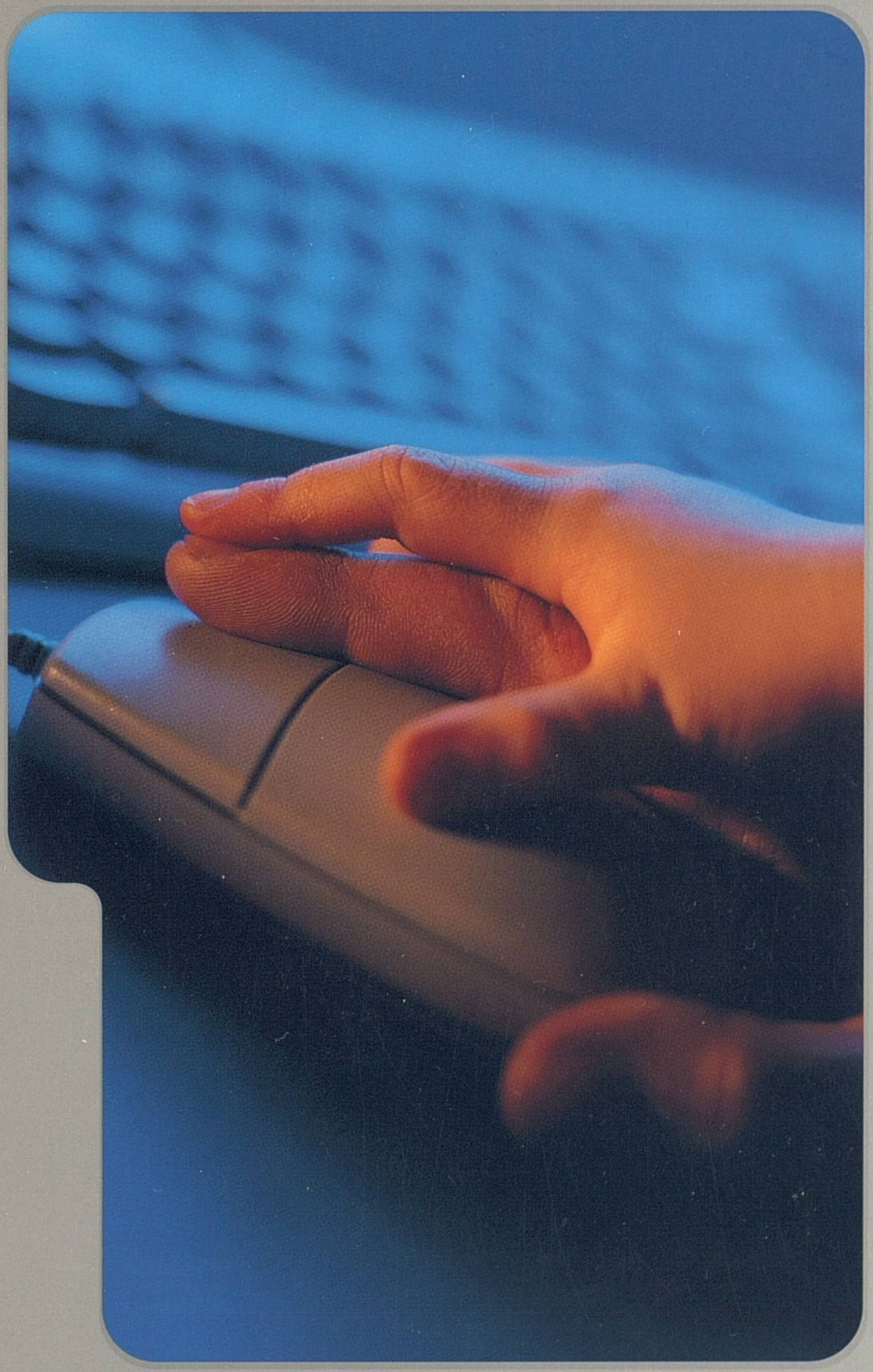


Annual Report and Accounts
for the year ended
31 December 1997

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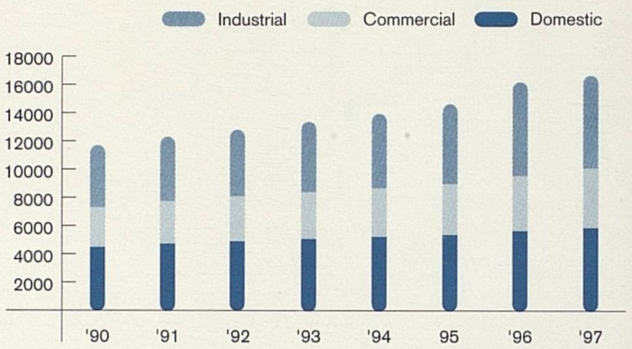
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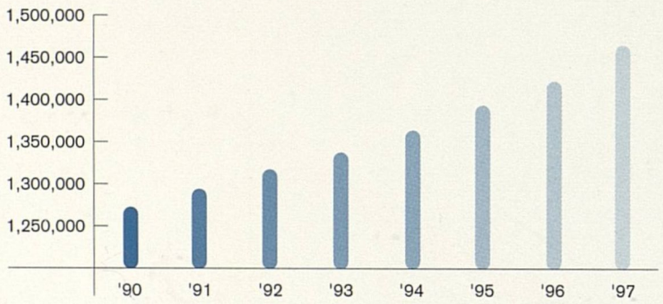
Highlights

Turnover	£1,191m	+7.9%
Surplus for the Year	£160m	+21.0%
Sales (million units)	16,726m	+6.5%
Customers	1,483,740	+2.7%
Assets in commission (before accumulated dep.)	£3,134m	+4.8%
Borrowings	£788m	-4.5%

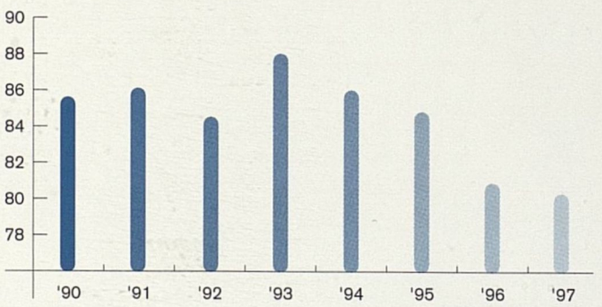
Financial Highlights



Sales Units (millions)

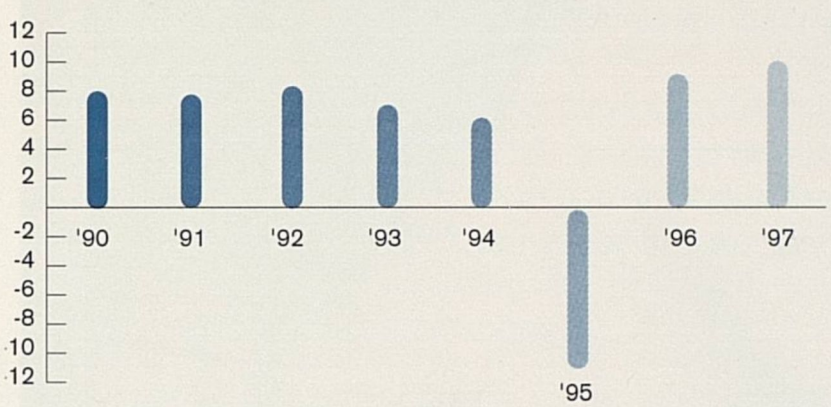


No. Customers

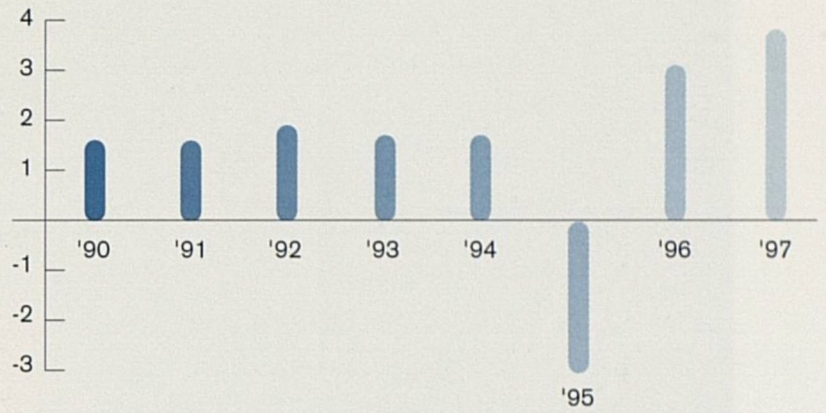


Operating costs/turnover%

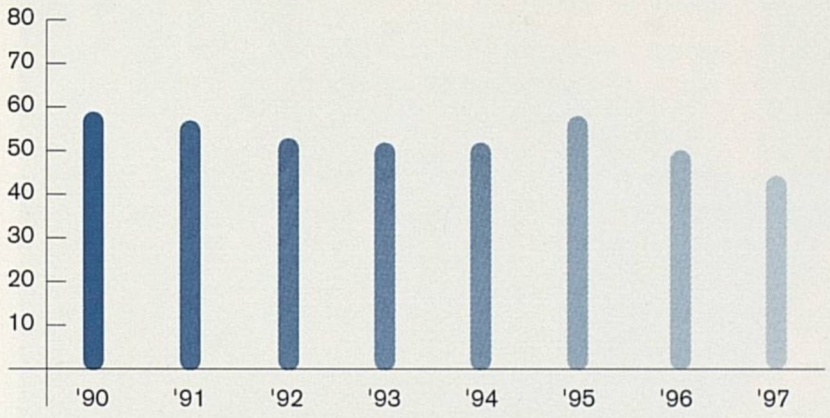
Highlights



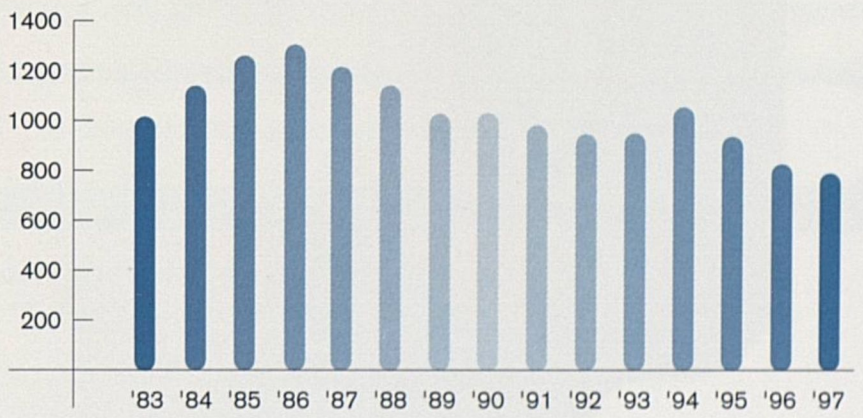
Return on average capital employed%



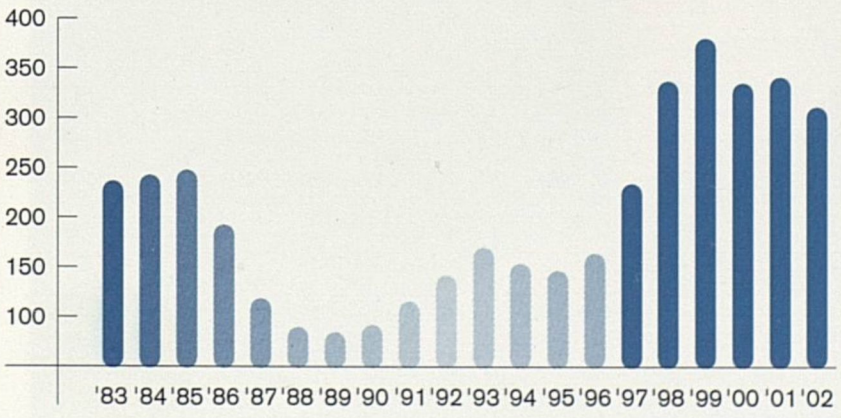
Interest cover %



Debt/debt and net assets%



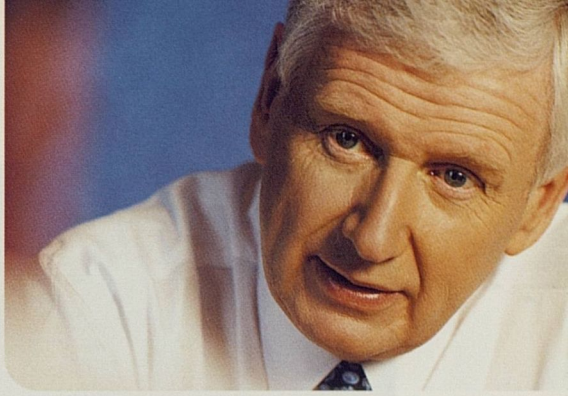
Borrowings £m



Capital Expenditure £m



Chairman's Statement



W M McCann Chairman

In accordance with the provisions of The Electricity (Supply) Act 1927 (as amended), the Board presents its Annual Report and Accounts for the year ended 31 December 1997.

As a public service provider, ESB plays a pivotal role in the development of the Irish economy. The availability of competitively priced, quality services has contributed to the prosperity of indigenous Irish business and has been an important part of the overall package which has attracted overseas investors to this country. We are proud to have played our role in "energising the Celtic Tiger" and remain committed to providing the important economic and social infrastructure of electricity generation, distribution and supply.

The unprecedented growth in demand over recent years challenges ESB and its people to improve the output from its power stations, to provide new connections, to maintain and upgrade distribution and transmission networks - and to achieve all this in a new competitive environment which is about to emerge within Europe.

We are meeting these challenges by pursuing commercial growth through implementation of our "ESB: Confident & Competitive" strategy published in1996. The results are already being seen.

In 1997 our surplus after interest charges increased by 21% to £160 million, representing a return on average capital employed of 10%. At the same time borrowing declined by £37 million to £788 million. This represented a gearing of 44% compared to 50% at the end of 1996. The increase in profits is attributable to a number of factors. These include increased numbers of new customers and increased average demand, a 1.5% price rise during the year and significantly improved efficiencies. In particular, the Cost and Competitiveness Review (CCR), which is being undertaken in partnership with our employees, delivered further savings of £24 million per annum last year on top of £36 million per annum achieved up to 1996.

Success will only be achieved by continuing cost improvement and increased efficiency in the coming years

The results outlined above are satisfactory, with profit targets exceeded. They confirm that, on foot of sound planning, the company has got off to a good start in pursuit of its new growth strategy. We recognise, however, that this is only the start of ESB's second "quiet revolution" and that the challenges ahead are far greater, and tougher, than any faced before in the organisation's long history. Success will only be achieved by continuing cost improvement and increased efficiency in the coming years.

We recognise the vital role that our staff have played, working in partnership with management, in securing the achievements of 1997. Significant progress has been achieved in the further development of this partnership, which included the establishment of a new, top level, Corporate Partnership Forum between the Group of Unions and Management. This provides a mechanism in which key issues affecting the business can be considered.

For ESB to continue to meet the ever growing demands of the Irish economy, it is vital that appropriate investment is made in generation capacity, transmission and distribution networks and that these are provided to the high quality standards essential for maintaining Ireland's competitiveness.



