ESB Annual Report and Accounts 2004



delivering to customers through investment

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...to provide our customers with one of the most modern and efficient electricity services in the world

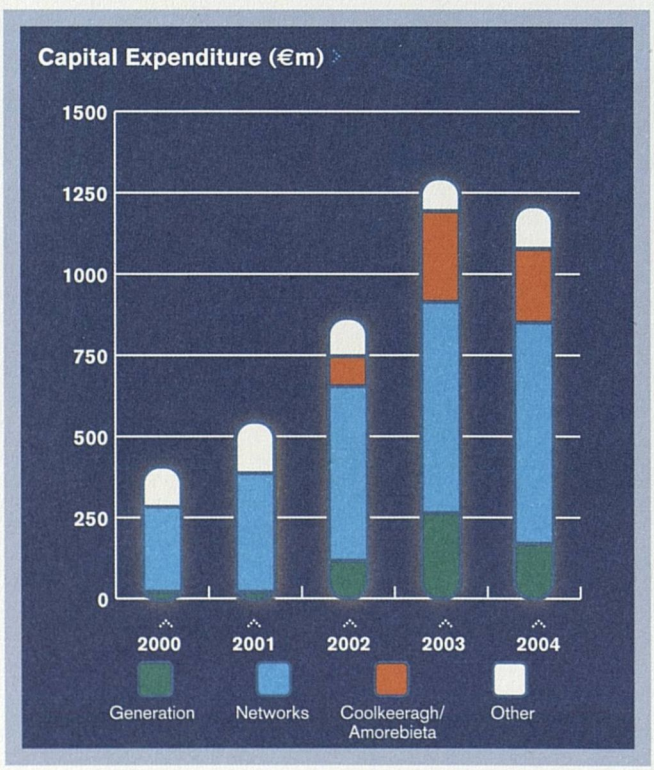
5 Year Review

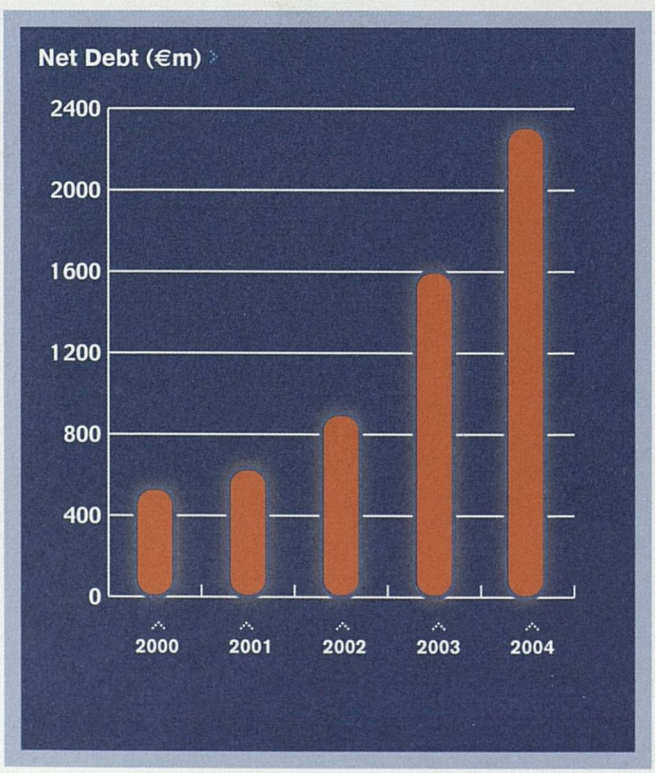
Key Financial Information

	2000 €m	2001 €m	2002 €m	2003 €m	2004 €m
Turnover	1,894.4	2,040.2	2,150.8	2,341.8	2,488.9
Profit after tax	91.7	164.7	159.5	248.7	267.3
Dividends	-	-	39.7	67.1	77.4
Capital Expenditure	407.0	544.8	864.6	1,293.8	1,209.1
Net cash inflow from operating activities	519.0	350.7	563.3	530.7	485.0
Net Debt	535.9	632.6	902.4	1,602.8	2,298.9
EPS (cent per unit of capital stock)*	-	8.3	8.1	12.6	13.5
Return on capital employed (ROCE) %**	8.8	4.6	5.5	6.8	6.6

* Prior to 2001 ESB did not carry capital stock on its Balance Sheet. On 30 December 2001, the capital and reserves of ESB were converted to capital stock and issued to the Department of Finance and ESB ESOP Trustee Limited.

** ROCE is calculated after deducting financing charges on provisions.





Who we are

ESB is the leading Irish energy utility, employing approximately 9,300 people.

Power Generation

- In 2004 Power Generation completed the largest planned maintenance programme in its history
- 15.6 billion units of electricity were generated




ESB Customer Supply

- In 2004 ESB Customer Supply received 3 million calls to the National Customer Contact Centre
- 11.3 million ESB bills were issued




ESB Networks - Serving all electricity customers

- During 2004 ESB Networks connected 90,600 New Connections - a record number
- Over €700 million was invested in the distribution and transmission networks in 2004, bringing the total spend since 2000 to €2.6 billion




Commercial Enterprises

- 1200MW of International Power Plant at Amorebieta, near Bilbao, Spain and Coolkeeragh, Northern Ireland are near completion
- In 2004, ESB Telecoms completed the construction of 1300km of its National Telecommunications Network






Tadhg O'Donoghue

Chairman's Review

During 2004 ESB enhanced its ability to deliver a better service to all its customers

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, 2004.

Performance and Productivity

During 2004 ESB enhanced its ability to deliver a better service to all its customers.

On the generation side of the business, Lough Ree Power, one of the two new peat fired stations, entered commercial operation and the other station, at West Offaly, will do so shortly. At our biggest station – Moneypoint in County Clare – a major environmental upgrade (€368 million) is progressing to plan. In all three stations best practice arrangements are in place with staff. In 2004 we continued to refurbish and renew our existing generating capacity – some of it quite old - in order to ensure continuity and lower cost of supply. All of these investments are making ESB a more efficient producer to the benefit of our customers.

On the transmission and distribution side of the business ESB Networks is managing a five year €3 billion investment programme. Expenditure in 2004 was €700 million. This money is being spent connecting new customers (a record 90,600 in 2004), on renewing the medium voltage network and on upgrading the transmission and distribution systems to cope with the dramatically changing economic environment in Ireland. As with rural electrification in the past, ESB is today investing in one of the biggest infrastructure projects in the history of the country.

In 2004 ESB Customer Supply issued 11.3 million bills to customers and three million enquiries were handled by our National Customer Contact Centre. We also now have a dedicated Service Centre for our business customers.

Competition

ESB was well prepared for the full opening of the market to competition on 19 February, 2005. The open market - where customers are free to choose their supplier - requires a powerful new IT infrastructure, which ESB has successfully put in place, to the benefit of all customers and independent suppliers.

On the generation side our share of the market has fallen to 65% and is likely to fall to 60% by the end of 2005. We have further supported this competition by entering into power purchase agreements with independent producers, such as independent wind farms and other independent producers who will come on stream over the coming years.

Strategic investment

The corollary of adjusting to competition at home is that we can benefit from competitive opportunities beyond our traditional market. We have made major investments in electricity generation in Northern Ireland and Spain and we are pursuing business development opportunities in other EU countries. These are crucial to our success in maintaining a strong ESB into the future.

2004 Performance

Profitability

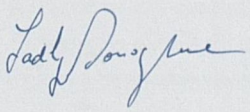
Group profit after tax increased by €18 million to €267 million. This increase was due to a number of factors, including increased electricity revenues, offset by higher fuel commodity costs, increased rates and payroll costs, as well as significantly higher net interest charges, as a result of increased borrowings. No interim dividend was paid this year. The Board is proposing a final dividend for the year of 3.91 cents per unit of stock, or €77.4 million in aggregate, an increase of 0.52 cents per unit of stock, or €10.3 million in aggregate on total dividends paid in respect of 2003.

Board and Stakeholders

Bernard Byrne resigned from the Board during the year on taking up the position of Group Finance Director of ESB. I would like to thank Bernard for his contribution as a non-executive Board member. Brendan Byrne joined the Board and I would like to welcome him.

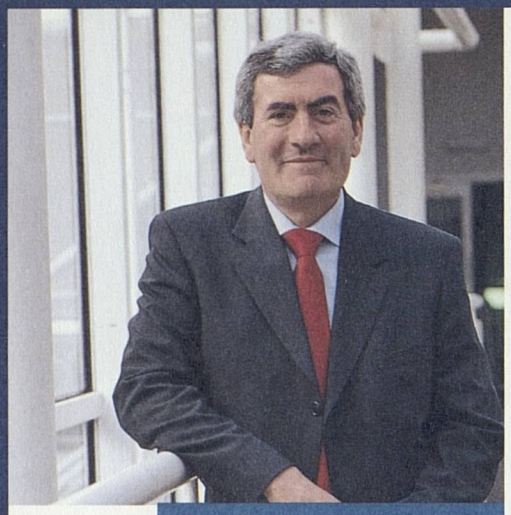
Our esteemed Board Member, Anne Taylor, died in April 2005. Anne was appointed to the board in 1997 and was re-appointed in 2002. She served with distinction as a Board Member and on key Board Committees.

I would like to thank the Minister and his officials of the Department for Communications, Marine and Natural Resources, for their continued assistance during the year. I would also like to acknowledge the contribution of my Board colleagues during 2004. My congratulations to the management and staff. They have achieved a great deal during the year, delivering fully on very ambitious targets.



Tadhg O'Donoghue
Chairman
28 June 2005

The corollary of adjusting to competition at home is that we can benefit from competitive opportunities beyond our traditional market



Padraig McManus

Chief Executive's Review

By 2007 Power Generation's market share will drop to 43%, provided current plans, including the all-island electricity market develop to schedule

Introduction

2004 was a year of real progress for ESB with many corporate objectives progressed during the period. Utility companies typically experience slow or gradual change given the capital intensive nature of the business. For ESB, the pace of change has been relentless, driven by market deregulation, new competition, a dynamic expanding domestic economy, significant environmental legislation, comprehensive regulation and escalating fuel prices.

Against this backdrop our corporate strategy is designed to position ESB as a high performance electricity company, delivering value for stockholders and customers, while maintaining a strong balance sheet to competitively fund the continued investment in the business. Five key principles underpin the strategy:

- Continued improvements to service standards for customers, building on the strong customer service ethos which has been an integral part of the business since the foundation of the company over seventy five years ago,
- Achieve best practice leadership in health and safety issues,
- A focus on the core electricity businesses,
- Delivery of clear financial targets and
- Compliance with all EU Directives and National legislation.

