published had been published on or before the second business day before the date for payment; or

(B) in the case of any Note falling due for final redemption on the date for payment, no subsequent adjustment to amounts paid will be made.

(c) Cessation of or fundamental changes to the Index

If the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer or the Noteholders and if, within 30 days after its appointment (or such longer period as the Trustee may consider reasonable), the Expert recommends for the purposes of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments), then provided that such adjustments or substitute index (as the case may be) are not materially detrimental (in the opinion of the Expert) either to the interests of the Issuer or the interests of the Noteholders, as compared to the interests of the Issuer and the Noteholders (as the case may be) as they would have been had the Index continued to be published or such fundamental change in the rules governing the Index not been made, the Index shall be adjusted as so recommended or (as the case may be) shall be replaced by the substitute index so recommended (as so adjusted, if so recommended) and references in these Conditions to the Index shall be construed accordingly and the Issuer shall notify the Noteholders of the adjustments to the Index or the introduction of the substitute index (with or without adjustments) in accordance with Condition 14 (*Notices*).

If any payment in respect of the Notes is due to be made after the cessation or changes referred to in the preceding paragraph but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the date for payment is not available in accordance with the provisions of Condition 5.6) make a provisional payment on the basis that the Index Figure applicable to the date for payment is the Index last published. In that event or in the event of any payment on the Notes having been made on the basis of an Index deemed applicable under Condition 5.7(b)(i) above (also referred to below as a **provisional payment**) and in either such case in the event of the Trustee on the advice of the Expert subsequently determining that the relevant circumstances fall within this Condition 5.7(c), then:

(i) except in the case of a payment on redemption of the Notes, if the sum which would have been payable if such adjustments or such substitute index had been in effect on the due date for such provisional payment is greater or less than the amount of such provisional payment, the interest payable on the Notes on the Interest Payment Date next succeeding the last date by which the Issuer and Trustee receive such recommendation shall be increased or reduced to reflect the amount by which such provisional payment of interest fell short of, or (as the case may be) exceeded, the interest which would have been payable on the Notes if such adjustments or such substituted index had been in effect on that date; or

(ii) in the case of a payment of principal or interest on redemption of the Notes, no subsequent adjustment to amounts paid will be made.

(d) Trustee

The Trustee shall be entitled to assume that no cessation of or change to the Index has occurred until informed otherwise by the Issuer and shall have no obligation to monitor any Index or to check any calculations made pursuant to this Condition and will not be responsible for identifying or appointing an Expert save as provided in these Conditions.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

6.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and/or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, whether against presentation or surrender of any Global Note or otherwise, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and/or Clearstream, as applicable and in each case such record shall be *prima facie* evidence that the payment in question has been made.

6.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer and the Guarantor (if the Issuer is ESB Finance) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and, where applicable, the Guarantor, adverse tax consequences to the Issuer or, as the case may be, the Guarantor.

6.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9 (*Prescription*)) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

 (i) the relevant place of presentation;

 (ii) London;

 (iii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.6); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (if the Issuer is ESB Finance) the Guarantor would be unable for reasons outside its control to procure payment by ESB Finance and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*); and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 (*Events of Default and Enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10 (*Events of Default and Enforcement*).

7.5 Redemption as a result of a Change of Control of the Issuer

An **Event Risk Put Event** will occur if, while any of the Notes remains outstanding (as defined in the Trust Deed) a Change of Control Event occurs and during the Change of Control Period either:

(i) a Ratings Downgrade occurs; or

(ii) if at the time of the commencement of the Change of Control Period the Notes do not carry a credit rating from a Rating Agency, the relevant Issuer is unable to obtain an investment grade rating from any Rating Agency before the end of the Change of Control Period.

Further, if at the time of the commencement of the Change of Control Period the Notes carry a non-investment grade credit rating (as described below) from any Rating Agency, an Event Risk Put Event will be deemed to occur upon the occurrence of a Change of Control Event alone.

If an Event Risk Put Event occurs (unless the Issuer has given notice under Condition 7.2 (*Redemption or repurchase for tax reasons*) or Condition 7.3 (*Redemption and repurchase at the option of the Issuer*) in respect of all of the Notes then outstanding):

(a) the Issuer shall, within 10 Dublin Business Days after the occurrence of such Event Risk Put Event, and at any such time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Event Risk Put Event Notice**) to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Event Risk Put Event and the procedure for exercising the option contained in this Condition 7.5; and

(b) the holder of each Note will have the option to require the Issuer to redeem or, at the relevant Issuer's option, purchase (or procure the purchase of) that Note on the Event Risk Put Date (as defined below) at its principal amount, together with any interest accrued up to (but excluding) the Event Risk Put Date.

To exercise the right to require redemption of the Notes following an Event Risk Put Event, the holder of the Notes must, if the Notes are in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent on any Business Day falling within the Event Risk Put Period, deliver a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (an **Event Risk Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. If the Notes are in definitive bearer form, the Event Risk Put Notice must be accompanied by the Notes (together with all Coupons appertaining thereto maturing after the Event Risk Put Date), or evidence satisfactory to the Paying Agent concerned that the Notes (and such Coupons) will, following delivery of the Event Risk Put Notice, be held to its order or under its control.

If the Notes are represented by a Global Note or are in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of the Notes following an Event Risk Put Event the holder of the Notes must, within the Event Risk Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear and Clearstream, Luxembourg, or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if the Notes are represented by a Global Note and the terms of such Global Note so provide, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Notes on the Event Risk Put Date at their principal amount, together with any interest accrued up to (but excluding) the Event Risk Put Date unless previously redeemed or purchased.

If 80 per cent. or more in nominal amount of the Notes originally issued have been redeemed or purchased and cancelled pursuant to the provisions of this Condition 7, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Event Risk Put Date, redeem the remaining Notes as a whole at a redemption price of the principal amount thereof plus interest accrued to but excluding the date of such redemption.

If the rating designations employed by Moody's, Fitch and S&P are changed from those which are described within the applicable definition of Ratings Downgrade (below), or if a rating is assigned by another Rating Agency, the Issuer shall determine, with the agreement of the Trustee the rating designations of Moody's, Fitch and S&P or such other Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's, Fitch and S&P and this Condition shall be construed accordingly.

The Trustee is under no obligation to ascertain whether an Event Risk Put Event or any event which would lead to the occurrence of or could constitute an Event Risk Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Event Risk Put Event or other such event has occurred.

Where the definitions within this Condition 7.5 state that the Issuer will seek to obtain a rating from a Rating Agency, the Issuer undertakes that it will make all reasonable endeavours to seek a rating in respect of the Notes from a Rating Agency either prior to or not later than the timeframe as specified.

For the purpose of these Conditions:

A **Change of Control Event** shall occur if the Government of Ireland ceases, directly or indirectly (through any government agency or political subdivision thereof or otherwise), to have Control of ESB.

Change of Control Period means the period:

(a) commencing on the date that is one Business Day before the earlier of (a) the date of the relevant Change of Control Event and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any); and

(b) ending 90 days after the date of the Change of Control Event or such longer period for which the Notes are under consideration by a Rating Agency for rating or rating review (such consideration having been announced publicly within the period ending 90 days after the date of the Change of Control Event and such period not to exceed 60 days after the public announcement of such consideration).

Control of ESB means the right, by virtue of holding shares in ESB or otherwise, or by virtue of any contract or other arrangement with any holder of shares in such body corporate, to exercise or control the exercise of more than 50 per cent. of the total voting rights conferred upon the holders of the entire capital stock for the time being of ESB.

Dublin Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Dublin.

Event Risk Put Date means the date falling seven days after the expiry of the Event Risk Put Period.

Event Risk Put Period means the period of 45 days after a Event Risk Put Event Notice is given.

Rating Agency means Moody's Investors Service, Inc. (**Moody's**), Fitch Ratings Ltd. (**Fitch**) or Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc, (**S&P**), or their respective successors, replacements or substitutes.

Ratings Downgrade means, with respect to a Rating Agency and a Change of Control Event, immediately prior to the commencement of the relevant Change of Control Period, such Rating Agency rated the Notes as investment grade (being at or above Baa3, BBB- or BBB- for Moody's, Fitch and S&P respectively, or its respective equivalent for the time being), or, in the case of a Rating Agency which had not assigned a rating to the Notes immediately prior to the commencement of the relevant Change of Control Period, such Rating Agency assigns an investment grade rating to the Notes during the relevant Change of Control Period, and during such Change of Control Period:

(a) such Rating Agency rates the Notes as non-investment grade (being at or below Ba1, BB+ or BB+ for Moody's, Fitch and S&P respectively, or its respective equivalent for the time being) and such rating is not within such Change of Control Period restored to an investment grade rating by such Rating Agency or replaced by an investment grade rating of another Rating Agency, or

(b) such Rating Agency withdraws its rating of the Notes and that rating is not within such Change of Control Period replaced by an investment grade rating of another Rating Agency, and in each case such Rating Agency publicly announces or confirms in writing to the Issuer, the Guarantor (if the Issuer is ESB Finance) or the Trustee that such non-investment grade rating or withdrawal of rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control Event (whether or not such Change of Control Event shall have occurred at the time such rating is given or rating is withdrawn).

Relevant Potential Change of Control Announcement means any formal public announcement or statement by or on behalf of ESB or the Government of Ireland relating to any potential Change of Control Event where, within 180 days of the date of such announcement or statement, a Change of Control Event occurs.

7.6 Redemption for Indexation Reasons

In the case of Index Linked Interest Notes or Index Linked Redemption Notes (unless the contrary appears within the applicable Final Terms):

(a) if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee considers reasonable), or states to the Issuer and the Trustee that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 5.7(c), the Issuer shall, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their principal amount multiplied by the Index Ratio (or Limited Index Ratio in the case of Limited Index Linked Notes), applicable to the date on which the date fixed for redemption falls, together with accrued interest; or

(b) if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee considers reasonable), or states to the Issuer and the Trustee that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 5.7(c), the Issuer may at its option, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their principal amount multiplied by the Index Ratio or Limited Index Ratio (in the case of Limited Index Linked Notes) applicable to the date on which the date fixed for redemption falls, together with accrued interest.

7.7 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10 (*Events of Default and Enforcement*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^y$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

7.8 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.7.

7.9 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.10 Purchases

The Issuer, the Guarantor (where the Issuer is ESB Finance) or any of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

7.11 Cancellation

All Notes which are redeemed, or purchased pursuant to Condition 7.10, will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.10 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.12 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3, 7.4 or 7.5 above upon its becoming due and repayable as provided in Condition 10 (*Events of Default and Enforcements*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.7 above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

8. TAXATION

All payments in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor (where the Issuer is ESB Finance) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer, or as the case may be, the Guarantor (where the Issuer is ESB Finance) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

(i) **Tax Jurisdiction** means Ireland or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notices*).

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (d) (other than the winding up or dissolution of the Issuer or the Guarantor, if applicable), (e) to (g) and (i) inclusive below, only if the Trustee shall have certified in writing to the Issuer and, if applicable, the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer or the Guarantor, if applicable, that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed:

(a) if default is made in the payment of any amount due in respect of the Notes or any of them and the default continues for a period of 3 days in the case of principal or 7 days in the case of interest; or

(b) if the Issuer or the Guarantor (where the Issuer is ESB Finance) fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor (where the Issuer is ESB Finance), as the case may be, of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries is declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries for any Indebtedness for Borrowed Money is enforced; or (iv) default is made by the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; or

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries, save for the purposes of reorganisation, amalgamation, merger, consolidation or restructuring (i) in the case of a Principal Subsidiary, whilst solvent, (ii) in the case of the Issuer or the Guarantor, on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(e) if the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation, amalgamation, merger, consolidation or restructuring (i) in the case of a Principal Subsidiary, whilst solvent, or (ii) in the case of the Issuer or the Guarantor, on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or, the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (A) proceedings are initiated against the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries under any applicable liquidation, insolvency, composition, examination, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, examiner, administrator or other similar official, or an administrative or other receiver, manager, examiner, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 30 business days; or

(g) if the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, examination, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if (where the Issuer is ESB Finance) ESB Finance ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by ESB; or

(i) if (where the Issuer is ESB Finance) the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or

(j) if any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (i) above.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer or the Guarantor (where the Issuer is ESB Finance) as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (where the Issuer is ESB Finance) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10.3 Definitions

For the purposes of the Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts), other than Non Recourse Indebtedness which singularly or in the aggregate is in excess of €50,000,000 (or its equivalent in other currencies) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer and the Guarantor (where the Issuer is ESB Finance) are entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction other than a Tax Jurisdiction.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor (where the Issuer is ESB Finance) and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in the United Kingdom and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, filed with the Companies Announcement Office of the Irish Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

15.1 Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor (where the Issuer is ESB Finance) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by a majority consisting of not less than three-fourths of votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor (where the Issuer is ESB Finance), the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

15.2 Substitution

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders agree:

(a) with the Issuer and the Guarantor (where the Issuer is ESB Finance) to the substitution in place of the Issuer (or of any previous substitute of the Issuer under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, of another company, being either ESB itself or another Subsidiary of ESB, or

(b) with ESB to the substitution in place of ESB, either as Issuer or as Guarantor (or of any previous substitute of ESB in either capacity under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, or under the Guarantee, as the case may be, of another company,

in each case subject to (i) (in the case of a substitution under (a) above of another Subsidiary of ESB) the Notes being unconditionally and irrevocably guaranteed by ESB; (ii) the Trustee being satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders; and (iii) certain other conditions set out in the Trust Deed being complied with.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor (where the Issuer is ESB Finance) and/or any of their Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor (where the Issuer is ESB Finance) and/or any of their Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to jurisdiction

The Issuer and the Guarantor (where the Issuer is ESB Finance) each irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer and the Guarantor (where the Issuer is ESB Finance) each waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and (where entitled under the Trust Deed to do so) the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) against the Issuer or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer and the Guarantor (where the Issuer is ESB Finance) each appoints Jordans International Limited at its registered office at 21 St Thomas Street, Bristol BS1 6JS as its agent for service of process, and undertakes that, in the event of Jordans International Limited ceasing so to act or ceasing to be registered in England, it or they will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

19.4 Waiver of immunity

The Issuer and the Guarantor (where the Issuer is ESB Finance) each hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes, which include making a profit. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

OVERVIEW OF THE ELECTRICITY MARKETS IN IRELAND AND NORTHERN IRELAND

The structure of the electricity market in Ireland and Northern Ireland (the two jurisdictions being referred to together as **All Island** or **Island of Ireland**) can be divided into four segments: generation, supply, transmission and distribution. Electricity generation and supply are open to full competition throughout the Island of Ireland. Electricity transmission and distribution are regulated monopolies in each of Ireland and Northern Ireland.

Energy Policy and Regulation

The Government of Ireland, through the Minister for Communications, Energy and Natural Resources is responsible for energy policy and energy affairs in Ireland. Irish energy policy and regulation is heavily influenced by European Union law.

The Commission for Energy Regulation (**CER**) is the independent regulator of the energy markets in Ireland. The Northern Ireland Authority for Utility Regulation (**NIAUR**) is the independent regulator of the energy markets in Northern Ireland. Representatives from each of the CER and NIAUR make up the Single Electricity Market Committee which makes decisions in relation to the Single Electricity Market (**SEM**) (see further below).

Single Electricity Market

The SEM came into operation on the Island of Ireland in November 2007. It is operated by the Single Electricity Market Operator (**SEMO**). SEMO is a joint venture between EirGrid plc (**EirGrid**), the transmission system operator for Ireland, and SONI Limited, the transmission system operator for Northern Ireland. SEMO is licensed and regulated co-operatively by the CER and the NIAUR.

The SEM is a single wholesale market for electricity in Ireland and Northern Ireland into which virtually all electricity generated in, or imported into, the Island of Ireland must be sold, and from which all wholesale electricity consumed in, or exported from, the Island of Ireland must be purchased. The key design features of the SEM are that it is a gross mandatory pool with central commitment and a single unconstrained marginal pricing structure.

For economic efficiency and market power mitigation reasons, the SEM is structured to ensure that the system marginal price (**SMP**) reflects underlying marginal power production cost. As a result, generators are required (under a Bidding Code of Practice) to bid prices into the pool at no less than, and no greater than, short-run marginal costs.

However, due to the capital intensity of generation investment, revenue derived on this basis will in general not provide an adequate return on that investment and, accordingly, the SEM supplements the spot revenue with an administered capacity payment with the aim that, when taken together, generators should receive adequate revenue over the long term.

The SEM therefore incorporates an explicit Capacity Payment Mechanism based on the lifetime cost of a ''Best New Entrant'', as well as providing constraint payments to compensate generators constrained on/off due to stability reasons and/or transmission constraints.

In addition, in order to mitigate residual market power, the relevant regulatory bodies direct ESB, and potentially other market participants, to sell each year to eligible suppliers a portion of output in the form of directed contracts for differences (**Directed CfDs**) (3 TWhs in 2009/2010). The relevant regulatory bodies determine both the quantity and price (which is calculated using a model based on forward SMP values) of these Directed CfDs.

Therefore, to the extent set out in the preceding paragraphs, there remains an element of regulatory control over the wholesale price of electricity in the Island of Ireland.

Participating generators must submit a day-ahead commercial bid, which is based on the avoidable costs of electricity generation. SEMO optimizes the dispatch of these generators to meet demand for electricity, and produces, for each half-hour trading period, a single wholesale energy price that is applicable to generators and suppliers in both jurisdictions. From a generator's perspective the following two features of the market are of particular interest:

- The availability of a revenue stream to a participating generator will not depend upon it finding a purchaser for its output as all power can be sold into the pool. A generator may, however, wish to mitigate the uncertainty associated with fluctuating SEM energy prices by entering into bilateral arrangements with participating suppliers, so as to achieve the effect of a fixed output price. As the market's gross mandatory design is not consistent with the use of physical off-take arrangements, such bilateral arrangements will take the form of contracts for differences.

- In addition to payments for energy, the SEM includes a capacity mechanism that rewards each participating generator for making generation capacity available, whether or not the generator is actually dispatched. Each year the regulatory authorities determine an annual capacity payment sum, which is distributed to generators throughout the year on a weighted basis reflecting the fluctuating value of generation capacity. These capacity payments are funded by suppliers.

Electricity Transmission

The Irish electricity transmission system is a high voltage network for the transmission of bulk electricity supplies around Ireland. Generally the high voltage lines deliver electricity from Ireland's generation sources to the transformer stations, where the electricity voltage is reduced and taken onwards through the distribution system to individual users' premises. There are also approximately 18 very large commercial users directly connected to the transmission system.

The Irish transmission system is operated and owned by separate entities, namely EirGrid and ESB (acting through its ring-fenced ESB Networks division, **ESBN**).

EirGrid, a separate Irish State-owned company, is the licensed operator of the Irish electricity transmission system (Transmission System Operator – **TSO**). It has responsibility for the operation, maintenance and development of Ireland's transmission system in a safe, secure, reliable, economical and efficient manner. It offers terms and levies charges regulated by the CER for the connection to and use of the system by market participants.

ESBN owns the Irish transmission system assets (with a RAB value as at 31 December 2009 of approximately EUR1.2 billion) and is licensed as the transmission asset owner (**TAO**) by the CER. ESBN, in its capacity as TAO, is required to maintain the transmission system and carry out construction work for its development in accordance with the TSO's Transmission Development Plan.

The interaction between EirGrid as TSO and ESBN as TAO is the subject of an agreement which has been approved by the CER.

In Ireland, transmission revenue reviews are carried out by the CER every five years and are refined on an annual basis. The latest five year review covers the period 2006 to 2010 and sets out the total allowed revenues over that period for both the TSO and the TAO. Each year the allowed revenue is refined in an annual review that updates a range of assumptions. This determines the allowed revenue in the relevant year, which is then used to calculate tariffs and charges to users of the transmission system. See further the section of this Offering Circular entitled "*Description of ESB – ESB Networks – Networks Regulated Returns*".

EirGrid's subsidiary, SONI Limited, is the licensed operator of the Northern Ireland electricity transmission system.

Northern Ireland Electricity plc (**NIE**) owns the electricity transmission system assets in Northern Ireland.

Electricity Distribution

The electricity distribution system is the combination of high, medium and low voltage electricity networks used to deliver electricity to individual users (other than those very large users connected directly to the transmission network, referred to above).

The Irish electricity distribution system (with a RAB value as at 31 December 2009 of approximately EUR4.8 billion) is owned and operated by separate entities within the Group. ESB Networks Limited is the licensed distribution system operator (**DSO**). The DSO is a wholly owned subsidiary of ESB and is subject to corporate governance oversight by the Board of ESB but operates independently of ESB in relation to its DSO functions. It has responsibilities which include the operation, maintenance and development of Ireland's electricity distribution system in a safe, secure, reliable, economical and efficient manner. It offers terms and levies charges regulated by the CER for the connection to and use of the distribution system by market participants.

The distribution system assets are owned by ESBN as the distribution asset owner (**DAO**). The interaction between ESB Networks Limited in its capacity as DSO and ESBN in its capacity as DAO is the subject of an agreement which has been approved by the CER.

Distribution revenue reviews are carried out by the CER every five years and are refined on an annual basis. The latest five year review covers the period 2006 to 2010 and sets out the total allowed revenues over that period for both the DSO and the DAO. Each year the allowed revenue is refined in an annual review that updates a range of assumptions. This determines the allowed revenue in the relevant year which is then used to calculate tariffs and charges to users of the distribution system. See further the section of this Offering Circular entitled "*Description of ESB – ESB Networks – Networks Regulated Returns*".

NIE owns the electricity distribution system assets in Northern Ireland.

Interconnection with Other Networks

For geographical reasons, the Irish electricity transmission system is isolated compared to systems in mainland European jurisdictions and in the UK.

The Moyle Interconnector links the electricity grids of Northern Ireland and Scotland through submarine cables running between converter stations in County Antrim, Northern Ireland and Ayrshire in Scotland. The link has a capacity of 500 MW.

There is currently one significant electricity interconnector between the electricity transmission networks in Ireland and Northern Ireland, which has a total capacity of approximately 300 MW.

A second significant interconnector between Ireland and Northern Ireland is planned. The construction of the interconnector is being overseen by the Transmission System Operators in both jurisdictions (**SONI Limited** and **EirGrid**). It is anticipated that the project will be complete by the end of 2012 with a capacity of 500 MW.

The Government of Ireland mandated EirGrid to build an interconnector (referred to as the **East-West Interconnector**) between Ireland and Great Britain, which is scheduled for completion in 2012. The East-West Interconnector will link the electricity transmission system in Ireland to the electricity transmission system in Great Britain, enabling two way transmission of electricity. EirGrid has secured connection points on the power systems in Ireland and Great Britain and has also been granted an interconnector licence by the UK regulator, Ofgem. The capacity of the East-West Interconnector will be 500 MW.

Electricity Generation

In 2009 the SEM generation sector comprised approximately 8,500 MW of dispatchable plant, while the peak demand that year was approximately 6,500 MW. The capacity connected to the system includes a mix of older generation plants alongside modern combined cycle gas turbine (**CCGT**) plants and renewable energy sources such as wind power. These stations generate electricity from fuels such as gas, coal and oil as well as indigenous fuels including hydro, wind, peat and biomass.

To connect to the electricity network, a generator must hold (i) an Authorisation to Construct or Reconstruct a Generating Station and (ii) a Generation Licence. The CER is responsible for assessing and for granting, or refusing to grant, these permits. The conditions imposed in the Authorisation and in the Licence must be met by the generator and compliance is monitored by the CER on an ongoing basis.

Electricity Supply

The liberalisation of Ireland's electricity market began in February 2000, with a 28% market opening, allowing major consumers of electricity to select a supplier of their choice. A second phase brought market liberalisation to most non-domestic customers. Full market opening to all consumers occurred in February 2005.

The CER licences electricity suppliers in Ireland and NIAUR licences electricity suppliers in Northern Ireland. ESB Customer Supply (**ESBCS**) holds the public electricity supply licence issued by the CER – see further the section of this Offering Circular entitled "*Description of ESB – Energy Solutions*".

On 2 December 2009, the CER published a consultation paper entitled ''Review of the Regulatory Framework for the Retail Electricity Market; Proposals on a Roadmap for Deregulation'' in which the CER, in response to increased competition in the retail electricity supply market in Ireland, set forth the terms of its consultation on a roadmap for the removal of price regulation currently imposed on ESBCS. The CER is scheduled to publish its decision on this matter on 1 March 2010 with the decision to be implemented by the end of 2010.

DESCRIPTION OF ESB FINANCE LIMITED

Introduction

ESB Finance Limited (**ESB Finance**) was incorporated in Ireland on 26 January 2010 as a private limited company with registered number 480184. As an Irish incorporated company it operates under the Companies Acts 1963 to 2009 of Ireland. ESB Finance's registered office is at 27 Lower Fitzwilliam Street, Dublin 2, Ireland and its telephone number is +353 1676 5831. ESB Finance is a wholly owned subsidiary or ESB.

ESB Finance was incorporated for the purpose of, *inter alia*, acting as a general financing vehicle for the Group, including lending or otherwise making available to other members of the Group the proceeds of fundraisings in which it engages from time to time.

Board of ESB Finance

The Directors of ESB Finance Limited and their principal outside activities are:

Name	Principal Activities outside ESB Finance
Deirdre Cowler	Director of certain other ESB subsidiaries and employee of ESB
Brendan Murphy	Director of certain other ESB subsidiaries and employee of ESB
Ronan Sheehy	Director of certain other ESB subsidiaries and employee of ESB
Gerard Tallon	Director of certain other ESB subsidiaries and employee of ESB

The business address of each of the Directors of ESB Finance for the purposes of the Programme is 27 Lower Fitzwilliam Street, Dublin 2, Ireland.

There are no potential conflicts of interests between the duties of ESB Finance's directors in such capacity and their private or other professional interests.

ESB Finance and ESB

As a wholly-owned subsidiary of ESB, ESB Finance is dependent on the performance of ESB and the other members of the Group to generate sufficient income to enable ESB Finance to perform and satisfy its payment obligations under the Notes.

Auditors

The auditors to ESB Finance are KPMG Chartered Accountants and Registered Auditors whose office is at 1 Stokes Place, St Stephen's Green, Dublin 2, Ireland.

DESCRIPTION OF ESB

Overview

ESB was established on 11 August 1927 as a statutory corporation in the Republic of Ireland (**Ireland**) under the Electricity (Supply) Act 1927 and it operates under the Electricity (Supply) Acts 1927 to 2004 of Ireland. ESB's head office is at 27 Lower Fitzwilliam Street, Dublin 2, Ireland and its telephone number is +353 1 676 5831. ESB is majority owned by the Government of Ireland through the Minister for Finance of Ireland (who holds 85% of its issued capital stock) and the Minister for Communications, Energy and Natural Resources of Ireland (who holds 10% of its issued capital stock). The remaining 5% of the issued capital stock of ESB is held by an Employee Share Ownership Trust.

