competitive

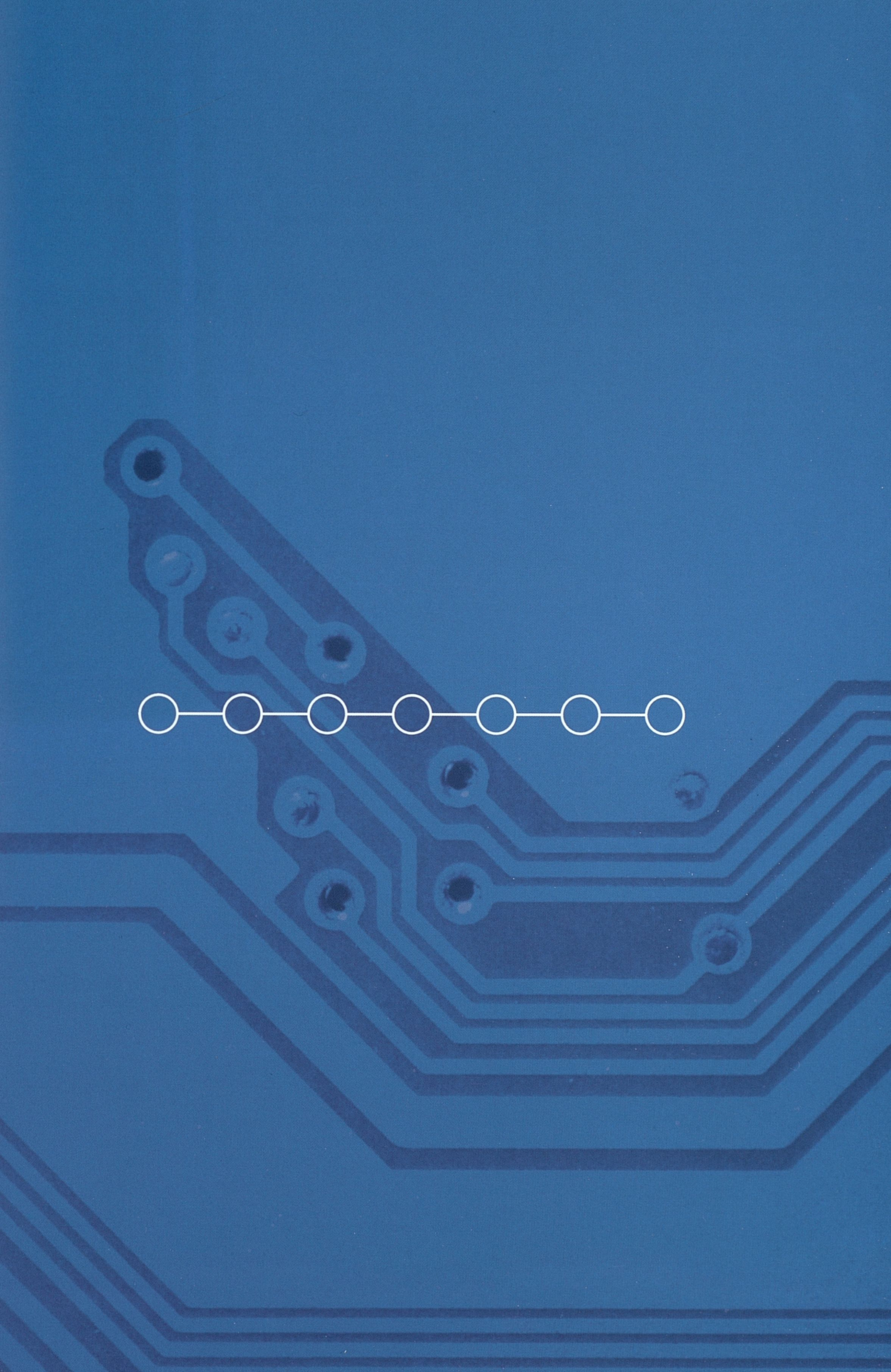
essential

enabling



Annual Report and Accounts
for the year ended 31 December 1998

هندسة البرمجيات
Software Engineering



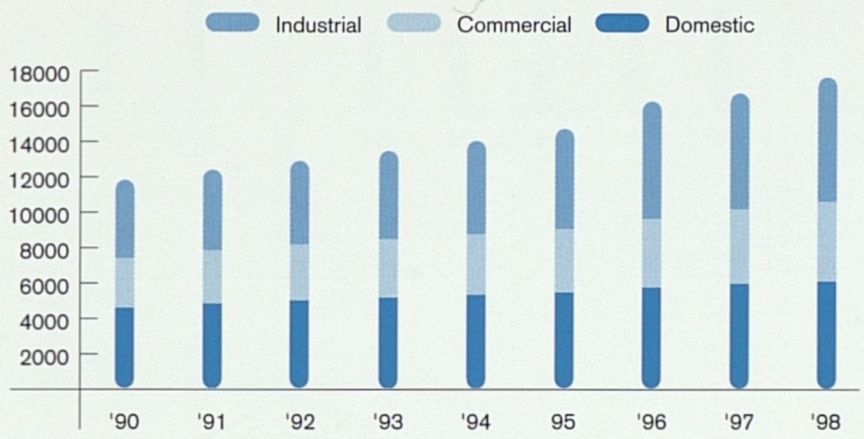
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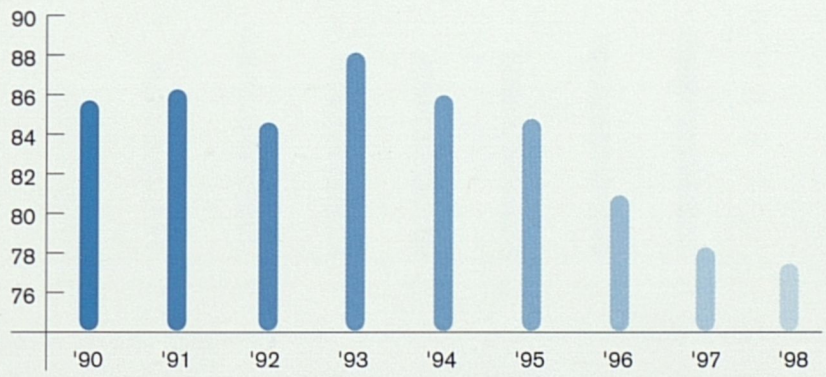
highlights

	IR£m	Change on 1997	Euro€m
Turnover	1,261	+5.9%	1,601
Surplus for the Year	197	+9.3%	250
Assets in commission (gross)	3,436	+6.9%	4,363
Borrowings	701	-11%	890
Sales (million units)	17,440	+5.5%	
Total customers	1,528,359	+3%	

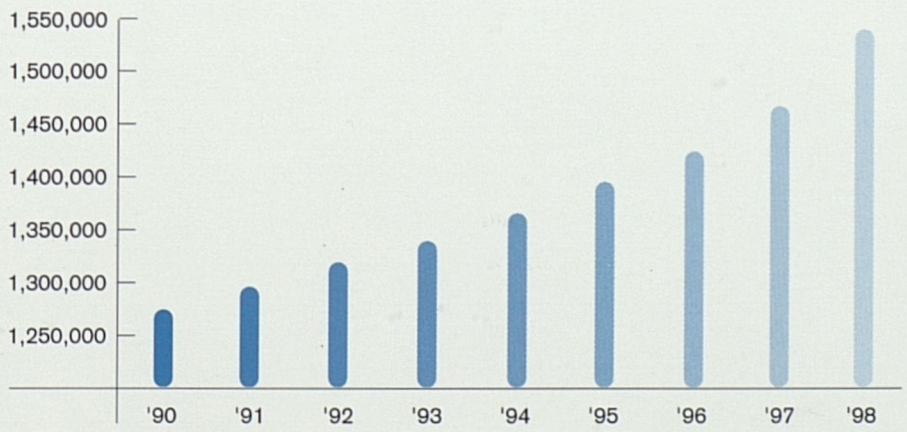
Financial highlights



Sales units (millions)

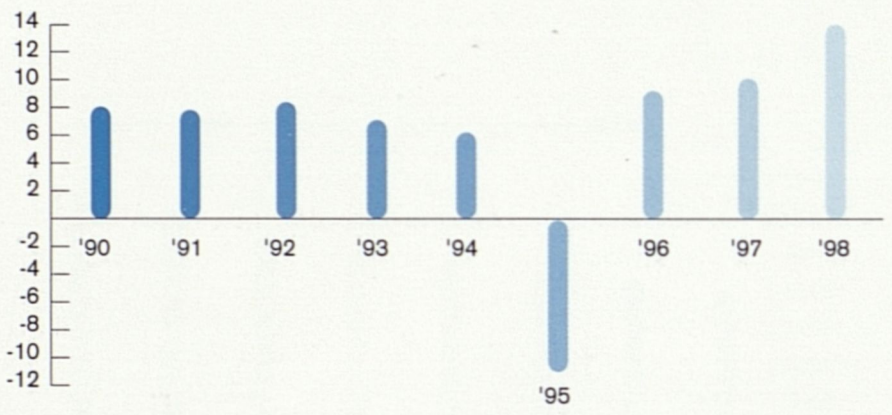


Operating costs/turnover%

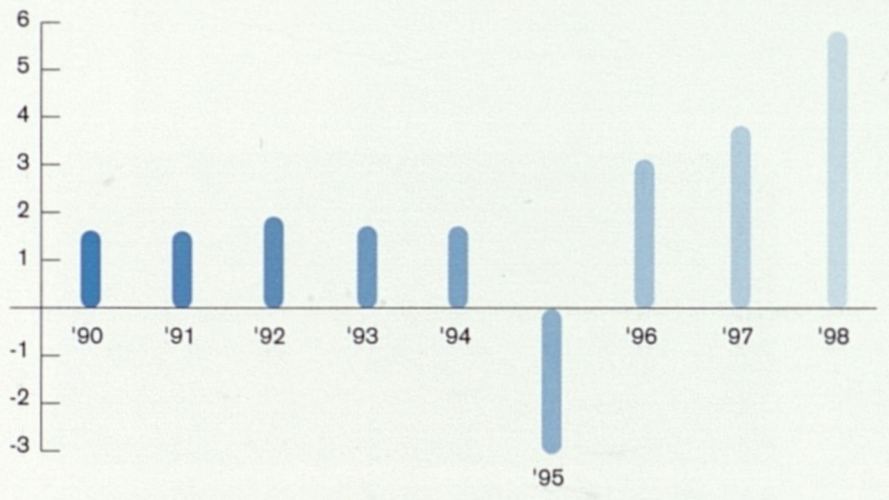


No. customers

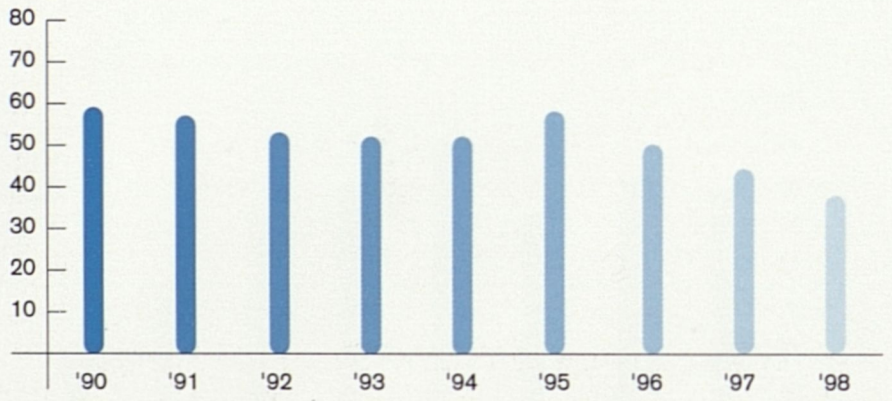
highlights



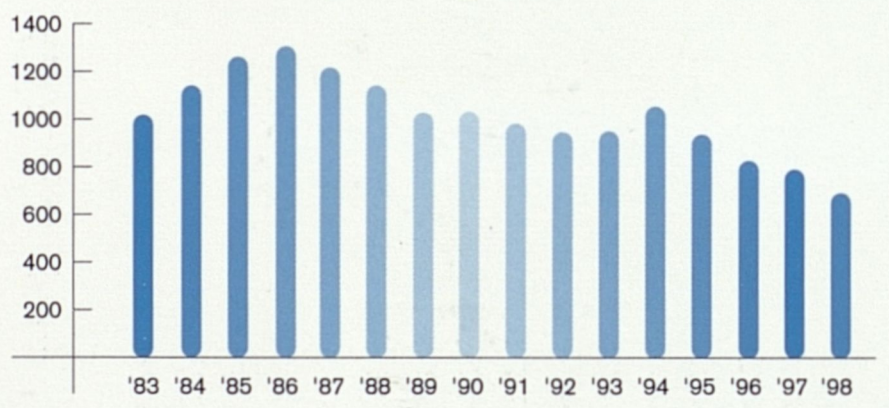
Return on average capital employed%



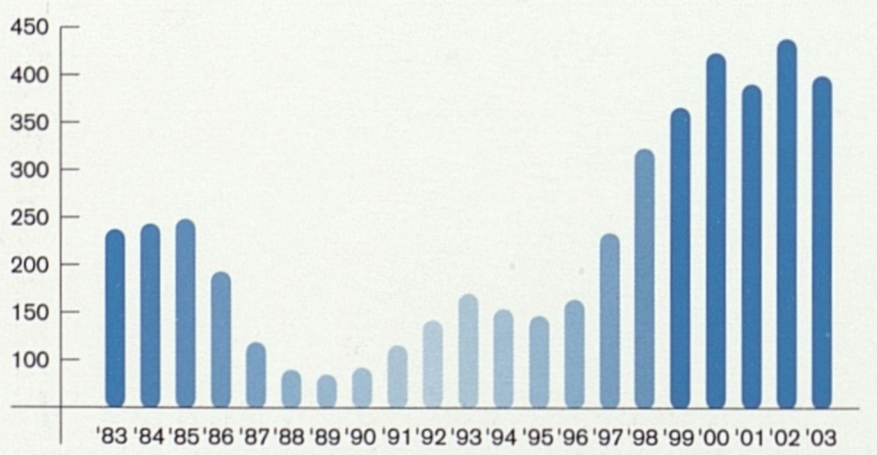
Interest cover%



Debt/debt and net assets%



Borrowings £m



Capital expenditure to 2003 £m

chairman's statement



ESB harnesses energy released from diverse fuel sources such as coal, oil, gas, peat, biogas, water and wind



chairman'sstatement

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 31st December 1998.

Since its foundation over 70 years ago, ESB has been the sole supplier of electricity in the Republic of Ireland. That is about to change as we move rapidly towards deregulation of our industry. It is an event we look forward to with keen anticipation.

Over recent years ESB has engaged in a major programme of change designed to prepare the company for the opportunities and challenges which this new scenario will bring. We have worked hard to strengthen our commercial focus and to achieve a financial performance consistent with the substantial levels of reinvestment needed to sustain our industry.