Operational Performance

Key challenges for 2004 included the significant investment programme required within Networks, the commissioning of two new Peat Stations in Lanesboro and West Offaly, the development of two international power plants in Coolkeeragh (Northern Ireland) and Amorebieta (Spain) and the completion of the necessary investment in systems to facilitate market opening. I am pleased to report that significant progress has been made in successfully delivering on these challenges and in progressing the corporate strategy, during 2004.

It is worth highlighting that over 90,000 new customers were connected to the electricity system. This remarkable level of connection activity means that since 2000 over 346,400 new connections have been made. The sheer number and location of the connections are placing huge demands on the system and are key drivers of our massive capital programme. Specifically during the past year:

- This programme has seen over €700 million invested in the distribution and transmission networks, bringing the spend since 2000 in this area to €2.6 billion. This included replacement of 15,600km in 2004 of medium voltage networks to improve the reliability of the national infrastructure.
- Prioritisation within the IT area was given to ensuring all necessary IT systems were developed and operational to facilitate full market opening by 19 February, 2005.
- Power Generation business completed the largest planned maintenance programme in its history, with over thirty projects delivered, including a large number of major overhauls on key plant.
- The modernisation of our domestic generation portfolio continued with the construction of two new state of the art peat plants, operated and staffed to best international practice. The 100MW Lough Ree Power Plant entered commercial operation during the year and the 150MW West Offaly Power Plant entered commercial operation in early 2005. A closure agreement was also concluded for Bellacorick peat station, finalising our closure programme for all six old peat station locations.
- A significant investment project commenced to address environmental emissions in the coal fired Moneypoint station in Clare, to secure its long-term operation. This investment will facilitate the implementation and the ongoing operation of the plant to best international practice, in compliance with all relevant environmental obligations. This investment is underpinned by a best practice agreement, which represents a step change and a key milestone in the evolution of our business as a competitive generator.
- Continued progress in the international generation market occurred with the development of a 755MW combined cycle power plant, Amorebieta, in Spain and a 400MW plant in Coolkeeragh in Derry. These investments are in recognition of the need to reduce market share in the Republic while at the same time positioning ourselves to operate with scale in an integrated European electricity market.
- Operational efficiencies continued to be delivered through the PACT change programme, which generated savings of €130 million during 2004.
- Staff numbers in the core businesses have decreased by nearly 1,500 since 2001.

Safety

ESB is committed to the promotion of the highest possible standards to ensure the safety of staff, contractors and the public. Safety is a core value for the company and our target is uncompromising, we aim for zero injuries. Unfortunately there were five fatalities during the year when members of the public came into contact with overhead lines. In 2004 we continued in our efforts to reinforce the need for continuous vigilance by all when dealing with electricity.

All recommendations from the ESB internal review and the independent review conducted by the Health and Safety Authority into the tragic accident in Tarbert Power Station in 2003 are being implemented in full.

Reducing the number of accidents and near misses is a key focus and priority of management. In this context, Power Generation received the Health and Safety Authority Minister's Award for Safety. The award recognised the safety awareness training programme which is mandatory for all of Power Generation staff. We will continue our efforts in 2005 to again improve our safety performance.

Market Opening and Regulatory Developments

ESB very much welcomed the full opening of the electricity market on 19 February, 2005 a full two years in advance of the timescale required by the EU Directive. ESB has recognised the need for additional entrants into the generation market for a successful deregulated market and

in this regard the company has been to the forefront in facilitating and supporting the introduction of competition, specifically in the following areas:

- Making available 400MW of ESB's energy at a discounted price to independent suppliers to enable market participants to develop their businesses and manage risk in the evolving Irish electricity market. A further 190MW of electricity has also been made available to independent suppliers from Synergen, a joint venture power plant between ESB and Statoil.
- Making available additional power (Top Up) and buying excess power (Spill) generated by independent generators to support their development in the market place and insulate them from market and technical risks.
- Implementing appropriate ringfencing arrangements to the satisfaction of the Regulator between Networks and remaining businesses within the ESB Group, fully recognising the requirement for confidentiality, non-discrimination and cost transparency in a Networks business which services all participants in the market impartially.
- Investing over €120 million in information technology systems to accommodate full market opening requirements from February 2005. These new IT systems will facilitate competition in the market, by enabling customers to choose electricity suppliers and to change between suppliers without difficulty.
- Entering into off-take arrangements with the independent generators at Aughinish and Tynagh and alternative energy generators to facilitate their entry into the market. These agreements protect these companies from market risk and allow them to successfully finance new independent generation.

The effect of these initiatives is dramatic. Power Generation's market share at the end of December 2004 was 65%. It is expected that when the two new independent power generators at Aughnish and Tynagh enter the market in 2005 and early 2006, Power Generation's market share will reduce significantly below 60%.

One of the key issues facing the evolving electricity market is the lack of scale in the Republic and ESB supports the establishment of an all-island electricity market in the short term while also promoting the development of a UK/Ireland regional market in the longer term.

In June 2004 the Minister for Communications, Marine and Natural Resources and the Minister for Enterprise Trade and Industry in Northern Ireland announced the initiative to develop an all-island Electricity Market under which they have committed to a challenging work programme which will see an all-island market established in 2007. In November 2004 the Ministers jointly published the document entitled "All-Island Energy Market – A Development Framework" which gives responsibility for the management and development of the market to the two regulatory authorities.

By 2007 Power Generation's market share will drop to 43%, provided current plans, including the all-island electricity market develop to schedule. While concerns have been expressed on the dominant position of ESB generation, it is clear that expected developments within the market over the next 2 to 3 years will result in ESB having well under half the Irish generation market. This is a dramatic change in a relatively short space of time.

Price

In relation to price, we suffer from several unhelpful traits when it comes to generating and distributing electricity. Firstly, we have high exposure to fossil fuel prices but have little or no indigenous fuel sources of any scale. Thus we suffer from the cost of importing fuel to an island economy, (adds 10% to our fuel bill for shipping coal, gas and oil). Secondly, we lack any economies of scale due to the small size of the Irish market. Thirdly, we have a low level of population density which means that on average we have three times more network per customer than the European average.

Electricity prices have increased by 36% since 2001. Recent rises have been driven by the large increases in world fuel prices, particularly the price for gas. ESB, through its fuel contracting and purchasing strategy has mitigated the impact of these increases on customers.

ESB recognises that recent price increases are placing a strain on industry and consumers and we are striving to minimise the need for future increases. Of key importance in determining future prices will be the success of the development of the all-island market and ultimately the UK/Ireland market.

People

The past number of years has seen significant changes in the Irish electricity market. ESB staff have adapted well to these changes. The partnership model with the Trade Unions has served ESB and its customers well, enabling management and Unions to work together to achieve common goals in a positive and cooperative manner. With continuing trade union support the partnership model will effectively address the new challenges facing ESB. With full market opening in 2005 and the further development of the deregulated electricity market, the business environment within which ESB operates will continue to change and additional challenges for the company will emerge. We are committed to the continuation of the partnership model to ensure ESB manages these challenges effectively.

I would like to acknowledge the dedication and loyalty of ESB staff in embracing change over the last number of years and for their continuing efforts in delivering on our corporate objectives.

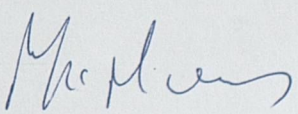
Looking Forward

While significant progress has been achieved during 2004, 2005 will be another challenging year. Looking forward, key priorities during the coming year will include:

- Delivering on the significant capital investment programme, to meet growth and reliability standards and deliver a quality service to customers.
- Continuing to drive safety performance as an integral part of the business.
- Driving performance improvement to ensure continuing value for money and a competitive cost base to the benefit of stockholders and customers.
- Managing increasing debt levels associated with capital investment programme.
- Implementing the Infrastructure Agreement with EirGrid, the independent company created to operate the transmission system.
- Operating the new IT systems to enable customers choose electricity suppliers and switch between suppliers without difficulty, in the context of full opening of the electricity market.
- Achieving an acceptable outcome to the Regulatory price reviews covering (i) the next 5 years for Networks and Supply and (ii) for Power Generation covering the period up to the introduction of the new all-island market arrangements, scheduled for 2007.
- Completing the disposal of our Retail business to Bank of Scotland as recently announced.
- Successfully commissioning the 1,155 MW generation plants in Coolkeeragh and Amorebieta.

I have no doubt that the above challenges will be successfully met by ESB and I look forward to further delivering on our corporate objectives during 2005.

We were deeply saddened by the untimely death of Anne Taylor on 25 April 2005. During her time on the Board she was a challenging and supportive colleague who always had the best interests of ESB at heart. She will be sadly missed by her many friends in ESB.



Padraig McManus
Chief Executive
28 June 2005

Financial Review

Overview

Key issues impacting on the financial performance in 2004 include exceptionally high fuel prices, significant investment in capital programmes and increasing debt levels. Overall the Group delivered a satisfactory financial outturn with profits after tax increasing by 7% to €267 million.

Key priorities for the company include:

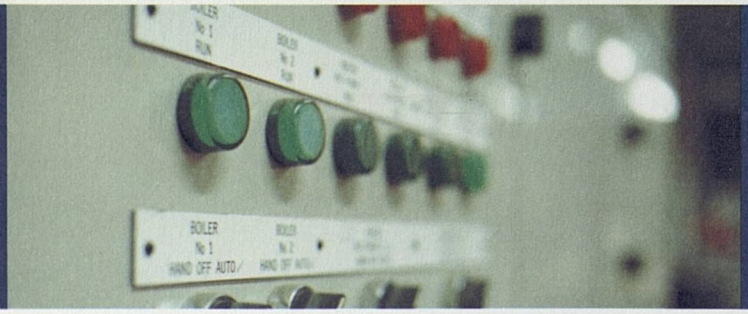
- Continuation of our performance improvement initiatives focused on delivering an efficient and competitive base for operations,
- Ensuring that all capital investments are adequately rewarded,
- Having effective strategies in place to manage fuel exposures and increasing debt levels.

These priorities are essential to the delivery of our corporate objectives while maintaining competitive tariffs for our customers.

Highlights of 2004

Key financial highlights for 2004 are shown below:

	2004 €m	2003 €m	Change €m
Turnover	2,489	2,342	147
Profit after tax	267	249	18
Dividend	77	67	10
Capital Expenditure	1,209	1,294	85
Operating cash flows	485	531	(46)
Net Debt	2,299	1,603	(696)





Turnover

Turnover increased year on year by €147 million to €2,489 million. This reflected an increase of €170 million in electricity turnover offset by a reduction of €23 million in other income. Overall market growth, tariff increases, and a growing share of the Northern Ireland electricity market contributed to the higher electricity turnover. The increase was partially offset by a reduction in market share in the Republic of Ireland. The decrease in other income reflects lower turnover in the Retail and Engineering businesses.

