Electricity
IOT Re

Annual Report and Accounts for the year ended 31 December 1996











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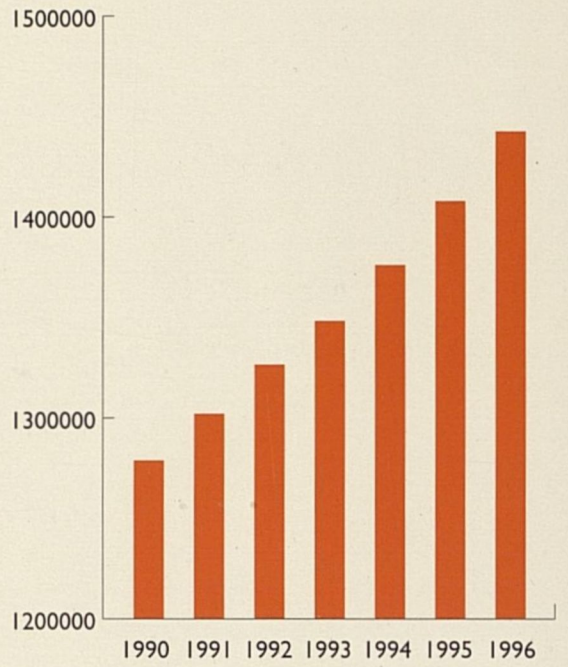
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Highlights

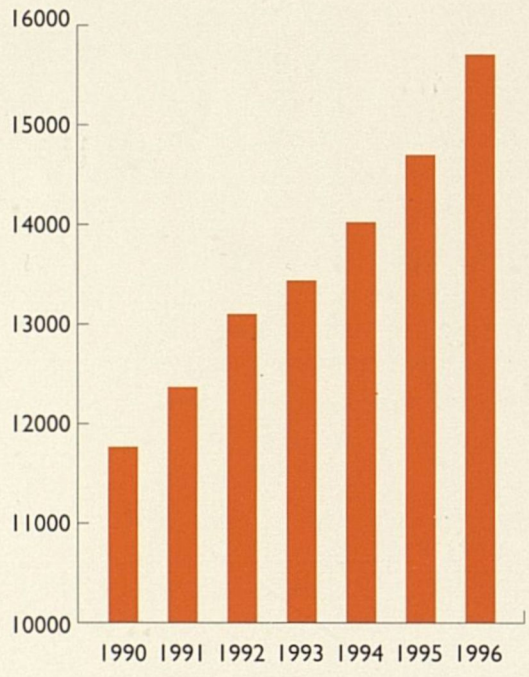
Turnover	£1094.9m	(+6.7%)
Sales (million units)	15707	(+6.9%)
Surplus for the year	£131.9m	*
Customers	1,445,416	(+2.5%)
Assets in Commission (before Accumulated Dep.)	2990	(+4.9%)

* Loss of £284m in 1995 after exceptional charges

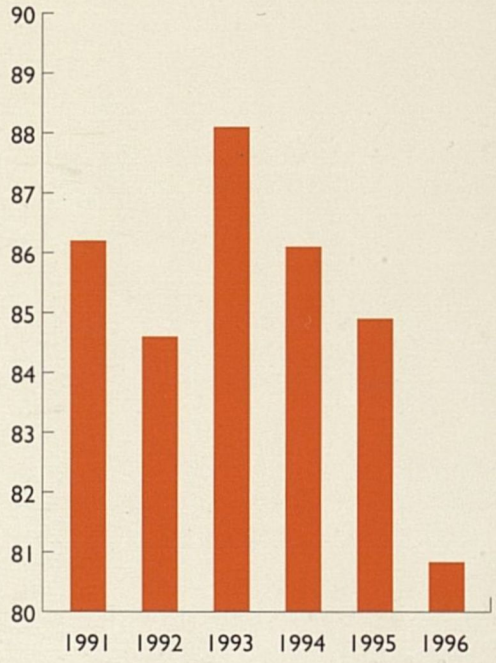
No. Customers



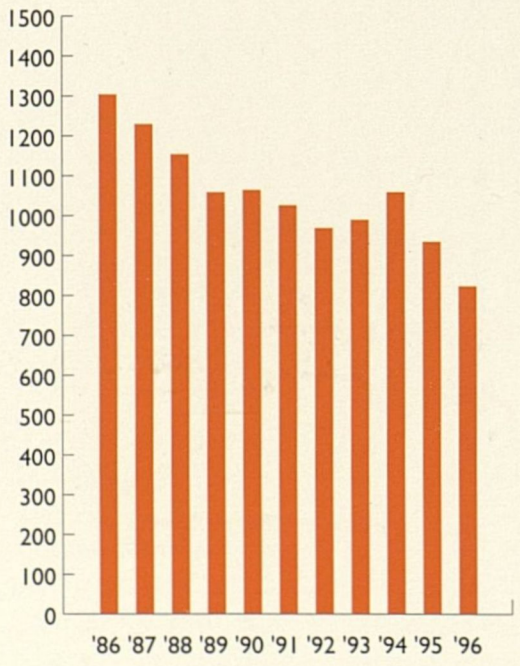
Sales Units (Millions)



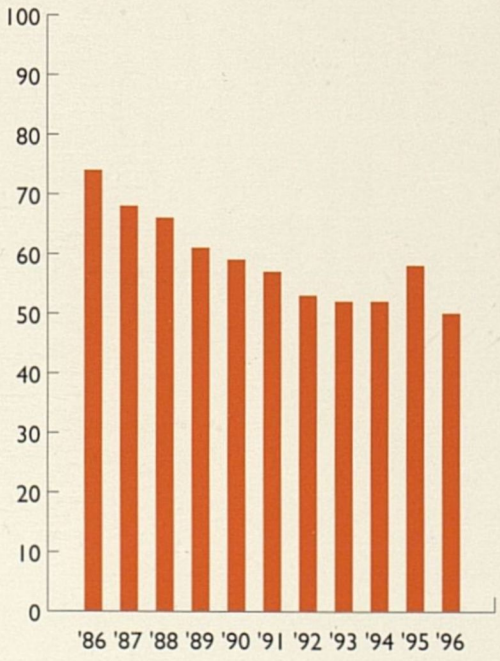
Operating Costs Turnover %



Borrowings (£ Millions)

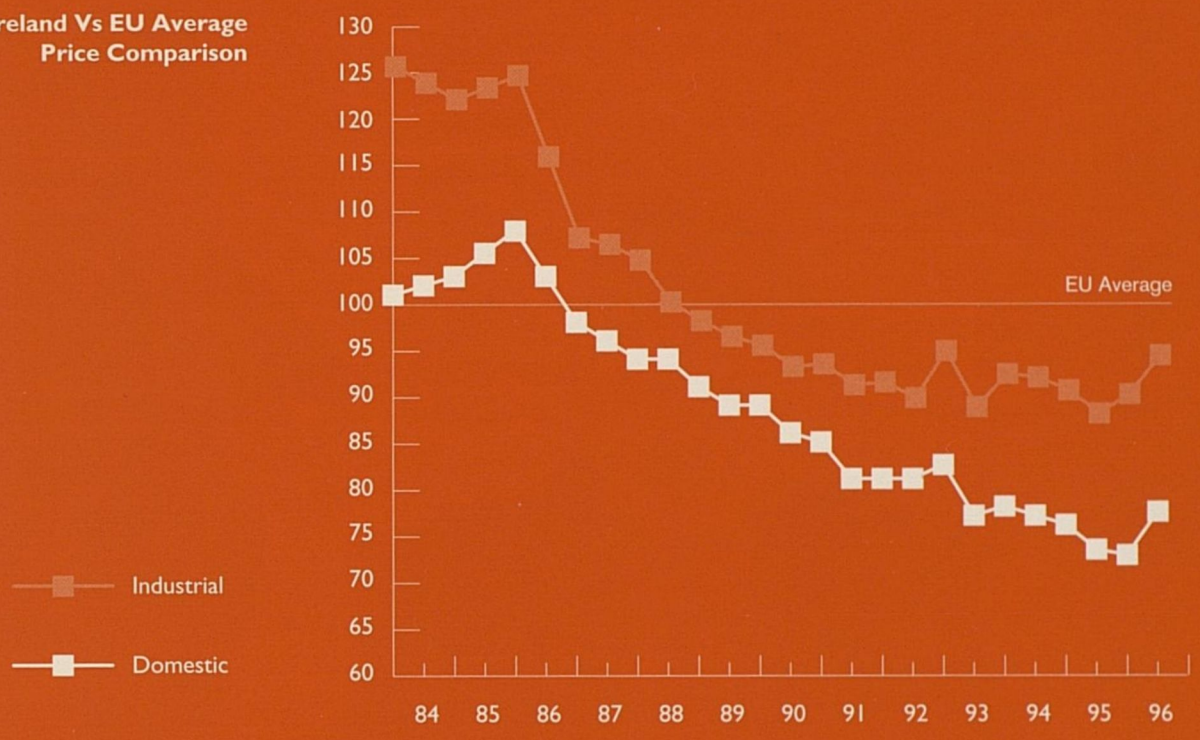


Debt/Net Assets %

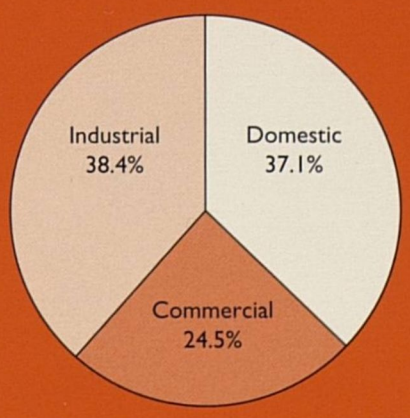


Highlights

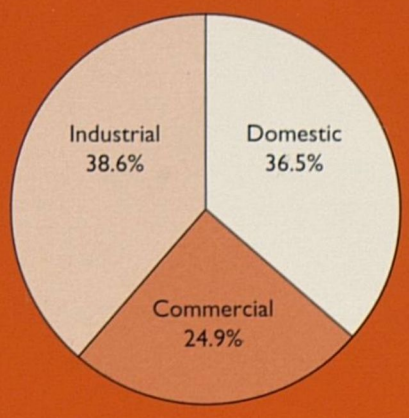
Ireland Vs EU Average Price Comparison



Analysis of Units Sold by Sector 1995



Analysis of Units Sold by Sector 1996





"These are exciting and challenging times for ESB as the company prepares for the new competitive electricity market"

In accordance with the provisions of The Electricity (Supply) Act 1927 (as amended), the Board presents its Annual Report and Accounts for year ended 31 December 1996.

ESB met all key targets in 1996. The financial out-turn for the year was an operating surplus, after interest charges, of £132 million, against a substantial deficit in the previous year arising from special provisions for restructuring and additional contributions to the Superannuation Scheme.

ESB was helped in 1996 by a strong and growing Irish economy. Demand for electricity increased by 6.9% over the previous year and turnover rose to £1,095 million, up £69 million on 1995. The company is responding to the growing economic climate by committing investment on a massive scale to the development of the electricity infrastructure. On the distribution side alone over 34,600 new customers were connected during the year, an increase of 9% over 1995 and the highest since the late 1950's.

Generating capacity to meet industry, business and domestic demands is assured to the end of the millennium with the work currently being carried out to complete the Poolbeg Combined Cycle Power Station. This station will provide, by late 1999, an additional capacity of 320MW using high efficiency gas technology. At the same time, the major start-up of the network renewal project will ensure quality supply throughout the country and give essential energy support for the continuing growth and development of the Irish economy.

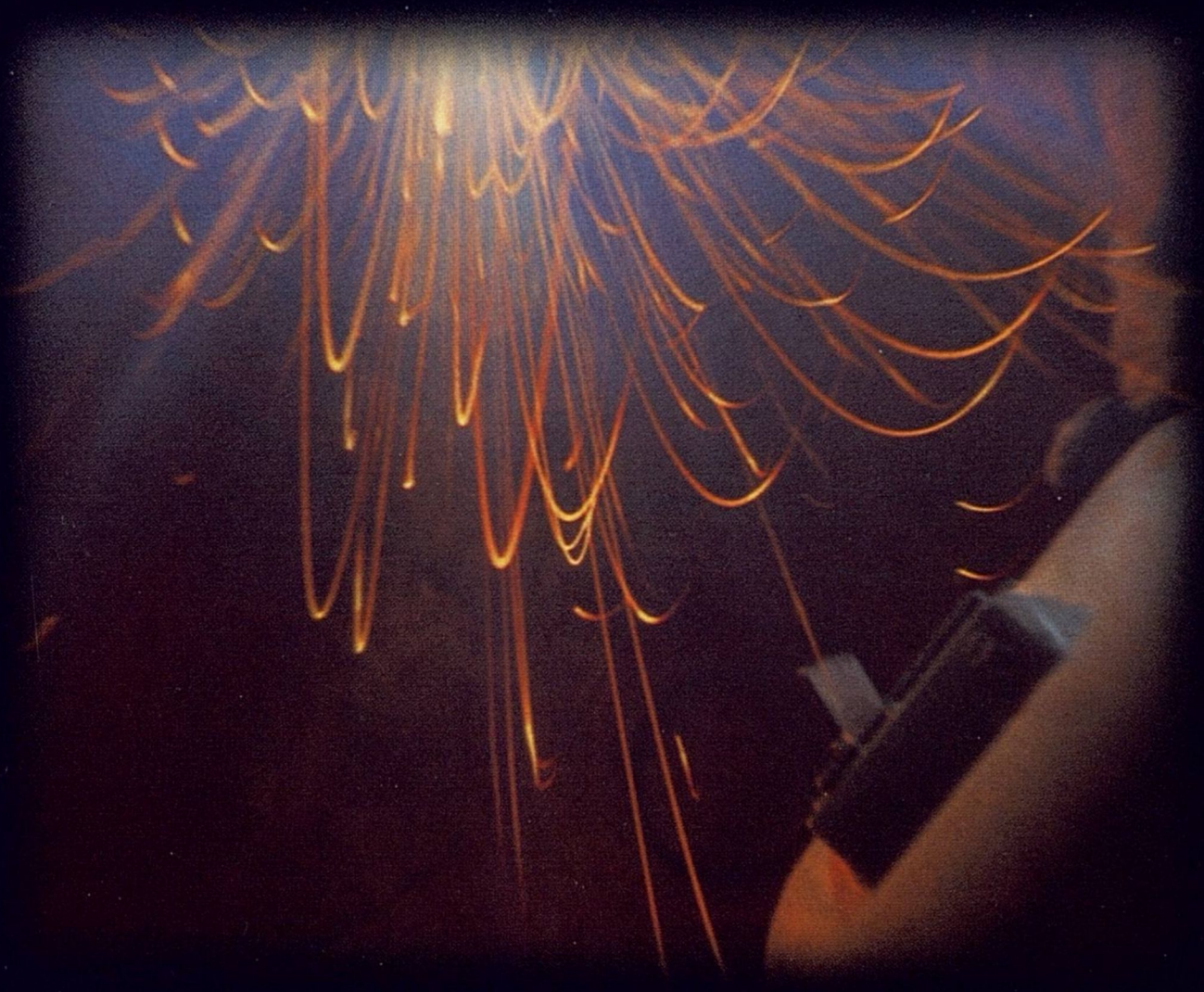
I am pleased to report that the implementation of the Cost and Competitiveness Review Agreement is fully on target. The partnership approach with the Unions, adopted by the company as part of that Agreement, has assured a working environment in which there is commitment by staff to delivering substantial annual cost savings. The Cost and Competitiveness Review has already contributed to a reduction in operating costs, despite higher fuel charges. Improvements in the efficiency of generating plant and a reduction in borrowing costs have also helped in reducing operating costs during the year.