The primary activities of ESB and its subsidiaries (together, the **Group**) are the ownership and operation of electricity distribution and transmission networks in Ireland and the generation and supply of electricity in Ireland and certain other countries. As at 31 December 2009, ESB was the sole owner of the electricity distribution and transmission networks in Ireland (providing it with a regulatory asset base (**RAB**) of approximately EUR6 billion), owned 41% of total electricity generation capacity in Ireland and Northern Ireland (the two jurisdictions being referred to together as **All Island** or **Island of Ireland**) and supplied electricity to approximately 1.7 million customers throughout the Island of Ireland. As at 31 December 2009, the Group employed approximately 7,500 people.

Summary Financial Information

The table below sets out summary consolidated financial data of the Group as at and for the years ended 31 December 2007, 31 December 2008 and as at and for the half-year ended 30 June 2009. This table should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of ESB (including the notes thereto) attached to this Offering Circular, which have been prepared in accordance with IFRS and which, for the years ended 31 December 2007 and 31 December 2008, have been audited by the auditors to ESB, KPMG. The financial statements for the half-year ended 30 June 2009 have not been audited.

	Y/E 31.12.07 Audited	**Y/E 31.12.08 Audited**	**Half-year 30.06.09 Unaudited**
Income Statement Data, €m	IFRS	IFRS	IFRS
Revenue and other operating income	3,492.6	3,515.1	1,667.4
EBIT	523.2	339.9	524.3
EBIT margin	15.0%	9.7%	31.4%
Profit after taxation	431.7	273.3	497.8
Balance Sheet Data, €m			
Non-current assets (excl. cash)	6,985.0	7,581.7	7,738.4
Current assets (excl. cash)	878.2	1,199.4	961.8
Total assets (excl. cash)	7,863.2	8,781.2	8,700.2
Current liabilities (excl. debt)	(842.3)	(1,567.1)	(1,131.0)
Non-current liabilities (excl. debt)	(1,858.7)	(1,736.9)	(1,984.4)
Total liabilities (excl. debt)	(2,701.0)	(3,304.0)	(3,115.4)
Net assets[2]	5,162.2	5,477.1	5,584.8
Net cash / (debt)	(1,796.5)	(2,087.9)	(1,721.3)
Total equity	3,365.6	3,389.3	3,863.5
Cash Flow Data, €m			
Cash generated from operations	1,004.6	872.0	353.6
Regulatory Data, €bn			
ESB Networks Regulated Asset Base	5.7	6.0	N/A

2 Total assets (excluding cash) less total liabilities (excluding debt).

Strategic Framework to 2020

In early 2008, the Group announced its "Strategic Framework to 2020" in which it set out key elements of the Group's strategy through to 2020 and beyond. This plan seeks to provide a platform for significant growth for the Group's core businesses, whilst addressing the challenges posed to the Group's businesses by climate change.

This strategy envisages a significant capital investment programme to be funded primarily by retained earnings and supplemented by borrowings over the period. Since its announcement, the plan has been refined to incorporate new initiatives and to reflect the current economic environment.

Amongst the most significant elements of the strategy are the following:

- A reduction in the Group's carbon emissions of 50% by 2020 with a net zero position by 2035.
- Delivery of a world-class sustainable electricity distribution and transmission network in Ireland, providing significant growth opportunities for the Group, including network enhancement for renewables, smart meters/networks and electric vehicles.
- Creation of a renewables business of scale that accounts for 33% of the Group's electricity generation by 2020, including wind and possibly ocean power.
- Development of a best practice generation portfolio, including a unified trading business and a long term market share of approximately 40% within the All-Island power generation market.
- Building a customer-focused supply business, including enhanced customer service, competitive pricing, new product offerings (e.g. dual fuel) and an energy services business.
- Building a significant international presence, allowing the Group to expand as a vertically integrated utility across the Irish and United Kingdom markets, including the development of a generating/ trading presence in the United Kingdom and tolling opportunities elsewhere in Europe.

Organisational Structure

In November 2009, ESB commenced implementation of an organisational restructuring. Previously, ESB had four operational divisions:

- ***ESB Networks***, which consisted of the ownership of the electricity distribution and transmission assets in Ireland and the operation, through ESB Networks Limited, of the electricity distribution system;
- ***ESB Power Generation***, which consisted of ESB's generation assets in Ireland that were subject to regulation until November 2007;
- ***ESB Customer Supply***, which consisted of the regulated electricity supply business in Ireland; and
- ***ESB International***, which consisted of the unregulated generation and supply businesses of the Group in the Island of Ireland, in addition to international operations.

The new organisational structure consists of three core operational divisions:

- ***ESB Networks*** (largely unaltered);
- ***ESB Energy International***, which consists of the Group's generation assets and related trading functions as well as its international activities; and
- ***Energy Solutions***, which consists primarily of the Group's energy supply businesses.

In addition, the Finance and Commercial Directorate is responsible for the overall strategy of the Group, the assessment of investments, overall Group risk management and governance, central accounting and reporting, as well as the provision of Group Shared Services.

This recent organisational restructuring was motivated by an intention to move ESB's organisation towards a Generation, Trading and Supply business model, whilst observing existing regulatory constraints. Regulatory developments may facilitate further movement towards this model in the future.

The primary activities of the three operational divisions are described below.

ESB Networks

ESB Networks (**ESBN**) owns the electricity distribution and transmission systems in Ireland. The Commission for Energy Regulation (**CER**) has issued to ESB (i) Distribution Asset Owner (**DAO**) and (ii) Transmission Asset Owner (**TAO**) licences. As a regulated monopoly ESBN is subject to ring-fencing arrangements and its activities are subject to regulation by the CER.

ESBN carries out its functions through an integrated asset management and work delivery organisational model that covers both distribution and transmission. It has a staff of approximately 3,500, who are supplemented by external resources when required.

ESB Networks Limited was established as a separate company to act as independent operator of the electricity distribution system in Ireland with effect from 1 January 2009. It holds a Distribution System Operator (**DSO**) licence from the CER. ESB Networks Limited is a wholly owned subsidiary of ESB and is subject to corporate governance oversight by the Board of ESB, but operates independently of ESB in the exercise of its DSO functions.

ESBN's role as TAO is carried out under an agreement entered into with EirGrid plc (**EirGrid**), a separate Irish State-owned company, which is the operator of the electricity transmission system in Ireland (Transmission System Operator – **TSO**). This agreement has been approved by the CER.

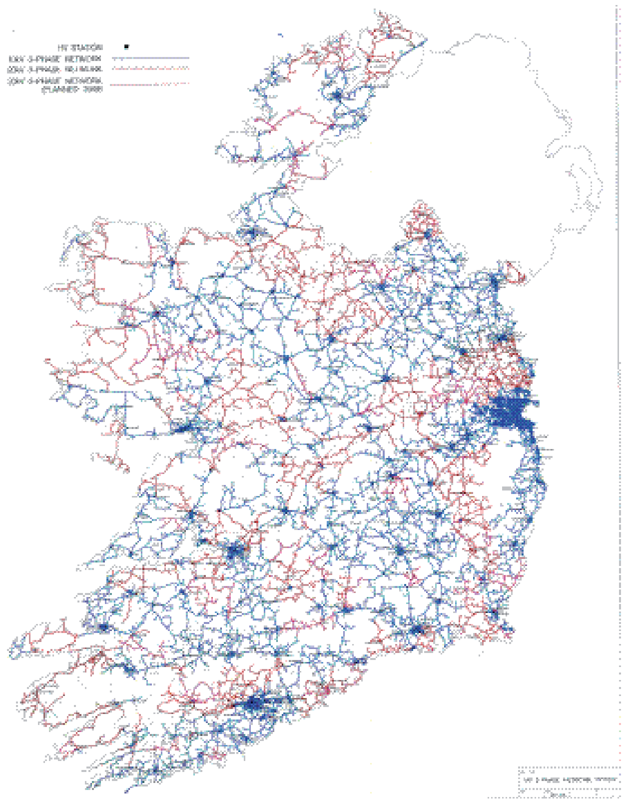
Distribution Business

As the holder of the DAO licence issued by the CER, ESBN is the sole owner of the electricity distribution network in Ireland.

As holder of the DSO licence issued by the CER, ESB Networks Limited is responsible for distribution system development and the construction, operation, and maintenance of over 245,000 transformers and over 160,000km of distribution networks. ESB Networks Limited is also responsible for the installation and maintenance of meters, for reading all end-user meters and for the processing of meter readings.

ESBN in its capacity as DAO and ESB Networks Limited in its capacity as DSO earn their respective revenues principally through charges for connection to and use of the distribution system, in each case as regulated by the CER.

Ireland Distribution Network Diagram



Source: ESBN

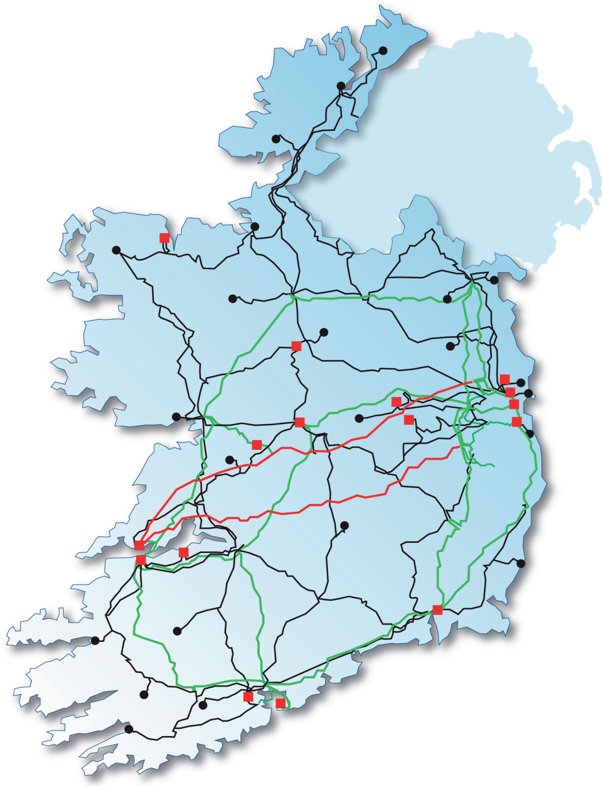
Transmission Business

As the holder of the TAO licence issued by the CER, ESBN is the sole owner of the electricity transmission network in Ireland and is responsible for the construction and maintenance of the transmission system, subject to the terms of an agreement with the TSO, which has been approved by the CER.

The transmission network comprises 30 large transmission stations and over 6,600km of lines at three voltage levels: 400 kV, 220 kV and 110 kV.

The TAO earns its revenue principally through charges for connection to and use of the transmission system, as regulated by the CER.

Ireland Transmission Network Diagram



Source: EirGrid

Networks Regulated Returns

The returns ESBN makes, in its respective capacities as TAO and DAO, are regulated by the CER. The CER sets the total revenues allowed to the TAO and DAO from the transmission system assets and distribution system assets, respectively, for consecutive five year periods (each a **Regulatory Price Control Period**). The current Regulatory Price Control Period, the second such period since inception of this legal regime in Ireland and termed Price Review 2 (**PR2**), covers the years 2006 to 2010 (inclusive). Each year the allowed revenue is refined in an annual review that updates a range of assumptions. This determines the allowed revenue in the relevant year which is then used to calculate tariffs and charges to users of the transmission and distribution systems.

As at 31 December 2009, the value of the RAB in respect of the transmission assets was approximately EUR1.2 billion and the value of the RAB in respect of the distribution assets was approximately EUR4.8 billion. The RAB value is adjusted annually for inflation or deflation. The CER has determined that the annual allowed return on the RAB (as so adjusted) for PR2 is 5.63%, which applies to both transmission and distribution assets.

ESBN is currently in discussions with the CER in respect of the next Regulatory Price Control period (**PR3**), covering the years 2011 to 2015 (inclusive). The CER's decisions following such discussions will determine ESBN's allowed costs and return on RAB (which in turn impact significantly on profitability), the customer charges for those years, as well as the level of investment to be made in the relevant period in the transmission and distribution networks.

ESB Energy International

ESB Energy International (**ESB Energy**) consists of: (i) ESB's two key generation portfolios (ESB Power Generation and ESB Independent Generation) which remain ring-fenced from each other under the current regulatory framework, and their related trading functions, (ii) ESB's international investment arm, and (iii) ESB's international consulting and engineering division.

Generation

ESB has two key generation portfolios, (i) ESB Power Generation (**ESBPG**), which consists of the previously regulated generation portfolio in Ireland, and (ii) ESB Independent Generation (**ESBIg**) which consists of the unregulated generation portfolio, including wind assets, on the Island of Ireland and internationally.

In 2009 ESB had a market share, on a sales volume basis, of 43% in the Single Electricity Market (**SEM**) (ESBPG 27%, ESBIg 16%) and 41% of the generation capacity on an All Island basis (ESBPG 31%, ESBIg 10%).

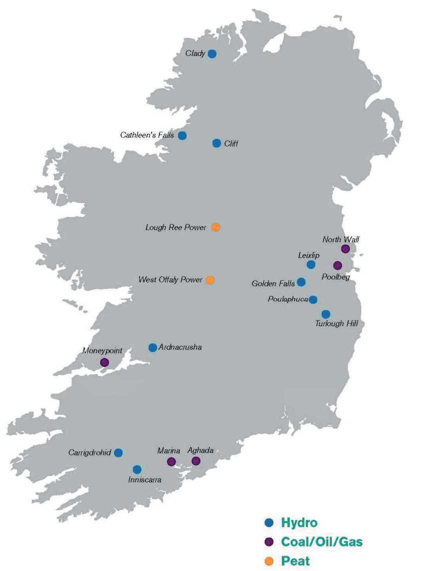
ESB Power Generation

ESBPG consists of 17 power generation plants in Ireland, with a combined generating capacity of 3,145 MW. In addition, ESBPG is constructing a new 430 MW combined cycle gas turbine (**CCGT**) station in Aghada in County Cork, Ireland. This plant is due to reach commercial operation in the first quarter of 2010.

Details of ESBPG's generation plants in operation as at 31 December 2009 are shown in the table below:

ESBPG's Generation Capacity Breakdown

At 31 December 2009	MW
Aghada (existing)	528
Lough Ree Power	91
Marina	85
Moneypoint	847
North Wall	267
Poolbeg	682
West Offaly Power	137
Ardnacrusha Hydro	86
Erne Hydro Plants (Clady/Cathleen's Falls/Cliff)	65
Lee Hydro Plants (Carrigdrohid / Inniscarra)	27
Liffey Hydro Plants (Lexlip/Golden Falls/Poulaphuca)	38
Turlough Hill	292
Sub-Total	**3,145**



Source: ESB

Prior to November 2007, the pricing mechanism for ESBPG's output was set by the CER as part of its regulatory price review process. From November 2007, ESBPG has operated in the SEM.

ESB Independent Generation

ESB Independent Generation (**ESBIg**) manages ESB's independent power generation and operational wind farm assets in the SEM and other markets. The table below outlines details of the ESBIg portfolio of assets as at 31 December 2009:

ESBIg Generation Assets Operating in SEM

Location	Type / Capacity	Operational Since	JV Partner	ESBI Ownership
Synergen, Dublin, Ireland	Gas-Fired, 403 MW	2002	–	100%
Coolkeeragh, Derry, Northern Ireland	Gas-Fired, 455 MW	2005	–	100%
Wind Assets	Wind, 122 MW	Various	Various	75%–100%

ESBIg Generation Assets Operating Outside SEM

Location	Type / Capacity	Operational Since	JV Partner	ESBI Ownership
Corby, England	Gas-Fired, 350 MW	1992	E.ON	50%
Amorebieta, Spain	Gas-Fired, 755 MW	2005	Osaka Gas	50%
Marchwood, England	Gas-Fired, 840 MW	2009	SSE	50%
Wind Assets	Wind, 24 MW	2009	–	100%

The bulk of the output from ESBIg's SEM plants is sold to end-users through ESB Independent Energy, ESB's unregulated electricity supply division (see further below), with the remainder being sold into the SEM pool.

All ESBIg assets operating outside the SEM do so under long term tolling agreements, save for the wind assets.

Asset Divestment and Development

In November 2006 the CER entered into an agreement with ESB concerning the strategy to reduce ESB's market share of power generation in the SEM by 2010 (the **Asset Strategy Agreement**). This Asset Strategy Agreement provides for:

- the sale by ESB of 208 MW of peaking capacity;
- the closure/divestment of 1,300 MW of existing ESB power plant;
- the sale by ESB of generation sites at Shannonbridge and Lanesboro; and
- the sale by ESB of further generation sites with capacity for 1,000 MW.

The divestments contemplated by the Asset Strategy Agreement have been largely completed, with the principal remaining item being the closure of part of a thermal plant in Poolbeg, Dublin, anticipated to be completed in 2010.

In connection with the implementation of the Asset Strategy Agreement, ESB concluded the sale of four of its generating plants, including Great Island in Wexford and Tarbert in Co Kerry, to Spanish utility Endesa, S.A. for EUR440 million in January 2009. This transaction gave rise to an exceptional profit (before tax) of EUR265 million for ESB which was accounted for in the first half of 2009. As a result of this exceptional profit, a special interim dividend of approximately EUR185 million was paid by ESB in November 2009.

The Group is targeting a SEM market share of approximately 40% following full implementation of the Asset Strategy Agreement.

As part of the Asset Strategy Agreement, the CER authorised the construction by ESB of a new 430 MW CCGT generation plant at Aghada, Co. Cork. This plant is due to achieve commercial operation in the first quarter of 2010.

Trading

ESBPG Trading

As part of the regulatory regime, and in order to mitigate ESBPG's market power, the CER mandates ESBPG to sell directed volumes of contracts for differences at directed prices (**Directed CfDs**) annually to other participants in the SEM (amounting to some 3 TWh in the 2009/2010 trading year).

In separate auctions, ESBPG offers further contracts for differences at non-directed prices in the form of **Non-Directed CfDs**. In the first three years of operation of the SEM, the total volume of contracts for differences (**CfDs** - Directed and Non-Directed) entered into by ESBPG has had the effect of auctioning approximately 80% of ESBPG's output on an annual basis, with the balance sold at the SEM pool price.

See further the section of this Offering Circular entitled "*Overview of the Electricity Markets in Ireland and Northern Ireland*" for a description of the SEM.

When ESBPG enters fixed price hedges in the power market, it fixes a high proportion of its fuel costs at the same time in order to lock in gross margin. It achieves this via a combination of commodity price CfDs, existing long term gas contracts and forward fixed price commodity purchases.

ESBIg Trading

The ESBIg trading function manages power and fuel risk on behalf of the Group's unregulated generation stations and the Group's unregulated supply company, ESB Independent Energy. ESBIg buys fuel and carbon allowances and sells power into the SEM. In addition, the ESBIg trading unit manages bilateral agreements between, respectively, the Synergen and Coolkeeragh power plants (owned by the Group) and ESB Independent Energy, which have the effect of hedging fuel and power price risk in connection with those power plants.

International Activities

ESB Energy's international activities consist of a number of businesses, including the development and construction of thermal power plants and wind farms on behalf of internal and external clients, engineering and facility management services and strategic consultancy services, both in Ireland and internationally.

Two key businesses within this function are ESB International Investments (**ESBIi**) and ESBI Engineering and Facility Management (**ESBIe-fm**).

ESBIi is responsible for sourcing and developing power related assets, either through acquisition or development in deregulated markets both in Ireland and internationally. Once assets are operational they are passed to ESBIg for management.

ESBIi has been actively developing investment projects in the international power sector since the early 1990s. Its first large scale development was Corby Power Limited, the first Independent Power Plant project in the UK. Other notable developments include a 455 MW CCGT facility in Coolkeeragh, Derry, Northern Ireland, development of a 755 MW CCGT plant in Amorebieta, Bilbao, Spain, which was Spain's first independent power plant. Its most recently completed project (a joint venture project with Scottish and Southern Energy Generation) is the development of an 840 MW CCGT facility in Marchwood, Southampton, United Kingdom, which reached commercial operation on 10th December 2009. ESBIi is progressing the development of an 860 MW power plant at Carrington in the United Kingdom, which is currently planned to commence operation in 2013/2014.

ESBIe-fm offers a full range of engineering consultancy and operations and maintenance services to ESB Group and to utility customers around the world. ESBIe-fm currently operates and maintains over 5,500 MW of power generation plant worldwide.

Energy Solutions

ESB Energy Solutions (**ESBES**) primarily consists of two energy supply businesses, the regulated ESB Customer Supply (**ESBCS**) business and also the unregulated supply business, ESB Independent Energy (**ESBIe**). These separate businesses are operated under strict ring-fencing arrangements as required under the terms of their respective CER licences.

As at 31 December 2009, ESBCS provided an electricity supply service to over 1.7 million customers in Ireland's retail market and, in 2009, ESBCS had a SEM market share of 34%. ESBCS operates on a standalone basis from other businesses within the Group. It purchases electricity from the SEM in order to supply the electricity needs of its customers. It charges customers for this electricity based on tariff rates that are set in advance of the usage period. Tariff rates are set in line with agreed principles of satisfying economic purchase obligations, achieving cost reflectivity and transparency and are approved by the CER.

As the holder of the public electricity supply licence (**PES**) issued by the CER, ESBCS has a "universal supply obligation", meaning that it is required to offer a supply of electricity to all customers in the Irish retail electricity market with an annual demand of less than 30kVA. As holder of the PES licence, ESBCS must operate independently of other Group businesses, is required to purchase electricity on an economic basis in line with terms approved by the CER, and all prices and terms offered by ESBCS to customers must be approved by the CER. This is in contrast to other suppliers in the Irish retail electricity market, who are free to set their own prices.

ESBCS's tariffs are set annually in advance of each year when many variables are not certain, in particular customer demand volume and electricity purchases (price and volume). Estimation differences therefore occur which, under the current regulatory model, should be compensated for in calculating the following year's tariffs (the adjustments are known as k-factors). This model is currently under review – see further the section of this Offering Circular titled ''*Risk Factors – Regulated markets*'' and ''*Overview of the Electricity Markets in Ireland and Northern Ireland - Electricity Supply*''. ESBCS has a regulated allowable net margin of 1.3%. As a result, while the ESBCS business is expected, over time, to generate low risk, low return margins, the reported earnings tend to be volatile on a year-to-year basis as a result of the k-factors.

With the entry of two significant new suppliers into the Irish retail electricity supply market in 2009, ESBCS customer numbers fell from approximately 2.1 million at 31 December 2008 to approximately 1.7 million at 31 December 2009.

ESBIe is the unregulated electricity supply business within the Group. It had a SEM market share of 15% in 2009. ESBIe's primary focus is on selling electricity to the industrial and large commercial sectors. Its customers are predominantly high load factor customers to whom ESBIe provides a tailored customer service supported by a range of sophisticated energy efficiency services. Under the terms of its licence, ESBIe is prohibited from supplying users who consume less than 225 MWH per annum.

ESBIe has recently commenced operating in the retail gas supply market and has acquired two medium-sized customers on 12-month contracts.

Supply Hedging Strategy

ESBCS's total annual demand in 2009 was approximately 11TWh of which approximately 6% was consumed by Large Energy Users (**LEUs**) who pay on a Pool Price Pass Through basis i.e. ESBCS does not take market price risk on these customers. To facilitate end user price stability ESBCS has a strategy of hedging, on a fixed price basis, a high proportion of demand, excluding LEUs, through power CfDs. Provided that ESBCS is deemed by CER to have complied with the Economic Purchase Obligation condition of its licence, it is allowed to recoup under/over recovery of power purchases in a particular tariff year in the subsequent tariff years.

Other Business Activities

The Group's other activities include Novus Modus Limited, a EUR200 million investment fund established by the Group to provide capital, support and knowledge to companies, projects and management teams in the clean energy and energy efficiency sectors, and ESB 1927 Properties Limited, a subsidiary whose business is to manage and develop Group real property assets, such as the ESB Head Office complex in Dublin. The Group has also commenced a project aimed at the installation and operation of electric vehicle charging infrastructure in Ireland to meet the Irish Government's stated target of widespread electric vehicle penetration by 2020.

Board of ESB

The Board of ESB currently comprises a non-executive Chairman, the Chief Executive and 10 other non-executive members. Seven members of the Board of ESB have been appointed by the Government of Ireland for terms of up to five years and four employees of ESB have been appointed to the Board by the Minister for Communications, Energy and Natural Resources of Ireland for a four year term under the Worker Participation (State Enterprises) Act 1977. The Chief Executive has been appointed a Board Member for a period not exceeding his term as Chief Executive.

The current Board members and their principal outside activities are:

Name	Title	Principal Activities outside ESB
Lochlann Quinn	Non-Executive Chairman	Member of the Board of Smurfit Graduate School at University College Dublin, Chairman of the National Gallery of Ireland, Chairman, Merrion Hotel, Dublin.
Padraig McManus	Chief Executive	Member of the Board of the Irish Management Institute, Trustee of the Conference Board of the United States.
Brendan Byrne	Non-Executive Member of the Board	Managing Partner of ClearVision Consulting, providing consulting services to the global aviation industry. Finance Director of Worldwide Flight Services (Ireland) Limited. Director of AWG Holdings Ltd, an investment holding company in the water industry. Executive Chairman of Air Cargo Software Ltd.
John Coleman	Worker Member of the Board	ESB employee.
Seán Conlan	Non-Executive Member of the Board	Lecturer at the Sligo Institute of Technology.
Eoin Fahy	Non-Executive Member of the Board	Chief Economist with KBC Asset Management Limited, Dublin, and Member of the Commission on Taxation.
Garry Keegan	Non-Executive Member of the Board	Director of Acumen Limited, Member of Expert Group of Future Skills Needs appointed by the Minister of Enterprise, Trade and Employment of Ireland.
Georgina Kenny	Non-Executive Member of the Board	Managing Director of Shannon Dry Cleaners.
Seamus Mallon	Non-Executive Member of the Board	Retired public representative in Ireland and Northern Ireland.
Tony Merriman	Worker Member of the Board	ESB employee.
John Nugent	Worker Member of the Board	ESB employee.
Bobby Yeates	Worker Member of the Board	ESB employee.

The business address of each member of the Board is 27 Lower Fitzwilliam Street, Dublin 2, Ireland.