Interest

The net interest charge for the year was €84 million. The increase of €32 million on 2003 reflects the higher net debt position of €2,299 million up €696 million on last year. EBITDA and EBIT interest cover for the year were 5.9 and 3.3 times respectively, while gearing has increased to 47.3% (2003: 35.9%).

Taxation

The Group Tax charge of €47 million represents an effective tax rate for the year of 15%. The 2004 tax charge is stated after providing for a prior year overprovision of €5.5 million. Approximately 10% of ESB's 2004 profits were taxed in jurisdictions outside of Ireland where the tax rates were between 30% and 40%.

Profit after Tax

Profit after tax at €267 million is up €18 million on 2003. The higher turnover has been offset by higher operating costs which increased by €110 million. Energy costs at €806 million are up €74 million on 2003 levels driven by higher fuel prices alone. Other increased levels of spend include higher depreciation charges (reflecting the significant capital investment programme) and increased station overhaul costs, as we aim to improve overall availability performance.

Dividend

The Board has recommended a dividend of 3.91 cents per share or €77.4 million in aggregate.

Capital Expenditure

The significant capital investment programme continued during 2004 with overall expenditure of €1.2 billion. Over €700 million was invested in the Networks infrastructure to improve the reliability and service standards for customers and to meet the unprecedented level of new connections to the system which reached an all time high of over 90,000 in 2004, up 17% on 2003. €227 million was spent during the year on the construction of our two new power plants in Coolkeeragh and Amorebieta with both plants progressing to schedule. The remaining expenditure primarily related to the near completion of the investment in the two peat stations in Lough Ree and West Offaly and IT systems to address market opening requirements.

Cash Flow and Net debt

The overall funding requirement for 2004 was €1.2 billion of which €0.5 billion was provided from operations, €0.5 billion provided from the cash balances that had arisen through the drawdown of a large US Private Placement transaction in late 2003 and the remaining €0.2 billion provided by an increase in gross borrowings.

ESB will continue to make substantial investment in infrastructure over the next five years. Accordingly net debt is expected to rise in the short term, as the extent of the planned capital investment programme exceeds cash flows generated in the business. Effective management of the resultant debt portfolio is a key financial priority for the company.

Annual Price Adjustments

Approximately 80% of ESB's revenue is now regulated by the Commission for Energy Regulation (CER). Annual electricity tariffs are set in advance of the relevant year by the CER, based on a forecast of both customer demand and relevant costs. As with any forecast, there is almost invariably a difference with the actual outturn for the year. These differences may result in either an under or over recovery of revenue by ESB. Any such under or over recovery of allowed revenue is adjusted for by the CER in setting the price determinations for subsequent years.

Under and over recovery adjustments such as this can cause material variations in the annual profits earned by the regulated businesses. Accounting rules on this subject do not allow ESB to "smooth" such adjustments between years.

This invariably means that the year end segmental results of ESB's regulated businesses reflect trading in both the current year, as well as adjustments relating to prior and future years. In particular in 2004, this resulted in the ESB Customer Supply business reporting high profits of €76 million, which included a net €50 million for over recoveries, which will be set off against future income by the CER.

Financial Risk Management

TREASURY MANAGEMENT

Framework for Treasury Operations

The Board has approved policies for the main areas of financial risk faced by the Group. These include market related risks such as interest rates, liquidity and foreign exchange, and risks associated with the treasury control framework within the Group.

Group Treasury is responsible for managing all treasury activities for the Group, in accordance with Board approved policy, including cash management, foreign exchange transactions, funding, debt and counterparty credit risk. Treasury activity is subject to regular review and monitoring by the Finance Committee, a sub-committee of the Board.

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. The Specification authorises semi-state companies to use certain derivative instruments and specify the manner in which they should be transacted. The Group does not engage in speculative trading in derivative financial instruments.

Given the significant borrowing requirements of the Group over the next few years, substantial liquidity facilities have been put in place to bridge longer term funding.

Foreign Exchange Management and Interest Rate Management

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 payments for (i) fuel and other materials and services, (ii) foreign exchange payments and receivables where business is carried on outside the Euro zone, and (iii) foreign currency denominated debt.

The Group 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 in 2002. Other material foreign currency denominated payments and receivables are hedged as appropriate. The Group's policy is to borrow directly in Euro or to convert any foreign currency borrowing to Euro (through the use of derivative instruments), other than in specific instances where foreign currency denominated debt is matched by a foreign currency denominated asset or net revenue flow. At the end of 2004, 93% of ESB's debt was effectively denominated in Euro.

The Group's policy is to have a minimum of 50% of the debt portfolio at fixed rates of interest, subject to cost and market outlook. At the year-end, 83% of ESB's portfolio was at fixed interest rates, with an average coupon of 5% and an average maturity of approximately 9 years.

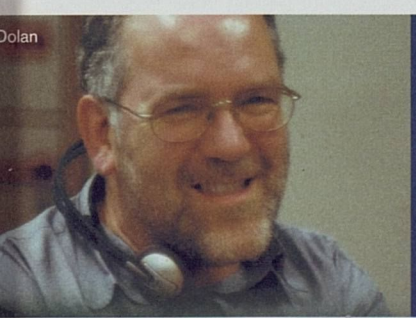
Liquidity and Cash Management

The Group's policy is to hold minimum cash levels, other than in specific instances where favourable market conditions justify prefunding, such as the private placement transaction completed in December, 2003.

The Group invests its excess cash in low risk investment accounts and spreads risk over a number of institutions. Given the significant borrowing requirements of the Group over the next few years, substantial liquidity facilities have been put in place to bridge longer-term funding such as further private placement or public bond market transactions. At the end of 2004, undrawn committed corporate facilities of approximately €900 million were in place.

Credit Risk related to Treasury Activities

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts cash investment, foreign exchange, financial guarantees and derivative business. The Group's policy is to limit its exposure to each financial institution based on accepted credit ratings. Exposures and related limits are subject to ongoing review and monitoring. Dealing activities are controlled by putting in place robust dealing mandates with its counterparties.The Group has not experienced any losses due to failure of counterparties to deliver on their obligations.






PACT exits and savings

The Programme to Achieve Competitiveness and Transformation (PACT) is an agreement between the Board of ESB and the ESB Group of Unions. It began in 2001 and since then has successfully reduced staff numbers and facilitated the introduction of significant operational efficiencies.

PACT has helped the drive for cost efficiency, allowing more efficient work practices to be introduced, has reduced staff numbers and enabled the use of external contractors in networks and power stations. Staff numbers, primarily in the core electricity businesses, have been reduced by almost 1,500 since 2001.

Pension Scheme

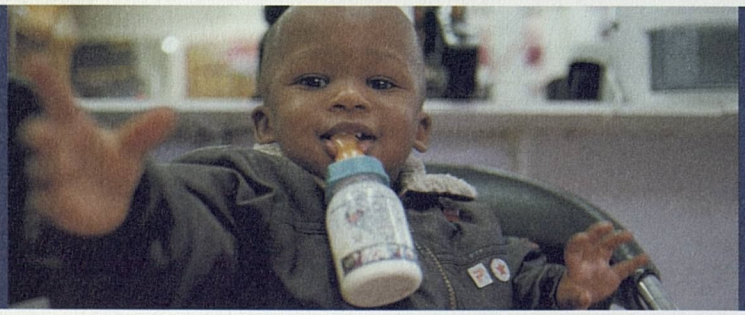
Note 23 to the Accounts discloses the reporting requirements of Financial Reporting Standard 17, in accordance with the transitional rules for the adoption of this accounting standard. The deficit disclosed in accordance with the standard is significantly higher than that arising under the actuarial valuation. The standard does not take account of future contributions to the scheme and requires that the liabilities be discounted using a high quality corporate bond discount rate.

However, the long-term funding position of the Pension Scheme and required contributions are based on the formal triennial actuarial valuation. During 2004, the Scheme Actuary completed such an actuarial valuation as at 31 December 2003 and disclosed an actuarial deficit of €511m. The company is currently in discussions with staff and the Trustees regarding the appropriate steps to take to deal with this position.

Looking ahead

In 2005 the key financial priorities for ESB include:

- An acceptable outcome to the Regulatory price reviews for the Networks, Supply and Power Generation businesses.
- Effective fuel management to mitigate the volatility in the market prices for oil, coal and gas.
- Continuing with performance improvement initiatives to ensure an efficient and competitive cost base and value for money in all that we do.
- Management of the significant capital expenditure programme.
- Minimising the overall financing costs while facing increasing debt levels.







In 2004 ESB Power Generation provided two thirds of Ireland's electricity needs - 15.6 billion units

Power Generation Review

Significant progress was made across all aspects of our business in 2004, including safety performance, plant performance, best practice staff agreements and delivery of major capital projects.

Power Generation Review

Overview

Power Generation includes all power generation stations owned and operated by ESB in the Republic of Ireland. At the end of 2004, these totalled 4,821MW of installed capacity, including ESB's 70% share of Synergen, a 400MW independent power plant located in Ringsend, Dublin.

Capital Expenditure

During 2004 Power Generation's capital expenditure programme amounted to €193 million. The main investment took place on the continued development of the two new peat stations and the installation of an additional peaking capacity plant. Looking ahead, this capital programme will continue for the next number of years with major environmental and capacity investments required, as well as further development of our wind energy programme.

Power Generation is also spending significant sums on station planned maintenance programmes to deliver high levels of availability and a competitive portfolio of plant.

Fuel

Fuel accounts for approximately 50% of Power Generation's operating costs. Power Generation buys its fuel in the global fuel markets and the fuel prices it pays are benchmarked independently by CER against published market price indices.

As in 2003, Power Generation successfully secured its fuel at or below these benchmark indices, thus contributing significantly to ensuring energy is delivered at least cost for the benefit of our customers. Notwithstanding this, Power Generation, like other businesses dependent on the fuel markets, has been affected by the significant volatility and upward trend in fuel markets experienced over the last year.