Investment is also a key component of our growth strategy. In order to compete successfully in the liberalised European electricity supply market from the beginning of the next century, it is vital that ESB achieves greater scale. This, in turn, can only be achieved by competing in the broader international market-place. The strategy selected, after much detailed appraisal, involves ESB identifying significant profitable opportunities in the electricity sector internationally, as well as in Ireland. It is a strategy which will build on our sectoral knowledge, skills, financial resources and international success to date - supported by a continuing focus on commercial efficiency in the supply of electricity in the domestic market-place.

ESB has long been an important player in the international market-place, providing a wide range of services directly related to our core business. We are continuing to develop that business. Last year, for example, we won a major management project for a large new facility in Kulim, Malaysia, and we were appointed the Transmission System Administrator of Alberta in Canada. These contracts were won against intense international competition.

Our strategy, however, goes further than this and involves us in becoming an equity investor in the international power business. We have, for example, acquired a strategic 15% stake in the Coolkeeragh Power Station in Derry and are exploring a number of other opportunities. This is only the beginning of a strategically important overseas investment and acquisitions programme which, it is envisaged, will require investment in the order of £120 million over the next few years.

The overall strategy for profitable growth involves ESB playing to its tried and tested strengths. By working in joint ventures and alliances with proven international players in the electricity sector, we seek to minimise risk and maximise opportunity.

This is a strategic approach which can also be used with good effect in our home market-place. In addition to looking for opportunities abroad, we are also seeking to leverage existing assets for other profitable business opportunities. Last year we concluded a joint venture agreement with British Telecom through which we intend to avail of opportunities in the Irish telecommunications business resulting from de-regulation in that marketplace.

But even as we seek this growth, whether at home or overseas, we also have to ensure that we are fully prepared for competition in the Irish market place. The Government is preparing to implement the EU Directive on the liberalisation of electricity markets across Europe, which will take effect in Ireland in two years time.

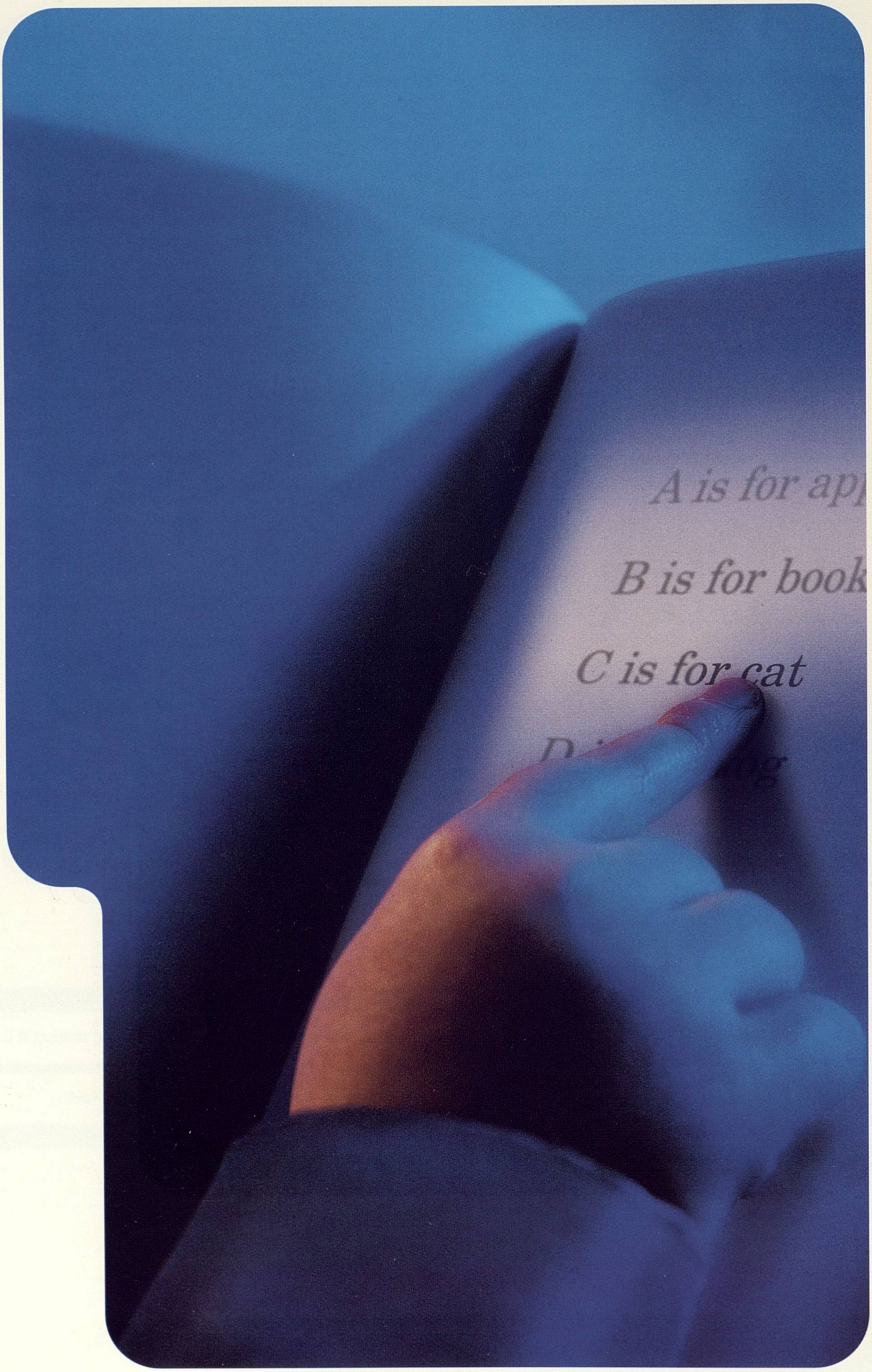
Many issues have yet to be resolved in the liberalisation of the Irish market for electricity. These will require considerable further debate to ensure that competition is introduced in ways which ensure security of supply, guarantee equality of opportunity for all participants, including ESB, and fair apportionment of the "social" costs incurred through public service obligations. In mentioning public service obligations, I would like to refer to what we regard as associated cultural obligations.

To compete successfully in the liberalised market it is

vital that ESB achieves greater scale

As the provider of essential services, ESB is part of the fabric of Irish society. We recognise this and meet our commitments through support for a wide variety of community-related initiatives. As part of our cultural commitment, we continue to train front-line staff in the use of the Irish language and to issue bills in Irish on request. Much of our standard correspondence has always been available in both English and Irish and this range was extended in 1997. ESB has always advertised in both languages and continues to do so. Our association with various initiatives which support the use of the Irish language, including Teilifís na Gaeilge, continues.

During the year Joe Moran retired as Chief Executive. In a career with ESB spanning 47 years, Joe played a central role in creating today's dynamic organisation. I wish him every happiness in his retirement.


A is for ap
B is for book
C is for cat

It was a great pleasure to welcome his successor, Ken O'Hara, whose depth of experience, gained in a variety of senior positions within ESB, equips him uniquely well for the challenge of his new position.

It is with regret that I refer to two people who have passed away and who played crucial roles in the development of ESB. Dr. Patrick Moriarty, who died last year, was an enormously influential figure in the organisation's history. He served as both Chief Executive and Chairman in his 50 year career with ESB until his retirement just two years ago. We were also greatly saddened by the death of Professor Charles Dillon early this year. Professor Dillon was an exceptionally talented man and it was the ESB's good fortune to have him as its chairman between 1975 and 1991.

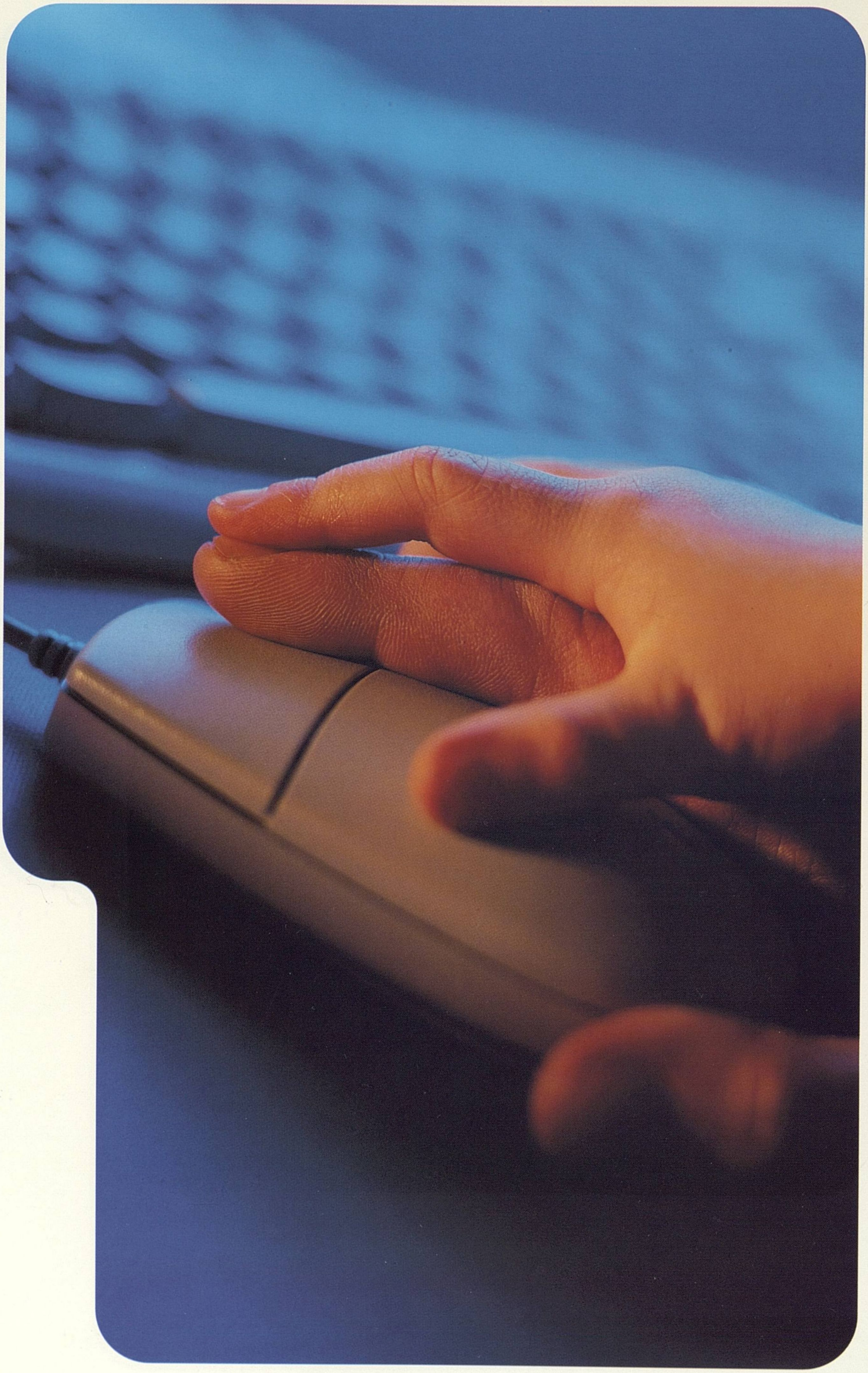
I wish to thank the members of the Board for their commitment to ESB and to express my appreciation to the Minister for Public Enterprise and the officials within her Department for the assistance they have given during the year.

I also want to place on record my sincere thanks to the management and staff throughout the company for their contribution to a most successful year. We face many challenges in the years ahead, but we do so with the confidence of knowing that we have an excellent team which is working well.

Last year's financial results reflect enhanced efficiencies, but they also demonstrate the commitment of everyone within ESB to maintaining our ethos of customer service. Our service culture has traditionally transcended normal commercial criteria because our staff have long recognised the social, as well as the economic, importance of continuity of supply. Last December, for example, as most people in Ireland were enjoying the Christmas holiday, over 1,000 ESB staff worked round the clock to restore supplies badly disrupted by storms which were the worst in 25 years.

Investment in profitable opportunities in the electricity sector is a key component of our growth strategy

Such efforts reflect the sense of personal responsibility our staff feel towards our customers and I wish to thank them for their endeavours during the year. In pursuing a strong commercial mandate, which will provide a foundation for continued success in a competitive environment, we are determined to retain this rare sense of commitment, which underpins our customers' trust in us.



Ráiteas an Chathaoirligh

De réir fhorálacha an Achta Leictreachais (Soláthar), 1927 (arna leasú), tíolacann an Bord a Thuarascáil Bhliantúil agus a Chuntais don bhliain dar chríoch 31 Nollaig, 1997.

Mar sholáthróir seirbhíse poiblí tá ról lárnach ag BSL i bhforbairt gheilleagar na hÉireann. Mar gheall ar na seirbhísí ardchaighdeáin atá á gcur ar fáil ar phraghsanna iomaíocha táthar ag cabhrú le rathúlacht ghnó dúchais na hÉireann; agus tá na seirbhísí sin ina gcuid thábhachtach den phacáiste foriomlán a mheall infheisteoirí coigríche chuig an tír seo. Is cúis bhróid dúinn an ról a bhí againn maidir leis "an Tíogar Ceilteach a neartú" agus is é ár rún daingean leanúint den bhonneagar tábhachtach eacnamaíochta agus sóisialta a ghabhann le giniúint, dáileadh agus soláthar leictreachas a chur ar fáil.

Mar gheall ar an bhforás le blianta beaga anuas, nach raibh a mhacasamhail ann roimhe, tá dúshlán ann do BSL agus dá fhoireann méadú a dhéanamh ar an aschur óna stáisiúin chumhachta, ceangail nua a chur ar fáil, gréasáin dáilte agus tarchurtha a chothabháil agus a uasghrádú - agus an méid sin go léir a dhéanamh i dtimpeallacht nua iomaíoch atá ar tí teacht chun cinn laistigh den Eoraip.

Táimid ag tabhairt aghaidh ar na dúshláin sin trí iarracht chun forás tráchtála a bhaint amach trínár straiséis ESB: Dearfach & Iomaíoch a foilsíodh sa bhliain 1996 a chur i bhfeidhm. Tá torthaí na straitéise sin le feiceáil cheana féin.

I 1997 tháinig méadú 21%, tar éis muirear úis, ar ár mbarrachas go dtí méid £160 milliún, arb ionann agus fáltas 10% ar an meánmhéid caipitil a úsáideadh. Ag an am céanna tháinig laghdú £37 milliún ar iasachtaí chuig £788 milliún. B'ionann sin agus giaráil 44% i gcomórtas le 50% ag deireadh 1996. Tá an méadú ar bhrabúis inchurtha i leith roinnt rudaí éagsúla. Áirítear orthu sin líonta méadaithe custaiméirí nua agus meán-éileamh méadaithe, ardú praghais 1.5% i rith na bliana agus éifeachtachtaí mór-fheabhsaithe. Go háirithe, mar gheall ar an Athbhreithniú Costas agus Iomaíochais (ACI), atá á dhéanamh i gcomhpháirtíocht lenár bhfostaithe, bhí sábháil £24 mhilliún breise sa bhliain ann anuraidh anuas ar £36 mhilliún sa bhliain a baineadh amach suas go 1996.