The Board strongly supports the Government's plans to build a new 120MW peat-fired power station in the Midlands. The contract for the new plant will be won in competition and ESB intends to be a bidder. Whether ESB is successful or not in its bid, the company will ultimately be the purchaser of the electricity produced by the new plant. In this way, ESB will continue into the future to support the peat industry in Ireland.

These are exciting and challenging times for ESB as the company prepares for the new competitive electricity market. The EU Directive on the liberalisation of electricity markets across Europe will bring competition into the Irish electricity industry within three years. ESB will defend its customer base in the Irish market by continuing to guarantee quality service at competitive electricity prices. The company has launched a new Customer Charter as an earnest of its intention to be the supplier of first choice for electricity customers. At the same time, the company aims to grow and is actively pursuing new business opportunities around the world.

The changing commercial and competitive face of ESB is reflected in the medium term strategy document "ESB: Confident & Competitive" launched by the Board in mid year. ESB is moving away from the break-even mandate which was a requirement under its founding legislation. The company has now adopted a target of building progressively to a 12% return on capital employed.

Page opposite: **W M McCann** Chairman



Chairman's Statement

The advent of the competitive electricity market in Ireland raises many complex issues for the industry itself and for Government. The entry of competition will benefit Irish industry and business and assist competitiveness. This is critical for industrial growth and for the creation of more jobs in the economy. ESB is fully committed to a competitive electricity market and has been playing a constructive role with the Department of Transport, Energy and Communications in helping to shape the new electricity industry.

ESB has undertaken much change and improvement. The Board considers that a commercial mandate is now crucial for ESB if it is to compete on equal terms with its competitors. This requires legislation, specific to ESB, and well ahead of the wider legislation which will be necessary to introduce the EU Directive for the open electricity market.

I want to thank the Members of the Board for giving so generously of their time to ESB during the year and to record my appreciation of the assistance given by the Minister and the Department of Transport, Energy and Communications.

In conclusion, I want to thank the management and staff throughout the company for their enormous commitment and for their unstinting contribution to all facets of the business. The excellent results achieved by the company in 1996 and its positioning for future success are due in no small measure to their efforts.

W M McCann
CHAIRMAN



"The developments of the past five years have been critical building blocks in the construction of ESB's competitiveness"

Introduction

1996 was a pivotal year for ESB. The strategies pursued over previous years yielded a strong operating performance and further steps were taken to position the company for the future.

The past five years have been dominated by continuous change, by preparation for competition and by the drive to ensure that ESB will have the ability to compete, and succeed, in the developing business environment in the electricity industry. This process of change was marked by a series of planned developments:

- The Review of Relationships, jointly carried out by the management and Trade Unions, and chaired by Peter Cassells, General Secretary of ICTU, got underway in 1991 and completed its task in 1993. It set a new path for the conduct of relationships between management, Trade Unions and staff within the company. It has been an important enabling force for change.

- Radical re-organisation of ESB structure was effected in 1993 after the Government approved the company's proposals which had been developed with the assistance of international consultants, McKinsey. Five major Business Units were put in place, each with a Managing Director reporting to the Chief Executive who is supported by a small group of Corporate Directors and staff.

- A Vision Statement setting out the aspirations for the future of ESB was published in 1993. It was developed with the participation of hundreds of staff from around the company and every element of it is as relevant and as valid today as when it was published.

- The Cost & Competitiveness Review (CCR) which got underway in 1994 was a unique initiative in which the management in ESB, the Group of Unions and the Department of Transport, Energy and Communications joined as partners in a fundamental review of ESB's cost and competitive position.

1996 saw the completion of the CCR, with an agreed programme for major change in the company, with substantial cost savings, radical changes in work practices and a reduction in the number of employees. The partnership approach had delivered.

1996 also saw the completion of negotiations by the countries of the European Union for an open electricity market. Ireland's electricity industry will be open to competition within the next three years. The developments of the past five years have been critical building blocks in the construction of ESB's competitiveness. Those of the coming years will advance the task which ultimately is to renew ESB: to ensure its recreation to meet the demands and challenges of the new millennium.

Page opposite: **Joe Moran** Chief Executive

Highlights

Performance across the company was strong in 1996 and significant achievements were recorded in key areas of business activity. The highlights of the year include:

- Electricity sales increased by 6.9%, with growth in all customer sectors.
- Turnover increased by £69 million to £1,095 million.
- Over 34,600 new customers were connected.
- Our Customer Charter, providing guaranteed standards of service to customers, was published and distributed.
- The Cost and Competitiveness Review (CCR) was brought to final conclusion when the one remaining staff category in Power Generation accepted its terms in a new ballot.
- The implementation of the CCR commenced in all business units. Substantial progress was achieved on the introduction of work practice changes and cumulative cost savings of £36 million were secured.
- Further improvement in generation plant availability was achieved, thus building on the enhanced performance of recent years and contributing significantly to operational efficiency.
- There was a full take-up of the Voluntary Severance Scheme, with over 1,800 staff exits approved and a further 400 applications under consideration.
- The completion of the remaining phases of the Poolbeg Combined Cycle Gas Plant was given the go-ahead by Government and the project work programme was accelerated to deliver the additional capacity by the end of 1999.
- The decision was made to invest over £10 million in the refurbishment of Ferbane Peat Power Station, following agreement with staff and trade unions on an efficiency programme. The refurbishment will extend the life of the station well into the next century.
- The Network Renewal Programme, aimed at upgrading and refurbishing ageing networks throughout the country, commenced and despite a late start arising from the CCR, achieved 85% of its target for the year.
- Our new business strategy "ESB: Confident & Competitive" was published outlining the direction the company will pursue in the coming years and the key factors to achieve success.
- The closure of 22 ESB shops in a variety of locations around the country was implemented in a sensitive manner, with comprehensive alternative arrangements put in place to meet customer service needs.
- A new Distribution Training and Technical Centre located in Portlaoise, involving an investment of £3 million, was completed and brought into operation.

- Borrowings were reduced by a further £110 million and at year-end stood at £825 million. The balance sheet strengthened with gearing now at a satisfactory 50%.

- The Moneypoint leasing transaction, involving the lease and leaseback of part of the power station's facilities, valued at £250 million, was successfully concluded.

- ESB International had a good year with turnover reaching £70 million. Strong performance was achieved in its international contracting business, particularly in the UK. Significant contracts were secured in the fields of engineering and consultancy services with new contracts in Croatia, Ghana, Kyrgystan, Libya, Romania, Russia and Ukraine.

- ESB celebrated the Golden Jubilee of rural electrification, which commenced on 5 November 1946 in Kilsallaghan, Co. Dublin. The 'Quiet Revolution', as the rural programme was subsequently termed, transformed life in rural Ireland and paved the way for the economic and social progress which followed.



"Following the strong improvement in financial performance in 1996, ESB is now moving towards acceptable financial returns"

Group results

The financial performance of the group for 1996 was very satisfactory. The surplus for the year of £131.9 million was ahead of the target set when the 1995 Accounts were published.

Group Summary - £m	1996	1995	Change
Turnover	1,094.9	1,026.2	68.7
Payroll	(239.1)	(249.4)	10.3
Fuel	(296.3)	(274.5)	(21.8)
Operations & Maintenance	(349.7)	(347.2)	(2.5)
Interest	(59.3)	(71.5)	12.2
Exceptional costs	(18.9)	(367.3)	348.4
Other	0.3	(0.2)	0.5
Surplus (deficit) for financial year	131.9	(283.9)	415.8

In 1996, the range of management actions of recent years and the implementation of CCR reflected themselves in financial improvements in most of the key activities and in the main cost areas. The main variances from 1995 arise from the following:

- An increase in electricity sales demonstrating the strength of the Irish economy. Meeting the growth in demand in recent years has been largely achieved by improvements in plant efficiency and availability with only minimal investment in new generation assets.
- The impact of a small price increase midway through 1996.
- Reduction in payroll costs, despite national wage increases, due to the implementation of the CCR agreement
- Lower interest costs due to the reduction and restructuring of debt.
- A small exceptional CCR charge in 1996 compared to 1995.

These improvements were partly offset by:

- Increased fuel costs - mainly reflecting increased generation output.
- Higher depreciation in line with the increased asset base.
- Increased operations and maintenance costs arising mainly from additional provisions and once-off charges. Costs of ongoing activities have either reduced or remained constant. There is also a £10 million write back (i.e. a credit) from the provision for currency movements on borrowings.

CCR - savings and costs

Implementation of the CCR commenced in May 1996 and progress to date has been very satisfactory. An exceptional charge was made in 1995 in respect of the CCR and the Superannuation Scheme. Target savings for the year were reached and this is reflected in the improved financial performance shown in the accounts. Cumulative payroll and other savings for 1996 due to CCR amounted to £36 million. Based on our experience, I am confident that the target of gross annual savings of £85 million (net £58 million) will be achieved by the end of the three year implementation period.



Capital structure/gearing

ESB has no equity financing, but is financed by retained earnings, reserves and by debt. The level of gearing has continued to reduce over the last few years, with the exception of 1995 which was affected by the restructuring provision. At the end of 1996 it was 50%.

Year	Debt £million	Debt/Net Assets %
1991	1,002	57
1992	928	53
1993	969	52
1994	1,058	52
1995	935	58
1996	825	50

The level of debt fell by £110 million to £825 million in 1996 as a result of the strong operating performance and continuing tight management of working capital. No new borrowing was put in place during the year.

The accumulated loss on the profit and loss account reduced from £370.5 million to £238.9 million and it is projected that the remainder of this deficit will be eliminated over the next two years.

Capital expenditure

Capital expenditure in 1996 was £166 million compared to £148 million in 1995. The main components were:

- Government approved programme for refurbishment of the distribution networks which got underway earlier in the year (£20 million).
- Connecting new customers (£47 million).
- Other transmission and distribution network projects (£63 million).
- Refurbishment in generating stations (£9 million).
- Telecommunications, premises, transport, computer equipment etc. (£27 million).

ESB is planning to undertake capital expenditure of around £1,500 million over the next five years. The main elements of this programme are the continuation of the Network Renewal Programme to upgrade the distribution networks, investment in the high tension transmission grid, and completion of the new combined cycle generating plant in Poolbeg. This programme has become more urgent given the strong growth in the Irish economy.

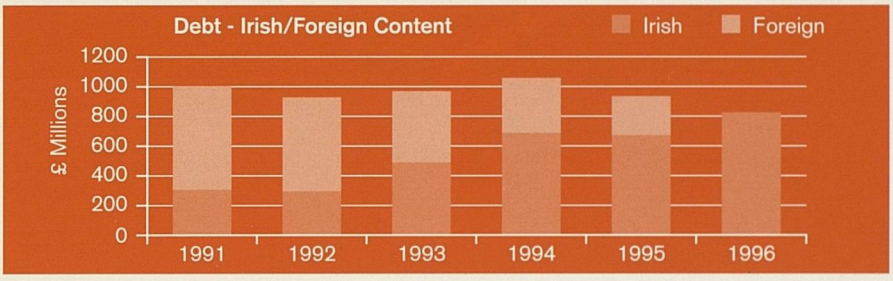
Capital expenditure will be financed by a combination of cash generated from operations and new borrowings. We have sufficient debt facilities in place to cover our borrowing requirements for the next three years.



Treasury

ESB actively manages the financial risks associated with borrowing, foreign exchange activities and investment. The activities of the Treasury function are carried out in accordance with Board approved policies and are subject to regular audit, both internal and external.

Financial instruments are used to hedge currency and interest rate exposures. It is a clear ESB policy that all hedging relates to specific transactions and is non-speculative. At year end all of ESB's foreign debt portfolio had been swapped into Irish pounds. Approximately 85% of debt was at fixed interest rates.



Debt - Irish/Foreign Content

A special Task Force is examining the implications of the introduction of the single currency (Euro) for ESB.