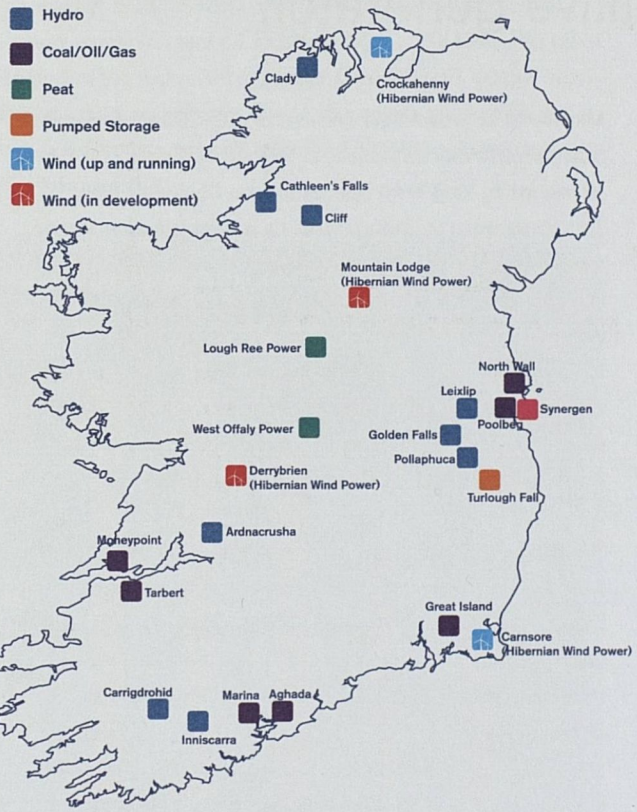






Operational Review

Power Generation station assets are spread throughout the country as outlined below:



› Synergen is an independent power plant of which ESB is a 70% shareholder
› Hibernian Wind Power is a wholly owned, independent subsidiary of ESB

In addition, through the Power Generation Holdings Group, Synergen and a range of renewable energy projects operate separately from the rest of Power Generation under CER licences which require strict ringfencing of operations and management.

Safety

Overall safety performance significantly improved during 2004, with a 16% reduction in lost time injuries. The tragic death of a contractor employee on one of our construction sites further emphasises the need to ensure safety is at the forefront of everything we do. A number of significant safety initiatives were implemented during the year aimed at supporting contractors working on ESB sites to ensure they operate to the highest safety standards.

During the year Power Generation was proud to receive the Health and Safety Authority Minister's Award for Safety. The award recognised our safety awareness training programme which is mandatory for all our staff.

Plant Performance

In 2004 Power Generation completed the largest planned maintenance programme in its history, with over thirty projects delivered, including a large number of major overhauls on key plant. Reflecting this, plant performance significantly improved on that of 2003 with a reduction of 4% in unplanned outages and a continuously improving station availability trend throughout the year.

In 2004 Power Generation completed the largest planned maintenance programme in its history, with over thirty projects delivered.

The Moneypoint agreement represents a step change and a key milestone in the evolution of our business as a competitive generator.

Station availability is a measure of the time during a year when a power station is available to produce electricity. The availability performance for the critical winter period of 2004 for Power Generation's plant was over 85%. In addition, another 104MW of additional capacity known in the industry as "Peaking Capacity" was installed at the site of the former station at Rhode on time and to budget. This additional capacity complements the existing 104MW of capacity installed in Cork and Mayo and the capacity contract with NIE to import power from Northern Ireland, which were put in place in 2003. This assists in ensuring there is sufficient margin of spare capacity in the Irish electricity system to cater for emergencies or high demands for energy, particularly during the winter period.

Power Generation also advanced its significant capital expenditure programme aimed at restructuring its plant portfolio. The construction of two new state of the art peat plants, operated and staffed to best international practice, is on target. The 100MW Lough Ree Power Plant entered commercial operation during Quarter 4. At year end the 150MW West Offaly Power Plant was successfully conducting its performance tests and is scheduled to enter commercial operation during 2005. A closure agreement was also concluded for Bellacorick peat station, the last of the old peat station locations.

Ministerial approval was granted during 2004 to invest in a major environmental project in Moneypoint station in Clare, to secure its long-term operation as a coal-fired plant. This investment is underpinned by a best practice station agreement, which will facilitate the implementation of the investment and the ongoing operation of the plant to best international practice. This agreement represents a step change and key milestone in the evolution of our business as a competitive generator. All environmental and planning permits required to proceed with this work have been received and the project is well underway.

We continued to develop our renewable energy business with the advancement of a number of significant projects through the planning phase in 2004. However, progress was significantly delayed by a decision by CER, following a recommendation by EirGrid, who control new station connections to the National Grid, to halt all new wind grid connections. This freeze on new connections was only lifted at the end of 2004. Work recommenced on the 60MW Derrybrien wind farm site in late 2004 following the full implementation of the recommendations of the various expert reports, brought in to assess the position following the landslide incident at the end of 2003.

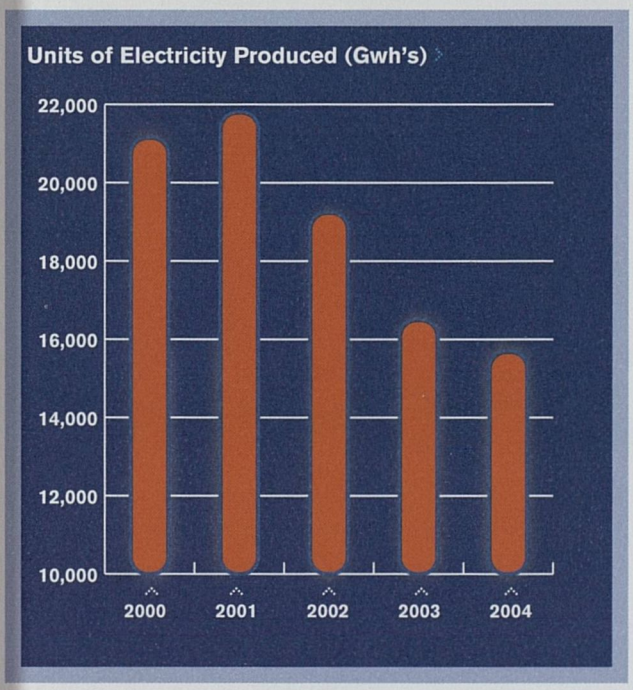






Customers and the Energy Market

At year end, Power Generation's market share (excluding its share of Synergen) had reduced to approximately 65% and when two new independent power generators enter the market in 2005 and early 2006, Power Generation's market share will reduce to below 60%. The following table illustrates the reduction in Power Generation's output over the last number of years due to increased production by independent power producers and higher imports from Northern Ireland:



During 2004 Power Generation auctioned 400MW of energy at a discounted price to independent suppliers, in order to support the continued development of a competitive electricity market in Ireland. Power Generation also provided additional power to competitors as required, at prices set by the CER. Electricity production by the new generation companies, in excess of their needs, was also bought by Power Generation at a regulated price. These purchase and sale arrangements enable market participants to develop their businesses and manage risk in the evolving Irish electricity market. Power Generation strongly believes that the current wholesale prices do not reflect the cost differentials between base load and mid merit production, and that prices need to be re-aligned to reflect the true cost of the product, in order to send the right economic signals to the market. Power Generation has highlighted this to CER as a critical issue to be addressed.

Power Generation has developed new energy trading and risk management systems, to cater for the opening up of the market and these processes have performed very well in their first full year of operation. They have facilitated the minimisation of fuel costs so as to deliver wholesale energy at least cost to our customers. Finally, throughout 2004, Power Generation was active in terms of contributing to the various industry forums on the development of the new wholesale market arrangements beyond 2005. This included contributing to the development of the wholesale electricity market, subsequently suspended by CER in mid-2004, and now the development of the All Island or Single Electricity Market (SEM). Power Generation's objective remains to help define arrangements which are fair to all market participants while ensuring best value for customers.

We must become a competitive generator, delivering to best international practice in every aspect of our business

Environment

Power Generation thermal plants operate under an Integrated Pollution Control Licence (IPCL) and all plants have an environmental management system accredited to ISO14001 standard.

During the year the EU Commission approved the submission made by the Irish Government to adopt a National Emission Reduction Plan (NERP) approach to the EU Large Combustion Plant Directive (LCPD). This approach will result in significant savings to the industry and customers over alternative compliance strategies and was strongly supported by Power Generation and the Environmental Protection Agency (EPA). In support of this plan, Power Generation will invest in the emission abatement technologies at Moneypoint to reduce plant emissions from January 2008. The emission abatement technologies chosen for Moneypoint will also facilitate compliance with a further EU requirement, namely the National Emissions Ceilings Directive (NECD), which takes effect from the later date of 2010.

The Emissions Trading Directive (ETD) came into force on 1 January 2005 and Power Generation has strategies in place to meet its obligation to surrender CO_2 allowances equal to its emissions as required under this Directive. As with all other thermal generators, Power Generation has been allocated by Government fewer allowances than it is anticipated will be required. The Power Generation Strategy addresses proactively the acquisition of allowances to meet the anticipated future shortfalls.

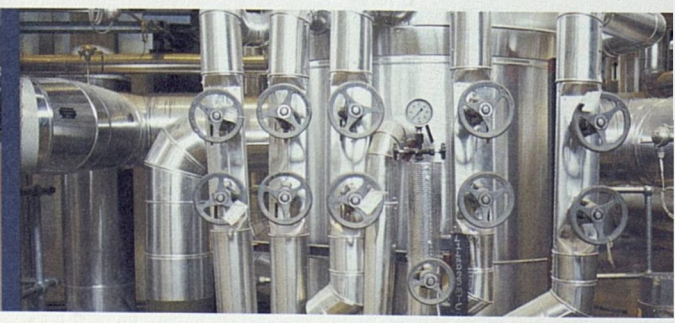
Looking Ahead

Clearly our business environment has changed radically and will continue to do so going forward. The loss of market share to date and the projected continued loss of market share pose considerable challenges for our business. Full market opening and the prospect of new market structures as part of a Single Energy Market (SEM) bring with them further challenges and opportunities. Our response is clear and it is enshrined in our business strategy - we must become a competitive portfolio generator, with inherently flexible operations, delivering to best international practice in every aspect of our business. This remains our core focus and significant progress has been made against this objective in 2004. Looking ahead, 2005 will be another challenging year and stretching targets have been set for the business, including:

- Create and sustain a healthy and injury free environment,
- Continue to improve plant performance and renew the portfolio of plant by delivering on investment programmes in tandem with implementing best practice standards of operation,
- Continue to build required trading competencies and influence the evolving market structure to ensure it reflects efficient economic pricing for all products and services,
- Continue the drive to deliver improved financial performance and efficiencies, and
- Develop products and services to meet the demands of our customers.



Joe Dooley, Michael Gilroy, Ronan Cullen





In 2004 ESB Customer Supply issued over 11 million bills and managed over 14 million customer transactions

ESB Customer Supply Review

ESB Customer Supply provides electricity to customers based on published tariffs which are approved by the CER. During the year we continued to provide a range of energy and related services to over 1.85 million customers nationwide.

ESB Customer Supply Review

Overview

ESB Customer Supply provides electricity to all customers based on published tariffs which are approved by the CER. The published tariffs provide a market price against which Independent Suppliers may discount to secure market share from ESB Customer Supply.