Members of the Board of ESB may from time to time hold directorships of, or may otherwise be involved with or have interests in, third parties who may, or whose affiliates may, from time to time, in the ordinary course of business, enter into arm's length commercial arrangements with ESB or another Group company. Disclosure is provided to ESB as required under applicable corporate governance rules and procedures of any such interests. Save as disclosed above, there are no potential conflicts of interest between the duties of the members of the Board of ESB in such capacity and their private or other professional interests.

Senior Management of ESB

The executive management team at ESB is comprised of:

Name	**Title**	**Biography**
Padraig McManus	Chief Executive	Padraig McManus was appointed Chief Executive and member of the Board in July 2002 for a seven year period, which was extended for a further three years until 2012. He is a Board member of the Irish Management Institute and a Trustee of the Conference Board of the United States.
John Shine	Deputy Chief Executive	John Shine was appointed Deputy Chief Executive in November 2009. 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.
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.
Bernard Byrne	Group Finance and Commercial Director	Bernard Byrne was appointed Group Finance and Commercial Director in November 2009, having previously held the role of Group Finance Director. ESB has recently announced that Mr Byrne will leave ESB in May 2010. He is to take up the position of Chief Financial Officer at Allied Irish Banks, p.l.c. ESB has initiated a process to recruit a new Group Finance and Commercial Director.
Luke Shinnors	Executive Director, Human Resources and Acting Managing Director, ESB Networks Limited	Luke Shinnors was appointed Executive Director, Human Resources in March 2008 and was appointed as Acting Managing Director, ESB Networks Limited in February 2010. Prior to his appointment as Executive Director, Human Resources, he was Group Manager, Power Generation. He has also held other senior management positions across ESB including Manager, Corporate Change and HR Manager, Networks. ESB has initiated a process to recruit a new Managing Director of ESB Networks Limited.
John Campion	Executive Director, Sustainability	John Campion was appointed Executive Director, Sustainability in March 2008. He joined ESB in 1978 and prior to his most recent appointment held the role of Executive Director, Human Resources and Corporate Affairs since 2002.

Name	Title	Biography
Pat O'Doherty	Executive Director, ESB Energy International	Pat O'Doherty was appointed Executive Director, ESB Energy International in February 2010. Prior to this appointment he held the position of Managing Director, ESB Networks Limited and prior to this the position of Executive Director, Power Generation. He joined ESB in 1981 and has worked in various customer service, project management and general management roles.
Brid Horan	Executive Director, Energy Solutions	Brid Horan was appointed Executive Director, Energy Solutions in November 2009, having previously held the position of Executive Director, ESB Customer Supply and Group Services since December 2006. 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.

Auditors

The auditors to ESB are KPMG Chartered Accountants and Registered Auditors whose office is at 1 Stokes Place, St Stephen's Green, Dublin 2, Ireland.

TAXATION

Irish Taxation

The following summary of the anticipated tax treatment in Ireland in relation to the payments on Notes is based on Irish tax law and the practices of the Revenue Commissioners of Ireland (the Irish tax authorities) as in force at the date of this Offering Circular. It does not constitute tax or legal advice and it does not purport to be, and is not, a complete description of all of the tax considerations that may be relevant to a decision to subscribe for, buy, hold, sell, redeem or dispose of Notes. The summary relates only to the position of persons who are the absolute beneficial owners of Notes and the interest payable on them (**Noteholders**). Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of interest on Notes under the laws of the jurisdictions in which they may be liable to tax.

1. Withholding Taxes

Unless otherwise exempt, withholding tax at the standard rate of income tax (currently 20 per cent.) must be deducted from payments of yearly interest that are within the charge to Irish tax, which would include payments of interest on Notes. Yearly interest is interest that is capable of arising for a period of one year.

1.1 Discount

No withholding for or on account of income tax will be required to be made from payments of discount on Notes, as such amounts do not represent yearly interest.

1.2 Notes having a maturity of less than one year

No withholding for or on account of income tax will be required to be made from payments of interest on Notes having a maturity of less than one year, as such amounts do not represent yearly interest.

1.3 Notes issued by ESB

A confirmation has been received from the Department of Finance that, in accordance with the provisions of Section 36 of the Taxes Consolidation Act 1997 of Ireland, as amended, (the **Taxes Act**), the Minister of Finance directs that interest paid on Notes issued by ESB may be paid without a deduction on account of tax.

1.4 Quoted Eurobond exemption

Section 64 of the Taxes Act provides for the payment of interest in respect of Quoted Eurobonds without deduction of tax in certain circumstances. A **Quoted Eurobond** is defined in section 64 of the Taxes Act as a security which:

(a) is issued by a company;

(b) is quoted on a recognised stock exchange (the Irish Stock Exchange is a recognised stock exchange for this purpose); and

(c) carries a right to interest.

There is no obligation to withhold tax from payments of interest on Quoted Eurobonds (**Exempted Quoted Eurobonds**) where:

(a) the person by or through whom the payment is made is not in Ireland; or

(b) the payment is made by or through a person in Ireland; and

   (i) the Quoted Eurobond is held in a recognised clearing system (Euroclear and Clearstream, Luxembourg are recognised clearing systems for this purpose); or

   (ii) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate declaration to this effect.

1.5 Wholesale Debt Instrument exemption

Section 246A of the Taxes Act provides for the payment of interest on certain Wholesale Debt Instruments without deduction of tax in certain circumstances. Notes are **Wholesale Debt Instruments** for this purpose if they:

(a) recognise an obligation to pay a stated amount;

(b) carry a right to interest or are issued at a discount or at a premium;

(c) mature within two years; and

(d) are issued with a minimum denomination of €500,000 if denominated in euro, US$500,000 if denominated in US dollars or, in the case of Notes which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of the first publication of this program).

There is no obligation to withhold tax from payments of interest on Wholesale Debt Instruments (**Exempted Wholesale Debt Instruments**) in certain circumstances. These circumstances are where:

(a) the Wholesale Debt Instrument is held in a recognised clearing system (Euroclear and Clearstream, Luxembourg are recognised clearing systems for this purpose); or

(b) the person by whom the payment is made or the person through whom the payment is made is resident in Ireland or the payment is made by or through a branch or agency through which a company not resident in Ireland carries on a trade or business in Ireland; and

either:

(i) the person who is beneficially entitled to the interest is a resident of Ireland who has provided their tax reference number to the payer; or

(ii) the person who is the beneficial owner of the Wholesale Debt Instrument and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration in the prescribed form.

1.6 Section 246 of the Taxes Act (**Section 246**)

Section 246 provides certain exemptions from this general obligation to withhold tax including an exemption in respect of interest payments made by a company in the ordinary course of business carried on by it to a company resident for the purposes of tax in a relevant territory except where the interest is paid to the company in connection with a trade or business carried on in Ireland by that company through a branch or agency. In addition, section 246 includes an exemption in respect of interest payments made by a qualifying company within the meaning of section 110 of the Taxes Act (it is intended that ESB Finance Limited will be such a qualifying company) to a person who is resident for the purposes of tax in a relevant territory, except, in a case where the person is a company, where the interest is paid to the company in connection with a trade or business carried on in Ireland through a branch or agency. A relevant territory for this purpose is an E.U. Member State, other than Ireland, or not being such a Member State, a territory with which Ireland has signed into a double tax agreement. As of the date of this Offering Circular, Ireland has signed a double tax agreement with each of Australia, Austria, Bahrain, Belarus, Belgium, Bosnia & Herzegovina, Bulgaria, Canada, China, Chile, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Georgia, Greece, Hungary, Iceland, Israel, India, Italy, Japan, Korea (Rep. of), Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, the Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Romania, Russia, Serbia, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States of America, Vietnam and Zambia.

1.7 Double tax agreements

In the event that none of the above exemptions apply a Noteholder may be exempt from income tax pursuant to the terms of an applicable double tax agreement that is in effect provided the required procedures are completed. Although Ireland has signed agreements with Bahrain, Belarus, Bosnia & Herzegovina, Moldova, Serbia, Turkey and Georgia, they are not as yet in effect.

2. Liability of Noteholders to income tax

Persons resident in Ireland for the purposes of tax are subject to corporation tax or income tax on their worldwide income, which would include interest payable and discounts realised on Notes.

Persons not resident in Ireland for the purposes of tax are subject to tax on the interest payable and discounts realised on Notes unless they qualify for one of the exemptions listed below.

2.1 Section 198 of the Taxes Act

(a) A company which is not resident in Ireland for the purposes of tax will not be chargeable to income tax in respect of interest paid (in the ordinary course of business of the relevant Issuers) or discounts realised on Notes, if the company is resident in a Member State of the European Union or in a jurisdiction with which Ireland has signed a double tax agreement.

(b) A person (whether or not a company) who is not resident in Ireland for the purposes of tax will not be chargeable to income tax in respect of interest received or discounts realised on Notes if the person is resident in a Member State of the European Union or in a jurisdiction with which Ireland has signed a double tax agreement and, in the case of interest only, the interest is paid on:

  (i) an Exempted Quoted Eurobond; and

  (ii) an Exempted Wholesale Debt Instrument.

(c) A person (whether or not a company) who is not resident in Ireland for the purposes of tax will not be chargeable to income tax in respect of interest received or discounts realised on Notes if the person is resident in a Member State of the European Union or in a jurisdiction with which Ireland has signed a double tax agreement and the interest is paid by a qualifying company within the meaning of section 110 of the Taxes Act out of the assets of the qualifying company.

2.2 Double tax agreements

Ireland's double tax agreements, that are in effect, may exempt interest from Irish tax when received by a resident of the other territory provided certain procedural formalities are completed.

Interest and discounts realised on Notes that do not fall within the above exemptions are within the charge to income tax to the extent that a double tax agreement that is in effect does not exempt the interest or discount as the case may be.

However, it is understood that the Revenue Commissioners have, in the past, operated a practice (as a consequence of the absence of a collection mechanism rather than adopted policy) whereby no action will be taken to pursue any liability to such tax in respect of persons who are regarded as not being resident in Ireland for the purposes of tax except where such persons:

(a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or

(b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

(c) are chargeable to corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Revenue Commissioners will apply this practice in the case of the holders of Notes and, as mentioned above, there is a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

3. Encashment tax

Interest on any Note which is an Exempted Quoted Eurobond realised or collected by an agent in Ireland on behalf of a holder will generally be subject to a withholding at the standard rate of income tax (currently 20 per cent.). This is unless the beneficial owner of the Note that is entitled to the interest is not resident in Ireland and makes a declaration in the required form. This is provided that such interest is not for the purposes of tax deemed, under the provisions of tax legislation, to be the income of another person that is resident in Ireland.

4. Stamp Duty

No stamp duty is payable on the issue or the transfer by delivery of Notes.

Section 86 of the Stamp Duties Consolidation Act provides that no stamp duty will be chargeable on any instrument transferring Notes that are issued by ESB.

In the event of written transfer of Notes issued by ESB Finance, no stamp duty is chargeable provided that ESB Finance is a qualifying company within the meaning of section 110 of the Taxes Act, and the money raised by the Notes is used in the course of its business.

Where the above exemptions or another exemption does not apply, the instrument of transfer is liable to stamp duty at the rate of one percent of the consideration paid in respect of the transfer (or if greater, the market value thereof) which must be paid in Euro by the transferee (assuming an arm's length transfer) within 30 days of the date on which the transfer instrument is executed, after which interest and penalties will apply.

5. Capital Gains Tax

Section 607 of the Taxes Act provides that Notes issued by ESB are not chargeable assets for the purposes of Irish tax.

Separately, provided Notes are listed on a stock exchange, a holder will not be subject to tax on capital gains in respect of those Notes unless that holder is either resident or ordinarily resident for tax purposes in Ireland or that holder has an enterprise or an interest in an enterprise, which carries on business in Ireland through a branch or agency, or a permanent establishment, to which or to whom Notes are attributable.

If Notes issued by ESB Finance are at any time not listed on a stock exchange, then an exemption from tax on capital gains tax in respect of such Notes will continue to apply to the holders who are exempted in the circumstances referred to in the paragraph immediately above, insofar as Notes do not derive their value, or the greater part of their value, from Irish land or certain Irish mineral rights.

6. Capital Acquisitions Tax

If Notes are comprised in a gift or inheritance taken from a person resident or ordinarily resident for tax purposes in Ireland or if the disponer's successor is resident or ordinarily resident for tax purposes in Ireland, or if any of Notes are regarded as property situate in Ireland, the disponer's successor (primarily), or the disponer, may be liable to capital acquisitions tax. The Notes may be regarded as property situate in Ireland.

If Notes are comprised in a gift or inheritance taken from a person resident or ordinarily resident in Ireland for the purposes of tax or if the disponer's successor is resident or ordinarily resident in Ireland for the purposes of tax, the disponer's successor (primarily), or the disponer may be liable to capital acquisitions tax.

For the purposes of capital acquisitions tax, under current legislation a non-Irish domiciled person will not be treated as resident or ordinarily resident in Ireland for the purposes of the applicable legislation except where that person has been resident in Ireland for the purposes of tax for the 5 consecutive years of assessment immediately preceding the year of assessment in which the date of the gift or inheritance falls.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the **Programme Agreement**) dated 12 February 2010, agreed with ESB and ESB Finance a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, ESB and ESB Finance have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i)it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor (where the relevant Issuer is ESB Finance); and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it will not offer, sell, underwrite, place or do anything in Ireland in respect of any Notes otherwise than in compliance with the provisions of the Irish Companies Acts 1963 to 2009 and the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

(b) it will not offer, sell, underwrite, place or do anything in Ireland in respect of any Notes otherwise than in compliance with the Central Bank Acts 1942 to 1999 (as amended) of Ireland and any codes of conduct made under Section 117(1) thereof;

(c) it will not offer, sell, underwrite, place or do anything in Ireland in respect of any Notes otherwise than in compliance with the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules made by the Financial Regulator pursuant thereto; and

(d) it will not offer, sell, underwrite, place, or do anything in Ireland in respect of any Notes otherwise than in compliance with the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes by ESB Finance have been duly authorised by a resolution of the Board of Directors of ESB Finance dated 11 February 2010. The establishment of the Programme and the issue of Notes by ESB and the giving of the guarantee in respect of the Notes issued by ESB Finance have been duly authorised by a resolution of the Board of ESB dated 20 January 2010.

Listing of Notes

Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

From the date of this Offering Circular and for as long as the Programme remains in effect or any Notes issued thereunder remain outstanding, copies of the following documents will, when published, be available for inspection (by physical and/or electronic means) from the registered office of the relevant Issuer and from the specified offices of the Paying Agents for the time being in London:

(a) the Electricity (Supply) Acts, 1927 to 2004 of Ireland establishing ESB as a body corporate in Ireland;

(b) the constitutional documents of ESB Finance;

(c) the consolidated audited financial statements of ESB in respect of the financial years ended 31 December 2008 and 31 December 2007 together with the audit reports prepared in connection therewith, and the consolidated unaudited financial statements of ESB in respect of the six month period ended 30 June 2009. ESB currently prepares audited consolidated accounts on an annual basis;

(d) the Programme Agreement, the Trust Deed, the Agency Agreement, and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(e) a copy of this Offering Circular;

(f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(g) in the case of each issue of Notes admitted to trading on the Irish Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, a copy of this Offering Circular is available on the Financial Regulator's website at *www.financialregulator.ie*.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of ESB since 30 June 2009 or ESB Finance since 26 January 2010 (being the date of incorporation) and there has been no material adverse change in the prospects of ESB since 31 December 2008 or ESB Finance since the date of its incorporation.

Litigation

Neither ESB nor ESB Finance nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ESB or ESB Finance are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of ESB, ESB Finance or the Group.

Auditors

The auditors of ESB are KPMG, Chartered Accountants and members of the Institute of Chartered Accountants in Ireland, who have audited ESB's accounts, without qualification, in accordance with generally accepted auditing practice in Ireland for each of the two financial years ended on 31 December 2008 and 31 December 2007. The auditors of ESB have no material interest in ESB.

The auditors of ESB Finance are KPMG, Chartered Accountants and members of the Institute of Chartered Accountants in Ireland. The auditors of ESB Finance have no material interest in ESB Finance.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with ESB and ESB Finance

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to ESB and ESB Finance and their affiliates in the ordinary course of business.

Websites

No website referred to in this Offering Circular forms part of this document for the purposes of the listing of any Notes on the Irish Stock Exchange.

FINANCIAL STATEMENTS OF ESB

THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF ESB FOR THE HALF YEAR ENDED 30 JUNE 2009 TOGETHER WITH THE AUDITORS' REVIEW REPORT THEREON.

Group Income Statement

For the 6 months ended 30 June 2009

	Notes	June 2009 € '000	June 2008 € '000
Revenue	6	**1,652,628**	1,671,655
Other operating income	8	**14,724**	12,454
Profit on disposal of generation assets	7	**265,004**	-
Operating costs	9	**(1,408,066)**	(1,389,517)
Operating profit		**524,290**	294,592
Interest cost and other financing charges	10	**(33,528)**	(51,363)
Interest income	10	**1,612**	748
Net interest cost and other financing charges		**(31,916)**	(50,615)
Share of joint ventures' profit	15	**32,993**	25,677
Profit before taxation		**525,367**	269,654
Income tax expense	12	**(27,536)**	(29,421)
Profit after taxation	20	**497,831**	240,233
Attributable to:			
Equity holders of the Parent	20	**497,793**	240,122
Minority interests	20	**38**	111
Profit for the financial year	20	**497,831**	240,233

Signed: Chairman

Signed: Chief Executive

Signed: Group Finance Director

Group Balance Sheet

For the 6 months ended 30 June 2009

	Notes	June 2009 € '000	December 2008 € '000
ASSETS			
Non-current assets			
Property, plant & equipment	13	**7,143,718**	6,978,384
Intangible assets	14	**250,660**	317,178
Investments in joint ventures	15	**148,508**	117,118
Financial asset investments	15	**10,052**	7,030
Derivative financial instruments	22	**104,352**	90,453
Deferred tax assets		**81,093**	71,574
Total non-current assets		**7,738,383**	7,581,737
Current assets			
Inventories	16	**142,719**	144,727
Trade and other receivables	17	**711,906**	775,404
Investments		**79**	79
Cash and cash equivalents	18	**262,479**	83,210
Current tax asset	27	**-**	5,619
Derivative financial instruments	22	**106,430**	187,187
Assets held for sale	19	**700**	86,398
Total current assets		**1,224,313**	1,282,624
Total assets		**8,962,696**	8,864,361
EQUITY			
Capital stock	20	**1,979,882**	1,979,882
Translation reserve	20	**(9,575)**	(18,811)
Cash flow hedging and other reserves	20	**85,145**	117,880
Retained earnings	20	**1,804,607**	1,306,814
Equity attributable to equity holders of the Parent		**3,860,059**	3,385,765
Minority interests	20	**3,454**	3,485
Total equity		**3,863,513**	3,389,250
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	21	**1,710,653**	1,928,748
Pension liabilities	23	**405,530**	307,005
Employee related liabilities	23	**65,852**	78,025
Trade and other payables	24	**13,234**	14,242
Deferred income and government grants	25	**751,408**	657,307
Provisions	26	**249,059**	261,289
Deferred tax liabilities		**350,710**	358,377
Derivative financial instruments	22	**148,567**	60,657
Total non current liabilities		**3,695,013**	3,665,650
Current liabilities			
Borrowings and other debt	21	**273,107**	242,324
Employee related liabilities	23	**104,784**	107,822
Trade and other payables	24	**588,141**	618,725
Deferred income & government grants	25	**35,105**	30,126
Provisions	26	**248,756**	534,794
Current tax liabilities	27	**28,008**	-
Derivative financial instruments	22	**126,269**	252,567
Liabilities associated with assets held for sale	19	**-**	23,103
Total current liabilities		**1,404,170**	1,809,461
Total liabilities		**5,099,183**	5,475,111
Total equity and liabilities		**8,962,696**	8,864,361

Signed: Chairman

Signed: Chief Executive

Signed: Group Finance Director

Group Statement of Recognised Income and Expenses

For the 6 months ended 30 June 2009

	Notes	**June 2009 € '000**	June 2008 € '000
Translation differences on consolidation of foreign joint ventures	20	**3,120**	(6,287)
Translation differences on consolidation of foreign subsidiaries	20	**19,992**	(7,988)
Transferred from Income Statement on hedge of a net investment	20	**(13,876)**	12,085
Fair value (losses) / gains on cash flow hedges	20	**(28,470)**	132,933
Fair value gains on cash flow hedges in joint ventures	20	**4,633**	8,715
Net fair value losses on cash flow hedges - minority interests	20	**(69)**	-
Tax on items taken directly to equity	20	**12,546**	(13,122)
Net income recognised directly in equity		**(2,124)**	126,336
Transferred to Income Statement on cash flow hedges	20	**(19,559)**	60,073
Transferred to Income Statement on cash flow hedges in joint ventures	20	**(4,546)**	(1,297)
Tax on items transferred from equity	20	**3,462**	(7,509)
Tax on items taken directly to/transferred from equity for joint ventures	20	**(801)**	(2,082)
Profit for the financial year	20	**497,831**	240,233
Total recognised income and expenses for the period		**474,263**	415,754
Attributable to:			
Equity holders of the parent		**474,294**	414,493
Minority interest		**(31)**	1,261
Total recognised income and expense for the period		**474,263**	415,754

Group Cash Flow Statement

For the 6 months ended 30 June 2009

	Notes	June 2009 € '000	June 2008 € '000
Cash flows from operating activities			
Profit before taxation		**525,367**	269,654
Adjustments for:			
Depreciation and amortisation	9	**230,519**	214,163
Amortisation of supply contributions and other deferred income	8	**(14,724)**	(12,454)
Amortisation of emissions allowances	25	**(66,705)**	(104,823)
(Profit)/Loss on disposal of property, plant and equipment	7	**(265,004)**	2,272
Impact of fair value movements on financial instruments		**(19,559)**	13,988
Translation differences		**(18,065)**	3,812
Interest expense	10	**31,916**	50,615
Profits from associates and joint ventures	15	**(32,993)**	(25,677)
Operating cashflows before changes in working capital and provisions		**370,752**	411,550
Charge in relation to provisions		**54,689**	116,919
Charge in relation to pension and employee related liabilities		**185,549**	43,218
Utilisation of provisions		**(160,968)**	(6,772)
Utilisation of pension and employee related liabilities		**(104,737)**	(71,380)
Decrease/(Increase) in trade and other receivables		**74,957**	(82,615)
Decrease/(Increase) in inventories		**2,008**	(35,301)
(Decrease) in trade and other payables		**(68,679)**	(47,701)
Cash generated from operations		**353,571**	327,918
Current tax refunded / (paid)		**2,000**	(1,978)
Interest paid		**(39,907)**	(43,080)
Net cash inflow from operating activities		**315,664**	282,860
Cash flows from investing activities			
Purchase of property, plant and equipment		**(415,898)**	(353,313)
Purchase of intangible assets		**(19,535)**	(12,101)
Proceeds from sale of property, plant and equipment		**446,610**	845
Purchase of financial assets		**(3,023)**	(13,728)
Supply contributions and other deferred income received		**24,068**	50,564
Dividends received from joint venture undertakings	12	**8,555**	5,305
Interest received		**1,612**	748
Net cash inflow / (outflow) from investing activities		**42,389**	(321,680)
(Decrease) / Increase in loans and finance leases (net)		**(177,782)**	20,431
Interest element of finance lease payments		**(2,919)**	(6,008)
Net cash (outflow) / inflow from financing activities		**(180,701)**	14,423
Net increase / (decrease) in cash and cash equivalents		**177,352**	(24,397)
Cash and cash equivalents at 1 January	18	**83,210**	53,318
Effect of exchange rate fluctuations on cash held		**1,917**	(735)
Cash and cash equivalents at 30 June	18	**262,479**	28,186

1. REPORTING ENTITY

ESB is a company domiciled in the Republic of Ireland. The condensed consolidated interim financial statements of ESB as at and for the six months ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as ESB) and the Group's interests in associates and jointly controlled entities.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008.

The following standard amendment and the following interpretation are mandatory for the first time for the financial year beginning 1 January 2009 and will be applied in the statutory accounts for the year ended 31 December 2009:

• IAS 1 (revised), *"Presentation of Financial Statements"*. This amendment requires changes to the presentation of financial statements. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). It adopts revised titles for the primary statements, although entities may continue to use the existing titles.

• IFRIC 16, "*Hedges of a Net Investment in a Foreign Operation* ". This is not expected to have a material impact on the consolidated financial statements.

The following new amendments to standards and interpretations have not yet been endorsed by the European Union and consequently have not been adopted in these interim financial statements, and would be mandatory in our financial reporting in the fiscal year ending 31 December 2009, assuming endorsement is to occur:

• IAS 39 (amendment), "*Financial Instruments: Recognition and Measurement* "
• IFRS 7 (amendment), "*Financial Instruments: Disclosures* "

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

• IFRS 3 (revised), "*Business Combinations* " and consequential amendments to IAS 27, "*Consolidated and Separate Financial Statements* ", IAS 28, "*Investments in Associates* " and IAS 31, "*Interests in Joint Ventures* ", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Company although this is not expected to be significant.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (revised) to all business combinations from 1 January 2010.

• IFRIC 18, "*Transfers of Assets from Customers* ", effective for transfers of assets received on or after 1 July 2009. This has not yet been endorsed by the European Union and its implications for the Group should it be endorsed, are currently under review.

4. ESTIMATES AND JUDGEMENTS

Preparation of consolidated financial statements pursuant to IFRS as adopted by the EU 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.

There have been no significant changes in such estimates and judgements since the Balance Sheet date.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2008 and as set out in Note 21 of these interim financial statements.

6. REVENUE

Revenue by Geographic Market	**June 2009**	June 2008
	€ '000	€ '000
Ireland	**1,482,575**	1,529,470
UK & Europe	**154,384**	127,766
Other	**15,669**	14,419
Total	**1,652,628**	1,671,655

7. PROFIT ON DISPOSAL OF GENERATION ASSETS	**June 2009**	June 2008
	€ '000	€ '000
Profit on disposal of generation assets	**265,004**	-

The profit on disposal relates to assets sold to Endesa 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.