Ní éireoidh linn ach amháin trí leanúint de chostais a fheabhsú

agus éifeachtachtaí a mhéadú sna blianta atá romhainn

Tá na torthaí atá luaite thuas sásúil agus sáraíodh na spriocanna a bhí ann le haghaidh úis. Daingnítear leo go bhfuil tús maith déanta ag an gcuideachta, de bhun dea-phleanála, maidir leis an straitéis nua i gcomhair foráis. Tuigimid, áfach, nach bhfuil sa mhéid seo ach tús an dara "réabhlóid chiúin" i BSL agus gur mó, agus gur déine, na dúshláin atá le sárú fós ná aon cheann a bhí le sárú roimhe seo i stair fhada na cuideachta. Ní éireoidh linn ach amháin trí leanúint de chostais a fheabhsú agus éifeachtúlacht a mhéadú sna blianta atá romhainn.

Tuigimid an pháirt thar a bheith tábhachtach a ghlac an fhoireann chun na torthaí sin a bhaint amach agus iad ag obair i gcomhpháirtíocht leis an lucht bainistíochta. Rinneadh dul chun cinn suntasach i dtaca leis an gcomhpháirtíocht sin a fhorbairt tuilleadh, ar a n-áirítear Fóram nua ardleibhéil Comhpháirtíochta Corparáide a bhunú idir an Grúpa Ceardchumann agus an Lucht Bainistíochta. Cuireann sé sin sásra ar fáil inar féidir ceisteanna tábhachtacha a bhaineann leis an ngnó a bhreithniú.

Le go leanfaidh BSL de bheith ag freastal ar éilimh shíormhéadaitheacha gheilleagar na hÉireann tá sé thar a bheith tábhachtach go ndéanfar infheistíocht chuí sa toilleadh giniúna, sa tarchur agus i ngréasáin dáilte agus go gcuirtear na nithe sin ar fáil de réir na gcaighdeán ard is gá chun iomaíochas na hÉireann a choimeád ar bun.

Tá infheistíocht ina cuid thábhachtach dár straitéis i gcomhair foráis freisin. D'fhonn iomaíocht a dhéanamh go rathúil i margadh léirscaoilte soláthair leictreachais na hEorpa amach ó thosach an chéid nua atá romhainn, tá sé thar a bheith tábhachtach go mbainfidh BSL scála níos mó amach. Agus ní féidir sin a bhaint amach ach trí iomaíocht a dhéanamh sa mhargadh leathan idirnáisiúnta. Is é atá sa straitéis, a roghnaíodh tar éis cuid mhór meastóireachta mionsonraithe a dhéanamh, ná go ndéanfaidh BSL deiseanna suntasacha le haghaidh brabús a aimsiú in earnáil an leictreachais ar bhonn idirnáisiúnta, agus in Éirinn chomh maith. Is straitéis í ina dtarraingeofar ar an eolas earnáileach, ar na scileanna, ar na hacmhainní airgeadais atá againn agus ar an rathúlacht a bhí againn go nuige seo - agus beidh mar thaca léi béim a leagan go leanúnach ar éifeachtúlacht tráchtála i dtaca le soláthar leictreachais sa mhargadh baile.

Le fada an lá tá páirt á glacadh ag BSL sa mhargadh idirnáisiúnta trí réimse leathan seirbhísí a chur ar fáil a bhaineann lenár mbunghnó. Táimid ag leanúint den ghnó sin a fhorbairt. Anuraidh, mar shampla, ghnóthaíomar mórthionscadal bainistíochta maidir le saoráid mhór nua i Kulim, sa Mhalaeisia, agus ceapadh muid mar Riarthóir Chóras Tarchurtha Alberta i gCeanada. Gnóthaíodh na conarthaí sin i gcoinne dian-iomaíochta idirnáisiúnta.

Téann ár straitéis níos faide ná sin, áfach, agus táimid chun bheith ag feidhmiú mar infheisteoir cothromais sa ghnó cumhachta idirnáisiúnta. Mar shampla, tá scair straitéiseach 15% faighte againn i Stáisiún Cumhachta Chúil Chaorach i nDoire agus táimid ag déanamh fiosrú i dtaobh roinnt deiseanna eile. Níl ansin ach tús le clár infheistíochta agus fála coigríche ar clár é a bhfuil tábhacht straitéiseach ag baint leis agus a samhlaítear ina leith go mbeidh infheistíocht tuairim is £120 milliún ag teastáil faoina choinne sna blianta atá díreach romhainn.

D'fhonn iomaíocht a dhéanamh go rathúil sa mhargadh léirscaoilte tá

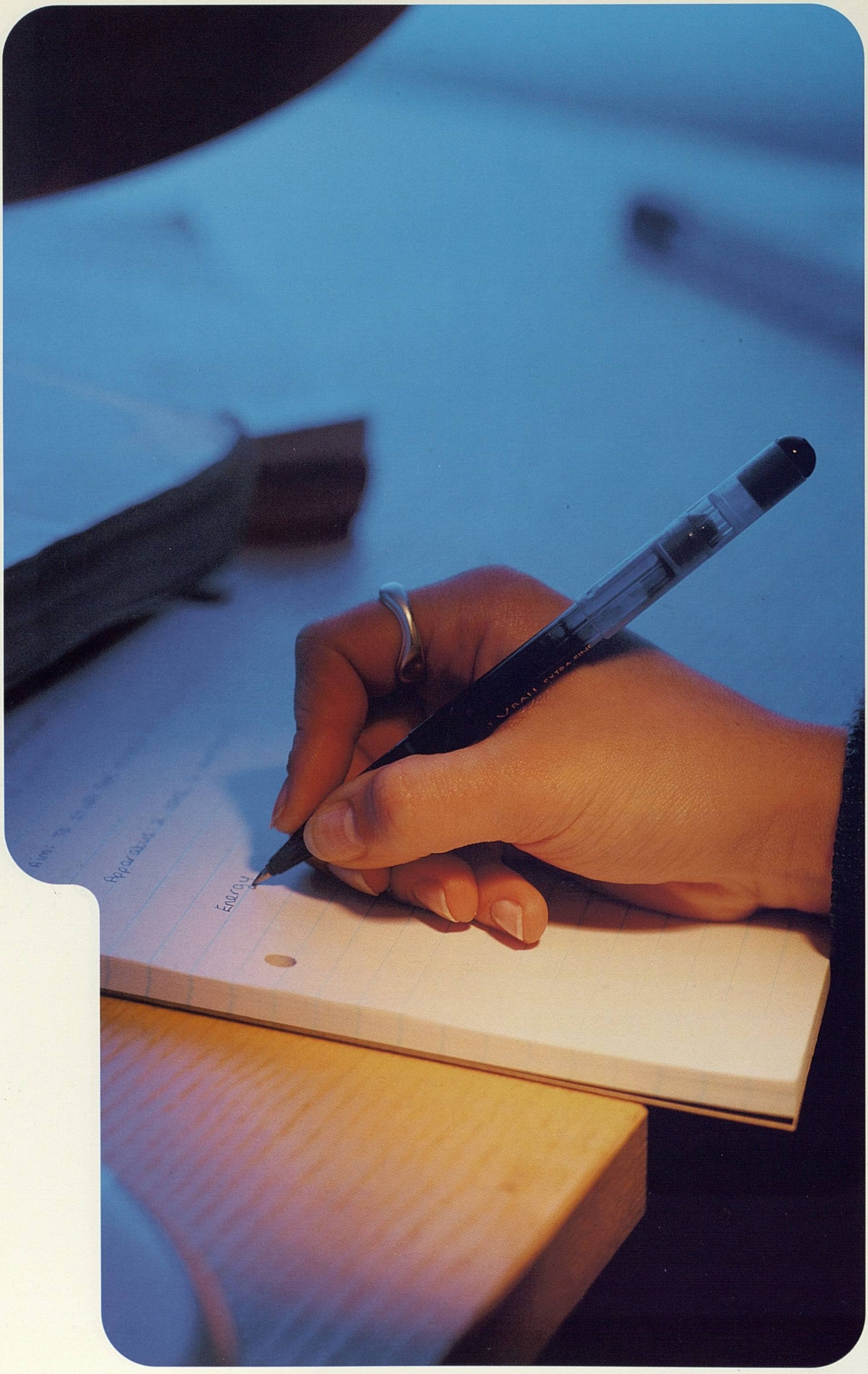
sé thar a bheith tábhachtach go mbainfidh BSL scála níos mó amach

Mar chuid den straitéis fhoriomlán i gcomhair foráis bhrabúsaigh ní mór do BSL leas a bhaint as na buanna atá aige agus ar éirigh leo go nuige seo. Trí oibriú i gcomhfhiontair agus i gcomhghuaillíochtaí le grúpaí rathúla idirnáisiúnta san earnáil leictreachais táimid ag iarraidh na priacail a íoslaghdú agus na deiseanna a uasmhéadú.

Is cur chuige straitéiseach é sin ar féidir leas éifeachtach a bhaint as freisin sa mhargadh baile. Chomh maith le deiseanna a lorg thar lear tá iarracht á dhéanamh againn freisin leas a bhaint as acmhainní láithreacha le haghaidh deiseanna brabúsacha eile gnó. Anuraidh, chuireamar comhaontú comhfhiontair i gcrích le British Telecom trína mbeartaímid leas abhaint as deiseanna i ngnó teileachumarsáide na hÉireann a éireoidh mar gheall ar dhí-rialáil sa mhargadh sin.

Ach fiú agus an forás sin á lorg againn, anseo in Éirinn nó thar lear, ní mór dúinn a chinntiú freisin, go bhfuilimid réidh le haghaidh iomaíochta i margadh na hÉireann. Tá an Rialtas ag déanamh réidh chun Treoir an AE maidir le léirscaoileadh margaí leictreachais ar fud na hEorpa a chur i bhfeidhm agus beidh éifeacht leis sin in Éirinn i gceann dhá bhliain.

Tá a lán ceisteanna le réiteach fós maidir le léirscaoileadh mhargadh leictreachais na hÉireann. Beidh gá le tuilleadh díospóireachta lena chinntiú go dtabharfar iomaíocht isteach ar bhealaí a chinnteoidh go mbeidh soláthar ann gach tráth, a ráthóidh comhionannas deiseanna do na rannpháirtithe go léir, lena n-áirítear BSL, agus go ndéanfar cionroinnt chóir ar na costais "sóisialta" a thabhaítear trí oibleagáidí seirbhíse poiblí. Agus oibleagáidí seirbhíse poiblí á lua agam, ba mhaith liom tagairt a dhéanamh do nithe a nglacaimid leo mar oibleagáidí cultúrtha.


Aim:
Apparatus:
Energy
VBALL EXTRA FINE

Mar sholáthróir seirbhísí riachtanacha, tá BSL ina chuid de chomhdhéanamh shochaí na hÉireann. Tuigimid an méid sin agus freastalaímid air trí thacú le réimse leathan tionscnamh éagsúil pobal-bhunaithe. Mar chuid dár dtiomantas do chúrsaí cultúrtha táimid ag leanúint de dhaoine dár bhfoireann a bhuaileann leis an bpobal a thraenáil in úsáid na Gaeilge agus de bhillí a eisiúint i nGaeilge ar iarratas a fháil chuige sin. Bhí cuid mhór dár gcomhfhreagras caighdeánach ar fáil i mBéarla agus i nGaeilge araon i gcónaí agus leathnaíodh an réimse sin le linn 1997. Rinne BSL fógraíocht sa dá theanga i gcónaí agus leanann sé de sin. Táimid ag leanúint den bhaint atá againn le tionscnaimh éagsúla a thacaíonn le húsáid na Gaeilge, ar a n-áirítear Teilifís na Gaeilge.

Le linn na bliana d'éirigh Joe Moran as oifig an Phríomhfheidhmeannaigh. Bhí Joe ag obair le BSL ar feadh 47 mbliana agus bhí páirt lárnach aige maidir le cruthú na heagraíochta bríomhaire atá ann inniu. Guím gach rath air ar scor dó.

Ba mhór an pléisiúr dom fáilte a chur roimh a chomharba, Ken O'Hara, ar duine an-oiriúnach é chun aghaidh a thabhairt ar dhúshlán a phoist nua ag féachaint don taithí mhór atá aige tar éis poist shinsearacha éagsúla a shealbhú laistigh de BSL.

Is cúis aiféala dom ainmneacha beirte a lua a d'éag agus a raibh róil an-tábhachtach acu i bhforbairt BSL. Ba dhuine é an Dr. Pádraig Ó'Muircheartaigh, a fuair bás anuraidh, a raibh tionchar as cuimse aige ar stair na heagraíochta. D'fhóin sé mar Phríomhfheidhmeannach agus mar Chathaoirleach araon le linn an 50 bliain a chaith sé le BSL go dtí gur éirigh sé as oifig dhá bhliain ó shin. Ba chúis mhór bhróin dúinn freisin bás an Ollaimh Cathal Díolúin níos túisce i mbliana. Is iomaí bua a bhí ag an Ollamh Díolúin agus bhí an t-ádh le BSL é a bheith acu mar chathaoirleach sa tréimhse idir 1975 agus 1991.

Is mian liom buíochas a ghabháil le comhaltaí an Bhoird as a ndúthracht i leith BSL agus buíochas a ghabháil leis an Aire Fiontar Poiblí agus leis na hoifigigh ina Roinn as an gcabhair a thug siad i rith na bliana.

Is mian liom freisin mo bhuíochas ó chroí a ghabháil leis an mbainistíocht agus leis an bhfoireann ar fud na cuideachta as an méid a rinne siad le linn na bliana seo a raibh an-rath uirthi. Beidh a lán dúshlán le sárú againn sna blianta atá romhainn ach déanfaimid sin go muiníneach agus fios againn go bhfuil sár-fhoireann againn atá ag obair go han-mhaith.

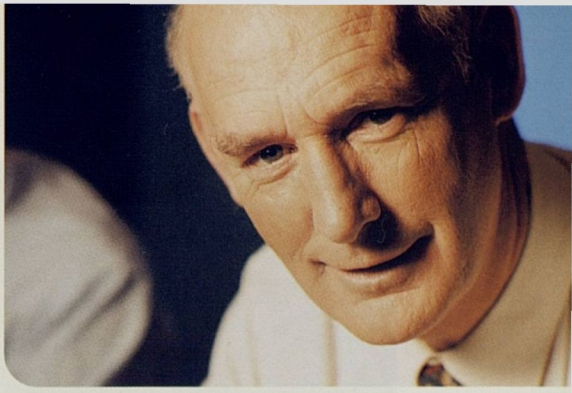
Is cuid thábhachtach dár straitéis forfháis infheistíocht a dhéanamh i ndeiseanna brabúsacha san earnáil leictreachais

Léiríonn torthaí airgeadais na bliana seo caite éifeachtachtaí feabhsaithe ach, ina theannta sin, taispeánann siad an tiomantas atá ag gach duine laistigh de BSL don aetas atá againn a chothabháil a mhéid a bhaineann le seirbhísí do chustaiméirí. Go traidisiúnta, ní hiad na gnáthchritéir tráchtála an tslat tomhais ba thábhachtaí don chultúr seirbhíse custaiméara a bhí againn mar gur thuig an fhoireann le fada an lá go bhfuil tábhacht shóisialta, chomh maith le tábhacht eacnamaíochta, ag baint le leanúnachas soláthair. I mí na Nollag anuraidh, mar shampla, nuair a bhí bunús mhuintir na hÉireann ag baint sult as saoire na Nollag, bhí os cionn 1,000 duine d'fhoireann BSL ag obair de ló is d'oíche chun soláthairtí a athbhunú ar cuireadh isteach orthu le linn stoirmeacha nach raibh a leithéid ann le 25 bliana anuas.