Operational Review

Market share

Overall market share for ESB Customer Supply is down from 69% to 64% in 2004, which reflects a loss of over 43,000 customers since the market opened. In February 2004, the market opened to 56% of the total market, allowing an additional 12,000 business customers the opportunity to seek alternative suppliers. Overall, the numbers of customers (business and residential) served by ESB Customer Supply has risen from 1.78 million to 1.85 million. This results from the high level of activity in new house building and growth in the economy in general.

Safety

During 2004, ESB Customer Supply continued to develop and implement programmes to ensure the safety of our customers and staff. As part of this safety audits were carried out by staff on all shops and business premises, and over 400 of our staff were trained in various aspects and issues of safety management.

There were two lost time injuries involving staff members during 2004, against our target of zero lost time accidents. There were no customer accidents on our premises during 2004. Our focus for 2005 will be to continue to raise awareness of the causes of accidents, and to deliver an accident free environment for our customers and staff.

Customers

In 2004 ESB Customer Supply continued to provide a wide range of energy and related services to its 1.85 million customers. The key strategic focus of its business is to deliver ongoing improvements in the range and quality of services provided to customers while reducing and managing the cost to serve. Further progress was made in this area in 2004 resulting in greater transparency and benefits for customers.

2004 was a busy year for ESB Customer Supply with over 11 million bills issuing to customers. At the same time, the level of customer complaints as measured by ELCOM, the independent complaints commissioner, was considered "very small when related to the scale of commercial activities".

A number of improvements to the service offered to customers were made during the year. This included the redesign of the ESB Customer Supply bill. This redesign coincided with the development of a new billing system for the business. This system replaced the old billing system, which had been in use for over 20 years.

On an ongoing basis ESB Customer Supply works with Sustainable Energy Ireland to create awareness of the importance of energy efficiency and to promote energy efficiency initiatives for both residential and business customers

Development of the system was a complex undertaking in terms of implementation and in terms of maintaining the quality of service through billing, for which ESB Customer Supply is renowned. The system was launched early in 2005 and facilitated full separation from Networks and full market opening in February 2005.

In addition to the above a dedicated Service Centre for Business Customers was also launched in August 2004. This provides business customers with dedicated customer services support and advice on energy management. It complements the one-to-one service provided by our team of professional Energy Advisers, who assist business customers with their energy needs.

Residential customers also saw a number of changes. The National Customer Contact Centre (NCCC) continues to be the primary point of contact with customers with over 3 million calls handled during 2004. An Interactive Touchtone Voice Recognition System was introduced for customers in accessing the Contact Centre. This allows customers to carry out a range of automatic transactions quickly and over extended hours of operation.

On an ongoing basis ESB Customer Supply works with Sustainable Energy Ireland to create awareness of the importance of energy efficiency and to promote energy efficiency initiatives for both residential and business customers. This activity includes Energy Awareness Week and the sponsorship of SEI's 2004 Energy Efficiency Award. We are pleased to note that ESB Customer Supply worked with four of the 2004 Award-Winning companies, supporting them in implementing energy efficiency projects which resulted in considerable energy and cost savings for their businesses.

ESB Customer Supply also works with a large number of other key organisations in promoting energy efficiency and in carrying out its Corporate Social Responsibility. These include St Vincent de Paul, Age Action Ireland, Rehab, the ICSA, Energy Action, and other rural partnerships. A number of initiatives were carried out with these organisations throughout 2004.

This year, ESB Customer Supply is particularly proud to record that it won a National Marketing Award for its Energy Awareness Week campaign. Energy Awareness Week is part of an overall activity whereby ESB Customer Supply delivers actual energy savings for each customer group against targets set by CER. In 2004 these targets for energy savings set by CER, helped customers to achieve over €3 million in annual energy savings.

Customer payments totalled over €2 billion in 2004 involving 14 million transactions or points of contact between us and our customers. Of these over 10 million payments were transacted by customers visiting payment facilities across the country. Over the counter payments facilities are currently available at approximately 2,000 outlets countrywide, including ESB shops, Post Offices and Paypoint locations. In addition, 39 Credit Unions now accept payment of ESB bills, further expanding payment options to meet our customers needs.





ESB Customer Supply is focused on providing customers with the products and services they need simply, efficiently and competitively

Looking Forward

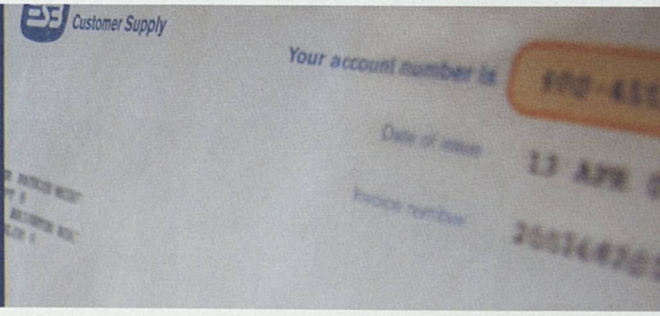
ESB Customer Supply is focused on providing customers with the products and services they need simply, efficiently and competitively. This provides the opportunity for all customers to choose their electricity supplier and represents a major milestone in the evolution of the Irish electricity supply industry. It brings with it major challenges and opportunities for ESB Customer Supply.

In the light of the current loss of 36% market share and expected further losses in future years Customer Supply is now firmly focused on the mass business and residential market. By 2008 over half the electricity we provide to our customers will be purchased from non-ESB generators, providing significant support for independent power generation businesses in Ireland. In order to remain a key supplier of electricity in Ireland through the turbulent years ahead, ESB Customer Supply is focused on providing customers with the products and services they need simply, efficiently and competitively. Our business strategy reflects this and centres on a number of key objectives:

- Implement a flexible business organisation able to respond to market changes and shifting customer expectations,
- Reduce costs and deliver performance from technology investments,
- Invest in our people to ensure our customers continue to regard them as outstanding front line service providers,
- Redesign our processes to simplify and focus better on customer needs.

Delivering against these objectives when serving all our customers, will ensure that ESB Customer Supply remains a significant player in the electricity supply industry in Ireland in the years ahead.





In 2004 ESB Networks connected a record 90,600 new customers to the electricity network



ESB Networks Review

ESB Networks is the owner of the high voltage transmission system and is the owner and operator of the medium and lower voltage distribution system. It provides services to all electricity customers and all generators and suppliers of electricity in the Republic of Ireland.

ESB Networks Review

Overview

ESB Networks comprises the Transmission and Distribution network infrastructure businesses in the Republic of Ireland. Activities include planning, construction, maintenance and operation of the networks. All electricity customers, as users of the Distribution and Transmission network, are customers of ESB Networks, regardless of their supplier. ESB Networks is also responsible for providing market services to enable the functioning of the fully opened electricity market.

Turnover

ESB Networks is regulated by the CER and its income is determined in five year price reviews. Turnover consists primarily of Distribution and Transmission use of system income, both of which are determined by the CER. Total turnover increased by €95.9 million in 2004, which is due mainly to an increase in the Public Service Obligation (PSO) levy, and use of system income increases for both inflation and increased investment in the networks, as determined by the Regulator.

Operational Review

The level of profits in the networks businesses reflects the capital intensive nature of the business and the current high investment levels. Under the regulatory income formula, the return earned by ESB Networks is determined to be the minimum required in order to finance the capital investment in the Distribution and Transmission networks. Profit levels will vary depending on the level of investment and capital employed in the business.

Capital Expenditure

ESB Networks is currently undertaking a significant investment programme to upgrade, develop and renew the Distribution and Transmission networks. Total spend in 2004 was over €700 million, the highest ever achieved in a year for the business. The drivers of this spend are set out below.

Market Services

ESB Networks is responsible for providing market services to all market participants to enable the functioning of the competitive electricity market. These services include the roles of meter operator, data collection (meter reading) and Meter Registration System Operator (MRSO). The supply market was fully opened for all customers on 19 February, 2005.

Over the Christmas 2004/New Year period, ESB Networks successfully changed over to new IT systems which will service the needs of all Market Participants. To support ESB Networks' role of providing a service to all electricity customers, ESB Networks has been effectively separated within the ESB Group in terms of accounts unbundling, staff, systems and processes. A detailed Business Separation Plan agreed with the Regulator has been largely implemented over the last two years.

The operation of the transmission system will be conducted independently of ESB. The licence for Transmission System Operator (TSO) was issued in 2001, to EirGrid plc, an independent company. However, pending the assumption by EirGrid plc of the TSO functions, the TSO role continues to be performed by ESB National Grid on a ringfenced basis.

Over €700 million was invested in the distribution and transmission networks in 2004, bringing the spend since 2000 to €2.6 billion

Safety

The safety of the staff, contractors, customers and the public is a core value for ESB Networks. There is still a significant challenge to achieve the vision of having no one injured while working on or coming into contact with the networks. The safety of the public is a key driver of all work programmes and the business will continue to work towards increased public awareness of the dangers of accidental contact with the networks. ESB Networks recently entered into a three year Strategic Alliance with the Health & Safety Authority to collaborate on safety improvement initiatives in the Construction and Agriculture industries.

Environment

During 2004, ESB Networks advanced its programme to proactively manage Environmental and Waste Management obligations and to ensure the business has appropriate systems in place that comply with existing and emerging legislation. During 2004, waste management systems were introduced in all depots throughout the country.

Customers

ESB Networks is dedicated to delivering service excellence to all electricity customers. The quality and continuity of electricity supply are key drivers of the network investments programme. A number of specific initiatives were introduced during 2004 to improve customer service including further improvements to the new connection process by ESB Networks' centralised customer service bureau and implementation of a 24 hours a day, 7 days a week query handling service for our largest customers.

