

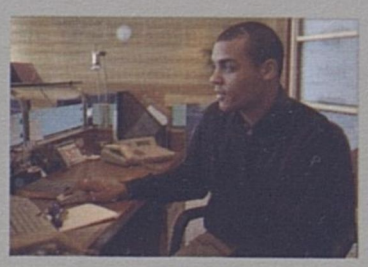
ESB

ANNUAL REPORT AND ACCOUNTS 2002

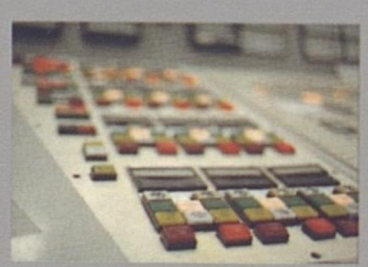
3 6 5

working every hour of every day to maintain great customer service

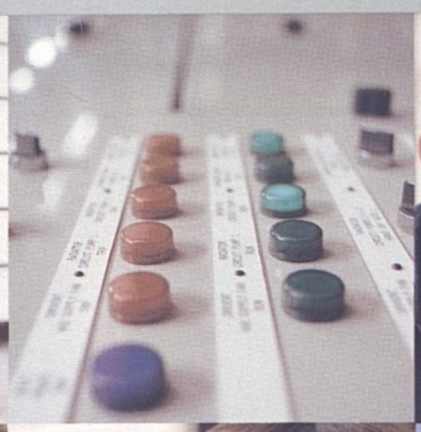


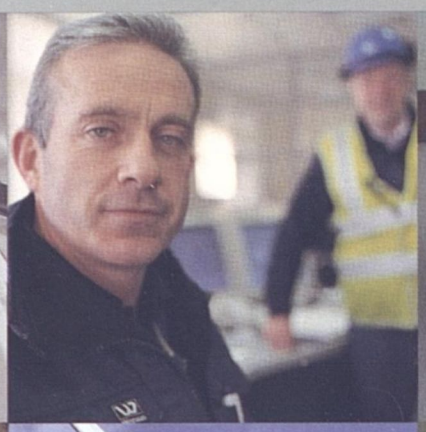








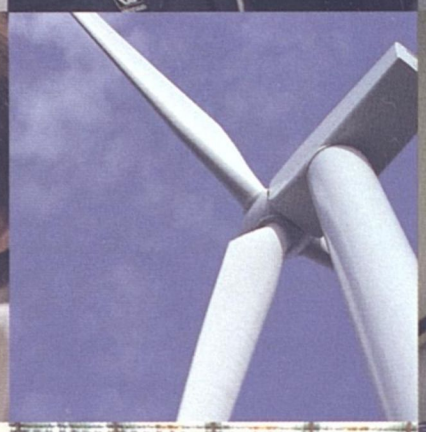


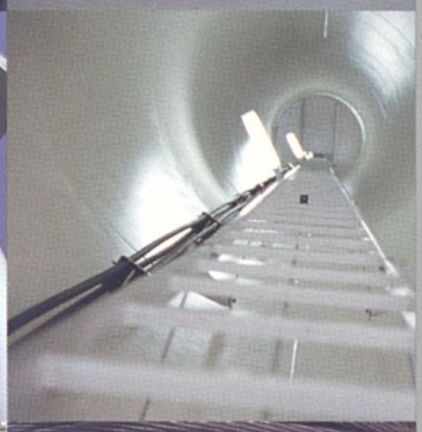


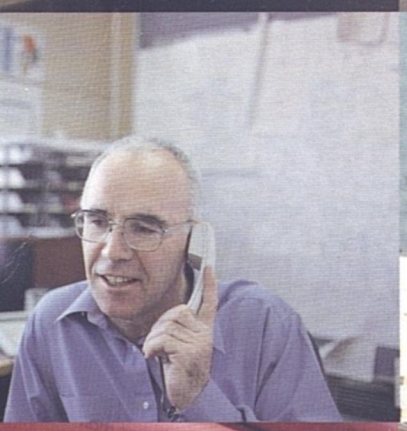




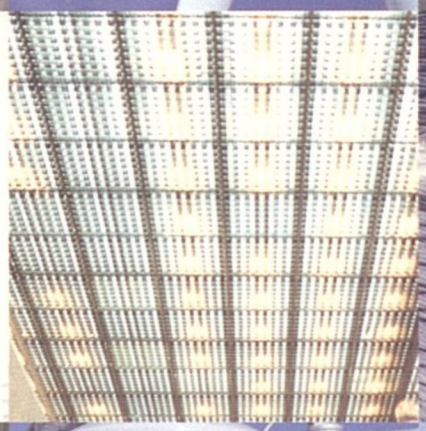




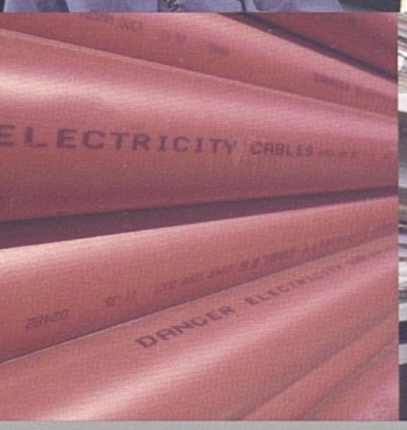


















* *ESB Staff - Top row: Philip Jordan, 2nd row: Miriam Courtenay, 3rd row: Jimmy Dillon, 4th row: Charlene Meeley*

Profit before interest and tax has increased by €51 million to €250 million, an increase of almost 26%.

Capital expenditure of €864 million is a record for ESB and demonstrates its commitment to providing Ireland with world class infrastructure.

During 2002, ESB paid its first interim dividend of €20 million. A final dividend of €19.7 million is proposed, giving a total dividend of €39.7 million for the year.

ESB is committed to the full implementation of PACT and to the achievement of long term, sustainable benefits from this programme.

Chairman's Review 01

Chief Executive's Operational and Financial Review 05

The Board 33

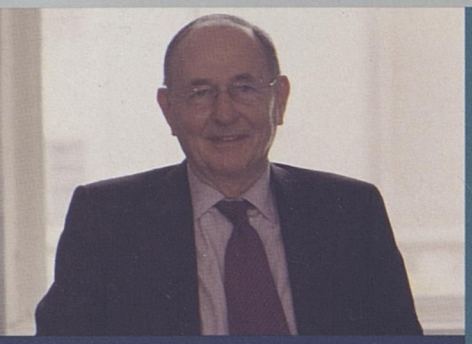
Board Committees 34

Board Members 35

Executive Team 37

Board Members' Report 41

Financial Statements and notes 47



Tadhg O'Donoghue

Chairman's Review

In accordance with the provisions of the Electricity (Supply) Act 1927 (as amended), the Board presents its Annual Report and Accounts for the year ended 31 December 2002.

2002 Performance

In 2002 demand for electricity maintained the strong growth of recent years. ESB revenues for the year increased by 5% to €2.15 billion and profit before tax increased by 23% to €196.5 million.

Based on this excellent performance the Board is proposing a final dividend of €19.7 million, giving a total dividend for the year of €39.7 million. These are the first dividends paid by ESB and reflect its changed status from that of a monopoly utility with a break even mandate to a fully commercial enterprise operating in a market which is being rapidly liberalised.

Market Opening

Market opening passed another milestone in 2002 with the entry into commercial operation of the Huntstown (owned by Viridian) and the Synergen independent power plants in Dublin. A joint venture between ESB and Statoil, Synergen is an independent power producer which is managed and trades on a stand-alone basis. Independent generators now account for some 30% of electricity generation in the Republic of Ireland. This share is set to increase by means of the forthcoming competition to provide over 500 megawatts of additional independent generation.

On the supply side, 40% of the market measured by sales of electricity is currently open to competition. This will increase to 56% in 2004 and to 100% in 2005 which is two years earlier than is required by the proposed EU Electricity Directive.

The emergence of a competitive market is fundamental to ESB's future strategy and ESB is actively supporting the process by :

- working with the Commission for Energy Regulation (CER) to provide a contract to encourage further generation capacity into the market.
- ring-fencing those activities which must be conducted on an impartial basis in an open market environment.
- developing the extensive computer systems which are essential if the open market is to work efficiently.

Market opening in other jurisdictions also present opportunities for ESB. In Northern Ireland we are constructing a 400 megawatt plant and we have commenced the building of a power plant in Spain.

Capital Investment

ESB is undertaking a major capital investment programme to upgrade its transmission and distribution networks and its generation portfolio. ESB is projected to spend €4 billion on upgrading the performance and capacity of our networks at all voltage levels in the period 2002 to 2007. This will allow ESB to deliver a better service to all electricity customers. On the generation side of the business, two old peat stations were closed during the year and construction began on two state-of-the-art peat burning stations in West Offaly and Loughree in Co. Longford. These two stations will involve a capital investment of €460 million.

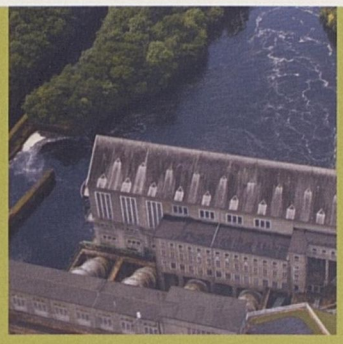
Borrowings will increase significantly over the next five years to fund the ambitious capital investment programme. ESB plans to obtain a credit rating as it seeks to diversify its sources of funding.

Environment

Generation from renewable energy sources is a key element of ESB's strategy. During the year ESB's wind farm at Carnsore Point in Co. Wexford entered full commercial operation and other renewable energy projects are well advanced.

During 2003 ESB will review the options for our coal burning station at Moneypoint in Co. Clare in the context of environmental requirements and of avoiding undue reliance on any one primary fuel.







* *Photo 1: ESB Staff in Finglas*
Photo 2: ESB's first Power Station at Ardnacrusha
Photo 3: Dave Darcy

Outlook

Management in 2003 will continue to pursue ESB's key strategic objectives, namely:

- focus on excellence and customer service in the core electricity businesses.
- carry forward the ambitious investment programme in ESB's generation and network infrastructure.
- increase ESB's competitiveness through the Programme to Achieve Competitiveness and Transformation (PACT).
- continue active support for market opening in Ireland.
- develop new markets, particularly in Spain and in Northern Ireland.

Stakeholders

The support of the Minister for Communications, Marine and Natural Resources and of his officials is very much appreciated by ESB. I also want to acknowledge the contribution of my Board colleagues and the exceptional loyalty and commitment of staff in every part of the company.

Board Changes

During the year Sean Geraghty and Caitriona Murphy retired from the Board and I would like to acknowledge their excellent contributions. I would also like to welcome Derry O'Donovan and Will McKee who joined the Board during the year.

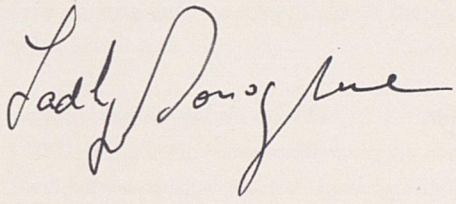
Ken O'Hara retired as Chief Executive and Board member in 2002 after 41 years of dedicated service to ESB. Padraig McManus was appointed as the new Chief Executive and as Board member having previously served as Commercial Director and Managing Director, ESBI.

Corporate Governance and Ethics

Doing business ethically and in compliance with best practice in corporate governance are core values for ESB. A description of ESB compliance is given in the Board Members' Report on page 41.

Meeting the Challenge

2002 marked ESB's 75th year in business. The vision and innovation which led to the successful establishment of the company will again be required as ESB addresses the challenges and opportunities of market opening. I am confident that ESB's culture of dedicated service to our customers and excellence in our business and technical operations will ensure a dynamic and profitable national and international enterprise in the years ahead.



Tadhg O'Donoghue
Chairman.

Dréacht Ráiteas an Chathaoirligh

De réir fhorálacha an Achta Leictreachais (Soláthar) 1927 (leasaithe) cuireann an Bord a Thuarascáil Bhliantúil agus Cuntais don bhliain dar críoch 31 Nollaig 2002 i láthair.

Feidhmíocht 2002

I 2002 lean an fás láidir ar an éileamh ar leictreachas mar a bhí le blianta beaga anuas. Tháinig méadú de 5% ar ioncaim BSL go €2.15 billiún agus tháinig méadú 23% ar bhrabús roimh cháin go €196.5 milliún

Bunaithe ar an bhfeidhmíocht den scoth seo tá díbhinn chríochnaitheach de €19.7 milliún á bheartú ag an mBord, a thabharfaidh díbhinn iomlán na bliana go € 39.7 milliún. Seo iad na chéad díbhínní is íoctha ag BSL agus tugann sé léiriú ar an athrú stádais a bhaineann le BSL ó mhonaplacht le mandáid meá ar mheá go fiontar tráchtála iomlán ag feidhmiú i margadh atá á léirscaoileadh go tapa.

Oscailt an Mhargaidh

Thárla céim mhór eile in oscailt an mhargaidh i 2002 nuair a chuaigh Huntstown (faoi úinéireacht Viridian) agus Synergen, fearais cumhachta neamhspléacha i mBaile Átha Cliath, i mbun oibríochta tráchtála. Is táirgeoir cumhachta neamhspleách é an comhfhiontar idir BSL, Statoil agus Synergen a bhfuil bainistíocht á dhéanamh air agus trádáil á dhéanamh aige ar bhonn neamhspleách. Is gineadóirí neamhspleácha a ghineann 30% den leictreachas a ghintear i bPoblacht na hÉireann. Méadóidh an sciar sin leis an iomaíocht a bheidh ag teacht chun cinn chun suas le 500 meigeavata de ghineadh neamhspleách breise a sholáthar.

Ó thaobh an tsoláthair de, tá 40% den mhargadh, arna thomhas de réir díolachán leictreachais, oscailte faoi láthair d'iomaíocht. Méadóidh sé sin go 56% i 2004 agus go 100% i 2005 is é sin dhá bhliain níos luaithe ná mar atá riachtanach de réir na Treorach molta ón AE ar Leictreachas.

Tá sé rí-tábhachtach do straitéis BSL sa todhchaí go dtiocfadh margadh iomaíoch chun cinn agus tá BSL ag tacú go gníomhach leis an bpróiseas trí:

- oibriú leis an gComisiún um Rialú Fuinnimh chun iontrálaithe nua sa mhargadh a spreagadh
- imfhálú a dhéanamh ar na gníomhaíochtaí sin nach mór a stiúradh ar bhonn neamhchlaonta i dtimpeallacht mhargaidh oscailte.
- córais ríomhaireachta cuimsitheacha a fhorbairt atá riachtanach má tá an margadh le n-oibriú go héifeachtach.

Cuireann oscailt an mhargaidh i ndlínsí eile deiseanna ar fáil freisin. I dTuaisceart Éireann bhronn BSL Idirnáisiúnta (ESBI) conarthaí chun fearas 400 meigeavata a thógáil agus sa Spáinn tógfaidh an ESBI an chéad fhearas cumhachta neamhspléach sa Spáinn faoi úinéireacht idirnáisiúnta.

Infheistíocht Chaipitil

Ag an am céanna tá BSL ag tabhairt faoi mhórchlár infheistíochta caipitil chun uasghrádú a dhéanamh ar a líonraí dáileacháin agus tarchuir agus a phortfóilió giniúna. Teilgtear go gcaithfidh BSL €4 billiún ar uasghrádú fheidhmíocht agus chumas ár líonraí ag gach leibhéal vóltais sa tréimhse 2002 go 2007. Beidh serbhís níos fearr le fhail ag gach custaimeir leictreachais, ó BSL, de thairbhe an infhestíocht seo. Ó thaobh na giniúna den ghnó, dúnadh dhá shean-stáisiún cumhachta teicneolaíochta le linn na bliana agus cuireadh tús le tógáil dhá stáisiún dóite móna nua-aimseartha in Iarthar Uíbh Fhailí agus Loch Rí i gCo. Longfoirt. Beidh infheistíocht chaipitil de €460 milliún i gceist leis na dá stáisiún sin.

Tiocfaidh méadú suntasach ar iasachtaí thar na cúig bliana atá le teacht chun an clár infheistíochta caipitil uaillmhianach a mhaoiniú. Tá sé beartaithe ag BSL rátáil creidmheasa a bhaint amach chun rochtain sa todhchaí ar mhargaí caipitil féich a éascú.





Comhshaol

Tá giniúint ó fhoinsí inathnuaite fuinnimh ar cheann de phríomhghnéithe straitéis BSL. Le linn na bliana chuaigh feirm ghaoithe BSL i gCeann an Chairn i gCo Loch Garman i mbun oibre go lán-tráchtála agus tá tionscadail inathnuaite fuinnimh eile curtha chun cinn go maith.

Le linn 2003 déanfaidh an BSL athbhreithniú ar roghanna dár stáisún dóite guail i Moneypoint i gCo. an Chláir i gcomhthéacs riachtanais chomhshaoil agus ar a bheith ag brath ar aon bhunbhreosla amháin a sheachaint.

Forléargas

Leanfaidh an bhainistíocht i 2003 ag obair i dtreo phríomhchuspóirí straitéiseacha BSL, is iad sin:

- Díriú ar an scoth agus ar sheirbhís chustaiméirí sna croíghnólachtaí leictreachais
- An clár infheistíochta uaillmhianach in infratstruchtúr líonra agus giniúna BSL a thabhairt chun cinn.
- Cur le hiomaíochas BSL tríd an gClár chun Iomaíochas agus Claochlú a Bhaint Amach (PACT)
- Tacaíocht ghníomhach leanúnach d'oscailt an mhargaidh in Éirinn.
- Margaí nua a fhorbairt go háirithe sa Spáinn agus i dTuaisceart Éireann.

Páirtithe Leasmhara

Tá BSL fíorbhuíoch de thacaíocht an Aire Cumarsáide, Mara agus Acmhainní Nádúrtha agus a oifigigh. Ba mhaith liom, freisin, aitheantas a thabhairt do mo chomhghleacaithe ar an mBord as an méid atá déanta acu agus ba mhaith liom aitheantas a thabhairt chomh maith do thiomantas agus dílseacht as cuimse na foirne i ngach cuid den chuideachta.

Athruithe Boird agus Feidhmeannais Shinsearaigh

D'éirigh Seán Geraghty agus Caitríona Murphy as a n-obair le linn na bliana agus ba mhaith liom an deis seo a thapú chun aitheantas a thabhairt don obair den scoth a rinne siad. Ba mhaith liom freisin fáilte a chur roimh Will McKee agus Derry O'Donovan a ghlac áit ar an mbord le linn na bliana.

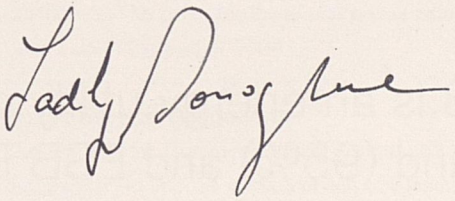
D'éirigh Ken O'Hara as mar Phríomhfheidhmeannach i 2002 tar éis 41 bliain seirbhíse dhúthracht do BSL. Ceapadh Pádraig McManus, a bhí mar Stiúrthóir Tráchtála agus Stiúrthóir Bainistíochta ESBI mar an Príomhfheidhmeannach nua.

Rialú Corparáideach agus Eitic

I measc croí-luachanna BSL tá cloí le sárchleachtas maidir le rialú corparáideach agus cloí leis na caighdeáin is airde eitice inár ngnó. Tugtar cuntas ar chomhlíondh BSL i dTuarascáil Chomhaltaí an Bhoird ar leathanach 41.