Taxation

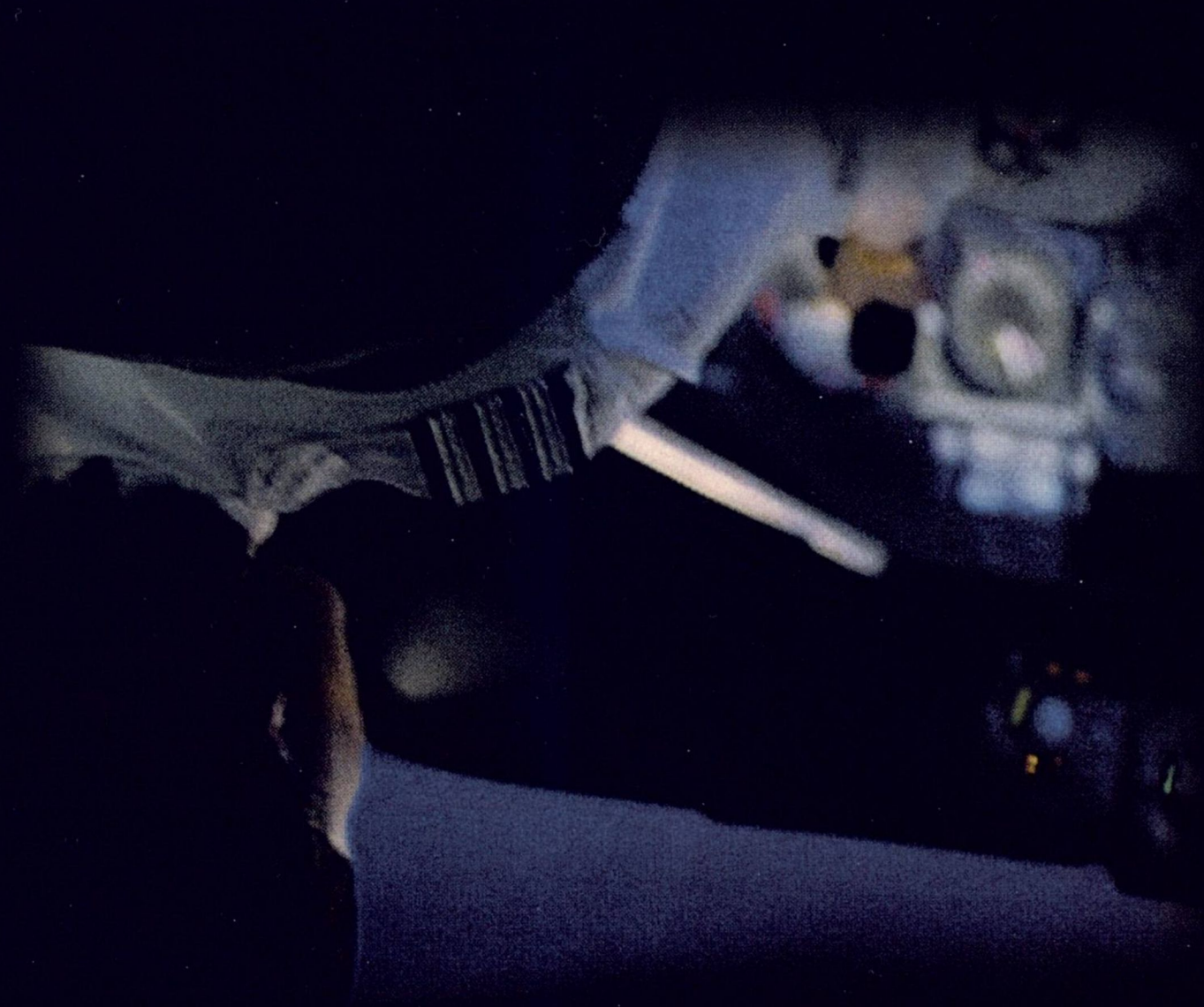
The Group's liability to corporation tax arises in respect of profits in subsidiary companies.

Moneypoint leasing transaction

A major transaction, which involved the lease and lease-back of part of the Moneypoint power generation facilities, valued at £250 million, was completed just after the year end. The highly satisfactory conclusion to the transaction came after lengthy negotiations in the US and has resulted in a significant upfront cash benefit to ESB. The transaction has no impact on the 1996 accounts. The benefit will be credited to the profit and loss account over the duration of the lease. The transaction does not involve any sale of assets and does not impact on the operation and day-to-day running of the Moneypoint station.

Future outlook

I have on many occasions emphasised the importance of ESB achieving a level of profitability which will provide the underlying financial strength to enable the company to compete and also to undertake substantial investment in the electricity infrastructure (the transmission and distribution networks). I am glad to report that, following the strong improvement in financial performance in 1996, ESB is now moving towards acceptable financial returns. We will be concentrating on ensuring further improvement in our financial base over the next few years. This is essential for us to achieve our short-term financial objectives of financing the high level of capital investment required to service economic growth in Ireland and positioning the company to compete and grow as a valuable state asset.



"Competitive forces will demand a process of progressive improvement in our costs and in the quality of services to our customers in the future"

The introduction of competition into the Irish electricity market will create a significant challenge for ESB. The company intends to face the challenge and to achieve success through competitive performance.

Clearly, attacking and reducing costs is fundamental to competitiveness and is a top priority for ESB. Significant advances were made in addressing costs in the CCR. By the end of 1999 overall costs will be reduced by £58 million per annum and staff numbers will have fallen by 2,000. The implementation of the CCR got underway in mid year and good progress was made, yielding cumulative savings of £36 million in 1996. There was a full take-up of the Voluntary Severance Scheme, which was launched in May 1996 to enable staff reductions. By the end of the year over 1,800 staff exits had been agreed and applications from another 400 staff were under consideration.

The CCR also involves major changes in work practices and organisation throughout the company. Their implementation is now well underway, aimed at achieving improved efficiency in operations and enhanced performance throughout the company. The full implementation of the CCR, and the capture of all of its benefits in terms of cost reductions and efficiency improvements, is clearly vital to ESB. While the agreement arrived at on a partnership basis, was dramatic, because of its scale and scope, it does not spell the end of improvements in the company. The reality is that competitive forces will demand a process of progressive improvement in our costs and in the quality of services to our customers in the future.



"ESB will vigorously defend its position in the Irish market and will compete aggressively to hold its customer base"

When it becomes operative in three years time the EU Directive on the internal energy market will provide many large electricity users with the freedom to choose their supplier.

This is a new situation for ESB and will demand a determined and focused response from the company if it is to hold its customer base. While ESB has a well established reputation for the quality and reliability of its service, the new competitive market will require greater innovation and dynamism in our approach to the customer relationship.

In particular, it will mean an increasingly sophisticated understanding of the needs of individual customers and user sectors, and the development of finely-tuned service packages to meet them. This will involve investment in detailed research to clarify customer priorities and in technology to deliver new, enhanced services.

Price will, of course, be a decisive factor, as will the quality of the service which is on offer from competing suppliers. ESB will vigorously defend its position in the Irish market and will compete aggressively to hold its customer base.

The publication of our new Customer Charter is a demonstration of our intent to provide quality services to our customers. The Charter, which has been distributed individually to all our 1.4 million customers throughout the country, provides guarantees of minimum service standards in the key areas of electricity supply and service. Failure to meet the guaranteed standards will result in penalty payments to customers. The extent of payments made will be an important indication of our performance in meeting the standards.



"The fact is that ESB is a major asset,

of substantial value to its owner, the State"

Over its 70 year life ESB has developed and built the electricity system in Ireland. In the process it provided an electricity service to the nation, continuously meeting the increasing demand which grew from the development of the economy. As was fitting for an organisation which was established to play a key role in the construction of the national infrastructure, it has had a strong public service ethos.

Taking this background it is easy to perceive ESB as an arm of the State apparatus and to overlook its commercial value. Such a view does not accord with the reality, which is that ESB is a major Irish-owned company, with a turnover in 1996 of almost £1,100 million, a surplus of £132 million and total assets of £2,200 million. The fact is that ESB is a major asset, of substantial value to its owner, the State.

The EU Directive on the internal energy market requires the State to facilitate competition in the electricity market in Ireland. The competitors who enter the new Irish market will, by the nature of their activities, seek to diminish the scale of the State's enterprise and, as a result, the value of its asset. To state the reality in such a fashion is not to argue against competition, to seek to prevent it or to diminish its merits. Competition has the potential to achieve enhanced performance from the industry and to deliver benefits to customers.

The issue, however, lies in the recognition that the new situation requires a response which enables ESB to develop in the new market conditions and by doing so to protect and enhance the value of the asset for its owner. The key is, I believe, to take a commercial view in relation to the company and to provide it with the mandate necessary to compete in the new industry environment.

In September 1996 ESB published its new business strategy "ESB: Confident & Competitive". The driving force in the strategy is the achievement of commercial success. It confronts, without reservation, the profound challenges of the developing business environment and sets a clear path for the future - ESB will pursue a growth strategy based on securing profitable opportunities in the electricity sector in Ireland and internationally.

The achievement of this objective will place many demands on the company and will involve a significant change in its culture, the development of new skills and approaches and an ongoing, determined commercial focus. It will require aggressive strategies to defend the market in Ireland and innovative, dynamic steps to expand in the electricity sector internationally.

Fundamental to the successful pursuit of this strategy is the support and encouragement of the State, as the owner, in providing the commercial freedoms which are essential for its implementation.

The achievement of our strategy objectives will result in the growth of ESB as a major Irish company; in a flow of returns to the shareholder; in enhanced value of a State-owned asset and in a competitive electricity industry in Ireland.



"Accelerated investment in the electricity infrastructure to meet the needs generated by national economic growth is an absolute priority for ESB"

Demand for electricity has grown by 48% over the past eight years. In 1996 alone it grew by 6.9%. The increase was across all sectors - industrial demand grew by 7.4%, commercial by 8.6% and domestic by 5.2%. In recent years the number of new customers connected has increased dramatically - 31,800 in 1995 and 34,600 in 1996.

All the indications are that demand for electricity will continue to grow strongly for some years to come. This is a factor of the remarkable growth in the Irish economy in recent years. Ireland has a booming economy which is growing more rapidly than its partner countries in the EU and is attracting high quality international investment projects, particularly from companies operating in the information technology and telecommunications sectors.

Accelerated investment in the electricity infrastructure to meet the needs generated by national economic growth is an absolute priority for ESB. Additional generating capacity of 320MW will come on stream in late 1999, with the completion of the Poolbeg Combined Cycle Gas Plant. The new peat station will add a further 120MW shortly after the turn of the century.

The most pressing need, however, relates to investment in the networks which bring supply to customers. A major capital investment programme directed at renewing and upgrading the networks got underway in 1996. In the next five years we will invest a total of £1,000 million on the programme.

This investment is vital. Its scale arises for a number of reasons:

- The networks are ageing - a considerable proportion of them dating from the expansion programmes of the 1950s and 1960s, including rural electrification.
- Network capacity is seriously strained, as a result of continuing high growth.
- The requirement for supply of a quality which meets the needs of a modern economy.

The Network Renewal Programme will ensure that electricity customers throughout the country will have a reliable, secure supply to meet their needs into the future. Most importantly it will ensure that supply quality requirements are met. I emphasise that point because it is a crucial issue.

Modern industry and business are dependent on sophisticated electronic processes and devices in their activities. Their electricity supply must be equally sensitive and must meet quality needs, particularly in terms of continuity and voltage. Ireland must ensure that its reputation for providing industry with quality electricity supply is maintained if the country is to fully achieve the potential which has been created by the current, highly positive economic climate.

Investment of this order has significant financial implications for ESB. I am confident, however, that with an appropriate level of profitability it can be managed in a way which secures the financial stability of the company.



Restructuring the electricity industry while maintaining community trust

"It is important that the confidence of the community is maintained as the industry moves to a market-driven, competitive approach"

By virtue of its national role in the development of the State's infrastructure, ESB has contributed in an important way to the making of modern Ireland. The company has enjoyed a high level of community trust as a result of its performance and its definitive contribution to the growth and enhancement of economic and social life in the country. Up to now ESB's task has been to provide the country with a reliable electricity supply and in doing so to operate in accordance with public policy objectives as set by successive Governments.

The implementation of the EU Directive on the internal energy market will open the electricity supply industry in Ireland to competition for the first time. Facilitating this will require a new structure for the industry, which must be designed and put into effect to enable the operation of the Directive from the year 2000 onwards.

In addressing proposals for this new structure complex issues must be confronted and conflicting objectives reconciled. These include:

- **National policy issues**
  - Ensuring an adequate, secure supply at all times to meet the country's needs
  - Devising a fuel mix strategy which protects against vulnerability to shocks on world markets
  - Achieving sufficient stability in the new industry to enable it to perform effectively and attract an adequate number of operators
  - Providing appropriate measures to protect the environment and to ensure compliance with Irish and EU law.

- **Protecting the interests of electricity customers**
  - Ensuring that supply is available to all at reasonable prices
  - Providing genuine freedom of choice to customers who have eligibility to secure contracts on a Third Party Access basis
  - Ensuring that customers who do not have freedom to choose their supplier are treated fairly and do not carry the cost of policy obligations appropriate to the industry as a whole.

- **Establishing regulatory structures which are high quality, objective and independent**
  - Giving confidence to new entrants
  - Providing access to networks on a non-discriminatory basis
  - Providing freedom to establish and operate subject to reasonable licence requirements.

- **Taking account of ESB's position**
  - Ensuring non-discrimination against ESB, by establishing transparent mechanisms to enable costs which arise from policy obligations to be borne by all the industry
  - Providing the freedom to compete with the same commercial freedoms as other industry operators
  - Maintaining a stable environment within the industry by facilitating a smooth transition to the new market structure
  - Recognising the value of ESB as a State asset.

For a variety of reasons the electricity industry has, up to now, enjoyed the trust of the community, based largely on confidence that it has operated in the national interest. It is important that the confidence of the community is maintained as the industry moves to a market-driven, competitive approach. Designing a new structure which accommodates the sometimes conflicting needs will require detailed consideration and a careful balance in decisions. While the issues to be dealt with are complex and technical, the new structure chosen should serve, and be seen to serve, the community interest, and have the capacity to win its trust.



"Through continued improvement in our performance we again demonstrated our commitment to environmental protection"

Safety

ESB is committed to the safety of its staff and the public. In 1996 a fundamental review was initiated, aimed at ensuring that the company's safety culture is sustained and enhanced while current operational changes are being implemented.