Léiríonn iarrachtaí den sórt sin an fhreagracht phearsanta a n-airíonn an fhoireann i leith ár gcustaiméirí agus is mian liom buíochas a ghabháil leo as a saothar i rith na bliana. Le linn oibriú de réir sainordú tráchtála láidir, a leagfaidh síos dúshraith le haghaidh rathúlachta leanúnaí i dtimpeallacht iomaíoch, tá rún daingean againn an tiomantas luachmhar sin a choimeád beo ar tiomantas é is buntaca le muinín an phobail asainn.



Chief Executive's Review



K O'Hara Chief Executive

Introduction

In many respects 1997 will go down in the history of ESB as a watershed year. It was a year in which the results of well laid plans, designed to prepare the organisation for new market challenges and opportunities, began to emerge.

The most significant challenge we face is that of growth in demand for our services, as an ever increasing number of individuals and businesses seek connections and increased levels of supply quality.

To meet these demands we will continue to invest significant resources in developing our business. That is why, in the face of new challenges and new opportunities, it is vital that we achieve operating surpluses appropriate to the growing scale and needs of the business.

We will continue to invest significant

resources in our business



Review of finances

Group Results

I am pleased to report that the pursuit of a focused strategy enabled us to achieve a strong financial performance in 1997. The surplus for the year was £160 million, representing an increase of 21% over 1996.

Group summary £m	1997	1996	Change
Turnover	1,191	1,104	87
Fuel	(307)	(296)	(11)
Payroll	(249)	(243)	(6)
Operations and maintenance	(401)	(355)	(46)
Exceptional costs	(19)	(19)	-
Interest	(55)	(59)	4
Surplus for year	160	132	28

It should be noted that the 1997 outurn is based on 53 weeks trading, as against 52 weeks in 1996, which accounts for approximately £15 million of the growth in turnover.

Despite the improved performance in 1997, the surplus of £160 million represents a return on capital employed (ROCE) of 10%, which is still well short of the 12% ROCE target set out in our Corporate Strategy as being the level necessary for us to meet the challenges ahead. Further cost reductions, improved efficiencies and identification of opportunities for growth through exploitation of existing assets and internationalisation will all play a part in helping us to address this shortfall over the next two to three years.

The accumulated deficit in the Profit and Loss account has reduced to £79 million and this deficit should be cleared during 1998.

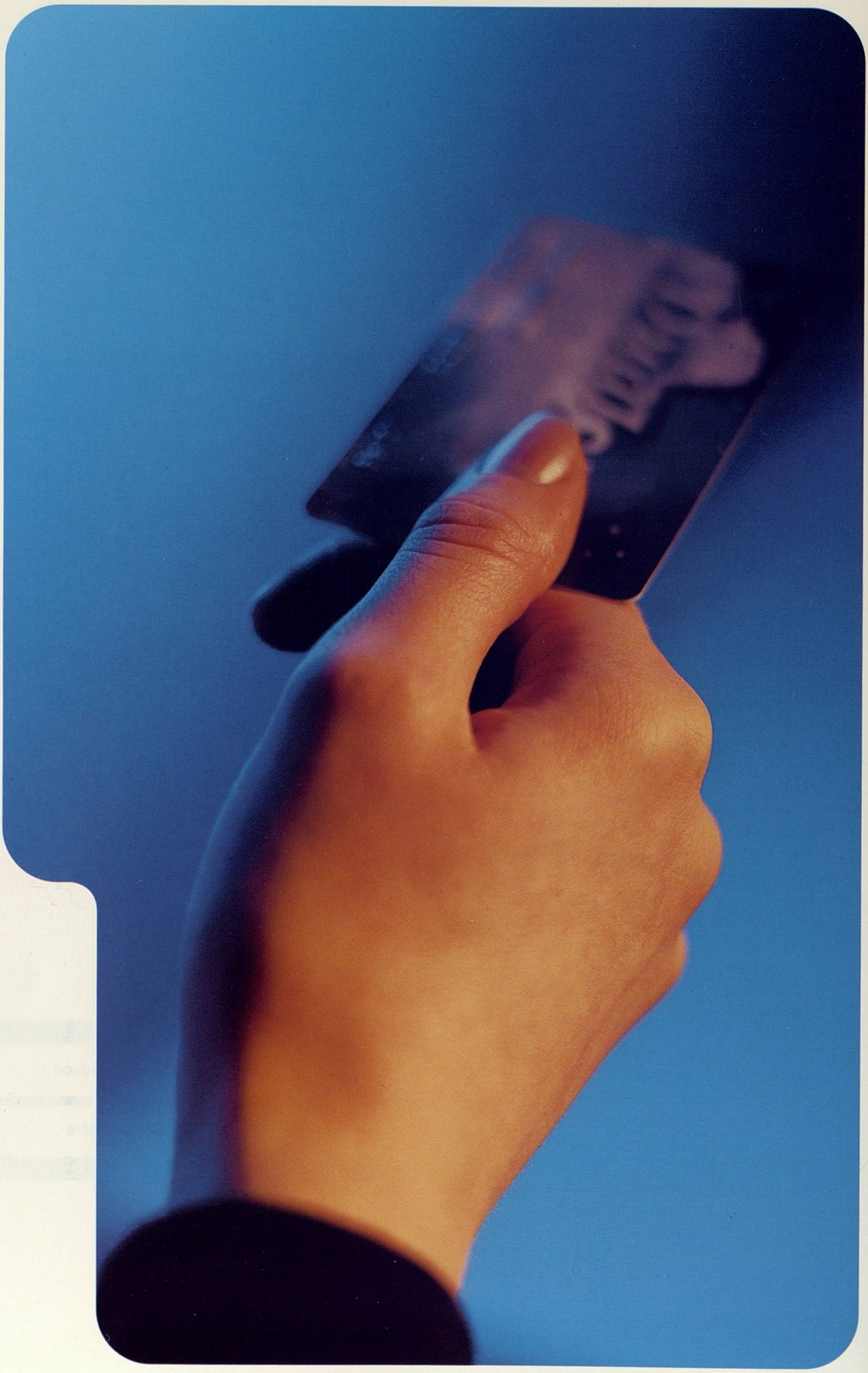
The level of gearing continues to fall as our net debt position reduces and is now at 44%. Total borrowings at the end of 1997 amounted to £788 million, a reduction of £37 million on 1996. However, because of the extensive capital expenditure programme currently under way, I do not expect the level of borrowings to reduce significantly further over the next few years. In addition, we still have to finance the balance of Cost and Competitiveness Review (CCR) liabilities.

Capital expenditure

We are planning a substantial increase in capital expenditure in the next few years. ESB has managed to keep pace with the significant growth in electricity demand in recent years largely through improvements in plant availability and with minimal investment in new generation assets. In addition, growth in demand has put severe strain on our transmission and distribution networks as we continue to meet and improve supply standards for our customers. The key elements of our capital expenditure programme of £1.7 billion for the five years to 2002, therefore, are the new combined cycle gas turbine in Poolbeg and the major networks renewal programme.

The level of borrowings will not reduce

significantly over the next few years



Capital expenditure in 1997 was £229 million. It included:

- continuation of the five year programme for refurbishment of the distribution networks, which began in 1996,
- connecting new customers,
- other transmission and distribution network projects, and
- work on the new gas turbine generating station in Poolbeg.

Cost and competitiveness

A comprehensive review of ESB's cost base, the CCR, was completed in 1996. A tripartite process involving management, trade unions and Government, the review led to a major restructuring programme which includes the expected departure from the company of 2,000 staff over a period of three years. The programme is well on target in terms of these departures and related cost savings. In 1997 we achieved further cost savings of £24 million on top of the £36 million achieved up to 1996. I anticipate that the overall target of gross annual savings of £85 million by the year 2000 will be met.

The overall target of gross annual savings of

£85m will be met by the year 2000

Treasury

ESB actively manages its funding programme and the financial risks associated with borrowing, foreign exchange activities and investment,using a variety of financial instruments to hedge currency and interest rate exposures. All such activity relates to specific transactions and is non-speculative.

The principal financial risks facing the business, which are addressed by treasury activities, include managing interest rate exposure and foreign currency exposures on debt, fuel and other purchases. At the end of 1997, the interest rates on 77% of ESB debt were fixed to maturity and the balance managed through appropriate swaps and forward rates. At year end, all of ESB's foreign debt portfolio had been swapped into Irish Pounds.

Taxation

The group's liability to Corporation Tax arises in respect of profits in subsidiary undertakings.

Non-Core Businesses

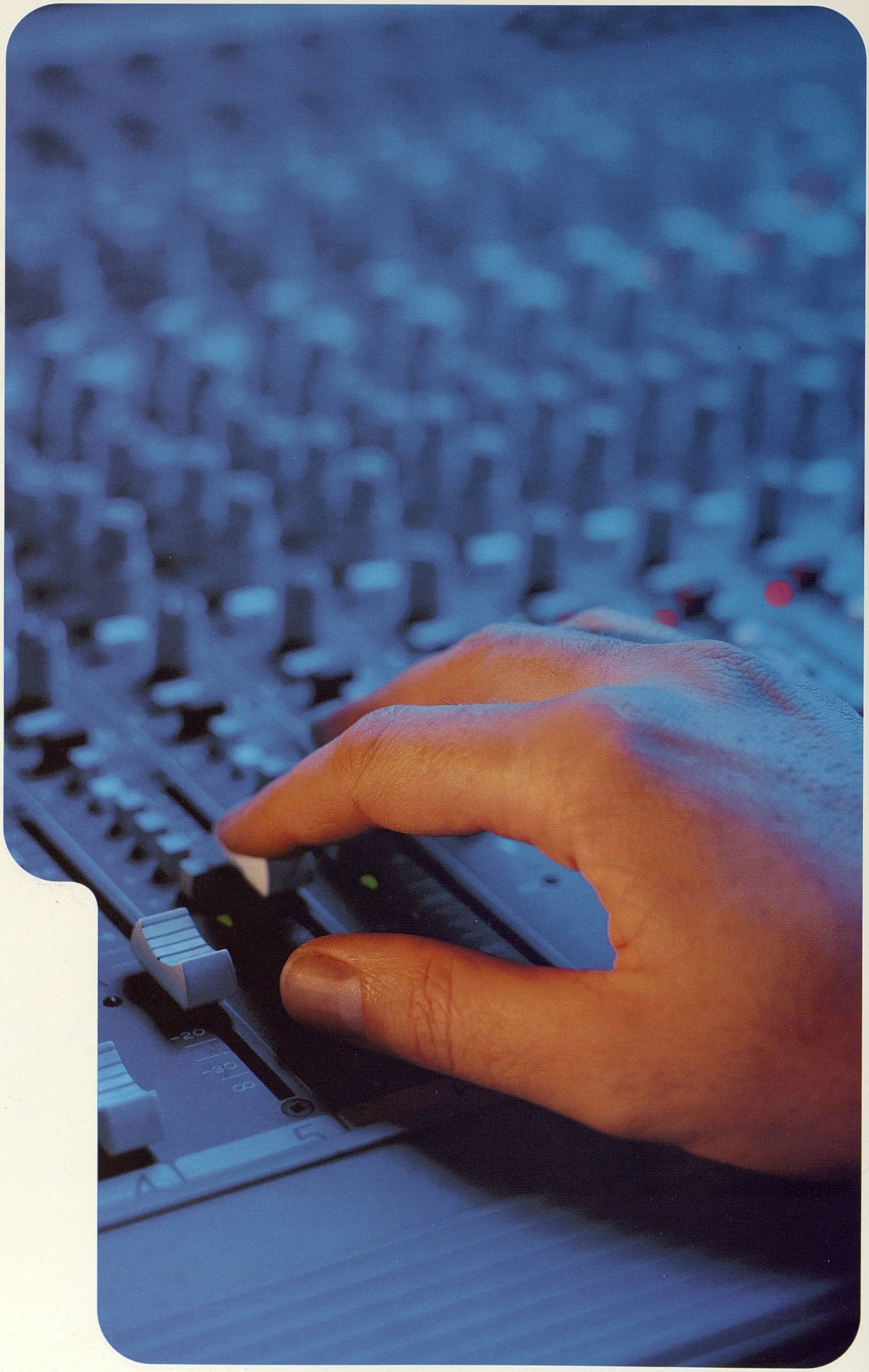
The non-core businesses (ESB International, Retail and Contracting) are continuing to perform well and had increases in turnover and profits in1997. ESB International continues to win new contracts and now manages over 3,000 MW of generation capacity abroad. Opportunities for further investment are being pursued as part of ESB's strategy for growth through international investment. The appliance sales business is benefiting from the buoyancy of the Irish economy.

European Monetary Union

The implications for ESB of the introduction of the single European currency have been clearly identified and plans are in place to ensure the organisation is ready for the introduction of the euro. On behalf of the Department of Finance, we are currently making presentations to other State companies throughout Ireland on how ESB will manage the transition to the new currency.

Year 2000

We are well on the way to ensuring Year 2000 compliance in all our activities, including the traditional IT systems and embedded systems, such as telecommunications and power station control systems. The total cost of ensuring compliance is estimated at over £10 million.


-20
-30
18

Business strategy

We are vigorously pursuing a focused growth strategy. This is designed to ensure that ESB is fully prepared for open competition in the home market, in which it has traditionally been a monopoly supplier, and involves the company in expanding its horizons.

A central part of this strategy has been the further development of our approach to keeping customers firmly at the centre of our thinking. We have developed new ways of identifying their current and future needs, we have extended our dialogue with them and given new commitments on the standards of service they can expect from us.

Ensuring that we are highly efficient in the delivery of services is a key part of our strategy and significant results are already being achieved in driving down our unit costs, while at the same time enhancing the quality of our services. Our major investment programme is designed to help us achieve this by creating a modern, highly efficient electricity generating, transmission, distribution and supply company.

It has been clear to us for some time that new competition in the Irish market-place will require us to compete with highly skilled and proficient producers who have developed their expertise in larger overseas markets, many of which are already deregulated.

We will build on our existing strong relationship with our customers by consistently providing them with top quality services at competitive prices. We have developed an exceptional level of trust with our customers over many years, based on the commitment of our staff to ensuring both continuity and quality of supply. We cannot presume on that trust, however, and over the past year we have worked hard to achieve improvements which will underpin and strengthen this relationship.

We will build on our existing strong relationship with our customers

As part of our strategy, we are also actively involved in discussions on the way in which de-regulation will be introduced into Ireland, as required under EU law, to ensure that it will be fair and equitable to all parties, especially in regard to apportionment of the costs incurred through public service obligations.

To achieve the scale and revenues needed to compete, however, requires us to take a much wider view of the world. During 1997 we began to implement a longterm growth strategy which will bring us into new areas of opportunity both at home and overseas.

ESB has developed a strong range of skills and capabilities over many years and is now deploying these to best commercial effect in the changing international and local market places.

We secured a number of significant contracts last year, once again demonstrating our competence as a supplier of a wide range of professional project management and consultancy services. In Malaysia ESB International won its biggest ever contract, worth £100 million, to manage, operate and maintain the power supply for the Kulim Hi-Tech Industrial Park. This involves the construction of a new 450 MW power station, together with associated high quality transmission and distribution infrastructures. In Canada ESB was chosen to become the Transmission System Administrator for Alberta, while in Iceland we secured a contract related to the construction of a new hydro plant.