8. OTHER OPERATING INCOME

	June 2009 € '000	June 2008 € '000
Amortisation of supply contributions & other deferred income (Note 25)	**14,724**	12,454

9. OPERATING COSTS

	June 2009 € '000	June 2008 € '000
Employee costs (Note 11)	**388,298**	271,489
Energy costs	**595,179**	717,326
Operations and maintenance	**194,070**	186,539
Depreciation and amortisation of property, plant & equipment/intangible assets (Notes 13/14)	**230,519**	214,163
Total	**1,408,066**	1,389,517

10. NET INTEREST COST AND OTHER FINANCING CHARGES

	June 2009 € '000	June 2008 € '000
Interest payable on borrowings	**36,710**	51,298
Interest payable on finance leases	**2,866**	5,774
Interest payable	**39,576**	57,072
Less capitalised interest	**(16,647)**	(11,206)
	22,929	45,866
Financing charges:		
- on restructuring liabilities	**2,502**	2,257
- on power station closure costs	**4,958**	6,455
- on other provisions	**1,276**	1,315
Fair value (gains)/losses on financial instruments:		
- currency/interest rate swaps: cash flow hedges, transfer from equity	**2,844**	(4,530)
- foreign exchange contracts not qualifying for hedge accounting	**(981)**	-
Total interest payable	**33,528**	51,363
Total interest receivable	**(1,612)**	(748)
Total	**31,916**	50,615

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

11. EMPLOYEES

(a) Employee costs in year	June 2009 € '000	June 2008 € '000
Current staff costs (excluding pension)		
Salaries	**259,455**	246,875
Overtime	**21,068**	28,251
Social welfare costs (PRSI)	**13,509**	12,133
Contribution to Defined Contribution Plans	**2,414**	1,627
Other payroll benefits*	**18,901**	22,208
Capitalised payroll	**(78,304)**	(76,736)
Net payroll cost for employees	**237,043**	234,358
(b) Pension & retirement benefit costs		
Voluntary severance costs	**(20,336)**	2,452
Increase in pension liability	**171,591**	34,679
	151,255	37,131
Total employee related costs charged to the Income Statement	**388,298**	271,489

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

12. TAX ON PROFIT ON ORDINARY ACTIVITIES

	June 2009 € '000	June 2008 € '000
Current tax expense		
Current tax	**33,007**	25,270
Prior period overprovision	**(117)**	998
	32,890	26,268
Deferred tax expense		
Origination and reversal of temporary differences	**(5,354)**	4,540
Prior period under/(over) provision	**-**	(1,387)
Total	**27,536**	29,421

13. PROPERTY, PLANT & EQUIPMENT

	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	1,089	5,359	6,448	395,787	402,235
Retirements/disposals	(577)	(12,827)	(13,404)	-	(13,404)
Transfer of assets held for resale	-	(46,569)	(46,569)	-	(46,569)
Transfers out of assets under construction	8,775	182,821	191,596	(191,596)	-
Reclassification to intangible assets	-	-	-	(228)	(228)
Translation difference	-	(19,812)	(19,812)	-	(19,812)
Balance at 30 June 2008	926,205	9,058,516	9,984,721	1,034,509	11,019,230
Balance at 1 January 2009	932,119	9,238,023	10,170,142	1,283,655	11,453,797
Additions	1,462	10,814	12,276	349,787	362,063
Retirements/disposals	(35)	(2,308)	(2,343)	(4,913)	(7,256)
Transfers out of assets under construction	23,645	298,512	322,157	(322,157)	-
Translation difference	-	23,554	23,554	(757)	22,797
Balance at 30 June 2009	957,191	9,568,595	10,525,786	1,305,615	11,831,401
Depreciation					
Balance at 1 January 2008	508,522	3,802,910	4,311,432	-	4,311,432
Charge for the period	13,307	176,684	189,991	-	189,991
Retirements/disposals	(27)	(10,260)	(10,287)	-	(10,287)
Transfers to assets held for resale	-	(46,569)	(46,569)	-	(46,569)
Translation difference	-	(5,756)	(5,756)	-	(5,756)
Balance at 30 June 2008	521,802	3,917,009	4,438,811	-	4,438,811
Balance at 1 January 2009	516,212	3,959,201	4,475,413	-	4,475,413
Charge for the period	13,849	192,047	205,896	-	205,896
Retirements/disposals	(28)	(1,590)	(1,618)	-	(1,618)
Translation difference	-	7,992	7,992	-	7,992
Balance at 30 June 2009	530,033	4,157,650	4,687,683	-	4,687,683
Net book value at 30 June 2009	**427,158**	**5,410,945**	**5,838,103**	**1,305,615**	**7,143,718**
Net book value at 31st December 2008	415,907	5,278,822	5,694,729	1,283,655	6,978,384
Net book value at 30 June 2008	404,403	5,141,507	5,545,910	1,034,509	6,580,419
Net book value at 1 January 2008	408,396	5,146,634	5,555,030	830,546	6,385,576

During the period, the Group capitalised interest of €16.6 million (June 2008: €11.2 million) in assets under construction. The capitalisation rate was 4.5% (2008: 5%).

The carrying value of non-depreciable assets at 30 June 2009 is €44.6 million (December 2008: €42.8 million).

Property, plant and equipment with a net book value of nil at 30 June 2009 are included above at a cost of €1,261 million (December 2008: €1,194 million).

Assets under construction of €322.2 million were completed during the period, with €298.5 million transferred to plant and machinery (June 2008: €182.8 million) and €23.6 million transferred to land & buildings (June 2008: €8.8 million).

Finance leases

All finance leases are held by the Parent. The net book value of property, plant and equipment includes an amount of €107.4 million (December 2008: €113.3 million) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the six month period ended 30 June 2009 amounted to €8.0 million (June 2008: €8.5 million).

14. INTANGIBLE ASSETS

	Software costs and other intangibles € '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 and other intangible additions	4,574	-	4,294	8,868
Allocation of emissions allowances	-	212,050	-	212,050
Purchase of emissions	-	3,005	-	3,005
Translation differences	-	(829)	-	(829)
Settlement of emission allowances	-	(68,836)	-	(68,836)
Transfers out of software under development	8,349	-	(8,349)	-
Reclassification from property, plant & equipment	-	-	228	228
Balance at 30 June 2008	265,433	214,684	17,528	497,645
Balance at 1 January 2009	276,900	186,443	22,767	486,110
Software and other intangible additions	9,573	-	164	9,737
Allocation of emission allowances	-	132,527	-	132,527
Purchase of emissions	-	9,798	-	9,798
Settlement of emission allowances	-	(196,775)	-	(196,775)
Transfers out of software under development	7,745	-	(7,745)	-
Translation differences	-	2,818	-	2,818
Balance at 30 June 2009	294,218	134,811	15,186	444,215
Amortisation				
Balance at 1 January 2008	119,934	-	-	119,934
Charge for the period	24,172	-	-	24,172
Balance at 30 June 2008	144,106	-	-	144,106
Balance at 1 January 2009	168,932	-	-	168,932
Charge for the period	24,623	-	-	24,623
Balance at 30 June 2009	193,555	-	-	193,555
Net book value at 30 June 2009	**100,663**	**134,811**	**15,186**	**250,660**
Net book value at 31 December 2008	107,968	186,443	22,767	317,178
Net book value at 30 June 2008	121,327	214,684	17,528	353,539
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 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.

15. FINANCIAL ASSET INVESTMENTS

	Joint venture investments € '000	Other investments € '000	Total € '000
Balance at 1 January 2008	71,742	2,773	74,515
Additions	-	13,190	13,190
Share of profit	25,677	-	25,677
Fair value movement on cash flow hedges	8,533	-	8,533
Dividends received	(5,305)	-	(5,305)
Translation difference	(6,287)	-	(6,287)
Repayments	-	(2,659)	(2,659)
Balance at 30 June 2008	94,360	13,304	107,664
Balance at 1 January 2009	117,118	7,030	124,148
Additions	-	3,022	3,022
Share of profit	32,993	-	32,993
Fair value movement on cash flow hedges	3,832	-	3,832
Dividends received	(8,555)	-	(8,555)
Translation difference	3,120	-	3,120
Balance at 30 June 2009	**148,508**	**10,052**	**158,560**

16. INVENTORIES

	June 2009 € '000	December 2008 € '000
Materials	**29,891**	28,826
Fuel	**112,828**	115,901
	142,719	144,727

Inventories consumed during the six month period ended 30 June 2009 total €102.1million (2008: €114.8 million).

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

17. TRADE AND OTHER RECEIVABLES

	June 2009	December 2008
	€ '000	€ '000
Trade receivables	**239,224**	269,002
Unbilled consumption	**256,132**	370,888
Amounts owed by joint venture undertakings	**51,166**	38,219
Other receivables	**165,384**	97,295
	711,906	775,404

18. CASH AND CASH EQUIVALENTS

	June 2009	December 2008
	€ '000	€ '000
Cash at bank and in hand	**262,479**	83,210

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

	June 2009	December 2008
	€ '000	€ '000
Property, plant and equipment	**700**	31,637
Emission allowances	**-**	31,250
Inventories	**-**	23,511
Total assets for sale	**700**	86,398
Emission provision	**-**	(23,103)
Total liabilities associated with assets for sale	**-**	(23,103)

Assets held for sale at June 2009 comprise of properties held by ESB Networks.

Assets held for sale at December 2008 mainly comprised power generation assets at Tarbert, Co. Kerry, Great Island, Co. Wexford, Tawnaghmore, Co. Mayo, and Rhode, Co. Offaly as well as sites at Shannonbridge, Co Offaly and Lanesboro, Co. Longford, together with associated trading and inventory balances and emission allowances. These assets had a carrying value at 31 December 2008 of €85.7m and were sold in January 2009 (see also Note 7).

Liabilities associated with assets held for sale at December 2008 comprised emissions provisions attributable to the power stations held for sale.

20. CAPITAL & RESERVES

Reconciliation of movement in capital and reserves

	Capital Stock	Translation Reserve	Cash Flow Hedging & Other Reserves	Retained Earnings	Total	Minority interest	Total Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 1 January 2008	1,979,882	72	221,750	1,163,281	3,364,985	645	3,365,630
Income for the year	-	-	-	240,122	240,122	111	240,233
Other changes	-	(2,190)	-	-	(2,190)	1,150	(1,040)
Cash flow hedges:							
- Net fair value (losses)	-	-	132,933	-	132,933	-	132,933
- Transfers to income statement							
- Interest	-	-	(4,530)	-	(4,530)	-	(4,530)
- Other Operating Income	-	-	64,603	-	64,603	-	64,603
- Fair value gains for hedges in joint ventures	-	-	8,715	-	8,715	-	8,715
- Transfers to Income Statement for joint ventures	-	-	(1,297)	-	(1,297)	-	(1,297)
Tax on items taken directly to equity	-	-	(20,632)	-	(20,632)	-	(20,632)
Tax on items taken directly to equity for joint ventures	-	-	(2,082)	-	(2,082)	-	(2,082)
Balance at 30 June 2008	1,979,882	(2,118)	399,460	1,403,403	3,780,627	1,906	3,782,533
Balance at 1 January 2009	1,979,882	(18,811)	117,880	1,306,814	3,385,765	3,485	3,389,250
Income for the period	-	-	-	497,793	497,793	38	497,831
Other changes	-	9,236	-	-	9,236	-	9,236
Cash flow hedges							
- Net fair value gains/(losses)	-	-	(28,470)	-	(28,470)	(69)	(28,539)
- Transfers to Income Statement	-	-	(19,559)	-	(19,559)	-	(19,559)
- Fair value gains for hedges in joint ventures	-	-	4,633	-	4,633	-	4,633
- Transfers to Income Statement for joint ventures	-	-	(4,546)	-	(4,546)	-	(4,546)
Tax on items taken directly to equity	-	-	16,008	-	16,008	-	16,008
Tax on items taken directly to equity for joint ventures	-	-	(801)	-	(801)	-	(801)
Balance at 30 June 2009	**1,979,882**	**(9,575)**	**85,145**	**1,804,607**	**3,860,059**	**3,454**	**3,863,513**

(i) Capital stock

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

	June 2009
	€ '000
Comprised as:	
Stock issued from converted reserves	1,880,888
Stock issued for subscription by ESOT	98,994
	1,979,882

21. BORROWINGS AND OTHER DEBT

	Finance Leases € '000	Recourse Borrowings € '000	Non Recourse Borrowings € '000	June 2009 Total € '000	December 2008 Total € '000
Current borrowings					
- Repayable by instalments	7,758	84,630	4,990	**97,377**	95,630
- Repayable other than by instalments	-	175,729	-	**175,729**	146,694
Total current borrowings	7,758	260,359	4,990	**273,107**	242,324
Non-current borrowings					
- Repayable by instalments					
Between one and two years	8,537	28,472	5,317	**42,326**	40,509
Between two and five years	73,638	141,720	13,154	**228,512**	189,493
After five years	-	324,495	6,763	**331,258**	372,624
	82,175	494,687	25,234	**602,096**	602,626
- Repayable other than by instalments					
Between one and two years	-	34,668	-	**34,668**	35,209
Between two and five years	11,220	273,903	-	**285,123**	819,747
After five years	-	788,766	-	**788,766**	471,166
	11,220	1,097,337	-	**1,108,557**	1,326,122
Total non-current borrowings	93,395	1,592,024	25,234	**1,710,653**	1,928,748
Total borrowings outstanding	**101,153**	**1,852,383**	**30,224**	**1,983,760**	2,171,072

Current borrowings
Finance leases of €7.8 million (December 2008: €7.4 million) refer to the capital element of finance leases payable in the next 12 months. The recourse borrowings of €260.4 million (December 2008: €230.1 million) includes long term debt repayable within the next 12 months of €84.6 million (December 2008: €83.5 million), short term debt of €35 million (December 2008: €37.5 million), together with an amount payable to a joint venture undertaking, Synergen Power Limited, of €140.7 million (December 2008: €109.2 million). The amount due to Synergen Power Limited is repayable on demand. The non-recourse borrowings of€5 million (December 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, the capital element of finance leases payable after one year of €93.4 million, private placement borrowings of €1,094.1 million, other long term bank borrowings of €487.6 million and €25.2 million of non-recourse long term project finance debt.

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

The second private placement debt was drawn down in June 2009. This debt also consists of senior notes with institutional investors. These notes were issed in US dollars, Sterling and Euro and comprised of US$301 million, in 4, 5, 7 and 10 year maturities, STG£85 million in 8 and 12 year maturities and also €50 million in 5 and 10 year maturities.

Other long term bank borrowings include a €484.4 million of fixed rate debt has been drawn down from another lender - €128.7 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.

21. BORROWINGS AND OTHER DEBT (continued)

Included in borrowings above is a Sterling denominated bank loan, which has been designated as a hedge of the Group's investment in a subsidiary in the United Kingdom. The carrying amount of the loan at 30 June 2009 was €128.7 million (December 2008: €120.2 million). A loss of €13.9 million (Six months to 30 June 2008: profit of €12.1 million) has been recognised in the Translation Reserve within Equity on the translation of the loan to Euro in the books of the Sterling denominated subsidiary entity. Also recognised in the Translation Reserve is an offsetting gain of €11.3 million (Six month to June 2008: €8.8 million loss) on the translation of a Euro denominated intragroup loan in the same Sterling denominated subsidiary entity, which has also been designated as part of the Group's investment in the subsidiary, and has accordingly been recognised directly in equity.

With the exception of borrowings relating to finance leases and the non-recourse project finance debt relating to Gort Windfarms Limited, which are secured against specific assets, none of the borrowings are secured against the Group assets.

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

Future finance lease commitments are as follows:

	June 2009	**June 2009**	December 2008	December 2008
	Minimum Lease Payments	**Present value of Minimum Lease Payments**	Minimum Lease Payments	Present value of Minimum Lease Payments
	€ '000	**€ '000**	€ '000	€ '000
Amounts payable:				
Within one year	**13,297**	**7,758**	13,124	7,386
Between one and five years	**108,262**	**93,395**	114,996	97,410
	121,559	**101,153**	128,120	104,796
Less future lease charges	**(20,406)**		(23,324)	
Present value of lease obligations	**101,153**		104,796	

22. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Derivative Financial Instruments

	30 June 2009 € '000	31 December 2008 € '000
Non Current Assets		
Forward electricity price contracts	**104,352**	90,453
Current Assets		
Forward electricity price contracts	**28,921**	49,028
Forward fuel price contracts	**23,164**	-
Contracts for Differences (SEM electricity trading)	**54,013**	137,828
Foreign exchange contracts	**331**	331
	106,430	187,187
Non-Current Liabilities		
Currency swaps	**147,131**	58,029
Interest rate swaps	**637**	343
Forward electricity price contracts	**-**	217
Forward fuel price contracts	**798**	2,068
	148,567	60,657
Current Liabilities		
Forward fuel price contracts	**46,560**	131,433
Contracts for Differences (SEM electricity trading)	**36,082**	77,211
Forward electricity price contracts	**39,054**	35,528
Foreign exchange contracts	**4,574**	8,395
	126,269	252,567

(b) Overview of Financial Risk Management

Risk Environment

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

The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units. Group Trading Risk Management provides regular reporting to the Board.

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

Financial instruments are derecognised on settlement or sale.

Risk Reporting Structure

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

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

(b) Overview of Financial Risk Management (continued)

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

The Trading Risk Management Committees 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 GTC reports regularly to the Chief Executive and Finance Director, and, separately, to the Board and its sub committees. The trading operations of the business units are subject to review by Internal Audit.

(c) Funding and Liquidity Management

The Group's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. Structured non-recourse and limited recourse financing is used where appropriate, taking into account the compatibility between funding costs and risk mitigation. All borrowing facilities are in compliance with the Electricity Acts and relevant regulatory requirements, including Statutory Instrument No. 445 of 2000. ESB is well positioned from a funding and liquidity perspective given the current turbulence in credit markets, and the deteriorating economic climate. With over €1.2 billion available in committed bank facilities, as well as a number of uncommitted facilities available, ESB has in place adequate borrowing facilities in order to ensure that liquidity demands can be met as required.

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

	30 June 2008		31 December 2008	
	Drawn Debt	**Undrawn Facility**	Drawn Debt	Undrawn Facility
Maturing	**€ m**	**€ m**	€ m	€ m
In one year or less	**273.1**	**-**	242.3	-
Between one and two years	**77.0**	**-**	75.7	-
Between two and five years	**513.6**	**1,033.0**	1,009.3	432.8
In more than five years	**1,120.1**	**175.0**	843.8	175.0
	1,983.8	**1,208.0**	2,171.1	607.8

(d) Credit Risk

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

Financial Assets

	30 June 2009	31 December 2008
	€'000	€'000
Investments in joint ventures	**148,508**	117,118
Financial asset investments	**10,052**	7,030
Listed investments at cost	**79**	79
Derivative financial instruments	**210,782**	277,640
Trade and other receivables	**711,906**	775,404
Cash and cash equivalents	**262,479**	83,210
	1,343,806	1,260,481

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

(d) Credit Risk (continued)

Treasury Related Credit Risk

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

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

Total collateral held at 30 June 2009 was €283 million (31 December 2008: € 326 million). Collateral, in the form of bonds and guarantees, is required by ESB business units from various parties, and specifically in the form of Letters of Credit from power Contract for Differences (CfD) counterparties. The Group Trading Risk Management function monitors and reports risk exposures on an ongoing basis. The scope of measures used to monitor and assess counterparty risk has been further broadened in view of current economic conditions.

Commodity Price Credit Risk

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

Investments in joint venture and financial asset investments

These investments relate primarily to joint venture investments in Ireland, the UK and Spain. No significant credit risk is perceived arising from these investments.

(e) 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 21) and investments outside the Eurozone.

Foreign currency forward purchase contracts, cross currency swaps and options, are used to reduce volatility arising from foreign currency exposures. The foreign currency forward purchase contracts in place at 30 June 2009 relate to forecast cash flows expected to occur up to 15 December 2023. There was a negative fair value movement on foreign currency contracts (including cross currency swaps) of €85.3 million in 2009 (2008: positive fair value movement of €80.5 million) of which €1 million (2008: negative €4.3 million) was recognised in the Income Statement and €84.3 million (2008: positive €85.8 million) was recognised directly in Equity. 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.

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

(e) Foreign Currency Risk Management (continued)

At year end, ESB's total debt portfolio amounted to €1.98 billion (2008: €2.17 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before Currency Swaps		After Currency Swaps	
	30 June 2009	31 December 2008	**30 June 2009**	31 December 2008
Currency				
Euro	**41%**	58%	**89%**	95%
US Dollar	**46%**	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.

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

(f) 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 30 June 2009, 86% of the Group's debt was fixed to maturity (2008: 64%). 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 currencies swaps:

	Effective interest rate %	**Total €m**	**Within one year €m**	**1-2 years €m**	**2-5 years €m**	**More than five years €m**
Cash on deposit (variable interest rate)	0.70%	262.5	262.5	-	-	-
Finance leases (fixed interest rate)	5.58%	101.2	7.8	8.5	84.9	
Private Placement Borrowings (fixed rate)	5.72%	1,094.1	-	34.7	273.9	785.5
Non Recourse Borrowings (fixed rate)	3.69%	30.2	5.0	5.3	13.2	6.7
Amount due to Synergen Power Limited (variable rate)	1.89%	140.7	140.7	-	-	-
Other Long Term Borrowings (fixed and variable)	3.41%	617.6	119.6	28.5	141.7	327.8

Included within Other Long Term Borrowings above are floating rate liabilities of €272.6 million (2008: €846.5 million). Cash on deposit at 30 June 2009 mainly consisted of Euro and Sterling deposits and current accounts, predominantly in Ireland and the UK. Cash placed on deposit was exclusively with institutions with a credit rating of Aa2 or higher as at 30 June 2009.

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.

(g) Fair Value

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

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

(g) Fair Value (continued)

The fair values together with the carrying amounts shown in the balance sheet of financial liabilities and assets are as follows:

	Nominal Value 30 June 2009 € '000	**Carrying Value 30 June 2009 € '000**	**Fair Value 30 June 2009 € '000**	Nominal Value 31 December 2008 € '000	Carrying Value 31 December 2008 € '000	Fair Value 31 December 2008 € '000
Long term debt held to maturity		1,617,258	1,570,108		1,831,338	1,830,475
Long term finance lease liabilities		93,395	95,470		97,410	98,275
Short term borrowings (includes finance leases)		273,107	268,968		242,324	242,362
Sub total borrowings		1,983,760	1,934,546		2,171,072	2,171,112
Interest rate swaps:						
- LT Liabilities (Cashflow Hedge)	21,397	637	637	23,007	343	343
Currency swaps:						
- LT Liabilities (Cashflow Hedge)	1,081,660	147,131	147,131	867,729	58,029	58,029
SEM related derivative financial instruments:						
- LT Assets (Cashflow Hedge)		(104,352)	(104,352)		(90,453)	(90,453)
- ST Assets (Cashflow Hedge)		(106,430)	(106,430)		(187,187)	(187,187)
- LT Liabilities (Cashflow Hedge)		798	798		2,285	2,285
- ST Liabilities (Cashflow Hedge)		126,269	126,269		252,567	252,567
Trade and other payables		601,375	599,330		632,967	630,449
Trade and other receivables		(711,906)	(711,906)		(775,404)	(775,404)
Cash and cash equivalents		(262,479)	(262,479)		(83,210)	(83,210)
		1,674,803	**1,623,544**		**1,981,008**	**2,774,614**

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

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

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:

	30 June 2009 %	31 December 2008 %
Leases	4.7%	5.2%
Other loans and borrowings	5.6%	5.6%
Derivative financial instruments	3.5%	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.

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

(h) (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 €0.3 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 and foreign exchange contracts

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 21. 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 (not including cross currency swaps) have maturities extending until 13th December 2013. Total positive fair value movements of €25 million (2008: negative movements of €14.1 million) were recognised during the year in relation to currency swaps, of which €24.9 million (2008: losses of €9.8 million) was recognised directly in equity and €0.1 million (2008: €4.3 million) was recognised in the Income Statement.

(i) Long Term Payables

Long term payables of €13.2 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 and Other Reserves. Movements in Retained Earnings and Cash Flow Hedging and Other Reserves during the year are disclosed in Note 20 of these financial statements. Any changes in the composition of Capital Stock need shareholder approval.

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

23. PENSION AND EMPLOYEE RELATED LIABILITIES

GROUP	Pension Liabilities	Restructuring liabilities € '000	Other € '000	Total employee related liabilities € '000
Balance at 1 January 2009	307,005	127,931	57,916	185,847
Movements during the period:				
Charge to the Income Statement	171,591	10,493	3,465	13,958
Utilised during the year	(73,066)	(19,213)	(12,458)	(31,671)
Financing Charge	-	2,502	-	2,502
Balance at 30 June 2009	**405,530**	**121,713**	**48,923**	**170,636**
Analysed as follows:				
Non current liabilities	405,530	65,852	-	65,852
Current liabilities	-	55,861	48,923	104,784

Pension liabilities

Pensions for employees in the electricity business are funded through an independent defined benefit scheme called ESB General Employees' Superannuation Scheme. Despite the fact that the scheme is not typical of a balance of cost defined benefit scheme (where the employer is liable to pay the balance of contributions required to fund the benefits), for the purposes of reporting under IAS 19 the full liability and pension costs have been included in the financial statements.

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 International Accounting Standard 19, provision has been made for employee remuneration liabilities, including accrued holiday leave, bonuses and profit share arrangements.

24. TRADE AND OTHER PAYABLES

Current payables:	**June 2009**	December 2008
	€ '000	€ '000
Progress payments on work in progress	**-**	10,724
Trade payables	**320,354**	415,652
Other payables	**177,168**	55,922
Employment taxes	**20,249**	17,892
Value added tax	**16,681**	33,383
Accruals	**40,885**	70,961
Accrued interest on borrowings	**12,804**	14,191
	588,141	618,725

	June 2009	June 2008
	€ '000	€ '000
Non-current payables:		
Other payables	**13,234**	14,242

25. DEFERRED INCOME AND GOVERNMENT GRANTS

	Emissions Allowances	**Supply Contributions & Other**	**Total**
	€000	**€000**	**€000**
Balance at 1 January 2009	-	687,433	687,433
Receivable	132,527	47,067	179,594
Amortised to the Income Statement (Note 8)	(66,705)	(14,724)	(81,429)
Translation differences	915	-	915
Balance at 30 June 2009	**66,737**	**719,776**	**786,513**
Analysed as follows			
Non current liabilities	60,559	690,849	751,408
Current liabilities	6,178	28,927	35,105

26. PROVISIONS

	Power Station Closure Costs € '000	Emissions provisions € '000	Customer Rebate € '000	Other € '000	Total € '000
Balance at 1 January 2009	252,154	198,624	300,000	45,305	796,083
Charged/(credited) to the income statement					
- Emissions	-	68,508	-	-	68,508
- Legal	-	-	-	1,450	1,450
- Station Closure	(15,269)	-	-	-	(15,269)
Utilised in the period	(18,274)	(200,281)	(141,577)	(1,117)	(361,249)
Financing Charge	4,958	-	-	1,276	6,234
Translation differences	62	1,990	-	6	2,058
Balance at 30 June 2009	**223,631**	**68,841**	**158,423**	**46,920**	**497,815**
Analysed as follows:					
Non current liabilities	207,244	-	-	41,815	249,059
Current liabilities	16,387	68,841	158,423	5,105	248,756

Power station closure costs

The provision at 30 June 2009 of €223.6 million (Dec 2008: €252.1 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 the generating stations are up to 2024. 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 14 Intangible Assets). These allowances, together wih 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 Customer Rebate Provision of €158.4 million (Dec 2008: €300 million) relates to a payment due from ESB to all electricity customers, to mitigate the requirement to significantly increase electricity tariffs in 2008 due to the volatility in fuel prices. The mechanism for payment was agreed with the CER in 2008 and will be paid in full in 2009.