We view staff training and consultation on safety matters as a priority and we complied fully with our obligations in these areas. The process of preparing and updating local safety statements along with hazard identification, risk assessment and auditing, continued in all locations. As with the environment, a formal corporate safety audit policy was adopted. Safety management support was further enhanced with the extension of our recently developed computer-based Corporate Accident Recording System (CARS) to all our Business Units.

We note that the downward trend in the total number of accidents to staff continued in 1996.

Environment

Environmental considerations remained a key strategic concern for ESB in 1996. Through continued improvement in our performance we again demonstrated our commitment to environmental protection. In excess of £7 million in new investment was made, including the final phase of upgrading the existing boiler burners at Moneypoint to new, low nitrogen oxides (NOx) emitting burners. The subsequent reduction in NOx emissions by 50% from this station ensured that we remained within our EU target of 42kt. for the year. Emissions of sulphur dioxide (SO_2) were limited to 82kt., the lowest in over 20 years, representing 71% of our EU target value, due to the availability of additional supplies of natural gas.

During 1997 we intend to accredit over half our productive generating capacity to the Irish Environmental Management Standard, IS 310. Significant progress was made in 1996 preparing ESB's generating stations to meet this objective. We expect all generating facilities to achieve IS 310, or equivalent standard, before the year 2000. Also in 1996, we completed initial environmental reviews in all our Distribution Regions. A formal corporate environmental audit policy was adopted as part of our ongoing development of environmental management.

A number of significant developments in environmental policy occurred at national and international level during the year. The Waste Management Act, 1996 and the EU Directive on Integrated Pollution Prevention and Control were adopted. Progress was made in negotiations on a UN Protocol on Climate Change with agreement that controls on emissions of carbon dioxide (CO_2), produced from the combustion of fossil fuels, must be established. Over time, all three developments will have profound effects on the operations of the electricity sector.

While focusing on continued environmental improvement, ESB is also mindful of the cost implications of environmental protection for our customers and the impact of electricity prices on the general well-being and competitiveness of the national economy. We are confident that our management and control systems will minimise the cost to customers of our environmental protection programmes.



"The reality is that people want their company to succeed and they want to contribute to its success"

The key to the future success of ESB will be found in the company's capacity to deliver high quality, efficient services to all our customers at the right price. There are many factors involved in achieving this end result: research and development, investment, organisation, pricing policy and delivery systems. At the heart of the matter, it is the company's people that carry out the work, produce and deliver products and services and communicate with customers. They have a vital role to play in the business performance of ESB. Optimising their contribution is crucially important.

This was fully recognised in our Vision Statement, published in 1993, which said "Working together as a creative workforce, sharing common objectives and treating each other with trust and respect, we will succeed".

The partnership approach pursued in ESB, culminating in the successful conclusion of the CCR, demonstrated what can be achieved when staff and their representatives are deeply involved in confronting the challenges which the company, their company, faces. The reality is that people want their company to succeed and they want to contribute to its success.

This creates huge potential for innovation, for efficiency and for performance improvement in every aspect of the company's operations. The challenge for management is to facilitate the optimisation of the potential of our people by involving them in the decisions that affect their work, in problem solving and in empowering them in their day-to-day activities.

The training and development of our people is a priority for the company. The emerging commercial environment and the change programme now being implemented as a result of the CCR, give rise to major training and skills development needs. ESB has committed substantial resources to meeting these requirements and will invest heavily in training programmes in the coming years, with over £10m to be spent in 1997 alone.

"Our focus will be on commercial success and nothing less than a total renewal of the company will meet the needs of the new era"

Since its foundation ESB has faced and dealt with many challenges, ranging from the pioneering days of the establishment of the company, the construction of the national electricity system, rural electrification and the oil crises. ESB met all of these situations, called on its experience and resources, and succeeded.

We now face our greatest challenge. The competitors who come to Ireland will be powerful operators, with substantial experience in the industry and considerable resources at their disposal. Recognising the scale of the challenge is not to fear it. We can only respond in one way - to compete to win.

The drive to compete will dominate us in the future and this, by its nature, changes the philosophy and the culture of the company. Our focus will be on commercial success and nothing less than a total renewal of the company will meet the needs of the new era. Our Vision Statement of 1993 and our corporate strategy document, published last year, form the basis of the renewal. The strategy document "ESB: Confident & Competitive" has been dealt with in some detail in this report and I believe that it is appropriate to re-state our Vision in full in the context of the renewal of the company.

Our Vision:

"ESB will be a world class company focusing primarily on the energy market, delivering quality products and services to our customers. Through teamwork, innovation and a spirit of enterprise we will:

- Meet competitive challenges
- Continue to be the electricity supplier of first choice to the people of Ireland, our owners
- Perform to the highest standards of efficiency and integrity
- Grow our International Businesses
- Behave as a good corporate citizen

Working together as a creative workforce, sharing common objectives and treating each other with trust and respect, we will succeed."

There were 11 general meetings and 8 special meetings of the Board during the year ended 31 December 1996. The number in brackets opposite each name represents the attendance by each Board Member at general and special meetings, respectively, during the year.

The following were the Members of the Board at 31 December 1996:

William M McCann, Chairman	(11,8)	
James Wrynn, Deputy Chairman	(11,7)	
Jerry Carey	(6,7)	Appointed 15 April 1996
Rynal Coen	(3,1)	Term expired 14 April 1996
Sean Geraghty	(11,8)	
Stewart Harrington	(7,7)	
Denis Holland	(10,7)	
Patrick J Kevans	(11,4)	
Joe LaCumbre	(10,5)	
John McGinley	(11,8)	
Joe Moran, Chief Executive	(11,8)	
Caitriona Murphy	(10,6)	
Paul Sweeney	(8,8)	Appointed 3 April 1996

This Report was approved by the Board at its meeting on 27 February 1997 for submission to the Minister for Transport, Energy and Communications.

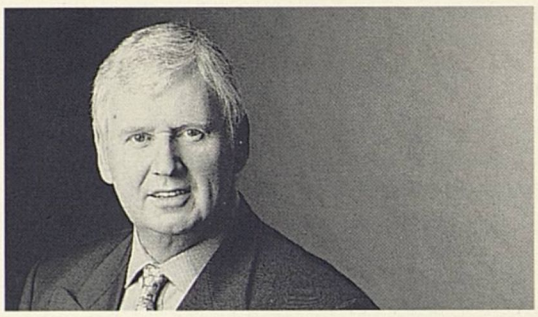
Signed:

W M McCann, Chairman

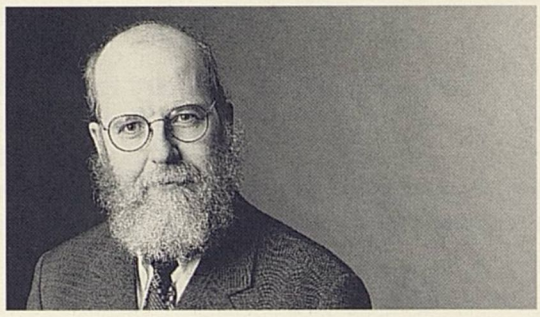
D J Moran, Chief Executive

D Mahony, Secretary.

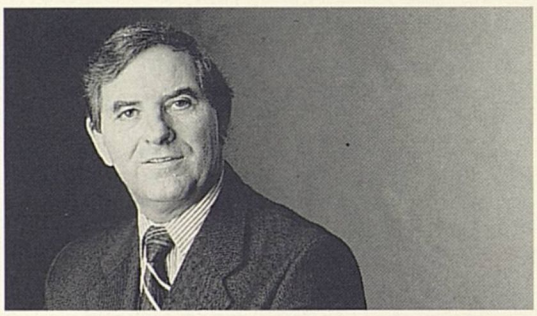
Board Members



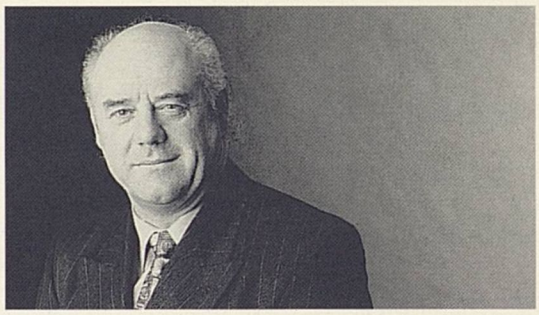
Billy McCann was appointed Chairman of the Board in January 1996, having served as a member since 1986. A Chartered Accountant, he was Managing Partner of Craig Gardner/Price Waterhouse from 1987 to 1995. He is a Director of the Central Bank of Ireland and is a Director of a number of other companies. Mr. McCann is Chairman of the Audit and the Remuneration and Management Development Committees and is a member of the Legislation Committee.



James Wrynn was appointed Deputy Chairman in July 1995. He is a senior lecturer in Business Policy at the Faculty of Business, Dublin Institute of Technology. Mr. Wrynn previously served on the Board of ESB from 1987 to 1992. He is a member of the Audit Committee and Chairman of the Legislation and the ESB International Business Unit Committees.



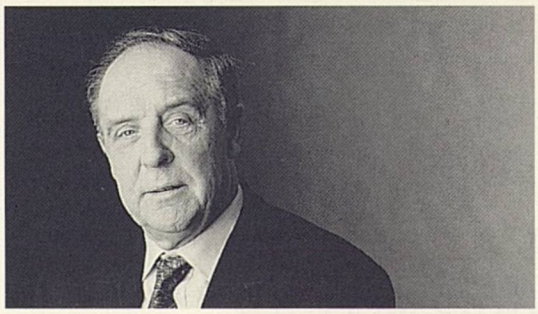
Jerry Carey was appointed to the Board in April 1996. He is Managing Director of Irish Business Systems Ltd. and is a Director of a number of other companies. Mr. Carey is a member of the Environment and Safety and the ESB International Business Unit Committees.



Sean Geraghty was first appointed to the Board in 1988 under the Worker Participation (State Enterprises) Act, 1977 and is now serving his third term. A shift operative in Poolbeg Generating Station, he has worked in ESB since 1964. He has chaired the ESB Group of Unions and was staff representative on the Joint Industrial Council. He is also a member of the Chief Executive's Safety Committee. Mr. Geraghty is a member of the ESB International Business Unit and the Environment and Safety Committees.



Stewart Harrington was appointed to the Board in March 1995. He is Managing Director of Dunloe House plc and a Non-Executive Director of Ewart plc. Mr. Harrington was a founding partner of Harrington Bannon, Chartered Surveyors. He is a member of the Audit, the ESB International Business Unit and the Remuneration and Management Development Committees.



Denis Holland was first appointed to the Board in 1988 under the Worker Participation (State Enterprises) Act, 1977 and is now serving his third term. A supervisor at Marina Generating Station he has worked in ESB since 1965. Mr. Holland is ATGWU representative on the ESB Group of Unions and is a member of the Legislation and the Environment and Safety Committees.

Board Members



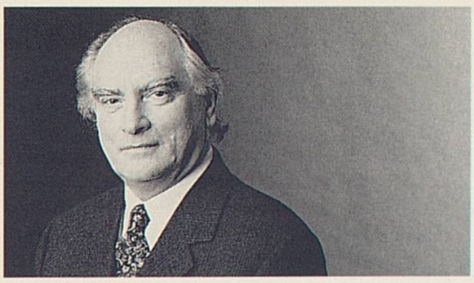
Patrick J Kevans is senior partner in the legal firm Dillon Eustace and is a Director of a number of companies. He was appointed to the Board in November 1982 and is now serving his third term. Mr. Kevans is Chairman of the Environment and Safety Committee and is a member of the Audit Committee.



Joe LaCumbre was first appointed to the Board in January 1985 under the Worker Participation (State Enterprises) Act, 1977 and is now serving his fourth term. An electrician based in Athlone, Mr. LaCumbre is a member of the TEEU Executive Committee. He is staff representative on both the ESB Superannuation Fund Administration Committee and the ESB Medical Provident Fund. Mr. LaCumbre is a member of the Capital Projects Committee and is Chairman of the Technology Committee.



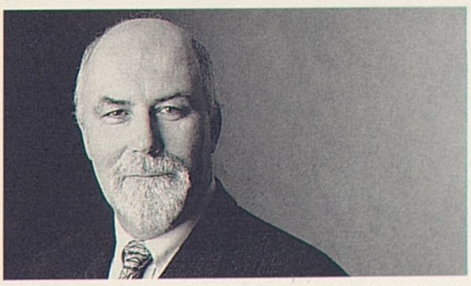
John McGinley was first appointed to the Board in January 1995 under the Worker Participation (State Enterprises) Act, 1977. A technologist in Distribution Department, he is a member of Kildare County Council and the County Kildare Vocational Education Committee. Mr. McGinley is a member of the Capital Projects and the Technology Committees.



Joe Moran was appointed Chief Executive of ESB in April 1991. He held several senior posts before his appointment as Manager, Corporate Development in 1979. Mr. Moran was appointed Director, Finance in 1986. He is Chairman of the Advisory Committee of the National Treasury Management Agency. Mr. Moran is a member of the Legislation, the Technology and the ESB International Business Unit Committees.



Caitriona Murphy was appointed to the Board in February 1992. Mrs. Murphy is head of EMU Planning at AIB Capital Markets, and is a Board Member of the International Fund for Ireland. She is a member of the Remuneration and Management Development Committee and is Chairperson of the Capital Projects Committee.



Paul Sweeney was appointed to the Board in April 1996. An economist and financial analyst with SIPTU, Mr. Sweeney is a member of the Ruling Council of the Statistical and Social Enquiry Society of Ireland. He is a member of the Capital Projects and the Legislation Committees.

Board Committees

There are seven Board Committees. Each has formal terms of reference.

Audit Committee

The function of the Audit Committee is to oversee the financial reporting process and internal control structure in ESB.

Members
William M McCann, Chairman
Stewart Harrington
Patrick J Kevans
James Wrynn

Capital Projects Committee

The function of the Capital Projects Committee is to advise the Board on major capital expenditure proposals and monitor progress.

Members
Caitriona Murphy, Chairperson
Joe LaCumbre
John McGinley
Paul Sweeney

ESB International Business Unit Committee

The function of the ESB International Business Unit Committee is to oversee the business strategy, risks and investments in ESB's non-core businesses in the ESB International Business Unit.