Ag dul i ngleic leis an dúshlán

I 2002 rinneadh comóradh ar 75 bliain do BSL a bheith i ngnó. Beidh an fhís agus an nuálacht ba chúis le bunú na cuideachta de dhíth nuair a thugann BSL faoi dhúshláin agus deiseanna a bhaineann le hoscailt an mhargaidh. Táim dóchasach go gcinnteoidh cultúr BSL de sheirbhís tiomanta custaiméirí agus an scoth inár n-oibríochtaí gnó agus teicniúla go mbeidh fiontar fuinniúil agus brabúsach, go náisiúnta agus go hidirnáisiúnta araon, ann sna blianta atá romhainn



Tadhg O'Donoghue
Cathaoirleach



Padraig McManus

Chief Executive's Operational and Financial Review

TABLE 1. Key Financial Results	2002 €m	2001 €m	Change €m	Change %
Turnover	2,151	2,040	111	5
Profit before interest and tax	250	199	51	26
Profit before tax	196	160	36	23
Profit after tax	159	165	(6)	(4)
Dividends	40	-	40	N/A
Capital investment	864	547	317	58
Net cash inflow from operating activities	563	351	212	60
Net debt	902	632	270	43

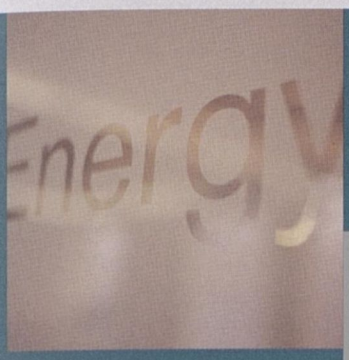
Description of business

ESB is an energy utility owned by the Government of Ireland (95%) and ESB ESOP Trustee Ltd (ESOT) (5%). Its core business is the generation, transmission, distribution and supply of electricity in Ireland. Transmission is transporting power in bulk via the National Grid. Distribution is transporting power from bulk supply points via the distribution network to the customer. As well as its operations in Ireland, ESB has investments in generation and utility/facility management operations in the UK, Canada, Pakistan, Malaysia and Guyana. It also has engineering, consultancy, construction, telecommunications and retail activities in Ireland. ESB turnover in the year to 31 December 2002 was €2,151 million, up 5% on the previous year. Profit after tax for 2002 was €159.5 million.

Market Changes

The opening of the electricity market in the Republic of Ireland began in February, 2000 when 28 per cent of the market, representing the largest electricity consumers, were able to choose their supplier. This has continued since with a further market opening in February 2002, bringing the sector of the market which is open to competition to 40 per cent. This is set to increase to 56 per cent in 2004. Full market opening will take place in 2005 and ESB is working to facilitate this.

ESB is an energy utility owned by the Government of Ireland (95%) and ESB ESOP Trustee Ltd (ESOT) (5%). Its core business is the generation, transmission, distribution and supply of electricity.





* *Main Photo: Sean Mooney and Miriam McDonald*

The opening of the electricity market in the Republic of Ireland began in February 2000. Further market opening occurred in February 2002. Full market opening will take place in 2005 and ESB is working to facilitate this.

Regulatory Environment

CER has a statutory role in licensing electricity activities and overseeing the efficient operation of the sector in the interests of final consumers.

Distribution

ESB is the holder of the Distribution System Operator licence issued in June 2001. This covers responsibility for distribution system construction, maintenance, planning and operations, meter registration and data collection. The Distribution System Operator earns its revenues principally through charges for connection to and use of the distribution system. These charges are overseen by the CER, which has published the basis for them for the period 2001 to 2005.

Transmission

ESB is the holder of the Transmission Asset Owner licence issued in June 2001. The Transmission Asset Owner is remunerated by charges for connection to and use of the transmission system. These charges are overseen by the CER, which has published the basis for them for the period 2001 to 2005.

As part of the market opening process, the Transmission System Operator licence was issued to an independent company, EirGrid Plc, in June 2001. However, ESB continues to perform the Transmission System Operator (TSO) role pending the coming into full effect of the TSO licence issued to EirGrid Plc. TSO costs are recovered through various transmission charges that are overseen by the CER.

Generation

ESB operates its generation business under powers vested in it under the 1927 Electricity Supply Act. The CER, using powers provided by Statutory Instrument 445 of 2000, oversees a regulated agreement that determines the allowable revenues for ESB Generation up to 18th February 2005. On an annual basis a unit charge, profiled by time of day and season, is set for electricity sales to ESB's Public Electricity Supplier (PES).

Customer Supply

ESB Public Electricity Supplier (PES) supplies final customers under powers vested in it under the 1927 Electricity Supply Act. The CER oversees charges published by the PES for final customers. The basis for these charges is established for the period up to the end of 2004.

Public Service Obligations

The Minister for Communications, Marine and Natural Resources is empowered to impose public service obligations on ESB reflecting government policy. These primarily relate to use of peat and renewable resources for electricity generation and are levied on all customers in the market.

ESB will continue to invest in the development of staff, through continuous skills improvement, support for entry to third level education and continuing commitment to apprentice training.

Business Objectives and Strategy

ESB's strategy aims to deliver consistent profit growth. Profits are targeted to double between 2002 and 2007. ESB will also maintain a strong balance sheet capable of financing its current activities and funding future growth.

The current portfolio of businesses provide a secure base for profit growth allowing us to build on a strong core competency in network construction, maintenance, operations and asset management. We plan to invest €4 billion in our Irish networks between 2002 and 2007 in response to increasing demand for electricity.

In accordance with industry regulatory arrangements, ESB will discontinue its Transmission System Operator (TSO) role in the Republic of Ireland. This role will be taken on by a new state company, EirGrid Plc. This will facilitate greater transparency for all players in this market.

With an efficient, competitive generation portfolio, ESB intends to be the supplier of choice in Ireland.

ESB will strive to justify and retain its reputation for quality and service, managing both competitive and regulated businesses and serving electricity customers both in the Republic of Ireland and in Northern Ireland.

Internationally, we will pursue further investment opportunities in developed economies in our core competencies of generation and network operations. These investments will be selected on the basis of scale and fit with ESB skills and the potential to add value to ESB.

Our People

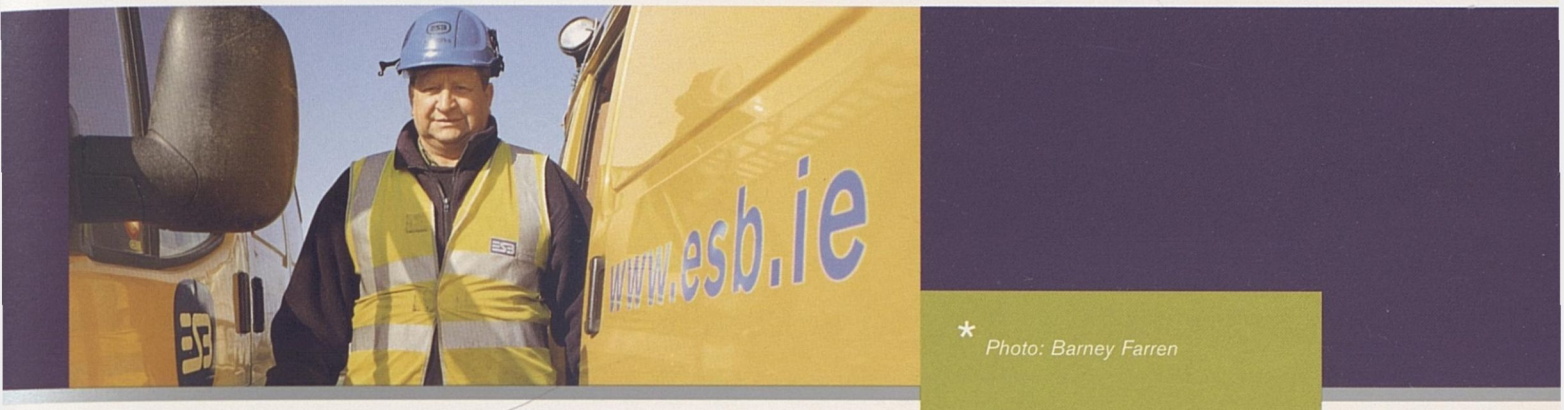
ESB has in recent years been facing a business environment which is rapidly changing, with sustained high levels of growth in demand, the move to competition and in addition new environmental standards.

ESB's technical response through its systems and equipment is well-recognised and has been demonstrated over the years. However, it is important to recognise that the successful implementation of change even within a highly technical organisation is only possible with the support of staff and their commitment to shared objectives for the company.

ESB's staff have demonstrated their capability to respond to the various challenges through embracing new work processes, systems and organisations and implementing efficiency and performance improvements. This has enabled the company to meet the growth in demand for electricity and to use the latest state-of-the-art technologies.

Staff commitment has been reflected in tangible improvements in service to our customers. Among the key benefits have been our ongoing Network improvement and renewal programme, the connection of record numbers of new consumers in all sectors (industrial to domestic) and improving generation plant availability.

ESB will continue to invest in the development of staff through continuous skills improvement, support for entry to third level education and commitment to apprentice training.



* *Photo: Barney Farren*

We operate on the basis of a partnership approach based on the development of strong relationships between management and staff at all levels in the company. This allows staff input into the business to ensure that we arrive at the best possible solutions.

It ensures that staff have a means of contributing, to their maximum potential, to both their own work environment and the success of the company. The involvement of staff in bringing all their talents to their jobs is fundamental to maintaining and improving ESB's competitiveness.

Our success in developing overseas business is founded both on the technical competence of our staff and also their ability to recognise the needs of customers in diverse cultures and to integrate and mould solutions in a supportive and understanding manner.

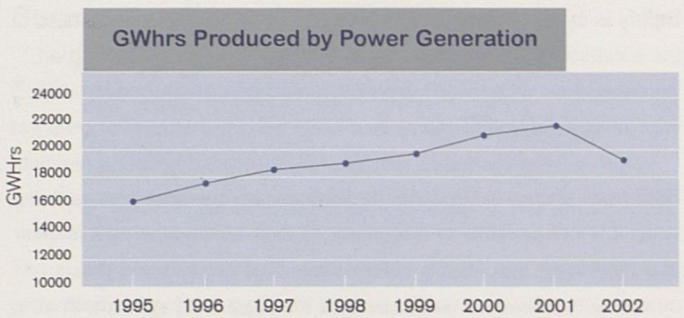
Safety is our highest priority and we have a major commitment to the establishment of a culture and mindset aimed at achieving an "accident free workplace". This has also been evidenced by improving safety performance.

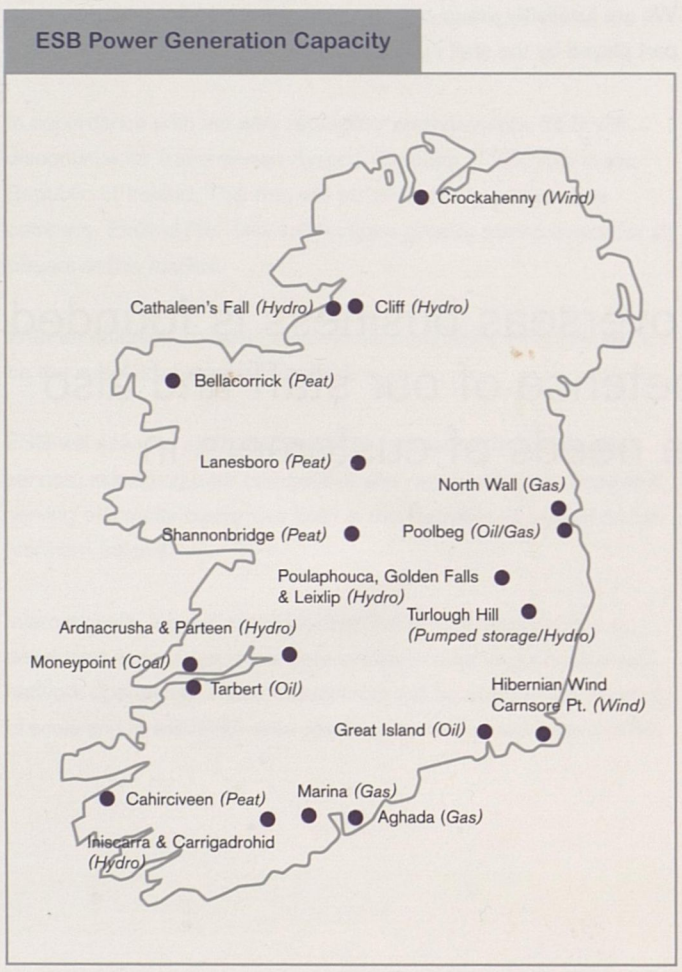
Staff have shown exceptional dedication over the past year and while it is not possible to document all their achievements it is clear that their input has been a corner stone that has allowed the company to provide a quality service to all our customers both at home and abroad.

We are justifiably proud of this performance and the critical part played by the staff in its achievement.

Our success in developing overseas business is founded both on the technical competence of our staff and also their ability to recognise the needs of customers in diverse cultures.

Geographically, Ireland is ideally located to harness renewable energy such as wind power.





Operational Review

Power Generation & Customer Supply

Power Generation & Customer Supply (PG&CS) is a single business division formed during an ESB organisation review in 2002.

Power Generation incorporates all power generation assets owned and operated by ESB in the Republic of Ireland. It has 4,440 MW of installed generation capacity, including renewable and Combined Heat and Power (CHP) capacity. Customer Supply retails electricity to customers in the Republic of Ireland.

ESB Group also owns 70% of Synergen, a 400 MW independent power producer located in Ringsend, Dublin. Statoil owns the remaining 30%. The plant commenced operation in 2002 and is operated independently of the Power Generation portfolio.

The decrease in production by Power Generation in 2002, shown in the above graph, was due to the commissioning of the Synergen plant and the Viridian plant in Huntstown, together with an increased programme of overhauls in ESB plants.

Customer Supply delivers high quality value added services to customers. Its current strategy is focused on improving performance and service to customers, while reducing the overall 'cost to serve'.

Review of 2002

Power Generation

2002 was an extremely challenging year for PG&CS. Strong growth in peak system demand continues to highlight the industry requirement for new entrants onto the system. Careful planning for plant maintenance and special tariffs were used to manage capacity and demand. Additional measures included procurement of generation from Northern Ireland and the installation of peaking capacity plant in winter 2001/2002. These measures proved successful and there was no interruption of normal electricity supplies in 2002.

Power Generation has embarked on a significant capital programme aimed at restructuring its generation portfolio.

Contracts for construction of new technology peat generation at West Offaly and Lough Ree were awarded to Foster Wheeler Oy (Finland) during 2002. Construction has commenced and is on schedule for commercial operation in late 2004 and early 2005, respectively.

Power Generation commissioned a windfarm at Carnsore during 2002, adding 12 MW of additional renewable capacity to the Irish system.

Power Generation auctioned 600 MW of wholesale generation to licensed independent suppliers through the Virtual Independent Power Producer (VIPP) process.

Customer Supply

As a result of imports, the VIPP process mentioned above and independent generation, Customer Supply saw its share of the retail market decline by 8% to 70% in 2002.

During the year Customer Supply introduced additional facilities to enable customers to pay their electricity bills more conveniently. Customers may now pay their bills through the Post Office or through PayPoint outlets.

During the year Customer Supply introduced additional facilities to enable customers to pay their electricity bills more conveniently.

Central to the strategy in our Customer Supply business will be an investment in technology and people to improve the range and quality of our service to customers.

Outlook for 2003

Power Generation

Given that capacity will not be as constrained as in previous years, in 2003 ESB will focus on the effective management of Power Generation's maintenance programme. The building of state-of-the-art peat generation plant and increasing alternative energy sources will continue to be priorities.

Power Generation expects to commission additional wind based generation by the end of 2003. During 2003 it will continue to progress the potential repowering of the Aghada generation station in Co. Cork.

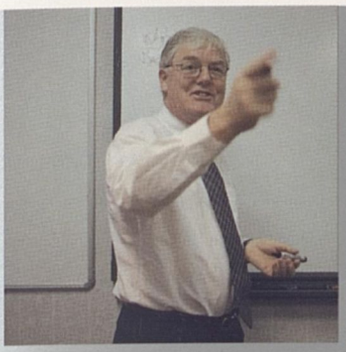
Power Generation will continue to implement a comprehensive programme of cost reductions, productivity and plant performance improvements across its entire business.

Customer Supply

Central to the strategy in our Customer Supply business will be an investment in technology and people to improve the range and quality of our service to customers. This is particularly the case in the customer billing and bill payments area and in the National Customer Contact Centre (NCCC). In delivering its strategy, Customer Supply will build on the proven track record of its people and their strong customer service ethos to develop a dynamic, customer oriented organisation.

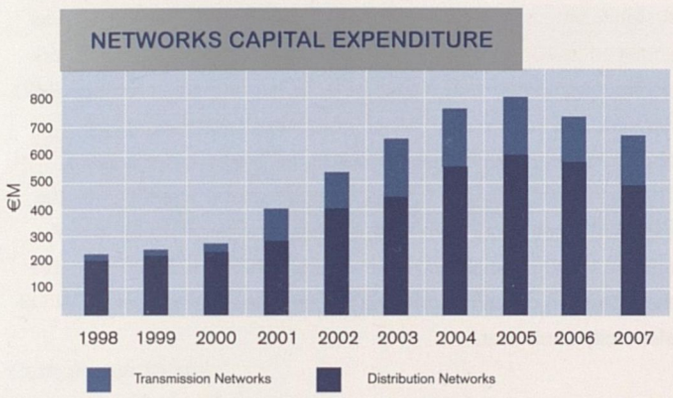
The NCCC is one of Customer Supply's main points of contact with our customers. A significant investment in the NCCC will be completed in 2003 and will bring it in line with best practice.

The 2003 tariff review, approved by the CER during the year, resulted in an average 9% increase in Customer Supply retail electricity prices. The new tariffs, applied from January 2003, are part of a process to address the previous imbalance in charges between different customer sectors.





* *Photo 1: John McSweeney*
Photo 2: ESB Network technician



Networks

Networks is ESB's electricity transmission and distribution network infrastructure business in the Republic of Ireland. It is responsible for the planning, construction, maintenance and operation of the distribution networks, including customer service. Networks is also responsible for maintaining the high voltage transmission system and for transmission construction activities. Networks also manages the Metering Registration System Operator (MRSO) function, an operation that addresses metering and data management for all market participants.

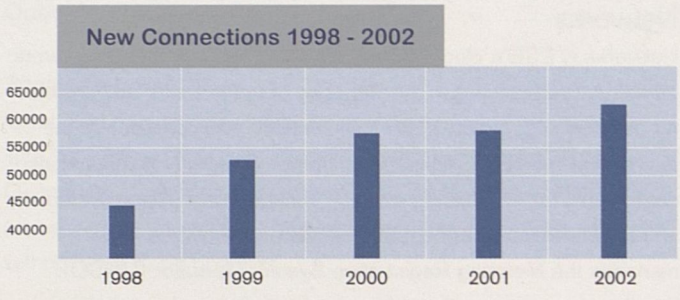
Networks is undertaking a significant investment programme to upgrade and develop the distribution and transmission networks and plans to spend €4 billion between 2002 and 2007. This will cater for the strong increase in demand for electricity in the Irish market and will support development of the national economy. It includes the upgrading and renewal of networks built during rural electrification. The programme will deliver improvements in the quality and reliability of electricity supplies, enhance public safety and reduce operating costs.

The introduction of full market opening in 2005 poses a significant challenge due to the scale of the process and IT developments that are necessary to enable a competitive market to operate effectively for all customers. ESB has the skills and competence to meet this challenge.





* *Photo 1: Power Station Control Room*
Photo 2: Katie McArdle and John McKenna



Review of 2002

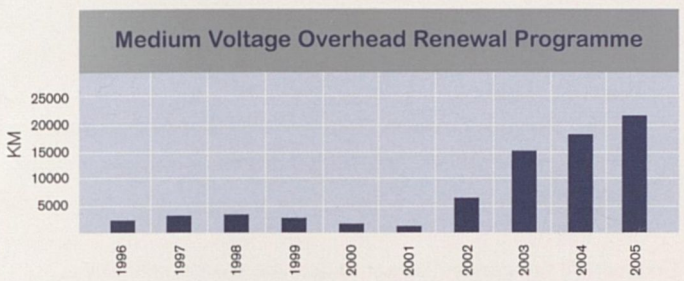
2002 was a very successful year for Networks. 63,000 new customers were connected to ESB's networks. This was the highest number ever recorded in a single year. The response times for new connections were improved in all parts of the country.