Other

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

27. CURRENT TAX (LIABILITY) / ASSET

	June 2009	December 2008
	€ '000	€ '000
Corporation tax	**(28,008)**	5,619

The current tax liability at 30 June 2009 represents the amount of corporation taxes payable in respect of 2009 that exceeds payment. The current tax asset at 31 December 2008 arises due to payments in excess of the corporation taxes payable at that date.

28. COMMITMENTS AND CONTINGENCIES

	June 2009	June 2008
	€ '000	€ '000
Capital commitments		
Capital commitments contracted for during the period	**219,047**	277,439

29. POST BALANCE SHEET EVENTS

There have been no events between the balance sheet date and the date on which the financial statements were approved by the board of directors, which would require adjustment to the accounts or any additional disclosures.

30. COMPARATIVE FIGURES

Comparative figures have been regrouped and reanalysed where necessary, on the same basis as those for the current period.

31. APPROVAL OF ACCOUNTS

The Board approved the accounts on 24 September 2009.

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

Independent review report to Electricity Supply Board (ESB)

Introduction

We have been engaged by ESB to review the financial information for the six months ended 30 June 2009 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim statement of recognised income and expenses, consolidated interim cash flow statement and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to ESB to assist ESB in preparing its interim financial information. Our review has been undertaken so that we might state to ESB those matters we are required to state to it in this review 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 for our review work, for this review report, or for the conclusions we have reached.

Board members' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the board members of ESB. The board members are responsible for ensuring that the accounting policies and presentation applied to the interim financial information are consistent with those applied in preparing the preceding annual report except where any changes, and the reasons for them, are disclosed.

Scope of review

We conducted our review in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review consists principally of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the financial information.

KPMG

Independent review report to Electricity Supply Board (ESB) *(continued)*

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the six months to 30 June 2009 is not prepared in all material respects in accordance with the accounting policies as set out in ESB's most recent annual report.

KPMG

Chartered Accountants
Dublin

24 September 2009

THE CONSOLIDATED FINANCIAL STATEMENTS OF ESB FOR THE YEAR ENDED 31 DECEMBER 2008 TOGETHER WITH THE AUDITORS' REPORT THEREON.

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

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

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

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

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

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

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

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

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

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

Opinion

In our opinion:

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

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

KPMG

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

Statement of Accounting Policies
for the year ended 31 December 2008

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

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

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

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

The preparation of financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

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

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

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

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

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

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

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

3. GOODWILL AND INTANGIBLE ASSETS

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

3. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Software Costs

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

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

(c) Emission Allowances

In accordance with the provisions of the European CO_2 emissions trading scheme, emissions allowances covering a percentage of the expected emissions during the year are granted to ESB at the beginning of each year by the relevant Government Authority.

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

As emissions arise, a provision is recorded in the Income Statement to reflect the amount required to settle the liability to the Authority. This provision includes the carrying value of the emission allowances held, as well as the current market value of any additional allowances required to settle the obligation. These allowances, together with any additional allowances purchased during the year, are returned to the relevant Authority in charge of the scheme within four months of the end of that calendar year, in order to cover the liability for actual emissions of CO_2 during that year. Emissions allowances held at cost as intangible assets are not amortised as they are held for settlement of the emission liability in the following year.

4. FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate applying at the date of the transactions. The resulting monetary assets and liabilities are translated at the rate applying at the Balance Sheet date and the exchange differences are dealt with in the Income Statement. Non monetary assets and liabilities are carried at historical cost and not subsequently retranslated.

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

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

5. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Depreciation is provided:

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

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

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

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

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

6. BORROWING COSTS

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

7. IMPAIRMENT OF ASSETS

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

8. INVENTORIES

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

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

9. FINANCIAL ASSETS AND LIABILITIES

(a) Non-Derivative Financial Assets and Liabilities

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

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

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

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

Loans to and receivables from Group Companies
Loans to and receivables from Group Companies are included in current assets and liabilities on the Balance Sheet, except for those with maturities greater than twelve months after the Balance Sheet date, which are included in non-current assets and liabilities. Loans and receivables are included within trade and other receivables in the Parent Balance Sheet and are initially recorded at fair value.

9. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Available for Sale Financial Assets
Available for sale financial assets are non-derivative financial assets which are not classified as loans and advances or held-to-maturity investments. They are included in non-current assets on the Balance Sheet unless management intends to dispose of the investment within 12 months of the Balance Sheet date. Interest on available for sale securities, calculated using the effective interest rate method, is recognised in the Income Statement.

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

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

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

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

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, these instruments are stated at fair value. Movements during the financial year in the fair value of derivatives classified as trading instruments are recognised in the Income Statement in that financial year.

Derivatives are derecognised on settlement or sale.

(c) Hedging

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

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

(ii) Hedge of net investment in foreign entity
Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in equity, and taken to the translation reserve, with any ineffective portion recognised immediately in the Income Statement.

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

9. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

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

11. NON-REPAYABLE SUPPLY CONTRIBUTIONS AND CAPITAL GRANTS
Non-repayable supply contributions and capital grants received are recorded as deferred income and released to the Income Statement on a basis consistent with the depreciation policy of the relevant assets.

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

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

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

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

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

14. PROVISIONS FOR POWER STATION CLOSURE
The provision for power station closure represents the present value of the current estimate of the costs of closure of stations at the end of their useful lives.

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

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

15. REVENUE

(a) Electricity Revenue
Revenue comprises sales of electricity and other goods and services to customers outside the Group and excludes value added tax. Electricity revenue includes the value of units supplied to customers between the date of the last meter reading and the period end and this estimate is included in trade and other receivables in the Balance Sheet as unbilled consumption. Electricity revenue is recognised on consumption of electricity.

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

16. OTHER OPERATING INCOME

Profit on Disposal of Property
The gain arising from the derecognition of an item of property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

17. COSTS

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

Energy costs also include emission costs net of associated allowances. This is a change in presentation and disclosure on the prior year whereby emission allowances were credited to revenue. This change in presentation avoids the grossing up of Revenue by the purely notional value of free emissions allowances. The Board believe that this presentation provides users of the accounts with more meaningful information on the effective cost of emissions to ESB, as the amounts disclosed within operating costs represent the actual amount payable by ESB in respect of emissions costs, arising from any excess over the CO_2 emission limits imposed on the Group's generation operations.

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

18. PENSION OBLIGATIONS

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

(a) Defined Benefit Pension Scheme
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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

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

Statement of Accounting Policies
for the year ended 31 December 2008 (continued)

18. PENSION OBLIGATIONS (CONTINUED)

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

19. EMPLOYEE RELATED LIABILITIES

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

Other Short Term Employee Related Liabilities
The costs of vacation leave are recognised when employees render the service that increases their entitlement to future compensated absences.

20. NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

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

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

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

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

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

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

Group Income Statement
For the year ended 31 December 2008

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

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

Signed: **Lochlann Quinn** Chairman

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

Group Balance Sheet

As at 31 December 2008

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

Signed: **Lochlann Quinn** Chairman

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

Parent Balance Sheet
As at 31 December 2008

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

Signed: **Lochlann Quinn** Chairman

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Signed: **Bernard Byrne** Group Finance Director
25 February 2009

Group Statement of Recognised Income and Expense

For the year ended 31 December 2008

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

Parent Statement of Recognised Income and Expense

For the year ended 31 December 2008

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

Group Cash Flow Statement

For the year ended 31 December 2008

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

Parent Cash Flow Statement

For the year ended 31 December 2008

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

1. REVENUE

(a) Revenue by Geographic Market

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

(b) Revenue by business line

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

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

2. PROPERTY DISPOSALS INCOME

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

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

3. OTHER OPERATING INCOME

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

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

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

Notes to the Financial Statements
(continued)

4. OPERATING COSTS

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

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

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

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

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

5. NET INTEREST COST AND OTHER FINANCING CHARGES

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

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

6. EMPLOYEES

GROUP

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

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

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

PARENT

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

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

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

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

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

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

8. PROFIT FOR THE FINANCIAL YEAR

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

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

Notes to the Financial Statements
(continued)

9. PROPERTY, PLANT & EQUIPMENT

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

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

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

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

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

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

Notes to the Financial Statements
(continued)

9. PROPERTY, PLANT & EQUIPMENT (continued)

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

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

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

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

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

Finance leases

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

10. INTANGIBLE ASSETS

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

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

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

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

Notes to the Financial Statements
(continued)

10. INTANGIBLE ASSETS (continued)

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

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

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

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

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

11. INVESTMENT PROPERTY

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

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

12. FINANCIAL ASSET INVESTMENTS

(a) GROUP

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

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

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

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

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

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

Notes to the Financial Statements
(continued)

12. FINANCIAL ASSET INVESTMENTS (continued)

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

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

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

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

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

13. INVENTORIES

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

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

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

14. TRADE AND OTHER RECEIVABLES

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

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

15. INVESTMENTS

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

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

16. CASH AND CASH EQUIVALENTS

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

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

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

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

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

Notes to the Financial Statements
(continued)

18. CAPITAL & RESERVES

(a) GROUP

Reconciliation of movement in capital and reserves

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

Notes to the Financial Statements
(continued)

18. CAPITAL & RESERVES (continued)

(b) PARENT

Reconciliation of movement in capital and reserves

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

Notes to the Financial Statements
(continued)

18. CAPITAL & RESERVES (continued)

(c)

(i) Capital stock

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

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

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

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

(ii) Minority interests - Group

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

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

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

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

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

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

19. BORROWINGS AND OTHER DEBT

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

See Note 20 for details of applicable interest rates.

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

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

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

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

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

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

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

Notes to the Financial Statements
(continued)

19. BORROWINGS AND OTHER DEBT (continued)

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

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

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

Future finance lease commitments are as follows:

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

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

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

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Overview of Financial Risk Management

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

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

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

Financial instruments are derecognised on settlement or sale.

Risk Reporting Structure

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

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

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

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

(b) Funding and Liquidity Management

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

Notes to the Financial Statements
(continued)

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

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

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

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

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

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

(b) Funding and Liquidity Management (continued)

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

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

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

(c) Credit Risk

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

Financial Assets

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

Investments in joint ventures and financial asset investments

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

Treasury Related Credit Risk

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

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

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

Commodity Price Credit Risk

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

Wholesale and Retail Credit Risk

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

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

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

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

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

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

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

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

Wholesale and Retail Credit Risk

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

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

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

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

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

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

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

(d) Foreign Currency Risk Management

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

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

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

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

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

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

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

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

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

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

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

(e) Interest Rate Risk Management

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

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

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

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

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

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

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

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

(f) Commodity price risk management

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

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

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

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

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

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

(g) Fair Value

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

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

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

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

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

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

Notes to the Financial Statements
(continued)

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

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

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

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

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

Fair Value - Discount Rates

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

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

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

(i) Interest rate swaps

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

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

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

(ii) Currency swaps

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

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

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

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

(h) Long Term Payables

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

(i) Capital Management

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

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

Notes to the Financial Statements
(continued)

21. DEFERRED TAX ASSETS AND LIABILITIES

GROUP

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

The movements in temporary differences were as follows:

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

21. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

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

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

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

PARENT

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

The movement in temporary differences were as follows:

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

22. PENSION LIABILITIES

(a) PARENT & GROUP

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

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

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

Despite the fact that the scheme is not typical of a balance of cost defined benefit scheme (where the employer is liable to pay the balance of contributions required to fund the benefits), for the purposes of reporting under IAS 19 the full liability and pension costs have been included in the financial statements.

(ii) Actuarial Valuation

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

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

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

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

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

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

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

22. PENSION LIABILITIES (continued)

Mortality Assumptions

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

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

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

Asset Category

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

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

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

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

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

22. PENSION LIABILITIES (continued)

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

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

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

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

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

(b) ESB Subsidiary Companies Pension Scheme

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

23. EMPLOYEE RELATED LIABILITIES

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

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

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

24. TRADE AND OTHER PAYABLES

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

	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Non-current payables:				
Other payables	**14,242**	17,314	**10,978**	12,760

25. DEFERRED INCOME AND GOVERNMENT GRANTS

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

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

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

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

Notes to the Financial Statements
(continued)

26. PROVISIONS

(a) GROUP

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

(b) PARENT

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

Power station closure costs

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

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

26. PROVISIONS (continued)

Emissions provisions

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

Customer rebate provision

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

Other

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

27. CURRENT TAX ASSET

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

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

28 COMMITMENTS AND CONTINGENCIES

(a) Operating lease obligations

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

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

(b) Capital commitments

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

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

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

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

(c) Fuel Contract Commitments

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

Notes to the Financial Statements
(continued)

29. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

30. ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

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

31. ESB ESOP TRUSTEE LIMITED

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

32. SUBSEQUENT EVENTS

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

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

33. APPROVAL OF ACCOUNTS

The Board approved the accounts on 25 February 2009.

34. SUBSIDIARY, JOINT VENTURE & ASSOCIATE UNDERTAKINGSS

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

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

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

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

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

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

** 27 Lower Fitzwilliam Street, Dublin 2.

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

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

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

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

**THE CONSOLIDATED FINANCIAL STATEMENTS OF ESB
FOR THE YEAR ENDED 31 DECEMBER 2007
TOGETHER WITH THE AUDITORS' REPORT THEREON.**

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

As auditors 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 2007 which comprise the Group Income Statement, the Group and Parent Balance Sheets, the Group and Parent Cash Flow Statements, the Group and Parent Statement of Recognised Income and Expense and the related notes on pages 43 to 94. 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 Auditors

The Board Members' responsibilities for preparing the Annual Report and the financial statements in accordance with the provisions of the Companies Acts 1963 to 2006, as applied by the Electricity Supply Acts 1927 to 2004 and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Board Members' Responsibilities on page 39.

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and, in the case of the Parent as applied in accordance with the provisions of the Companies Acts 1963 to 2006 applied to the Board by the Electricity Supply Acts 1927 to 2004, and have been properly prepared in accordance with the provisions of those Acts and Article 4 of the IAS Regulation. We also report to you whether, in our opinion: proper books of account have been kept by the Parent; 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 32 to 38 reflects the Board's compliance with the nine provisions of the Combined Code specified for review by auditors and (2) the statement on the system of internal controls on pages 35 and 36 reflects the Board's compliance with the provision of The Code of Best Practice for the Governance of State Bodies that is specified for review by auditors and we report if those statements do not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information, including the corporate governance statement, contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 2007 and of its profit for the year then ended;
- the Parent financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts 1963 to 2006 applied to the Board by the Electricity Supply Acts 1927 to 2004, of the state of the Parent's affairs as at 31 December 2007; and
- the financial statements have been properly prepared in accordance with the provisions of the Electricity Supply Acts 1927 to 2004 and Article 4 of the IAS Regulation.

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

KPMG

Chartered Accountants
Registered Auditors
1 Stokes Place
St Stephens Green
Dublin 2

29 April 2008

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 2007 comprise the Company and its subsidiaries (together referred to as ESB) and the Group's interests in jointly controlled entities.

The parent and consolidated financial statements are prepared under IFRS (International Financial Reporting Standards) as adopted by the EU (EU IFRS) and in the case of the Parent as applied in accordance with the Companies Acts 1963 to 2006. The Companies Acts 1963 to 2006, provide a parent company that presents its individual financial statements together with its consolidated financial statements, with an exemption for publishing an entity income statement which forms part of the parent financial statements prepared and approved in accordance with the Acts. They have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective for accounting periods ending on or before 31 December 2007.

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

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

The preparation of financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

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

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

2. Basis of Consolidation

The Group's financial statements consolidate the financial statements of the Parent and of all subsidiary undertakings made up to 31 December 2007. The results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated Income Statement from the date of acquisition or up to the date of disposal. The financial statements of all subsidiary undertakings are drawn up to 31 December 2007.

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. The parent's investments in subsidiaries in its balance sheet are recognised at cost.

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

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

3. Goodwill and Intangible Assets

(a) Goodwill

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

(b) Software Costs

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

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

(c) Emission Allowances

In accordance with the provisions of the European CO_2 emissions trading scheme, emissions allowances covering a percentage of the expected emissions during the year are granted to ESB at the beginning of each year by the relevant Government Authority.

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

As emissions arise, a provision is recorded in the Income Statement to reflect the amount required to settle the liability to the Authority. This provision will include the carrying value of the emission allowances held, as well as the current market value of any additional allowances required to settle the obligation. These allowances, together with any additional allowances purchased during the year, are returned to the relevant Authority in charge of the scheme within four months of the end of that calendar year, in order to cover the liability for actual emissions of CO_2 during that year. Emissions allowances held at cost as intangible assets are not amortised as they are held for settlement of the emission liability in the following year.

4. Foreign Currencies

Transactions in foreign currencies are recorded at the rate 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.

The Group's entities are measured in their functional currencies and the consolidation is presented in the presentational currency which is euro. The Group's net investments in overseas subsidiary undertakings, joint ventures and related goodwill are translated at the rate ruling at the balance sheet date. The profits, losses and cashflows of overseas subsidiary undertakings and joint ventures are translated at average rates for the period. Exchange differences resulting from the retranslation of the opening balance sheets of overseas subsidiary undertakings and joint ventures at closing rates, together with the differences on the translation of the Income Statement, are dealt with through a separate component of equity (translation reserve) and reflected in the Statement of Recognised Income and Expense. Translation differences held in this reserve are released to the Income Statement on disposal of the relevant entity.

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

5. Property, Plant and Equipment and Depreciation

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

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

Depreciation is provided:

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

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

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

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

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.

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 assets 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 Instruments

(a) Non-Derivative Financial Instruments

Trade and other receivables

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

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

Cash and cash equivalents

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

Trade and other payables

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

Loans to and receivables from Group Companies

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

(b) Derivative Financial Instruments

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

The 2006 and 2007 figures are compliant with IAS 39 which requires all derivatives to be included in the Balance Sheet at fair value at period end. The Group does not hold or issue derivatives classified as trading instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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

Derivatives are derecognised on settlement or sale.

(c) Hedging

(i) Fair value hedges

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

(ii) *Cash flow hedges*

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

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

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

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

(d) Interest bearing borrowings

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

(e) Insurance contracts

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

10. Leased Assets

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

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

11. Non-Repayable Supply Contributions and Capital Grants

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

12. Capital Stock

The units of capital stock are valued at the price at which they were issued to the Department of Finance, the Department of Communications, 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 equity. Current tax is provided at current rates and is calculated on the basis of results for the period, taking account of manufacturing relief, where appropriate. The income tax expense in the Income Statement does not include taxation on the Group's share of profits of joint venture undertakings, as this is included within the separate line on the face of the Income Statement for profits from joint ventures.

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

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

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

14. Provisions for Generating Station Closure

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

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

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

15. Revenue

(a) Electricity Revenue

Revenue comprises net sales of electricity and other goods and services to customers outside the Group and excludes value added tax. Electricity revenue includes the value of units supplied to customers between the date of the last meter reading and the period end and this estimate is included in trade and other receivables in the Balance Sheet as unbilled consumption.

Electricity revenue is recognised on consumption of electricity.

(b) Contract Revenue

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

16. Other Operating Income

Emissions Allowances

Emissions allowances granted to the Group are credited to the Income Statement on the basis of actual emissions during the year.

17. Profit on disposal of Property

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

18. Costs

(a) Energy Costs

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

(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.

19. Pension Obligations

Pension obligations

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

Defined Benefit Pension Scheme

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

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

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

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

20. Employee Related Liabilities

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

Other Short Term Employee Related Liabilities
The costs of vacation leave are recognised when employees render the service that increases their entitlement to future compensated absences.

21. 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 2007, and have not been applied in preparing these consolidated financial statements.

IFRS 8 ***Operating Segments*** changes the requirements for operating segments. It is effective for annual periods beginning 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

IFRIC 11 ***IFRS 2*** – *Group and Treasury Share Transactions* requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

Group Income Statement

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Revenue	1	**3,461,021**	3,087,504
Other operating income	3	**109,370**	308,500
Profit on disposal of property	2	**21,713**	75,372
Operating costs	4	**(3,068,896)**	(3,134,844)
Operating profit		**523,208**	336,532
Interest cost and other financing charges	5	**(91,998)**	(93,151)
Interest income	5	**1,840**	927
Net interest cost and other financing charges		**(90,158)**	(92,224)
Share of joint ventures' profit	12	**47,050**	19,674
Profit before taxation		**480,100**	263,982
Income tax expense	7	**(48,368)**	(41,364)
Profit after taxation	18	**431,732**	222,618
Attributable to:			
Equity holders of the Parent	18	**431,816**	222,468
Minority interests	18	**(84)**	150
Profit for the financial year	18	**431,732**	222,618

Signed: **Lochlann Quinn** Chairman

Signed: **Padraig McManus** Chief Executive
Signed: **Bernard Byrne** Group Finance Director
29 April 2008

Group Balance Sheet

As at 31 December 2007

	Notes	2007 €'000	2006 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**6,385,576**	6,000,493
Intangible assets	10	**223,225**	383,999
Investment property	11	**-**	260
Investments in joint ventures	12	**71,742**	30,418
Financial asset investments	12	**2,773**	11,164
Derivative financial instruments	20	**237,086**	1,926
Deferred tax assets	21	**64,569**	72,200
Total non-current assets		**6,984,971**	6,500,460
Current assets			
Inventories	13	**160,722**	150,822
Trade and other receivables	14	**630,486**	603,412
Investments	15	**79**	79
Cash and cash equivalents	16	**53,318**	37,733
Current tax asset	27	**5,901**	-
Derivative financial instruments	20	**49,675**	899
Assets held for sale	17	**31,373**	1,407
Total current assets		**931,554**	794,352
Total assets		**7,916,525**	7,294,812
EQUITY			
Capital stock	18	**1,979,882**	1,979,882
Translation reserve	18	**72**	5,025
Cash flow hedging and other reserves	18	**221,750**	(48,235)
Retained earnings	18	**1,163,281**	798,187
Equity attributable to equity holders of the Parent		**3,364,985**	2,734,859
Minority interests	18	**645**	729
Total equity		**3,365,630**	2,735,588
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	19	**1,707,515**	1,819,356
Pension liabilities	22	**325,693**	327,762
Employee related liabilities	23	**122,209**	127,763
Trade and other payables	24	**17,314**	42,552
Deferred income and government grants	25	**612,152**	490,548
Provisions	26	**291,766**	283,719
Deferred tax liabilities	21	**348,565**	310,225
Derivative financial instruments	20	**167,743**	146,015
Total non-current liabilities		**3,592,957**	3,547,940
Current liabilities			
Borrowings and other debt	19	**142,346**	178,588
Employee related liabilities	23	**65,802**	64,564
Trade and other payables	24	**629,993**	484,186
Provisions	26	**75,892**	266,558
Current tax liabilities	27	**-**	17,213
Derivative financial instruments	20	**43,905**	175
Total current liabilities		**957,938**	1,011,284
Total liabilities		**4,550,895**	4,559,224
Total equity and liabilities		**7,916,525**	7,294,812

Signed: **Lochlann Quinn** Chairman

Signed: **Padraig McManus** Chief Executive
Signed: **Bernard Byrne** Group Finance Director
29 April 2008

Parent Balance Sheet

As at 31 December 2007

	Notes	2007 €'000	2006 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**6,069,251**	5,654,999
Intangible assets	10	**206,144**	353,769
Investment property	11	**-**	260
Financial asset investments	12	**72,982**	98,238
Derivative financial instruments	20	**260,435**	1,926
Deferred tax assets	21	**60,125**	67,677
Total non-current assets		**6,668,937**	6,176,869
Current assets			
Inventories	13	**159,636**	147,437
Trade and other receivables	14	**902,054**	899,600
Investments	15	**79**	79
Cash and cash equivalents	16	**25,130**	18,178
Current tax asset	27	**8,378**	-
Derivative financial instruments	20	**49,448**	321
Assets held for sale	17	**31,373**	1,407
Total current assets		**1,176,098**	1,067,022
Total assets		**7,845,035**	7,243,891
EQUITY			
Capital stock	18	**1,979,882**	1,979,882
Cash flow hedging and other reserves	18	**250,629**	(48,801)
Retained earnings	18	**1,120,276**	803,420
Equity attributable to equity holders of the Parent		**3,350,787**	2,734,501
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	19	**1,675,017**	1,782,428
Pension liabilities	22	**325,693**	327,762
Employee related liabilities	23	**122,209**	127,763
Trade and other payables	24	**12,760**	16,452
Deferred income and government grants	25	**595,750**	473,911
Provisions	26	**290,766**	283,547
Deferred tax liabilities	21	**351,382**	307,372
Derivative financial instruments	20	**152,622**	146,015
Total non-current liabilities		**3,526,199**	3,465,250
Current liabilities			
Borrowings and other debt	19	**137,914**	174,798
Employee related liabilities	23	**57,433**	57,111
Trade and other payables	24	**658,444**	560,058
Provisions	26	**70,419**	244,121
Current tax liabilities	27	**-**	7,877
Derivative financial instruments	20	**43,839**	175
Total current liabilities		**968,049**	1,044,140
Total liabilities		**4,494,248**	4,509,390
Total equity and liabilities		**7,845,035**	7,243,891

Signed: **Lochlann Quinn** Chairman

Signed: **Padraig McManus** Chief Executive
Signed: **Bernard Byrne** Group Finance Director
29 April 2008

Group Statement of Recognised Income and Expense

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Translation differences on consolidation of foreign subsidiaries, and joint ventures	18	**(20,309)**	6,038
Transferred from Income Statement on hedge of a net investment	18	**15,356**	(3,502)
Fair value gains/(losses) on cash flow hedges	18	**210,600**	(42,888)
Fair value gains on cash flow hedges in joint ventures	18	**6,846**	13,938
Tax on items taken directly to equity	18	**(25,328)**	5,361
Net income recognised directly in equity		**187,165**	(21,053)
Transferred to Income Statement on cash flow hedges	18	**90,805**	88,096
Transferred to Income Statement on cash flow hedges in joint ventures	18	**421**	(1,927)
Tax on items transferred from equity	18	**(11,350)**	(11,054)
Tax on items taken directly to/transferred from equity for joint ventures	18	**(2,009)**	(3,494)
Profit for the financial year	18	**431,732**	222,618
Total recognised income and expense for the financial year		**696,764**	273,186
Equity holders of the Parent		**696,848**	273,036
Minority interest		**(84)**	150
Total recognised income and expense for the financial year		**696,764**	273,186