In addition to further developing this business, we are now intent on using our knowledge of and expertise in this international marketplace to help us identify profitable investment opportunities. We intend to invest in the order of £120 million over the next few years to acquire equity stakes in the electricity sector in Ireland and abroad. Last year's acquisition of a stake in the Coolkeeragh Power Station in Derry was part of this strategy.

We are also exploring other opportunities through which we can leverage our considerable asset base. Last year we put in place a joint venture agreement with British Telecom and this will enable us to develop opportunities in the Irish telecommunications market.

The progress achieved on all these fronts last year is encouraging. It included the securing of important new opportunities, both alone and in joint ventures, in competition with leading international participants in the electricity markets.

We intend to invest £120m over the next few years to

acquire equity stakes in Ireland and abroad



Competitiveness and competition

Deregulation of the electricity supply industry throughout Europe is provided for under the EU's Internal Electricity Market Directive, which must be implemented in Ireland by the year 2000. In preparing for the competition which will follow we have recognised that the success of our longer-term growth strategies requires that we achieve consistent improvements in cost efficiency.

Put simply, no matter how well disposed customers may feel towards us, we cannot expect to be their preferred supplier unless we deliver the quality of supply required at competitive prices.

We know that new market entrants will have to seek market share, at least initially, based on competitive pricing of supply. That has been shown to be a basic market entry strategy in virtually every deregulated European commodity market over recent years. The reorganisation of ESB, in partnership with staff, has made an important contribution to ensuring the continued reductions in our cost base which are essential to our future competitiveness.

Competitiveness, however, is not solely concerned with price, even though that is an important component. It also requires commitment to quality of supply and quality of service.

That is why we launched a new Customer Charter last year to a favourable response from the public. The Charter provides 12 guaranteed standards and involves penalty payments ranging from £20 to £100 if these standards are not met.

As stated in our Annual Report for 1996, we regard the extent of penalty payments made under this Charter to be an important indication of our performance in the market-place. In 1997 a total of 1,348 payments were made to the value of £34,080. A significantly large proportion of complaints related to failure to give a full two days notice in respect of planned interruption of supply, whether for maintenance or other purposes. Improvements in the company's information systems, which are now underway, will help to minimise this particular problem.

Our aim is to continuously improve the quality of

the services we provide to our customers

We have further reinforced this commitment to the customer by the recent appointment of an ESB Customer Complaints Commissioner, with overall authority to arbitrate in disputes, related to services in supply, between the company and its customers.

To improve the level of customer service we also began a major exercise last year, involving a range of staff and disciplines within the organisation, to provide a comprehensive "one-stop-shop" service via a new national call centre, operating from two sites in Dublin and Cork.

Our aim is to continuously improve the quality of the services we provide to our customers, initiating new ways of doing business with them and investing in essential infrastructure to ensure delivery to best international standards.



Meeting the demands of growth

Last year ESB provided 38,452 new connections, the highest level in our history and an increase of 16% on the figure for 1996. This reflects the underlying strength of the Irish economy, including the buoyancy of the new housing market in particular.

This ever increasing demand for high quality supply, especially from business and industry, places new demands on ESB. Many industrial customers require commitments on the consistency of the frequency at which electricity is provided and not just on the continuity of supply. Small fluctuations in frequency can result in expensive operational disruptions in a variety of manufacturing and IT processes.

The strong growth in demand places considerable additional pressure on us, especially on our network capacity, at a time when we are already devoting significant resources, in terms of both capital investment and personnel, to the £1,000 million Network Investment Programme over the next five years.

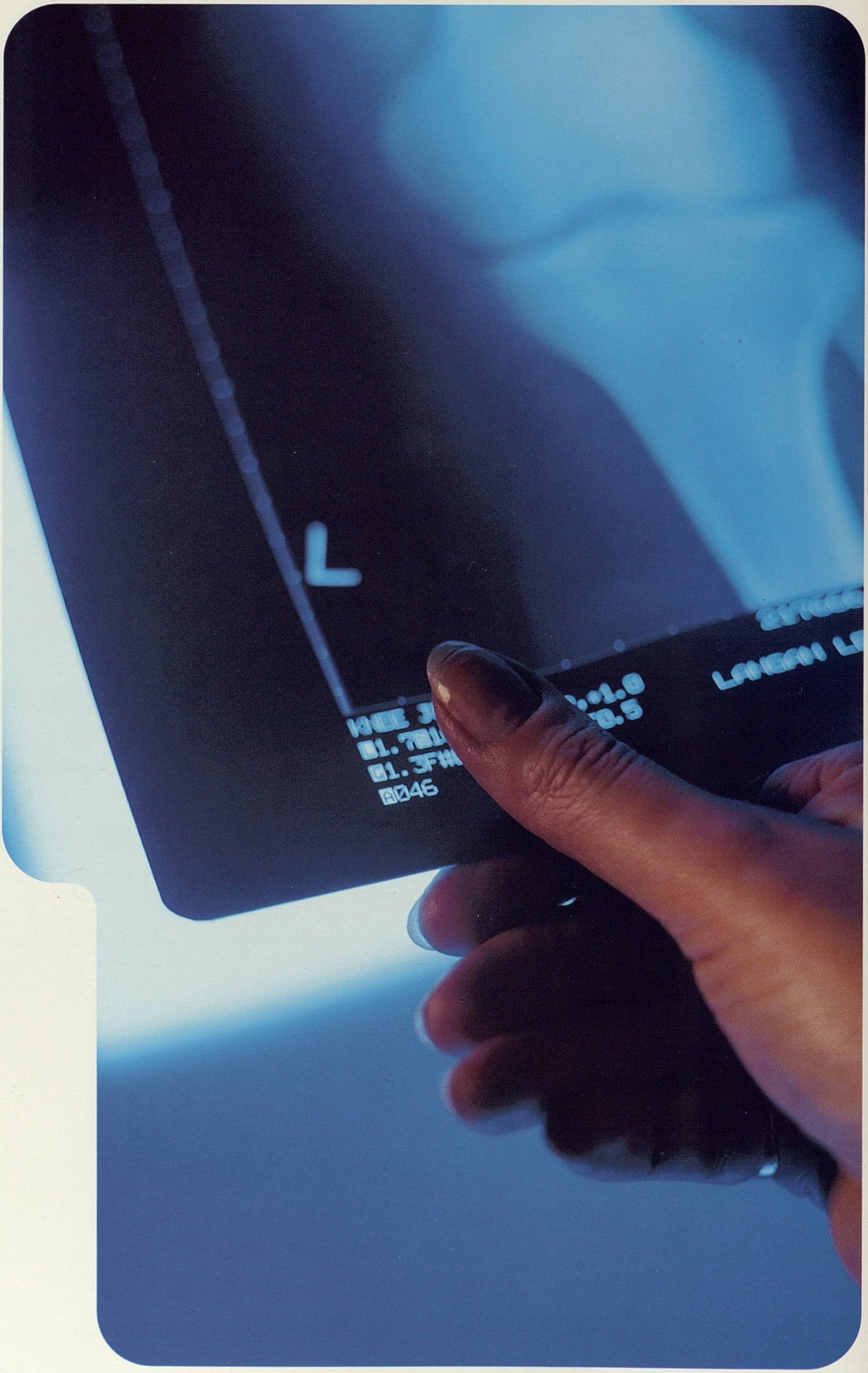
We have also responded to this demand by accelerating the provision of new generation capacity and by updating existing capacity. Work on the Poolbeg Combined Cycle Gas Plant progressed during the year and is on target for completion in late 1999. Capacity will be supplemented in the year 2001 by power which we have contracted to purchase from the new 117 MW peat fired station to be built in the Midlands.

The impact of the rapid growth in the Irish economy, however, goes deeper than this for us. In order to ensure continuity of quality supply we must undertake the construction of new transmission services and the upgrading of existing services in as cost effective a manner as possible to ensure continued national competitiveness in the global environment. This requires the achievement of a balance between the needs of the greater community and the legitimate interests of the public in localities where new infrastructure is required.

We must undertake the construction of

new transmission services

We take this important part of our work extremely seriously and endeavour to work with local communities and relevant authorities to achieve balanced solutions which reflect these sometimes conflicting interests. By addressing these challenges through dialogue, ESB will continue to provide safe and efficient services which will support the further development of the Irish economy and the creation of new employment opportunities throughout the country.



Environment and safety

Reconciling the needs of customers for increasing supplies of competitively priced energy with those of the environment is equally challenging for the ESB, especially in respect of emissions from generating plants.

To encourage broader public awareness of the Board's responsible behaviour in regard to balancing these needs, we published a detailed Environmental Review in 1997 which outlines our environmental stewardship since 1990.

We also addressed a number of important issues in the area of environmental protection, ranging from consideration of EU proposals for a Large Combustion Plant Directive and for an acidification strategy, to commissioning a detailed independent assessment of the national cost of CO_2 abatement measures. Preparations were also commenced for Integrated Pollution Control Licensing for thermal stations which is to be implemented by the Environmental Protection Agency in the coming years.

Last year also saw the adoption of a legally binding Protocol to the UN Framework Convention on Climate Change in Kyoto, Japan, which will place a ceiling on national emissions of CO_2 and other greenhouse gases. All of these developments have extremely significant implications for ESB and the future cost of electricity production at this time of rapid growth.

We published an Environmental Review in 1997 which

outlines our performance in this area since 1990

ESB is actively committed to taking all reasonable steps to ensure the health and safety of our staff and members of the public. Safety risk assessments, auditing and training were further developed in 1997 to ensure the smooth introduction of the changes arising from the implementation of the Cost and Competitiveness Review. Staff consultation on these and other safety matters remained a key priority. Through these and other appropriate measures we ensured that we continued to meet our obligations under the Safety, Health and Welfare at Work Act.

A corporate accident reduction target was established in 1997. Our objective is to address the rising trend in lost-time accidents by reducing the rate by 50% over the next four years. A comprehensive assessment of attitudes towards safety was also completed which will inform management initiatives in this important area.

Over the years electrical safety standards have improved significantly. The three year average number of fatalities is currently the lowest since 1959, when the consumption of electricity was one tenth today's level. We have reinforced our resolve to maintain our awareness programmes to alert members of the public - and the farming community and children especially - of the potential dangers.



A partnership for growth

We have only been able to respond to the growth in demand for our services by developing effective working relationships within the company. Operating in a growth environment is exciting and challenging for both management and staff, but has also required a very clear strategy which is understood and shared by everyone within the organisation.

It is important to note that the outturn for the year, without the savings achieved through the Cost and Competitiveness Review Agreement, would have been a significantly smaller surplus which would have had implications for us in terms of our competitiveness and on the financing of essential capital expenditure. I would like to thank the staff who worked so hard, in partnership with management, to deliver this solid performance.

We took a number of steps last year to extend this partnership approach which includes management, staff and their union representatives. The new, senior level Corporate Partnership Forum provides a structure for the Group of Unions and management to review key issues affecting the business and to develop the concept of partnership within ESB.

This commitment to partnership has also been reflected in the special emphasis placed last year on training, including the development of new individual training and development plans as a matter of priority.

The Corporate Partnership Forum provides a structure for

the Group of Unions and management to review key issues


VOLUME
TV Channel
EJECT
DATA ON SCREEN
ENCORE
POWER
SPA/LP
1
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Community

The need to be ready for competition in the Irish market-place has required a change in the culture of ESB, with the careful balancing of an ever sharper commercial focus against continuing commitment to customer satisfaction.

There are, however, some important aspects of our established "corporate culture" which we will not allow to change. Top of this list is the exceptional commitment and sense of public duty which is clearly shown by our staff, especially at times of difficulty or hardship.

The severe storms which struck Ireland, and especially the South and Midwest regions, on December 24th and 25th last year were the worst in 25 years. They caused major disruption of services over the holiday period and well beyond. The staff response to this crisis was magnificent.

It is vital to the life of Ireland - whether it be in homes, schools and shops or in hospitals, factories and offices - that this sense of genuine commitment by the suppliers of essential power are not jeopardised by changes in our corporate culture.

For many years ESB has been seen as an organisation which does more than provide services to customers; it literally empowers communities. This is a social obligation and one which will not be lost sight of by ESB as it prepares for changes in the market-place.

Care and concern for the communities we serve has long been a hallmark of our activities and it is one we will retain in the future, whether it be assisting in rural renewal and regeneration or providing supply to large new corporates based in commercial centres.

We believe it is vital that measures to encourage competition in the generation and supply of electricity in Ireland take this important community service aspect of the issue fully into consideration. The achievement of cost savings to large corporates, through the provision of competitively priced energy, is fundamental to the development of industry and business in Ireland. Structures, however, must be created to ensure that the positive effects of competition are not achieved at an unreasonable cost to other sections of the community. We believe that this concern is one shared by the people of Ireland and their public representatives and we are confident that the legislators will give the fullest consideration to this in the preparation of enabling legislation.

We will retain our care and concern for

the communities we service

The future

One of the main challenges for ESB in the future is to grow the business in the face of both deregulation at home and greater competition abroad. Growth in demand for electricity in Ireland, together with expanding opportunities in the international markets for new electricity infrastructural projects, will help us to meet this challenge.

Last year was a good one for ESB in that we exceeded our profit targets and made significant progress on a number of fronts. I believe that ESB is now well positioned to respond to the tough challenges which we face over the next few years and which will require significant levels of investment. We must cope with the pressures of growth and at the same time prepare for a new era of competition in Ireland, where we have traditionally been a monopoly supplier.

Financial strength, continued emphasis on cost improvement, investment in quality services and a work force dedicated to high standards of performance are the cornerstones on which the future success of ESB can be built.

I am convinced that, by maintaining the commitment and focus that characterised last year's endeavours, ESB will continue to play a central role in the economic and social prosperity of this country and meet its obligations to all its stakeholders.

The Board

There were 11 general meetings and 11 special meetings of the Board during the year end 31 December 1997. The number in brackets opposite each name represents the attendance by each Board Member at general and special meetings, respectively, during the year.

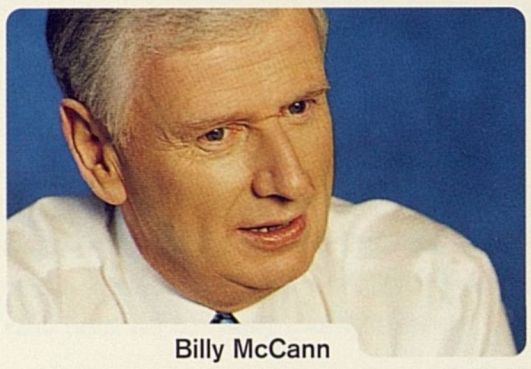
The following were the Members of the Board during the year ending 31 December 1997:

William M McCann, Chairman	(11, 11)	
James Wrynn, Deputy Chairman	(10, 10)	
Jerry Carey	(8, 10)	
Sean Geraghty	(11, 11)	
Stewart Harrington	(11, 7)	
Denis Holland	(11, 10)	
Patrick Kevans	(3,0)	Warrant expired 11 May 1997
Joe LaCumbre	(11, 9)	
John McGinley	(10, 11)	
Joe Moran	(7,6)	Warrant expired 31 August 1997
Caitriona Murphy	(8, 8)	Reappointed 4 March 1997
Ken O'Hara, Chief Executive	(1, 1)	Appointed 25 November 1997
Paul Sweeney	(9, 8)	
Anne Taylor	(4, 5)	Appointed 21 May 1997

This report was approved by the Board at its meeting on 10th March 1998, for submission to the Minister for Public Enterprise.