A significant acceleration of the network renewal programme was achieved in 2002 through the deployment of international network contracting companies. A total of 6,600km of medium voltage (MV) network was refurbished, which compares to an average of approximately 1,600km per annum in the previous three years. The use of large-scale international contractors, together with the excellent work of our own staff, enabled this target to be met. A total of 1,100 specialised meters were installed in 2002 to enable the extension of market opening to customers using over 1GWh of electricity each year.

A new Networks Customer Charter was agreed with the CER. It includes new guarantees on response times for new connections and the resolution of supply quality problems as well as tightening of existing customer response targets.

Our Networks business is ahead of target in its €4 billion infrastructure development programme.

ESB Networks launched a comprehensive Customer Charter, further improving standards of service.



Outlook for 2003

The current year will bring further strong growth in Networks infrastructure investment. Total investment will rise to over €650 million and a network refurbishment target of 15,000km of infrastructure is planned, along with significant upgrading of the high voltage 38kV and 110kV networks.

The high demand for new connections is expected to continue, with approximately 55,000 being forecast for 2003. Networks will continue to focus management efforts on improved efficiency and performance gains. The Transmission Development programme proposed by EirGrid is on schedule.

This year will also bring significant progress in the development of new processes and IT systems required to implement the operation of the new competitive market. The total market opening IT programmes will cost in excess of €100 million, with the largest portion of this expenditure being in the MRSO and other Networks areas.

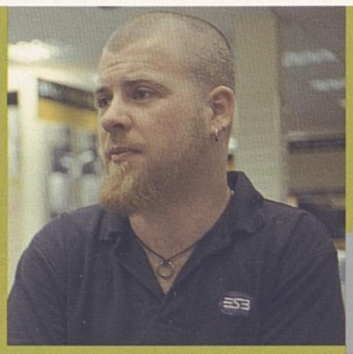
In all of our activities, Networks continues to prioritise the delivery of enhanced services in terms of quality and reliability of supplies and timely connection work for customers.

TABLE 2. Key Network Statistics

	2001	2002	2003(f)
Distribution Network (km)	155,000	159,000	163,000
Transmission Network(km)	5,840	5,880	6,090
Medium voltage upgrade completed in year (km)	900	6,600	15,000
Total Capital Expenditure (€m)	399	567	650
New Connections	58,055	63,000	55,000
GWHs distributed	18,826	19,378	20,340

f: forecast





* *Photo 1: Samir Dawne*
Photo 2: Jude Sneyd

Commercial Enterprises

Commercial Enterprises is responsible for all non-regulated businesses in the Group. It has five main business areas:

- ESB International (ESBI) is engaged in consultancy engineering, construction and investment activities in over 40 countries.
- IT/Telecoms provides IT and communications services for ESB and external customers.
- Retail/Finance Electric operates a nation-wide chain of electrical retail shops and provides credit financing for its customers.
- ESB Independent Energy (ESBIE) operates as a licensed supplier in the competitive markets in Northern Ireland and the Republic of Ireland.
- Shared Services provides property, facilities management, training, Human Resources, payroll and other services to ESB Group.

Commercial Enterprises' objective is to increase profitability in each individual business area, providing a valuable contribution to profit growth within ESB Group.

ITS/Telecoms completed the 600km southern loop of the national broadband fibre telecoms network in 2002, wrapping optical fibre on the ESB electricity transmission network.

Review of 2002

2002 was a year of significant achievements for Commercial Enterprises.

Following stockholder approval, contracts for the construction of a 400MW gas fired generation facility at Coolkeeragh in Northern Ireland were awarded in 2002. Planning and regulatory consents were secured for a 755MW gas fired generation station in Amorebieta, in the Basque region of Spain. The construction phase of this state-of-the-art power station began in March, 2003. The plant will be the first internationally-owned independent power plant (IPP) in the Spanish market, representing a major capital investment of €515 million.

ESBI expanded its wind generation turnkey construction business by completing two major projects during the year. Continuing strong growth in this activity is forecast for 2003.

ESBI/EirGrid Plc jointly tendered for SeTrans, the transmission system operator role in the south-eastern states of the United States. Preferred bidder status was secured and commercial negotiations have begun with the relevant network utilities. Accenture are ESBI and EirGrid's partners in this venture. Securing this contract will make the consortium the Independent System Administrator (ISA) for the region, managing assets worth $9 billion.

ITS/Telecoms completed the 600km southern loop of the national broadband fibre telecoms network in 2002. This was achieved at lower cost than conventional means by wrapping 24 pairs of optical fibre on the ESB electricity transmission network.

ESB Retail opened Munster's largest electrical retail store in Tralee, Co Kerry. It also opened its flagship shop in Blanchardstown and other outlets in Mullingar and in Nutgrove, Dublin. In other developments, the ESB Retail head office relocated to Blanchardstown, a new central Retail warehouse was opened, and the Fleet Street outlet in Dublin was upgraded.

ESBIE's turnover continued to rise, consolidating its position as a significant supplier in the Republic of Ireland market. It is now the largest independent supplier in the Northern Ireland supply market.

Shared Services continued to enhance the efficiency of its service to its internal customers through process rationalization and productivity improvements.

Outlook for 2003

We expect that the current year will bring steady growth in Commercial Enterprises in terms of both turnover and profitability.

ESBI will continue to focus on keeping the Coolkeeragh project in Northern Ireland on schedule and within budget. This year will also see further progress on the construction of the Amorebieta power station, which reached financial close in February 2003. Completion of the SeTrans commercial negotiations is scheduled for the latter half of 2003, subject to stockholder approval.

The northern loop of the national fibre ring is scheduled for completion in 2003, bringing ESB's national network to 1,300km.

ESBIE will continue to consolidate its position and further build its market share in Northern Ireland.

Financial Review

Introduction

This section discusses ESB's financial performance for the year ended 31 December 2002. It provides information on the turnover and profitability of the Group and each business, on capital investment programmes and Group trading cash flows.
It also details other key financial information, including taxation, interest charges, pension costs and dividends.

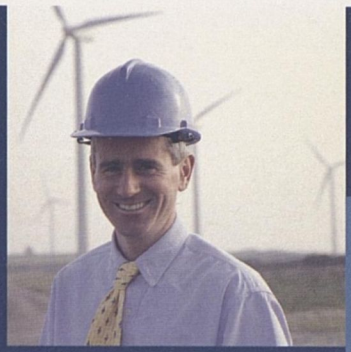
Overview

Turnover and operating profit rose substantially in 2002. However, the retained profit of the group fell when compared to 2001. This was due to higher net interest charges in 2002, as well as a one-off tax receipt of €45 million in 2001. In addition, ESB paid its first interim dividend of €20 million in 2002, with €19 million paid to the Department of Finance and €1 million to the ESOT. A final dividend of €19.7 million for 2002 has been proposed.

TABLE 3. Group Profit and Loss Account

	2002 €m	2001 €m	Change €m	Change %
Turnover	2,151	2,040	111	5
- Energy costs	(746)	(753)	7	1
- Payroll	(465)	(412)	(53)	(13)
- Other operating expenses	(704)	(680)	(24)	(4)
- Profit from associates & joint ventures	14	4	10	>100
Profit before interest and tax	250	199	51	26
Profit before tax	196	160	36	23
Profit after tax	159	165	(6)	(4)
Dividends	40	-	40	N/A





* *Photo 1: Carnsore Point Wind Farm*
Photo 2: John Stanley

TABLE 4. Analysis of external turnover	2002 €m	2001 €m	Change €m	Change %
Power Generation & Customer Supply	1,663	1,654	9	1
Networks	108	73	35	48
Commercial Enterprises	450	395	55	14
Group and consolidation adjustments	(70)	(82)	12	15
Total external turnover	**2,151**	**2,040**	**111**	**5**

Turnover

Group turnover rose by €111 million to €2.15 billion. This turnover included the full year impact of tariff increases determined by the CER for the regulated businesses in 2001. External sales are analysed by business above.

Power Generation and Customer Supply

External sales by Power Generation and Customer Supply totalled €1,663 million in 2002, an increase of €9 million over that of 2001. This increase reflects higher customer tariffs in 2002, offset by a reduction in Customer Supply's market share and lower VIPP sales by Power Generation, due to the commissioning of new independent power stations during the year.

Networks

The external turnover of Networks has grown by €35 million to €108 million in 2002. This growth reflects the opening up of the electricity market to competitors. This trend is expected to continue in future years as the market continues to open up to full competition.

The turnover of the Networks business both internal and external for 2002 was €728 million, an increase of €57 million on 2001. Turnover mainly comprises Use of System charges to Generation and Supply companies for use of the Distribution and Transmission networks.

Profit before interest and tax has increased by €51 million to €250 million, an increase of almost 26%.

Commercial Enterprises

External turnover at €450 million has increased on the previous year by €55 million (14%). This increase is primarily attributable to:

- ESB Independent Energy Limited, which has competed successfully in the deregulated electricity market with other suppliers.
- The improvement in the performance of ESB Retail, mainly due to the opening of four new stores during the year and the expansion of the product range.
- Increased turnover in ESBI Engineering, primarily due to increased activity on windfarm projects.

Group and consolidation adjustments

The figures included in this business segment include consolidation adjustments required to prepare group results.

Profit before interest and tax

Profit before interest and tax has increased by €51 million to €250 million, an increase of almost 26%. This reflects the impact of tariff increases which offset increases in payroll, depreciation and other costs. In addition, the results for 2001 included ESOT related charges of approximately €33 million, whereas the 2002 results only include a final charge for the ESOT of under €7 million. Profits from associates and joint ventures were €14 million before tax.

- **Energy costs**
  Expenditure on fuel and bought in energy decreased by €6 million year-on-year, reflecting the decrease in production by Power Generation during 2002.

- **Payroll**
  Employee costs rose by €53 million in 2002 compared to the previous year. This is due to growth related recruitment in Commercial Enterprises as well as the impact of the Programme for Prosperity and Fairness (PPF) and the Programme to Achieve Competitiveness and Transformation (PACT) increases on the Group.



*
Photo: Robert McDonald

Pension Costs

In line with best accounting and reporting practice, ESB has included in its accounts the additional disclosures required by Financial Reporting Standard 17 Retirement Benefits (FRS 17).

In 2002 the disclosure of the FRS 17 surplus or deficit is required only in the notes to the accounts. Note 23, on page 76 reflects this new disclosure format. On full implementation any surplus or deficit will be included in the financial statements to the extent it is recoverable or reflects ESB's legal or constructive obligations.

On the measurement basis required by FRS 17, the net pension liability is €792 million. This arises mainly as a result of the difference between the actual and the expected return on the pension scheme assets caused by the sharp falls in world equity markets during 2002.

Valuations prepared in accordance with FRS 17 require scheme assets to be recorded at market values at the balance sheet date. These valuations are not indicative of the long term funding position of the scheme, which is formally assessed by way of a triennial actuarial valuation.

The next actuarial valuation of the scheme will be at 31 December 2003.

Programme to Achieve Competitiveness and Transformation (PACT)

In 2002 ESB began the implementation of PACT. Savings of approximately €58 million were achieved as a result of this programme. These savings were in the areas of procurement, process rationalisation and payroll.

By the end of 2002 almost 600 staff had left ESB. There will be further reductions in staff numbers in the core electricity businesses in the coming years, until the target reduction of just under two thousand staff exits is achieved.

ESB is committed to the full implementation of PACT and to the achievement of long term, sustainable benefits from this programme.

ESB is committed to the full implementation of PACT and to the achievement of long term, sustainable benefits from this programme.

During 2002, ESB paid its first interim dividend of €20 million. A final dividend of €19.7 million is proposed, giving a total dividend of €39.7 million for the year.

Other operating expenses

The increase in other operating expenses was partly due to the €20 million rise in the annual depreciation charge, reflecting the growing investment in capital assets. Depreciation is forecast to increase significantly in the coming years as the level of investment in assets, including IT systems, grows.

In addition, operational and maintenance costs increased due to higher levels of activity across the group. There was also a write down in the carrying value of associated undertakings of €18 million, while the results for 2001 included a discount on the issue of capital stock to the ESOT of €23 million.

Profit from associates and joint ventures

Profit from joint ventures and associated undertakings has improved by over €10 million in 2002. This reflects the continued strong performance of Corby Power Limited, a joint venture in the UK with Powergen, and the commencement of commercial production by Synergen.

Interest, taxation and dividends

Interest charges

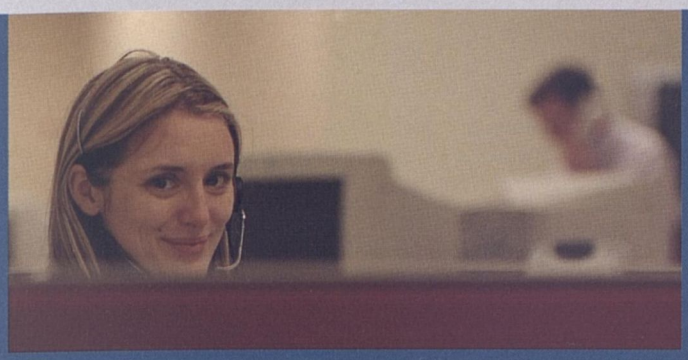
The net interest charge for the year of €54 million represents an increase of almost €15 million on the charge for 2001. This charge reflected a number of items, including interest payable and financing costs as reduced by interest receivable and capitalised interest.

Taxation

The taxation charge in 2001 included a refund of tax amounting to €45 million. There was no equivalent refund in 2002.

Dividends

During 2002, ESB paid its first interim dividend of €20 million. This reflected the changed remit of ESB from that of a break-even mandate to a competitive, profit making entity that provides a return to its owners. A final dividend of €19.7 million has been proposed, bringing the total dividend for the year to €39.7 million, representing 25% of distributable profit for the year.





*Main Photo: Barbara Voakes

TABLE 5. Segmental profit before interest	2002 €m	2001 €m	Change €m	Change %
Power Generation & Customer Supply	18.7	(0.6)	19.3	>100
Networks	213.8	219.4	(5.6)	(3)
Commercial Enterprises	28.5	29.6	(1.1)	(4)
Group and consolidation adjustments	(10.6)	(49.2)	38.6	78
Total	250.4	199.2	51.2	26

Segmental Results

Power Generation & Customer Supply

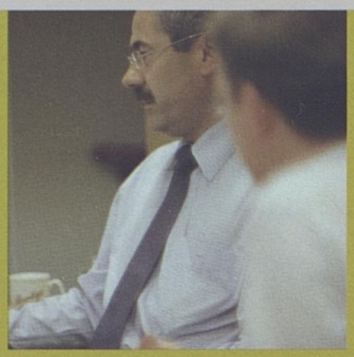
The financial performance of this business improved, with a loss in 2001 being converted to a profit of €18.7 million in 2002.

This €19.3 million improvement is due to higher total income of €43 million, offset by higher operational costs (€21 million) and depreciation (€2.5 million). The increase in income arose from both external (€9 million) and internal (€34 million) sources. The increased external income reflects higher tariffs to customers offset by a reduction in Customer Supply's market share and lower Power Generation VIPP sales. The increase in internal income largely relates to additional generation market support, such as the provision of reserve generation capacity and other system support services.

Fuel and purchased electricity costs declined during the year due to the commissioning of the two independent power stations, namely the Synergen and Huntstown plants. Operational costs, particularly those relating to station maintenance, rose in 2002, reflecting the increased station overhaul work carried out in the year.

Networks

The profit before interest and tax of the Networks businesses (Distribution and Transmission) has declined by €6 million, to €214 million in 2002 despite the increase in turnover of €57 million referred to previously. Depreciation charges are rising as the level of capital expenditure increases. Operating costs also increased, reflecting a higher level of activity within the business.





* *Photo 1: Paul Newe and Dermot McArdle*
Photo 2: Linda St.John and Mairead Kelly

Commercial Enterprises

Commercial Enterprises earned profits before interest of €28.5 million in 2002 after taking account of a write down of €18 million in the carrying value of investments in associated undertakings. This write down is explained further in Note 9 (a) to the financial statements.

Excluding this write down, the underlying performance of the business has significantly improved on the results for the prior year, with profits increasing by €17.3 million. This reflects increased turnover, ongoing cost control and improved profitability in all areas of the business unit.

Group and consolidation adjustments

The results for this segment reflect a number of consolidation adjustments, as well as the final charge for the employee shareholding scheme of nearly €7 million. The results for 2001 included both the equivalent shareholding scheme charge for that year (€9.8 million), as well as the minority interest discount on the issue of capital stock, which amounted to over €23 million.

The underlying performance of Commercial Enterprises has significantly improved on last year.

Capital expenditure of €864 million is a record for ESB and demonstrates its commitment to providing Ireland with world class electricity infrastructure.

TABLE 6. Capital Investment

	2002 €m	2001 €m	Change €m	Change %
New Distribution connections	144	132	12	9
Distribution network	260	154	106	69
Transmission network	136	93	43	46
New Generation & Renewable energy	117	7	110	>100
International Investments	93	9	84	>100
IT systems	38	20	18	90
Other capital work	76	132	(56)	(42)
Total capital expenditure	864	547	317	58

Capital investment

2002 saw a record level of capital investment for ESB, amounting to €864 million, an increase of €317 million on the investment for 2001. This level of investment demonstrates the commitment of the organisation to the rollout of the National Development Plan. It will provide Ireland with a world class electricity infrastructure and will support the attraction of international industry to Ireland.

There has been a significant investment in new IT systems during 2002. This amounted to €38 million and was primarily related to new systems required to facilitate full market opening. ESB is actively working with the CER to provide the market structures and systems required to attract competition into the Irish market. For this reason, this level of IT expenditure is expected to continue for the next three years.

In addition to the capital spend by Power Generation and Networks discussed earlier, Commercial Enterprises engaged in three major capital projects in 2002:

- Construction commenced on a 400MW CCGT plant at Coolkeeragh in Northern Ireland in October 2002, with expenditure of €86 million by year-end. This plant is due to commence commercial operations in early 2005.
- Substantial progress was made on the Amorebieta 755MW CCGT project in Northern Spain in 2002, with expenditure of €24 million incurred by year end. This plant is due to commence commercial operations in late 2005.
- ESB Telecoms Ltd. has completed construction of almost 70% of its National Telecommunications Fibre Optic Network with the assistance of EU grant aid through the Department of Communications, Marine and Natural Resources (DCMNR). By year-end €34.3 million had been spent, with associated grant aid of €10.4 million. The network is scheduled for completion in 2003.

ESB does not trade in or engage in speculative transactions in derivative financial instruments.

Treasury Operations

Group Treasury activities

Group Treasury is responsible for managing all treasury activities, which include cash and debt management for the entire group.

The main financial risks managed by ESB Group Treasury are market, credit and liquidity risk. Derivative instruments are used to mitigate some financial risks, in compliance with the Specification of the Minister for Finance issued under the aegis of the Financial Transactions of Certain Companies and Other Bodies Act 1992. This Specification authorises semi-state companies to use certain specific derivative instruments and specifies the manner in which they should be transacted.

ESB does not trade in or engage in speculative transactions in derivative financial instruments.

The majority of the Group's business is transacted in Ireland or within Europe. Therefore operating and investing cash flows are substantially denominated in Euro. Foreign currency exposure arises from debt, payments for fuel and some other materials and services, and from anticipated foreign exchange payables and receivables where business is carried on outside the Euro zone. The Group's policy is to borrow directly in Euro or convert foreign currency debt liabilities to Euro through the use of derivative instruments. All long-term debt is effectively denominated in Euro.

The Group's policy is to fix interest rates on a minimum of 50% of Group debt. At the end of 2002, 75% of the Group's debt was at fixed interest rates.

ESB manages the majority of its fuel-related foreign exchange exposures against a fuel price recovery mechanism, based on indexation, which was agreed with the CER and approved by the Board during 2002.

To date, the bank and leasing markets have been the main source of financing. While ESB will continue to access these markets, the scale of capital investment and related requirements for new borrowings means we will also need a diversity of funding sources. To that end, ESB intends to obtain a credit rating as soon as possible, so that it is in a position to access the bond markets at the appropriate time.