Parent Statement of Recognised Income and Expense

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Fair value gains/(losses) on cash flow hedges	18	**250,910**	(43,131)
Tax on items taken directly to equity	18	**(30,935)**	5,391
Net income recognised directly in equity		**219,975**	(37,740)
Transferred to Income Statement on cash flow hedges	18	**90,805**	88,096
Tax on items transferred from equity	18	**(11,350)**	(11,012)
Profit for the financial year	18	**383,578**	302,742
Total recognised income and expense for the financial year		**638,008**	342,086
Attributable to:			
Equity holders of the Parent		**638,008**	342,086

Group Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Cash flows from operating activities			
Profit before taxation		**480,100**	263,982
Adjustments for:			
Depreciation and amortisation	4	**433,554**	450,503
Amortisation and impairment of supply contributions and other deferred income		**(29,744)**	(22,293)
Amortisation and impairment of emissions allowances		**(70,746)**	(267,699)
Loss on disposal of property, plant and equipment	8	**1,879**	2,486
(Profit) on disposal of property, plant and equipment	8	**(21,713)**	(75,372)
(Profit) on disposal of businesses	3	**(2,267)**	(18,508)
Translation differences		**16,867**	(1,270)
Interest expense	5	**90,158**	92,224
Impact of fair value movements on financial instruments		**9,167**	-
Profits from joint ventures	12	**(47,050)**	(19,674)
Operating cashflows before changes in working capital and provisions		**860,205**	404,379
Charge in relation to provisions		**71,668**	245,520
Charge in relation to employee related liabilities		**130,397**	197,935
Utilisation of provisions		**(16,345)**	(20,638)
Utilisation of employee related liabilities		**(142,284)**	(210,208)
(Increase)/decrease in trade and other receivables		**(21,407)**	26,745
(Increase)/decrease in inventories		**(9,900)**	12,165
Increase/(decrease) in trade and other payables		**132,255**	(60,815)
Cash generated from operations		**1,004,589**	595,083
Current tax paid		**(65,327)**	(33,048)
Interest paid		**(84,742)**	(86,013)
Payment for business separation costs		**-**	(45,000)
Net cash inflow from operating activities		**854,520**	431,022
Cash flows from investing activities			
Purchase of property, plant and equipment		**(835,659)**	(768,992)
Purchase of intangible assets		**(61,592)**	(48,512)
Proceeds from sale of property, plant and equipment		**28,943**	68,854
Proceeds from sale of intangible assets		**707**	155
Proceeds from financial asset transactions		**8,327**	15,586
Supply contributions and other deferred income received	25	**152,483**	136,184
Proceeds from disposal of businesses		**10,798**	31,920
Dividends received from joint venture undertakings	12	**5,556**	8,321
Interest received		**1,840**	927
Net cash outflow from investing activities		**(688,597)**	(555,557)
Cash flows from financing activities			
Dividends paid	18	**(66,722)**	(72,389)
(Decrease)/increase in borrowings		**(62,316)**	180,479
(Decrease) in finance lease		**(11,009)**	(4,267)
Interest element of finance lease payments		**(9,555)**	(8,528)
Net cash (outflow)/inflow from financing activities		**(149,602)**	95,295
Net increase/(decrease) in cash and cash equivalents		**16,321**	(29,240)
Cash and cash equivalents at 1 January	16	**37,733**	66,949
Effect of exchange rate fluctuations on cash held		**(736)**	24
Cash and cash equivalents at 31 December	16	**53,318**	37,733

Parent Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Cash flows from operating activities			
Profit before tax		**434,809**	337,102
Adjustments for:			
Depreciation and amortisation		**412,562**	392,960
Amortisation of supply contributions and other deferred income	25	**(22,200)**	(16,199)
Amortisation and impairment of emissions allowances		**(66,854)**	(245,607)
Loss on disposal of property, plant and equipment		**1,879**	2,486
(Profit) on disposal of property, plant and equipment		**(21,713)**	(75,075)
Interest expense		**85,173**	82,113
Dividend receivable from subsidiary undertakings		**-**	(73,835)
Impact of fair value movements on financial instruments		**10,204**	-
Operating cashflows before changes in working capital and provisions		**833,860**	403,945
Charge in relation to provisions		**62,949**	223,258
Charge in relation to employee related liabilities		**129,117**	197,935
Utilisation of provisions		**(14,275)**	(20,638)
Utilisation of employee related liabilities		**(141,919)**	(210,208)
(Increase) in trade and other receivables		**(2,181)**	(21,009)
(Increase)/decrease in inventories		**(12,199)**	11,580
Decrease in trade and other payables		**52,475**	5,531
Cash generated from operations		**907,827**	590,394
Current tax paid		**(58,277)**	(33,824)
Interest paid		**(90,729)**	(87,667)
Payment for business separation costs		**-**	(45,000)
Net cash inflow from operating activities		**758,821**	423,903
Cash flows from investing activities			
Purchase of property, plant and equipment		**(763,539)**	(758,802)
Purchase of intangible assets		**(52,631)**	(41,945)
Proceeds from sale of property, plant and equipment		**29,963**	62,565
Proceeds from financial asset transactions		**25,256**	55,891
Supply contributions and other deferred income received	25	**144,039**	116,527
Interest received		**10,217**	13,813
Dividends received from subsidiary undertakings		**-**	20,464
Net cash outflow from investing activities		**(606,695)**	(531,487)
Cash flows from financing activities			
Dividends paid	18	**(66,722)**	(72,389)
(Decrease)/increase in borrowings		**(58,528)**	140,085
(Decrease) in finance leases		**(11,009)**	(4,267)
Interest element of finance lease payments		**(8,179)**	(8,589)
Net cash (outflow)/inflow from financing activities		**(144,438)**	54,840
Net increase/(decrease) in cash and cash equivalents		**7,688**	(52,744)
Cash and cash equivalents at 1 January	16	**18,178**	70,898
Effect of exchange rate fluctuations on cash held		**(736)**	24
Cash and cash equivalents at 31 December	16	**25,130**	18,178

Notes to the Financial Statements

1. REVENUE

(a) Revenue by Geographic Market

	2007 €'000	2006 €'000
Ireland	**3,158,448**	2,808,267
UK and Europe	**272,482**	247,843
Other	**30,091**	31,394
Total	**3,461,021**	3,087,504

(b) Revenue by Business Line

	2007 €'000	2006 €'000
Power Generation	**1,431,471**	1,371,600
ESB Customer Supply	**2,103,025**	1,849,466
ESB Networks	**828,710**	760,200
ESBI*	**794,517**	725,166
Inter Business Unit eliminations and Unregulated Income **	**(1,696,702)**	(1,618,928)
Total	**3,461,021**	3,087,504

The method of splitting revenues by business line has been revised in 2007 and the comparatives restated accordingly.
*Included in ESBI revenue is contracting revenue of €39.9 million (2006: €41.3 million).
**Included in this caption are inter business unit amounts eliminated on consolidation and other unregulated income.

2. PROFIT ON DISPOSAL OF PROPERTY

	2007 €'000	2006 €'000
Profit on disposal of property	**21,713**	75,372

Properties with a net book value of €4.4 million (2006: €4.5 million) at date of disposal were disposed of during the year at a profit of €21.7 million (2006: €75.4 million).

3. OTHER OPERATING INCOME

	2007 €'000	2006 €'000
Profit on disposal of businesses	**2,267**	18,508
Release of emissions allowances granted (Note 25)	**77,771**	267,699
Amortisation of supply contributions and other deferred income (Note 25)	**29,332**	22,293
Total	**109,370**	308,500

In 2007, the profits on the disposal of businesses are made up of the profits of €2.3 million on the sale of CHP plants (2006: €18.5 million relating to the sale of Irish Power System Limited, Hibernian Hydro Limited and the 50% share in Marchwood Power Limited).

4. OPERATING COSTS

	2007 €'000	2006 €'000
Employee costs (Note 6)	**560,519**	591,197
Energy costs	**1,621,942**	1,456,438
Emission costs including impairment charge	**74,971**	250,714
Operations and maintenance	**377,910**	385,992
Depreciation and amortisation of property, plant and equipment/intangible assets (Notes 9/10/11)	**433,554**	450,503
Total	**3,068,896**	3,134,844

Included in operations and maintenance costs above is a charge of €0.2 million (2006: Nil) relating to ineffectiveness on cash flow hedges. An amount of €83.7 million (2006: €88.1million) has been transferred from the cash flow hedge reserve to operations and maintenance costs in the Income Statement during the year (see note 18). This amount is largely offset by gains from the translation of the underlying hedged foreign currency borrowing at the prevailing exchange rates.

Notes to the Financial Statements

5. NET INTEREST COST AND OTHER FINANCING CHARGES	2007 €'000	2006 €'000
Interest payable on borrowings	**79,358**	83,479
Interest payable on finance leases	**10,272**	7,611
Interest payable	**89,630**	91,090
Less capitalised interest	**(22,989)**	(14,304)
	66,641	76,786
Financing charges:		
- on restructuring liabilities	**5,434**	5,134
- on power station closure costs	**11,219**	8,545
- on other provisions	**2,245**	1,698
Fair value losses/(gains) on financial instruments:		
- currency/interest rate swaps: cash flow hedges, transfer from equity	**7,096**	1,716
- currency/interest rate swaps: fair value hedges	**(637)**	(728)
Total interest payable	**91,998**	93,151
Total interest receivable	**(1,840)**	(927)
	90,158	92,224

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

6. EMPLOYEES

(a) GROUP

(i) Average number of employees in year by business activity, including temporary employees:	2007 Number	2006 Number
Power Generation	**1,309**	1,317
ESB Customer Supply	**550**	562
ESB Networks	**3,638**	3,696
ESBI	**1,288**	1,131
Other	**1,071**	1,117
	7,856	7,823

(ii) Employee costs in year	2007 €'000	2006 €'000
Current staff costs (excluding pension)		
Salaries	**569,933**	548,910
Social welfare costs (PRSI)	**25,979**	24,460
Contributions to defined contribution plans	**3,186**	2,583
Other payroll benefits*	**38,955**	38,945
Capitalised payroll	**(170,216)**	(178,188)
Net payroll cost for employees (excluding pension)	**467,837**	436,710
(iii) Defined benefit pension and retirement benefit costs		
Voluntary severance costs	**9,927**	32,139
Increase in defined benefit pension liability	**82,755**	122,348
	92,682	154,487
Total employee related costs charged to the Income Statement	**560,519**	591,197

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

6. EMPLOYEES

(b) PARENT

		2007	2006
(i)	**Average number of employees in year by business activity, including temporary employees:**	**Number**	Number
	Power Generation	**1,309**	1,317
	ESB Customer Supply	**550**	562
	ESB Networks	**3,638**	3,696
	Other	**1,071**	1,117
		6,568	6,692

		2007	2006
(ii)	**Employee costs in year**	**€'000**	€'000
	Current staff costs (excluding pension)		
	Salaries	**481,686**	471,610
	Social welfare costs (PRSI)	**20,369**	19,926
	Other payroll benefits*	**32,101**	33,113
	Capitalised payroll	**(169,513)**	(176,116)
	Net payroll cost for employees (excluding pension)	**364,643**	348,533
(iii)	**Defined benefit pension and retirement benefit costs**		
	Voluntary severance costs	**9,927**	32,139
	Increase in defined benefit pension liability	**82,755**	122,348
		92,682	154,487
	Total employee related costs charged to the Income Statement	**457,325**	503,020

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

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 €'000	2006 €'000
Current tax expense		
Current tax	**51,160**	27,784
Prior year overprovision	**(8,948)**	(1,557)
Value of tax losses surrendered to joint ventures	**(4,000)**	–
Deferred tax expense		
Origination and reversal of temporary differences	**7,790**	13,295
Increase/(reduction) in tax rate	**10**	(46)
Prior year under provision	**2,356**	1,888
Total	**48,368**	41,364

Reconciliation of effective tax rate *in thousands of euro*	2007 €'000	2006 €'000
Profit before tax	**480,100**	263,982
Taxed at 12.5% (2006: 12.5%)	**60,012**	32,998
Expenses not deductible	**4,800**	3,854
Tax effect of deferred tax asset not provided	**1,608**	2,310
Impairments not deductible for tax purposes	**–**	4,375
Income not taxable	**(2,536)**	(3,524)
(Lower)/higher tax on chargeable gains	**(312)**	742
Income taxed at higher rate	**597**	516
Manufacturing relief	**(4,117)**	(1,047)
Higher tax rates on overseas earnings	**555**	3,643
Prior year (over) provisions	**(6,592)**	(343)
Other items	**234**	299
Tax effect of joint ventures included in profit before tax	**(5,881)**	(2,459)
Income tax expense	**48,368**	41,364

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

8. PROFIT FOR THE FINANCIAL YEAR

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

	2007 €'000	2006 €'000
Depreciation and amortisation	**433,554**	450,503
Operating lease charges	**8,501**	8,453
Amortisation of deferred income	**(29,332)**	(22,293)
Loss on disposal of plant and equipment	**1,879**	2,486
Profit on disposal of property	**(21,713)**	(75,372)
Profit on disposal of business	**(2,267)**	(18,508)
Auditor's remuneration:		
- audit services	**448**	577
- taxation	**113**	96
- non-audit services	**197**	224
ESB (Parent) Board Members' remuneration:		
- fees	**297**	236
- other remuneration	**521**	486
Impairment of assets	**7,025**	35,000

Notes to the Financial Statements

9. PROPERTY, PLANT AND 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 2006	1,119,258	7,661,407	8,780,665	448,563	9,229,228
Additions	2,613	20,847	23,460	760,649	784,109
Retirements and disposals	(10,225)	(105,616)	(115,841)	(225)	(116,066)
Transfers of assets held for sale	(2,556)	-	(2,556)	-	(2,556)
Transfers out of assets under construction	40,518	675,298	715,816	(715,816)	-
Other transfers	(278,775)	297,970	19,195	81,962	101,157
Translation difference	5,802	13	5,815	-	5,815
Balance at 31 December 2006	876,635	8,549,919	9,426,554	575,133	10,001,687
Additions	463	18,976	19,439	824,361	843,800
Retirements and disposals	(3,768)	(44,018)	(47,786)	-	(47,786)
Transfers of assets held for sale	685	(77,220)	(76,535)	-	(76,535)
Transfers out of assets under construction	42,495	526,453	568,948	(568,948)	-
Transfers from investment property (Note 11)	408	-	408	-	408
Translation difference	-	(24,566)	(24,566)	-	(24,566)
Balance at 31 December 2007	916,918	8,949,544	9,866,462	830,546	10,697,008
Depreciation					
Balance at 1 January 2006	469,953	3,195,649	3,665,602	-	3,665,602
Charge for the year	39,106	342,900	382,006	-	382,006
Retirements and disposals	(2,579)	(90,384)	(92,963)	-	(92,963)
Transfers of assets held for sale	(1,149)	-	(1,149)	-	(1,149)
Impairment	-	35,000	35,000	-	35,000
Other transfers	(23,022)	35,028	12,006	-	12,006
Translation difference	699	(7)	692	-	692
Balance at 31 December 2006	483,008	3,518,186	4,001,194		4,001,194
Charge for the year	25,844	367,223	393,067	-	393,067
Retirements and disposals	(478)	(29,668)	(30,146)	-	(30,146)
Transfers to assets held for sale	-	(46,569)	(46,569)	-	(46,569)
Transfers from investment property (Note 11)	148	-	148	-	148
Translation difference	-	(6,262)	(6,262)	-	(6,262)
Balance at 31 December 2007	508,522	3,802,910	4,311,432	-	4,311,432
Net book value at 31 December 2007	**408,396**	**5,146,634**	**5,555,030**	**830,546**	**6,385,576**
Net book value at 31 December 2006	393,627	5,031,733	5,425,360	575,133	6,000,493
Net book value at 1 January 2006	649,305	4,465,758	5,115,063	448,563	5,563,626

During the year the Group capitalised interest of €23 million (2006: €14.3 million). The capitalisation rate was 5% (2006: 5%).

The carrying value of non-depreciable assets at 31 December 2007 is €39.5 million (2006 €39.7 million).

Assets under construction of €568.9 million were completed during the year, with €526.5 million transferred to plant and machinery (2006: €675.3 million) and €42.5 million transferred to land and buildings (2006: €40.5 million).

Other transfers in 2006 include the transfer of capital stock from inventories to plant and machinery and assets under construction pending being brought into use (net book value €87.5 million) and the reclassification of Coolkeeragh plant from land and buildings to plant and machinery (net book value €256 million).

Finance leases
All finance leases are held by the Parent. The net book value of property, plant and equipment includes an amount of €33.6 million (2006: €34.8 million) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to €6.9 million (2006: €4.9 million).

9. PROPERTY, PLANT AND EQUIPMENT(continued)

(b) PARENT	Land and buildings €'000	Plant and machinery €'000	Total assets in commission €'000	Assets under construction €'000	Total €'000
Cost					
Balance at 1 January 2006	830,970	7,532,457	8,363,427	399,374	8,762,801
Additions	468	19,261	19,729	738,260	757,989
Retirements and disposals	(6,429)	(99,140)	(105,569)	-	(105,569)
Transfers of assets held for sale	(2,556)	-	(2,556)	-	(2,556)
Transfers out of assets under construction	38,790	620,279	659,069	(659,069)	-
Other transfers	13,329	(842)	12,487	81,962	94,449
Balance at 31 December 2006	874,572	8,072,015	8,946,587	560,527	9,507,114
Additions	463	11,528	11,991	814,437	826,428
Retirements and disposals	(4,392)	(23,182)	(27,574)	-	(27,574)
Transfers of assets held for sale	685	(77,220)	(76,535)	-	(76,535)
Transfers out of assets under construction	42,495	525,271	567,766	(567,766)	-
Transfers from investment property (Note 11)	408	-	408	-	408
Balance at 31 December 2007	914,231	8,508,412	9,422,643	807,198	10,229,841
Depreciation					
Balance at 1 January 2006	461,866	3,107,422	3,569,288	-	3,569,288
Charge for the year	24,841	335,105	359,946	-	359,946
Retirements and disposals	(2,550)	(85,908)	(88,458)	-	(88,458)
Transfers of assets held for sale	(1,149)	-	(1,149)	-	(1,149)
Other transfers	-	12,488	12,488	-	12,488
Balance at 31 December 2006	483,008	3,369,107	3,852,115	-	3,852,115
Charge for the year	25,844	347,636	373,480	-	373,480
Retirements and disposals	(477)	(18,107)	(18,584)	-	(18,584)
Transfers of assets held for sale	-	(46,569)	(46,569)	-	(46,569)
Transfers from investment property (Note 11)	148	-	148	-	148
Balance at 31 December 2007	508,523	3,652,067	4,160,590	-	4,160,590
Net book value at 31 December 2007	**405,708**	**4,856,345**	**5,262,053**	**807,198**	**6,069,251**
Net book value at 31 December 2006	391,564	4,702,908	5,094,472	560,527	5,654,999
Net book value at 1 January 2006	369,104	4,425,035	4,794,139	399,374	5,193,513

During the year the Parent capitalised interest of €23 million (2006: €14.3 million) in assets under construction. The capitalisation rate was 5% (2006: 5%).

The carrying value of non-depreciable assets at 31 December 2007 is €39.5 million (2006 €39.7 million).

Assets under construction of €567.8 million were completed during the year, with €525.3 million transferred to plant and machinery (2006: €620.3 million) and €42.5 million transferred to land and buildings (2006: €38.8 million).

Other transfers in 2006 relate to capital stock transferred from inventories to plant and machinery and assets under construction pending being brought into use (net book value €82 million).

Finance leases
All finance leases are held by the Parent. The net book value of property, plant and equipment includes an amount of €33.6 million (2006: €34.8 million) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to €6.9 million (2006: €4.9 million).

10. INTANGIBLE ASSETS

(a) GROUP	Software Costs €'000	Emission Allowances €'000	Software under development €'000	Total €'000
Cost				
Balance at 1 January 2006	191,471	120,508	-	311,979
Software additions	3,445	-	43,195	46,640
Allocation of emissions allowances	-	268,744	-	268,744
Software disposals	(19,750)	-	-	(19,750)
Settlement of emissions allowances	-	(140,804)	-	(140,804)
Transfers out of software under development	19,177	-	(19,177)	-
Other transfers	1,755	-	-	1,755
Translation differences	-	(846)	-	(846)
Balance at 31 December 2006	196,098	247,602	24,018	467,718
Software additions	27,615	-	31,113	58,728
Allocation of emissions allowances	-	77,478	-	77,478
Purchase of emissions allowances	-	2,865	-	2,865
Impairment of emissions allowances	-	(7,025)	-	(7,025)
Software disposals	(4,972)	-	(7)	(4,979)
Settlement of emissions allowances	-	(251,626)	-	(251,626)
Transfers out of software under development	33,769	-	(33,769)	-
Balance at 31 December 2007	252,510	69,294	21,355	343,159
Amortisation				
Balance at 1 January 2006	65,368	-	-	65,368
Charge for the year	33,491	-	-	33,491
Other transfers	482	-	-	482
Retirements and disposals	(15,622)	-	-	(15,622)
Balance at 31 December 2006	83,719	-	-	83,719
Charge for the year	40,487	-	-	40,487
Retirements and disposals	(4,272)	-	-	(4,272)
Balance at 31 December 2007	119,934	-	-	119,934
Net book value at 31 December 2007	**132,576**	**69,294**	**21,355**	**223,225**
Net book value at 31 December 2006	112,379	247,602	24,018	383,999
Net book value at 1 January 2006	126,103	120,508	-	246,611

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

Emissions 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.

10. INTANGIBLE ASSETS (continued)

(b) PARENT	Software Costs €'000	Emission Allowances €'000	Software under development €'000	Total €'000
Cost				
Balance at 1 January 2006	190,588	112,696	-	303,284
Software additions	2,403	-	39,098	41,501
Allocation of emissions allowances	-	246,052	-	246,052
Software disposals	(19,280)	-	-	(19,280)
Settlement of emissions allowances	-	(134,719)	-	(134,719)
Transfers out of software under development	19,177	-	(19,177)	-
Balance at 31 December 2006	192,888	224,029	19,921	436,838
Software additions	22,421	-	31,113	53,534
Allocation of emissions allowances	-	71,978	-	71,978
Purchase of emissions allowances	-	966	-	966
Impairment of emissions allowances	-	(5,125)	-	(5,125)
Settlement of emissions allowances	-	(228,027)	-	(228,027)
Transfers out of software under development	31,369	-	(33,238)	(1,869)
Balance at 31 December 2007	246,678	63,821	17,796	328,295
Amortisation				
Balance at 1 January 2006	65,368	-	-	65,368
Charge for the year	33,008	-	-	33,008
Retirements/and disposals	(15,307)	-	-	(15,307)
Balance at 31 December 2006	83,069	-	-	83,069
Charge for the year	39,082	-	-	39,082
Balance at 31 December 2007	122,151	-	-	122,151
Net book value at 31 December 2007	**124,527**	**63,821**	**17,796**	**206,144**
Net book value at 31 December 2006	109,819	224,029	19,921	353,769
Net book value at 1 January 2006	125,220	112,696	-	237,916

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

Emissions 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.

11. INVESTMENT PROPERTY

GROUP and PARENT	2007 Total €'000	2006 Total €'000
Cost		
Balance at 1 January	408	682
Disposals	-	(274)
Transferred to property, plant and equipment	(408)	-
Balance at 31 December	-	408
Depreciation		
Balance at 1 January	148	402
Charge for the year	-	6
Disposals	-	(260)
Transferred to property, plant and equipment	(148)	-
Balance at 31 December	-	148
Closing net book value	-	260
Opening net book value	260	280

Investment property is valued in the financial statements using the cost model, that is cost less depreciation.

The fair value of investment property for 2006 at €8.2 million was valued on an open market basis as at 31 December 2006. It was based on independent valuations carried out by external valuers. This property was transferred to property, plant and equipment during 2007 having come back into use.

Profit on property disposals at €21.7 million (2006: €75.4 million) arises primarily from the sale of properties which are not disclosed as investment properties as they are in use by the businesses up to the point of sale.

12. FINANCIAL ASSET INVESTMENTS

(a) GROUP

	Joint venture investments	Sinking fund and other investments	Total
	€'000	€'000	€'000
Balance at 1 January 2006	40,845	3,083	43,928
Share of profit	19,674	-	19,674
Fair value movement on cash flow hedges	6,254	-	6,254
Dividends received	(8,321)	-	(8,321)
Other movements	(28,034)	11,092	(16,942)
Utilisation of sinking fund	-	(3,011)	(3,011)
Balance at 31 December 2006	30,418	11,164	41,582
Share of profit	47,050	-	47,050
Fair value movement on cash flow hedges	4,452	-	4,452
Dividends received	(5,556)	-	(5,556)
Other movements	(4,622)	92	(4,530)
Repayments	-	(8,483)	(8,483)
Balance at 31 December 2007	**71,742**	**2,773**	**74,515**

Joint venture investments

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

Dividends received from joint ventures relate to Synergen Power €2.8 million (2006: €2.8 million) and Corby Power €2.7 million (2006: €5.5 million).

Other movements for 2007 relate primarily to translation differences in Corby Power Limited (€4.2 million). Other movements for 2006 include the deferral of an Amorebieta construction bonus (€7.5 million), the assumption of liabilities on the establishment of Marchwood Power Limited as a joint venture (€5.7 million), the reclassification of a loan from ESBII BV to Bizkaia Energia SL (€15.9 million) to other investments and translation differences.

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 2007 % of share capital owned	Holding 31 December 2006 % of share capital owned
Synergen Power Limited	Ireland	**70%**	70%
Bizkaia Energia SL	Spain	**50%**	50%
Corby Power Limited	United Kingdom	**50%**	50%
Marchwood Power Limited	United Kingdom	**50%**	50%

12. FINANCIAL ASSET INVESTMENTS (continued)

	2007	2006
	€'000	€'000
Non-current assets	**396,039**	461,913
Current assets	**108,077**	89,438
Derivative assets	**1,317**	-
Total assets	**505,433**	551,351
Equity	**85,183**	51,086
Cash flow hedging reserve	**(642)**	(7,155)
Total equity	**84,541**	43,931
Non-current liabilities	**256,551**	426,258
Current liabilities	**163,295**	75,125
Derivative liabilities	**1,046**	6,037
Total liabilities	**420,892**	507,420
Total equity and liabilities	**505,433**	551,351
Income	**274,493**	252,957
Expenses	**(214,849)**	(207,504)
Operating profit	**59,644**	45,453
Profit after interest and tax	**47,050**	19,674

The share of total equity of €84.5 million above reflects the individual Balance Sheets of the joint venture investments. The value of the joint venture investments on the Balance Sheet is €71.7 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 ESBI Contracting Limited which has also reduced the value of the joint venture investments.