The scale of the challenges should not be underestimated. In the five years to 2003 we expect to invest a total of £2 billion on building new generating capacity and refurbishing the distribution and transmission networks. At the same time we are about to face competition from new suppliers who will compete aggressively with us for large business customers.

One of the key challenges for ESB, will be to retain our customer base and still produce the profits we need to re-invest in our business - both now and in the future. To achieve this we have to deliver further improvements in efficiency.

I am pleased that we have made significant progress in this regard. The Cost and Competitiveness Review, undertaken in partnership with our employees and owner, continued to deliver further annual savings last year of £25 million on top of the recurring £60 million achieved over the two preceding years.

In 1998 our surplus, after tax, increased by 9% to £197 million. Our return on capital employed was 12% which brings us to the target identified in our corporate strategy as being the minimum necessary for a sustainable business.

While we are satisfied with this progress, we also know there is considerable work ahead of us if we are to continue to be competitive and successful in our various markets. We have long recognised that we cannot make plans focusing on our local Irish marketplace in isolation. To compete successfully in the liberalised European electricity supply market, ESB must

achieve greater scale. This can only be accomplished by actively participating in the broader international marketplace.

Our strategy, therefore, has been to identify significant opportunities for profitable expansion, both in Ireland and internationally. It requires us to capitalise on our sectoral knowledge, skills, financial resources and international success to date.

As outlined in our 1997 annual report, we have already embarked on this programme by taking significant positions in power generation projects in the UK and Northern Ireland. This is the beginning of a strategically important overseas investment and acquisitions programme that, it is envisaged, will require total equity investment in the order of £120 million. Ocean, our joint venture with British Telecom, which was formed to avail of opportunities in the Irish telecommunications market, came to fruition in June. It was well placed to take advantage of the decision by the Minister for Public Enterprise to bring forward the deregulation of public voice telecommunications in Ireland by a full year.

Ocean is an innovative approach which leverages existing ESB assets and involves an alliance with a proven international player to minimise risk and maximise opportunity. It is an excellent example of ESB's growth strategy in action.

Throughout the developed world the electricity supply industry is now regarded as "mature". This perception implies that the necessary infrastructures are now in place to ensure that electricity is available to everyone. Significantly, it also assumes that improved efficiencies - and therefore lower costs to customers - can be achieved by opening up a former public service monopoly to competition from alternative providers.

In many countries this hoped for improvement in pricing is regarded as an important component of international competitiveness, which is why deregulation of the electricity industry is being promoted by EU Commission Directives. These require that our marketplace is opened up to a level of competition by the year 2000. In fact, the same process is happening in many national markets across the globe, from Eastern Europe and India to China and Australia.

One of the most pressing issues which we addressed last year in consultation with the Department for Public Enterprise, was the precise way in which the EU Directive on the liberalisation of electricity markets across Europe will be implemented here in Ireland.

The very nature of our industry makes this a highly complex matter, especially if the best interests of all key stakeholders, including electricity customers and the Government - as owner of the existing monopoly supplier - are to be given due regard.

International experience does not provide a readymade model for Ireland, primarily because of the isolated nature of our electricity industry and the imbalance in our population densities. Striking a balance, which will best meet the present and future needs of Irish customers and the Irish economy, as a whole, is not an easy task.

We have been impressed by the painstaking and considered way in which the Government has sought to take these various issues into account in making its plans. These issues include those of national strategic importance such as the right balance between protecting the needs of Irish consumers and the need to allow competitive forces to determine pricing in the marketplace. With regard to the latter, we have made clear our concerns that ESB's legacy of social commitments and compliance with the objectives of our owner be taken into account in the arrangements.

For national reasons, ESB has been required by its owner to operate generation plant for as long as possible. A number of our stations, for example, are 40 years old having been commissioned with normal plant lifetimes of 25 years. Power stations incur higher maintenance costs as they grow older. Furthermore, heavy capital expenditure would be required to refurbish older plant if more stringent environmental protection requirements are demanded - without delivering any compensating improvements in efficiency. To a significant extent, therefore, the difference between ESB's average cost of production of existing Irish generating stations and the expected production costs of new competitors represents the sociopolitical cost of maintaining plant beyond its economic working life.

The inevitable discrepancies in efficiencies between the established producer and competitors using new plant will take time to correct. In many countries which have already deregulated, this problem has been

addressed through the introduction of a transition levy, payable by all customers, which equates to the inherent cost differentials between old plant and the costs of the latest technologies. The levy lasts for a specified number of years to allow the transition from older plant to modern technologies without large scale disruption to the communities dependent on existing stations. There are also currently significant social costs involved in providing and guaranteeing supply to all customers - domestic as well as large businesses - irrespective of where they are located in the country. These too, are costs which need to be taken into account and shared in an equitable manner if the playing pitch is to be level for all participants.

In seeking to devise fair transitional arrangements, Ireland can benefit from the experience of others. We are optimistic that, when the many factors have been weighed, the approach adopted will seek to exploit the advantages that competition can bring while at the same time avoiding the serious drawbacks inherent in some of the essentially dogma-driven approaches apparent elsewhere.

In addition to new legislation to implement the EU Directives on deregulation, work is also well advanced on new legislation that will establish ESB as a plc, in line with the commercial freedom it is being given to participate in a deregulated marketplace. When this is completed it will facilitate the provision of 5% of the company's shares to ESB staff. This direct equity participation, committed under the 1996 tripartite Cost & Competitiveness Review, represents a significant step in the partnership approach to prepare ESB for the challenges ahead.

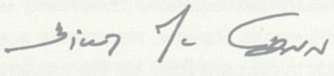
I have been greatly encouraged during the past year by the level of commitment to achieving improved performance and customer focus demonstrated by ESB staff under the leadership of our Chief Executive, Ken O'Hara.

In engaging in significant cultural as well as organisational change over recent years, ESB management and staff have shown that it is indeed possible to improve commercial focus without compromising the strong service ethos which has underpinned our success to date. This applies equally in both the home and overseas markets, where ESB continues to earn good revenues from its businesses.

Last Christmas, for the second year in a row, about 1,000 ESB staff worked long hours to restore supplies badly disrupted by storms. The speedy and efficient way in which damaged networks were made safe and supply restored was a great credit to the individuals involved and reflects the ethos of service which is a hallmark of the organisation. It is this sense of responsibility and commitment which has stood well to Ireland, as a country, over many years and which will stand well to ESB in the future as it moves with confidence into an increasingly competitive business environment.

I also want to express my particular thanks to the management and staff of ESB for another year of strong achievement. The Board is determined to work with them to ensure that the essential factors that I believe will differentiate ESB from its new competitors will not be at risk.

Finally, I would like to express my thanks to my colleagues on the Board for their work during the year and to thank the Minister for Public Enterprise and the officials in her Department for the help and support they have given us throughout 1998.



W M McCann
Chairman

ráiteasanchathaoirligh


ELECTRIC CABLE

ESB's network efficiently and cost effectively delivers energy to all customers

ráiteasanchathaoirligh

Ag cloí le forálacha An Achta um (Sholáthar) Leictreachais 1927 (de réir mar a leasaíodh sin) cuireann an Bord an Tuarascáil Bhliantúil agus Cuntais i láthair don bhliain dar críoch 31ú Nollaig 1998.

Ó bunaíodh é breis agus 70 bliain ó shin, is é an BSL an t-aon soláthróir leictreachais i bPoblacht Éireann. Tá sé sin le hathrú de réir mar a dhruideann dírialú an tionscail linn. Is rud é sin a bhfuilimid ag súil go mór leis.

Le roinnt blianta anuas tá tréaniarrachtaí ar siúl ag BSL chun an comhlacht a athrú agus a ullmhú le haghaidh na ndeiseanna agus na ndúshlán a thiocfaidh de bharr na n-athruithe seo. Chuireamar dua mór orainn féin chun an ghné thráchtála a neartú agus staid airgeadais a bhaint amach atá oiriúnach i gcomhair na infheistíochta suntasaí nua a theastaíonn chun an tionscal a chaomhnú.

Níor chóir beag a dhéanamh de na dúshláin atá romhainn. Sna cúig bliana idir seo agus 2003, tá súil againn £2 bhilliún a infheistiú ar áiseanna nua gineadóireachta a thógáil agus na gréasáin seachadtha agus tarchuradóireachta a athchóiriú. Ag an am céanna, is gearr go mbeimid in iomaíocht le soláthróirí nua a bheidh ag iomaíocht go dian linn ar son mórchustaiméirí gnó.

Ar na dúshláin is tábhachtaí roimh BSL tá ár gcuid custaiméirí féin a choinneáil agus fós féin na brabúis a chur ar fáil atá riachtanach má tá infheistíocht nua le déanamh sa ghnó - san am i láthair agus san am atá le teacht. Le sin a dhéanamh, ní mór dúinn ár gcumas agus ár n-éifeachtúlacht a fheabhsú tuilleadh.

Tá mise sásta go bhfuil dul chun cinn nach beag déanta againn maidir leis seo. Bhí coigealtas breise £25 milliún ann anuraidh anuas ar an £60 milliún a baineadh amach gach bliain den dá bhliain roimhe sin, a bhuíochas sin don Athbhreithniú Costais agus Cumas Iomaíochta, a cuireadh i gcríoch i gcomhar leis an bhfoireann agus leis an úinéir.

Sa bhliain 1998 tháinig méadú 9% ar ár bhfarasbarr tar éis cánach, ar shlí gur fiú £197 milliún anois é. Bhí fáltas 12% ar an gcaipiteal a bhí in úsáid againn, an tsuim chéanna a luaíodh inár straitéis chorparáideach mar an tsuim ab ísle a bheadh feiliúnach le haghaidh gnó inmharthanaigh.

Cé go bhfuilimid sásta leis an dul chun cinn sin, tá a fhios againn go bhfuil go leor le déanamh má táimid le leanúint ar aghaidh go hiomaíoch buacach sna margaí éagsúla. Thuigeamar riamh roimhe nach féidir linn pleananna a cheapadh atá dírithe ar mhargadh na hÉireann. Le gur féidir linn bheith san iomaíocht i margadh soláthair leictreachais na hEorpa tar éis a dhírialaithe

ní mór don BSL feidhmiú ar bhonn níos leithne ná sin. Ní dhéanfar sin gan bheith gníomhach sa mhargadh leathan idirnáisiúnta.

Is é ár straitéis, mar sin, ná mórdheiseanna brabúis a aithint le haghaidh fáis in Éirinn agus go hidirnáisiúnta. Ní mór dúinn leas a bhaint as ár n-eolas ar an earnáil, ár scileanna, ár n-acmhainní airgid agus an méid atá bainte amach againn go hidirnáisiúnta go dtí seo.

Mar a míníodh i dtuarascáil bhliantúil 1997, tá tús curtha againn leis na hiarrachtaí seo cheana agus róil thábhachta bainte amach againn i dtionscnaimh ghinte leictreachais sa Ríocht Aontaithe agus i dTuaisceart Éireann. Is é atá ann ná an chéad chéim in infheistíocht choigríche a bhfuil tábhacht straitéiseach ag baint léi agus a meastar go dteastóidh infheistíocht chothromais dar luach £120 milliún nó mar sin lena aghaidh. Ba chun deiseanna i margadh teileachumarsáide na hÉireann a thapú a bunaíodh Ocean, comhfhiontar idir muid féin agus British Telecom a tháinig chun foirfeachta i Mí Mheithimh. Bhí ar chumas an fhiontair nua leas a bhaint as cinneadh a rinne An tAire Fiontar Poiblí tosú ar thelecoim ghutha phoiblí a dhírialú bliain iomlán níos luaithe ná mar a bhí i gceist.

Cur chuige úrnua atá ag Ocean, a bhaineann leas iomlán as acmhainní BSL agus a chruthaigh comhpháirtíocht le foras idirnáisiúnta mórchlúiteach d'fhonn priacal a laghdú agus deiseanna a mhéadú. Sárshampla is ea é de straitéis fáis BSL á cur i bhfeidhm.

I ngach cearn den domhan forbartha glactar leis gur tionscal 'aibí' is ea an tionscal soláthair leictreachais. Tugann an méid sin le fios go bhfuil na bonneagair riachtanacha ann chun a chinntiú go bhfuil leictreachas ar fáil ag cách. Níos tábhachtaí fós, tugann sé le fios gur féidir an tionscal a dhéanamh níos éifeachtúla agus costais tomhaltóirí a laghdú trí ligean do sholáthróirí nua dul in iomaíocht leis an tionscal seo, a bhí seal ina mhonaplacht phoiblí.

Tá go leor tíortha ann a fhéachann ar na feabhsuithe praghsanna seo mar ghné thábhachtach den chumas iomaíochta idirnáisiúnta, agus sin é an fáth go bhfuil Treoirlínte dréachtaithe ag Coimisiún na hEorpa le dírialú thionscal an leictreachais a chur ar aghaidh. Éilíonn siad sin go mbeidh leibhéal áirithe oscailteachta sna margaí faoin mbliain 2000. De dhéanta na fírinne tá an próiseas céanna ag titim amach in go leor margadh náisiúnta fud fad na cruinne, ó Oirthear na hEorpa agus an India go dtí an tSín agus an Astráil.

Ar na hábhair is práinní dá ndeachamar i ngleic leo anuraidh, i gcomhar leis an Roinn Fiontar Poiblí, bhí Treoirlíne an Aontais Eorpaigh maidir le

margaí leictreachais na hEorpa a dhírialú agus conas a chuirfear i bhfeidhm anseo in Éirinn é.

Ábhar an-chasta é seo, toisc leagan amach agus cineál an tionscail, agus toisc go bhfuil an freastal ceart le déanamh ar na príomhpháirtithe sa scéal, na custaiméirí leictreachais agus an Rialtas, ar leo an an soláthróir monaplachta atá anois ann.

Níl aon réamheiseamláir le fáil d'Éirinn ón taithí idirnáisiúnta atá againn go dtí seo. Tá sé sin amhlaidh de dheasca ár dtionscal leictreachais a bheith scartha amach agus dlúsanna daonra a bheith chomh héagothrom agus atá siad. Saothar mór is ea é cothromaíocht a bhaint amach a ligfidh dúinn freastal ar riachtanais chustaiméirí agus gheilleagar na hÉireann trí chéile.

Is mór againn an cruinneas agus an stuaim atá léirithe ag an Rialtas agus iad ag iarraidh na hábhair seo ar fad a chur san áireamh sna pleananna atá á ndéanamh acu. Tá ceisteanna anseo a bhfuil tábhacht straitéiseach náisiúnta ag baint leo, cuir i gcás an chothromaíocht chuí a bhaint amach idir cearta thomhaltóirí na hÉireann a chosaint agus ligean d'fhórsaí iomaíocha praghsanna an mhargaidh a shocrú. Maidir leis an ábhar deireanach sin, tá curtha in iúl go soiléir ag BSL go gcaithfidh na cúraim shóisialta a bhí ar an BSL a chur san áireamh, chomh maith leis an tslí ar chloíomar riamh le cuspóirí ár n-úinéara.