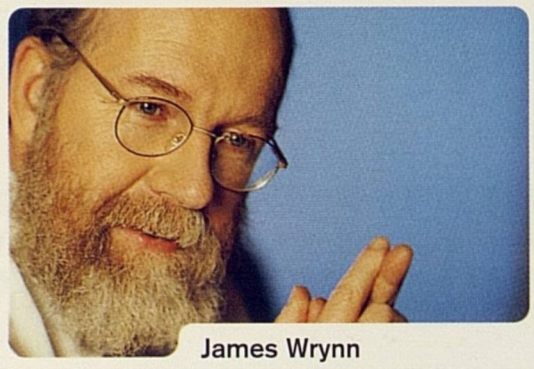
Signed W M McCann, Chairman
K O'Hara, Chief Executive
L Donald, Secretary

Board Members



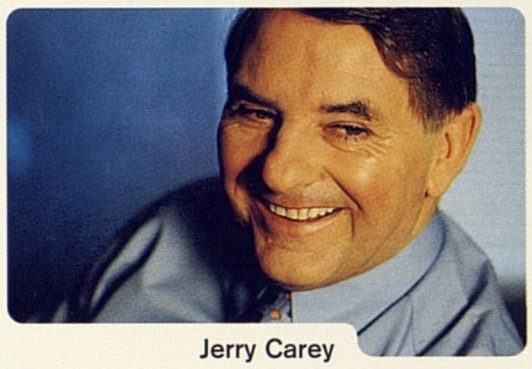
Billy McCann

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 Deputy Chairperson of the Irish Takeover Panel, a Director of the Central Bank of Ireland and is Chairman or 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.



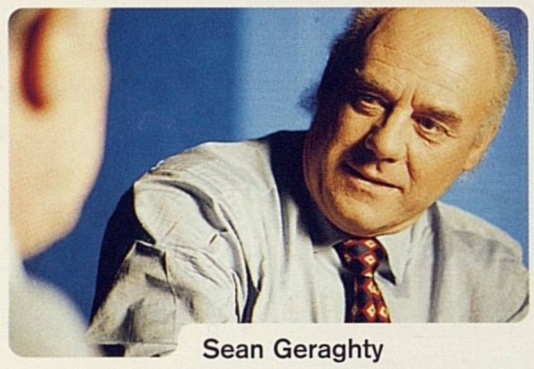
James Wrynn

James Wrynn was appointed Deputy Chairman in July 1995. He is 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

Jerry Carey was appointed to the Board in April 1996. He is Managing Director of Irish Business Systems Ltd. and is Director of a number of other companies. Mr. Carey is a member of the Audit Committee and the Technology Committee.



Sean Geraghty

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 Committee and Chairman of the Environment and Safety Committee.



Stewart Harrington

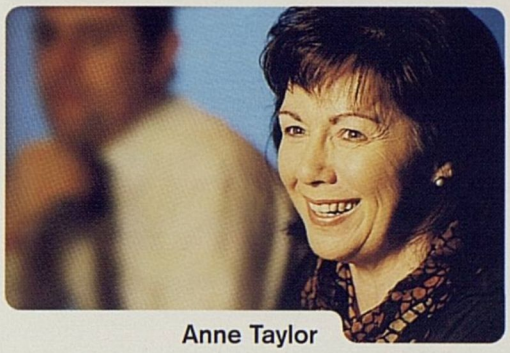
Stewart Harrington was appointed to the Board in March 1995. He is Executive Deputy Chairman of Dunloe House plc and a Non-Executive Director of Ewart plc. Mr. Harrintgon was a founding partner of Harrington Bannon, Chartered Surveyors. He is a member of the Audit, the ESB International Business Unit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



Denis Holland

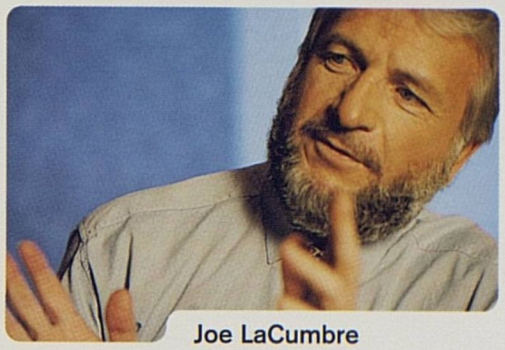
Denis Holland was first appointed to the Board in 1988 under the Worker Participation (State Enterprises) Act, 1977 and is now serving his third term. A supervisor at Marina Generating Station he has worked in ESB since 1965. Mr Holland is ATGWU representative on the ESB Group of Unions and is a member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

Board Members



Anne Taylor

Anne Taylor was appointed to the Board in May 1997. Ms. Taylor is a Consultant Trainer and Facilitator and Board Member of the Employment Equality Agency. She is a member of the ESB International and Environment and Safety Committees.



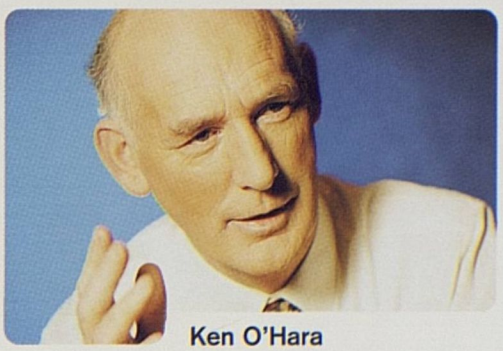
Joe LaCumbre

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

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 Legislation Committees.



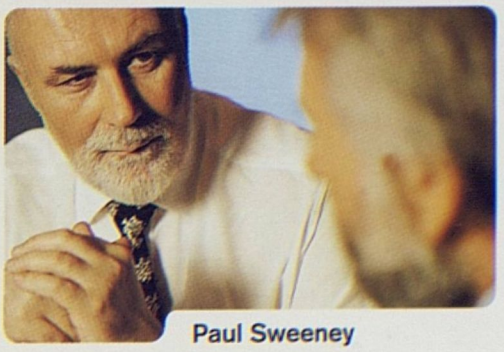
Ken O'Hara

Ken O'Hara was appointed Chief Executive in September 1997. 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. He was appointed Managing Director of Power Generation in 1993.



Catriona Murphy

Caitriona Murphy was appointed to the Board in February 1992 and was reappointed for a second term in March 1997. 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 Chairman of the Capital Projects Committee.



Paul Sweeney

Paul Sweeney was appointed to the Board in April 1996. An economist and financial analyst with SIPTU, Mr. Sweeney is a member of the Council of the Statistical and Social Enquiry Society of Ireland. He is a member of the Capital Projects, ESB International and 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
Jerry Carey
Stewart Harrington
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, Chairman
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
Sean Geraghty
Stewart Harrington
Paul Sweeney
Anne Taylor

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

Members
Sean Geraghty, Chairman
Denis Holland
Ken O'Hara
Anne Taylor

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
William M McCann
John McGinley
Ken O'Hara
Paul Sweeney

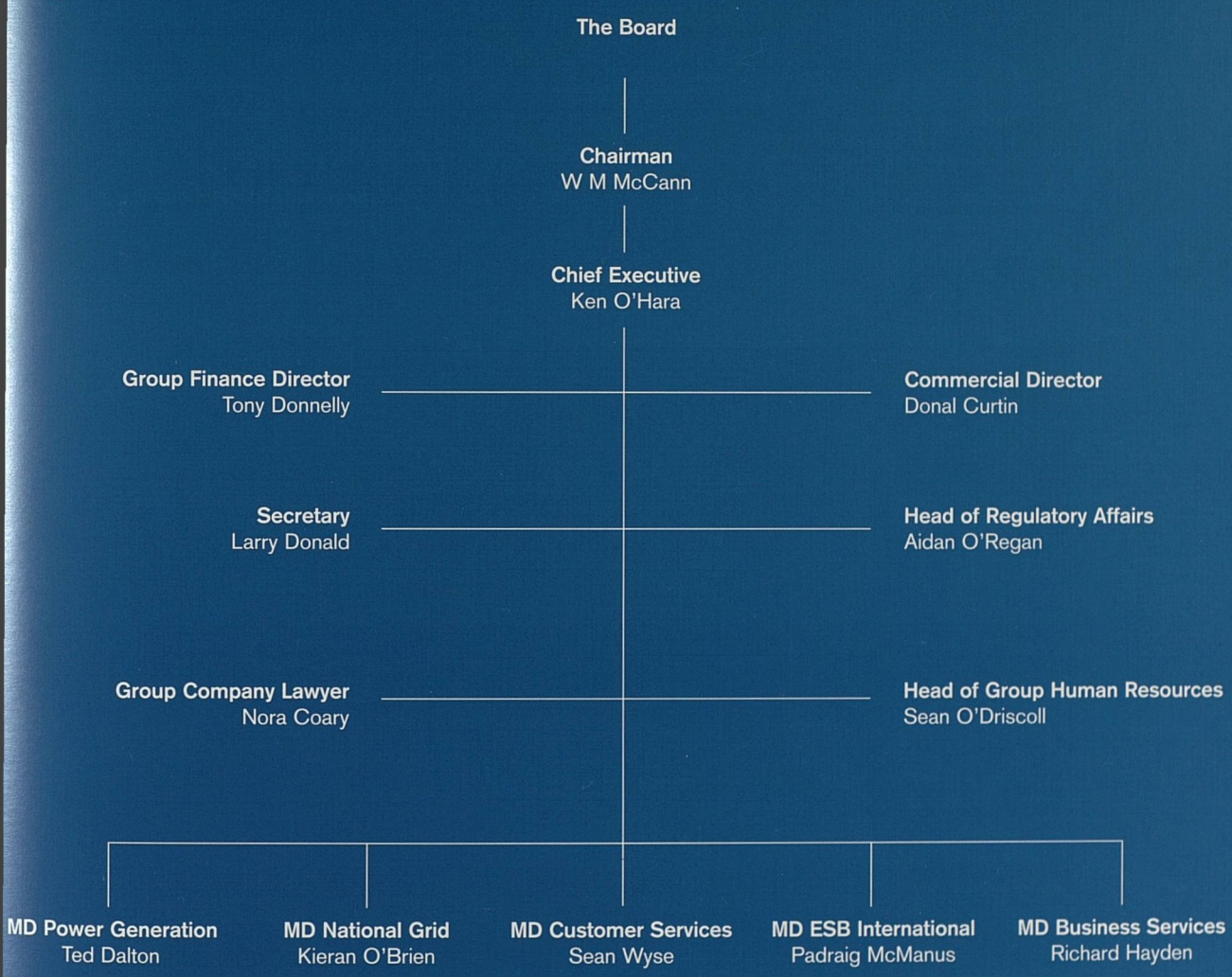
Remuneration and Management Development Committee
The purpose of the Remuneration and Management Development Committee is to advise the Board on all aspects of remuneration of the Chief Executive and top management and to monitor the development of current and future management of ESB.

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
Jerry Carey
Denis Holland
Ken O'Hara

Company Structure

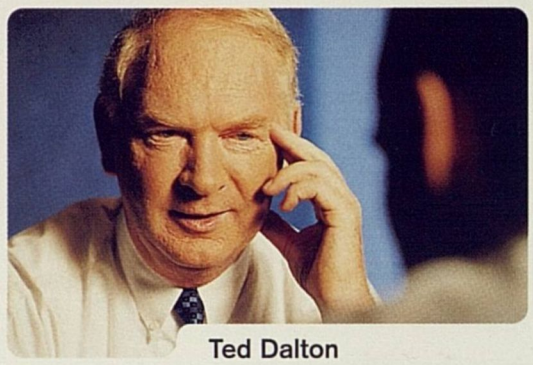


Top management



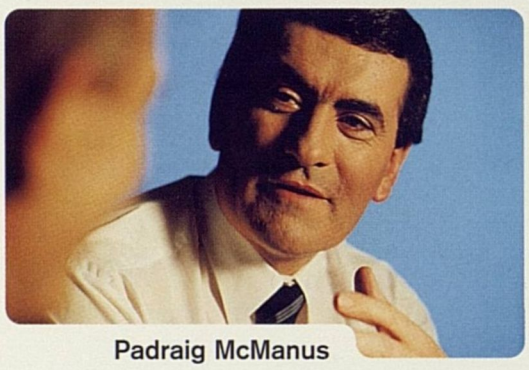
Donal Curtin

Donal Curtin as 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.



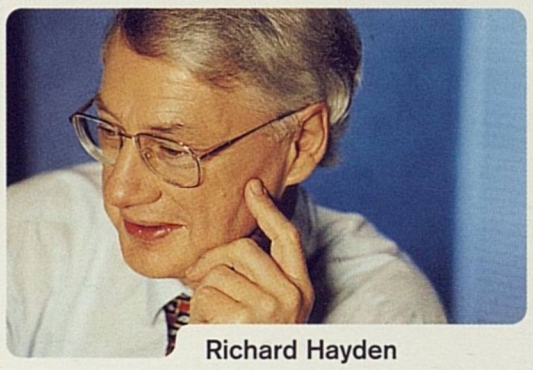
Ted Dalton

Ted Dalton was appointed Managing Director, Power Generation in September 1997. He held a variety of senior management positions in the Information Technology and Accounting areas before his appointment as Regional Manger, South East region in 1987. In 1992 he was appointed Manager, Corporate Change and in 1993 he was appointed as Managing Director, Customer Services.



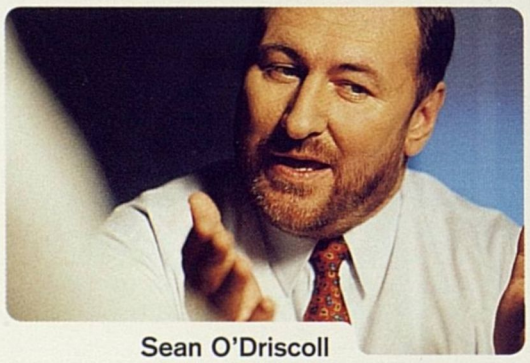
Padraig McManus

Padraig McManus was appointed Managing Director of ESB International in late 1997. An electrical engineer by profession he has spent fifteen years on the Company's international business and has managed the implementation of major engineering projects in the Middle East, Africa and South East Asia. From 1994 up to taking up his current position he was heavily involved in negotiation and implementing the ESB's major restructuring programme, the CCR.



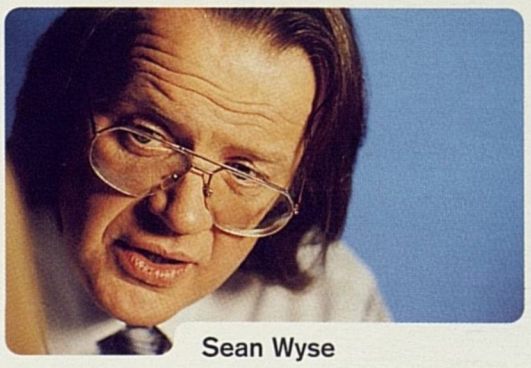
Richard Hayden

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. Mr. Hayden is a Trustee of the ESB Superannuation Fund.