Members
James Wrynn, Chairman
Jerry Carey
Sean Geraghty
Stewart Harrington
Joe Moran

Environment and Safety Committee

The function of the Environment and Safety Committee is to advise the Board on safety and environmental matters.

Members
Patrick J Kevans, Chairman
Jerry Carey
Sean Geraghty
Denis Holland

Legislation Committee

The function of the Legislation Committee is to monitor the legislative process relating to the developing electricity supply industry.

Members
James Wrynn, Chairman
Denis Holland
William M McCann
Joe Moran
Paul Sweeney

Remuneration and Management Development Committee

The purpose of the Remuneration and Management Development Committee is to advise the Board on all aspects of remuneration of the Chief Executive and top management and to monitor the development of current and future management of ESB.

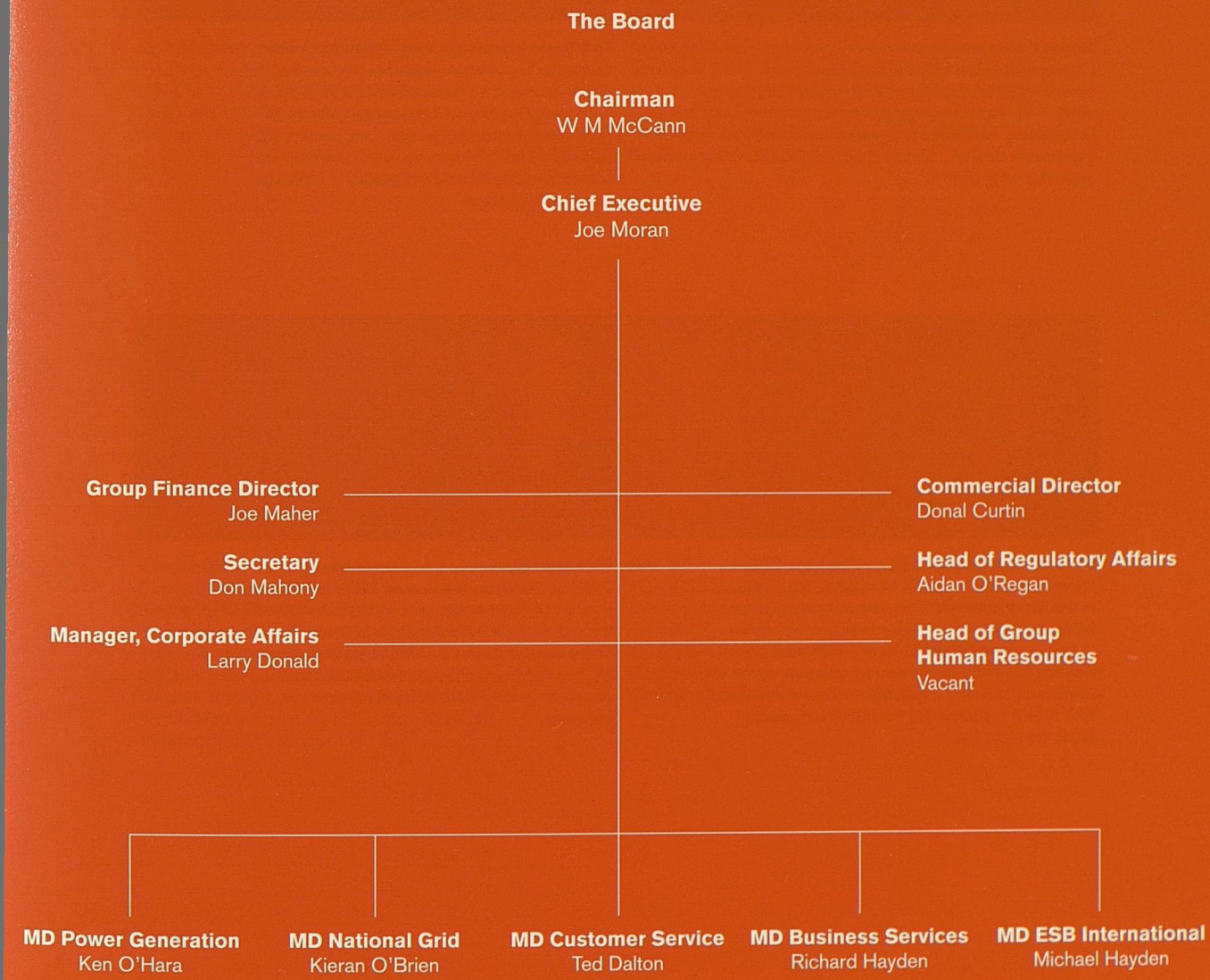
Members
William M McCann, Chairman
Stewart Harrington
Caitriona Murphy

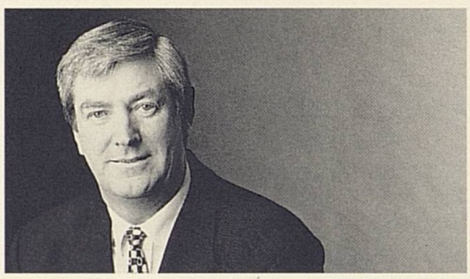
Technology Committee

The purpose of the Technology Committee is to oversee technological development within ESB.

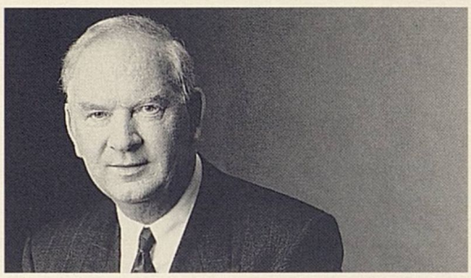
Members
Joe LaCumbre, Chairman
John McGinley
Joe Moran

Company Structure

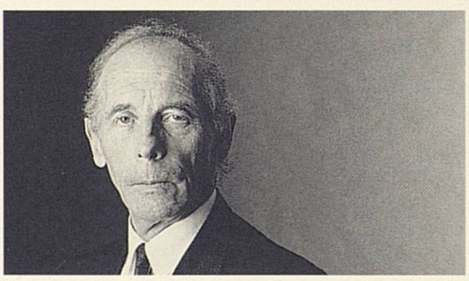




Donal Curtin was appointed Director, Commercial in late 1996. He is a Director of several ESBI companies and previously held the position of Group Managing Director, ESBI Contracting. Mr. Curtin has worked extensively overseas in the U.K., Middle East and Far East since the early 1980's.



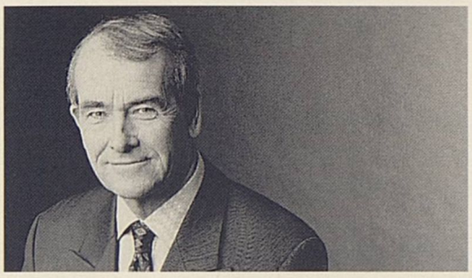
Ted Dalton was appointed Managing Director, Customer Services in 1993. He held a variety of senior management positions in the Information Technology and Accounting areas before his appointment as Regional Manager, South East Region in 1987. Prior to his appointment to his current position he held the position of Manager, Corporate Change.



Michael C Hayden, Managing Director, ESB International held a variety of engineering positions in the Distribution and Transmission areas before being appointed to a senior management position in Personnel and subsequently Distribution. Mr. Hayden has been involved in the company's overseas consultancy business since the mid-70's, with overall responsibility for ESB International since the mid-80's.



Richard Hayden was appointed Managing Director, Business Services in 1993. He held a number of senior management positions throughout ESB before being appointed Manager of the company's Accounting Department in 1987. Mr. Hayden has managed several Customer Accounting and Financial Systems projects overseas.



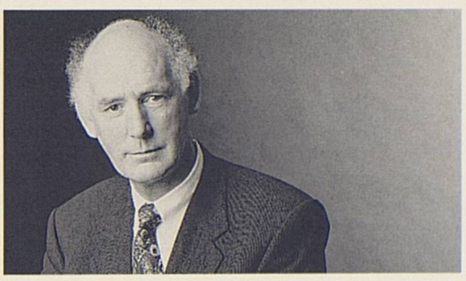
Don Mahony held a number of senior positions in the Personnel and Organisation Development areas prior to his appointment as Secretary Designate in 1990. He was appointed Company Secretary in 1992.



Joe Maher was appointed Group Finance Director in 1991. He previously held various senior financial and general management positions in ESB and was Director of several ESB subsidiary companies. Mr. Maher is a trustee of the ESB Superannuation Fund.



Kieran O'Brien was appointed Managing Director, National Grid in 1993. He worked on a number of ESB's major construction projects during the seventies, including Turlough Hill and Moneypoint. He was appointed ESB's resident manager in Saudi Arabia and subsequently became Manager, Civil Works Department. Mr. O'Brien was appointed Director, Strategic Planning and Development in 1987.



Ken O'Hara was appointed Managing Director, Power Generation in 1993. He held a number of senior management positions and was involved in consultancy work in Bahrain during the 1970's. Mr. O'Hara was appointed Regional Manager, Cork in 1979 and was subsequently appointed Director, Customer Operations in 1987.

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Statement of Board Members' responsibilities

Financial statements
The Electricity Supply Acts 1927 to 1988 require the Board Members to prepare financial statements for each financial year in accordance with those Acts.

The Board Members consider that, in preparing the financial statements on pages 44 to 62, appropriate accounting policies have been used and consistently applied, reasonable and prudent judgements and estimates have been made and all accounting standards considered applicable have been followed.

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

Corporate governance
ESB supports the principles of corporate governance outlined in the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in December 1992 ("the Code"). ESB has introduced measures to comply with the Code in so far as is considered appropriate.

The roles of the Chairman, who is part-time, and Chief Executive are separate. The Board of twelve comprises the Chief Executive and eleven non-executive members, seven of whom are appointed by the Government for a five year term, and four worker members appointed by the Minister for Transport, Energy and Communications for a four year term following election by staff.

The Board has a formal schedule of matters specifically reserved to it for decision at the Board meetings held monthly during the year. The Board Members, in the furtherance of their duties, can take independent professional advice as required, at the expense of ESB. All Board Members have access to the advice and services of the Secretary.

The Remuneration and Management Development Committee comprises three non-executive Board Members. Board Members' fees are set by Government and disclosed in a note to the financial statements. Executive remuneration is set within the guidelines of the 'Review Body on Higher Remuneration in the Public Sector' and is monitored by the Remuneration and Management Development Committee.

Membership of Board Committees is set out on page 34.

Internal financial controls
The Board has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness. These systems are designed to provide reasonable but not absolute assurance against material mis-statement or loss. In order to discharge that responsibility in a manner which ensures compliance with laws and regulations, the Board has established an organisational structure with clear operating and reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

The Audit Committee, a formally constituted sub-committee of the Board, is composed of non-executive members and meets regularly. The Audit Committee reviews and discusses, with the internal auditor and the external auditor, the Group's internal accounting controls, internal audit function, choice of accounting policies, internal and external audit programmes, statutory auditors' report, financial reporting and other related matters. The internal and external auditors have full and unrestricted access to the Audit Committee.

The systems of internal financial control include the following:

- Comprehensive budgeting systems with an annual budget approved by the Board
- Monthly consideration by the Board of actual results compared with budgets and forecasts.
- Clearly defined responsibilities and financial controls (including investment control guidelines and procedures).
- Managing and reporting on key business and financial risks to the Audit Committee and Board.
- An internal audit function which reviews key business processes and controls.

The Board, through the Audit Committee, have reviewed the effectiveness of the systems of internal financial control.

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

On behalf of the Board
W M McCann, Chairman
D J Moran, Chief Executive
27th February 1997

Auditors' opinion on ESB's compliance with Cadbury Code of Best Practice
The auditors, KPMG, have confirmed that in their opinion: with respect to the statement of the Board Members on internal financial control and going concern above, the Board Members have provided the disclosures required by paragraphs 4.5 and 4.6 of the Cadbury Code of Best Practice (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Statement of Board Members' Responsibilities appropriately reflects ESB's compliance with paragraphs 1.4, 1.5, 2.3, 2.4, 4.3 and 4.4 of the Code specified for their review.

They have carried out their review in accordance with the relevant Bulletins issued by the Auditing Practices Board, which do not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either ESB's system of internal financial control or corporate governance procedures, or on the ability of ESB to continue in operational existence.

Auditors' report

As auditors appointed by the Minister for Transport, Energy and Communications, with the consent of the Minister for Finance, under Section 7 of the Electricity (Supply) Act 1927, we have audited the financial statements of Electricity Supply Board on pages 44 to 62.

Respective responsibilities of Board Members and auditors in relation to the financial statements
As described on pages 41 and 42, the Board Members of Electricity Supply Board are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards 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 judgements made by the Board Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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.

We draw your attention to the "Basis of Accounting" note on page 48.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Parent and of the Group at 31 December 1996 and of the results of the Group for the year then ended and have been properly prepared in accordance with the Electricity Supply Acts 1927 to 1988.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, the Parent has kept proper books of account with which the balance sheet of the Parent at 31 December 1996 is in agreement.