Chuir úinéir BSL iallach orainn, ar chúiseanna náisiúnta, gléasra gineadóireachta a fheidhmiú ar feadh tréimhsí chomh fada agus ab fhéidir. Roinnt dár stáisiúin, cuir i gcás, tá siad ann le 40 bliain, cé gur tréimhse 25 bliain a bhí i gceist nuair a coimisiúnaíodh iad. Méadaíonn ar chostais chothabhála de réir mar a théann stáisiúin chumhachta in aois. Anuas air sin, má dhéantar na riachtanais chomhshaoil atá i bhfeidhm anois níos déine, theastódh caiteachas mór caipitil chun seanghléasraí a athchóiriú. Ní dócha go mbeidh aon fheabhsú i gceist mar chúiteamh ar an gcaiteachas seo. D'fhéadfá a mhaíomh, mar sin, gurb é an costas sochpholaitiúil a bhaineann le feidhmiú na seanghléasraí neamheacnamaíocha seo is cúis leis an difear idir meánchostas táirgthe BSL sna stáisiúin ghinte Éireannacha atá anois ann agus na costais táirgthe is dócha a bheidh ar iomaitheoirí nua.

Tógfaidh sé tamall na difríochtaí éagsúla in éifeachtúlacht an táirgeora seanbhunaithe agus na hiomaitheoirí a bhfuil gléasraí nua in úsáid acu a réiteach. Ba é an réiteach a bhí ag go leor tíortha ar an bhfadhb seo tar éis dóibh an margadh a dhírialú ná tobhach idirthréimhse a thionscnamh, tobhach a bhí le híoc ag gach custaiméir agus arb ionann é agus an difear costais idir táirgeadh le seanghléasraí agus táirgeadh leis na forbairtí

teicneolaíochta is úire. Maireann an tobhach ar feadh méid áirithe blianta chun gur féidir aistriú ó na seanghléasraí go dtí na cinn is nua-aimseartha ó thaobh na teicneolaíochta de gan cur isteach an iomarca ar phobail atá ag brath ar stáisiúin atá ann cheana. Anuas air sin, tá costais shóisialta nach beag ag baint le soláthar a chur ar fáil do gach custaiméir - idir úsáideoirí teaghlaigh agus úsáideoirí gnó - beag beann ar cén áit a bhfuil siad ina gcónaí. Is costais iad seo nach mór a chur san áireamh agus a roinnt go cothrom má tá cothrom na féinne le bheith ag cách san iomaíocht.

Agus muid ag iarraidh socruithe idirthréimhse a cheapadh, is féidir le hÉirinn leas a bhaint as taithí tíortha eile. Tá súil againn, tar éis gach rud a mheas, go roghnófar cur chuige a bhainfidh leas as na buntáistí a bhaineann le dírialú agus a sheachnóidh na míbhuntáistí a bhaineann le cuid de na modhanna oibre atá i bhfeidhm in áiteanna eile, modhanna atá ag brath go mór ar dhogma.

Chomh maith le reachtaíocht nua chun Treoirlínte an AE ar dhírialú a chur i bhfeidhm, tá tús maith curtha leis an obair maidir le reachtaíocht nua a bhunóidh BSL mar chuideachta theorannta phoiblí, rud atá ag teacht leis an tsaoirse thráchtála atá le bronnadh orainn chun ligean dúinn gníomhú sa mhargadh dírialaithe. Nuair atá sé seo déanta, beifear in ann 5% de scaireanna an chomhlachta a chur ar fáil do fhoireann BSL. Céim mhór chun tosaigh sa chur chuige comhpháirtíochta is ea an rannpháirteachas cothromas díreach seo, cur chuige a ceapadh chun BSL a ullmhú do na dúshláin atá romhainn.

Is mór an t-ardú meanman domsa le bliain anuas an díograis atá léirithe ag foireann BSL faoi stiúir ár bPríomhfheidhmeannaigh Ken O'Hara agus iad ag iarraidh barr feabhais a chur ar an obair agus ar an bhfreastal ar chustaiméirí.

Agus iad ag dul i ngleic leis na hathruithe móra cultúrtha atá i ndiaidh teacht ar chúrsaí le blianta beaga anuas chomh maith le hathruithe san eagraíocht, tá léirithe ag bainisteoirí agus foireann BSL gur féidir béim bhreise a leagan ar chúrsaí tráchtála gan cur isteach ar an etos láidir seirbhíse a chuir ar ár gcumas an staid seo a bhaint amach. Tá sé sin amhlaidh i gcás na margaí baile agus na margaí eachtranacha araon, margaí a bhfuil gnólachtaí BSL ag tuilleamh ioncaim mhaith orthu i gcónaí.

An Nollaig seo caite, don dara bliain as a chéile, d'oibrigh timpeall 1,000 fostaí de chuid BSL ar feadh laethanta fada ag iarraidh an soláthar a thabhairt ar ais tar éis do stoirmeacha cur isteach go mór air. Is mór an chreidiúint do na daoine sin go raibh siad chomh gasta agus chomh héifeachtúil sin i mbun na ngréasán a dhéanamh sábháilte arís agus an soláthar a thabhairt ar ais agus is léiriú maith é ar an meon seirbhíse atá i

réim san chomhlacht. Is mór mar a chuaigh an cúram agus an díograis sin chun sochair do thír na hÉireann thar bhlianta fada agus rachaidh sé chun sochair do BSL san am atá le teacht agus é á ullmhú féin go féinmhuiníneach i gcomhair shaol gnó a mbeidh an iomaíocht ag dul i ngéire ann.

Ba mhaith liom buíochas faoi leith a chur in iúl do bhainisteoirí agus d'fhoireann BSL as bliain eile ar cuireadh cuid mhór i gcríoch lena linn. Tá sé de rún ag an mBord saothrú i bpáirt leo chun a chinntiú nach baol do na buanna riachtanacha sin a scarann BSL ó na hiomaitheoirí nua.

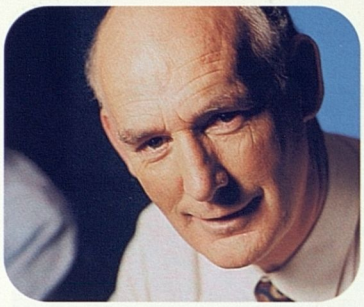
Mar fhocal scoir, ba mhaith liom mo bhuíochas a chur in iúl do mo chomhghleacaithe ar an mBord as an obair a rinne siad le linn na bliana agus mo bhuíochas a thabhairt don Aire Fiontar Poiblí agus do na hoifigigh ina Roinn siúd as an gcabhair agus an tacaíocht a thug siad dúinn le linn 1998.

W M McCann
Cathaoirleach

chief executive's review



ESB restored power to 100,000 customers within 24 hours, after hurricane force storms damaged power lines



chiefexecutive'sreview

Driving the business forward

ESB once again demonstrated in 1998 that it has the ability, through the skills and the determination of its staff to return a strong performance for and on behalf of its customers and its owner. In the face of continuing high growth in demand, the organisation maintained high quality continuous supply while improving efficiency.

The Chairman has referred in his report to the challenges we face. Within two years we must compete on price with any new power producers entering the market who will enjoy the operational efficiencies of new plant. At the same time, we must earn sufficient operating surpluses to support the construction of our own modern, efficient plant and to complete our major investment programme of network improvement.

In keeping with our increased commercial focus I have set out my review this year in a way which demonstrates how we meet business objectives in all our activities.

reviewoffinances



ESBI, a wholly owned subsidiary of ESB, provides expert consultancy services worldwide

Group financial results

The surplus for the year was £197 million, an increase of 9% over 1997, and the accumulated deficit on the Profit and Loss Account has now finally been cleared.

The results include a charge of £21 million in respect of the planned employee shareholding scheme and a significant corporation tax liability arises for the parent Company for the first time.

Group summary £m	1998	1997	Change
Turnover	1,261	1,191	+70
Operating costs	(940)	(926)	+14
Restructuring & shareholding scheme	(37)	(7)	+30
Interest & associates	(64)	(77)	-13
Surplus before tax	220	181	+39
Taxation	(23)	(1)	+22
Surplus after tax	197	180	+17

We have opted for the early implementation of Financial Reporting Standard (FRS) 12 "Provisions, Contingent Liabilities and Contingent Assets" which is mandatory for accounting periods ending on or after 23rd March 1999. This has resulted in changes to our accounting policies in relation to provisions for cyclical overhauls, environmental and station closure costs. The 1997 accounts have been restated to reflect the prior year adjustment required by these policy changes. The changes in the policies and their financial impact are detailed in the accounts. Overall, the impact of FRS 12 is to increase the 1998 surplus by £23 million and that of 1997 by £20m.

The return on capital employed (ROCE) for 1998 is 12%, the target adopted in our corporate strategy "ESB: Confident & Competitive". This level of return is seen as the minimum required by ESB to fund its large capital investment programme and meet the competitive challenges ahead while still remaining financially healthy.

The results for 1998 were achieved against a background of relatively benign external cost factors, with both fuel prices and interest rates at historically low levels. Fuel costs in 1998 were lower than in 1997, despite the growth in demand for electricity. Electricity sales continue to grow at over 5% per annum, reflecting the vibrant economy. While contributing to the very robust results for 1998, this growth also places an increasing

strain on our basic infrastructure which inevitably results in the need for increased capital investment to reinforce the network over future years.

It is salutary to realise that, had it not been for the benign external cost environment, our profitability and financial strength would have been significantly weakened.

All of our surplus for 1998 is being reinvested in the business, primarily in reducing borrowings, in the funding of our extensive capital programme and in meeting remaining liabilities arising out of the Cost and Competitiveness Review referred to later.

Cash balances at the end of 1998 were almost the same as at the end of 1997, demonstrating that cash generated from operations was just sufficient to meet all of our outgoings including capital expenditure and our repayment of borrowings schedule. Total borrowings at the end of 1998 amounted to £701 million, a reduction of £87 million on 1997. The reduced level of borrowings has resulted in a reduction in the ratio of debt to debt and net assets to 38%.

Capital expenditure for 1998 amounted to over £300 million, a significant increase on the previous year's expenditure. The 1998 work programme included:

- continuation of the five-year distribution networks renewal programme, which began in 1996
- connection of 44,619 new customers
- significant transmission and distribution network projects to meet load growth and to improve supply standards, and
- work on the new Poolbeg Gas Turbine generating station.

We will invest £2 billion in our electricity infrastructure over the next five years, a large part of which will be invested in our transmission and distribution networks.

Cost and Competitiveness Review

The comprehensive review of ESB's cost base which was completed in 1996, the Cost and Competitiveness Review (CCR), is nearing the end of its three year implementation period. The programme, which includes voluntary staff reductions of 2000, is proceeding well with cumulative annual savings running at £85 million by the end of 1998.

The total discounted cost of implementing the CCR restructuring plan, including related adjustments to superannuation contributions, is estimated at £289 million compared to an original estimate of £278 million. Net savings and the payback period are expected to be in line with the agreed targets.

The commitment to establish an Employee Shareholding Scheme agreed as part of CCR gives rise to a liability in respect of 1997 and 1998. As a result a charge of £21 million has been made to the 1998 profit and loss account, representing 5% of relevant profits for these years.

Taxation

Up to 1998, the Group's liability to Corporation Tax arose in respect of profits in subsidiary undertakings. This year the parent entity will make a significant tax payment to the Exchequer in respect of its surplus for the year because losses forward and capital allowances from earlier activities have been fully utilised.

Non-core Businesses

The non-core businesses (ESB International, Retail and Contracting) once again enjoyed good market conditions and performed ahead of budget. ESB International continues to perform strongly. During the year it has widened its engineering activities in South East Asia and continues to grow its generation operations worldwide.

ESB Retail results for 1998 reflected the buoyancy of the Irish economy with record levels of electrical appliance sales. ESB Contracting, which provides medium and high voltage infrastructure for Ireland's industrial plants had another highly successful year. The refurbishment of public lighting throughout the country accounted for a significant part of the years activity. The business has been positioned for further growth through the development of new customer products, such as Power Quality Solutions which was launched last year.

Treasury activities

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 1998, the interest rates on approximately 80% of ESB debt were fixed to maturity, while the balance was primarily at floating rates. At year end, all of ESB's foreign debt portfolio had been swapped into Irish Pounds.

The introduction of the euro will result in a reduction of about 12% in ESB's foreign currency exposure on fuel and other purchases. Our main foreign currency exposures, the Dollar and Sterling, will still require active management. All Irish Pound debt and debt denominated in other participating currencies will effectively be euro debt with no further foreign currency exposure.

European Monetary Union

The implications of the introduction of the euro have been under review in ESB since 1996. The impact of the change in each area has been fully assessed, an overall strategy has been agreed across the Group and the necessary plans prepared.

Since the beginning of 1999 ESB has been in a position to:

- accept and process customer payments in euros
- conduct all transactions with suppliers/banks in euros, and
- comply with detailed conversion, triangulation and rounding rules.

IT system development has been undertaken to facilitate dual display of Irish pound and euro equivalent totals on customer bills from early 1999. ESB will be ready for a smooth changeover of all financial systems to the euro at the end of the three year transition period.

The total cost of implementing the euro in ESB is estimated at £6 million. We have presented our Profit and Loss Account and Balance Sheet in euros.

Year 2000

ESB is meeting the challenges to its operating and other systems and equipment presented by the Year 2000 problem and its potential effect on our Group and the wider business community. While the challenges are significant, ESB is approaching the date change in a formal and systematic way and in accordance with industry practices. Our Year 2000 Programme is designed to ensure that we use all reasonable endeavours to have electricity available for all our customers. Obviously one of the major concerns being addressed is to maintain an uninterrupted service across the critical periods.

We are confident that we are doing everything reasonably possible to have our systems Year 2000 compliant in good time for the turn of the century. The total cost of ensuring compliance is estimated at £11 million.

Prompt Payment Act

The Prompt Payment of Accounts Act, 1997 came into effect on 2nd January 1998. ESB operates a policy of paying all undisputed supplier invoices within the agreed terms of payment. ESB standard payment terms are net monthly. ESB's compliance with the Act is explained in detail on page 87 of this Annual Report. The auditors have reviewed the Board Members' statement of payment practice on page 87 and have carried out limited testing of the records maintained by the company which form the basis of this statement. Following the Auditors' review, other than the matters disclosed on page 87, nothing has come to their attention which, in their opinion, indicated that during the year ended 31st December 1998, the company did not comply in all material respects with the Prompt Payment of Accounts Act, 1997.

buildingthebusiness



OCEAN, ESB's joint venture with BT, provides national and international telecommunications services

Competing at home and abroad

ESB is now following a sharply focused strategy designed to ensure the company is ready for open competition and positioned to exploit new opportunities, at home and abroad and in both our traditional and new business sectors.

ESB has for many years ensured that, despite the relatively small size of our home market, our staff have extensive experience not only through the successful operation of the business in Ireland, but also through securing engineering and consultancy contracts abroad. In this respect, ESB is already an internationally minded company with considerable strengths in such areas as large volume customer systems, project management, engineering and training. Many of our core skills and abilities, and even our physical resources, can be applied to a wide range of services in addition to electricity generation and supply.