Sean O'Driscoll

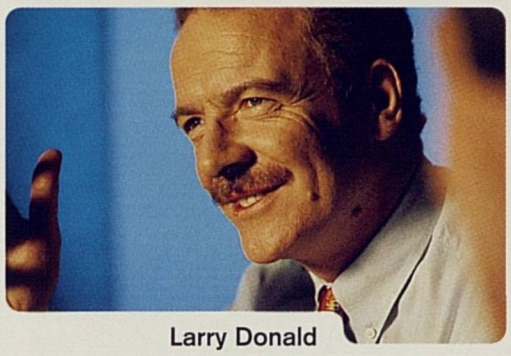
Sean O'Driscoll was appointed Head of Group Human Resources in August 1997. Before joining ESB he was Manager, Human Resources at Energy Services International/Solar Turbines, working in the international oil and gas business. Mr. O'Driscoll had previously worked as Industrial Relations Manager for GE Super Abrasives following a number of human resources roles within the CIE Group.



Sean Wyse

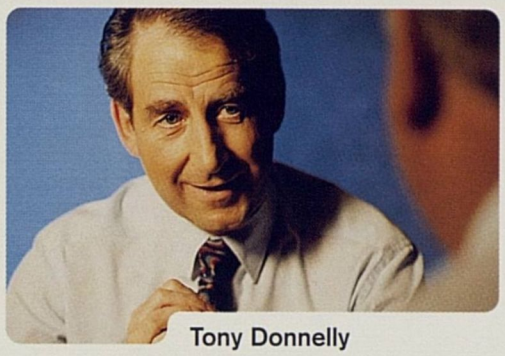
Sean Wyse was appointed Managing Director, Customer Services, in 1997. He held a variety of senior management positions in the Distribution areas throughout the country before his appointment as Group Manager, Power Generation, in 1994.

Top management



Larry Donald

Larry Donald was appointed Company Secretary and Head of Corporate Affairs in 1997. He held a number of senior positions in the company before being appointed Public Relations Manager in 1986. Prior to his appointment to his current position, Mr. Donald held the post of Manager, Corporate Affairs.



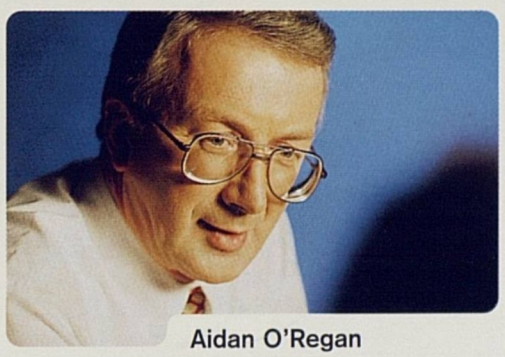
Tony Donnelly

Tony Donnelly was appointed Group Finance Director in December 1997. He held a number of senior financial management positions prior to his appointment, including Group Financial Controller. He was project Manager of the Cost and Competitiveness Review (CCR) and has managed a number of consultancy projects in the Middle East, Africa and Central Europe.



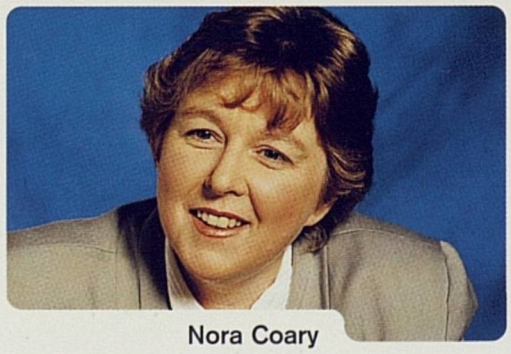
Kieran O'Brien

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.



Aidan O'Regan

Aidan O'Regan was appointed Head of Regulatory Affairs in January 1997. He was Manager, Corporate Change, during the Cost and Competitiveness Review. Mr. O'Regan had previously held senior management positions in the human resources, financial and project management areas and had worked on international consultancy assignments.



Nora Coary

Nora Coary was appointed Group Company Lawyer in 1994. She was previously employed as a commercial solicitor and then manager of ESB's legal department. Prior to her employment with ESB, Ms. Coary worked with Craig Gardner/Price Waterhouse.

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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 48 to 66, 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 complied 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 Public Enterprise 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 38.

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 four 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).
- A corporate governance framework which includes risk analysis, financial control review and formal annual governance statements by the Managing Directors of Business Units.
- 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
K O'Hara, Chief Executive

10 March 1998

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 Public Enterprise, 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 48 to 66.

Respective responsibilities of Board Members and auditors in relation to the financial statements
As described on pages 45 and 46, 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 52.

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 1997 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 1997 is in agreement.

KPMG

Chartered Accountants
Registered Auditors
1 Stokes Place
St Stephen's Green
Dublin 2
10 March 1998

Consolidated profit and loss account Year ended 31 December 1997

	Notes	1997 IR£000's	1996 IR£000's
Turnover – continuing operations	1	**1,191,155**	1,104,076
Operating costs	2	**(957,407)**	(894,317)
Operating surplus – continuing operations		**233,748**	209,759
Exceptional costs – restructuring	3	**(18,700)**	(18,900)
Net interest cost	4	**(54,751)**	(59,276)
Share of associated undertakings' profit		**1,253**	1,227
Surplus on ordinary activities before taxation		**161,550**	132,810
Taxation charge	6	**(980)**	(926)
Surplus on ordinary activities after taxation		**160,570**	131,884
Minority interests – equity		**(1)**	(32)
Surplus for financial year	7	**160,569**	131,852
Provision for repayment of borrowings	16	**(689)**	(214)
Retained surplus for year	18	**159,880**	131,638

Signed: **W. M. McCann,** Chairman

Signed: **K. O'Hara,** Chief Executive
T. Donnelly, Group Finance Director

10 March, 1998.

Balance sheets As at 31 December 1997

	Notes	Consolidated 1997 IR£000's	Consolidated 1996 IR£000's	Parent 1997 IR£000's	Parent 1996 IR£000's
Assets employed:					
Fixed assets:					
Tangible assets	8	**1,872,332**	1,780,142	**1,867,604**	1,776,290
Financial assets	9	**20,361**	16,359	**51,696**	50,714
		1,892,693	1,796,501	**1,919,300**	1,827,004
Current assets:					
Stocks	10	**114,210**	110,850	**114,202**	110,148
Debtors	11	**271,485**	276,057	**217,938**	229,662
Investments	12	**634**	615	**634**	615
Cash at bank and in hand		**26,094**	22,413	**20,411**	14,241
		412,423	409,935	**353,185**	354,666
Creditors (falling due within one year):					
Borrowings and other debt	13	**(97,280)**	(55,989)	**(97,280)**	(55,989)
Other creditors	14	**(224,428)**	(205,576)	**(209,306)**	(192,673)
		(321,708)	(261,565)	**(306,586)**	(248,662)
Net current assets		**90,715**	148,370	**46,599**	106,004
Total assets less current liabilities		**1,983,408**	1,944,871	**1,965,899**	1,933,008
Creditors (falling due after more than one year):					
Borrowings and other debt	13	**(690,594)**	(768,738)	**(690,594)**	(768,738)
Other creditors	14	**(80,266)**	(24,993)	**(80,266)**	(24,993)
		(770,860)	(793,731)	**(770,860)**	(793,731)
Provision for liabilities and charges	15	**(191,278)**	(319,828)	**(191,278)**	(319,828)
Net assets		**1,021,270**	831,312	**1,003,761**	819,449
Financed by:					
Reserves:					
Sinking fund for repayment of borrowings	16	**5,769**	4,787	**5,769**	4,787
Other reserves	17	**1,094,449**	1,065,308	**1,092,344**	1,065,440
Profit and loss account	18	**(79,023)**	(238,903)	**(94,352)**	(250,778)
Minority interests - equity		**75**	120	**0**	0
		1,021,270	831,312	**1,003,761**	819,449

Signed: **W.M. McCann,** Chairman

Signed: **K. O'Hara**, Chief Executive
T. Donnelly, Group Finance Director

10 March, 1998.

Consolidated statement of total recognised gains and losses

Year ended 31 December 1997

	Notes	1997 IR£000's	1996 IR£000's
Surplus for financial year		**160,569**	131,852
Interest income (including gains) on sinking fund investments	16	**293**	221
Non repayable supply contributions	17	**26,904**	22,838
Translation differences on consolidation of foreign subsidiaries	17	**2,237**	140
(Decrease)/increase in minority interest		**(45)**	32
Total recognised gains and losses for year		**189,958**	155,083

Reconciliation of movements in reserves:

Total recognised gains and losses for year		**189,958**	155,083
Opening reserves		**831,312**	676,229
Closing reserves		**1,021,270**	831,312

Consolidated cash flow statement Year ended 31 December 1997

	Notes	1997 IR£000's	1996 IR£000's
Net cash inflow from operating activities	19(a)	**299,095**	190,603
Returns on investments and servicing of finance			
Interest received (including gains) on sinking fund		**293**	221
Other interest received		**4,821**	8,501
Interest paid		**(61,149)**	(66,796)
Interest element of finance lease payments		**(8,512)**	(8,358)
Net cash outflow from returns on investments and servicing of finance		**(64,547)**	(66,432)
Taxation			
Corporation tax paid		**(1,429)**	(933)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(220,115)**	(156,408)
Purchase of financial fixed assets		**(3,140)**	(1,924)
Purchase of investments		**(19)**	(8)
Sale of tangible fixed assets		**2,497**	799
Sale of financial fixed assets		**1,635**	0
Net cash outflow from capital expenditure and financial investment		**(219,142)**	(157,541)
Net cash inflow/(outflow) before management of liquid resources and financing		**13,977**	(34,303)
Net cash (outflow)/inflow from management of liquid resources	19(b)	**(17,778)**	122,185
Financing			
Repayment of loans (net)	19(b)	**(38,593)**	(104,818)
Non repayable supply contributions		**28,364**	23,813
Minority interests		**(46)**	0
Net cash outflow from financing		**(10,275)**	(81,005)
(Decrease)/increase in cash	19(b)	**(14,076)**	6,877

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, by way of transfer from the profit and loss account. In 1997, as in 1996, it is considered appropriate to set aside an amount to cover repayment of ESB stock issues in accordance with contractual obligations. 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	20 years
: Distribution plant and structures	25/30 years
: Transmission plant and structures	30 years
: General buildings, hydro stations	50 years

Depreciation is provided:-

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

The accounting life of Moneypoint station has been altered to bring it into line with other thermal stations. The impact on the profit and loss account from 1997 is an additional annual charge of £10.3m.

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 is 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 average overhaul cycles 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 average cost of debt. 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.

21. Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. They comprise term deposits placed for less than one year other than cash.

1. TURNOVER – IR£000's

	1997	1996
(a) Business activity:		
Electricity	**1,054,670**	976,780
Retail, contracts and other services	**79,845**	69,955
Other activities	**56,640**	57,341
	1,191,155	1,104,076
(b) Geographic markets (originating primarily in Ireland):		
Ireland	**1,139,621**	1,059,165
Europe	**18,806**	19,191
Others	**32,728**	25,720
	1,191,155	1,104,076

2. OPERATING COSTS – IR£000's

Payroll	**248,641**	243,300
Fuel	**307,072**	296,320
Operations and maintenance	**401,694**	354,697
	957,407	894,317

3. EXCEPTIONAL COSTS – IR£000's

(a) Restructuring costs:		
CCR voluntary severance	**6,800**	9,900
Financing charge	**11,900**	9,000
	18,700	18,900

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 have left ESB by the end of this programme in 1999. Implementation is proceeding on target.

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. At 31 December 1997, £268.4m of this amount has been charged to the profit and loss account. The financing charge of IR£11.9m has been calculated in accordance with the accounting policy for discounting set out on page 54.

4. NET INTEREST COST – IR£000's	1997	1996
Total interest payable:		
On loans repayable within five years	**38,756**	47,588
On other loans	**23,220**	19,466
On finance leases repayable within five years	**3,205**	3,759
On other finance leases	**4,080**	4,956
	69,261	75,769
Total interest receivable	**(4,815)**	(8,217)
	64,446	67,552
Less:		
Capitalised interest	**(9,695)**	(8,276)
Net interest payable	**54,751**	59,276

5. EMPLOYEES

(a) Average number of employees in year by business activity:		
Electricity	**8,407**	9,063
Retail and contracts	**254**	250
Other activities	**722**	690
	9,383	10,003

(b) Employee costs in year – IR£000's:		
Pay (salaries/wages)	**264,121**	247,343
Social welfare costs (PRSI)	**7,354**	7,112
Pension costs	**24,706**	27,602
Other payroll benefits	**16,120**	14,754
	312,301	296,811

Employee costs above include capitalised payroll of IR£56.5mm (1996 IR£51.3m).

6. TAXATION – IR£000's

Capital gains tax at 40%	**30**	0
Corporation tax at 36.5% (1996: 38%)	**1,112**	247
10% tax rate relief	**(61)**	(111)
	1,081	136
Overseas tax (excluding associated companies)	**(258)**	755
	823	891
Tax attributable to associated companies	**157**	35
Tax attributable to group	**980**	926

The parent has no corporation tax charge for 1997 (1996: IR £Nil) due to the availability of losses carried forward and excess capital allowances.

7. SURPLUS FOR FINANCIAL YEAR – IR£000's

	1997	1996
The surplus for the financial year is stated after charging:		
Depreciation, including the additional charge of IR£10.3m referred to on page 53.	**133,288**	117,353
Bad debts	**1,879**	1,655
Operating lease charges	**3,152**	3,313
Auditors' remuneration – audit services	**113**	110
– non-audit services	**95**	173
ESB (Parent) board members' fees	**95**	53

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	520,478	2,469,402	2,989,880	82,283	3,072,163
Additions/transfers	(727)	161,413	160,686	68,462	229,148
Retirements/disposals	(1,291)	(14,972)	(16,263)	0	(16,263)
Balance at end of year	518,460	2,615,843	3,134,303	150,745	3,285,048
Depreciation					
Balance at start of year	220,411	1,071,610	1,292,021	0	1,292,021
Charge	14,082	119,206	133,288	0	133,288
Retirements/disposals	(1,107)	(11,486)	(12,593)	0	(12,593)
Balance at end of year	233,386	1,179,330	1,412,716	0	1,412,716
Net book value at 31 December,1997	**285,074**	**1,436,513**	**1,721,587**	**150,745**	**1,872,332**
Net book value at 31 December,1996	300,067	1,397,792	1,697,859	82,283	1,780,142

Included above are fixed assets with a net book value of IR£4.7m (1996: IR£3.9m) relating to subsidiary undertakings.
The non depreciable element of land and buildings amounts to IR£1.3m (IR£1.3m in 1996).

Finance leases

All finance leases are held by the parent company.
The net book value of tangible fixed assets includes an amount of IR£175.1m (1996: IR£184.5m) 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 1996).

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	11,472	0	11,472	4,887	16,359
Additions	4,139	252	4,391	982	5,373
Disposals	(1,373)	0	(1,373)	0	(1,373)
Retranslation/other movements	(1,094)	0	(1,094)	0	(1,094)
Share of retained profit	1,096	0	1,096	0	1,096
Balance at end of year at cost	**14,240**	**252**	**14,492**	**5,869**	**20,361**

Parent	Subsidiary undertakings Shares	Loans	Total	Sinking fund investments	Total
Balance at start of year at cost	11,884	34,043	45,927	4,787	50,714
Additions	0	0	0	982	982
Balance at end of year at cost	**11,884**	**34,043**	**45,927**	**5,769**	**51,696**

Sinking fund investments are represented by short term bank deposits. The market value of sinking fund investments at the end of the year is IR£5.8m (1996: IR£4.8m).