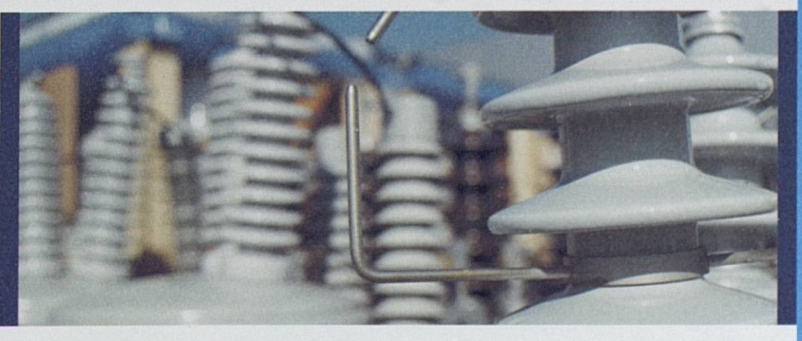
Infrastructure Investment

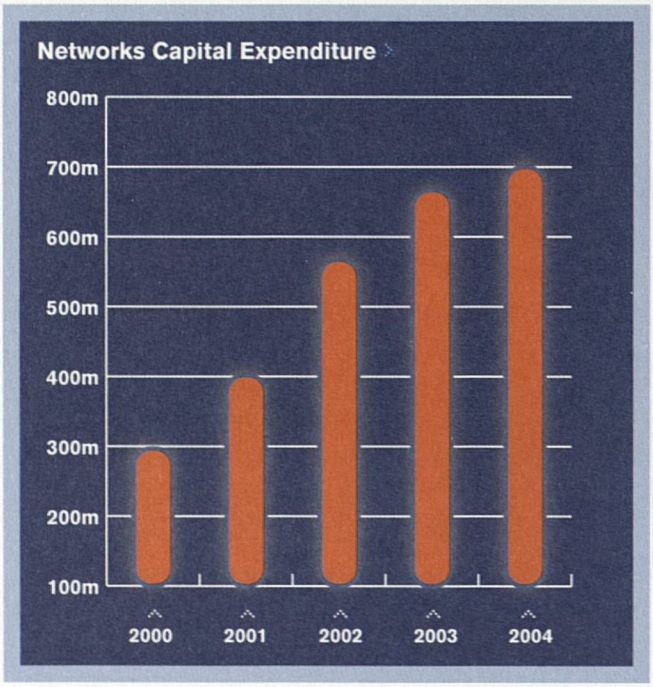
ESB Networks is in the middle of a €3 billion five year investment programme. There are two main categories of investment:

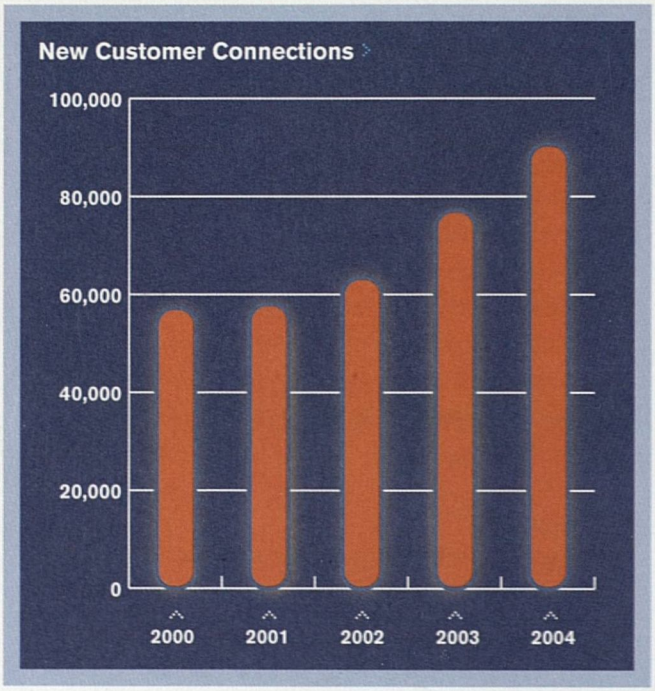
- New transmission and distribution infrastructure - to support continuing high levels of load growth driven by the buoyant Irish economy (new houses and industrial/commercial growth) and in support of governments' spatial strategy. This investment has taken place throughout the country. New connections for 2004 set a new record at 90,600, double the level of five years ago. New investment also includes building the infrastructure to connect new generation capacity, including windfarms, to the networks.
- Renewal and refurbishment of existing infrastructure - to improve the quality of supply, reliability, safety and resilience of the networks. ESB Networks is currently completing a major programme to renew all 75,000 km's of medium voltage networks throughout the country, scheduled for completion in 2006.

The scale of the investment being made to date by ESB Networks is significant and critical, comprising new and refurbished transmission and distribution lines and stations along with an average of over 70,000 new connections per annum. The delivery of this level of investment has been achieved through the combined efforts of ESB Networks' staff complemented by increased use of external contractors.









The graphs on this page show (i) the scale of the new investment in the networks and (ii) the continuing upward trend in new connections. The €3 billion investment programme is delivering significant benefits in terms of network resilience and supply quality as well as ensuring that growing electricity demand can be met throughout the country.

Looking Ahead

2005 will be another challenging year in terms of delivering further significant capital investment to meet growth and delivering a quality service to customers.

Looking forward, other key challenges include:

- Continuing to drive improved safety performance as an integral part of all activities.
- Enhanced customer service in terms of quality and reliability of supplies and improving response times to customer needs.
- Delivery of the full range of market opening systems and services to ensure the successful introduction of full retail competition from February 2005,
- Ongoing drive for improved efficiencies and cost performance to ensure continued value for money for all customers and supply companies using ESB's networks, and
- Achieving an acceptable outcome to the Regulatory price reviews for Transmission and Distribution.









(l-r) Jacinto Lobo, General Manager Bizkaia Energia, Jose Ignacio Zudaire, Deputy Minister in the Basque Government, Baltasar Errazti, Chairman of the Basque Energy Cluster, Lander Mendieta, Ana Aguirre, Minister for Industry, Txaber Lezamiz, Director of Energy and Eamon Roche.

Amorebieta Power Plant - ESBI is developer of this 800MW natural gas fired combined cycle power plant near Bilbao in northern Spain

Commercial Enterprises Review

The Commercial Enterprises business unit is responsible for the non-regulated businesses within the group. It has five main business areas: ESB International, ESB Independent Energy, Retail/FinancElectric, Information Technology Solutions and Telecoms, and Shared Services.

Commercial Enterprises Review

Overview

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

- ESB International (ESBI) invests in international power projects and provides engineering consultancy services and facility management services. ESBI operates in over 40 countries and is currently completing the construction of two gas-fired power plants at Coolkeeragh (NI) and Amorebieta (Spain).
- ESB Independent Energy (ESBIE) operates as a licensed supplier in the competitive electricity markets in Northern Ireland and the Republic of Ireland.
- Retail/FinancElectric operates a nationwide chain of electrical retail shops and provides credit financing for its customers. ESB plans to exit this business in 2005.
- Information Technology Solutions & Telecoms (ITS&T) provides IT and telecommunications services primarily to the ESB Group, but also to external customers thereby leveraging the telecommunications assets of the business.
- Shared Services provides property, estate management, training, human resources, payroll, supplier payments, and other services to the ESB Group.

Capital Expenditure

Construction continued on the gas-fired generating plants at Coolkeeragh and Amorebieta. These plants, which involve a capital investment of over €800 million will both begin commercial operations in 2005.

The Minister for Communications Marine and Natural Resources launched ESB Telecom's National Telecommunications Network in February 2004, marking the completion of the construction phase of the 1300 km network, which was deployed by wrapping optical fibre on the ESB electricity transmission network.

Operational Review

Commercial Enterprises' overall strategy is to support core businesses to achieve their objectives, and deliver increasing profits to the ESB Group. This will be achieved by leveraging existing skills and assets, by continuing the development of staff and by making well chosen profitable investments.





Deirdre O'Hara and Francis O'Donnell

During 2004, ESBI continued to develop a successful international business. Notable ESBI achievements during 2004 included winning an engineering contract for 2,000 MW of coal fired projects in Vietnam and Indonesia, the construction of 40 MW of wind generation as turnkey contractor in Ireland, and assuming responsibility for the operation and dispatch of the transmission grid in Georgia (former USSR) under a five year contract sponsored by the World Bank.

ESB Independent Energy continued to develop its market position in 2004. In the Republic of Ireland, the vast majority of existing customer contracts were renewed and a number of attractive new customers were acquired. ESBIE's customers in the Republic of Ireland account for 9% of the total electricity market, or 16% of the eligible market. In preparation for the commissioning of Coolkeeragh in 2005, ESBIE grew its Northern Ireland business by over 30% during 2004 and established a Belfast office. ESBIE now supplies electricity to most of the largest sites in Northern Ireland with its customers accounting for 17% of the total electricity market in Northern Ireland and 47% of the eligible market. ESBIE was awarded Excellence Through People accreditation by Fás in recognition of the quality of its people management and development.

IT Solutions & Telecoms continued to deliver essential support to ESB Group. This included work on the IT systems required for full opening of the electricity market, one of the largest and most complex IT projects ever implemented in Ireland. A Dual Data Centre capability was delivered during 2004 which is central to security of new market systems and enablement of business continuity planning. ESB Telecoms' customers include all the mobile phone operators, licensed operators and wireless internet service providers. 2004 saw the signing of a number of agreements with both existing and new customers. The company extended the reach and attractiveness of its telecom networks throughout 2004 with new connections to a number of data centres and selected metro networks.

Safety

Throughout 2004, Commercial Enterprises made steady progress in applying a core safety philosophy across its diverse range of businesses. There has been a significant reduction in lost time injuries to staff, from 41 in 2003 to 26 in 2004. There were, also, 32 lost time injuries to contractors. 25 of these occurred on our construction site in Spain. While this is a disappointing result, and improvement plans have been put in place to improve the situation, the safety performance on this project is 5 times better than the average construction safety performance in Spain.

Detailed local safety improvement plans were developed for each business line which were monitored regularly, including a formal year-end review. The outcome from these reviews is reflected in the 2005 safety plans with special emphasis on improved risk management, more formal safety management reviews and improved transfer of learning.

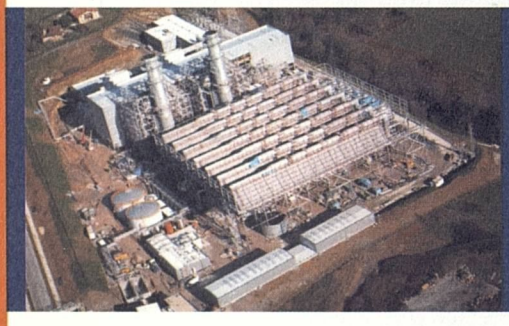
Commercial Enterprises overall strategy is to support core businesses to achieve their objectives, and deliver increasing profits to the ESB Group

ESB International expect to complete the sale of 50% of its interest in Amorebieta to the Osaka Gas Group in 2005

Looking Ahead

We expect that the current year will bring further growth in the profitability of Commercial Enterprises, in particular:

- ESBI will continue to focus on completing the Coolkeeragh and Amorebieta power plant projects on time and within budget. ESBI expect to complete the sale of 50% of its interest in Amorebieta to the Osaka Gas Group in 2005. Other investment opportunities are currently being developed in the EU market.
- In 2005, the electricity market in Northern Ireland will open further on a phased basis such that, by the end of 2005, it is expected that all business customers in Northern Ireland will be able to choose their electricity supplier. ESBIE is now positioning itself to meet the needs of customers in this market segment. ESBIE is well positioned to grow its existing customer base in the Republic of Ireland, during 2005, due to the opportunities that will be provided by further market opening.
- The Retail/FinancElectric business operates in an increasingly competitive market. The Board of ESB approved in principle the sale of its retail outlets and the FinancElectric loan book to Bank of Scotland (Ireland) in March 2005.
- ESB Telecoms with its fully nationwide fibre network combined with an extensive tower site portfolio is strategically positioned to leverage its track record as an independent infrastructure provider in the Irish telecoms market.