Our strategic approach, therefore, has involved taking stakes in generation capacity abroad, developing new profitable opportunities for growth in Ireland and extending our involvement in contracting and consultancy abroad. This investment is part of a wider programme, which, it is envisaged, will involve total international investment in the order of £120 million.

...in Ireland

We have taken a strategic 15% stake in the Coolkeeragh Power Station in Derry and intend to increase this to 40%. This is important, we believe, in the light of the new competitive environment and the role that Northern Ireland may have to play in that environment in the Republic.

The Minister for Public Enterprise decided to accelerate the programme for liberalisation of the telecommunications market in Ireland by a full 12 months last year. Solid preparation, however, meant that ESB was able to take advantage of this decision by launching its new telecommunications joint venture, Ocean, in 1998. This is a 50/50 joint venture between ESBIT Limited and British Telecom. ESBIT, in turn, is 60% owned by ESB with 40% controlled by the large US insurer, AIG. The launch was successful and the partners are confident that the company will achieve a significant share of the telecommunications market by the end of its first full year in business.

Ocean is a state-of-the-art telecommunications service provider, making extensive use of microwave as well as fibre optic cables to deliver broadband capability for the next generation of telecommunications business applications.

...internationally

During the year ESB International was formally appointed Transmission System Administrator on behalf of the Government of Alberta, Canada and consultancy contracts were won in Ukraine, Bulgaria, Bahamas, Lebanon and India. In addition, Engineering and Construction activity has accelerated with major Network Renewal and Transmission contracts being won in the UK. ESBI's strong relationships with Japanese trading houses were also further strengthened and resulted in a number of new projects including construction and engineering of new coal fired plants in Vietnam and India.

...by meeting increases in demand

Last year we connected 44,619 new customers and the growth in electricity sales grew by 5.5% on 1997. This reflects the continuing buoyancy of the Irish economy.

The combination of new connections and increased volume demand from existing customers means that significant new generating capacity will be required by the end of 2001. ESB has put forward proposals during the year to be permitted to proceed with a major new station. Approval has been given by the Minister for Public Enterprise and we will progress this important project as quickly as possible.

Meanwhile, the second stage of Poolbeg Combined Cycle Gas Plant was brought into operation. The final 160MW Heat Recovery Stage is on target for completion in late 1999. This plant will be supplemented in the year 2001 by power which we have contracted to purchase from the new 117 MW peat fired station being built by Edenderry Power Company Ltd. in the Midlands.

The strong growth in demand also continues to put considerable additional pressure on network capacity. To meet the continuing high growth in demand and to provide a high quality standard of supply, it is essential that the planned expenditure on the networks of £1,300 million for the next five years is achieved.

A high quality supply is an essential requirement for all customers, but particularly for companies considering expansion in Ireland and for new firms setting up here. To provide the required level of supply quality, ESB must put the necessary infrastructure in place, in the most cost effective manner. Meeting such infrastructural needs in environmentally sensitive areas requires balanced solutions, if the interests of all concerned are to be addressed.

We try to achieve such balanced solutions by continuing to work closely with local communities and planning authorities. Our aim is to provide safe and efficient services at acceptable costs, which will support the further development of the Irish economy and the creation of new employment opportunities throughout the country, without undue intrusion on local landscapes, communities or individuals.

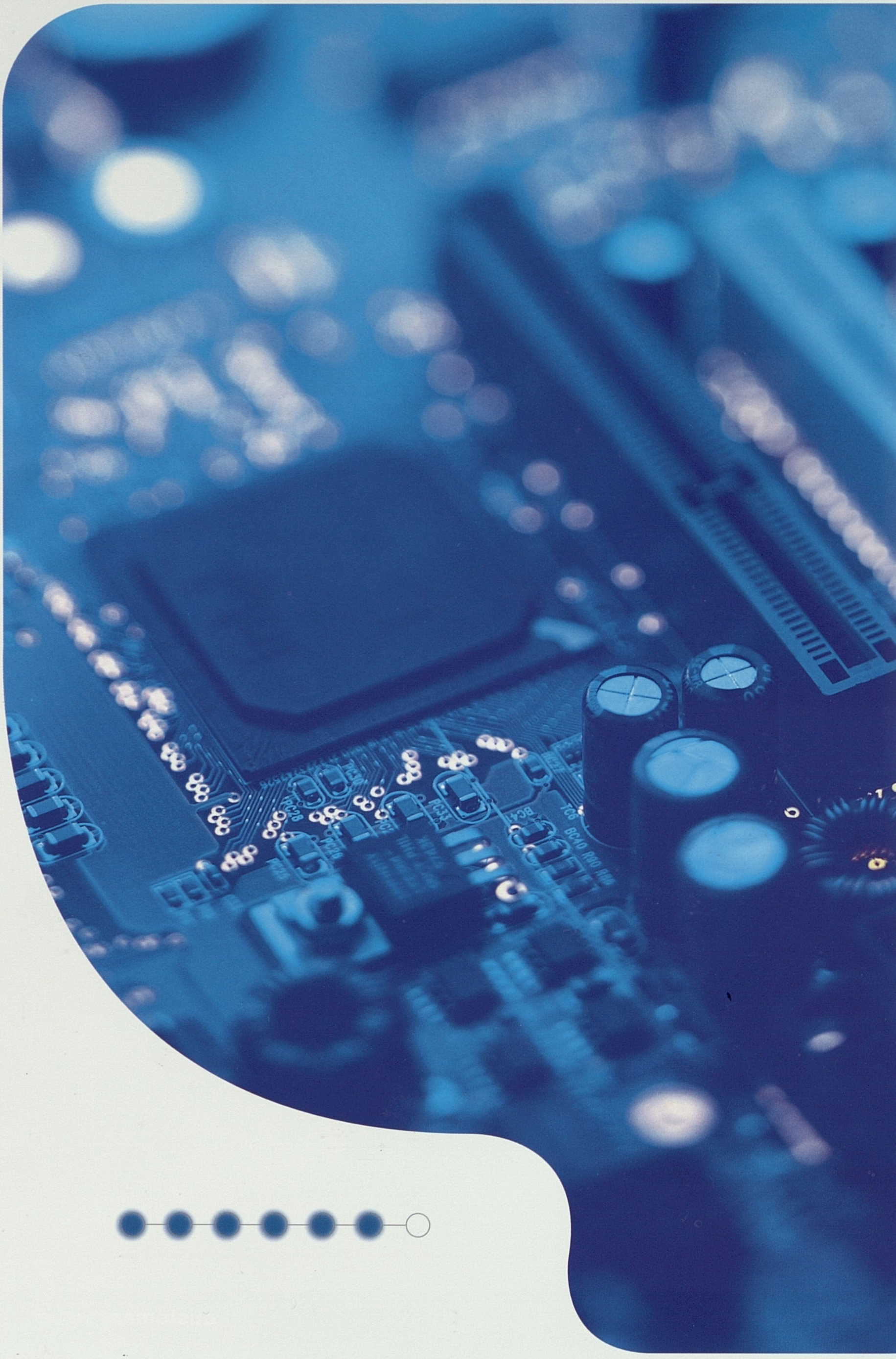
...by improving value

The advent of competition puts greater pressure on us to use our skills, ingenuity and resources on behalf of our customers. Reflecting this, during the year a new special tariff for high load-factor customers - OPTISAVE - was introduced. Customers have responded favourably, and the take up will result in improved competitiveness of Irish industry and lower electricity costs.

Under our new Customer Service Improvement Programme - One to One - which was launched early last year, a number of new and original customer care initiatives have been successfully implemented. We also developed a new dial-in meter reading service to enable customers to input meter readings directly into our billing system.

...by being accountable

customercharter



ESB continues to meet the growing energy requirements of an expanding economy

customercharter

The Customer Charter, launched in February 1997, provides 12 guaranteed standards of service, with a commitment to make penalty payments of between £20 and £100 when they are not met. In 1998 a total of 1,269 payments were made to the value of £32,820. This compares with 1,430 payments to the value of £36,740 made in the first 12 months of operating the Charter.

The Charter is designed to improve efficiency and customer response within key service areas and to this end we will continue to improve our work methods and customer care programmes. This commitment to the customer was further strengthened by the appointment in April 1998 of Mr. Denis Henderson as ESB Customer Complaints Arbitrator. In this independent role he has overall authority to arbitrate on unresolved complaints between the company and its customers about electricity supply service. In his first nine months to 31st December 1998, Mr. Henderson received a total of 221 complaints, of which 194 were within his remit, 16 were still under examination at year end and the remaining 178 were satisfactorily resolved within the year.

The introduction of a comprehensive "one-stop-shop" via a new national call centre operating from two sites in Dublin and Cork has resulted in a significant improvement in the level of customer service provided.

To be the best, we must know precisely what has to be achieved across a wide range of performance parameters in comparison with direct competitors. We are engaging in comprehensive corporate benchmarking. Such an approach will guide us in achieving best performance in activities as diverse as Power Generation, Customer Service and the application of Information Technology - all designed to ensure our organisation has the flexibility to respond to the dynamic market conditions which will prevail in the years ahead.

environmentandsafety



ESB's 1,400,000 domestic customers continue to benefit from electricity tariffs which are among the lowest in the EU

environmentandsafety

The debate regarding meeting Ireland's commitments under the Kyoto Protocol to the UN Framework Convention on Climate Change continued and intensified in 1998. Under a tentative EU burden-sharing arrangement agreed in June, Ireland is committed to limiting its emissions of greenhouse gases to +13% on 1990 levels as an average, for the period 2008 to 2012. This will be particularly onerous given continuing very strong economic growth.

In this context, ESB made submissions to two important Government consultations during the year, one on the national greenhouse gas abatement strategy and another on the preparation of a green paper on sustainable energy. Electricity has a key positive role to play in achieving carbon dioxide emission reduction targets - by increasing the end-use energy efficiency, enabling the harnessing of Ireland's renewable energy resources and facilitating increased use of natural gas in power generation in a highly efficient manner. As part of its commitment to actively addressing the challenges posed by the threat of climate change, ESB reviewed and reiterated company policy on renewable electricity generation.

Preparations continued during the year for the forthcoming Integrated Pollution Control (IPC) licensing of thermal plant by the Environmental Protection Agency. Significant progress was made in implementing environmental management systems, which will be a key requirement of future IPC licenses.

Our commitment to the use of alternative energy sources was further demonstrated by the commissioning of the wind farm at Crockahenny, Co. Donegal. We also won contracts for significant combined heat and power projects with both University College Dublin and the Glanbia Group. We continue to facilitate the development of alternative energy projects through the purchase of output and their integration into the National Grid.

ESB considers the health and safety of it's staff and members of the public to be a core value of the company. Safety risk assessments, auditing and training were further developed in 1998 to ensure the smooth introduction of the changes arising from the implementation of the Cost and Competitiveness Review. Through these and other measures we ensure that we continue to meet our obligations under the Safety, Health and Welfare at Work Act, 1993.

We remain heavily committed to awareness programmes designed to alert members of the public to the potential dangers of electricity. The three year average number of fatalities resulting from electric shock remains low and in line with improving safety standards.

....in partnership with staff

An Employee Shareholding Scheme, which will provide staff with a direct equity interest in the business, was agreed as part of the 1996 Cost and Competitiveness Review. This will enable staff to own up to 5% of the company. The scheme will be put in place once the restructuring of ESB into a public limited company is completed under the new plc legislation.

ESB is committed to ensuring equal opportunities for all staff. Its policy is endorsed by a Joint Equality Council, comprising management and staff. Initiatives such as flexible working options, Code of Practice for people with Disabilities and a Policy on Harassment and Bullying all support people's right to reach their full potential and progress within the organisation.

During the year there were four meetings of the Corporate Partnership Forum. This body provides a mechanism for senior management and senior union officials to review key issues affecting the business and to develop the partnership approach in the company. In essence we are working together to find ways of competing more effectively into the future.

...for the communities we serve

One of the hallmarks of ESB is its commitment to the communities it serves throughout Ireland. Completion of submarine cable supplies to the islands of Inishboffin and Clare during 1998, is an example of this.

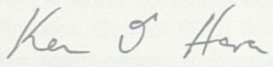
We support a wide range of community-based activities across the Country. We are involved in such diverse areas as environment, education, sport, the arts and heritage. In each case we seek to facilitate access to these initiatives and to encourage the participation of those involved. Throughout this portfolio of activities we try to help young people to fulfil their potential.

....in the future

Deregulation of the electricity supply industry will mean that large scale customers, representing 28% of total market, will have the option of seeking alternative electricity supplies from February 2000. The market will be further opened to additional large scale customers in 2003 with 33% of the market eligible to choose suppliers.

New suppliers will set up in Ireland and it is likely that they will be substantial international players with significant resources, skills and with large efficient plant. Dealing with the impact which such competitors would have on the existing electricity infrastructure in Ireland with its mixed size, age and fuel type, together with the imbalances in the tariff regimes across our customer segments, requires a carefully planned approach. It is essential that there be an orderly introduction of competition into the market, if major problems, involving considerable costs, are to be avoided.

This years results clearly indicate that ESB is getting into good shape to meet the competitive challenges that lie ahead for the company. By pursuing well considered growth strategies at home and abroad, by entering into appropriate alliances with strong international players and by working in partnership with staff, ESB is securing its future.



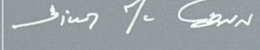
Ken O'Hara
Chief Executive

There were 11 general meetings and 3 special meetings of the Board during the year ended 31st December 1998. 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 31st December 1998.

William M McCann, Chairman	(11,3)	
James Wrynn, Deputy Chairman	(10,3)	
Jerry Carey	(10,2)	
Sean Geraghty	(11,3)	
Stewart Harrington	(7,2)	
Denis Holland	(10,3)	Warrant expired 31st Dec '98
Joe LaCumbre	(10,3)	
John McGinley	(10,3)	
Caitriona Murphy	(8,2)	
Ken O'Hara, Chief Executive	(11,3)	
Paul Sweeney	(9,3)	
Anne Taylor	(11,3)	

This report was approved by the Board at its meeting 9th March 1999, for submission to the Minister for Public Enterprise.