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 1997	1996
Materials and spares	**66,153**	64,198
Fuel	**47,129**	45,175
Other stock	**8**	702
Goods for resale (appliances)	**920**	775
	114,210	110,850

'Other stock' is held by subsidiary undertakings.

11. DEBTORS – IR£000's

	Consolidated 1997	1996	Parent 1997	1996
Amounts falling due within one year:				
Trade debtors	**53,760**	61,065	**38,115**	49,504
Unbilled consumption	**128,841**	111,751	**128,841**	111,751
Deferred payment contracts	**38,534**	35,983	**14,946**	12,303
Amounts owed by:				
Subsidiary undertakings	**0**	0	**8,028**	13,918
Associated undertakings	**0**	3,522	**0**	0
Other debtors	**33,177**	47,787	**27,470**	41,740
	254,312	260,108	**217,400**	229,216
Amounts falling due after more than one year:				
Deferred payment contracts	**17,173**	15,949	**538**	446
Total debtors	**271,485**	276,057	**217,938**	229,662

12. CURRENT ASSET INVESTMENTS – IR£000's

	Consolidated and parent	
	1997	1996
Listed investments at cost	**634**	615
Market value of listed investments	**820**	652

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

	Overdraft/ other debt	Finance leases	Borrowings	1997 Total	1996 Total
Borrowings due within one year					
– Repayable by instalments	0	15,785	30,132	**45,917**	46,027
– Repayable other than by instalments	5,845	0	45,518	**51,363**	9,962
	5,845	15,785	75,650	**97,280**	55,989
Borrowings due after one year					
– Repayable by instalments					
Between one and two years	0	22,893	9,126	**32,019**	46,108
Between two and five years	0	32,731	59,206	**91,937**	138,788
After five years	0	21,741	50,029	**71,770**	70,439
	0	77,365	118,361	**195,726**	255,335
– Repayable other than by instalments					
Between one and two years	0	0	148,359	**148,359**	45,498
Between two and five years	0	0	178,771	**178,771**	248,597
After five years	0	0	167,738	**167,738**	219,308
	0	0	494,868	**494,868**	513,403
Total borrowings due after one year	0	77,365	613,229	**690,594**	768,738
Total borrowings outstanding	**5,845**	**93,150**	**688,879**	**787,874**	824,727

Borrowings totalling IR£294.2m (IR£319.3m in 1996) are State guaranteed.

14. OTHER CREDITORS – IR£000's

	Consolidated		Parent	
Creditors falling due within one year:	**1997**	1996	**1997**	1996
Progress payments on work in progress	**16,836**	9,925	**16,836**	9,925
Trade creditors	**85,173**	81,308	**81,721**	79,983
Other creditors	**18,415**	18,249	**16,046**	16,516
PAYE/PRSI	**9,764**	8,053	**9,764**	8,053
VAT	**18,257**	20,379	**18,257**	20,328
Accruals and deferred income	**61,345**	43,925	**39,238**	30,029
Deferred capital grants	**128**	43	**128**	43
Amounts owed to subsidiary undertakings	**0**	0	**13,282**	5,046
Accrued interest on borrowings	**12,511**	21,992	**12,511**	21,973
Corporation tax	**476**	925	**0**	0
Amounts owed to superannuation fund	**1,523**	777	**1,523**	777
	224,428	205,576	**209,306**	192,673
Creditors falling due after more than one year:				
Deferred capital grants	**3,087**	2,652	**3,087**	2,652
Other creditors	**77,179**	22,341	**77,179**	22,341
	80,266	24,993	**80,266**	24,993

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

Consolidated & parent	At 1 January 1997	Transfer (to)/from profit & loss account	Utilised during the year	At 31 December 1997
Provision for pension funding	2,400	0	(2,400)	**0**
Provision for major cyclical overhaul	26,329	25,321	(13,746)	**37,904**
Provision for currency movements	44,835	(7,179)	(37,656)	**0**
Provision for generating station closure	26,999	17,226	(2,371)	**41,854**
Provision for environmental costs	4,314	11,429	(6,278)	**9,465**
Provision for restructuring costs (note 3)	214,951	18,700	(131,596)	**102,055**
	319,828	**65,497**	**(194,047)**	**191,278**

Provision for currency movements

During the year, in preparation for Ireland's likely membership of the first wave of countries entering European Monetary Union, ESB entered into a number of transactions the purpose of which were to more appropriately structure its debt portfolio for the future. The costs of these transactions have been set against the provision for currency movements.

As one effect of this restructuring of the debt portfolio has been to eliminate exposure to foreign currency gains and losses on the debt portfolio, the Board deemed it appropriate to release the remaining balance of £7.2m to the profit and loss account for the year ended 31 December 1997.

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

Consolidated & parent	1997	1996
Balance at start of year	**4,787**	4,352
Provision for repayment of borrowings (see policy note 2)	**689**	214
Interest income (including gains) on sinking fund investments	**293**	221
Balance at end of year	**5,769**	4,787
Represented by:		
Sinking fund investments (Note 9)	**5,769**	4,787

17. OTHER RESERVES – IR£000's

Consolidated	Non-repayable supply contributions	Repaid capital reserve	Other reserve	Total
Balance at start of year	293,669	771,771	(132)	**1,065,308**
Non-repayable supply contributions	26,904	0	0	**26,904**
Translation differences on consolidation of foreign subsidiaries	0	0	2,237	**2,237**
Balance at end of year	**320,573**	**771,771**	**2,105**	**1,094,449**

Others above relate to subsidiary undertakings.

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

	1997	1996
Deficit from previous year	**(238,903)**	(370,541)
Retained surplus for year	**159,880**	131,638
Deficit to next year	**(79,023)**	(238,903)

The retained surplus of the parent for the year was IR£156.4m (1996: IR£128.5m)

19. CASH FLOW STATEMENT

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

	1997	1996
Operating surplus	**233,748**	209,759
Depreciation	**133,288**	117,353
Movement on provisions for liabilities and charges	**(146,472)**	(171,897)
Profit on disposal of financial assets	**(262)**	0
(Profit)/loss on disposal of tangible assets	**(809)**	807
Amortisation of capital grants	**(90)**	(43)
Translation differences	**2,237**	140
Decrease in debtors	**3,812**	21,232
(Increase) in stocks	**(2,809)**	(4,649)
Increase in creditors	**76,452**	17,901
Net cash inflow from operating activities	**299,095**	190,603

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

(Decrease)/increase in cash in the year	**(14,076)**	6,877
Repayment of loans	**47,939**	105,321
New loans in year	**(29,551)**	(13,139)
Capital element of finance lease payments	**20,205**	12,636
Cash outflow from decrease in debt and lease financing	**38,593**	104,818
Net change in sinking fund bank deposits	**982**	435
Net change in other bank deposits	**16,796**	(122,620)
Cash outflow/(inflow) from decrease in liquid resources	**17,778**	(122,185)
Change in net debt resulting from cash flows	**42,295**	(10,490)
Exchange differences	**(779)**	6,056
Movement in net debt in the year	**41,516**	(4,434)
Net debt at the start of the year	**(797,427)**	(792,993)
Net debt at the end of the year	**(755,911)**	(797,427)

19. CASH FLOW STATEMENT – continued

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

		At 1 January 1997 IR£'000	Cashflow IR£'000	Other Non-Cash Movements IR£'000	Exchange movements IR£'000	At 31 December 1997 IR£'000
Analysis of changes in net debt						
Cash at bank and in hand	*	20,434	(13,037)	0	(138)	**7,259**
Overdrafts		(773)	(1,039)	0	0	**(1,812)**
		19,661	(14,076)	0	(138)	**5,447**
Loans		(710,599)	18,388	0	(701)	**(692,912)**
Finance leases		(113,355)	20,205	0	0	**(93,150)**
		(823,954)	38,593	0	(701)	**(786,062)**
Other bank deposits	*	1,979	16,796	0	60	**18,835**
Sinking fund bank deposits and other investments		4,887	982	0	0	**5,869**
		6,866	17,778	0	60	**24,704**
Total		**(797,427)**	**42,295**	**0**	**(779)**	**(755,911)**

* 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 is planned to increase the figure to 100% over time.

The pension charge of the Group for the year was IR£24.7m (1996: IR£27.6m), based on the on-going contribution rates as advised by the actuaries. An amount of IR£2.0m (1996: IR£3.7m) 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.

Of the normal contributions, IR£1.5m (1996: 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 1997. The full potential liability for deferred taxation, at the Group's effective tax rate of 23%, is set out below:

	Consolidated and parent	
	1997	1996
Capital allowances in excess of depreciation	**248,520**	271,906
Losses forward	**(18,915)**	(79,251)
Provisions	**(27,278)**	(23,570)
	202,327	169,085

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

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

	1997	1996
Within one year	**26**	124
Between two and five years	**4**	28
After five years	**2,615**	2,900
Total payable within one year	**2,645**	3,052

(c) Capital commitments – IR£000's

	1997	1996
Contracted for	**127,717**	7,011
Authorised but not contracted for	**83,570**	190,600
	211,287	197,611

(d) Other

ESB has entered into a leasing transaction, early termination of which could expose ESB to a current estimated maximum net loss of IR£21m (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 as 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. 1997 is a 53 week year (1996 - 52 weeks).

24. COMPARATIVE FIGURES

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

25. APPROVAL OF ACCOUNTS

The Board approved the financial statements on 10 March, 1998.

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	Holding company
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 KT2 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.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Financial consultancy & computer services
Electricity Supply Board International Services B.V.	Stravinskyleen 3105 7th Floor 1077 2X Amsterdam The Netherlands	100	Power generation
ESBI Luxembourg SA	121 Avenue de la Faiencerie L.2010 Luxembourg	100	Power generation
Electricity Supply Board International Holdings B.V.	Stravinskyleen 3105 7th Floor, 1077 2X Amsterdam The Netherlands	100	Power generation

26. SUBSIDIARY AND ASSOCIATED COMPANIES (continued)

Subsidiary companies	Registered office	Group share %	Nature of business
ESB Fund Managers Ltd .	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Funds management
FinancElectric Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Customer credit
ESB Industrial Holdings Ltd.	Stephen's Court 18-21 St. Stephen's Green 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
Corby Power Ltd.	Mitchell Road Phoenix Parkway Corby Northamptonshire NN17 IQ7 Great Britain	20	Power generation
Saur Utilities Ltd.	16 St. Stephens Green Dublin 2	50	Water and sewerage treatment
Andrews Beard Dove Ltd.	16 St. Stephens Green Dublin 2	33.3	Quantity surveying
Whitegate Energy	Stephen's Court 18-21 St. Stephen's Green Dublin 2	20	Power generation

Appendix I - Financial summary

PROFIT AND LOSS ACCOUNT	1993 IR£m	1994 IR£m	1995 IR£m	1996 IR£m	**1997 IR£m**
Turnover	**943**	**977**	**1,026**	**1,104**	**1,191**
Operating costs					
Payroll	258	265	256	243	**249**
Fuel	224	238	275	296	**307**
Depreciation	96	104	116	117	**133**
Operations and maintenance	253	234	224	238	**267**
Operating surplus	112	136	155	210	**235**
Net interest payable	78	73	72	59	**55**
Exceptional costs	0	25	367	19	**19**
Provision for repayment of borrowings	55	57	0	0	**1**
(Deficit)/surplus	(21)	(19)	(284)	132	**160**
Cumulative deficit	(68)	(87)	(371)	(239)	**(79)**

SOURCES AND EMPLOYMENT OF CAPITAL					
Sources:					
Debt liabilities outstanding (net of sinking fund investments)	938	1,009	931	820	**782**
Reserves	884	940	676	831	**1,021**
Provision for liabilities and charges	88	111	467	320	**191**
	1,910	2,060	2,074	1,971	**1,994**
Employment:					
Fixed assets	1,682	1,727	1,743	1,791	**1,887**
Net current assets excl. cash	221	183	193	158	**81**
Cash	7	150	138	22	**26**
	1,910	2,060	2,074	1,971	**1,994**

KEY RATIOS	1993	1994	1995	1996	**1997**
Return on average capital employed (%)	7.0	6.1	(10.8)	9.1	**10.1**
Debt/net assets (%)	52.0	52.0	58.0	50.0	**44.0**
Current ratio (times)	2.4	3.0	3.1	2.0	**1.8**
Interest cover (times) (excluding interest capitalised)	1.7	1.7	(3.0)	3.1	**3.8**
Foreign / total borrowings (%)	48.0	35.2	20.3	0.0	**0.0**
Average electricity credit period (days from date billed)	16.8	16.8	16.4	16.2	**16.2**
Input to Ireland's economy					

Appendix II - Input to Ireland's economy

	1993 IR£m	1994 IR£m	1995 IR£m	1996 IR£m	**1997 IR£m**
Fuel: natural gas, peat, excise duties	129	137	160	174	**177**
Irish suppliers of goods and services including capital work	189	218	213	227	**253**
Rates	32	34	35	36	**38**
Payroll costs including capital projects	301	306	301	292	**305**
Interest paid to Irish lenders and stockholders	24	22	29	22	**17**
Other superannuation funding and CCR voluntary severance payments	-	-	8	187	**134**
TOTAL	675	717	746	938	**924**

Appendix III - Statement of borrowings

Detailed statement of borrowings (Parent) – including leases

Amount borrowed		Year(s) of borrowing		Year(s) of maturity	Balance outstanding at end of 1997	
	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	15,750
IEP	40,000	1993 - 1994	Stock - 8.25%	2013	IEP	40,000
IEP	206,945	1984 - 1995	Domestic Financial Institutions	1989/2002	IEP	114,732
IEP	77,000	1990 - 1995	European Investment Bank	1995/2004	IEP	73,400
IEP	21,252	1994	U.S. Bank	2008	IEP	16,792
			Foreign currency borrowings			
		1978/93	European Investment Bank	1983/2008		
USD	106,666		- United States Dollars		USD	39,713
DEM	270,215		- Deutsche Marks		DEM	71,181
NLG	148,894		- Netherlands Guilders		NLG	40,450
CHF	361,576		- Swiss Francs		CHF	109,861
JPY	10,205,000		- Japanese Yen		JPY	3,716,686
GBP	20,185		- Sterling		GBP	13,931
XEU	82,641		- European Currency Unit		XEU	39,935
LEC	2,761,636		- Luxembourg Francs		LEC	119,991
ITL	8,145,000		- Italian Lire		ITL	3,574,026
FRF	149,600		- French Francs		FRF	69,310
FRF	376,961	1973/85	French Banks	1977/2004	FRF	33,670
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	100,786	1989/97	U.S. Insurance Co.	1999	XEU	100,786
XEU	38,765	1990/97	U.S. Insurance Co./Swiss Bank	2001	XEU	38,765
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	7,295
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
USD	27,576	1997	U.S. Bank	2017	USD	27,375

At the year end, all foreign currency borrowings are swapped to Irish pounds to eliminate exchange rate exposure.

Notes

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Notes

designed and produced by **creative inputs**

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