Credit Risk related to treasury activities

The Group is exposed to credit risk from the counterparties with whom it places its bank accounts and transacts cash investment, foreign exchange and derivative business. The Group's policy is to limit exposure with each financial institution based on creditworthiness, to invest its excess cash in low risk investment accounts and to spread risk over a number of institutions. The Group has not experienced any losses due to failure of counterparties to deliver on their obligations.



* *Photo 1: Michelle Fee*

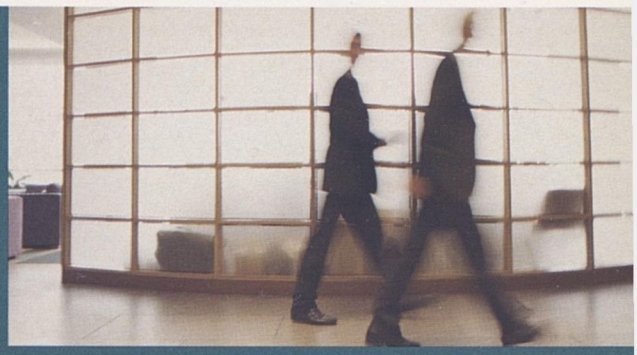


TABLE 7. Cash flows and Net debt

	2002 €m	2001 €m	Change €m	Change %
Net cash inflow from operating activities	563	351	212	60
Net debt	902	632	270	43

Cash flows and Net debt

Net cash inflow from operating activities has significantly improved year-on-year. This was largely due to higher profitability, as adjusted for non-cash issues such as depreciation, as well as improved working capital management. The latter was a subject of increased management focus during 2002. Working capital management will remain a significant issue in 2003 and successive years as the combined impact of both market opening and the increasing level of capital expenditure are reflected in debtors, creditors and stocks.

The one-off tax receipt of €45 million and the net inflow relating to capital stock improved the cash flows for 2001, while the results for 2002 included higher interest, tax and dividend payments.

These factors as well as the significantly higher level of net capital expenditure in 2002 has resulted in higher borrowing and lower cash at the year end. This trend is expected to continue in the medium term and ESB is currently considering a number of options in relation to the financing of the expected additional debt. At the year-end, ESB's debt portfolio equalled €1.022 billion. In addition, at the end of 2002, 15% of the Group's gross debt was drawn under committed short-term facilities. At the year end, the Group held €235 million of undrawn committed facilities, which are available until 2007.

ESB Treasury continued to ensure that all borrowings were financed at very competitive terms and that facilities are available to cover all current financing requirements of the Group.

The Group has developed strong banking relationships which will be of benefit to the ongoing financing of the business.

Throughout the past 75 years, ESB has aspired to establish a broader role in the community and to act in a socially responsible way.

Corporate Responsibility

The concepts of environmental performance, corporate responsibility (CR) and sustainability are becoming increasingly important in the business world. We believe that the environmental and social impact of our activities is as important as our financial performance. Throughout the existence of ESB we have aspired to establish a broader role in the community and to act in a socially responsible way.

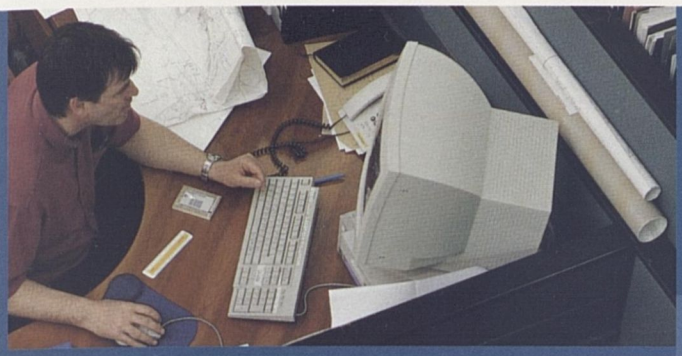
To co-ordinate these activities we are establishing a CR framework as a measure of our social contribution and to enable us to report effectively to our stakeholders.

Many CR issues are not new to ESB. We are well placed to comply with proposals for the adoption of CR standards by all EU businesses. ESB has well developed and progressive standards for Corporate Governance and risk management, as well as appropriate Human Resources, Health & Safety, and Environmental policies.

ESB is a founding member of Business in the Community (BiTC) Ireland and subscribes to this organisation's guidelines on Workplace, Marketplace, Community and Environment as a means of integrating CR into everyday business practices. Managed well, this process should enhance both our business success and enable us to achieve our objective of making a positive contribution as a corporate citizen.

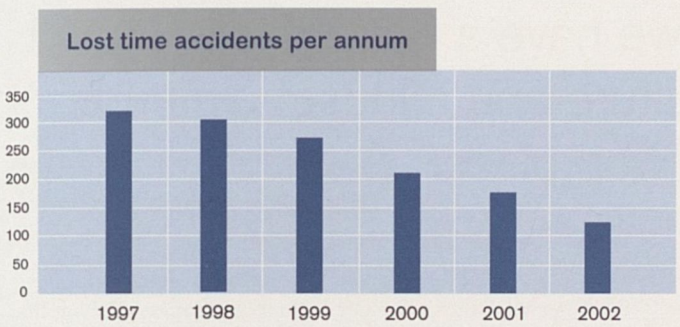
We intend to put in place a process that will enable us to receive relevant feedback from all our stakeholders, including our employees, customers, local communities and Government, on how we can best conduct our business whilst respecting their needs.

Our aim is to keep all of our stakeholders well informed throughout this process. The outcome will be a broadening of our reporting to include our performance on the environment, workplace, community involvement and the marketplace.





*
Photo 1: Declan Slevin
Photo 2: Gaye Cunningham



Health and Safety

ESB's health and safety policy places the safety of our staff, contractors, customers and the public at the core of our activities. This derives not alone from our legal obligations but from a moral duty to ensure all our activities are carried out in a safe environment. Our goal is to create and sustain an injury-free culture within the company.

Over the years ESB has put in place systems and arrangements to ensure safety is competently managed. Increasingly, detailed legislation and an expectation of continuous improvement in our safety performance has caused us to reappraise the way in which safety is managed. It is our aim to co-ordinate and extend, where necessary, our current safety management systems across all business areas within the company.

Given the hazardous nature of the many activities undertaken by staff and contractors, strict work Standards and Procedures apply. Our safety awareness and training programmes, supported by our audit policy, have resulted in improvements in safety behaviour by staff and a more rigorous safety compliance culture throughout ESB. The process of implementing a formal safety management system is supported by the extensive safety auditing processes currently in place.

Tragically, two contractors undertaking work for ESB were fatally injured during 2002. These accidents have been thoroughly investigated internally and by the Health and Safety Authority. Recommendations made on foot of these investigations are being implemented.

Our focus on safety, in particular through the development, implementation and review of safety improvement plans, has yielded significant improvements. ESB has reduced the number of accidents involving a loss of one or more days from work from 319 in 1997 to 122 in 2002.

In addition to ensuring a safe working environment, we also maintain an extensive range of programmes aimed at promoting the health and well being of our staff.

Safety is a key priority and we have a major commitment to the establishment of a culture and mindset aimed at achieving an 'accident-free' workplace.

Safety, Health and Welfare at Work Act (1989)
The Group assesses on an on-going basis its compliance with the above Act and associated Regulations through safety reviews and a formalised safety audit system. Corrective actions are initiated wherever inadequacies or deficiencies are identified. The procedures confirm substantial compliance with policy, as laid down in ESB's Safety Statement. The Board's Health, Safety and Environment Committee, the Chief Executive's Safety Committee, subsidiary safety committees and other partnership forums provide for consultation with staff on safety matters. The Committees meet regularly to review relevant matters of policy and principle covering the health and safety of staff, contractors and the public, safety performance, training needs and improvement plans and programmes.





* *Photos: Two of the winning entries from the 2002 ESB Environmental Photography Awards*

Environmental Protection

Environmental issues

ESB's core activities involve the transformation of primary energy into electricity and its subsequent transmission, distribution and supply. These activities, by their very nature and scale, have nationally significant impacts on air, water and the landscape.

ESB's goal is to act responsibly in its use of environmental resources and to support the development of the renewable energy sector in Ireland. The company has in place formal policies on environmental protection, including waste management, environmental audit and renewable energy. Environmental management systems are an integral part of the organisational arrangements supporting environmental protection. Eight generating stations, responsible for 96% of electricity production from thermal plants, have been accredited to the International Standards Organisation's environmental management standard ISO 14001.

The European Commission adopted a Recommendation in June 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and reports of companies. While not yet in force, ESB is substantially complying with the requirements of this Recommendation in providing the information below.

To the extent that they have been assessed, the operating costs of Group activities in Ireland during 2002 included €17.83 million in respect of measures taken to prevent, reduce and repair damage to the environment.

These comprise investments in:

- Specific environmental protection projects related to waste, waste water and the protection of ambient air, soil and groundwater and landscape.
- Renewable energy.

This amount covers new expenditures in 2002 but does not include costs associated with on-going operational and administrative measures aimed at environmental protection.

Integrated Pollution Control applications have been submitted to the Environmental Protection Agency (EPA) in respect of all 15 relevant generating stations. Final licenses have issued in respect of 9 of these. All licenses will become subject to review to ensure compliance with the requirements of the Integrated Pollution Prevention and Control Directive. It is expected that this Directive will be transposed into Irish law in 2003, expanding the areas of environmental impact to be addressed under the licensing regime. No significant additional costs are expected to arise from implementation of this Directive.

ESB's goal is to act responsibly in its use of environmental resources and to support the development of the renewable energy sector in Ireland.

Waste

Costs for the responsible disposal of wastes have risen considerably. ESB's coal and peat stations operate landfill facilities for the ash produced from their activities. All other wastes are disposed of using qualified contractors.

Climate change

Policy measures to address climate change that will impact the energy sector include energy taxation, mandatory emissions ceilings with trading and requirements for increased penetration of renewables.

Air protection

Currently ESB operates under the requirements of the Oslo Protocol (limiting sulphur dioxide emissions) and the Sofia Protocol (limiting emissions of nitrogen oxides). Policy measures seeking to protect the environment and human health from emissions to air are being developed at an institutional level by the UN Economic Commission for Europe (Gothenburg Protocol, 1999) and the EU (revised Large Combustion Installation Directive and the National Emissions Ceilings Directive, 2001). All these measures require additional significant cuts in emissions of sulphur dioxide (70% approximately) and nitrogen oxides (60% approximately) from the electricity sector.

Currently ESB operates under the requirements of the Oslo Protocol (limiting sulphur dioxide emissions) and the Sofia Protocol (limiting emissions of nitrogen oxides).

During 2002, ESB injected €1.8 billion into the Irish economy.



Input to Ireland's Economy

During 2002, ESB spent approximately €1.8 billion in Ireland, in the form of payroll, rates, energy purchases, interest charges and purchases of other goods and services. This is a significant input to the Irish economy in terms of both employment (direct and indirect) and expenditure in local communities, demonstrating ESB's commitment to Ireland.

Padraig McManus
Chief Executive.

The Board

There were 14 Board Meetings, 11 General Board Meetings and 3 Special Board Meetings during the year ended 31 December, 2002. The number in brackets opposite each name represents the attendance by each Board member at General and Special Board meetings respectively, during the year.

Board Member	General / Special
Tadhg O'Donoghue, Chairman	(11, 3)
Joe LaCumbre	(11, 2)
Bernard Byrne	(8, 0)
Eoin Fahy	(9, 3)
Sean Geraghty	(10, 3)
Georgina Kenny	(10, 3)
John McGinley	(11, 2)
Will McKee	(3, 0)
Padraig McManus	(5, 0)
Caitriona Murphy	(2, 0)
Derry O'Donovan	(7, 0)
Ken O'Hara	(3, 2)
Pat Smith	(11, 3)
Anne Taylor	(9, 3)

The dates of completion of Term of Office of the following Board members were:

Ken O'Hara	14.07.2002
Caitriona Murphy	03.03.2002
Sean Geraghty	31.12.2002

The dates of commencement of Term of Office of the following Board members were:

Will McKee	30.05.2002
Derry O'Donovan	30.05.2002
Padraig McManus	17.07.2002

Anne Taylor's first term of office was completed on 20.05.2002 and her second term of office commenced on 30.05.2002.

This report was approved by the Board at its meeting on 25 February, 2003, for submission to the Minister for Communications, Marine and Natural Resources.

T O'Donoghue
Chairman

P McManus
Chief Executive

J Redmond
Secretary

Board Committees

Audit Committee

The purpose of the Audit Committee is to oversee the financial reporting process and internal control system of ESB.

During 2002 The Audit Committee reviewed inter alia the annual report, the reports of the external and internal auditors, risk management and treasury management.

Members: Bernard Byrne, Chairman
Derry O'Donovan
Eamonn Connolly

Business Development and International Committee

The purpose of the Business Development and International Committee is to review investment proposals aimed at ensuring the positioning of ESB for future success consistent with the strategy approved by the Board.

The Business Development and International Committee reviewed a number of major business proposals during 2002, including ESBI's investment in power generation in Spain, ESB's market opening IT programme, joint venture proposals and disposals of certain international investments.

Members: Georgina Kenny, Chairman
Eoin Fahy
Joe LaCumbre
Will McKee
Padraig McManus

Business Strategy Committee

The purpose of the recently established Business Strategy Committee is to monitor the delivery of performance and the achievement of targets in the corporate strategy approved by the Board.

The Committee held its first meeting in March 2003 to review performance against the strategic targets approved by the Board in June 2002.

Members: Joe LaCumbre, Chairman
Derry O'Donovan
Pat Smith

Health, Safety and Environment Committee

The purpose of the Health, Safety & Environment Committee is to advise the Board on health, safety and environmental matters.

During 2002 the Health, Safety and Environment Committee reviewed the Company's compliance with its health and safety obligations, accidents involving employees, contractors and members of the public and developments in relation to environmental legislation.

Members: Pat Smith, Chairman
Padraig McManus
Anne Taylor

Finance Committee

The purpose of the Finance Committee is to oversee strategy and policy on financial matters and to advise the Board as appropriate.

During 2002, the Finance Committee reviewed inter alia operating and capital budgets, borrowing programmes, dividend policy and the medium to long term financial needs of the Group.

Members: Tadhg O'Donoghue, Chairman
Bernard Byrne
John McGinley

ITSO Committee

The ITSO Committee facilitates the independent management of the Transmission System Operator function undertaken by the National Grid Business Unit within ESB on a strictly ringfenced basis. This is in accordance with the requirements of the EU Electricity Directive, pending the transfer of those functions to EirGrid as an independent legal entity.

Members: Eoin Fahy, Chairman
Derry O'Donovan

Regulation Committee

The purpose of the Regulation Committee is to oversee the development and implementation of the Company's strategy on evolving legislation and regulatory matters and to oversee compliance with regulatory requirements.

During 2002, the Regulation Committee reviewed inter alia the CER's Consultation Paper Investment in New Generation Capacity and the draft heads of the Electricity Bill.

Members: John McGinley, Chairman
Eamonn Connolly
Georgina Kenny
Anne Taylor

Remuneration and Management Development Committee

The purpose of the Remuneration and Management Development Committee is to advise the Board on all aspects of the remuneration of the Chief Executive, set the remuneration of the executive management group following consultation with the Chief Executive and to monitor the development of current and future leaders of ESB.

During 2002 the Remuneration and Management Development Committee considered the remuneration and targets of the Chief Executive and of the Executive Directors.

Members: Tadhg O'Donoghue, Chairman
Eoin Fahy
Will McKee

Board Members



Tadhg O'Donoghue joined the Board of ESB in September 2000 and was appointed Chairman in January 2001. Mr O'Donoghue is a former Senior Tax Partner and Head of Technology Practice, PricewaterhouseCoopers. He is a council member of the Irish Management Institute and is a Director of the American Chamber of Commerce in Ireland.

Mr O'Donoghue is Chairman of the Remuneration and Management Development Committee and Chairman of the Finance Committee.



Padraig McManus was appointed Chief Executive and Member of the Board in July 2002. He joined ESB in 1973 and spent fifteen years on the Company's international businesses and later became Managing Director ESB International and Commercial Director, ESB. He is a Board Member of the Irish Management Institute, Business in the Community, the Association of Edison Illuminating Companies and the Advisory Board of Ireland Aid. Mr McManus is a member of the Health, Safety & Environment and the Business Development & International Committees of the Board. He is aged 52.



Bernard Byrne was appointed to the Board in July 2001. A Chartered Accountant, he is Deputy Chief Executive and Group Finance Director of IWP International Plc, the personal care and household products company.

Bernard Byrne is Chairman of the Audit Committee and a member of the Finance Committee.



Georgina Kenny was appointed to the Board in April 2000. A Solicitor, Ms. Kenny is Managing Director of Shannon Dry Cleaners. She has been a member of the Board of Athlone Community Task Force since 1994.

Ms Kenny is Chairman of the Business Development and International Committee and a member of the Regulation Committee.



Eamonn Connolly was appointed to the Board in January 2003 under the Worker Participation (State Enterprises) Act, 1977.

He is an electrical engineer working in ESB Networks in Dublin. He joined ESB in 1986 as a graduate engineer and worked in various locations throughout the company, including a number of years as a consultant with ESB International. He is a Fellow of the Institution of Engineers of Ireland and holds a Degree in Electrical Engineering from Kevin St, and a Master's Degree in Project Management from the University of Limerick. He is currently a Trustee of the ESB Superannuation fund. He is a member of the Audit Committee and of the Regulation Committee of the Board.



Joe LaCumbre was appointed Deputy Chairman of the Board in September 2000. He is now serving his sixth term on the Board, having first been appointed in January 1984 under the Worker Participation (State Enterprises) Act, 1977. Mr LaCumbre is a member of the TEEU Executive Committee and is staff representative on both the ESB Superannuation Fund Administration Committee and the ESB Medical Provident Fund. He is Chairman of the Business Strategy Committee and member of the Business Development and International Committee. He is Deputy Chairman of the Athlone Institute of Technology and is a member of the Athlone Community Task Force.

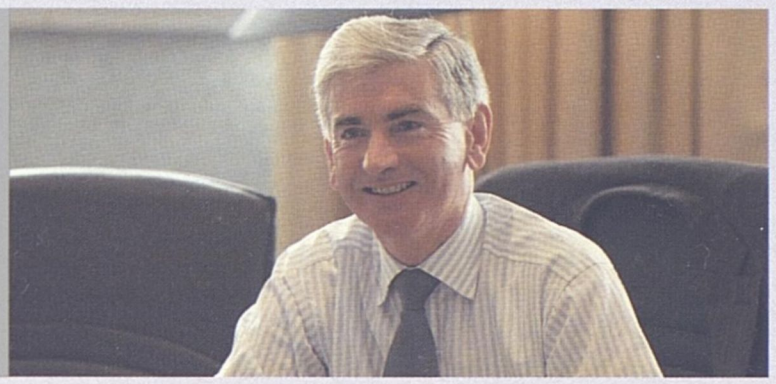
John McGinley



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 and 2002. A technologist in Networks, he is a member of Kildare County Council and the Mid-East Regional Authority.

Mr McGinley is Chairman of the Regulation Committee and a member of the Finance Committee.

Derry O'Donovan



Derry O'Donovan was appointed to the Board in May 2002. He is Senior Business Adviser with AIB Bank. He is a Director of St Luke's Hospital and First Step. Mr O'Donovan is a former Chairman of the Irish Red Cross Society and a former President of the Agricultural Science Association. He is a member of the Audit, ITSO, and Business Strategy Committees of the Board.

Will McKee



Will McKee was appointed to the Board in May 2002. He is Chairman of Amtec Medical and serves on the boards of companies involved in the hosiery, brewing and management consultancy industries.

Mr McKee is a member of the Business Development and International Committee and the Remuneration and Management Development Committee.

Pat Smith



Pat Smith was appointed to the Board in January 1999 under the Worker Participation (State Enterprises) Act, 1977 and was re-elected in 2002. 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 Chairman of the Health, Safety & Environment Committee and is a member of the Business Strategy Committee.

Eoin Fahy



Eoin Fahy was appointed to the Board in January 2001. He is Chief Economist with KBC Asset Management Ltd. Dublin and is an established media commentator on economic issues.

Mr Fahy is a member of the Remuneration and Management Development Committee, the Business Development and International Committee and Chairman of the ITSO Committee.