KPMG

Chartered Accountants
Registered Auditors
1 Stokes Place
St Stephen's Green
Dublin 2
27 February 1997

Consolidated profit and loss account Year ended 31 December 1996

	Notes	1996 IR£000's	1995 IR£000's
Turnover – continuing operations	1	**1,094,945**	1,026,212
Operating costs	2	**(885,186)**	(871,084)
Operating surplus – continuing operations		**209,759**	155,128
Exceptional costs			
– Restructuring	3(a)	**(18,900)**	(244,900)
– Other	3(b)	**0**	(122,400)
Net interest cost	4	**(59,276)**	(71,516)
Surplus/(deficit) after interest and exceptional costs		**131,583**	(283,688)
Share of associated undertakings' profit		**1,227**	864
Taxation charge	6	**(926)**	(1,073)
Surplus/(deficit) after taxation		**131,884**	(283,897)
Minority interests – equity		**(32)**	(25)
Surplus/(deficit) for financial year	7	**131,852**	(283,922)
Provision for repayment of borrowings (see policy note 2)	16	**(214)**	(214)
Retained surplus/(deficit) for year	18	**131,638**	(284,136)

Signed: **W M McCann,** Chairman

Signed: **D J Moran,** Chief Executive
J P Maher, Group Finance Director

27 February, 1997.

Balance sheets As at 31 December 1996

	Notes	Consolidated 1996 IR£000's	Consolidated 1995 IR£000's	Parent 1996 IR£000's	Parent 1995 IR£000's
Assets employed:					
Fixed assets:					
Tangible assets	8	**1,780,142**	1,734,940	**1,776,290**	1,732,097
Financial assets	9	**16,359**	12,773	**50,714**	51,279
		1,796,501	1,747,713	**1,827,004**	1,783,376
Current assets:					
Stocks	10	**110,850**	105,197	**110,148**	104,716
Debtors	11	**276,057**	295,286	**229,662**	241,959
Investments	12	**615**	607	**615**	607
Cash at bank and in hand		**22,413**	137,729	**14,241**	131,656
		409,935	538,819	**354,666**	478,938
Creditors (falling due within one year):					
Borrowings and other debt	13	**(55,989)**	(90,819)	**(55,989)**	(90,813)
Other creditors	14	**(205,576)**	(175,773)	**(192,673)**	(160,071)
		(261,565)	(266,592)	**(248,662)**	(250,884)
Net current assets		**148,370**	272,227	**106,004**	228,054
Total assets less current liabilities		**1,944,871**	2,019,940	**1,933,008**	2,011,430
Creditors (falling due after more than one year):					
Borrowings and other debt	13	**(768,738)**	(844,355)	**(768,738)**	(844,355)
Other creditors	14	**(24,993)**	(32,587)	**(24,993)**	(32,587)
		(793,731)	(876,942)	**(793,731)**	(876,942)
Provision for liabilities and charges	15	**(319,828)**	(466,769)	**(319,828)**	(466,769)
Net assets		**831,312**	676,229	**819,449**	667,719
Financed by:					
Reserves:					
Sinking fund for repayment of borrowings	16	**4,787**	4,352	**4,787**	4,352
Other reserves	17	**1,065,308**	1,042,330	**1,065,440**	1,042,602
Profit and loss account	18	**(238,903)**	(370,541)	**(250,778)**	(379,235)
Minority interests		**120**	88	**0**	0
		831,312	676,229	**819,449**	667,719

Signed: **W M McCann,** Chairman

Signed: **D J Moran,** Chief Executive
J P Maher, Group Finance Director

27 February, 1997.

Consolidated statement of total recognised gains and losses

Year ended 31 December 1996

	Notes	1996 IR£000's	1995 IR£000's
Surplus/(deficit) for financial year		**131,852**	(283,922)
Interest income (including gains) on sinking fund investments	16	**221**	2,605
Non repayable supply contributions	17	**22,838**	17,410
Translation differences on consolidation of foreign subsidiaries	17	**140**	(67)
Increase in minority interest		**32**	25
Total recognised gains and losses for year		**155,083**	(263,949)

Reconciliation of movements in reserves:

Total recognised gains and losses for year		**155,083**	(263,949)
Opening reserves		**676,229**	940,178
Closing reserves		**831,312**	676,229

Consolidated cash flow statement Year ended 31 December 1996

	Notes	1996 IR£000's	1995 IR£000's
Net cash inflow from operating activities	19(a)	**190,603**	269,391
Returns on investments and servicing of finance			
Interest received (including gains) on sinking fund		**221**	2,717
Other interest received		**8,501**	9,602
Interest paid		**(66,796)**	(78,042)
Interest element of finance lease payments		**(8,358)**	(10,042)
Net cash outflow from returns on investments and servicing of finance		**(66,432)**	(75,765)
Taxation			
Corporation tax		**(933)**	(541)
Capital expenditure and financial investment			
Purchase of tangible assets		**(156,408)**	(138,821)
Purchase of financial assets		**(1,924)**	0
Purchase of investments		**(8)**	0
Sale of tangible assets		**799**	6,979
Sale of financial assets		**0**	151
Sale of investments		**0**	262
Net cash outflow from capital expenditure and financial investment		**(157,541)**	(131,429)
Net Cash (outflow)/inflow before management of liquid resources and financing		**(34,303)**	61,656
Net cash inflow from management of liquid resources	19(b)	**122,185**	62,963
Financing			
Repayment of loans (net)	19(b)	**(104,818)**	(136,984)
Non repayable supply contributions		**23,813**	17,957
Net cash outflow from financing		**(81,005)**	(119,027)
Increase in cash	19(b)	**6,877**	5,592

Statement of accounting policies

1. **Basis of accounting**
The financial statements have been prepared under the historical cost convention.

Section 21 (2) of the Electricity (Supply) Act 1927 requires ESB (Parent) to fix charges made for the sale of electricity and for goods and services rendered by it so that the revenue derived in any year from such sales and services will be sufficient and only sufficient (as nearly as may be) to pay all salaries, working expenses, and other outgoings properly chargeable to income in that year and such sums as the Board may think proper to set aside in that year for reserve fund, extensions, renewals, depreciation, loans and other like purposes. The accounting policies adopted in these financial statements reflect this requirement.

2. **Provision for repayment of borrowings**
Section 5 of the Electricity (Supply) (Amendment) Act 1982 allows the Board set aside such sums as it considers proper to be used for the repayment of borrowings. These sums are transferred to the sinking fund reserve in accordance with the Act. In 1996, as in 1995, it is considered appropriate to set aside an amount to cover repayment of ESB stock issues in accordance with contractual obligations. In view of the level of the deficit on ESB's profit and loss account at year end, it is not considered proper to set aside an amount for repayment of other borrowings. Interest earned on sinking fund investments is credited directly to the sinking fund reserve in accordance with Section 5 of the Electricity (Supply) (Amendment) Act 1982.

3. **Basis of consolidation**
The group financial statements include the financial statements of the parent and of all subsidiary undertakings together with the group's share of the net assets of associated undertakings. The financial statements of all subsidiary undertakings are drawn up to 31 December. Where an undertaking or an interest in an associated undertaking is acquired during the financial year, the group financial statements include the attributable results from the date of acquisition. A separate profit and loss account for the parent is not presented.

4. **Associated undertakings**
Associated undertakings are recorded using the equity method of accounting. The group's share of the profits / losses of associated undertakings is included in the consolidated profit and loss account. Its interests in their net assets is included as an investment in the consolidated balance sheet at the group's share of the net assets at acquisition plus the group's share of retained post acquisition profits/losses less provision for permanent diminutions in value.

5. **Foreign currency**
(a) ESB (Parent) borrowings
Foreign currency borrowings and related hedging contracts are translated at exchange rates ruling at the year end, and differences, including those realised during the year, are charged or credited to the provision for currency movements on borrowings.

The provision is maintained, in the light of historical experience, for possible currency exchange losses. An amount is estimated each year which is included in the profit and loss account as a charge/credit under operating costs and transferred to/from the provision account. In estimating the amount the following factors are taken into account; previous long term currency trends, present expectations, the profile of the debt and the balance on the provision account for currency movements on borrowings coming forward from the previous year.

This treatment, while not following SSAP 20, is considered more appropriate in the context of ESB's rate fixing responsibility under Section 21 (2) of the Electricity (Supply) Act 1927. Exchange differences offset against the provision would, under SSAP 20, have been dealt with through the profit and loss account. The financial effect of the policy adopted can be seen in note 15 to the financial statements.

(b) Subsidiary undertakings
The balance sheets of foreign subsidiary undertakings are translated at year end rates and the profit and loss accounts are translated at average rates for purposes of consolidation. Translation gains or losses arising are disclosed as a movement on reserves.

6. Turnover

Turnover comprises the sales value of electricity, and other goods and services, supplied to customers during the year and excludes value added tax. Electricity turnover includes an estimate of the value of units supplied to customers between the date of the last meter reading and the year end.

7. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. Cost includes prime cost, overheads and interest incurred in financing the construction of tangible assets. Capitalisation of interest ceases when the asset is brought into use. The capitalisation rate applied equates to the average cost of ESB's outstanding debt.

Depreciation is designed to recover historical cost over allotted lifespans. Methods used are appropriate to the nature of the Group's business and to the character and extent of all its tangible fixed assets. Assets are grouped and allotted lifespans in line with international practice. Major asset classifications and their allotted lifespans are:

: Generation plant and thermal station structures (other than Moneypoint station)	20 years
: Distribution plant and structures	25/30 years
: Transmission plant and structures and Moneypoint station plant	30 years
: General buildings, hydro stations and Moneypoint station structures	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.

8. Financial fixed assets

Listed and unlisted investments are shown at cost unless in the opinion of the Board Members there has been a permanent diminution in value. A note is included as to the market value of listed investments.

9. Stocks

Stocks are carried at average cost, other than ;

a) Spares held for major generating plant breakdowns, which are written down over plant lifetime; and

b) Goods held for resale, which are carried at the lower of average cost and net realisable value.
Net realisable value is based on normal selling price less further costs expected to be incurred to completion and disposal.

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

10. Deferred payment contracts

Profit on deferred payment contracts is taken in the year of sale. Credit for interest is taken on an annuity basis over the deferred payment term.

11. Leased assets

The cost of assets acquired under finance leases is included in tangible fixed assets. Depreciation is provided at rates designed to recover this cost over the shorter of the allotted lifespans of the assets and the period of the leases. The capital element of future rentals is treated as a liability and the interest is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

12. Capital grants

Capital grants are treated as deferred income, which is credited to the profit and loss account on the same basis as the related fixed assets are depreciated.

13. Non-repayable supply contributions

Non repayable supply contributions from customers towards the cost of providing or upgrading electricity supply, which are levied to provide permanent capital, are credited directly to capital reserves.

14. Taxation

Corporation tax payable is provided on taxable profits at the current rates

Deferred tax is accounted for in respect of all material timing differences only to the extent that it is probable that a liability will arise in the foreseeable future.

15. Provision for generating station closure

The estimated costs of closing generating stations at the end of their useful lives are provided for over the useful lives of the stations. The provision is reviewed on an annual basis.

16. Provision for environmental costs

Provision is made for the estimated costs to be incurred by the Board on specific projects as they are identified to meet its environmental objectives so that these costs are charged to the profit and loss account over an appropriate period. The provision will be reviewed annually in the light of emerging experience and changing demands.

17. Provision for cyclical overhaul expenditure

Provision is made for the estimated costs of the cyclical programme for the major overhaul and maintenance of generation plant so as to charge these costs to the profit and loss account over the projected operating lifetime of the plant.

18. Fuel commitments

ESB (Parent) policy is to hedge exchange rates applicable to a significant proportion of its estimated future requirements for fuel.

The exchange rate used to book US dollar fuel purchases is a combination of the average exchange rate of the hedging contracts in place and the spot rate applicable to unhedged purchases.

This treatment is consistent with ESB's rate fixing responsibility and is reviewed annually.

19. Superannuation scheme

The cost of providing pensions and other post retirement benefits is charged to the profit and loss account on a systematic basis as recommended by the actuaries.

20. Discounting of future restructuring commitments

Future commitments under the Group's restructuring plan have been discounted to their present value by applying a rate equivalent to the Group's cost of capital. The commitments are deducted from the provisions as they mature and a financing charge at the relevant discount rate is charged annually to the profit and loss account.

	1996	1995
1. TURNOVER – IR£000's		
(a) Business activity:		
Electricity	**981,766**	913,567
Retail and contracts	**55,838**	54,316
Other activities	**57,341**	58,329
	1,094,945	1,026,212
(b) Geographic markets (originating primarily in Ireland):		
Ireland	**1,050,034**	982,687
Europe	**19,191**	21,162
Others	**25,720**	22,363
	1,094,945	1,026,212

2. OPERATING COSTS – IR£000's		
Payroll	**239,147**	249,418
Fuel	**296,320**	274,481
Operations and maintenance	**349,719**	347,185
	885,186	871,084

3. EXCEPTIONAL COSTS – IR£000's		
(a) Restructuring costs:		
CCR voluntary severance	**9,900**	172,100
Other CCR restructuring costs	**0**	50,600
Financing charge	**9,000**	0
	18,900	222,700
Pre CCR voluntary severance	**0**	22,200
	18,900	244,900

A comprehensive review, known as the Cost and Competitiveness Review (CCR), of ESB's cost base was completed at the end of 1995. This review, involving management, trade unions and the government in a tripartite process has led to a major restructuring programme. It is expected that 2,000 staff will leave ESB. The estimated discounted cost of implementing the CCR restructuring plan, including related adjustments to superannuation contributions, is IR£277.6m, the voluntary severance element of which is being accounted for over the service lives of the relevant staff.

This total cost is being charged to the profit and loss account as follows:

1994	23,700
1995	222,700
1996	9,900
1997-99	21,300
	277,600

The financing charge of IR£9m has been calculated in accordance with the accounting policy for discounting set out on page 50.

(b) Other – past service pension funding	**0**	122,400

The charge of IR£122.4m in 1995 represented the Board's commitment to making additional contributions to the Superannuation Scheme in respect of an identified actuarial deficit.

	1996	1995
4. NET INTEREST COST – IR£000's		
Total interest payable:		
On loans repayable within five years	**47,588**	30,169
On other loans	**19,466**	47,140
On finance leases repayable within five years	**3,759**	3,194
On other finance leases	**4,956**	6,787
	75,769	87,290
Total interest receivable:		
From unlisted investments	**(8,217)**	(9,468)
	67,552	77,822
Less:		
Capitalised interest	**(8,276)**	(6,306)
Net interest payable	**59,276**	71,516

5. EMPLOYEES		
(a) Average number of employees in year by business activity:		
Electricity supply	**9,063**	9,442
Retail and contracts	**250**	260
Other activities	**690**	660
	10,003	10,362
(b) Employee costs in year – IR£000's:		
Pay (salaries/wages)	**247,343**	242,035
Social welfare costs (PRSI)	**7,112**	7,154
Pension costs	**27,602**	36,382
Other payroll benefits	**14,754**	15,415
	296,811	300,986

Employee costs above include capitalised payroll of IR£51.3m (1995 IR£44.6m) and payroll costs mainly relating to repayable work in progress of IR£6.4m (1995 IR£7.1m).