W M McCann
Chairman



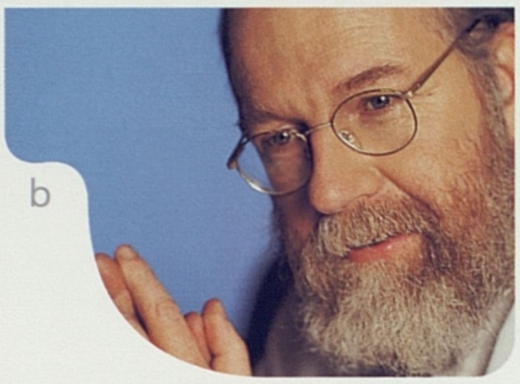
K O'Hara
Chief Executive



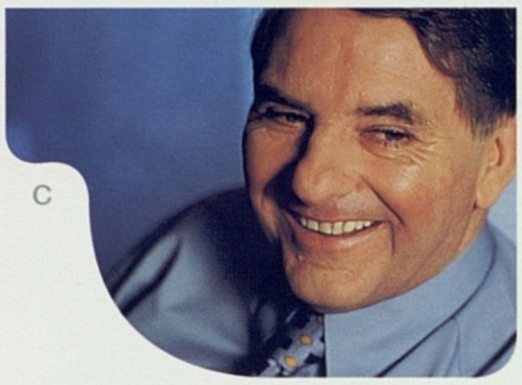
L Donald
Secretary



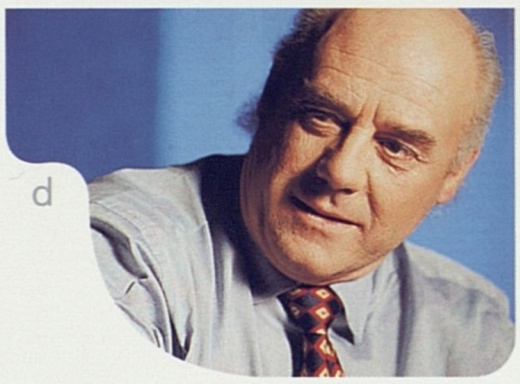
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Billy McCann was appointed Chairman of the Board in January 1996 having served as a member since 1986. A chartered Accountant, he was Managing Partner of Craig Gardner/Price Waterhouse from 1987 to 1995. He is Deputy Chairperson of the Irish Takeover Panel, a Director of Anglo Irish Bank Corporation plc and Readymix plc and is Chairman or a Director of other companies. Mr. McCann is Chairman of the Audit and the Remuneration and Management Development Committees and is a member of the Legislation Committee.

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

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

Sean Geraghty was first appointed to the Board in 1988 under the Worker Participation (State Enterprises) Act, 1977 and is now serving his fourth 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.

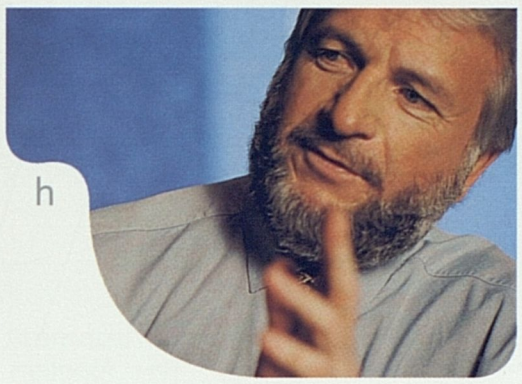
Stewart Harrington was appointed to the Board in March 1995. He is Executive Deputy Chairman of Dunloe Ewart plc. Mr. Harrintgon was a founding partner of Harrington Bannon, Chartered Surveyors. He is a member of the Audit, the ESB International Business Unit and the Remuneration and Management Development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

Pat Smith was appointed to the Board in January 1999 under the Worker Participation (State Enterprises) Act, 1977. He joined ESB in 1981 and has been working as a Network Technician out of Wilton in Cork. Mr. Smith has served as Secretary of the Cork Branch, A.T.G.W.U. and National Secretary of the Network Technicians Category. He is a member of the Environment and Safety and Technology Committees.



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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 Business Unit and Environment and Safety Committees.



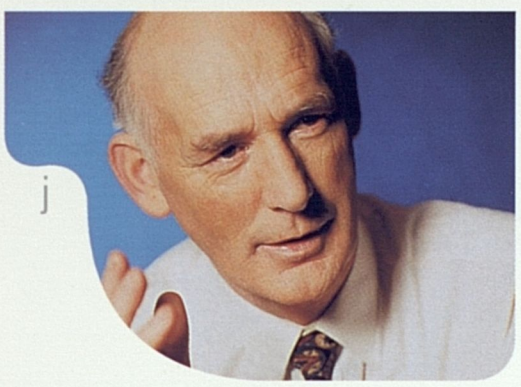
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Joe LaCumbre was first appointed to the Board in January 1985 under the Worker Participation (State Enterprises) Act, 1977 and is now serving his fifth term. An electrician based in Athlone, Mr LaCumbre is a member of the TEEU Executive Committee. 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.



i

John McGinley was first appointed to the Board in January 1995 under the Worker participation (State Enterprises) Act, 1977 and was re-elected in 1998. 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.



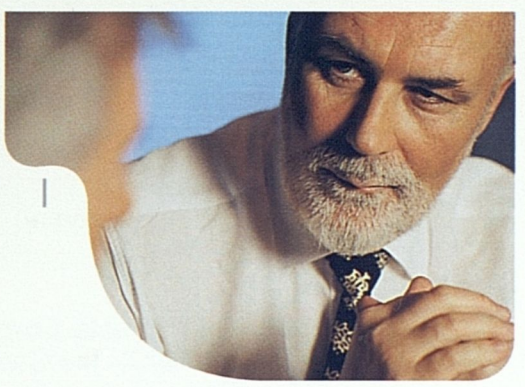
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Ken O'Hara was appointed Chief Executive in September 1997. He held a number of senior management positions and was involved in consultancy work in Bahrain during the 1970's. Mr. O'Hara was appointed District Manager, Cork in 1979 and was subsequently appointed Director, Customer Operations in 1987. He was appointed Managing Director of Power Generation in 1993.



k

Caitriona Murphy was appointed to the Board in February 1992 and was reappointed for a second term in March 1997. Mrs. Murphy is a former Head of AIB Corporate Finance and is a director of a number of other companies. She is a member of the Remuneration and Management Development Committee and is Chairman of the Capital Projects Committee.



l

Paul Sweeney was appointed to the Board in April 1996. An economist and financial analyst with SIPTU, Mr. Sweeney is a member of the Capital Projects, Legislation and International Business Unit 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
Pat Smith
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.

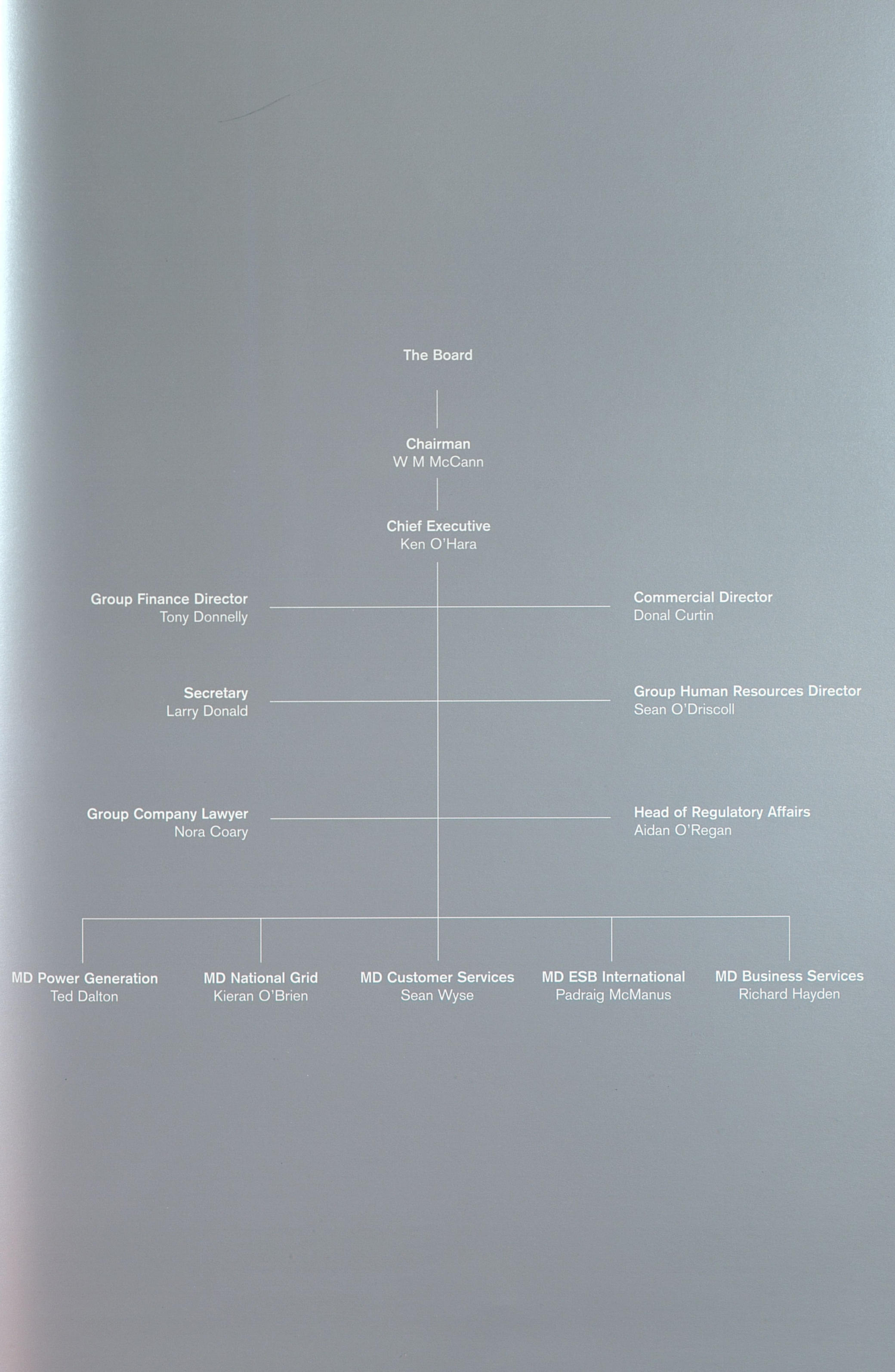
Members
James Wrynn, Chairman
William M McCann
John McGinley
Ken O'Hara
Paul Sweeney

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.

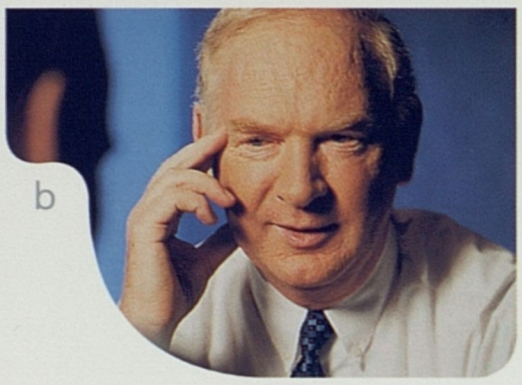
Members
William M McCann, Chairman
Stewart Harrington
Caitriona Murphy

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

Members
Joe LaCumbre, Chairman
Jerry Carey
Pat Smith
Ken O'Hara


The Board
Chairman
W M McCann
Chief Executive
Ken O'Hara
Group Finance Director
Tony Donnelly
Commercial Director
Donal Curtin
Secretary
Larry Donald
Group Human Resources Director
Sean O'Driscoll
Group Company Lawyer
Nora Coary
Head of Regulatory Affairs
Aidan O'Regan
MD Power Generation
Ted Dalton
MD National Grid
Kieran O'Brien
MD Customer Services
Sean Wyse
MD ESB International
Padraig McManus
MD Business Services
Richard Hayden

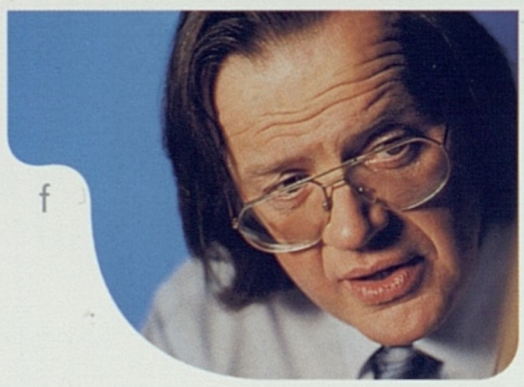

a


b


c


d


e


f

a

Donal Curtin was appointed Commercial Director 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.

b

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 Manager, South East region in 1987. In 1992 he was appointed Manager, Corporate Change and in 1993 he was appointed as Managing Director, Customer Services.

c

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 negotiating and implementing ESB's major restructuring programme, the CCR.

d

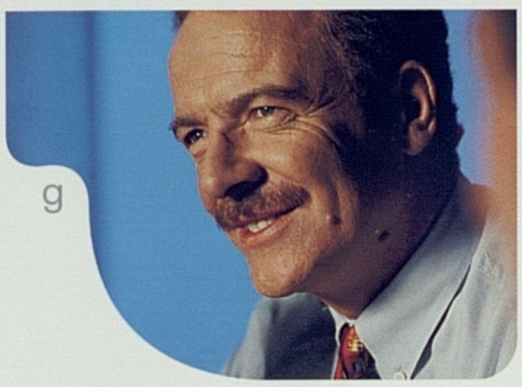
Richard Hayden was appointed Managing Director, Business Services in 1993. He held a number of senior management positions throughout ESB before being appointed Manager of the company's Accounting Department in 1987. He is responsible for the ESB's Year 2000 and Euro Programmes. Mr. Hayden is a Trustee of the ESB Superannuation Fund.

e

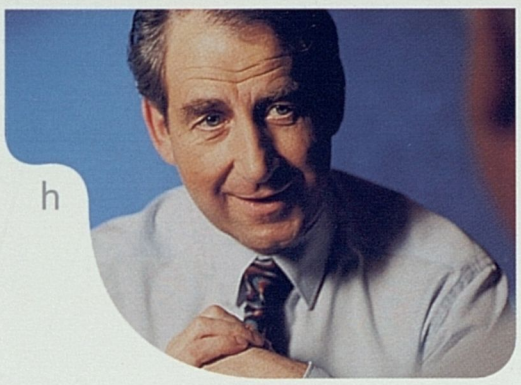
Sean O'Driscoll was appointed Head of Group Human Resources in August 1997 and appointed Group Human Resources Director in April 1999. Before joining ESB he was Manager, Human Resources at Energy Services International/Solar Turbines, working in the international oil and gas business. Mr. O'Driscoll had previously worked as Industrial Relations Manager for GE Super Abrasives following a number of human resources roles within the CIE Group.

f

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.



g



h



i



j



k

g

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.

h

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.

i

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.

j

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.

k

Ms. 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.

accounts

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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 61 to 83, 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 new "Combined Code" (Hampel Report on Corporate Governance) published in June 1998 applies to accounts of companies listed on the Irish Stock Exchange for periods ending on or after 31 March 1999. ESB supports the principles and provisions of this code and during 1999 will be reviewing applicability of individual provisions to ESB and compliance with the combined code.

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 52.

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, has 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

9 March, 1999.

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 61 to 83.

Respective responsibilities of Board Members and auditors in relation to the Annual Report

The Board Members are responsible for preparing the Annual Report including, as described on pages 58 and 59, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Electricity Supply Acts, 1927 to 1988. We also state whether we have obtained all the information and explanations we require for our audit, whether the financial statements agree with the books of accounts and report to you our opinion as to whether the Parent has kept proper books of account.

We review, at the request of the Board Members, whether the voluntary statement on pages 58 and 59 reflects the Board's compliance with paragraphs 1.4, 1.5, 2.3, 2.4, 4.3 and 4.4 of the Code of Best Practice on Corporate Governance specified for review by auditors and we report if it does not. We are not required to form an opinion on the effectiveness of the Parent's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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 the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of presentation of information in the financial statements.