Anne Taylor



Anne Taylor is currently serving a second term on the Board, having been re-appointed in May, 2002. Ms Taylor is the Senior Independent Director on the Board. She is a member of the Health Safety and Environment Committee and a member of the Regulation committee. She is Chairperson, Clonmel Community Resource Centre, and Chairperson, Clonmel Area Committee, Rehab Foundation. She is a former Chairperson of the National Womens Council of Ireland and President of the European Women's Lobby, Brussels. Ms Taylor is a Consultant working in the areas of Equality, Diversity and Coaching.

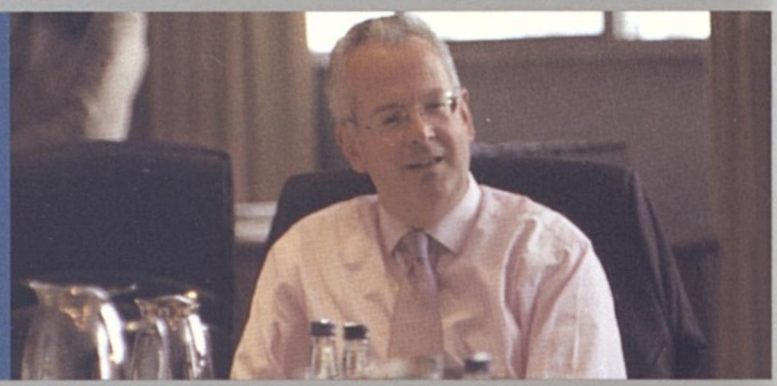
Executive Team

Tony Donnelly



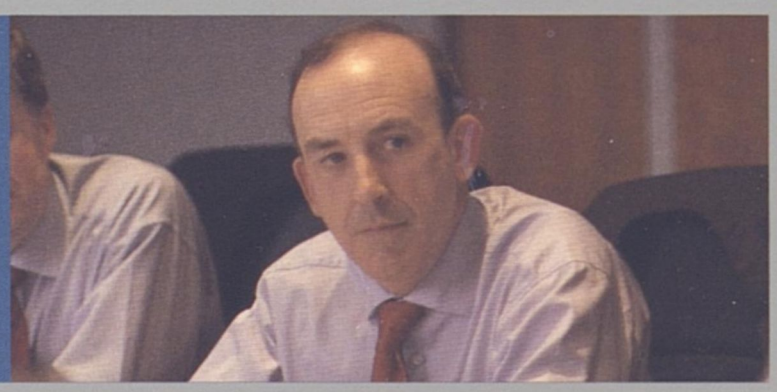
Tony Donnelly joined ESB in 1963. He was appointed Group Finance Director in December 1997. Prior to this appointment he worked in a number of senior financial management roles across the company, including Group Financial Controller. He is a Trustee of the ESB Superannuation Fund. He is aged 56.

John Redmond



John Redmond was appointed Company Secretary in 2002. He was previously Company Secretary of GPA Group Plc. He worked in the Irish Diplomatic Service from 1980 to 1988. He is aged 47.

John Campion



John Campion was appointed Executive Director, Human Resources & Corporate Affairs in 2002. He joined ESB in 1978 and worked in various roles connected with industrial relations and personnel management, including Manager Human Resources in Power Generation. He also worked as a regional manager in both Sligo and Dublin. Prior to his appointment as Executive Director, he was Head of Network Projects. He is aged 49.

Aidan O'Regan



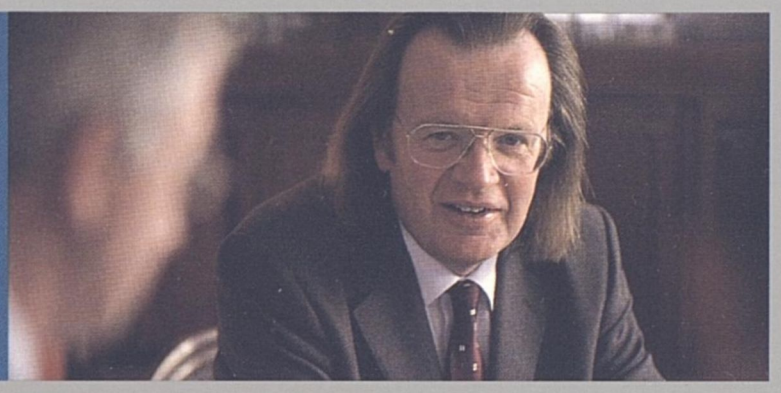
Aidan O'Regan joined ESB in 1965. He was appointed Head of Regulatory Affairs in January 1997. He was Manager, Corporate Change during the Cost and Competitiveness Review. He has previously held senior management positions in the human resources, financial and project management areas and has managed international consultancy assignments. He is aged 57.

Michael McNicholas



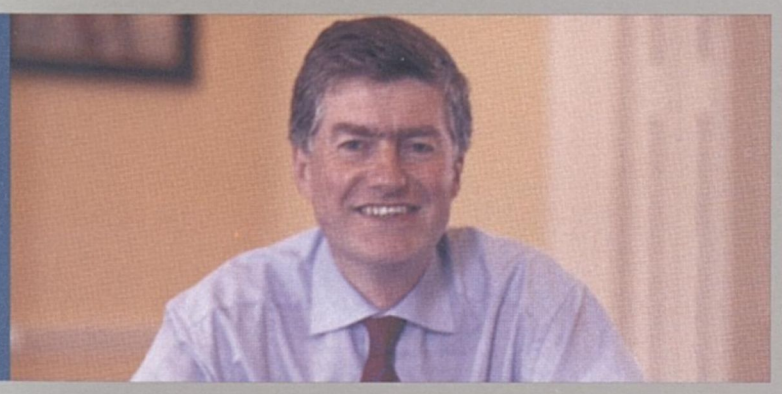
Michael McNicholas was appointed Executive Director, Power Generation & Supply in July 2002 having served as General Manager Power Generation since 1999. Prior to this he held senior positions in the company in Networks, Marketing and Power Generation, having joined ESB in 1982. He is also a Director of ESB ESOP Trustee Ltd. He is aged 42.

Sean Wyse



Sean Wyse joined ESB in 1970. He was appointed Executive Director, Commercial Enterprises in July, 2002. He was Managing Director, Engineering and Commercial Businesses from 2000, having served as Managing Director, Customer Services since 1997. He held a number of senior management positions in the Distribution business throughout the country, prior to his appointment as Group Manager, Power Generation, in 1994. He is aged 53.

John Shine



John Shine was appointed Executive Director Networks in November 2002. He joined ESB in 1978 and held a number of senior positions in the Networks, Marketing and Business Development areas of ESB. He spent some years outside ESB developing a successful international services business before rejoining in 2002. He is a Trustee of the ESB Superannuation Fund. He is aged 49.

Kieran O'Brien



Kieran O'Brien, who is the Chief Executive Designate of EirGrid, has served as Managing Director of ESB National Grid since 1993. He joined ESB in 1971 and worked on a number of ESB's construction projects during the 1970s including Turlough Hill and Moneypoint. He held the position of ESB's resident manager in Saudi Arabia and subsequently became Manager, Civil Works Department. Mr O'Brien also served as Director Strategic Planning and Development. He is aged 55.

Contents

Board Members' Report	41
Statement of Board Members' Responsibilities	45
Independent Auditors' Report to the Stockholders of Electricity Supply Board	46
Statement of Accounting Policies	47
Group Profit and Loss Account	51
Group Balance Sheet	52
Parent Balance Sheet	53
Statement of Total Recognised Gains and Losses	54
Group Cash Flow Statement	55
Notes to the FInancial Statements	56
Appendix 1	86

Board Members' Report

The Board Members present their report together with the audited financial statements of the Parent Company and of the Group for the year ended 31 December 2002.

Principal activities

The principal activities of the ESB group are the generation, transmission, distribution and supply of electricity. The Group also operates in non-core activities, in Ireland and overseas.

Review of the Business and Future Developments

Detailed commentaries on performance in the year ended 31 December 2002, including information on recent events and likely future developments, are contained in the Chairman's Review and the Chief Executive's Operational and Financial Review.

Results for the Year

The financial results of the group show a profit for the financial year, before dividends amounting to €159m compared with €165m for 2001.

	2002	2001
	€m	€m
Group profit before taxation	196	160
Taxation	(37)	5
Profit for the financial year	159	165

The Board Members recommend that a final dividend of 1.0 cent per unit of capital stock be paid in 2003. Together with the interim dividend of 1.01 cents per unit of capital stock paid in 2002, this makes a total dividend for the year of 2.01 cents. These dividends amount in aggregate to €39.7m and the balance of the profit for the year has been transferred to reserves. No dividend was declared in 2001.

Further details of the results for the year and results for the prior year are set out in the Group Profit and Loss Account and related notes.

Corporate Governance

The "Combined Code" sets out Principles of Good Governance and a Code of Best Practice. Companies listed on the Irish Stock Exchange are required to report on compliance with all provisions of the code.

ESB is a statutory corporation established under the Electricity (Supply) Act 1927 and as a result the provisions of the Combined Code are not applicable to ESB. However, ESB supports the principles and provisions of the Combined Code and complies with its requirements except:

ESB is accountable to the Minister for Communications, Marine and Natural Resources. Appointments to the Board are a matter for Government and accordingly ESB does not have a nomination committee. Board Members, who are appointed for four and five year terms, are not subject to re-election to the Board at intervals not exceeding three years. ESB's policies in relation to remuneration of Executive Board Members (Chief Executive) are in accordance with "Arrangements for determining the remuneration of Chief Executives of Commercial State Bodies under the aegis of the Department of Public Enterprise" issued in July 1999.

The ESB has adopted the Code of Practice for the Governance of State Bodies approved by the Government on 2 October 2001. The Code sets out principles of corporate governance, which the Boards of State Bodies are required to observe.

ESB has also adopted the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

The Board

The Board comprises twelve members including the Chief Executive and eleven non-executive members, seven of whom are appointed by the Government for a five year term, and four Worker Board Members appointed by the Minister for Communications, Marine and Natural Resources for a four year term following election by staff. The roles of the Chairman, who is part-time, and Chief Executive are separate. Anne Taylor is Senior Independent Director.

During the year, three Board Members left the Board; Caitriona Murphy (3 March 2002), Ken O'Hara (14 July 2002) and Sean Geraghty (31 December 2002). The following appointments to the Board were made in 2002; Will McKee (30 May 2002), Derry O'Donovan (30 May 2002) and Padraig McManus (17 July 2002). In addition, during 2002 elections were held for the four Worker Board Member positions. Joe LaCumbre, Pat Smith and John McGinley were reelected to the Board, while Eamonn Connolly was elected to the Board.

Board Members' Report (continued)

The Board agrees a schedule of monthly meetings (except August) to be held in each calendar year and also meets on other occasions as necessary. The Board has a formal schedule of matters specifically reserved to it for decision at Board meetings. The 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 Board Members receive monthly financial statements for the group and full Board papers are sent to each member a week before the Board meetings. The Board papers include the minutes of all Board sub-committee meetings, which have been held since the previous Board meeting.

The relationship between ESB and the Department of Communications, Marine and Natural Resources is formally established in an "Agreement on Framework for Interaction" dated September 1998. This agreement provides a blueprint for the working relationship between the Department and ESB and the principles are set out under six priority areas – agreeing key policies, setting objectives, agreeing the high level strategy, agreeing special operating decisions, performance management and shaping or influencing the environment.

Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise an Audit Committee (see below), Business Development and International Committee, Business Strategy Committee, Health, Safety and Environment Committee, Independent Transmission System Operator (ITSO) Committee, Finance Committee, Regulation Committee and Remuneration and Management Development Committee. Their members and the terms of reference are listed on page 34.

The Audit Committee, a formally constituted committee of the Board with written terms of reference, is composed of three non-executive members and meets regularly. The Audit Committee reviews and discusses with the Group Internal Auditor and the external auditor, the group's internal 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.

In accordance with the requirements of the EU Electricity Directive the Board established a separate committee, the ITSO Committee, to facilitate the independent management of the Transmission System Operator (TSO) function undertaken by ESB National Grid. The Commission for Energy Regulation approved these ringfencing arrangements in accordance with regulations establishing a system of trading in electricity.

Internal Controls

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

The Combined Code introduced a requirement that directors of a listed company review the effectiveness of the company's systems of internal controls. This extends the existing requirements in respect of internal financial controls to cover all controls including financial and operational controls and compliance together with implementing a risk management framework.

ESB has in place a strong control framework, which covers all areas of control. The Board Members are satisfied that the systems of internal control in place are in accordance with the requirements of the Turnbull guidance.

The systems of internal control include the following:

- Clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Board which support the maintenance of a strong control environment;
- Comprehensive budgeting systems with an annual budget approved by the Board;
- Comprehensive system of financial reporting. Cumulative monthly actual results are reported against budget and considered by the Board on a monthly basis. Any significant changes and adverse variances are questioned by the Board, and remedial action taken where appropriate;

Board Members' Report (continued)

- Comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require the approval of the Board, and are closely monitored on an ongoing basis by the Business Development and International Committee of the Board;
- A corporate governance framework which includes risk analysis, financial control review and formal annual governance statements by the Managing Directors of Business Units. This is monitored by the Group Internal Audit department, which reports to the Audit Committee on an ongoing basis;
- Consideration of operational and financial issues by special Board Committees as described on page 34, including oversight by the ITSO Committee of the Transmission System Operator (TSO) activities of National Grid.

These controls are reviewed systematically by Group Internal Audit. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis.

The Board, through the Audit Committee, has reviewed the effectiveness of the systems of internal control. The process used by the Audit Committee to review the effectiveness of the system of internal control includes:

- Review and consideration of the half-yearly risk review process;
- Review and consideration of certifications from management of satisfactory and effective operation of systems of internal controls, both financial and operational;
- A review of the programme of Group Internal Audit and consideration of their findings and reports. Group Internal Audit also report regularly on the status of issues raised previously from their own reports and reports from the external auditors;
- A review of reports of the external auditors, KPMG, which contain details of any material control issues, identified arising from their work as auditors.

Executive Board Members' Remuneration

The only executive Board Member is the Chief Executive. There were two executive members during the year: Padraig McManus became Chief Executive on 15 July 2002, replacing Ken O'Hara who retired on 14 July 2002. The Chief Executive's remuneration is set within a range determined by the Ministers for Finance and Communications, Marine and Natural Resources. It is determined annually, within the range as set out above, by the Remuneration and Management Development Committee, which comprises three Non-Executive Board Members, and is approved by the Board. The Remuneration and Management Development Committee approves the remuneration of the executive management group, following consideration of recommendations submitted by the Chief Executive.

The remuneration of the Chief Executive consists of basic salary; performance related bonus of up to 18% of annual basic salary, a deferred bonus element of 7%, and a company car. In his role as a Board Member, the Chief Executive also receives a fee as determined by the Minister for Communications, Marine and Natural Resources.

The retirement benefits for the present Chief Executive are calculated on basic pay only and aim to provide at retirement a pension of one-eightieth and a gratuity of three-eightieths of salary for each year of service as Chief Executive. The increases in accrued pension and accrued gratuity excluding inflation during the year were €1,524 and €4,572 respectively. The total accrued pension at the end of the year in respect of all of the Chief Executive's service was €65,874 and the total accrued gratuity was €197,622. The transfer value of the relevant increase was €18,533.

There were no increases in accrued pension and accrued gratuity excluding inflation during the year for Ken O'Hara. The total accrued pension at the end of the year was €145,525 and the total accrued gratuity was €436,573.

Non-Executive Board Members' Remuneration

Board Members appointed under the Worker Participation (State Enterprises) Act 1977 are remunerated in accordance with the provisions of the Act. They participate in the ESB superannuation scheme on an equal basis with all other members of the scheme.

The remuneration of other Non-Executive Board Members' is determined by the Minister for Communications, Marine and Natural Resource and they do not receive pensions.

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.

Board Members' Report (continued)

Remuneration	2002 P McManus €	2002 K O'Hara €	2001 K O'Hara €
Executive Board Member (Chief Executive)			
Salary	122,954	246,082	267,691
Performance related pay	-	66,053	33,168
Taxable benefits (company car)	9,332	6,877	16,186
Pension contributions	14,630	19,143	34,109
Fees	5,949	6,349	12,697
Total	152,865	344,504	363,851
Non-Executive Board Members			
Fees		181,780	170,055

The Chairman received fees of €63,487, while the remaining Non-Executive Board Members received a total of €118,293.

Safety, Health and Welfare at Work Act (1989)

The health and safety of our staff and members of the public is a core ESB value. The Group monitors on a continuous basis its compliance with the above Act and associated Regulations through safety reviews and a formalised safety audit system. Corrective actions are initiated where inadequacies or deficiencies are identified. The procedures confirm substantial compliance with policy, as laid down in ESB's Safety Statement. The Board's Health, Safety and Environment Committee, the Chief Executive's Safety Committee and Business Area and local safety committees meet regularly to review and discuss relevant matters of policy and principle covering the health and safety of staff and the public, safety performance, training needs and improvement plans and programmes. The Group Safety Policy and Safety Statement were reviewed and revised during the year.

Accounting records

The Board Members believe that they have employed accounting resources with appropriate expertise and provided adequate resources to the financial function to ensure compliance with ESB's obligation to keep proper books of account. The books of account of ESB are held at Lower Fitzwilliam Street, Dublin 2.

Electoral Act, 1997

The Board made no political donations during the year.

On behalf of the Board

Tadhg O'Donoghue CHAIRMAN

Padraig McManus CHIEF EXECUTIVE

18 March 2003

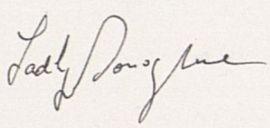
Statement of Board Members' Responsibilities

The Electricity Supply Acts 1927 to 2001 require the Board Members to prepare Financial Statements for each financial year in accordance with those Acts.

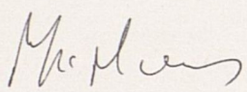
The Board Members consider that, in preparing the Financial Statements on pages 47 to 85, appropriate accounting policies have been used and consistently applied, reasonable and prudent judgements and estimates have been made and all accounting standards considered applicable have been followed.

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 ESB and its subsidiaries and to prevent and detect fraud and other irregularities.

On behalf of the Board



Tadhg O'Donoghue CHAIRMAN



Padraig McManus CHIEF EXECUTIVE

18 March 2003

Independent Auditors' Report to the Stockholders of Electricity Supply Board

As auditors appointed by the Minister for Communications, Marine and Natural Resources 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 47 to 85.

This report is made solely to the stockholders of Electricity Supply Board as a body, in accordance with Section 193 of the Companies Act, made applicable to Electricity Supply Board by virtue of the Regulations adopted by it, as its governing regulations, under the Electricity (Supply) Act, 1927, as amended by the Electricity (Supply) (Amendment) Act 2001. Our audit work has been undertaken so that we might state to the stockholders of Electricity Supply Board those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Electricity Supply Board and its stockholders, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Board Members of Electricity Supply Board are responsible for preparing the Annual Report. As described on page 45, this includes responsibility for preparing the financial statements in accordance with the Electricity Supply Acts 1927 to 2001 and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by the Electricity Supply Acts 1927 to 2001, 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 2001. We also state whether we have obtained all the information and explanations we require for our audit, whether the Parent's balance sheet is in agreement with the books of account 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 41 to 44 reflects the Board's compliance with the seven provisions of the Combined Code specified for our review, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risks and control procedures. 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 the significant estimates and judgements made by the Board Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Parent as at 31 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Electricity Supply Acts, 1927 to 2001.

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 2002 is in agreement.

KPMG

19 March 2003

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

Statement of Accounting Policies

1. Basis of accounting

The financial statements are prepared in Euro under the historical cost convention. They have been prepared in accordance with Generally Accepted Accounting Standards and comply with Financial Reporting Standards of the Accounting Standards Board. The accounting policies are consistent with those applied in prior years with the exception that a new accounting policy has been adopted for non-repayable supply contributions received, after the capitalisation of ESB's reserves, in accordance with the Electricity (Supply) (Amendment) Act , 2001.