Transmission System Operator Review

Operational Review

National Grid is currently the Transmission System Operator and Market Operator for the Republic of Ireland. The role of the Market Operator is to settle the balancing market for electricity, both constraints and imbalances. In February 2004 the level of the electricity market open to competition increased from 40% to 56%. Over the course of the year independent demand has increased from 31% in 2003 to an average of 34% for 2004. Since 19 February, 2005, the market was fully opened to competition. Thirteen new market participants joined the market during 2004.

Non Transmission Capital Expenditure

National Grid successfully completed a three year project in 2004 to install and commission a new national energy management system and a business continuity centre. In addition substantial progress was made in ensuring that the settlement systems were in a position to facilitate 100% market opening in 2005.

System Operations

During 2004, the operating environment improved somewhat. There was however, continuing pressure on the capacity margin which resulted in operating difficulties. Despite this difficulty a secure and reliable supply was maintained during the year. The highest ever gross system peak of 4,528MW was supplied on the evening of Monday 20 December, 2004. There were no major incidents on the transmission system during the period. Interconnection with Northern Ireland continues to play an important role in maintaining the security of both the Northern Ireland and Republic of Ireland systems. While transfer capacity from the Republic of Ireland to Northern Ireland is very limited there is significant capacity available from Northern Ireland to the Republic of Ireland which is being used for trading and generation capacity support for the Irish system.

Since 19 February, 2005, the market is fully open to competition. Thirteen new market participants joined the market during 2004.

Corporate Social Responsibility

The publication of our first full-spectrum report on Corporate Social Responsibility (CSR) in October 2004 represented a milestone for ESB. In preparing the report we used an internationally recognised framework to assess the impact of our policies and practices, and set out the findings under the headings of Workplace, Health and Safety, Environment, Marketplace and Community. The report was endorsed by Business in the Community (BITC), the leading membership organisation promoting corporate responsibility in Ireland, as a "balanced assessment of the company's operations and impacts". It is available on our website at www.esb.ie or in hard copy, by request.

It is our intention to continue to integrate CSR into every aspect of company strategy and operations, in a way that will stand up to ongoing measurement and evaluation. With the full opening of the energy market in 2005, we will be faced with significant change and a range of business challenges never before encountered. We intend to meet these challenges and to continue to provide a competitive service to our customers, paying attention to social and environmental concerns while maintaining financial and commercial success. The safety of staff, contractors and the public will remain a core value. We will continue to implement the Safety Leadership Programme which has as its ultimate goal the achievement of zero injury culture. Direct involvement of senior management in safety activities is, and will remain, a key feature of the programme.

Some other recent examples of our continuing commitment to our CSR responsibilities are:

Workplace

- The reduction in 2004 of our lost time injuries to 87 from a peak of 319 in 1997
- The establishment and resourcing of an office to support our company-wide Safe Driving Programme
- The official launch in November 2004 of our revised Code of Practice on Equal Opportunities and Diversity and also our new policy on Cultural Diversity

Environment

- The installation of systems and processes to allow ESB to comply with the Emissions Trading Directive in 2005
- Continued investment in renewable electricity generation

Marketplace

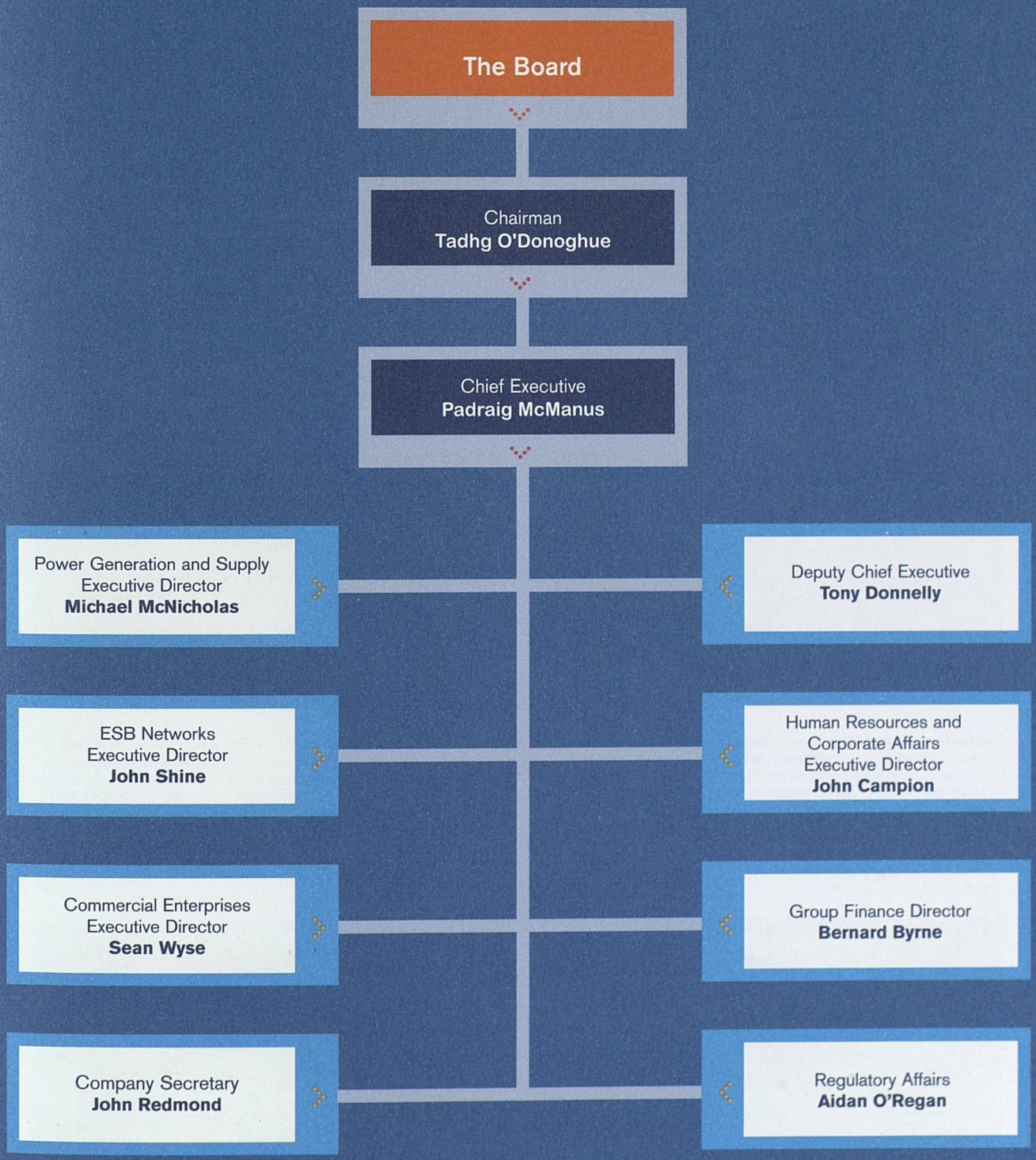
- Ongoing major investment in renewing our distribution networks, resulting in reduced numbers and duration of electricity outages for customers. This investment also enhances public safety through a reduction in the number of fallen lines
- Working with a large number of organisations to promote energy efficiency and to reduce energy costs for customers on low incomes. The organisations with which we are currently working include St Vincent de Paul, Age Action Ireland, Rehab, ICSA, Energy Action and other rural partnerships.

Community

- The announcement in December 2004 of a new charitable initiative which will see ESB dedicating significant company funding to areas of disadvantage within Ireland.





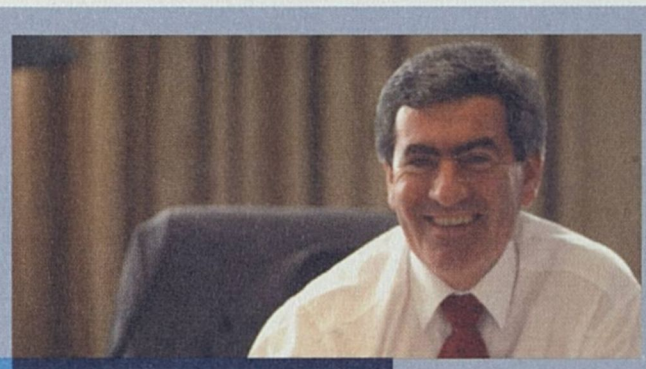

The Board
Chairman
Tadhg O'Donoghue
Chief Executive
Padraig McManus
Power Generation and Supply
Executive Director
Michael McNicholas
ESB Networks
Executive Director
John Shine
Commercial Enterprises
Executive Director
Sean Wyse
Company Secretary
John Redmond
Deputy Chief Executive
Tony Donnelly
Human Resources and
Corporate Affairs
Executive Director
John Campion
Group Finance Director
Bernard Byrne
Regulatory Affairs
Aidan O'Regan

Board Members



Tadhg O'Donoghue

Tadhg O'Donoghue joined the Board of ESB in September 2000 and was appointed Chairman in January 2001. Mr O'Donoghue was previously a Senior International Partner with PricewaterhouseCoopers. He is a former Chairman of Bord Iascaigh Mhara and a former President of the American Chamber of Commerce in Ireland. Mr O'Donoghue is Chairman of the Remuneration and Management Development Committee.



Padraig McManus

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, 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.



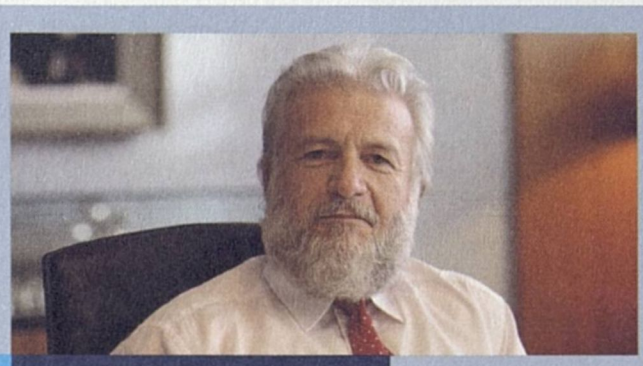
Eamonn Connolly

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.