Sinking fund and other investments in the Group at 2007 year end relate primarily to an investment which is a loan of €2.7 million (2006: €10.9 million) provided by ESBII BV to Bizkaia Energia SL. The sinking fund investment, represented by short term bank deposits, was utilised fully in 2006. Subsidiary, associated and joint venture undertakings are listed in Note 33.

(b) PARENT

	Subsidiary Undertakings			**Sinking fund**	
	Shares	**Loans**	**Subtotal**	**investments**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Balance at 1 January 2006	57,705	93,414	151,119	3,011	154,130
Additions	11,050	-	11,050	-	11,050
Repayments	-	(63,931)	(63,931)	(3,011)	(66,942)
Balance at 31 December 2006	68,755	29,483	98,238	-	98,238
Additions	2,627	-	2,627	-	2,627
Repayments	-	(27,883)	(27,883)	-	(27,883)
Other	1,600	(1,600)	-	-	-
Balance at 31 December 2007	**72,982**	**-**	**72,982**	**-**	**72,982**

13. INVENTORIES

	GROUP		PARENT	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Materials	**30,004**	33,265	**30,004**	29,880
Fuel	**130,718**	117,557	**129,632**	117,557
	160,722	150,822	**159,636**	147,437

Inventories consumed during the year ended 31 December 2007 total €223 million (2006: €303 million).

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

14. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Trade receivables	**233,217**	161,096	**207,042**	119,614
Unbilled consumption	**303,125**	330,200	**252,526**	294,123
Amounts owed by subsidiary undertakings	**-**	-	**395,512**	406,847
Amounts owed by joint venture undertakings	**16,450**	9,653	**-**	-
Other receivables	**77,694**	102,463	**46,974**	79,016
	630,486	603,412	**902,054**	899,600

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

15. INVESTMENTS

GROUP AND PARENT	**2007**	2006
	€'000	€'000
Listed investments at cost	**79**	79

Investments represent the repurchase of ESB loan stock, pending cancellation. Their fair value is approximately equal to the carrying value on the balance sheet.

16. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**53,318**	24,151	**4,260**	494
Other bank deposits	**-**	13,582	**20,870**	17,684
	53,318	37,733	**25,130**	18,178

17. ASSETS HELD FOR SALE

	2007	2006
GROUP AND PARENT	**€'000**	€'000
Property	**31,373**	1,407

The 2007 assets held for sale mainly comprise of three Peaking Capacity units and also two vacant sites at Shannonbridge and Lanesborough. These assets have a carrying value at 31 December 2007 of €30.7 million and are expected to be disposed of during 2008. The remaining balance relates to the carrying value of ESB Networks assets held for sale. The assets held for sale as at 31 December 2006 related to property.

18. CAPITAL AND RESERVES

(a) GROUP

Reconciliation of movement in capital and reserves

	Capital Stock	Translation Reserve	Reserve for the repurchase of loan stock	Cash Flow Hedging and Other Reserves	Retained Earnings	Total	Minority interest	Total Equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2006	1,979,882	2,489	3,011	(96,267)	645,097	2,534,212	962	2,535,174
Income for the year	-	-	-	-	222,468	222,468	150	222,618
Dividends	-	-	-	-	(72,389)	(72,389)	-	(72,389)
Other changes	-	2,536	(3,011)	-	3,011	2,536	(383)	2,153
Cash flow hedges:								
- Net fair value (losses)	-	-	-	(42,888)	-	(42,888)	-	(42,888)
- Other operating expenses	-	-	-	88,096	-	88,096	-	88,096
- Fair value gains for hedges in joint ventures	-	-	-	13,938	-	13,938	-	13,938
- Transfers to Income Statement for joint ventures	-	-	-	(1,927)	-	(1,927)	-	(1,927)
Tax on items taken directly to/transferred from equity	-	-	-	(5,693)	-	(5,693)	-	(5,693)
Tax on items taken directly to/transferred from equity for joint ventures	-	-	-	(3,494)	-	(3,494)	-	(3,494)
Balance at 31 December 2006	1,979,882	5,025	-	(48,235)	798,187	2,734,859	729	2,735,588
Balance at 1 January 2007	1,979,882	5,025	-	(48,235)	798,187	2,734,859	729	2,735,588
Income for the year	-	-	-	-	431,816	431,816	(84)	431,732
Dividends	-	-	-	-	(66,722)	(66,722)	-	(66,722)
Other changes	-	(4,953)	-	-	-	(4,953)	-	(4,953)
Cash flow hedges								
- Net fair value gains	-	-	-	210,600	-	210,600	-	210,600
- Transfers to Income Statement								
- Interest	-	-	-	7,096	-	7,096	-	7,096
- Other Operating Expenses	-	-	-	83,709	-	83,709	-	83,709
- Fair value gains for hedges in joint ventures	-	-	-	6,846	-	6,846	-	6,846
- Transfers to Income Statement for joint ventures	-	-	-	421	-	421	-	421
Tax on items taken directly to/transferred from equity	-	-	-	(36,678)	-	(36,678)	-	(36,678)
Tax on items taken directly to/transferred from equity for joint ventures	-	-	-	(2,009)	-	(2,009)	-	(2,009)
Balance at 31 December 2007	**1,979,882**	**72**	**-**	**221,750**	**1,163,281**	**3,364,985**	**645**	**3,365,630**

18. CAPITAL AND RESERVES (continued)

(b) PARENT

Reconciliation of movement in capital and reserves

	Capital Stock	Reserve for the repurchase of loan stock	Cash Flow Hedging Reserve	Retained Earnings	Total
	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2006	1,979,882	3,011	(88,145)	570,056	2,464,804
Income for the year	-	-	-	302,742	302,742
Dividends	-	-	-	(72,389)	(72,389)
Other changes	-	(3,011)	-	3,011	-
Cash flow hedges:					
- Net fair value (losses)	-	-	(43,131)	-	(43,131)
- Other operating expenses	-	-	88,096	-	88,096
- Fair value gains for hedges in joint ventures	-	-	-	-	-
Tax on items taken directly to/transferred from equity	-	-	(5,621)	-	(5,621)
Balance at 31 December 2006	1,979,882	-	(48,801)	803,420	2,734,501
Balance at 1 January 2007	1,979,882	-	(48,801)	803,420	2,734,501
Income for the year	-	-	-	383,578	383,578
Dividends	-	-	-	(66,722)	(66,722)
Other changes	-	-	-	-	-
Cash flow hedges:					
- Net fair value gains	-	-	250,910	-	250,910
- Transfers to income statement					
- Interest	-	-	7,096	-	7,096
- Other Operating Expenses	-	-	83,709	-	83,709
Tax on items taken directly to/transferred from equity	-	-	(42,285)	-	(42,285)
Balance at 31 December 2007	**1,979,882**	**-**	**250,629**	**1,120,276**	**3,350,787**

18. CAPITAL AND RESERVES (continued)

(i) Capital stock

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

	2007 €'000
Comprised as:	
Stock issued from converted reserves	**1,880,888**
Stock issued for subscription by ESOT	**98,994**
	1,979,882

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

The Energy (Miscellaneous Provisions) Act 2006 was passed into law on 24 December 2006. The Act amends Section 2 of the 2001 Act to provide that 10% of issued capital stock in ESB now stands vested in the Minister for Communications, Energy and Natural Resources, with the Minister for Finance retaining 85% of ESB's capital stock and the ESOP retaining 5% of the stock.

(ii) Minority interests - Group

Minority interests at 31 December 2007 relate to the minority shareholdings in Crockahenny Wind Farm Limited and Mountain Lodge Power Limited.

(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 the 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 the year end.

Other reserves consist of €5 million which was created on the sale of Ocean in 2001.

(iv) Reserve for the repurchase of loan stock

This reserve comprised a sinking fund for the repayment of borrowings. This reserve was represented by the sinking fund investments referred to in note 12 to the financial statements. The related borrowings were repaid in 2006 and the reserve was released back to retained earnings.

(v) Dividends - Group and Parent

	2007 €'000	2006 € '000
Dividends on capital stock:		
Total dividend paid 3.37 cents (2006: 3.66 cents) cents per capital stock unit	**66,722**	72,389

The Board Members are recommending that a final dividend of 6.54 cent per unit of capital stock, amounting to €129.5 million in aggregate, be paid in 2008, in respect of 2007.

19. BORROWINGS AND OTHER DEBT

(a) GROUP	Finance Leases €'000	Recourse Borrowings €'000	Non Recourse Borrowings €'000	2007 Total €'000	2006 Total € '000
Current borrowings					
- Repayable by instalments	9,785	34,776	4,432	**48,993**	133,588
- Repayable other than by instalments	-	93,353	-	**93,353**	45,000
Total current borrowings	9,785	128,129	4,432	**142,346**	178,588
- Repayable by instalments					
Between one and two years	7,386	86,442	4,820	**98,648**	132,383
Between two and five years	30,462	92,995	16,364	**139,821**	390,917
After five years	55,728	228,644	11,314	**295,686**	428,247
	93,576	408,081	32,498	**534,155**	951,547
- Repayable other than by instalments					
Between two and five years	11,220	488,513	-	**499,733**	94,026
After five years	-	673,627	-	**673,627**	773,783
	11,220	1,162,140	-	**1,173,360**	867,809
Total non-current borrowings	104,796	1,570,221	32,498	**1,707,515**	1,819,356
Total borrowings outstanding	**114,581**	**1,698,350**	**36,930**	**1,849,861**	1,997,944

Current borrowings

Finance leases of €9.8 million refer to the capital element of finance leases payable in the next 12 months. The recourse borrowings of €128.1m include long term bank debt repayable within the next 12 months (€34.8 million) (2006: €118.8 million), short term debt of €45 million (2006: €45 million), together with an amount payable to a joint venture undertaking (Synergen Power Limited) of €48.3 million (2006: €Nil). The amount due to Synergen Power Limited is repayable on demand. Interest on borrowings from Synergen Power Limited amounting to €1.7 million (2006: €Nil) was paid by the Group during the year and is included within the interest payable on borrowings charge to the Income Statement. The non-recourse borrowings of €4.4 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, the capital element of finance leases payable after one year of €104.8 million, private placement borrowings of €706.9 million, other long term bank borrowings of €853 million and €32.5 million of non-recourse long term project finance debt.

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

Other long term bank borrowings include (a) a revolving credit facility has been drawn down to the value of €455 million – this is floating rate euro debt and is not due to be repaid before 2012 and the facility does not mature until May 2012; and (b) €427 million of fixed rate debt has been drawn down from another lender, €206 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.

19. BORROWINGS AND OTHER DEBT (continued)

Included in borrowings above is a Sterling denominated bank loan, which has been designated as a hedge of the Group's investment in a subsidiary in the United Kingdom. The carrying amount of the loan at 31 December 2007 was €169.2 million (2006: €184.5 million). A gain of €15.3 million (2006: €2.8 million) has been recognised in the Translation Reserve within Equity on the translation of the loan to euro in the books of the Sterling denominated subsidiary entity. Also recognised in the Translation Reserve is an offsetting loss of €9.8 million on the translation of a Euro denominated intragroup loan in the same Sterling denominated subsidiary entity, which has also been designated as part of the Group's investment in the subsidiary, and has accordingly been recognised directly in equity.

Borrowings totalling €5.8 million (2006: €11.6 million) are State guaranteed. With the exception of borrowings relating to finance leases and the non-recourse project finance debt relating to Gort Windfarms Limited, which are secured against specific assets, none of the borrowings are secured against the Group assets.

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

Future finance lease commitments are as follows:

	2007 Minimum Lease Payments	**2007 Present value of Minimum Lease Payments**	2006 Minimum Lease Payments	2006 Present value of Minimum Lease Payments
	€'000	**€'000**	€ '000	€ '000
Amounts payable:				
Within one year	**20,290**	**9,785**	19,336	11,009
Between one and five years	**69,096**	**49,068**	60,706	34,251
After five years	**59,024**	**55,728**	87,704	80,330
	148,410	**114,581**	167,746	125,590
Less future lease charges	**(33,829)**		(42,156)	
Present value of lease obligations	**114,581**		125,590	

	Finance Leases €'000	**Recourse Borrowings €'000**	**2007 Total €'000**	2006 Total € '000
(b) PARENT				
Current borrowings				
- Repayable by instalments	9,785	34,776	**44,561**	129,798
- Repayable other than by instalments	-	93,353	**93,353**	45,000
Total current borrowings	9,785	128,129	**137,914**	174,798
Non-current borrowings				
- Repayable by instalments				
Between one and two years	7,386	86,442	**93,828**	127,952
Between two and five years	30,462	92,995	**123,457**	372,777
After five years	55,728	228,644	**284,372**	413,915
	93,576	408,081	**501,657**	914,644
- Repayable other than by instalments				
Between two and five years	11,220	488,513	**499,733**	94,026
After five years	-	673,627	**673,627**	773,758
	11,220	1,162,140	**1,173,360**	867,784
Total non-current borrowings	104,796	1,570,221	**1,675,017**	1,782,428
Total borrowings outstanding	**114,581**	**1,698,350**	**1,812,931**	1,957,226

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Overview of Financial Risk Management

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

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

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

Financial instruments are derecognised on settlement or sale.

Risk Reporting Structure

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

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

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

(b) Funding and Liquidity Management

The Group's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. Structured non-recourse and limited recourse financing is used where appropriate, taking into account the compatibility between funding costs and risk mitigation. All borrowing facilities are in compliance with the Electricity Acts and relevant regulatory requirements. ESB is well positioned from a funding and liquidity perspective given the current turbulence in bank markets with over €550m available in committed bank facilities as well as a number of uncommitted facilities available. ESB has in place adequate borrowing facilities in order to ensure that liquidity demands can be met as required.

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

	2007		2006	
	Drawn Debt	**Undrawn Facility**	Drawn Debt	Undrawn Facility
Maturing	**€m**	**€m**	€m	€m
In one year or less	**142.3**	**-**	178.6	-
Between one and two years	**98.6**	**-**	132.4	-
Between two and five years	**639.6**	**354.3**	484.9	-
In more than five years	**969.4**	**200.0**	1,202.0	735.0
	1,849.9	**554.3**	1,997.9	735.0

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

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

	Carrying Amount	Contractual cash outflows/ (inflows) - net	Within 1 year	1- 2 years	2 - 5 years	More than 5 years
	€'000	€'000	€'000	€'000	€'000	€'000
31 December 2007						
Finance Leases	114,581	148,410	20,290	13,124	55,972	59,024
Recourse Borrowings	1,698,350	2,205,498	189,469	143,969	734,041	1,138,019
Non Recourse Borrowings	36,930	43,125	5,727	5,919	18,599	12,880
Total Borrowings	1,849,861	2,397,033	215,486	163,012	808,612	1,209,923
Trade and Other Payables	647,307	647,307	629,993	2,658	9,007	5,649
Currency Swaps	152,622	228,471	7,270	6,949	28,271	185,981
Contracts for Differences (SEM electricity trading)	23,566	23,838	23,223	615	-	-
Foreign Exchange Contracts	2,516	2,575	2,575	-	-	-
Forward Fuel Price Contracts	19,098	19,098	19,098	-	-	-
Forward Electricity Price Contracts	13,846	13,846	4,420	1,622	2,586	5,218
Total Liabilities	2,708,816	3,332,168	902,065	174,856	848,476	1,406,771
Interest Rate Swaps	(946)	(1,158)	(262)	(218)	(442)	(236)
Contracts for Differences (SEM electricity trading)	(13,316)	(13,316)	(13,316)	-	-	-
Foreign Exchange Contracts	(728)	(227)	(192)	(35)	-	-
Forward Fuel Price Contracts	(35,631)	(35,631)	(35,631)	-	-	-
Forward Electricity Price Contracts	(236,140)	(338,878)	(44,341)	(37,009)	(87,255)	(170,273)
Total Assets	(286,761)	(389,210)	(93,742)	(37,262)	(87,697)	(170,509)
	2,422,055	**2,942,958**	**808,323**	**137,594**	**760,779**	**1,236,262**
31 December 2006						
Finance Leases	125,590	167,747	19,336	20,290	40,417	87,704
Recourse Borrowings	1,831,661	2,183,422	145,195	80,505	294,105	1,663,617
Non Recourse Borrowings	40,693	52,256	5,748	6,464	19,808	20,236
Total Borrowings	1,997,944	2,403,425	170,279	107,259	354,330	1,771,557
Trade and Other Payables	526,738	526,738	484,186	29,792	5,346	7,414
Currency Swaps	146,015	111,797	10,682	2,658	11,242	87,215
Total Liabilities	2,670,697	3,041,960	665,147	139,709	370,918	1,866,186
Interest Rate Swaps	(578)	(200)	(39)	(35)	(77)	(49)
Foreign Exchange Contracts	(1,896)	(1,901)	(1,894)	(7)	-	-
Forward Fuel Price Contracts	(176)	(176)	(176)	-	-	-
Total Assets	(2,650)	(2,277)	(2,109)	(42)	(77)	(49)
	2,668,047	**3,039,683**	**663,038**	**139,667**	**370,841**	**1,866,137**

(c) Credit Risk

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

Financial Assets

	2007		2006	
	Group	**Parent**	Group	Parent
	€'000	**€'000**	€'000	€'000
Investments in joint ventures	**71,742**	**-**	30,418	-
Financial asset investments	**2,773**	**72,982**	11,164	98,238
Listed investments at cost	**79**	**79**	79	79
Derivatives financial instruments	**286,761**	**309,884**	2,825	2,248
Trade and other receivables	**630,486**	**902,054**	603,412	899,600
Cash and cash equivalents	**53,318**	**25,130**	37,733	18,178
	1,045,159	**1,310,129**	685,631	1,018,343

Investments in joint venture and financial asset investments

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

Treasury Related Credit Risk

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

Trading in derivatives is performed to mitigate financial risks and is executed in compliance with the Specification and Requirements of the Minister for Finance issued under the aegis of the "Financial Transactions of Certain Companies and Other Bodies Act 1992". The Specification and Requirements outline the type of derivatives which ESB can transact and the associated requirements which ESB must satisfy regarding each derivative counterparty. Dealing activities are controlled by putting in place robust dealing mandates with its counterparties. The Group does not hold or trade derivative instruments for speculative purposes. Exposures, related limits and compliance with the Minister's Specification and Requirements are subject to ongoing review and monitoring. The Group has not experienced any losses due to failure of such counterparties to deliver on their obligations. Total collateral held at year end was €275 million (2006: €155 million). Collateral, in the form of bonds and guarantees, is required by ESB business units from various parties, (predominately contractors) and since the advent of the SEM, specifically in the form of letters of credit from power Contract for Differences (CfD) counterparties (€17.2 million).

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

Commodity Price Credit Risk
The Group also has credit risk associated with commodity positions. These arise from Contracts for Differences that are entered into to hedge energy and fuel price risks and are managed in accordance with the Specification and Requirements. The Group establishes counterparty credit risk limits to restrict uncollateralised exposure. Net exposures, collateral requirements and compliance are monitored on an ongoing basis.

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

	2007		2006	
	Group	**Parent**	Group	Parent
	€'000	**€'000**	€'000	€'000
Retail electricity receivables - billed	**125,384**	**115,108**	95,928	73,314
Retail electricity receivables - unbilled	**276,657**	**226,058**	330,200	294,123
Total retail electricity receivables	**402,041**	**341,166**	426,128	367,437
SEM Pool related receivables	**66,508**	**61,611**	-	-
Use of System receivables	**55,847**	**55,847**	46,300	46,300
Total electricity receivables	**524,396**	**458,624**	472,428	413,737
Trade receivables - non electricity	**11,946**	**944**	18,868	-
Other receivables	**94,144**	**46,974**	112,116	79,016
Amounts due from related undertakings	**-**	**395,512**	-	406,847
	630,486	**902,054**	603,412	899,600

The credit risk relating to final electricity retail customers is managed through the ongoing monitoring of debtors days, obtaining appropriate collateral and a collection policy based on the credit worthiness, size and duration of debt. Debt collection policy comprises a combination of internal debt follow up, the use of debt collection agencies and legal follow up including the publication of judgements. The largest single billed retail balance outstanding at 31 December 2007 was €197,268 (2006: €326,993). Unbilled electricity receivables represent estimates of consumption not yet invoiced. Controls around electricity receivables are focused on the full recovery of amounts invoiced. Electricity receivables arise largely in the Republic of Ireland, with 6% relating to Northern Ireland revenue.

Deposits are also held in respect of new customer accounts – the level of such deposits in place at 31 December 2007 was €15.4 million (2006: €11.5 milion).

The impairment provisioning policy is based on the historical experience of debts written off. In 2007, electricity receivables were impaired to the value of €11.5 million. Of this, the single largest customer amount written off during the year was €109,346 relating to a customer who went into liquidation during the year.

Credit risk in relation to SEM Pool related receivables is managed by the Trading functions 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 income comprises Distribution Use of System (DUoS) income and Transmission Use of System (TUoS) income and arises almost entirely in the Republic of Ireland. DUoS Collection procedures are set out in the DUoS Framework Agreements, as approved by the CER, between ESB Networks and the various electricity suppliers. DUoS credit risk is managed through maintenance of the collection procedures set out in these agreements. All suppliers are required to supply a Letter of Credit or to have an approved credit rating, and adequate security cover is in place for all outstanding balances. The largest single balance outstanding at 31 December 2007 is €5.5 million (2006 : €3.9 million).

Collection procedures in relation to TUoS are set out in the Infrastructure Agreement between ESB Networks and EirGrid. This agreement provides that EirGrid shall pay in each year, in equal monthly payments, the amount determined by the CER as being due from EirGrid in respect of ESB Networks' activities as Transmission System owner. In the event of default by EirGrid the matter would be referred to the CER for determination. The amount due from EirGrid in respect of TUoS income at 31 December 2007 was €25.7 million (2006: €21.9 million).

Trade Receivables (non electricity) and Other Receivables relate to balances due in respect of the Group's non electricity trading and other operations. It includes amounts due in respect of the Group's telecommunications, contracting, consultancy, facility management and other ancillary operations, and amounts due in connection with the disposal of surplus properties during the year. Credit risk with regard to these balances is not considered to be significant. The largest single balance included within this category at 31 December 2007 is an amount of €14.3 million (2006: €3.5 million) due from a joint venture undertaking.

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

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

	Group					
	2007			2006		
	Gross Amount Receivable	Impairment	Net Amount Receivable	Gross Amount Receivable	Impairment	Net Amount Receivable
	€'000	€'000	€'000	€'000	€'000	€'000
Not past due	507,455	-	507,455	494,762	4,679	490,083
Past due < 30 days	54,082	606	53,476	45,906	228	45,678
Past due 30 - 120 days	52,635	3,887	48,748	53,303	2,188	51,115
Past due > 120 days	19,848	6,639	13,209	16,158	7,693	8,465
Past due by more than one year	21,137	13,539	7,598	19,944	11,873	8,071
Total	**655,157**	**24,671**	**630,486**	630,073	26,661	603,412

	Parent					
	2007			2006		
	Gross Amount Receivable	Impairment	Net Amount Receivable	Gross Amount Receivable	Impairment	Net Amount Receivable
	€'000	€'000	€'000	€'000	€'000	€'000
Not past due	808,538	-	808,538	810,475	4,600	805,875
Past due < 30 days	31,419	606	30,813	32,318	228	32,090
Past due 30 - 120 days	45,433	2,303	43,130	48,494	1,776	46,718
Past due > 120 days	19,400	6,491	12,909	15,651	7,693	7,958
Past due by more than one year	19,518	12,854	6,664	18,203	11,244	6,959
Total	**924,308**	**22,254**	**902,054**	925,141	25,541	899,600

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

	Group	Parent
	€'000	€'000
Balance at 1 January 2007	26,661	25,541
Impairment loss recognised	11,487	10,186
Release of provision	(13,477)	(13,473)
Balance at 31 December 2007	**24,671**	**22,254**

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

(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 in overseas activities.

Foreign currency forward purchase contracts and cross country swaps, as well as options, are used to reduce volatility arising from foreign currency exposures. The foreign currency forward purchase contracts in place at 31 December 2007 relate to forecast cash flows expected to occur up to 15 December 2023. This was a negative fair value movement on foreign currency contracts of €15.8 million in 2007 (2006: gain of €1.9 million) of which €0.2 million (2006: €Nil) was recognised in the Income Statement and €15.6 million (2006: €1.9 million) was recognised directly in Equity. There was no ineffectiveness recognised in relation to foreign exchange contracts in 2007 or 2006.

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, the Group's total debt portfolio amounted to €1.850 billion (2006: €1.998 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before currency swaps		**After currency swaps**	
Currency	**2007**	2006	**2007**	2006
Euro	**50%**	48%	**91%**	89%
Swiss Franc	**1%**	1%	**0%**	0%
US Dollar	**38%**	39%	**0%**	0%
Sterling	**11%**	12%	**9%**	11%
Total	**100%**	100%	**100%**	100%

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

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

A 10% strengthening of the euro against the following currencies at 31 December would have decreased 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 the equal but opposite effect, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2006.

	2007		2006	
	Other Equity Gain/(loss)	**Profit before taxation Gain/(loss)**	Other Equity Gain/(loss)	Profit before taxation Gain/(loss)
	€'000	**€'000**	€'000	€'000
US Dollar	(5,976)	(990)	-	(1,242)
Sterling	(12,992)	662	(1,836)	(6,147)
Swiss Franc	(526)	-	(1,055)	-

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

The following table relates to foreign currency (translation) risk and to credit risk by geographic region at 31 December 2007:

	Trade and Other Receivables €'000	**%**	**Trade and Other Payables €'000**	**%**
Republic of Ireland	571,848	90.6%	597,994	92.4%
United Kingdom	48,344	7.7%	40,523	6.3%
Euro-zone countries	5,446	0.9%	2,145	0.3%
Rest of the World	4,848	0.8%	6,647	1.0%
	630,486	**100.0%**	**647,309**	**100.0%**

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

(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 2007 year end 70% (2006: 70%) of the Group's debt was fixed to maturity. The fair value of interest rate swaps can be seen in paragraph (f).