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 2002. The results of subsidiary undertakings acquired or disposed of in the period 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 2002.

3. Business Segment Definitions

For the purposes of the statutory financial statements ESB is required to follow Statement of Standard Accounting Practice 25 " Segmental Reporting". ESB has defined segments in accordance with this standard which are largely consistent with the separate accounts for the generation, transmission, distribution and supply activities as defined and disclosed in the Regulatory Accounts, which have been submitted to the Commission for Energy Regulation (CER). These segments are as follows:

(a) Power Generation and Customer Supply

This business is concerned with the generation of electricity from the group's power stations and the purchase of external supplies of electricity for sale to customers, together with related billing, collection and customer care activities in the Republic of Ireland.

(b) Networks

The networks business is concerned with the construction, operation and maintenance of the transmission and distribution networks infrastructure required to ensure a quality supply of electricity to all electricity customers in the Republic of Ireland.

(c) Commercial Enterprises

The Commercial Enterprises business has responsibility for the non-regulated ESB businesses. The key activities include Engineering, Consultancy, Construction, International Investment, Retail, IT and Telecoms, Independent Energy and other service based activities. The business operates both in the home and international markets.

(d) Group and consolidation adjustments

This category includes consolidation adjustments required to prepare group results.

4. Internal Trading and Apportionment within ESB

In drawing up the separate accounts of its businesses, ESB adheres to a set of accounting procedures for the allocation of assets, liabilities, income and expenditure:

(a) Turnover

Turnover between group businesses is calculated in accordance with ESB's arrangements for internal trading which, where appropriate, provide for cost recovery or trading at arms length, based on market rates. Where applicable, income subject to regulation is calculated in accordance with the licence conditions or regulatory determinations applicable to each business.

(b) Expenditure

Certain ESB group businesses provide services to other areas of the group, such as IT services and development, facilities management, telecommunications as well as other shared and corporate services.

Power Generation & Customer Supply, Networks and Commercial Enterprises are charged or allocated these service-related costs in accordance with ESB's internal trading arrangements. It is sometimes necessary to reasonably apportion certain group costs and overheads to each business.

(c) Assets & liabilities

Revenues, expenses and capital expenditure directly incurred by each business are recorded in the separate accounts of the businesses. A system of internal trading is operated to reflect internal transactions between the

Statement of Accounting Policies (continued)

different businesses. Trade indebtedness as a result of such trading between the internal businesses is recorded as internal debtor and internal creditor balances in the accounts of each business as appropriate.

(d) Treatment of corporately managed and controlled balances

A number of balances and transactions are not attributed to individual businesses, as they are subject to corporate management and control. Such items generally include, but are not limited to, elements of net borrowings, taxation, dividends payable, interest payable and financial fixed assets.

5. 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 ventures and associates are accounted for using the gross equity 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, less any impairment, at acquisition plus goodwill and 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.

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 period in which it is receivable. A note is included as to the market value of listed investments.

6. Goodwill

Goodwill represents the excess of consideration paid for the acquisition of shares in associated undertakings and joint ventures over the fair value of the identifiable assets and liabilities. The useful lives of goodwill on acquired businesses is 20 years. This has been determined by reference to the periods over which the values of the underlying businesses are expected to exceed the values of their identifiable net assets.

7. 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 rate ruling at the balance sheet date 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 period. 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.

8. 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 period end and this estimate is included in debtors in the balance sheet as 'unbilled consumption'.

Statement of Accounting Policies (continued)

9. 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. 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.

10. Pre-contract costs

Costs of planning for and developing capital investment projects, or bidding for and securing contracts, to supply products and services are recognised as expenses as incurred. However, directly attributable costs are capitalised as assets when it is virtually certain that a contract will be obtained, and the contract is expected to result in future net cash inflows, with a present value no less than all amounts recognised as an asset.

11. Stocks

Stocks are carried at average cost, other than:

Spares held for major generating plant breakdowns, which are written down over plant lifetime; and 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 prior to disposal. Provision is made for damaged, deteriorated, obsolete and unusable items where appropriate.

12. Financial Instruments

Forward foreign exchange contracts which are used to hedge foreign transaction cash flows are recognised as an operating expense in the profit and loss account.

Interest rate swap agreements and similar contracts are used to manage interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as an interest expense over the period of the contracts.

13. Deferred payment contracts

Profit on deferred payment contracts is taken in the period 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.

14. 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.

15. Non-repayable supply contributions and capital grants

Non-repayable supply contributions and capital grants received are recorded as deferred income and released to the profit and loss account on a basis consistent with the depreciation policy of the relevant assets. In previous years non-repayable supply contributions were credited directly to capital reserves. On 30 December 2001, in accordance with the Electricity Supply (Amendment) Act, 2001, all amounts then credited to reserves were converted to capital stock of ESB.

Statement of Accounting Policies (continued)

16. 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 2002, as in 2001, an amount has been appropriated to cover repayment of ESB stock issues in accordance with contractual obligations.

17. Taxation

Corporation tax is provided at current rates and is calculated on the basis of results for the period, taking account of manufacturing relief, where appropriate. The taxation charge in the profit and loss account includes taxation on the group's share of profits of associated and joint venture undertakings.

18. Deferred Taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that the Board consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

19. Provisions for generating station closure

The provision for generating station closure represents the present value of the current estimate of the costs of closure of stations at the end of their useful lives.

The estimated costs of closing stations are recognised in full at the outset of the asset life, but discounted to present values using a risk free rate. These costs are capitalised in tangible fixed assets and depreciated over the useful economic lives of the stations to which they relate. The costs are credited to a provision as they are capitalised. As the costs are capitalised and initially provided on a discounted basis, the provision must be increased by a financing charge each period, 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 stations. The actual expenditure is set against the provision as stations are closed.

20. Discounting of future commitments

Where the effect of the time value of money is material, provisions for future commitments are, with the exception of deferred taxation, based on the discounted cost of meeting those commitments so that the provision balance at the period 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 period.

21. Superannuation scheme

The cost of providing pensions and other post retirement benefits is charged to the profit and loss account on a systematic basis over the service life of the employees, as recommended by the Actuaries to the scheme.

22. Cash and liquid resources

For the purpose of the cash flow statement, cash 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 and are traded in an active market. They comprise term deposits, other than cash, invested for less than one year.

Group Profit and Loss Account

Year ended 31 December 2002

	Notes	2002 €'000	2001 €'000
Turnover - group & share of joint ventures		**2,271,413**	2,118,549
Less: share of joint ventures' turnover		**(120,572)**	(78,392)
Turnover - continuing operations	1	**2,150,841**	2,040,157
Operating costs	2	**(1,914,221)**	(1,845,302)
Operating profit - continuing operations		**236,620**	194,855
Share of joint ventures operating profit		**11,417**	937
Share of associated undertakings' operating profit		**2,388**	3,416
Profit on ordinary activities before interest	1	**250,425**	199,208
Net interest cost and other financing charges	3	**(53,904)**	(39,141)
Profit on ordinary activities before taxation		**196,521**	160,067
Tax (charge)/credit on profit on ordinary activities	5	**(37,016)**	4,594
Profit on ordinary activities after taxation		**159,505**	164,661
Minority interests - equity	21	**(125)**	(100)
Profit for the financial year	6	**159,380**	164,561
Appropriation to sinking fund reserve	19	**(565)**	(537)
Dividends	7	**(39,704)**	-
Retained profit for the financial year	20	**119,111**	164,024

Signed: **T. O'Donoghue** Chairman

Signed: **P. McManus** Chief Executive
Signed: **T. Donnelly** Group Finance Director

18 March 2003

Group Balance Sheet

As at 31 December 2002

	Notes	2002 €'000	2002 €'000	2001 €'000	2001 €'000
Fixed assets					
Tangible assets	8		**3,779,643**		3,172,008
Investment in associates	9		**6,037**		27,702
Investments in joint ventures	9				
- Share of gross assets		**274,254**		277,995	
- Share of gross liabilities		**(106,196)**	**168,058**	(118,899)	159,096
Goodwill & other financial asset investments	9		**25,500**		26,039
			3,979,238		3,384,845
Current assets					
Stocks	10		**178,586**		167,113
Debtors	11		**481,216**		514,501
Investments	12		**2,265**		51
Cash at bank and in hand	22(c)		**120,499**		158,347
			782,566		840,012
Creditors: amounts falling due within one year					
Borrowings and other debt	13		**(355,486)**		(160,710)
Other creditors	15		**(498,410)**		(391,957)
			(853,896)		(552,667)
Net current (liabilities)/assets			**(71,330)**		287,345
Total assets less current liabilities			**3,907,908**		3,672,190
Creditors: amounts falling due after more than one year					
Borrowings and other debt	13		**(667,375)**		(630,207)
Other creditors	15		**(94,952)**		(90,145)
Deferred income	16		**(95,368)**		(16,679)
			(857,695)		(737,031)
Provision for liabilities and charges	17		**(929,558)**		(932,745)
	1		**2,120,655**		2,002,414
Capital Stock and Reserves					
Capital stock	18		**1,979,882**		1,979,882
Sinking fund reserve for repayment of borrowings	19		**2,128**		1,563
Profit and loss account and other reserves	20		**138,078**		20,395
Stockholders' funds - equity			**2,120,088**		2,001,840
Minority interests	21		**567**		574
			2,120,655		2,002,414

Signed: **T. O'Donoghue** Chairman

Signed: **P. McManus** Chief Executive
Signed: **T. Donnelly** Group Finance Director

18 March 2003

Parent Balance Sheet

As at 31 December 2002

	Notes	2002 €'000	2001 €'000
Fixed assets			
Tangible assets	8	**3,575,309**	3,106,826
Financial assets	9	**187,441**	125,142
		3,762,750	3,231,968
Current assets			
Stocks	10	**178,586**	167,113
Debtors	11	**459,028**	507,357
Investments	12	**2,265**	51
Cash at bank and in hand		**65,241**	114,943
		705,120	789,464
Creditors: amounts falling due within one year			
Borrowings and other debt	13	**(340,500)**	(167,796)
Other creditors	15	**(501,259)**	(410,076)
		(841,759)	(577,872)
Net current (liabilities)/assets		**(136,639)**	211,592
Total assets less current liabilities		**3,626,111**	3,443,560
Creditors: amounts falling due after more than one year			
Borrowings and other debt	13	**(484,699)**	(474,848)
Other creditors	15	**(62,056)**	(78,841)
Deferred income	16	**(85,038)**	(13,326)
		(631,793)	(567,015)
Provision for liabilities and charges	17	**(929,558)**	(932,745)
		2,064,760	1,943,800
Capital stock and Reserves			
Capital stock	18	**1,979,882**	1,979,882
Sinking fund reserve for repayment of borrowings	19	**2,128**	1,563
Profit and loss account and other reserves	20	**82,750**	(37,645)
Stockholders' funds - equity		**2,064,760**	1,943,800

Signed: **T. O'Donoghue** Chairman

Signed: **P. McManus** Chief Executive
Signed: **T. Donnelly** Group Finance Director

18 March 2003

Statement of Total Recognised Gains and Losses

Year ended 31 December 2002

	Notes	2002 €'000	2001 €'000
Profit for the financial year		**159,380**	164,561
Non repayable supply contributions		**-**	57,807
Translation differences on consolidation of foreign subsidiaries, joint ventures and associates	20	**(1,428)**	305
Total recognised gains and losses for the financial year		**157,952**	222,673

Reconciliation of Movements in Stockholders' Funds Year Ended 31 December 2002	**Notes**	**2002 €'000**	2001 €'000
Total recognised gains and losses for year		**157,952**	222,673
Subscription for capital stock		**-**	75,879
Discount on issue of capital stock		**-**	23,115
Dividends	7	**(39,704)**	-
Opening stockholders funds		**2,001,840**	1,680,173
Closing stockholders' funds		**2,120,088**	2,001,840

Group Cash Flow Statement

Year ended 31 December 2002

	Notes	2002 €'000	2001 €'000
Net cash inflow from operating activities	22(a)	**563,335**	350,699
Dividends received from joint venture undertakings		**4,637**	6,376
Returns on investments and servicing of finance			
Interest received		**9,263**	16,199
Interest paid		**(38,710)**	(38,873)
Interest element of finance lease payments		**(7,825)**	(5,528)
Payments for capital stock		**-**	(59,423)
Net cash outflow from returns on investments and servicing of finance		**(37,272)**	(87,625)
Taxation			
Corporation tax refund received		**-**	45,000
Corporation tax paid		**(19,882)**	(25,476)
		(19,882)	19,524
Capital expenditure & financial investment			
Purchase of tangible fixed assets		**(835,079)**	(455,213)
Sale of tangible fixed assets		**1,162**	13,195
Non repayable supply contributions & capital grants	16	**80,454**	59,329
		(753,463)	(382,689)
Acquisitions and disposals			
Investment/purchase of joint venture and associate		**(16,254)**	(78,093)
Disposal of associate		**9,669**	-
Minority interest - buyback of minority shareholding in a subsidiary undertaking	21	**(132)**	-
		(6,717)	(78,093)
Net cash outflow from capital expenditure & financial investment		**(760,180)**	(460,782)
Dividends paid	7	**(20,000)**	-
Net cash outflow before management of liquid resources and financing		**(269,362)**	(171,808)
Net cash inflow from management of liquid resources	22(b)	**76,998**	126,004
Financing			
Increase/(Repayment) of loans and finance leases (net)	22(b)	**231,944**	(47,770)
Cash received for capital stock		**-**	75,879
Net cash inflow from financing		**231,944**	28,109
Increase/(decrease) in cash	22(c)	**39,580**	(17,695)

Notes to the Financial Statements

Year ended 31 December 2002

1. SEGMENTAL INFORMATION

(a) Turnover by Segment	Total Turnover 2002 €'000	Total Turnover 2001 €'000	Internal Turnover 2002 €'000	Internal Turnover 2001 €'000	External Turnover 2002 €'000	External Turnover 2001 €'000
Power Generation & Customer Supply	**1,748,147**	1,705,179	**85,512**	51,652	**1,662,635**	1,653,527
Networks	**728,445**	671,650	**620,353**	599,040	**108,092**	72,610
Commercial Enterprises	**645,582**	514,333	**195,693**	119,420	**449,889**	394,913
Group and consolidation adjustments*					**(69,775)**	(80,893)
Subtotal					**2,150,841**	2,040,157
Turnover from joint ventures					**120,572**	78,392
Total					**2,271,413**	2,118,549

(b) Turnover by Geographic Market	2002 €'000	2001 €'000
Ireland	**2,064,796**	1,900,399
UK & Europe	**164,838**	173,319
Other	**41,779**	44,831
Total	**2,271,413**	2,118,549

(c) Profit on ordinary activities before interest by Segment	2002 €'000	2001 €'000
Power Generation & Customer Supply	**18,729**	(582)
Networks	**213,799**	219,423
Commercial Enterprises	**28,488**	29,590
Group and consolidation adjustments*	**(10,591)**	(49,223)
Total	**250,425**	199,208

(d) Net assets by Segment	2002 €'000	2001 €'000
Power Generation & Customer Supply	**328,707**	417,291
Networks	**2,640,614**	2,308,410
Commercial Enterprises	**296,441**	179,602
Group, consolidation adjustments and unallocated net liabilities*	**(1,145,107)**	(902,889)
Total	**2,120,655**	2,002,414

* This category includes consolidation adjustments required to prepare group results.

Unallocated net liabilities include net borrowings, dividends payable, taxation liabilities and other corporate assets and liabilities.

2. OPERATING COSTS

	2002 €'000	2001 €'000
Payroll	**464,704**	412,241
Fuel	**746,309**	752,738
Operations and maintenance	**433,478**	423,039
Depreciation	**244,651**	224,393
Employee shareholding scheme	**6,679**	9,776
Write down of investment in financial fixed assets (Note 9)	**18,400**	-
Minority interest discount on issue of capital stock	**-**	23,115
	1,914,221	1,845,302

Under the Cost and Competitiveness Review Agreement ("CCR Agreement") in 1996, 5% of ESB's annual profits were to be set aside to enable the employees to purchase 5% of ESB. The 2002 charge of €6.7m, represents the final profit allocation required to meet this commitment.

In pricing the issue of capital stock to employees in 2001, a level of minority interest discount amounting to €23.1m, on the price paid by ESB ESOP Trustee Limited in subscription for its stock, was agreed with the Departments of Finance and Public Enterprise.

3. NET INTEREST COST AND OTHER FINANCING CHARGES

	2002 €'000	2001 €'000
Interest payable on borrowings	**39,162**	39,563
Interest payable on finance leases	**7,640**	5,553
Total interest payable	**46,802**	45,116
Total interest receivable	**(9,194)**	(16,295)
Net interest payable	**37,608**	28,821
Less capitalised interest	**(18,362)**	(23,869)
Financing charges:		
- on restructuring provision (note 17)	**20,508**	20,469
- on station closure provision (note 17)	**14,150**	13,720
Net interest cost and other financing charges	**53,904**	39,141

The financing charges on provisions are calculated in accordance with the policy for discounting of future commitments on page 50.

4. EMPLOYEES

(a) Average number of employees in year by business activity	2002 Number	2001 Number
Electricity business	6,882	7,955
Retail, contracts and other activities	1,845	1,429
	8,727	9,384

(b) Employee costs in year	2002 €'000	2001 €'000
Pay (salaries/wages)	520,301	448,066
Social welfare costs (PRSI)	21,412	15,196
Pension costs	40,461	33,743
Other payroll benefits	28,230	24,953
	610,404	521,958
Capitalised payroll	(145,700)	(109,717)
Charged to the Profit & Loss Account	464,704	412,241

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 €'000	2001 €'000
Corporation tax at 16% (2001: 20%)	18,860	20,117
Less manufacturing relief	(3,060)	(4,438)
	15,800	15,679
Corporation tax refund	-	(44,988)
Corporation tax overprovided in prior years	-	(6,694)
Capital gains tax	500	400
Overseas tax (excluding associated companies)	4,018	4,129
Current tax attributable to group	20,318	(31,474)
Tax attributable to associated companies	825	106
Tax attributable to joint ventures	1,282	3,092
Current year tax charge/(credit)	22,425	(28,276)
Deferred Taxation:		
– Origination and reversal of timing differences	7,306	23,682
– Deferred tax attributable to joint ventures	7,285	-
	37,016	(4,594)

The tax charge is calculated based on current year profits taxable at the Irish corporation tax rate of 16% (2001: 20%) and adjusted for income qualifying for manufacturing relief and subject to overseas tax.

Deferred tax attributable to joint ventures arises from the implementation of FRS 19 in the financial statements of Corby Power Limited for the first time in 2002.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2002	2001
	€'000	€'000
Factors affecting tax charge/(credit) for the year		
Profit on ordinary activities before tax multipled at current trading rate (16%) (2001: 20%)	**31,443**	32,013
Tax effects of:		
Expenses not deductible for tax purposes	**2,767**	3,190
Foreign earnings subject to different rates of tax	**3,450**	6,196
Income and gains taxed at the higher rate of Irish tax	**312**	173
Income at the reduced Irish tax rate	**(4,091)**	(7,862)
Capital allowances in excess of depreciation	**(5,807)**	(1,454)
Other deferred tax timing differences	**(5,830)**	(8,850)
Other prior year under/(over) provisions	**181**	(6,694)
Corporation tax refund	**-**	(44,988)
Current year tax charge/(credit) before deferred tax	**22,425**	(28,276)

6. PROFIT FOR THE FINANCIAL YEAR

	2002	2001
	€'000	€'000
The profit for the financial year is stated after charging/(crediting):		
Depreciation	**244,651**	224,393
Operating lease charges	**15,018**	12,429
Amortisation of goodwill	**1,318**	1,323
Amortisation of deferred income	**(1,765)**	(214)
Net loss on disposal of fixed assets	**1,678**	128
Profit on disposal of investment in financial fixed asset (Note 9)	**(4,105)**	-
Auditor's remuneration		
- audit services	**418**	244
- ESOP related services	**24**	269
- taxation	**269**	173
- non-audit services	**70**	155
ESB (Parent) Board Members' remuneration:		
- Fees	**194**	183
- Other remuneration (see page 45)	**-**	-
Write down of investment in financial fixed assets (Note 9)	**18,400**	-

7. DIVIDENDS

	2002 €'000
Dividends on capital stock:	
Interim dividend of 1.01 cents per units of capital stock paid	**20,000**
Proposed final dividend of 1.00 cent per units of capital stock	**19,704**
Total dividend of 2.01 cents per units of capital stock	**39,704**

No dividends were paid in respect of the year 2001.