We draw your attention to the basis of accounting note on page 65.

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 1998 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 1998 is in agreement.

KPMG

Chartered Accountants
Registered Auditors

9 March 1999

	Notes	1998 IR£000's	1997 IR£000's As restated
Turnover – continuing operations	1	**1,261,341**	1,191,155
Operating costs	2	**(939,959)**	(926,015)
CCR restructuring costs	3	**(16,000)**	(6,800)
Employee shareholding scheme	4	**(21,100)**	0
Operating surplus – continuing operations		**284,282**	258,340
Share of joint venture losses		**(6,078)**	0
Share of associated undertakings' profit		**3,485**	1,253
Net interest cost and other financing charges	5	**(63,400)**	(77,588)
Surplus on ordinary activities before taxation		**218,289**	182,005
Tax charge	7	**(22,706)**	(980)
Surplus on ordinary activities after taxation		**195,583**	181,025
Minority interests – equity		**2,051**	(1)
Surplus for financial year	8	**197,634**	181,024
Appropriation to sinking fund reserve	17	**(784)**	(982)
Retained surplus for year	19	**196,850**	180,042
Profit and loss account at beginning of year:			
– As previously stated		**(79,023)**	(238,903)
– Prior year adjustment	16	**(110,028)**	(130,190)
– As restated		**(189,051)**	(369,093)
Surplus/(deficit) at end of year		**7,799**	(189,051)

Signed: **W M McCann,** Chairman

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

9 March, 1999.

	Notes	Consolidated 1998 IR£000's	Consolidated 1997 IR£000's As restated	Parent 1998 IR£000's	Parent 1997 IR£000's As restated
Assets employed:					
Fixed assets:					
Tangible assets	9	**2,073,547**	1,904,570	**2,065,559**	1,899,842
Financial assets (including joint venture and associate undertakings)	10	**19,150**	20,361	**53,854**	51,696
		2,092,697	1,924,931	**2,119,413**	1,951,538
Current assets:					
Stocks	11	**109,345**	114,210	**109,345**	114,202
Debtors	12	**279,001**	271,485	**231,227**	217,938
Investments	13	**634**	634	**634**	634
Cash at bank and in hand		**28,727**	26,094	**17,339**	20,411
		417,707	412,423	**358,545**	353,185
Creditors (falling due within one year):					
Borrowings and other debt	14	**(193,505)**	(97,280)	**(193,305)**	(97,280)
Other creditors	15	**(222,804)**	(220,428)	**(211,542)**	(205,306)
		(416,309)	(317,708)	**(404,847)**	(302,586)
Net current assets/(liabilities)		**1,398**	94,715	**(46,302)**	50,599
Total assets less current liabilities		**2,094,095**	2,019,646	**2,073,111**	2,002,137
Creditors (falling due after more than one year):					
Borrowings and other debt	14	**(507,368)**	(690,594)	**(506,530)**	(690,594)
Other creditors	15	**(89,470)**	(80,266)	**(89,470)**	(80,266)
		(596,838)	(770,860)	**(596,000)**	(770,860)
Provision for liabilities and charges	16	**(335,347)**	(337,544)	**(335,347)**	(337,544)
Net assets		**1,161,910**	911,242	**1,141,764**	893,733
Financed by:					
Reserves:					
Sinking fund reserve for repayment of borrowings	17	**317**	5,769	**317**	5,769
Other reserves	18	**1,153,559**	1,094,449	**1,151,806**	1,092,344
Profit and loss account		**7,799**	(189,051)	**(10,359)**	(204,380)
		1,161,675	911,167	**1,141,764**	893,733
Minority interests		**235**	75	**0**	0
		1,161,910	911,242	**1,141,764**	893,733

Signed: **W M McCann,** Chairman

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

9 March, 1999.

	Notes	1998 IR£000's	1997 IR£000's As restated
Surplus for financial year		**197,634**	181,024
Non repayable supply contributions	18	**30,491**	26,904
Employee shareholding scheme	18	**21,100**	0
Other reserve movements	18	**2,237**	0
Translation differences on consolidation of foreign subsidiaries	18	**(954)**	2,237
Total recognised gains and losses for year		**250,508**	210,165
Prior year adjustment	16	**(110,028)**	
Total gains and losses recognised since last Annual Report		**140,480**	

Reconciliation of movements in reserves:

Total recognised gains and losses for year			**250,508**		210,165
Opening reserves					
– As previously stated		**1,021,195**		831,192	
– Prior year adjustment	16	**(110,028)**		(130,190)	
– As restated			**911,167**		701,002
Closing reserves			**1,161,675**		911,167

	Notes	1998 IR£000's	1997 IR£000's As restated
Net cash inflow from operating activities	20(a)	**414,705**	299,095
Returns on investments and servicing of finance			
Interest received		**2,319**	5,114
Interest paid		**(56,407)**	(61,149)
Interest element of finance lease payments		**(5,942)**	(8,512)
Net cash outflow from returns on investments and servicing of finance		**(60,030)**	(64,547)
Taxation			
Corporation tax paid		**(1,205)**	(1,429)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(299,440)**	(220,115)
Purchase of financial fixed assets		**(7,599)**	(3,140)
Purchase of investments		**0**	(19)
Sale of tangible fixed assets		**2,688**	2,497
Sale of financial fixed assets		**765**	1,635
Net cash outflow from capital expenditure and financial investment		**(303,586)**	(219,142)
Net cash inflow before management of liquid resources and financing		**49,884**	13,977
Net cash inflow/(outflow) from management of liquid resources	20(b)	**14,340**	(17,778)
Financing			
Repayment of loans (net)	20(b)	**(86,123)**	(38,593)
Non repayable supply contributions		**30,751**	28,364
Minority interests		**2,211**	(46)
Net cash outflow from financing		**(53,161)**	(10,275)
Increase/(decrease) in cash	20(b)	**11,063**	(14,076)

1. **Basis of accounting**

With the exception of accounting policies impacted by Section 21 (2) of the Electricity (Supply) Act 1927 referred to below, the annual accounts are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standard Board, as promulgated by The Institute of Chartered Accountants in Ireland.

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. Accounting policies 11 and 12 reflect this requirement.

2. **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Parent and of all subsidiary undertakings made up to 31 December 1998. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. The financial statements of all subsidiary undertakings are drawn up to 31 December.

3. **Financial Fixed Assets**

a) Joint venture and associated undertakings

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

Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it is able to exercise significant influence.

Joint venture and associates are accounted for using the gross equity method and equity method respectively. The Group's share of the profits less losses of joint ventures and associates are included in the consolidated profit and loss account. The Group's interests in their net assets or liabilities are included as financial fixed assets in the consolidated balance sheet at an amount representing the Group's share of the fair values of the net assets at acquisition plus the Group's share of post acquisition retained profits or losses.

The amounts included in the consolidated financial statements in respect of post acquisition profits of joint ventures and associates are taken from their latest audited financial statements made up to the balance sheet date, except in the case of Ocean Communications Limited where management accounts made up to 31 December 1998 have been used.

Investments in joint ventures and associates are shown in the Parent balance sheet as financial fixed assets and are valued at cost less provisions for impairments in value.

b) Other financial fixed assets

Listed and unlisted investments are shown at cost less provisions for impairments in value. Income from financial fixed assets is recognised in the profit and loss account in the year in which it is receivable. A note is included as to the market value of listed investments.

4. **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

The Group's net investments in overseas subsidiary undertakings, joint ventures and associates are translated at the rate ruling at the balance sheet date. The profits and losses of overseas subsidiary undertakings, joint ventures and associates are translated at average rates for the year. Exchange differences resulting from the re-translation of the opening balance sheets of overseas subsidiary undertakings, joint ventures and associates at closing rates, together with the differences on the translation of the profit and loss accounts, are dealt with through reserves and reflected in the statement of total recognised gains and losses.

5. **Turnover**

Turnover comprises net sales of electricity and other goods and services to customers outside the Group 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 which is included in debtors in the balance sheet as 'unbilled consumption'.

6. **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and provisions for impairment of value. Cost includes prime cost, overheads and interest incurred in financing the construction of tangible fixed 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.

The charge for depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values over their expected useful lives, using methods appropriate to the nature of the Group's business and to the character and extent of 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 and hydro stations	50 years

Depreciation is provided:-

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

7. **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 disposal.

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

8. **Deferred payment contracts**

Profit on deferred payment contracts is taken in the year of sale. The total net investment in deferred payment contracts included in the balance sheet represents contract payments receivable, net of finance charges relating to future accounting periods. Finance charges are allocated to accounting periods on an annuity basis over the deferred payment term.

9. **Leased assets**

Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their expected useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease payments is charged to the profit and loss account on an annuity basis. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

10. **Grants**

Capital grants received are shown as deferred income and credited to the profit and loss account on a basis consistent with the depreciation policy of the relevant assets.

Revenue grants are credited to the profit and loss account to offset the matching expenditure.

11. **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.

12. **Sinking fund reserve for repayment of borrowings**

Section 5 of the Electricity (Supply) (Amendment) Act 1982 allows the Board appropriate such sums as it considers proper to be used for the repayment of borrowings. These sums are appropriated to the sinking fund reserve in accordance with the Act, by way of transfer from the profit and loss account. In 1998, as in 1997, an amount has been appropriated to cover repayment of ESB stock issues in accordance with contractual obligations.

13. **Taxation**

The charge for taxation is based on the surplus for the year. Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that such differences are expected to reverse in the foreseeable future. The full deferred tax effect is recognised on differences between amounts funded and amounts charged to the profit and loss account in relation to pensions and other post retirement benefits.

14. **Provisions - adoption of FRS 12**

ESB has elected for early adoption of Financial Reporting Standard (FRS) 12 "Provisions, contingent liabilities and contingent assets". The FRS states that a provision is recognised only when:

- there is a legal or constructive obligation arising from past events; and
- it is probable that there will be an outflow of economic benefits; and
- the amount can be reliably estimated.

Implementation of FRS 12 results in a change in accounting policy for a number of ESB's provisions and therefore a prior year adjustment is required. The financial impact of the prior year adjustment is explained in note 16 to these accounts.

a) Provision for generating station closure

Under the original policy, the estimated costs of closing generating stations at the end of their useful lives were provided for over the expected useful lives of stations.

FRS 12 requires that the estimated costs of closing stations be recognised in full at the outset of the asset life, but discounted to present values using a risk free rate. These costs are capitalised in tangible fixed assets and depreciated over the useful economic life of the stations to which they relate. The costs are credited to a provision as they are capitalised. As the costs are capitalised and provided on a discounted basis, the provision must be increased by a financing charge each year, which is calculated based on the provision balance and is included in the profit and loss account. In this way, the provision will equal the estimated closure costs at the end of the useful economic lives of the stations.

(b) Provision for cyclical overhaul expenditure

The original policy was that the estimated costs of the cyclical programme for the major overhaul and maintenance of generation plant were provided for so as to charge these costs to the profit and loss account over the average overhaul cycles of the plant.

The costs of major overhauls are now expensed or capitalised (whichever is appropriate) as incurred, where they do not meet the criteria for provisions in FRS 12.

(c) Provision for environmental costs

The original policy was to provide for the estimated costs to be incurred by the Board on specific projects as they were identified to meet its environmental objectives so that these costs were charged to the profit and loss account over an appropriate period. The provision was reviewed annually.

Environmental costs are now expensed or capitalised (whichever is appropriate) as incurred, where they do not meet the criteria for provisions in FRS 12.

15. Discounting of future commitments

Where the effect of the time value of money is material, provisions for future commitments are based on the discounted cost of meeting those commitments so that the provision balance at year end is the present value of the expenditure required to settle the obligation. The discount rate is based on a risk free rate and the financing charge is included in the profit and loss account and added to the provision each year.

16. 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.

17. Cash and liquid resources

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

	1998	1997 As restated
(a) Business activity:		
Electricity	**1,099,979**	1,054,670
Retail, contracts and other services	**90,885**	79,845
Other activities	**70,477**	56,640
	1,261,341	1,191,155
(b) Geographic markets (originating primarily in Ireland):		
Ireland	**1,205,894**	1,151,621
Europe	**29,921**	21,806
Others	**25,526**	17,728
	1,261,341	1,191,155

2. OPERATING COSTS – IR£000's

Payroll	**243,356**	251,427
Fuel	**298,665**	307,072
Operations and maintenance	**397,938**	367,516
	939,959	926,015

3. CCR RESTRUCTURING COSTS – IR£000's

CCR restructuring costs	**16,000**	6,800

A comprehensive review, the Cost and Competitiveness Review (CCR), of ESB's cost base was completed at the end of 1995. This review, involving management, Unions and the Government in a tripartite process led to a major restructuring programme. Implementation of the programme is proceeding well and will be completed in 1999. Net savings are expected to be in line with original targets.

The total discounted cost of implementing the CCR restructuring plan, including related adjustments to superannuation contributions, is estimated at IR£288.8m (1997: IR£277.6m), the voluntary severance element of which is being accounted for over the remaining service lives of the relevant staff. The restructuring charge of IR£16m together with IR£4.4m CCR related costs included in payroll brings the total charged at the end of 1998 to IR£288.8m (1997: IR£268.4m).

As the CCR costs have been provided for on a discounted basis, an annual financing charge is calculated in accordance with the accounting policy set out on page 68. In 1998, the appropriate discount rate has been reduced reflecting interest rate trends. This change in rate accounts for IR£6m of the total financing cost for 1998 of IR£10.3m (see note 5).

4. EMPLOYEE SHAREHOLDING SCHEME – IR£000's	1998	1997
Employee Shareholding Scheme	**21,100**	0

The establishment of an Employee Shareholding Scheme was agreed as part of CCR (see note 3) under which staff will acquire up to 5% of the ordinary shares of ESB. Tripartite discussions involving ESB, the Unions and the Government are in progress to finalise the structure and operation of the scheme.

The scheme will operate as follows:

- An allocation of 5% of profits will be made available each year to purchase shares in ESB.
- A Trust will be established to which the annual profit allocation will be paid. This profit will be used to purchase new shares in the company on behalf of the employees.
- The shares will then be allocated by the Trust to all eligible employees on an equal basis.

It has now been determined that the first profit allocation to the Scheme will be in respect of the surplus for 1997. However, the actual shares can only be purchased and the scheme put into operation after ESB is incorporated as a PLC. This is expected to occur in 2000.

In recognition of the company's liability in respect of 1997 and 1998, a charge of IR£21.1m has been made representing 5% of relevant profits for 1997 and 1998. This amount is being held in a special reserve (see note 18) until the shares are purchased.

5. NET INTEREST COST AND OTHER FINANCING CHARGES – IR£000's	1998	1997 As restated
Interest payable on borrowings	**53,985**	61,976
Interest payable on finance leases	**5,762**	7,285
Total interest payable	**59,747**	69,261
Total interest receivable	**(3,678)**	(5,108)
Net interest payable	**56,069**	64,153
Less capitalised interest	**(14,729)**	(9,695)
Financing charges:		
– on restructuring provision	**10,286**	11,900
– on station closure provision	**11,774**	11,230
Net interest cost and other financing charges	**63,400**	77,588

The financing charges on provisions are calculated in accordance with the policy for discounting on page 68.