6. TAXATION – IR£000's		
Corporation tax at 38% (1995: 38.5%)	**247**	472
10% tax rate relief	**(111)**	(112)
	136	360
Overseas tax (excluding associated companies)	**755**	718
	891	1,078
Tax attributable to associated companies	**35**	(5)
Tax attributable to group	**926**	1,073

The parent has no corporation tax charge for 1996 (1995: IR£0.190m) due to the availability of losses carried forward and excess capital allowances.

7. SURPLUS/(DEFICIT) FOR FINANCIAL YEAR – IR£000's

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

	1996	1995
Depreciation	**117,353**	116,013
Provision for currency movements on borrowings	**(10,000)**	0
Bad debts	**1,655**	1,885
Operating lease charges	**3,313**	3,161
Auditors' remuneration – audit services	**110**	116
– non-audit services	**173**	61
ESB (Parent) board members' fees	**53**	62

8. TANGIBLE FIXED ASSETS – IR£000's

Consolidated	Land and buildings	Plant and machinery	Total assets in commission	Payments on account and assets in course of construction	Total
Cost					
Balance at start of year	503,558	2,345,372	2,848,930	71,167	2,920,097
Additions/transfers	18,282	136,256	154,538	11,116	165,654
Retirements/disposals	(1,362)	(12,226)	(13,588)	0	(13,588)
Balance at end of year	520,478	2,469,402	2,989,880	82,283	3,072,163
Depreciation					
Balance at start of year	207,118	978,039	1,185,157	0	1,185,157
Charge	14,634	102,719	117,353	0	117,353
Retirements/disposals	(1,341)	(9,148)	(10,489)	0	(10,489)
Balance at end of year	220,411	1,071,610	1,292,021	0	1,292,021
Net book value at 31 December,1996	**300,067**	**1,397,792**	**1,697,859**	**82,283**	**1,780,142**
Net book value at 31 December,1995	296,440	1,367,333	1,663,773	71,167	1,734,940

Included above are fixed assets with a net book value of IR£3.9m (1995: IR£2.8m) relating to subsidiary undertakings.
The non depreciable element of land and buildings amounts to IR£1.3m (IR£2.0m in 1995).

Finance leases

All finance leases are held by the parent company.
The net book value of tangible fixed assets includes an amount of IR£184.5m (IR£193.9m in 1995) in respect of assets held under finance leases. Depreciation charged on such assets during the year amounted to IR£9.4m (IR£9.4m in 1995).

9. FINANCIAL FIXED ASSETS – IR£000's

Consolidated	Associated undertakings Shares	Loans	Total	Sinking fund and other investments	Total
Balance at start of year at cost	8,321	0	8,321	4,452	12,773
Additions	1,701	0	1,701	435	2,136
Share of retained profit	1,450	0	1,450	0	1,450
Balance at end of year at cost	**11,472**	**0**	**11,472**	**4,887**	**16,359**

Parent	Subsidiary undertakings Shares	Loans	Total	Sinking fund investments	Total
Balance at start of year at cost	11,884	35,043	46,927	4,352	51,279
(Loan repayment)/additions	0	(1,000)	(1,000)	435	(565)
Balance at end of year at cost	**11,884**	**34,043**	**45,927**	**4,787**	**50,714**

Sinking fund investments included above of IR£4.787m (1995: IR£4.352m) are represented by long term bank deposits. The market value of sinking fund investments at the end of year is IR£4.787m.

The carrying amount of associated undertakings represents the Group's share of their net assets. Subsidiary and associated undertakings are listed in note 26.

10. STOCKS – IR£000's

	Consolidated 1996	1995
Materials and spares	**64,198**	66,800
Fuel	**45,175**	36,619
Other stock	**702**	481
Goods for resale (appliances)	**775**	1,297
	110,850	105,197

All the other stock above is held by subsidiary undertakings.

11. DEBTORS – IR£000's

	Consolidated 1996	1995	Parent 1996	1995
Amounts falling due within one year:				
Trade debtors	**61,065**	53,668	**49,504**	42,664
Unbilled consumption	**111,751**	114,502	**111,751**	114,502
Deferred payment contracts	**35,983**	35,061	**12,303**	12,751
Amounts owed by:				
Subsidiary undertakings	**0**	0	**13,918**	8,219
Associated undertakings	**3,522**	167	**0**	0
Other debtors	**47,787**	76,106	**41,740**	63,402
	260,108	279,504	**229,216**	241,538
Amounts falling due after more than one year:				
Deferred payment contracts	**15,949**	15,782	**446**	421
Total debtors	**276,057**	295,286	**229,662**	241,959

12. CURRENT ASSET INVESTMENTS – IR£000's

	Consolidated and parent	
	1996	1995
Listed investments at cost	**615**	607
Market value of listed investments	**652**	640

13. BORROWINGS AND OTHER DEBT – IR£000's

Consolidated	**Overdraft/ other debt**	**Finance leases**	**Borrowings**	**1996 Total**	1995 Total
Borrowings due within one year					
– Repayable by instalments	0	20,034	25,993	**46,027**	50,321
– Repayable other than by instalments	4,231	0	5,731	**9,962**	40,498
	4,231	20,034	31,724	**55,989**	90,819
Borrowings due after one year					
– Repayable by instalments					
Between one and two years	0	15,952	30,156	**46,108**	46,166
Between two and five years	0	46,543	92,245	**138,788**	136,242
After five years	0	30,826	39,613	**70,439**	102,107
	0	93,321	162,014	**255,335**	284,515
– Repayable other than by instalments					
Between one and two years	0	0	45,498	**45,498**	5,123
Between two and five years	0	0	248,597	**248,597**	263,196
After five years	0	0	219,308	**219,308**	291,521
	0	0	513,403	**513,403**	559,840
Total borrowings due after one year	0	93,321	675,417	**768,738**	844,355
Total borrowings outstanding	**4,231**	**113,355**	**707,141**	**824,727**	935,174
Parent					
Total borrowings outstanding	**4,231**	**113,355**	**707,141**	**824,727**	935,168

Borrowings totalling IR£319.3m (IR£392.3m in 1995) are State guaranteed.

14. OTHER CREDITORS – IR£000's

	Consolidated		Parent	
Creditors falling due within one year:	**1996**	1995	**1996**	1995
Progress payments on work in progress	**9,925**	9,312	**9,925**	9,312
Trade creditors	**81,308**	57,106	**79,983**	56,003
Other creditors	**18,249**	20,437	**16,516**	19,346
PAYE/PRSI	**8,053**	7,871	**8,053**	7,871
VAT	**20,379**	11,865	**20,328**	11,404
Accruals and deferred income	**43,925**	45,650	**30,029**	29,145
Deferred capital grants	**43**	27	**43**	27
Amounts owed to subsidiary undertakings	**0**	0	**5,046**	4,390
Accrued interest on borrowings	**21,992**	21,734	**21,973**	21,734
Corporation tax	**925**	932	**0**	0
Amounts owed to superannuation fund	**777**	839	**777**	839
	205,576	175,773	**192,673**	160,071
Creditors falling due after more than one year:				
Deferred capital grants	**2,652**	651	**2,652**	651
Other creditors	**22,341**	31,936	**22,341**	31,936
	24,993	32,587	**24,993**	32,587

15. PROVISIONS FOR LIABILITIES AND CHARGES – IR£000's

Consolidated & parent	**At 1 January 1996**	**Transfer (to)/ from profit & loss account**	**Utilised during the year**	**At 31 December 1996**
Provision for pension funding	122,400	0	(120,000)	**2,400**
Provision for major cyclical overhaul	11,700	21,840	(7,211)	**26,329**
Provision for currency movements	48,779	(10,000)	6,056	**44,835**
Provision for generating station closure	19,673	8,347	(1,021)	**26,999**
Provision for environmental costs	1,507	5,959	(3,152)	**4,314**
Provision for restructuring costs (note 3)	262,710	18,900	(66,659)	**214,951**
	466,769	**45,046**	**(191,987)**	**319,828**

Provision for currency movements

Substantially all of ESB's borrowings are denominated in Irish pounds at 31 December 1996. Nevertheless, ESB has significant funding requirements over the foreseeable future and, coupled with possible uncertainties arising from the planned introduction of European Monetary Union in 1999, may again need to engage in foreign currency borrowing. The Board deems it prudent to set the provision balance at IR£44.8m as at 31 December 1996. It is envisaged that as the uncertainties mentioned above become clarified the provision will continue to be released in the financial years up to 1999.

16. SINKING FUND FOR REPAYMENT OF BORROWINGS – IR£000's

Consolidated & parent	1996	1995
Balance at start of year	**4,352**	50,008
Provision for repayment of borrowings	**214**	214
Interest income (including gains) on sinking fund investments	**221**	2,605
Sinking fund applied to repay borrowings	**0**	(48,475)
Balance at end of year	**4,787**	4,352
Represented by:		
Sinking fund investments (Note 9)	**4,787**	4,352

17. OTHER RESERVES – IR£000's

Consolidated	Non-repayable supply contributions	Repaid capital reserve	Others	Total
Balance at start of year	270,831	771,771	(272)	**1,042,330**
Non-repayable supply contributions	22,838	0	0	**22,838**
Translation differences on consolidation of foreign subsidiaries	0	0	140	**140**
Balance at end of year	**293,669**	**771,771**	**(132)**	**1,065,308**

Others above relate to subsidiary undertakings

18. CONSOLIDATED PROFIT AND LOSS ACCOUNT – IR£000's

	1996	1995
Deficit from previous year	**(370,541)**	(86,405)
Retained surplus/(deficit) for year	**131,638**	(284,136)
Deficit to next year	**(238,903)**	(370,541)

The retained surplus of the parent for the year was IR£128.5m (1995: deficit of IR£287.1m)

19. CASH FLOW STATEMENT

(a) Reconciliation of operating surplus to net cash inflow from operating activities – IR£000's

	1996	1995
Operating surplus	**209,759**	155,128
Depreciation	**117,353**	116,013
Movement on provisions for liabilities and charges	**(171,897)**	1,897
Loss on disposal of tangible assets	**807**	4,349
Amortisation of capital grants	**(43)**	(24)
Translation differences	**140**	(67)
Decrease/(increase) in debtors	**21,232**	(30,504)
(Increase)/decrease in stocks	**(4,649)**	1,844
Increase in creditors	**17,901**	20,755
Net cash inflow from operating activities	**190,603**	269,391

Cash flow from operating activities includes cash outflows of IR£186.7 million which relate to the restructuring costs and superannuation funding provided for in the 1995 accounts.

(b) Reconciliation of net cash flow to movement in net debt – IR£000's

Increase in cash in the year	**6,877**	5,592
Repayment of loans	**105,321**	185,465
New loans in year	**(13,139)**	(60,864)
Capital element of finance lease payments	**12,636**	12,383
Cash outflow from decrease in debt and lease financing	**104,818**	136,984
Net change in sinking fund bank deposits and other investments	**435**	(45,544)
Net change in other bank deposits	**(122,620)**	(17,419)
Cash inflow from decrease in liquid resources	**(122,185)**	(62,963)
Change in net debt resulting from cash flows	**(10,490)**	79,613
Exchange differences	**6,056**	(13,170)
Movement in net debt in the year	**(4,434)**	66,443
Net debt at the start of the year	**(792,993)**	(859,436)
Net debt at the end of the year	**(797,427)**	(792,993)

19. CASH FLOW STATEMENT – continued

(c) Reconciliation of net cash flow to movement in net debt

Analysis of changes in net debt	At 1 January 1996 IR£'000	Cashflow IR£'000	Exchange movements IR£'000	At 31 December 1996 IR£'000
Cash at bank and in hand *	13,030	7,650	(246)	**20,434**
Overdrafts	0	(773)	0	**(773)**
	13,030	6,877	(246)	**19,661**
Loans	(809,183)	92,182	6,402	**(710,599)**
Finance leases	(125,991)	12,636	0	**(113,355)**
	(935,174)	104,818	6,402	**(823,954)**
Other bank deposits *	124,699	(122,620)	(100)	**1,979**
Sinking fund bank deposits and other investments	4,452	435	0	**4,887**
	129,151	(122,185)	(100)	**6,866**
Total	**(792,993)**	**(10,490)**	**6,056**	**(797,427)**

* Included in cash at bank and in hand in balance sheet.

20. PENSION COMMITMENTS

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

The pension costs of the scheme are assessed in accordance with the advice of independent actuaries obtained at three yearly intervals. The latest actuarial valuation for the scheme was at 31 December 1995 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 the latest actuarial valuation, the market value of the assets of the scheme was IR£848m which exceeded the scheme's actuarial valuation of accrued liabilities based on current earnings.

The actuarial value of the assets was sufficient to cover 63% of the accrued liabilities allowing for expected future increases in earnings and pensions. Payment of the recommended funding rate and additional payments to the scheme are planned to increase the figure to 100% over time.

The pension charge of the Group for the year was IR£27.6m (1995: IR£36.4m), based on the on-going contribution rates as advised by the actuaries. An amount of IR£3.7m (1995: IR£268.8m) has been charged to the profit and loss account, and is included in provisions for liabilities and charges, to meet the Group's commitments for additional pension contributions under the CCR restructuring programme and to cover the cost of past service funding (see note 3).

Of the normal contributions, IR£0.8m (1995: IR£0.8m) is unpaid at year end and is included in other creditors.

The actuarial report is available for inspection by members of the scheme only and is not available for public inspection.