8. TANGIBLE FIXED ASSETS

(a) GROUP	Land and buildings €'000	Plant and machinery €'000	Total assets in commission €'000	Assets under construction €'000	Total €'000
Cost					
Balance at 1 January 2002	716,019	4,655,602	**5,371,621**	342,295	**5,713,916**
Additions/transfers	27,147	412,446	**439,593**	410,950	**850,543**
Increase is station closure provision	-	4,690	**4,690**	-	**4,690**
Retirements/disposals	(173)	(18,025)	**(18,198)**	(332)	**(18,530)**
Translation difference	(56)	(241)	**(297)**	-	**(297)**
Balance at 31 December 2002	742,937	5,054,472	**5,797,409**	752,913	**6,550,322**
Depreciation					
Balance at 1 January 2002	381,913	2,159,995	**2,541,908**	-	**2,541,908**
Charge	24,860	219,791	**244,651**	-	**244,651**
Retirements/disposals	(58)	(15,632)	**(15,690)**	-	**(15,690)**
Translation difference	(16)	(174)	**(190)**	-	**(190)**
Balance at 31 December 2002	406,699	2,363,980	**2,770,679**	-	**2,770,679**
Net book value at 31 December 2002	**336,238**	**2,690,492**	**3,026,730**	**752,913**	**3,779,643**
Net book value at 31 December 2001	334,106	2,495,607	**2,829,713**	342,295	**3,172,008**

The non depreciable element of land and buildings amounts to €1.7m (2001: €1.7m) for both Group and Parent.
During the year the group capitalised the sum of €18.4m (2001: €23.9m) in interest. The capitalisation rate was 5.2%.

Finance leases

All finance leases are held by the parent company.
The net book value of tangible fixed assets includes an amount of €52.7m (2001: €57.4m) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to €4.4m (2001: €4.4m).

8. TANGIBLE FIXED ASSETS (continued)

FRS 15 "Tangible Fixed Assets"

This standard requires that where the tangible fixed asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful economic life. A review of ESB's fixed assets was carried out on this basis and concluded that any amendment to the current economic lives of the components within the fixed assets would be immaterial in the context of the financial statements.

(b) PARENT	Land and buildings €'000	Plant and machinery €'000	Total assets in commission €'000	Assets under construction €'000	Total €'000
Cost					
Balance at 1 January 2002	714,774	4,623,349	**5,338,123**	300,927	**5,639,050**
Additions/transfers	27,147	380,811	**407,958**	297,546	**705,504**
Increase in station closure provision	-	4,690	**4,690**	-	**4,690**
Retirements/disposals	(47)	(17,440)	**(17,487)**	-	**(17,487)**
Balance at 31 December 2002	741,874	4,991,410	**5,733,284**	598,473	**6,331,757**
Depreciation					
Balance at 1 January 2002	381,633	2,150,591	**2,532,224**	-	**2,532,224**
Charge	24,844	214,368	**239,212**	-	**239,212**
Retirements/disposals	(23)	(14,965)	**(14,988)**	-	**(14,988)**
Balance at 31 December 2002	406,454	2,349,994	**2,756,448**	-	**2,756,448**
Net book value at 31 December 2002	**335,420**	**2,641,416**	**2,976,836**	**598,473**	**3,575,309**
Net book value at 31 December 2001	333,141	2,472,758	**2,805,899**	300,927	**3,106,826**

Notes to the Financial Statements

Year ended 31 December 2002

9. FINANCIAL FIXED ASSETS

(a) GROUP	Associated undertakings shares €'000	Joint venture investments €'000	Sinking fund and other investments €'000	Goodwill and intangible assets €'000	Total €'000
Balance at 1 January 2002	27,702	159,096	1,690	24,349	212,837
Additions	1,396	12,430	-	214	14,040
Amortisation of goodwill	-	-	-	(1,318)	(1,318)
Disposals of associated undertakings	(5,564)	-	-	-	(5,564)
Provision for reduction in carrying value	(18,400)	-	-	-	(18,400)
Retranslation/other movements	-	(2,341)	565	-	(1,776)
Share of retained profit	1,563	2,850	-	-	4,413
Dividends received	(660)	(3,977)	-	-	(4,637)
Balance at 31 December 2002	**6,037**	**168,058**	**2,255**	**23,245**	**199,595**

The carrying amount of goodwill after amortisation, at 31 December 2002 is €23.2m (2001: €24.3m) all of which relates to joint ventures.

Sinking fund investments in the Group and Parent, are represented by short term bank deposits. The market value of sinking fund investments at 31 December 2002 is €2.128m (2001: €1.563m). Subsidiary, associated and joint venture undertakings are listed in note 29.

The provision for reducing the carrying value of associated undertakings relates to Rousch (Pakistan) Power Limited (RPPL) and Americas and Caribbean Power Limited (ACP). This provision reflects the Board Members view of the underlying carrying value of these assets. This represents a full provision against the net asset value. The investment in ESBI Alberta Limited, an associated undertaking was disposed of during the year. The proceeds of the disposal were €9.7m. This transaction yielded a profit on disposal of €4.1m.

Additions to financial fixed assets represent increases to joint ventures partners capital accounts.

	Subsidiary undertakings			Sinking fund	
(b) PARENT	Shares €'000	Loans €'000	Total €'000	investments €'000	Total €'000
Balance at 1 January 2002 at cost	23,676	99,903	123,579	1,563	125,142
Additions	-	63,637	63,637	565	64,202
Repayments	-	(1,903)	(1,903)	-	(1,903)
Balance at 31 December 2002	**23,676**	**161,637**	**185,313**	**2,128**	**187,441**

10. STOCKS

GROUP & PARENT	2002 €'000	2001 €'000
Materials and spares	**94,608**	86,315
Fuel	**72,623**	72,489
Goods for resale (appliances)	**11,355**	8,309
	178,586	167,113

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

11. DEBTORS

	GROUP		PARENT	
	2002 €'000	2001 €'000	**2002 €'000**	2001 €'000
Amounts falling due within one year:				
Trade debtors	**128,522**	131,852	**89,930**	92,748
Unbilled consumption	**138,800**	202,914	**145,799**	193,487
Deferred payment contracts	**61,376**	55,540	**24,106**	18,764
Amounts owed by:				
– Subsidiary undertakings	**-**	-	**112,834**	111,736
– Associated undertakings	**-**	1,034	**-**	-
Other debtors	**124,383**	95,886	**84,658**	88,525
	453,081	487,226	**457,327**	505,260
Amounts falling due after more than one year:				
Deferred payment contracts	**28,135**	27,275	**1,701**	2,097
Total debtors	**481,216**	514,501	**459,028**	507,357

12. INVESTMENTS

GROUP & PARENT	2002 €'000	2001 €'000
Listed investments at cost	**2,265**	51
Market value of listed investments	**2,923**	53

The increase in investments represents repurchases of ESB loan stock, pending cancellation.

13. BORROWINGS AND OTHER DEBT

(a) GROUP	Short term borrowings €'000	Finance leases €'000	Borrowings €'000	2002 Total €'000	2001 Total €'000
Borrowings due within one year					
- Repayable by instalments	-	13,392	9,924	**23,316**	39,474
- Repayable other than by instalments	12,571	-	319,599	**332,170**	121,236
	12,571	13,392	329,523	**355,486**	160,710
Borrowings due after one year					
- Repayable by instalments					
- Between one and two years	-	10,676	9,751	**20,427**	30,352
- Between two and five years	-	23,222	43,454	**66,676**	70,415
- After five years	-	101,421	257,028	**358,449**	274,005
	-	135,319	310,233	**445,552**	374,772
- Repayable other than by instalments					
- Between one and two years	-	-	66,966	**66,966**	154,614
- Between two and five years	-	-	69,173	**69,173**	77,768
- After five years	-	11,220	74,464	**85,684**	23,053
	-	11,220	210,603	**221,823**	255,435
Total borrowings due after one year	-	146,539	520,836	**667,375**	630,207
Total borrowings outstanding	**12,571**	**159,931**	**850,359**	**1,022,861**	790,917

Borrowings totalling €99.1m (2001: €112m) are State guaranteed. Borrowings include €197.7m related to subsidiary undertakings.

At the year-end, ESB's total debt portfolio amounted to €1.022bn. The underlying debt, before swaps, was denominated in the following currencies:

Currency	2002	2001
Euro	86%	77%
Japanese Yen	7%	12%
Swiss Franc	3%	5%
US Dollar	3%	4%
Sterling	1%	2%
Total	100%	100%

13. BORROWINGS AND OTHER DEBT (continued)

(b) PARENT	Short term borrowings €'000	Finance leases €'000	Borrowings €'000	2002 Total €'000	2001 Total €'000
Borrowings due within one year					
- Repayable by instalments	-	13,392	9,924	**23,316**	46,560
- Repayable other than by instalments	12,571	-	304,613	**317,184**	121,236
	12,571	13,392	314,537	**340,500**	167,796
Borrowings due after one year					
- Repayable by instalments					
- Between one and two years	-	10,676	9,751	**20,427**	29,993
- Between two and five years	-	23,222	43,454	**66,676**	70,415
- After five years	-	101,421	132,954	**234,375**	119,005
	-	135,319	186,159	**321,478**	219,413
- Repayable other than by instalments					
- Between one and two years	-	-	52,373	**52,373**	154,614
- Between two and five years	-	-	25,395	**25,395**	77,768
- After five years	-	11,220	74,233	**85,453**	23,053
	-	11,220	152,001	**163,221**	255,435
Total borrowings due after one year	-	146,539	338,160	**484,699**	474,848
Total borrowings outstanding	**12,571**	**159,931**	**652,697**	**825,199**	642,644

14. FINANCIAL INSTRUMENTS

(a) Overview

The main financial risks faced by the Group are exchange rate and interest rate risk. Treasury policies for these and other risk areas, such as liquidity risk and counterparty credit risk, are regularly reviewed and revised as appropriate and are approved by the Board. Group Treasury, which is responsible for the day to day treasury activities of the Group, reports on a half yearly basis to the Board Audit Committee and is reviewed by Group Internal Audit annually.

(b) Financial instruments used

ESB uses borrowings and finance leases to finance operations, fixed rate deposit instruments to invest surplus funds, and interest rate and foreign exchange instruments to manage interest rate and currency risks arising from its operations and sources of finance. All transactions in financial instruments are non-speculative.

(c) Funding and liquidity management

The Group's activities are financed by operating cashflows, borrowings and finance leases. Funding and debt management is carried out centrally by Group Treasury with the objective of securing finance at minimum cost within acceptable risk parameters. Group Treasury also manages the financial risks associated with borrowing. Debt management strategies are summarised as follows:

- To maintain ESB's debt in Euro, either by borrowing directly in Euro or via currency swaps.
- To maintain an acceptable portion of the debt portfolio at fixed rates of interest.
- To achieve a balanced debt maturity profile, considering the lifetimes of underlying assets.
- To achieve a smooth annual debt repayment profile.

(d) Interest rate risk management

Current policy is to have a minimum of 50% of the debt portfolio at fixed rates of interest. This is achieved either by borrowing directly at fixed/floating interest rates or via interest rate swaps.

(e) Foreign currency risk management

ESB manages its foreign currency exposures, mainly US Dollar and Sterling, on fuel and other purchases so as to reduce volatility due to currency fluctuations and to minimise costs. These exposures are managed using foreign currency spot and forward purchase contracts, deposits and borrowings.

(f) Counterparty credit risk

ESB is exposed to credit risk relating to its cash and current financial assets. It only deposits cash surpluses with quality credit rated banks and institutions that meet certain criteria. Also, there is a limit on the amount of credit exposure to any one bank or institution. ESB does not have significant credit risks in relation to its other current financial assets. The Group's trade debtors consist of a large number of domestic, commercial and industrial customers. Exposure to financial loss is actively monitored. Bad debts are not material in the context of the Group's turnover.

14. FINANCIAL INSTRUMENTS (continued)

(g) Fair Value

The fair value of a financial instrument is the amount it could be exchanged for in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. The method used to get the fair value of the Group's financial instruments is discounted cash flow analysis, using the zero coupon discount curve.

This method enables the Group to discount the cashflows at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms.

On interest rate swaps, as the same notional principal is used for the paying and receiving sides, the carrying amount equals zero. The fair value takes into account the fixed rate and floating rate margins and market rate prevailing at the year end.

The carrying value of the currency swaps is affected by movements in exchange rates, while the fair value is affected by movements in the foreign currency and interest rates.

The Group's floating rate financial assets and liabilities primarily bear interest rates based on the six month Euribor/Libor.

(i) Bank Deposits 2002

Currency	Book value €m	Fair value €m	Fixed %	Weighted avg. period	Weighted avg. rate
EUR	**38.0**	38.0	100%	4 days	3.09%
GBP	**7.9**	7.9	100%	52 days	3.90%
SEK	**0.2**	0.2	100%	34 days	3.92%

Bank Deposits 2001

Currency	Book value €m	Fair value €m	Fixed %	Weighted avg. period	Weighted avg. rate
EUR	**101.4**	101.4	100%	3 days	3.58%
GBP	**7.6**	7.6	100%	22 days	3.91%
USD	**5.0**	5.0	100%	4 days	1.78%
SEK	**0.3**	0.3	100%	17 days	3.65%

The sinking fund investments amount to €2.1m. There is no material difference between the book value and the fair value of this investment.

(ii) Short Term Borrowings

		Book value €m	Fair value €m	Fixed %	Weighted avg. period	Weighted avg. rate
2002	**GBP**	12.6	12.6	100%	91 days	4.08%
2001	**GBP**	13.6	13.6	100%	31 days	4.13%

14. FINANCIAL INSTRUMENTS (continued)

(iii) Debt Portfolio

75% of the Group's debt portfolio is fixed to maturity. The weighted average cost of the overall debt portfolio is 4.67% and the average life is 4.08 years.

	2002		2001	
Instruments	**Book value**	**Fair value**	**Book value**	**Fair value**
	€m	**€m**	**€m**	**€m**
Loans/Leases	1,010.3	1,084.0	802.0	856.0
Interest Rate Swaps	-	(3.0)	-	(15.0)
Currency Swaps	-	(11.0)	(25.0)	(39.0)
Total	1,010.3	1,070.0	777.0	802.0

(iv) Foreign Exchange Contracts

	2002			2001	
			Mark-to-market		
Currency	**Book value**	**Fair value**	**Gain/(Loss)**	**Book value**	**Fair value**
	€m	**€m**	**€m**	**€m**	**€m**
USD	9.1	8.7	(0.4)	23.7	23.6
GBP	0.2	0.2	-	34.0	34.2
Total	9.3	8.9	(0.4)	57.7	57.8

(v) Commodity Contracts

There were no commodity swaps in place at the year-end. (In 2001 there were oil swaps - book value USD$5.2m, fair value USD$5.3m and gas swaps - book value GBP£0.7m, fair value GBP£0.7m).

As at the year-end, after taking into account the effects of forward foreign exchange, currency and interest rate swaps, ESB had no material currency exposures.

(h) Liquidity Risk

The maturity profile of the carrying amount of the financial liabilities and the material undrawn committed borrowing facilities are as follows:

	2002		2001	
	Existing debt maturing	**Undrawn facility maturing**	**Existing debt maturing**	**Undrawn facility maturing**
	€m	**€m**	**€m**	**€m**
In one year or less	321	-	117	131
Between one and two years	74	-	161	-
Between two and five years	133	235	163	385
In more than five years	495	-	336	-
	1,023	235	777	516

14. FINANCIAL INSTRUMENTS (continued)

(i) Other

ESB has entered into a leasing transaction, early termination of which could expose ESB to a current estimated maximum net loss of €11.8m in present value terms (2001: €20.8m). No provision has been made in the financial statements for this amount as the Board considers the likelihood of such a loss as remote.

At the 31 December 2002, ESB has entered into forward contracts to the amount of US$ 9.1m and Stg£ 0.2m (2001: US$ 21m and Stg£21m) to cover future fuel purchases.

15. OTHER CREDITORS

	GROUP		PARENT	
	2002	2001	**2002**	2001
Creditors falling due within one year:	**€'000**	€'000	**€'000**	€'000
Progress payments on work in progress	**23,067**	23,718	**23,067**	23,718
Trade creditors	**208,076**	144,788	**199,560**	140,929
Other creditors	**39,191**	49,986	**34,056**	44,247
PAYE/PRSI	**8,731**	7,606	**8,385**	7,463
VAT	**10,759**	15,669	**13,307**	15,447
Accruals	**150,442**	95,997	**102,732**	66,250
Dividends proposed	**19,704**	-	**19,704**	-
Employee shareholding scheme	**-**	16,456	**-**	16,456
Amounts owed to subsidiary undertakings	**-**	-	**63,792**	64,101
Accrued interest on borrowings	**12,473**	12,206	**10,631**	10,179
Corporation tax	**25,967**	25,531	**26,025**	21,286
	498,410	391,957	**501,259**	410,076

	2002	2001	**2002**	2001
	€'000	€'000	**€'000**	€'000
Creditors falling due after more than one year	**94,952**	90,145	**62,056**	78,841

16. DEFERRED INCOME

	Capital grants	Non-repayable supply contributions	Total
(a) GROUP	**€'000**	**€'000**	**€'000**
Balance at 1 January 2002	16,679	-	16,679
Receivable	11,088	69,366	80,454
Transferred to profit and loss account	(382)	(1,383)	(1,765)
Balance at 31 December 2002	**27,385**	**67,983**	**95,368**
(b) PARENT			
Balance at 1 January 2002	13,326	-	13,326
Receivable	4,044	69,346	73,390
Transferred to profit and loss account	(295)	(1,383)	(1,678)
Balance at 31 December 2002	**17,075**	**67,963**	**85,038**

Non-repayable supply contributions and capital grants received are recorded as deferred income and released to the profit and loss account on a basis consistent with the depreciation policy of the relevant assets.

The capital grants were included within note 15 as part of accruals in 2001, they have been reanalysed for comparative purposes in these accounts.

It is estimated that €3.7m deferred income will be released to the profit and loss account in 2003 in accordance with the accounting policy on deferred income.

17. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP & PARENT	Deferred taxation €'000	Generating station closure €'000	Restructuring costs €'000	2002 Total €'000	2001 Total €'000
Balance at 1 January 2002	223,895	306,322	402,528	**932,745**	883,982
Deferred tax charge for year	7,306	-	-	**7,306**	23,682
Transfer from profit & loss account:					
- Provision increase	-	7,600	8,515	**16,115**	-
- Financing charge (note 3)	-	14,150	20,508	**34,658**	34,189
Station closure provision capitalised in the year	-	4,690	-	**4,690**	18,517
Utilised during the year	-	(13,695)	(52,261)	**(65,956)**	(27,625)
Balance at 31 December 2002	**231,201**	**319,067**	**379,290**	**929,558**	932,745

Provision for Generating Station Closure

The provision at 31 December 2002 of €319.1m for station closure represents the present value of the current estimate of the costs of closure of generating stations at the end of their useful economic lives. The expected closure dates of most generating stations are up to 2013. As the costs are provided on a discounted basis, a financing charge is included in the profit and loss account and added to the provision each year. The station closure provision has been re-examined and the liability recalculated in accordance with the current expected station closure dates. The increase in the station closure provision is capitalised in tangible fixed assets and depreciated over the remaining life of the assets.

Closure costs include physical dismantling costs and costs associated with de-manning the stations on closure.

Provision for restructuring

Following a Tripartite agreement between the Board of ESB, the Group of Unions and the Government, discussions on the implementation of a further business restructuring programme began in 2000. This initiative, the severance terms of which have been approved by Government and the Board of ESB, comprises a number of fundamental change programmes across ESB intended to significantly change the structures, work practices and competitiveness of the Group. The provision for restructuring costs represents the voluntary severance liabilities under the restructuring plans. These exits will occur by 2005 and liabilities will be discharged by 2017.