6. EMPLOYEES – IR£000's

	1998	1997
(a) Average number of employees in year by business activity:		
Electricity supply	**8,053**	8,407
Retail and contracts	**323**	254
Other activities	**864**	722
	9,240	9,383
(b) Employee costs in year – IR£000's		
Pay (salaries/wages)	**269,871**	264,121
Social welfare costs (PRSI)	**8,435**	7,354
Pension costs	**20,036**	24,706
Other payroll benefits	**18,960**	16,120
	317,302	312,301

Employee costs above include capitalised payroll of IR£73.9m (1997: IR£59.3m). They do not include the charge of IR£21.1m for the employee shareholding scheme referred to in note 4.

7. TAX CHARGE – IR£000's

	1998	1997
Capital gains tax	**0**	30
Corporation tax at 32% (1997: 36.5%)	**21,091**	1,051
	21,091	1,081
Overseas tax (excluding associated companies)	**754**	(258)
Tax attributable to Group	**21,845**	823
Tax attributable to associated companies	**861**	157
	22,706	980

ESB's profits are taxed at the standard corporation tax rate of 32% (1997: 36.5%) reduced by manufacturing relief where applicable.

1998 is the first year in which ESB Parent has a corporation tax liability. Losses forward and accelerated capital allowances have now been fully utilised.

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

The surplus for financial year is stated after charging:

	1998	1997
Depreciation (as restated)	**138,526**	135,848
Bad debts	**287**	1,879
Operating lease charges	**2,715**	3,152
Auditor's remuneration – audit services	**113**	113
– non-audit services	**85**	95
ESB (Parent) Board Members' fees	**80**	95

9. 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	518,460	2,695,936	3,214,396	150,745	3,365,141
Additions/transfers	7,536	238,972	246,508	65,790	312,298
Retirements/disposals	(1,058)	(24,180)	(25,238)	0	(25,238)
Balance at end of year	524,938	2,910,728	3,435,666	216,535	3,652,201
Depreciation					
Balance at start of year	233,386	1,227,185	1,460,571	0	1,460,571
Charge	15,663	122,863	138,526	0	138,526
Retirements/disposals	(880)	(19,563)	(20,443)	0	(20,443)
Balance at end of year	248,169	1,330,485	1,578,654	0	1,578,654
Net book value at 31 December,1998	**276,769**	**1,580,243**	**1,857,012**	**216,535**	**2,073,547**
Net book value at 31 December,1997					
– as previously stated	285,074	1,436,513	1,721,587	150,745	1,872,332
– prior year adjustment	0	32,238	32,238	0	32,238
– as restated	285,074	1,468,751	1,753,825	150,745	1,904,570

Early adoption of FRS 12 has necessitated a prior year adjustment (see note 16). The opening cost of plant and machinery has been increased by IR£80.1m and accumulated depreciation by IR£47.9m giving an increase in net book value at end 1997 of IR£32.2m.

Included above is plant and machinery with a net book value of IR£8m (1997: IR£4.7m) relating to subsidiary undertakings. The non depreciable element of land and buildings amounts to IR£1.7m (IR£1.3m in 1997).

Finance leases

All finance leases are held by ESB Parent.

The net book value of tangible fixed assets includes an amount of IR£198.1m (IR£175.1m in 1997) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to IR£9.2m (IR£9.4m in 1997).

10. FINANCIAL FIXED ASSETS – IR£000's

Consolidated	Associated undertakings Shares	Loans	Total	Joint venture investments	Sinking fund and other investments	Total
Balance at start of year at cost	14,240	252	14,492	0	5,869	20,361
Additions	3,908	349	4,257	7,004	0	11,261
Disposals	(513)	(252)	(765)	0	(5,452)	(6,217)
Retranslation/other movements	(188)	0	(188)	(753)	0	(941)
Share of retained profit/(losses)	2,624	0	2,624	(6,078)	0	(3,454)
Dividends received	(1,860)	0	(1,860)	0	0	(1,860)
Balance at end of year at cost	**18,211**	**349**	**18,560**	**173**	**417**	**19,150**

Parent	Subsidiary undertakings Shares	Loans	Total	Sinking fund investments	Total
Balance at start of year at cost	11,884	34,043	45,927	5,769	51,696
Additions	0	7,610	7,610	(5,452)	2,158
Balance at end of year at cost	**11,884**	**41,653**	**53,537**	**317**	**53,854**

The investment in joint ventures comprises an investment in Ocean Communications Limited which has contributed the following amounts:

	1998	1997
Share of turnover	**1,755**	0
Share of gross assets	**8,860**	0
Share of gross liabilities	**(8,687)**	0
	173	0

The carrying amount of associated undertakings represents the Group's share of their net assets. Subsidiary, associated and joint venture undertakings are listed in note 27.

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£0.3m (1997: IR£5.8m).

11. STOCKS – IR£000's

	Consolidated **1998**	1997
Materials and spares	**71,045**	66,153
Fuel	**35,900**	47,129
Other stock	**0**	8
Goods for resale (appliances)	**2,400**	920
	109,345	114,210

'Other stock' was held by subsidiary undertakings.

12. DEBTORS – IR£000's

	Consolidated		Parent	
	1998	1997	**1998**	1997
Amounts falling due within one year:				
Trade debtors	**57,744**	53,760	**47,126**	38,115
Unbilled consumption	**111,847**	128,841	**111,847**	128,841
Deferred payment contracts	**41,785**	38,534	**16,415**	14,946
Amounts owed by:				
Subsidiary undertakings	**0**	0	**12,006**	8,028
Associated undertakings	**97**	0	**0**	0
Other debtors	**51,816**	33,177	**43,206**	27,470
	263,289	254,312	**230,600**	217,400
Amounts falling due after more than one year:				
Deferred payment contracts	**15,712**	17,173	**627**	538
Total debtors	**279,001**	271,485	**231,227**	217,938

13. INVESTMENTS – IR£000's

	Consolidated and parent	
	1998	1997
Listed investments at cost	**634**	634
Market value of listed investments	**861**	820

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

Consolidated	**Overdraft/ other debt**	**Finance leases**	**Borrowings**	**1998 Total**	1997 Total
Borrowings due within one year					
– Repayable by instalments	0	23,616	20,250	**43,866**	45,917
– Repayable other than by instalments	4,230	0	145,409	**149,639**	51,363
	4,230	23,616	165,659	**193,505**	97,280
Borrowings due after one year					
– Repayable by instalments					
Between one and two years	0	12,594	31,798	**44,392**	32,019
Between two and five years	0	33,377	44,405	**77,782**	91,937
After five years	0	39,979	35,397	**75,376**	71,770
	0	85,950	111,600	**197,550**	195,726
– Repayable other than by instalments					
Between one and two years	0	0	42,612	**42,612**	148,359
Between two and five years	0	0	165,616	**165,616**	178,771
After five years	0	0	101,590	**101,590**	167,738
	0	0	309,818	**309,818**	494,868
Total borrowings due after one year	0	85,950	421,418	**507,368**	690,594
Total borrowings outstanding	4,230	109,566	587,077	**700,873**	787,874

14. BORROWINGS AND OTHER DEBT – continued

Borrowings totalling IR£252.2m (IR£294.2m in 1997) are State guaranteed.
Borrowings include IR£0.8m related to subsidiary undertakings.

At 31 December 1998 all foreign currency borrowings are denominated in Irish pounds through swap instruments. 80% of borrowings are at fixed interest rates. The weighted average interest rate at year end is 6.25%. Borrowing facilities not yet drawn down total IR£225m.

The maturity profile of borrowings at 31 December 1998 is as follows:

Year	IR£m
1999	146.3
2000	61.4
2001	119.9
2002	64.6
2003	53.2
2004	91.1
2005 and after	50.6
	587.1

15. OTHER CREDITORS – IR£000's

	Consolidated		Parent	
Creditors falling due within one year:	**1998**	1997 As restated	**1998**	1997 As restated
Progress payments on work in progress	**15,600**	16,836	**15,600**	16,836
Trade creditors	**67,827**	85,173	**66,349**	81,721
Other creditors	**20,792**	18,415	**15,309**	16,046
PAYE/PRSI	**6,731**	9,764	**6,731**	9,764
VAT	**13,466**	18,257	**13,297**	18,257
Accruals and deferred income	**67,007**	57,345	**49,032**	35,238
Deferred capital grants	**295**	128	**295**	128
Amounts owed to subsidiary undertakings	**0**	0	**17,520**	13,282
Accrued interest on borrowings	**8,650**	12,511	**8,650**	12,511
Corporation tax	**21,977**	476	**18,300**	0
Amounts owed to superannuation fund	**459**	1,523	**459**	1,523
	222,804	220,428	**211,542**	205,306
Creditors falling due after more than one year:				
Deferred capital grants	**4,850**	3,087	**4,850**	3,087
Other creditors	**84,620**	77,179	**84,620**	77,179
	89,470	80,266	**89,470**	80,266

'Accruals and deferred income' at 31 December 1997 have been reduced by IR£4m to reflect a prior year adjustment following implementation of FRS 12 (note 16). Capital grants receivable for 1998 amounted to IR£2.2m (1997: IR£2.1m)

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

ESB has opted for early implementation of Financial Reporting Standard (FRS) 12 "Provisions, contingent liabilities and contingent assets" which becomes mandatory for accounting periods ending on or after 23 March 1999. This results in changes to the accounting policies for major cyclical overhauls, station closure costs and environmental costs, which require a prior year adjustment. The provision for restructuring costs is not affected by FRS 12.

The accounting policy changes are explained in the Statement of Accounting Policies on pages 67 and 68. The overall impact of FRS 12 is an increase in the 1998 surplus of IR£23.1m (1997: IR£20.2m).

Consolidated & parent	Major cyclical overhauls	Environmental costs	Station closure	Restructuring costs	Total
Balance at 1 January 1998:					
– As originally reported	37,904	9,465	41,854	102,055	**191,278**
– Prior year adjustment (net)	(37,904)	(9,465)	193,635	0	**146,266**
– As restated	0	0	235,489	102,055	**337,544**
Transfer from profit & loss account:					
– Provision increase (note 3)	0	0	0	16,000	**16,000**
– Financing charge (note 5)	0	0	11,774	10,286	**22,060**
Utilised during the year	0	0	(1,649)	(38,608)	**(40,257)**
Balance at 31 December 1998	**0**	**0**	**245,614**	**89,733**	**335,347**

Provision for major cyclical overhauls and environmental costs

Application of FRS 12 has resulted in these provisions no longer being required. This results in a prior year adjustment of IR£9.5m for environmental costs and IR£37.9m for major cyclical overhauls, to eliminate the opening provisions. These costs are now charged directly to the profit and loss account as incurred.

Provision for generating station closure

The provision at 31 December 1998 of IR£245.6m for station closure costs represents the present value of the current estimate of the costs of closure of generating stations at the end of their useful economic lives. The expected closure dates of most generating stations are up to 2013. The provision for 1998 includes a financing charge of IR£11.8m calculated in accordance with the new accounting policy.

Application of FRS 12 has resulted in a prior year adjustment for additional capitalised assets with a net book value of IR£32.2m at 31 December 1997 (i.e. capitalised closure costs of IR£80.1m less accumulated depreciation to end 1997 of IR£47.9m).

The prior year adjustment of IR£193.6m, to restate the opening balance on the provision, consists of the capitalised station closure costs of IR£80.1m and the related financing charge up to the end of 1997 of IR£155.4m, partly offset by the elimination of the opening provision of IR£41.9m.

Prior year adjustment – impact on opening reserves	1998	1997
Write back of opening provisions	**89,223**	57,642
Write back of creditors due less than one year (note 15)	**4,000**	4,000
Accumulated depreciation on capitalised closure costs (note 9)	**(47,855)**	(45,295)
Financing charge on provision for closure costs	**(155,396)**	(146,537)
	(110,028)	(130,190)

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

Consolidated & parent	1998	1997
Balance at start of year	**5,769**	4,787
Appropriation for repayment of borrowings	**784**	982
Sinking fund reserve applied to repay borrowings	**(6,236)**	0
Balance at end of year	**317**	5,769
Represented by:		
Sinking fund investments (Note 10)	**317**	5,769

18. OTHER RESERVES – IR£000's

Consolidated	Non-repayable supply contributions	Repaid capital reserve	Shareholding scheme reserve	Other reserves	Total
Balance at start of year	320,573	771,771	0	2,105	**1,094,449**
Non-repayable supply contributions	30,491	0	0	0	**30,491**
Borrowings repaid from sinking fund	0	6,236	0	0	**6,236**
Other reserve movements	0	1,635	0	602	**2,237**
Employee shareholding scheme (note 4)	0	0	21,100	0	**21,100**
Translation differences on consolidation of foreign subsidiaries	0	0	0	(954)	**(954)**
Balance at end of year	**351,064**	**779,642**	**21,100**	**1,753**	**1,153,559**
Parent	**351,064**	**779,642**	**21,100**	**0**	**1,151,806**

19. PROFIT AND LOSS ACCOUNT

The retained surplus of the parent for the year was IR£194m (1997: IR£176.6m).

20. CASH FLOW STATEMENT – IR£000's

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

	1998	1997 As restated
Operating surplus	**284,282**	258,340
Depreciation	**138,526**	135,848
Increase/(decrease) in provisions for liabilities & charges	**16,000**	(37,256)
Utilisation of provisions for liabilities & charges	**(40,257)**	(136,367)
Employee shareholding scheme	**21,100**	0
Other reserve movements	**1,635**	0
Profit on disposal of financial fixed assets	**0**	(262)
Profit on disposal of tangible fixed assets	**(85)**	(809)
Amortisation of capital grants	**(131)**	(90)
Translation differences	**(2,288)**	2,237
(Increase)/decrease in debtors	**(4,363)**	3,812
Decrease/(increase) in stocks	**7,848**	(2,809)
(Decrease)/increase in creditors	**(7,562)**	76,451
Net cash inflow from operating activities	**414,705**	299,095

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

Increase/(decrease) in cash in the year	**11,063**	(14,076)
Repayment of loans	**115,125**	47,939
New loans in year	**(12,586)**	(29,551)
Capital element of finance lease payments	**15,821**	20,205
Other new financing	**(32,237)**	0
Cash outflow from decrease in debt and lease financing	**86,123**	38,593
Net change in sinking fund bank deposits	**(5,452)**	982
Net change in other bank deposits	**(8,888)**	16,796
Cash (inflow)/outflow from management of liquid resources	**(14,340)**	17,778
Change in net debt resulting from cashflows	**82,846**	42,295
Exchange differences	**1,335**	(779)
Movement in net debt in the year	**84,181**	41,516
Net debt at the start of the year	**(755,911)**	(797,427)
Net debt at the end of the year	**(671,730)**	(755,911)

20. CASH FLOW STATEMENT – continued

(c) Analysis of changes in net debt – IR£000's

	At 1 January 1998	Cashflow	Exchange movements	At 31 December 1998
Cash at bank and in hand	7,259	10,186	1,690	**19,135**
Overdrafts	(1,812)	877	0	**(935)**
	5,447	11,063	1,690	**18,200**
Loans	(692, 912)	102,540	0	**(590,372)**
Finance leases	(93,150)	(16,417)	0	**(109,567)**
	(786,062)	86,123	0	**(699,939)**
Other bank deposits	18,835	(8,888)	(355)	**9,592**
Sinking fund bank deposits and other investments	5,869	(5,452)	0	**417**
	24,704	(14,340)	(355)	**10,009**
Total	**(755,911)**	**82,846**	**1,335**	**(671,730)**

'Cash at bank and in hand' and 'Other bank deposits' above are both included in 'Cash at bank and in hand' in the balance sheet.