21. COMMITMENTS AND CONTINGENCIES

(a) Deferred taxation – IR£000's

On the basis of the investment plans of the Group it is considered that no provision for deferred taxation is required at 31 December 1996. The full potential liability for deferred taxation, at the Group's effective tax rate of 23%, is set out below:

	Consolidated and parent	
	1996	1995
Capital allowances in excess of depreciation	**271,906**	252,052
Losses forward	**(79,251)**	(93,777)
Provisions	**(23,570)**	(19,322)
	169,085	138,953

(b) Operating lease obligations – IR£000's

Operating lease rentals payable within one year of the balance sheet date in respect of leases expiring:

	1996	1995
Within one year	**124**	17
Between two and five years	**28**	366
After five years	**2,900**	2,866
Total payable within one year	**3,052**	3,249

(c) Capital commitments – IR£000's

	1996	1995
Contracted for	**7,011**	11,933
Authorised but not contracted for	**190,600**	50,800
	197,611	62,733

(d) Other

Since year end, ESB has entered into a leasing transaction, early termination of which could expose ESB to a current estimated maximum net loss of IR£18m (in present value terms). No provision has been made in the financial statements for this amount as the Board considers the likelihood of any loss to be remote.

22. 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 Telecom Eireann, 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 Midland stations.

23. ACCOUNTING YEAR

Income and expenditure are aligned on a 52 or 53 week year as appropriate. 1996 is a 52 week year (1995 - 52 weeks).

24. COMPARATIVE FIGURES

Where appropriate, the previous year's figures are regrouped/restated.

25. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 27 February, 1997.

26. SUBSIDIARY AND ASSOCIATED COMPANIES

Subsidiary companies	Registered office	Group share %	Nature of business
ESB International Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	International engineering, consultancy & computing services
ESBI Engineering Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Engineering
ESBI Engineering (Overseas) Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Engineering
ESBI Contracting Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Contracting
ESBI Consultants Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Consultancy
ESBI Engineering UK Ltd.	122 London Road Kingston on Thames Surrey KP2 6QJ, Great Britain.	100	Engineering & general consultancy
EPIN European Procurement Information Network Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Marketing software
ESBI Computing Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	95	Computer services
Civil, Environmental & Construction Engineering Ltd.	16-18 St.Stephen's Green Dublin 2.	100	Civil engineering
Computer Plus Ltd.	27 Lr Fitzwilliam St. Dublin 2.	100	Software development
Salmara Holdings Ltd.	39 Merrion Square Dublin 2.	100	Non-trading
ESB International Services Ltd.	37 Upper Fitzwilliam St Dublin 2.	100	Financial consultancy & computer services
FTI Finance Ltd.	International House IFSC 3 Harbourmaster Place Dublin 1.	81.1	Financial management consultancy

26. SUBSIDIARY AND ASSOCIATED COMPANIES (continued)

Subsidiary companies	Registered office	Group share %	Nature of business
ESB Fund Managers Ltd .	37 Upper Fitzwilliam St Dublin 2.	100	Funds management
FinancElectric Ltd.	37 Upper Fitzwilliam St Dublin 2.	100	Customer credit
ESB Industrial Holdings Ltd.	27 Lr Fitzwilliam St. Dublin 2.	100	Industrial & commercial projects
Power Generation Technology Snd Bhd	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia.	100	power generation contracting
Transmission Line Services Ltd.	122 London Road Kingston on Thames Surrey KT2 6QJ.	100	Overhead line contracts

Associated companies	Registered office	Group share %	Nature of business
Sevent Industries Ltd.	27 Lr Fitzwilliam St. Dublin 2.	49	Electrical distribution Material manufacture
ESBI Energy Company	2800 Post Oak Road Houston,Texas 77056,USA.	50	Engineering consultancy
Transpower Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	50	Development of independent Power projects
Seeboard International Ltd.	Grand Avenue, Hove, East Sussex BN3 2LS.	49	Consultancy
Hoermann Security System Ltd.	Mahon Industrial Estate Blackrock Cork.	21.6	Electronics manufacturing
Corby Power Ltd.	Mitchell Road Phoenix Parkway Corby Northamptonshire N17 IQ7 Great Britain.	20	Power generation

Appendix I - Highlights

Data highlights

	1995	**1996**
Financial outcome – (deficit)/surplus	(IR£284.1m)	**IR£131.6m**
Turnover	IR£1,026m	**IR£1,095m**
Assets in commission (before accumulated depreciation)	IR£2,849m	**IR£2,990m**
Sales (million units)	14,699	**15,707**
Customers	1,407,772	**1,442,416**
Group average number of employees	10,362	**10,003**
Electricity sales	9,442	**9,063**
Retail and contracts	260	**250**
Others	660	**690**
Group payroll		
Pay	IR£242m	**IR£247m**
ESB normal superannuation contributions, PRSI and expenses	IR£59m	**IR£50m**
	IR£301m	**IR£297m**

Input to Ireland's economy

	1992 IR£m	1993 IR£m	1994 IR£m	1995 IR£m	**1996 IR£m**
Fuel: natural gas, peat, excise duties	124	129	137	160	**174**
Irish suppliers of goods and services including capital work	182	189	218	213	**227**
Rates	31	32	34	35	**36**
Payroll costs including capital projects	284	301	306	301	**297**
Interest paid to Irish lenders and stockholders	25	24	22	29	**22**
Other superannuation funding and CCR voluntary severance payments	-	-	-	8	**187**
TOTAL	646	675	717	746	**943**

Appendix II – Finance

5 year summary – financial statistics

FINANCIAL STATISTICS	1992 IR£m	1993 IR£m	1994 IR£m	1995 IR£m	**1996 IR£m**
Operations:					
Turnover	915	943	977	1,026	**1,095**
Expenditure	913	964	996	1,310	**963**
Surplus/(deficit)	2	(21)	(19)	(284)	**132**
Cumulative deficit	(47)	(68)	(87)	(371)	**(239)**
FUNDING CAPITAL DEVELOPMENT PROGRAMME					
Requirements:					
Capital expenditure	140	170	154	148	**166**
Working capital movement	(3)	(9)	106	30	**(159)**
	137	161	260	178	**7**
Financing:					
Internal resources (after debt repayment)	20	-	-	84	**(5)**
Borrowings	117	161	260	94	**12**
	137	161	260	178	**7**
SOURCES AND EMPLOYMENT OF CAPITAL					
Sources:					
Debt liabilities outstanding (net of sinking fund investments)	916	938	1,009	931	**820**
Reserves	825	884	940	676	**831**
	1,741	1,822	1,949	1,607	**1,651**
Employment:					
Net fixed assets	1531	1,581	1,659	1,672	**1,709**
Capital work-in-progress	88	101	68	71	**82**
Net current assets	122	140	222	(136)	**(140)**
	1,741	1,822	1,949	1,607	**1,651**

5 year summary – key ratios

	1992	1993	1994	1995	**1996**
Return on average capital employed (%)	8.3	7.0	6.1	(10.8)	**9.1**
Debt/net assets (%)	53.0	52.0	52.0	58.0	**50.0**
Current ratio (times)	2.5	2.4	3.0	3.1	**2.0**
Interest cover (times) (excluding interest capitalised)	1.9	1.7	1.7	(3.0)	**3.1**
Foreign/total borrowings (%)	66.0	48.0	35.2	20.3	**0.0**
Average electricity credit period (days from date billed)	17.3	16.6	15.6	15.1	**16.3**

Annual capital expenditure (IR£m)

Year	Distribution	Transmission	Generation	General
1992	84.0	4.0	34.0	18.0
1993	106.0	8.0	35.0	21.0
1994	90.0	6.0	41.0	17.0
1995	99.6	15.7	10.2	22.4
1996	**124.5**	**17.4**	**10.4**	**13.4**

Analysis of cumulative investment in fixed assets (%)

	1986 (9 mths)	1987	1988	1989	1990	1991	1992	1993	1994	1995	**1996**
Distribution	25	24	25	26	31	32	33	34	36	36	**37**
Transmission	15	15	15	14	11	11	10	10	10	9	**9**
Generation	54	56	54	53	51	50	49	48	46	46	**44**
General	6	5	6	7	7	7	8	8	8	9	**10**

Currency and repayment profile

	Repayable within 1 yr	Repayable within 1 to 2 yrs	Repayable within 3 to 5 yrs	Repayable within 6 to 10 yrs	Repayable after 10 yrs	Total
	IR£000's	IR£000's	IR£000's	IR£000's	IR£000's	IR£000's
Irish pounds	55,989	91,606	387,385	218,704	71,043	824,727
Repayment profile	6.8%	11.1%	47%	26.5%	8.6%	100%

Where debt swaps/hedges apply, Irish pound values are based on currency liability under the swap/hedge arrangement.

Detailed statement of borrowings (Parent) – including leases

Amount borrowed		Year(s) of borrowing		Year(s) of maturity	Balance outstanding at end of 1996	
	000's		**Irish pound borrowings**			000's
IEP	20,000	1983	Stock - 13.5%	2006/08	IEP	19,778
IEP	30,000	1988	Stock - 8.25%	2003	IEP	20,250
IEP	40,000	1993 - 1994	Stock - 8.25%	2013	IEP	40,000
IEP	206,945	1984 - 1995	Domestic Financial Institutions	1989/2002	IEP	132,282
IEP	77,000	1990 - 1995	European Investment Bank	1995/2004	IEP	74,600
IEP	21,252	1994	U.S. Bank	2008	IEP	18,419
			Foreign currency borrowings			
		1978/93	European Investment Bank	1983/2008		
USD	106,666		- United States Dollars		USD	45,752
DEM	270,215		- Deutsche Marks		DEM	77,053
NLG	148,894		- Netherlands Guilders		NLG	51,095
CHF	361,576		- Swiss Francs		CHF	125,064
JPY	10,205,000		- Japanese Yen		JPY	4,670,007
GBP	20,185		- Sterling		GBP	16,222
XEU	82,641		- European Currency Unit		XEU	48,140
LEC	2,761,636		- Luxembourg Francs		LEC	231,581
ITL	8,145,000		- Italian Lire		ITL	4,309,520
FRF	149,600		- French Francs		FRF	83,582
FRF	376,961	1973/85	French Banks	1977/2004	FRF	39,536
CHF	125,625	1981/85	Swiss Export Agency	1986/97	CHF	2,170
JPY	3,400,000	1988	Japanese Bank	1998	JPY	3,400,000
JPY	2,500,000	1989	Japanese Bank	1999	JPY	2,500,000
XEU	89,657	1989/96	U.S. Insurance Co.	1999	XEU	89,657
XEU	33,898	1990/96	U.S. Insurance Co./Swiss Bank	2001	XEU	33,898
FRF	180,000	1991	German Bank	2001	FRF	180,000
JPY	3,000,000	1992	Japanese Insurance Co.	2002	JPY	3,000,000
NLG	100,000	1992	Dutch Bank	2002	NLG	100,000
JPY	6,000,000	1993	Japanese Insurance Co.	2003	JPY	6,000,000
DEM	24,161	1993	Austrian Bank	2000	DEM	9,784
USD	15,000	1994	Japanese Insurance Co.	2001	USD	15,000
JPY	3,000,000	1994	Japanese Insurance Co.	2004	JPY	3,000,000
DEM	15,980	1994	German Bank	2008	DEM	15,980

Debt swap contracts are in place for all foreign currency borrowings.

Appendix III – Electricity sales

Analysis of units sold

Class of Supply	**1996 (millions)**	1995 (millions)	Increase (millions)	% Increase
Domestic	**5,738.3**	5,455.1	283.2	5.2
Commercial	**3,903.8**	3,595.7	308.1	8.6
Industrial	**6,064.5**	5,648.3	416.2	7.4
TOTAL	**15,706.6**	14,699.1	1,007.5	6.9

Growth of ESB 1930-1996

Year	Units generated (and purchased)* millions	Units sold to customers millions	Revenue from electricity sales IR£000	Average price per unit sold pence	Customers total
1929/30	60.9	43.2	478	1.108	48,606
1939/40	407.0	318.6	1,946	0.612	172,545
1949/50	784.8	626.1	4,774	0.763	310,639
1959/60	2,096.0	1,692.2	14,724	0.871	610,946
1969/70	5,245.7	4,411.6	39,400	0.892	786,500
1979/80	10,213.6	8,560.3	300,024	3.505	1,043,428
1985/86	11,465.1	9,787.8	757,172	7.736	1,194,765
1990	13,895.4	11,768.0	756,074	6.425	1,278,870
1991	14,634.6	12,370.1	785,205	6.348	1,302,061
1992	15,470.6	13,103.9	826,464	6.307	1,326,547
1993	15,831.4	13,438.7	842,416	6.269	1,348,196
1994	16,485.7	14,024.9	874,879	6.238	1,375,975
1995	17,237.8	14,699.0	913,143	6.212	1,407,772
1996	18,435.0	15,706.6	979,524	6.236	1,442,416

*Excluding units absorbed by storage pumping.

Appendix IV – Distribution

Distribution system trends

	1992	1993	1994	1995	**1996**
Networks installed (Km)	1,019	1,025	853	1,013	**1,199**
Transformer capacity (kVA)	471,930	447,821	389,384	519,209	**483,000**
New dwellings connected	21,624	20,864	26,552	29,804	**33,097**
Capital expenditure (IR£000)	84,105	105,758	89,700	99,600	**124,500**

Network statistics

	Installed in 1996	In service at end of 1996
Overhead lines (Km)	2,652	78,434
Underground cables (Km)	240	4,226
Substations - number	4,145	105,666
Substations - capacity (MVA)	483	15,440

Capital expenditure

Capital expenditure on the distribution network in 1996 was IR£124.5m, and the work programmes included:

- The installation of networks to provide supply to new customers.
- Reinforcement of existing network to cater for the growth in demand and to improve efficiency.
- Enhancements to networks to meet quality standards (note: significant backlog in sub-standard supplies).
- A specific programme for renewal of rural networks (Network Renewal Project)

Appendix V – Transmission

Transmission system trends

	1992	1993	1994	1995	**1996**
Networks installed (Km)	2,083	2,083	2,083	2,083	**2,100**
Transformer capacity (kVA)	11,186,500	11,436,500	11,616,500	11,616,500	**11,921,500**

Network statistics

		Installed in 1996	In service at end of 1996
Overhead lines (Km)		17	2,035
Underground cables (Km)		–	65
Substations	- number	1	22
	- capacity (kVA)	305,000	11,921,500

Notes

Notes

Notes

Designed and produced at Design Factory



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