Deferred Taxation

GROUP & PARENT	2002 €'000	2001 €'000
Capital allowances in excess of depreciation	**257,352**	251,558
Timing differences arising on provisions	**(26,151)**	(27,663)
	231,201	223,895

ESB first adopted FRS 19 " Deferred taxation" in the 2001 financial statements. Deferred taxation is recognised on all timing differences which have originated but not reversed at the balance sheet date. These timing differences relate to transactions that are recorded on the current year balance sheet that result either in an obligation to pay more or a right to pay less tax in the future. The deferred taxation assets and liabilities have not been discounted.

18. CAPITAL STOCK

GROUP & PARENT	2002 €'000	2001 €'000
Balance at 1 January 2002	**1,979,882**	-
Capital stock issued in year at €1 per unit	**-**	1,979,882
Balance at 31 December 2002	**1,979,882**	1,979,882
Comprised of:		
Stock issued from converted reserves	**1,880,888**	1,880,888
Stock issued for subscription by ESOT	**98,994**	98,994
	1,979,882	1,979,882

There are 1,979,881,856 units of capital stock in issue at a value of €1 each.

In accordance with the Electricity (Supply) (Amendment) Act 2002, on 30 December 2001, the capital and reserves of ESB were converted to capital stock and issued to the Department of Finance. At the same time, ESB ESOP Trustee Limited, established to act as Trustee for an ESB employee shareholding scheme, subscribed for 5% of the capital stock.

The principal rights attaching to each unit of capital stock include the rights to exercise a vote at annual meetings, entitlements to dividends from profits when declared and the rights to proportionate participation in a surplus on winding up.

19. SINKING FUND RESERVE FOR REPAYMENT OF BORROWINGS

GROUP & PARENT	2002 €'000	2001 €'000
Balance at 1 January 2002	**1,563**	1,026
Appropriation for repayment of borrowings	**565**	537
Balance at 31 December 2002	**2,128**	1,563
Represented by:		
Sinking fund investments (note 9)	**2,128**	1,563

20. PROFIT AND LOSS ACCOUNT AND OTHER RESERVES

(a) GROUP	Profit & loss account 2002 €'000	Other reserves 2002 €'000	Total reserves 2002 €'000	Total reserves 2001 €'000
Balance at 1 January 2002	6,132	14,263	**20,395**	1,679,147
Non-repayable supply contributions	-	-	**-**	57,807
Profit retained in year	119,111	-	**119,111**	164,024
Conversion to capital stock	-	-	**-**	(1,880,888)
Translation differences on consolidation of foreign subsidiaries	-	(1,428)	**(1,428)**	305
Balance at 31 December 2002	**125,243**	**12,835**	**138,078**	20,395
(b) PARENT	**82,750**	**-**	**82,750**	(37,645)

Other reserves are primarily comprised of foreign exchange movements on the conversion of subsidiary companies.

The profit in the parent accounts for 2002 amounted to €120.4m.

21. MINORITY INTEREST

	2002 €'000	2001 €'000
Equity minority interest:		
Balance at 1 January 2002	**574**	474
Profit and loss account	**125**	100
Buyback of minority interest in ESBI Computing Limited	**(132)**	-
Balance at 31 December 2002	**567**	574

Minority interests at the end of 2002 relate to the minority shareholding in Crockahenny Wind Farm Limited.

22. CASH FLOW STATEMENT

(a) Reconciliation of operating surplus to net cash inflow from operating activities	2002 €'000	2001 €'000
Operating profit	**236,620**	194,855
Depreciation	**244,651**	224,393
Utilisation of provisions for liabilities & charges	**(65,956)**	(27,625)
Loss on disposal of tangible and financial fixed assets	**2,476**	2,542
Profit on disposal of tangible fixed assets	**(4,903)**	(2,414)
Amortisation of deferred income	**(1,765)**	(214)
Amortisation of goodwill	**1,318**	1,323
Translation differences	**1,400**	486
Employee shareholding scheme	**(16,456)**	32,891
Decrease/(increase) in debtors	**33,216**	(98,552)
(Increase)/decrease in stocks	**(6,099)**	13,154
Increase in creditors	**104,318**	9,860
Provision against carrying value of fixed asset investments	**18,400**	-
Increase in provisions	**16,115**	-
Net cash inflow from operating activities	**563,335**	350,699

(b) Reconciliation of net cash flow to movement in net debt	2002 €'000	2001 €'000
Increase/ (decrease) in cash in the year	**39,580**	(17,695)
Repayment of loans	**98,284**	235,347
New loans in year	**(345,218)**	(205,000)
Capital element of finance lease payments	**14,990**	17,423
Cash (inflow)/outflow from change in debt and lease financing	**(231,944)**	47,770
Net change in sinking fund bank deposits	**565**	410
Net change in other bank deposits	**(77,563)**	(126,414)
Cash inflow from decrease in liquid resources	**(76,998)**	(126,004)
Change in net debt resulting from cashflows	**(269,362)**	(95,929)
Exchange differences	**135**	(303)
Movement in net debt in the year	**(269,227)**	(96,232)
Net debt at 1 January 2002	**(631,007)**	(534,775)
Net debt at 31 December 2002	**(900,234)**	(631,007)

22. CASH FLOW STATEMENT (continued)

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

Analysis of changes in net debt

	At 1 January 2002 €'000	Cashflow €'000	Exchange movements €'000	At 31 December 2002 €'000
Cash at bank and in hand (see below)	36,856	39,580	-	**76,436**
Loans	(615,996)	(246,934)	-	**(862,930)**
Finance leases	(174,921)	14,990	-	**(159,931)**
	(790,917)	(231,944)	-	**(1,022,861)**
Other bank deposits (see below)	121,491	(77,563)	135	**44,063**
Sinking fund bank deposits & other investments	1,563	565	-	**2,128**
	123,054	(76,998)	135	**46,191**
Total	**(631,007)**	**(269,362)**	**135**	**(900,234)**
Cash at bank and in hand	36,856			**76,436**
Other bank deposits	121,491			**44,063**
Cash at bank and in hand per Group balance sheet	158,347			**120,499**

23 PENSIONS

(a) SSAP 24 Accounting for Pension Costs

The group has continued to account for pensions in accordance with SSAP 24. It is anticipated that full adoption of FRS 17 'Retirement Benefits' will apply for the year ended 31 December 2005 in accordance with the expected recommendation of the International Accounting Standards Board. Prior to this, the phased transitional disclosures required by the standard have been included.

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

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 2000 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 the course of payment. At the date of the latest actuarial valuation, the market value of the assets of the scheme was €2,912m which exceeded the scheme's actuarial valuation of accrued liabilities based on current earnings.

The actuarial value of the assets was sufficient to cover 96% 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 €40.5m (2001: €33.7m), based on the on-going contribution rates as advised by the actuaries. The actuarial report is available for inspection by members of the scheme only and is not available for public inspection.

(b) FRS 17 Retirement Benefits

While the regulations governing the ESB Pension Scheme lay down in considerable detail the benefits that are to be provided they also stipulate the contributions to be paid by both ESB and the contributing members. This does not conform to the normal "balance of cost" defined benefit approach. Moreover, historically the contributions of both ESB and members have been fixed by regulations for long periods. These facts indicate that the ESB Pension Scheme is not typical of the defined benefit approach.

The scheme regulations set out the steps to be taken if either a deficit or surplus emerges. If a deficit is reported, ESB is required to consult with the Superannuation Committee, the scheme Trustees and the scheme Actuary to consider the necessity to amend the scheme. The regulations are silent on the nature of any such amendment. In the case of a surplus, this must be set aside to a reserve fund, and/or used to reduce member and ESB contributions and/or improve benefits.

Whilst not typical of a defined benefit scheme, the nature and history of the scheme indicate that a constructive obligation to provide the benefits may exist and on that basis the scheme, as in the prior year, has been treated as a defined benefit scheme for the purposes of disclosure under FRS 17.

The valuation of the scheme used for the purpose of FRS 17 disclosures is based on the above mentioned most recent actuarial valuation. Independent actuaries have updated this valuation, to take account of the requirements of FRS 17 to assess the liabilities of the scheme at the balance sheet date. If the resulting deficit or surplus or a portion thereof was included in the net assets or retained earnings of the Group, the Group net assets or retained earnings would be increased or decreased accordingly. The scheme assets are stated at their market value at the balance sheet date. The valuation was carried out using the projected unit method.

23 PENSIONS (continued)

Assumptions

Financial Assumptions

The major assumptions used by the Actuary to calculate the scheme liabilities under FRS 17 are:

	2002	2001
Rate of interest applied to discount liabilities	5.75%	6.25%
Price inflation	2.25%	2.25%
Rate of increase of salaries	3.50%	3.75%
Rate of increase of pensions in payment	3.50%	3.75%

Scheme Assets

Long term rates of return expected at 31st December 2002 and 31st December 2001 are set out below:

	2002	2001
Rate of return on equity investments	8.25%	8.0%
Rate of return on bond investments	4.75%	5.0%
Rate of return on other investments	5.75%	6.5%

Assets in the Scheme at 31st December 2002 and 31st December 2001

	2002	2001
	€'000	€'000
Equities	1,554,443	1,936,055
Bonds	257,953	483,160
Other	430,668	287,034
	2,243,064	2,706,249
Actuarial value of scheme liabilities	(3,147,997)	(2,826,177)
Deficit	(904,933)	(119,928)
Related deferred tax	113,117	14,991
Net pension liability	(791,816)	(104,937)

Analysis of the amount that would have been charged to operating profit in 2002 under FRS 17

Impact on Group Operating Profit

	2002
	€'000
Current service cost	31,723
Past service cost	-
Total operating charge	31,723

23 PENSIONS (continued)

Analysis of the amount that would have been credited to other finance income in 2002 under FRS 17	2002 €'000
Impact on Other Finance Income	
Expected return on pension scheme assets	197,700
Interest on pension scheme liabilities	(175,198)
Net Return	22,502
Total net impact on reported profits	9,221

Analysis of amount which would be recognised in statement of total recognised gains and losses (STRGL) under FRS 17	**2002 €'000**
Actual return less expected return on pension scheme assets	(641,683)
Experience gains and losses arising on the scheme liabilities	(104,546)
Changes in demographic and financial assumptions	(100,245)
Actuarial loss which would be recognised in STRGL	(846,474)

Movement in deficit during the year	**2002 €'000**
Deficit in scheme at beginning of the year	(119,928)
Movement in year:	
Current service cost	(31,723)
Contributions	70,690
Past service costs	-
Other finance income	22,502
Actuarial loss	(846,474)
Deficit	(904,933)

History of experience gains / losses	**2002**
Difference between the expected and actual return on scheme assets:	
Amounts (€'000)	(641,683)
% of scheme assets	29%
Experience gains and losses on scheme liabilities:	
Amounts (€'000)	(104,546)
% of the present value of the scheme liabilities	3%
Total amount recognised in statement of total recognised gains and losses:	
Amounts (€'000)	(846,474)
% of the present value of the scheme liabilities	27%

24. COMMITMENTS AND CONTINGENCIES

(a) Operating lease obligations

Operating lease rentals payable within one year of the balance sheet date are in respect of leases expiring:	2002 €'000	2001 €'000
Within one year	122	8,700
Between two and five years	1,940	1,613
After five years	5,223	3,382
Total payable within one year	7,285	13,695

	2002 €'000	2001 €'000
(b) Capital commitments		
Contracted for	545,091	224,700
Authorised but not contracted for	2,300	16,800
	547,391	241,500

The increase in capital commitments contracted for is predominantly in relation to new peat station reconstruction.

(c) Establishment of EirGrid plc

On 20 December 2000, Statutory instrument 445, which concerns the establishment of EirGrid plc (EirGrid) was issued. The establishment of EirGrid will necessitate the transfer to that entity of certain assets and liabilities currently owned by ESB, which are necessary to the operations of that company. The financial implications of these transfers have yet to be established and the liability of ESB to fund the transfers in full has yet to be confirmed. It is not possible therefore, at the date of these accounts to quantify the cost to ESB of establishing EirGrid.

(d) Fuel contract commitments

There are a number of long term gas supply arrangements in place for different periods up to 2014. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators.

Notes to the Financial Statements

Year ended 31 December 2002

25. RELATED PARTY TRANSACTIONS

Semi-State Bodies

In common with many other entities, ESB deals in the normal course of business with other government sponsored bodies such as Bord Gais and Bord na Mona. Long term agreements are negotiated between ESB and Bord na Mona in relation to the purchase of peat for the Midland stations.

Board Members' interests

The Board Members had no beneficial interest in ESB or its subsidiaries at any time during the year.

Subsidiary undertakings

During the year ended 31 December 2002, ESB Parent purchased €86m (2001: €41m) from its subsidiaries. These purchases largely relate to engineering and consulting services, mainly by the electricity businesses.

During the year, ESB Parent sold €114m (2001: €119m) to subsidiaries. These sales mainly relate to management services, as well as electricity charges such as Use of System charges and sales of electricity.

Associated undertakings

ESB has undertaken transactions at an arms length for the purchase and supply of goods and services to associated undertakings during the year. The most significant of these were contracts with Guyana Power & Light & Rousch (Pakistan) Power Ltd for the provision of services amounting to €15.3m (2001: €16.1m).

Joint ventures

During the year the Group provided services and funding to its joint ventures, Synergen and Corby Power Ltd. ESB provided services to Synergen to the value of €15.2m (2001: €10.2m) and had to the year end advanced capital to the partnership totalling €143.4m (2001: €131m), funded through third party borrowings. Synergen made sales of €40.6m (2001: €0m) to the Group. Services to the value of €5.03m (2001: €5.1m) were provided to Corby Power Ltd, there was no balance outstanding from Corby Power Ltd at the year end (2001:€0.8m).

26. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated during 2001. Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the company. The Board of Trustees is chaired by an independent professional trustee with four directors representing ESB employees and two directors representing the Company. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist.
In accordance with FRS 2 "Accounting for Subsidiary Undertakings", the accounts for ESB ESOP Trustee Limited are not consolidated with the results of ESB Group. The net assets of ESB ESOP Trustee Limited at 31 December 2002, were €76m (2001: €59m).

27. POST BALANCE SHEET EVENTS

There have been no events between the balance sheet date and the date on which the financial statements were approved by the board of directors, which would require adjustment to the accounts or any additional disclosures.

28. APPROVAL OF ACCOUNTS

The Board approved the accounts on 18 March 2003.

29. SUBSIDIARY, JOINT VENTURE & ASSOCIATED UNDERTAKINGS

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
ESB International Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Holding company
ESBI Engineering Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Engineering
ESBI Engineering (Overseas) Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Engineering
ESBI Contracting Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Contracting
ESBI Consultants Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Consultancy
ESBI Engineering UK Ltd	122 London Road Kingston on Thames Surrey KT2 6QJ	100	Engineering and general consultancy
ESBI Computing Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Computer services
ESB Ireland Holdings Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Holding company
Electricity Supply Board Services B.V.	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	100	Facility management

29. SUBSIDIARY, JOINT VENTURE & ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
Electricity Supply Board International Investments B.V.	Strawinskylaan 3105 7th Floor 1077 ZX Amsterdam The Netherlands	100	Holding company
ESBI Luxembourg SA.	121 Avenue de la Faiencerie L.1511 Luxembourg	100	Holding company
ESBII Technology and Construction	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Power generation
FinancElectric Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Customer credit
ESB International Investments Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	International investments
Power Generation Technology Snd Bhd	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia.	100	Power generation
ESBI Facility Management Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Facility management
ESB Contracts Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Contracting
Coolkeeragh ESB Ltd	2 Electra Road Maydown Derry BT47 6 UL	84	Power generation
ESB Power Generation Holding Company Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Holding company

29. SUBSIDIARY, JOINT VENTURE & ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
Ballyragget Power Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Power projects
Crockahenny Wind Farm Ltd	27 Lr. Fitzwilliam St. Dublin 2.	75	Wind Farm
Hibernian Hydro Ltd	27 Lr. Fitzwilliam St. Dublin 2.	95	Small hydro projects
Dublin Bay Power Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Holding company
Tawnawully Power Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Power generation
Utilities O&M Services Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Operation & maintenance services
Hibernian Wind Power Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Wind power
Salmara Holdings Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Holding company
ESB Independent Energy Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Electricity sales
ESB Independent Energy NI Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Electricity sales
ESB Retail Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Retail of electrical appliances
Menloe Investments Limited	27 Lr. Fitzwilliam St. Dublin 2.	100	Station financing vehicle

29. SUBSIDIARY, JOINT VENTURE & ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
ESB Telecoms Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	100	Telecommunications
ESBII UK Ltd	122 London Road Kingston on Thames Surrey KT2 6QJ	100	Power generation
Facility Management UK Ltd	122 London Road Kingston on Thames Surrey KT2 6QJ	100	Facility management
Bizkaia Energia SL	Iparraguirre 29 2a Planta 48011 Bilbao Spain	100	Power generation
Facility Management Espana SL	Iparraguirre 29 2a Planta 48011 Bilbao Spain	100	Facility management
ESBI Georgia Ltd	39 Gamsakhurdia Ave Suite 42 Tbilisi Georgia	100	Transmission management
Non-controlled subsidiary undertaking			
ESB ESOP Trustee Ltd	27 Lr. Fitzwilliam St. Dublin 2.	100	Staff shareholding scheme
Associated undertakings			
Transpower Ltd	Stephen Court 18-21 St. Stephen's Green Dublin 2.	50	Development of independent power projects
Saur Utilities Ltd.	16 St. Stephen's Green, Dublin 2.	49	Water and sewerage treatment

29. SUBSIDIARY, JOINT VENTURE & ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Associated undertakings (continued)			
Menloe Two Limited	27 Lr. Fitzwilliam St. Dublin 2.	100	Station financing vehicle
Americas and Caribbean Power Ltd	Craigmuir Chambers PO Box 71 Road Town Tortola British Virgin Islands	20	Facility management
CPL Operations Ltd	Mitchell Road Phoenix Parkway Corby Northamptonshire N17 1Q7	50	Facility management
Joint venture undertakings			
Irish Power Systems Ltd	27 Lr. Fitzwilliam St. Dublin 2.	50	Power generation
Synergen	South Bank Road Ringsend Dublin 4.	70*	Power generation
Corby Power Ltd	Mitchell Road Phoenix Parkway Corby Northamptonshire N17 1Q7	50	Power generation

* Accounted for as a Joint Venture due to the terms of the Partnership deed.

Investments			
Rousch (Pakistan) Power Ltd	94-W, 3rd Floor Aamir Plaza Jinnah Ave. Blue Area Islamabad Pakistan	7	Independent power producer

Appendix 1 Report of Board Members on Compliance with the Prompt Payment of Accounts Act, 1997 and EU Directive 2000/35/EC

Introduction

Prompt payments during 2002 were governed by two items of legislation:

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

- EU Directive 2000/35/EC to combat late payments in commercial transactions, replaced the above when it came into effect on 8th August 2002. This directive applies to goods and services supplied to ESB by EU based suppliers.

Statement of Payment practices including standard payment periods

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

Compliance with the Directive

ESB complies with the requirements of the legislation in respect of all external supplier payments, with the exception of the item referred to below. ESB implemented the required steps of the new EU Directive from date of effect. Due to current system limitations ESB is unable to comply with the requirement that interest payments are 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 not be material.

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 2002:	
Total number of late payments	5,510
Total value of late payments	€31,879,387
Total value of late payments as a % of total value of payments made:	1.99%
Total value of interest paid:	€242,996.51

Tadhg O'Donoghue **Chairman**

Padraig McManus **Chief Executive**

18 March 2003



All photography by Jackie Nickerson (with the exception of photo 2 on p.2, photo 2 on p.12 and both photos on p.30).
Paper used in this report uses 50% recycled pre and post consumer waste.

ESB International is involved in a wide range of areas, including:

- Engineering
- Consultancy
- Contracting
- Facility Management
- Investments

In close partnership with our clients, our international arm has completed projects in over 100 countries to date.



In 2002, ESB people worked on projects in over 40 countries









design by www.reddog.ie

www.esb.ie