21. 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 fund is vested in 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 1997 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£1,581 million which exceeded the scheme's actuarial valuation of accrued liabilities based on current earnings.

The actuarial value of the assets was sufficient to cover 92% 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£20m (1997: IR£24.7m), based on the on-going contribution rates as advised by the actuaries. An amount of IR£6.7m (1997: IR£2m) 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£0.5m (1997: IR£1.5m) 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.

22. 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 1998. The potential liability for deferred taxation, at the Group's estimated effective tax rate of 21%, is set out below:

	Consolidated & parent	
	1998	1997
Capital allowances in excess of depreciation	**282,473**	248,520
Losses forward	**0**	(18,915)
Provisions	**(57,918)**	(27,278)
	224,555	202,327

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

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

Within one year	**14**	26
Between two and five years	**36**	4
After five years	**3,384**	2,615
Total payable within one year	**3,434**	2,645

(c) Capital commitments – IR£000's

Contracted for	**86,785**	127,717
Authorised but not contracted for	**216,000**	83,570
	302,785	211,287

(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£16m (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.

At 31 December 1998, ESB has entered into forward contracts in the amount of US$99m to cover future fuel purchases.

23. 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.

Associated undertakings

ESB has undertaken transactions at arms length for the purchase from and supply of goods and services to associated undertakings during the year. The only significant contracts are with Corby Power Limited and Rousch Pakistan Power, from which a total revenue of IR£8m was received in 1998.

24. ACCOUNTING YEAR

Income and expenditure are aligned on a 52 or 53 week year as appropriate. 1998 is a 52 week year (1997 - 53 weeks).

25. COMPARATIVE FIGURES

Where appropriate, previous year's figures have been regrouped or restated on a basis consistent with the current year.

26. APPROVAL OF ACCOUNTS

The Board approved the accounts on 9th March 1999.

27. SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS

Subsidiary undertakings	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
ESB International Services Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Financial consultancy and computer services

27. SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS (continued)

Subsidiary undertakings	Registered office	Group share %	Nature of business
Electricity Supply Board International Services B.V.	Stravinskylaan 3105 7th Floor 1077 2X Amsterdam The Netherlands.	100	Holding company
Electricity Supply Board International Holdings B.V.	Stravinskylaan 3105 7th Floor, 1077 2X Amsterdam The Netherlands.	100	Holding company
ESBI Luxembourg SA	121 Avenue de la Faiencerie L.2010 Luxembourg.	100	Holding company
ESBIT Limited	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	60	Holding company
ESBI Energy Company	2800 Post Oak Road Houston, Texas 77056 USA.	100	Engineering consultancy
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
ESBI Alberta Limited	1500.855 2nd Street South West Calgary Alberta T2P 4J7 Canada.	100	Transmission management

27. SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS (continued)

Subsidiary undertakings	Registered office	Group share %	Nature of business
College Power Limited	27 Lr. Fitzwilliam Street Dublin 2.	100	Power project
ESB Power Generation Holding Company Limited	27 Lr. Fitzwilliam Street Dublin 2.	100	Holding company
Customer Services Holdings Ltd.	27 Lr. Fitzwilliam Street Dublin 2.	100	Holding company
Ballyragget Power Limited	27 Lr. Fitzwilliam Street Dublin 2.	100	Power projects
Crockahenny Wind Farm Limited	27 Lr. Fitzwilliam Street Dublin 2.	75	Wind farm

Associated undertakings	Registered office	Group share %	Nature of business
Sevent Industries Ltd.	27 Lr. Fitzwilliam St. Dublin 2.	49	Electrical distribution material manufacture
Transpower Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	50	Development of independent power projects
Saur Utilities Ltd.	16 St. Stephens Green Dublin 2.	49	Water and sewage treatment
Corby Power Ltd	Mitchell Road Phoenix Parkway, Corby Northamptonshire NN17 IQ7.	20	Power generation
Coolkeeragh Group Limited	4 Electra Road, Maydown Derry BT47 1UL.	15	Power generation
Bizkaia Energia SL	C/Juan de Ajuriaguerra 10 - 1° 48009 Bilbao, Spain.	50	Power generation
Rousch Pakistan Power	94-W, 3rd Floor Admir Plaza, Jinnah Ave. Blue Area, Islamabad.	7	Independent power producer

Joint ventures	Registered office	Group share %	Nature of business
Ocean Communications Limited	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	30*	Telecommunications

*ESBIT, a 60% subsidiary of ESB, owns 50% of the equity of Ocean Communications Limited.

KEY RATIOS	1994	1995	1996	1997 As restated	**1998**
Return on average capital employed (%)	6.1	(10.8)	9.1	11.2	**12.0**
Debt/debt and net assets (%)	52.0	58.0	50.0	46.0	**38.0**
Current ratio (times)	3.0	3.1	2.0	1.9	**1.9**
Interest cover (times) (excluding interest capitalised)	1.7	(3.0)	3.1	4.2	**6.3**
Foreign / total borrowings (%)	35.2	20.3	0.0	0.0	**0.0**
Average electricity credit period (days from date billed)	16.8	16.4	16.2	16.3	**15.7**

INPUT TO IRELAND'S ECONOMY	1994 IR£m	1995 IR£m	1996 IR£m	1997 IR£m	**1998 IR£m**
Fuel: gas, peat, excise duties	137	160	174	177	**158**
Irish suppliers of goods and services including capital work	218	213	227	253	**304**
Rates	34	35	36	38	**39**
Payroll costs	306	301	292	305	**304**
Interest paid to Irish lenders and stockholders	22	29	22	17	**24**
Other superannuation funding and voluntary severance payments	-	8	187	134	**39**
TOTAL	717	746	938	924	**868**

CONSOLIDATED PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 1998	1998 IR£'000	1998 Euro€000's	1997 IR£'000 As restated	1997 Euro€000's As restated
Turnover - continuing operations	**1,261,341**	1,601,573	1,191,155	1,512,455
Operating costs	**(939,959)**	(1,193,502)	(926,015)	(1,175,797)
CCR restructuring costs	**(16,000)**	(20,316)	(6,800)	(8,634)
Employee shareholding	**(21,100)**	(26,791)	0	0
Operating surplus - continuing operations	**284,282**	360,964	258,340	328,024
Share of joint venture losses	**(6,078)**	(7,717)	0	0
Share of associated undertakings' profit	**3,485**	4,425	1,253	1,591
Net interest cost and other financing charges	**(63,400)**	(80,501)	(77,588)	(98,516)
Surplus on ordinary activities before taxation	**218,289**	277,171	182,005	231,099
Tax charge	**(22,706)**	(28,831)	(980)	(1,244)
Surplus on ordinary activities after taxation	**195,583**	248,340	181,025	229,855
Minority interests - equity	**2,051**	2,604	(1)	(1)
Surplus for financial year	**197,634**	250,944	181,024	229,854
Appropriation to sinking fund reserve	**(784)**	(995)	(982)	(1,247)
Retained surplus for year	**196,850**	249,949	180,042	228,607

Irish pounds are converted to Euros based on the conversion rate at 1 January 1999 of 0.787564.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1998	1998 IR£'000	1998 Euro€000's	1997 IR£'000 As restated	1997 Euro€000's As restated
Assets employed				
Fixed assets				
Tangible assets	**2,073,547**	2,632,862	1,904,570	2,418,305
Financial assets (including joint venture and associate undertakings	**19,150**	24,315	20,361	25,853
	2,092,697	2,657,177	1,924,931	2,444,158
Current assets				
Stocks	**109,345**	138,840	114,210	145,017
Debtors	**279,001**	354,258	271,485	344,715
Investments	**634**	805	634	805
Cash at bank and in hand	**28,727**	36,476	26,094	33,133
	417,707	530,379	412,423	523,670
Creditors (falling due within one year)				
Borrowings and other debt	**(193,505)**	(245,701)	(97,280)	(123,520)
Other creditors	**(222,804)**	(282,903)	(220,428)	(279,886)
	(416,309)	(528,604)	(317,708)	(403,406)
Net current assets	**1,398**	1,775	94,715	120,264
Total assets less current liabilities	**2,094,095**	2,658,952	2,019,646	2,564,422
Creditors (falling due after more than one year)				
Borrowings and other debt	**(507,368)**	(644,224)	(690,594)	(876,873)
Other creditors	**(89,470)**	(113,603)	(80,266)	(101,917)
	(596,838)	(757,827)	(770,860)	(978,790)
Provision for liabilities and charges	**(335,347)**	(425,803)	(337,544)	(428,592)
Net assets	**1,161,910**	1,475,322	911,242	1,157,040
Financed by:				
Reserves:				
Sinking fund reserve for repayment of borrowings	**317**	403	5,769	7,325
Other reserves	**1,153,559**	1,464,718	1,094,449	1,389,664
Profit and loss account	**7,799**	9,903	(189,051)	(240,044)
	1,161,675	1,475,024	911,167	1,156,945
Minority interests	**235**	298	75	95
	1,161,910	1,475,322	911,242	1,157,040

Irish pounds are converted to Euros based on the conversion rate at 1 January 1999 of 0.787564.

Introduction

The Prompt Payment of Accounts Act, 1997 came into effect on 2nd January, 1998, and applies to goods and services supplied to ESB after this date.

Statement of Payment practices including standard payment periods

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

Compliance with the Act

ESB has implemented the requirements of the Act in respect of all external supplier payments. Retrospective payments are being made for any interest due on goods or services supplied since the date the Act came in to effect.

Due to system limitations ESB was unable to comply with two requirements of the Act for 1998, as follows:

a) Interest payments amounting to less than £1 could not be paid.
b) Interest payments were not made on the same day as the invoice payment.

In the opinion of the Board Members, the financial impact of the above for suppliers would be immaterial. Since 1st January 1999, ESB is complying fully with the terms of the Act.

Procedures and controls in place

Appropriate internal financial controls have been implemented to ensure compliance with the Act, including clearly defined roles and responsibilities and monthly reporting and review of payment practices. These procedures can only provide reasonable and not absolute assurance against material non-compliance with the Act.

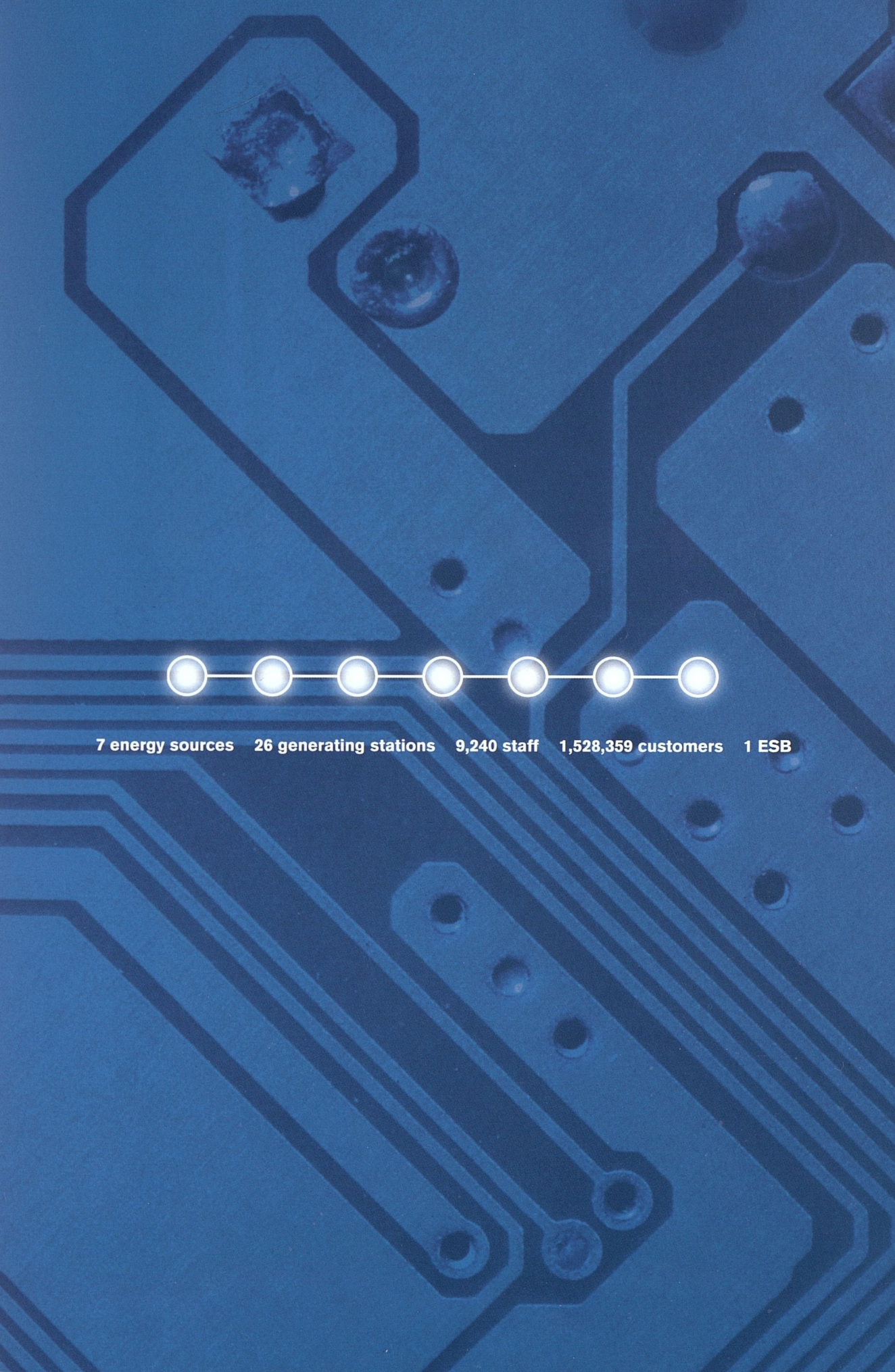
Details of interest payments in respect of 1998:

Total number of late payments	2,187
Total value of late payments (in excess of £250)	IR£4,397,629
Total value of late payments as a % of total value of payments made:	0.9%
Total value of interest paid:	IR£32,460

Signed: **W M McCann,** Chairman

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

9 March, 1999.


7 energy sources
26 generating stations
9,240 staff
1,528,359 customers
1 ESB