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

	Effective interest rate	Total	Within one year	1-2 years	2-5 years	More than five years
	%	€'000	€'000	€'000	€'000	€'000
Cash on deposit (variable interest rate)	4.13%	56,878	56,878	-	-	-
Finance leases (fixed interest rate)	5.54%	114,581	9,785	7,386	41,682	55,728
Private Placement Borrowings (fixed interest rate)	5.18%	867,729	-	-	41,090	826,639
Non Recourse Borrowings (fixed interest rate)	4.67%	36,930	4,432	4,820	16,364	11,314
Amounts due to Synergen Power Limited (variable rate)	4.40%	48,353	48,353	-	-	-
Other Long Term Borrowings (fixed and variable)	4.78%	826,485	80	86	582	825,737

Cash on deposit at 31 December 2007 consisted of EUR €39.4 million at 3.7%, GBP £15.6 million at 5.9% and USD $1.1 million at 3.9%. Included within Other Long Term Borrowings above are floating rate liabilities of €596.5 million (2006: €626.0 million). The principal floating rate facility is due to mature in 2012.

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

	Profit before taxation		Other Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
	€'000	€'000	€'000	€'000
31 December 2007				
Interest rate swaps	-	-	(6,935)	6,935
Net sensitivity	-	-	(6,935)	6,935
31 December 2006				
Interest rate swaps	-	-	(2,799)	2,799
Net sensitivity	-	-	(2,799)	2,799

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;
- changes in the carrying value of derivatives designated as cash flow hedges from 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 only affect the income statement; 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.

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

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

	31 December 2007		31 December 2006	
	Other Equity	**Profit before taxation**	Other Equity	Profit before taxation
	Gain/(Loss)	**Gain/(Loss)**	Gain/(Loss)	Gain/(Loss)
	€'000	**€'000**	€'000	€'000
Gain/(Loss) due to movement in gas and coal prices	11,182	4,771	-	-

A general increase of 10% in the system market price (SMP) of the Single Electricity Market at 31 December would have increased equity and profit before taxation by the amount sets out below. This analysis assumes that all other variables, in particular foreign exchange rates, remained 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.

	31 December 2007		31 December 2006	
	Other Equity	**Profit before taxation**	Other Equity	Profit before taxation
	Gain/(Loss)	**Gain/(Loss)**	Gain/(Loss)	Gain/(Loss)
	€'000	**€'000**	€'000	€'000
Gain/(Loss) due to movement in the SMP	180,174	-	-	-

(g) Fair Value

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

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

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

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

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

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	GROUP			PARENT		
	Nominal Value 2007 €'000	Carrying Value 2007 €'000	Fair Value 2007 €'000	Nominal Value 2007 €'000	Carrying Value 2007 €'000	Fair Value 2007 €'000
Long term debt held to maturity	-	1,602,719	1,634,821	-	1,570,221	1,601,875
Long term finance lease liabilities	-	104,796	111,083	-	104,796	111,083
Short term borrowings (includes finance leases)	-	142,346	98,417	-	137,914	93,941
Sub total borrowings	-	1,849,861	1,844,321	-	1,812,931	1,806,899
Interest rate swaps:						
- LT Assets	26,133	(946)	(946)	-	-	-
Currency swaps:						
- LT Liabilities	867,729	152,622	152,622	867,729	152,622	152,622
SEM related derivative financial instruments:						
- LT Assets	-	(236,140)	(236,140)	-	(260,435)	(260,435)
- ST Assets	-	(49,675)	(49,675)	-	(49,448)	(49,448)
- LT Liabilities	-	15,121	15,121	-	-	-
- ST Liabilities	-	43,905	43,905	-	43,839	43,839
Trade and other payables	-	647,307	644,028	-	671,204	668,203
Trade and other receivables	-	(630,486)	(630,486)	-	(902,054)	(902,054)
Cash and cash equivalents	-	(53,318)	(53,318)	-	(4,260)	(4,260)
		1,738,251	**1,729,432**		**1,464,399**	**1,455,366**

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

	GROUP			PARENT		
	Nominal Value 2006 €'000	Carrying Value 2006 €'000	Fair Value 2006 €'000	Nominal Value 2006 €'000	Carrying Value 2006 €'000	Fair Value 2006 €'000
Long term debt held to maturity	-	1,704,741	1,677,134	-	1,667,887	1,639,546
Long term finance lease liabilities	-	115,241	120,136	-	115,241	120,136
Short term borrowings (includes finance leases)	-	177,962	175,446	-	174,138	171,596
Sub total borrowings	-	1,997,944	1,972,716	-	1,957,226	1,931,278
Interest rate swaps:						
- ST Assets (Cash Flow Hedge)	28,810	(578)	(578)	-	-	-
Currency swaps:						
- LT Liabilities (Fair Value Hedge)	24,783	7,736	7,736	24,783	7,736	7,736
- LT Liabilities (Cash Flow Hedge)	867,729	138,279	138,279	867,729	138,279	138,279
Foreign exchange contracts:						
- LT Assets	18,607	(1,750)	(1,750)	-	(1,750)	(1,750)
- ST Assets	81,243	(321)	(321)	-	(321)	(321)
- ST Liabilities	-	175	175	-	175	175
Forward fuel price contracts						
- LT Assets	3,744	(176)	(176)	-	(176)	(176)
Trade and other payables	-	484,172	484,172	-	560,044	560,044
Trade and other receivables	-	(603,412)	(603,412)	-	(899,600)	(899,600)
Cash and cash equivalents	-	(37,733)	(37,733)	-	(18,178)	(18,178)
		1,984,336	**1,959,108**		**1,743,435**	**1,717,487**

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

When interpreting the positive and negative fair values of derivative financial instruments, it should be noted that they are matched with underlying transactions with offsetting risks. The fair value of derivative financial instruments is determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The fair value of Trade and Other Payables and of Trade and Other Receivables is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The nominal value in the table above is applicable only to the derivative financial instruments outstanding at year end. The level of the nominal value enables estimates regarding the use of derivatives in mitigating the risks to which the Group and Parent are exposed, to be made.

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:

	2007	2006
	%	%
Leases	5.2	4.7
Other loans and borrowings	5.3	4.8
Derivative financial instruments	4.6	3.8
Trade and other payables	5.2	4.7

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, as the same notional principal is used by the paying and receiving sides, the carrying amount equals zero. The fair value takes into account the fixed rate and floating rate margins and market rate prevailing at the year end.

Total fair value gains of €0.4 million (2006: €0.6 million) were recognised during the year in relation to interest rate swaps, all of which was recognised directly in Equity. No ineffectiveness relating to interest rate swaps was credited to the Income Statement in 2007 or 2006. 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 through the SEM and in relation to its fuel purchase requirements. These contracts have maturities extending until October 2008.

Total negative fair value movements of €15.8 million (2006: gains of €1.9 million) were recognised during the year in relation to currency swaps, of which €15.6 million (2006: gains of €1.9 million) was recognised directly in equity and €0.2 million (2006: €Nil) was recognised in the Income Statement.

(h) Long Term Payables
Long term payables of €17.3 million (2006: €42.6 million) form part of the long term financing of the Group.

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

21. DEFERRED TAX ASSETS AND LIABILITIES

GROUP

	2007	2006
Deferred tax assets	**€'000**	€'000
Property, plant and equipment	**1,080**	1,781
Pension liability	**40,703**	40,970
Provisions	**20,313**	20,074
Tax losses forward	**2,473**	2,427
Derivative financial instruments	**-**	6,948
Total	**64,569**	72,200
Deferred tax liabilties		
Property, plant and equipment	**311,278**	299,557
Retirement benefits	**6,093**	9,205
Provisions	**352**	283
Derivative financial instruments	**29,662**	-
Capital gains tax	**1,180**	1,180
Total	**348,565**	310,225
Net deferred tax liability	**283,996**	238,025

21. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

Assets	Balance 1 January 2006 €'000	Recognised in income 2006 €'000	Recognised in equity 2006 €'000	Deferred Tax balances written off in respect of disposals €'000	Balance 31 December 2006 €'000	Recognised in income 2007 €'000	Recognised in equity 2007 €'000	Deferred Tax balances written off in respect of disposals €'000	Balance 31 December 2007 €'000
Property, plant and equipment	3,006	(1,075)	-	(150)	1,781	(701)	-	-	1,080
Pension liability	42,397	(1,427)	-	-	40,970	(267)	-	-	40,703
Provisions	22,168	(2,094)	-	-	20,074	239	-	-	20,313
Tax losses forward	1,082	1,345	-	-	2,427	46	-	-	2,473
Derivative financial instruments	12,641	-	(5,693)	-	6,948	-	(6,948)	-	-
Total deferred tax assets	81,294	(3,251)	(5,693)	(150)	**72,200**	**(683)**	**(6,948)**	**-**	**64,569**
Liabilities									
Property, plant and equipment	284,736	14,821	-	-	299,557	12,516	-	(795)	311,278
Retirement benefits	12,318	(3,113)	-	-	9,205	(3,112)	-	-	6,093
Provisions	105	178	-	-	283	69	-	-	352
Derivative financial instruments	-	-	-	-	-	-	29,662	-	29,662
Capital gains tax	1,180	-	-	-	1,180	-	-	-	1,180
Total deferred tax liabilities	298,339	11,886	-	-	**310,225**	**9,473**	**29,662**	**(795)**	**348,565**
Net deferred tax liability/ (asset) for the year	217,045	15,137	5,693	150	**238,025**	**10,156**	**36,610**	**(795)**	**283,996**

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:

	2007	2006
	€'000	€ '000
Operating losses	**17,563**	22,785
Capital losses	**755**	-

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 as there is no intention for these reserves to be distributed in the foreseeable future. Nor has deferred tax been provided for in relation to unremitted reserves of the Group's overseas joint ventures as there is no current intention to permit the distribution of those reserves. Cumulative unremitted reserves of overseas subsidiaries, joint ventures and associates totalled €102 million (2006: €103 million).

21. DEFERRED TAX ASSETS AND LIABILITIES (continued)

PARENT	2007	2006
	€'000	€'000
Deferred tax assets		
Pension liability	**40,703**	40,970
Provisions	**19,422**	19,687
Derivative financial instruments	**-**	7,020
Total	**60,125**	67,677
Deferred tax liabilties		
Property, plant and equipment	**308,776**	296,987
Retirement benefits	**6,093**	9,205
Derivative financial instruments	**35,333**	-
Capital gains tax	**1,180**	1,180
Total	**351,382**	307,372
Net deferred tax liability	**291,257**	239,695

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

	Balance 1 January 2006	Recognised in income 2006	Recognised in equity 2006	Balance 31 December 2006	Recognised in income 2007	Recognised in equity 2007	Balance 31 December 2007
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets							
Pension liability	42,397	(1,427)	-	40,970	(267)	-	40,703
Provisions	21,774	(2,087)	-	19,687	(265)	-	19,422
Derivative financial instruments	12,641	-	(5,621)	7,020	-	(7,020)	-
Total deferred tax assets	76,812	(3,514)	(5,621)	**67,677**	**(532)**	**(7,020)**	**60,125**
Liabilities							
Property, plant and equipment	283,728	13,259	-	296,987	11,789	-	308,776
Retirement benefits	12,317	(3,112)	-	9,205	(3,112)	-	6,093
Derivative financial instruments	-	-	-	-	-	35,333	35,333
Capital gains tax	1,180	-	-	1,180	-	-	1,180
Total deferred tax liabilities	297,225	10,147	-	**307,372**	**8,677**	**35,333**	**351,382**
Net deferred tax liability for the year	220,413	13,661	5,621	**239,695**	**9,209**	**42,353**	**291,257**

Notes to the Financial Statements

22. PENSION LIABILITIES

(a) PARENT and GROUP

(i) ESB General Employees' Superannuation Scheme

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

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

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

Despite the fact that the scheme is not typical of a balance of cost defined benefit scheme (where the employer is liable to pay the balance of contributions required to fund the benefits), for the purposes of reporting under IAS 19 the full liability and pension costs have been included in the financial statements.

(ii) Actuarial Valuation

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

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

(iii) Pension Benefits

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

(iv) Assumptions

Financial Assumptions

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

	2007	2006
Rate of interest applied to discount liabilities	**5.50%**	4.60%
Price inflation	**2.25%**	2.00%
Rate of increase of pensionable salaries	**3.25%**	3.00%
Rate of increase of pensions in payment	**3.25%**	3.00%
Expected return on plan assets	**7.60%**	6.92%

The discount rate used by the actuaries in the calculation of the pension liability at year end is 5.50%. This is determined by reference to market yields at the balance sheet date on high quality corporate bonds. The currency and term of the corporate bonds is consistent with the currency and estimated term of the post-employment benefit obligations. At the year end the iBoxx index of euro-denominated AA rated corporate bonds yielded 5.50% per annum (4.60% at 1 January 2007). Having regard to the duration of the liabilities the Board feel it is appropriate to adopt a discount rate of 5.50% at 31 December 2007 (4.60% at 31 December 2006).

Mortality Assumptions

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

	2007		2006	
	Males Years	**Females Years**	Males Years	Females Years
Current Pensioners aged 60	**25.3**	**28.4**	23.5	26.5
Current Pensioners aged 65	**20.7**	**23.7**	19.0	22.0

Plan Assets

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

Asset Category	**2007**	2006
Equities	**74%**	72%
Bonds	**8%**	8%
Real estate	**13%**	12%
Cash and other	**5%**	8%
	100%	100%

22. PENSION LIABILITIES (continued)

To develop the expected long-term rate of return on assets assumption, the Board considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.60% assumption (2006: 6.92%).

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

	2007	2006	2005	2004	2003
	€'000	€'000	€'000	€'000	€'000
Present value of funded obligations	**5,182,466**	5,416,310	4,884,093	4,230,795	3,644,869
Fair value of plan assets	**(3,830,027)**	(3,784,262)	(3,336,000)	(2,801,014)	(2,541,008)
Deficit for funded plan	**1,352,439**	1,632,048	1,548,093	1,429,781	1,103,861
Unrecognised net actuarial gains/losses	**(1,026,746)**	(1,304,286)	(1,208,917)	(1,159,140)	(867,986)
Net liability	**325,693**	327,762	339,176	270,641	235,875

History of experience gains and losses	**2007**	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:					
Amount (€m)	**(154,377)**	230,832	379,579	94,322	147,141
Percentage of scheme assets	**4.0%**	6.1%	11.4%	3.4%	5.8%
Experience gains and losses on scheme liabilities:					
Amount (€m)	**381,073**	(374,235)	(478,426)	(419,043)	(310,129)
Percentage of the present value of scheme liabilities	**7.4%**	6.9%	9.8%	9.9%	8.5%

Change in benefit obligation	**2007**	2006
	€'000	€'000
Benefit obligation at beginning of the year	**5,416,310**	4,884,093
Movement in year:		
Current service cost	**33,371**	38,107
Plan members' contributions	**31,747**	30,096
Curtailments	**8,102**	32,802
Past service costs	**3,546**	25,677
Settlement Costs	**-**	(10,743)
Benefits paid	**(174,843)**	(162,280)
Interest cost	**245,306**	204,323
Actuarial loss	**(381,073)**	374,235
Benefit obligation at the end of the year	**5,182,466**	5,416,310
Change in plan assets		
Fair value of plan assets at beginning of the year	**3,784,263**	3,336,000
Movement in year:		
Expected return on plan assets	**258,413**	215,852
Actuarial gains/(losses)	**(154,377)**	230,832
Employer contributions	**84,824**	133,762
Plan members' contributions	**31,747**	30,096
Benefits paid	**(174,843)**	(162,280)
Fair value of plan assets at the end of the year	**3,830,027**	3,784,262
Actual return on plan assets for the year	**103,719**	446,684

The expected employer contributions to the pension in 2008 are €67 million.

22. PENSION LIABILITIES (continued)

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

	2007	2006
	€'000	€'000
Current service cost	**33,370**	38,107
Past service cost	**3,546**	25,677
Curtailment	**8,102**	32,802
Settlement costs	**-**	(10,743)
Actuarial losses recognised in the year	**50,844**	48,034
Expected return on pension scheme assets	**(258,413)**	(215,852)
Interest on pension scheme liabilities	**245,306**	204,323
Total net impact on reported profits	**82,755**	122,348

(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 €3.2 million (2006: €2.6 million).

23. EMPLOYEE RELATED LIABILITIES

	Restructuring liabilities	**Other**	**Total**
(a) GROUP	**€'000**	**€'000**	**€'000**
Balance at 1 January 2007	153,801	38,526	192,327
Movements during the year:			
Charge to the Income Statement	11,057	36,846	47,903
Utilised during the year	(26,215)	(31,438)	(57,653)
Financing Charge	5,434	-	5,434
Balance at 31 December 2007	**144,077**	**43,934**	**188,011**
Analysed as follows:			
Non current liabilities	122,209	-	122,209
Current liabilities	21,868	43,934	65,802
(b) PARENT			
Balance at 1 January 2007	153,801	31,073	184,874
Movements during the year:			
Charge to the Income Statement	11,057	35,565	46,622
Utilised during the year	(26,215)	(31,073)	(57,288)
Financing Charge	5,434	-	5,434
Balance at 31 December 2007	**144,077**	**35,565**	**179,642**
Analysed as follows:			
Non current liabilities	122,209	-	122,209
Current liabilities	21,868	35,565	57,433

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 2020.

Other

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

24. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
Current payables:	**2007**	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Progress payments on work in progress	**3,544**	8,505	**3,544**	8,505
Trade payables	**446,487**	292,436	**408,677**	289,504
Other payables	**74,517**	42,891	**73,316**	29,565
Employment taxes	**18,343**	10,695	**17,634**	10,416
Value added tax	**13,096**	34,108	**16,721**	30,399
Accruals	**63,256**	89,399	**10,391**	16,855
Amounts owed to subsidiary undertakings	**-**	-	**123,483**	168,662
Accrued interest on borrowings	**10,750**	6,152	**4,678**	6,152
	629,993	484,186	**658,444**	560,058

	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Non-current payables:				
Other payables	**17,314**	42,552	**12,760**	16,452

25. DEFERRED INCOME AND GOVERNMENT GRANTS

(a) GROUP	Emissions Allowances	Supply Contributions and Other	Total
	€'000	**€'000**	**€'000**
Balance at 1 January 2007	1,135	489,413	490,548
Receivable	77,651	152,483	230,134
Amortised to the Income Statement (Note 3)	(77,771)	(29,332)	(107,103)
Impairment	-	(412)	(412)
Translation differences	(1,015)	-	(1,015)
Balance at 31 December 2007	**-**	**612,152**	**612,152**

(b) PARENT	Emissions Allowances	Supply Contributions and Other	Total
	€'000	**€'000**	**€'000**
Balance at 1 January 2007	-	473,911	473,911
Receivable	71,979	144,039	216,017
Amortised to the Income Statement	(71,979)	(22,200)	(94,178)
Balance at 31 December 2007	**-**	**595,750**	**595,750**

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

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

26. PROVISIONS

(a) GROUP

	Power Station Closure Costs €'000	Emissions provisions €'000	Other €'000	Total €'000
Balance at 1 January 2007	250,769	251,058	48,450	550,277
Charged/(credited) to the income statement				
- Emissions	-	69,156	-	69,156
- Legal	-	-	1,973	1,973
- Station Closure	539	-	-	539
Utilised in the year	(11,033)	(250,599)	(5,312)	(266,944)
Financing Charge	11,219	-	2,245	13,464
Translation differences	(28)	(779)	-	(807)
Balance at 31 December 2007	**251,466**	**68,836**	**47,356**	**367,658**
Analysed as follows:				
Non current liabilities	250,122	-	41,644	291,766
Current liabilities	1,344	68,836	5,712	75,892

(b) PARENT

	Power Station Closure Costs €'000	Emissions provisions €'000	Other €'000	Total €'000
Balance at 1 January 2007	250,769	228,621	48,278	527,668
Charged/(credited) to the income statement				
- Emissions	-	63,363	-	63,363
- Legal	-	-	(215)	(215)
- Station Closure	(199)	-	-	(199)
Utilised in the year	(11,032)	(228,621)	(3,243)	(242,896)
Financing Charge	11,219	-	2,245	13,464
Balance at 31 December 2007	**250,757**	**63,363**	**47,065**	**361,185**
Analysed as follows:				
Non current liabilities	249,413	-	41,353	290,766
Current liabilities	1,344	63,363	5,712	70,419

Power station closure costs
The provision at 31 December 2007 of €251.5 million (2006: €250.8 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 CO_2 emissions trading scheme, a provision is recognised to cover the liability for actual emissions during the year. Under this scheme, emissions allowances covering a percentage of the expected emissions are granted at the beginning of each year by the relevant Authority (See Note 10 Intangible Assets). These allowances, together with any additional allowances purchased during the year, are returned to the relevant Authority in charge of the scheme within four months from the end of that calendar year, in line with the actual emissions of CO_2 during the year. The year end provision represents the obligation to return emissions allowances equal to the actual emissions. This obligation is measured at the carrying amount of the capitalised CO_2 emissions allowances, in addition to the market value of any additional allowances required to settle the year end liability.

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

27. CURRENT TAX ASSET / (LIABILITY)

	GROUP		PARENT	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Corporation tax	**5,901**	(17,213)	**8,378**	(7,877)

The current tax asset arises due to payments in excess of corporation taxes payable in respect of the current period. In 2006, the current tax liability represented the amount of corporation tax payable in respect of 2006 and prior periods that exceeded payments.

28. COMMITMENTS AND CONTINGENCIES

(a) Operating lease obligations

Gross operating lease rentals payable in the future in respect of leases expiring:	**2007** **€'000**	2006 €'000
Within one year	**8,587**	8,230
Between two and five years	**26,825**	29,611
After five years	**43,239**	35,425
Total payable within one year	**78,651**	73,266

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

(b) Capital commitments

	2007	2006
	€'000	€'000
Contracted for	**461,709**	286,817
Share of joint venture capital commitments		
Contracted for in Marchwood Power Limited	**137,000**	196,521

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

(c) Fuel Contract Commitments

There are a number of long term gas supply arrangements in place for different periods up to 2014. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators.

29. RELATED PARTY TRANSACTIONS

Semi-State Bodies

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

Board Members' interests

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

Subsidiary undertakings

During the year ended 31 December 2007, ESB Parent purchased €55 million (2006: €60.4 million) from its subsidiaries. These purchases largely relate to engineering and consulting services, mainly by the electricity businesses.

During the year, ESB Parent sold €103.5 million (2006: €143.1 million) to subsidiaries. These sales mainly relate to management services, as well as electricity charges such as use of system charges and sales of electricity.

At 31 December 2007, ESB Parent owed €123.5 million (2006: €168.7 million) to its subsidiaries. These creditors are due largely to the engineering and consulting services businesses and also relate to amounts held on deposit for subsidiaries.

At 31 December 2007, ESB Parent is owed €395.5 million (2006: €406.8 million) from its subsidiaries. These debtors mainly relate to management services, as well as electricity charges such as use of system charges and sales of electricity as well as loans to subsidiaries.

At 31 December 2007, balances outstanding between ESB Parent and its subsidiaries, in relation to loans, capital contributions and equity was €73 million (2006: €98.2 million).

29. RELATED PARTY TRANSACTIONS (continued)

Joint ventures
During the year, the Group provided services to its joint ventures, Synergen Power Limited, Bizkaia Energia SL, Corby Power Limited and Marchwood Power Limited. ESB provided services to Synergen Power Limited to the value of €11.1 million (2006: €10 million) and had to the year end advanced no capital. Synergen Power Limited made sales of €278 million (2006: €155 million) to the Group.

During 2007, ESB provided services to Bizkaia Energia SL to the value of €5.9 million (2006: €14.5 million) and was owed €2.7 million (2006: €10.9 million) at year end for capital advanced.

Services to the value of €5.7 million (2006: €5.8 million) were provided to Corby Power Limited and €2.7 million (2006: €6.9 million) to Marchwood Power Limited. Capital funding to the value of €14.3 million (2006: €3.5 million) was also provided to Marchwood Power Limited during the year.

Key management compensation	**2007**	2006
	€'000	€'000
Salaries and other short-term employee benefits	**4,054**	4,046
Post-employment benefits	**370**	443
Termination benefits	**-**	320
	4,424	4,809

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.

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

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

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

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

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

(d) *Providing for doubtful debts*
ESB provide services to around two 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.

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

32. APPROVAL OF ACCOUNTS
The Board approved the accounts on 29 April 2008.

Notes to the Financial Statements

33. SUBSIDIARY, JOINT VENTURE and 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	Power generation
Elfinance Ltd	*	100	Customer credit
ESB International Investments Ltd	*	100	International investments
ESBI Contracts Engineering Ltd	*	100	Contracting
Salmara Holdings Ltd	*	100	Holding company
ESB Independent Energy Ltd	*	100	Electricity sales
ESB Contracts Ltd	*	100	Contracting
ESB Power Generation Holding Company Ltd	*	100	Holding company
Gort Windfarms Ltd	*	100	Wind farm
Crockahenny Wind Farm Ltd	*	75	Wind farm
Utilities O&M Services Ltd	58 Upper Mount Street, Dublin 2	100	Operation and maintenance services
Hibernian Wind Power Ltd	*	100	Wind power
ESB Independent Energy NI Ltd	*	100	Electricity sales
ESB Retail Ltd	*	100	Sale of electrical appliances
ESB Telecoms Ltd	*	100	Telecommunications
Facility Management Espana S.L.	****	100	Facility management
ESBI Engineering UK Ltd	*****	100	Engineering and general consultancy
Electricity Supply Board Services B.V.	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	100	Facility management

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

Company name	Registered office	Group share %	Nature of business
Electricity Supply Board International Investments B.V.	Strawinskylaan 3105 7th Floor 1077 ZX Amsterdam The Netherlands	100	Holding company
Coolkeeragh ESB Ltd	2 Electra Road Maydown Derry BT47 6 UL	84	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
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
Non-controlled subsidiary undertaking			
ESB ESOP Trustee Ltd	43 Merrion Square Dublin 2	100	Staff Shareholding Scheme
Joint venture undertakings			
Corby Power Ltd	***	50	Power generation
Synergen Power Ltd	Power Plant Pigeon House Road Ringsend Dublin 4	70	Power generation
Bizkaia Energia SL	****	50	Power generation
Marchwood Power Ltd	Oceanic Way Marchwood Industrial Estate, Marchwood, Southampton Hampshire SO40 4BD	50	Power generation
Subsidiary undertaking of Corby Power Ltd			
CPL Operations Ltd	***	50	Facility management

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

Company name	Registered office	Group share %	Nature of business
Investments			
Rousch (Pakistan) Power Ltd	94-W, 3rd Floor Admir Plaza Jinnah Ave. Blue Area Islamabad Pakistan	7	Independent power producer

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

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