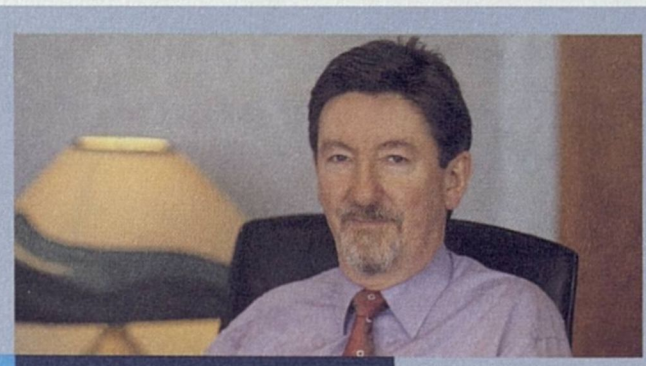
Georgina Kenny

Georgina Kenny was appointed to the Board in April 2000 for a term until April 2005 and was reappointed in May 2005 for a further five year period. 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 was Chairman of the Business Development and International Committee and a member of the Regulation Committee.



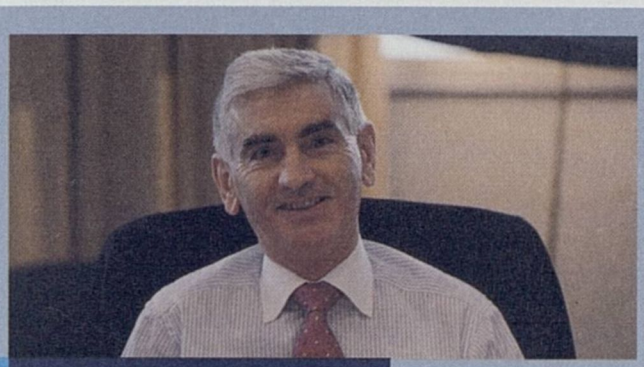
Joe LaCumbre

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.



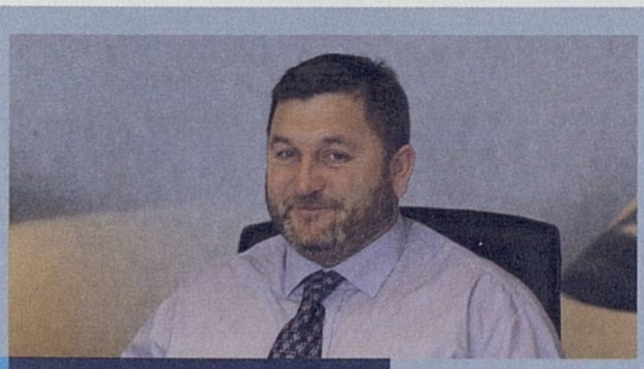
Derry O'Donovan

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 Chairman of the Finance Committee and 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 serves as Chairman of six companies in a range of industries - Amtec Medical, Linkubator, Valpar Industrial, MJM Marine, Garage Door Systems and Edge plc. He also acts as a consultant to major corporate projects both national and international. 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 the Finance Committee and is Chairman of the ITSO Committee.



Brendan Byrne

Brendan Byrne was appointed to the Board in September 2004. Mr. Byrne has recently established a consultancy business providing financial and strategic planning services to a range of clients in the aviation sector. Mr. Byrne previously held a number of senior management positions in Aer Lingus and has worked extensively in the field of change management. He is a Chartered Accountant. Mr. Byrne is Chairman of the Audit Committee.



Anne Taylor

Anne Taylor, RIP.
25 April 2005.

Executive Team



Tony Donnelly

Tony Donnelly joined ESB in 1963. He was appointed Deputy Chief Executive in November 2003. He was Group Finance Director from 1997. Prior to this appointment he held a number of senior financial roles across the company including Group Financial Controller. He is a Trustee of the ESB Superannuation Fund and a member of the Board of Governors of Froebel College.



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.



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.



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.



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.



Sean Wyse

Sean Wyse was appointed Executive Director, Commercial Enterprises in July 2002. He held a number of senior management positions in Networks, Marketing and Power Generation before he was appointed Managing Director, Customer Services in 1997. He is a Board Member of the Irish Blood Transfusion Service.



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.



Bernard Byrne

Bernard Byrne was appointed Group Finance Director in January 2004. A Chartered Accountant, he previously held the position of Deputy Chief Executive and Group Finance Director of IWP International plc. Mr Byrne had served as a non-executive Board member of ESB from July 2001 but resigned from the Board on his appointment as Group Finance Director.



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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, 2004.

Principal activities

The principal activities of the ESB Group are the generation, transmission, distribution and supply of electricity. The Group also operates internationally, in related activities.

Review of the Business and Future Developments

Commentaries on performance in the year ended 31 December 2004, including information on recent events and likely future developments, are contained in the Chairman's Review and the Chief Executive's Review.

Results for the Year

The financial results of the Group show a profit for the financial year, before dividends, amounting to €267m compared with €249m for 2003.

	2004 €m	2003 €m
Group profit before taxation	314	302
Taxation	(47)	(53)
Profit for the financial year	**267**	**249**

No interim dividends were paid during 2004. The Board Members are recommending that a final dividend of 3.91 cents per unit of capital stock, amounting to €77.413 million, in aggregate be paid in respect of 2004. The balance of the profit for the year has been transferred to reserves. A total dividend of 3.39 cents, amounting to €67.118 million, was paid in respect of the year 2003. 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

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

ESB also conforms as far as possible and on a voluntary basis with the Combined Code of Corporate Governance July 2003. The Combined Code sets out Principles of Good Governance and a Code of Best Practice. Companies listed on the Irish Stock Exchange are required as part of the listing rules 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 of the listing rules in general and the Combined Code in particular and complies with its requirements except for as follows:

(i) ESB is accountable to the Minister for Communications, Marine and Natural Resources.

(ii) Appointments to the Board are a matter for Government and accordingly ESB does not have a nomination committee.

(iii) Board Members, are appointed for terms of between four and five years and therefore are not subject to re-election to the Board at intervals not exceeding three years.

(iv) 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 details of Board Members' remuneration on page 48 does not include amounts paid to the four Worker Board Members as employees of ESB, but does include amounts paid to them by way of fees.

(v) One worker Board Member served on the Audit Committee during the year. The Chairman also served on the Audit Committee for a period pending the appointment of a successor to Mr Bernard Byrne who resigned from the Committee on his appointment as Group Finance Director of ESB. It is planned that, for the future, all Audit Committee Members will be independent non-executive Board Members.

(vi) The Chairman consults regularly with the non-executive Board Members, but not by way of formal meetings.

(vii) Two independent Board Members are employees of companies which themselves, or through a group company, provide credit and other financial services to ESB but these business relationships are not viewed as compromising the independence of the Board Members concerned.

Principles of Good Governance

Attendance at Meetings

There were 12 Board Meetings (11 General Board Meetings and 1 Special Board meeting) during the year ended 31 December, 2004. The number in brackets below 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	(11,1)
Joe LaCumbre, Deputy Chairman	(11,1)
Brendan Byrne*	(4, 0)
(appointed 1 September 2004)	
Bernard Byrne*	(1,0)
(resigned 8 February 2004)	
Eamonn Connolly	(11,1)
Eoin Fahy*	(10,1)
Georgina Kenny*	(11,1)
John McGinley	(11,1)
Will McKee*	(11,1)
Padraig McManus	(11,1)
Derry O'Donovan*	(11,1)
Pat Smith	(11,1)
Anne Taylor (RIP)*	(9,0)

** independent*

The Board

While day to day responsibility for the leadership and control of the company is delegated to the Chief Executive and his Senior Management Team, within pre-defined authority limits, the Board is ultimately responsible for the performance of the company. At 31 December 2004, the Board comprised twelve members including the Chief Executive. Eight Board Members including the Chief Executive are appointed by the Government for a five year term and four Worker Board Members are appointed by the Minister for Communications, Marine and Natural Resources for a four year term following election by staff.

The Board has determined that the seven Board Members, excluding the Chief Executive and the worker Board Members, identified above were independent during 2004.

The Chief Executive and the four worker Board Members are permanent employees of ESB and their employment periods are governed by their contracts of employment with the company.

Mr Tadhg O'Donoghue has been Chairman of the Board since January 2001. His responsibilities include leading the Board, determining its agenda, ensuring its effectiveness and facilitating full participation by each Board Member. He is also responsible as Chairman for ensuring effective communication with the Company's owners and stakeholders - the Ministers for Finance and for Communications, Marine and Natural Resources and their officials and with ESB ESOP Trustee Ltd - the Employee Share Ownership Plan for ESB.The roles of the Chairman, who is part-time, and Chief Executive are separate. Anne Taylor, RIP, was the Senior Independent Non-Executive Director during 2004. Bernard Byrne resigned as a Board Member in February 2004 and Brendan Byrne was appointed a Board Member in September 2004.

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 principal matters reserved to the Board include:

- Approval of Group strategy, annual budgets and annual and interim accounts,
- Reviewing operational and financial performance
- Approval of major capital expenditure,
- Review of Group's internal controls and risk management,
- Overall review of Group health and safety performance, and
- Appointment of Chief Executive, Senior Management and Company Secretary.

The Board has delegated authority to management for normal course of business decisions subject to specified limits and thresholds.

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. Insurance cover is in place to protect Directors and Officers against liability arising from legal actions taken against them in the course of their duties. An induction programme is in place, to familiarise new Board Members with the operations of the Group. 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.
During 2004 the Board completed a formal evaluation of its own performance and that of its Committees. The Chairman selected the process by which the evaluation was undertaken which involved the completion by Board members of a detailed questionnaire and the use of an external adviser to present the results to the Board.
This evaluation was undertaken in order to comply so far as possible with the revised Combined Code. The evaluation related to the Board's collective performance and not to the performance of the Chairman or individual Board Members. However the Board will keep under review the extent to which evaluations of individual Board members are appropriate in ESB's circumstances.

Board Committees in 2004

Committees are established to assist the Board in the discharge of its responsibilities. The committees are set out below.

Audit Committee

The Audit Committee, a formally constituted committee of the Board with written terms of reference, is composed of three Board Members two of whom are independent and one of whom is a Worker Board Member.

The purpose of the Audit Committee is to oversee the financial reporting process and internal control system of ESB. During 2004 the Audit Committee reviewed the annual and the interim financial statements, the system of internal controls, the reports of the internal and external

auditors, risk management, energy trading and treasury policies and procedures. The Committee also developed a policy regarding the provision of non-audit services by the external auditors, whereby, other than as notified to the Committee, such services should be limited to advice in relation to accounting, taxation and compliance issues and that the fees payable for non-audit services in any financial year should not exceed audit fees for that year. The internal and external auditors have full and unrestricted access to the Audit Committee. The Committee held five meetings during 2004. Mr Bernard Byrne was Committee Chairman until 8 February 2004. Mr O'Donovan was Chairman from that date until the end of the year. The Board is satisfied that at all times during the year at least one Member of the Committee had recent and relevant financial experience. All members at the time attended all meetings except for Mr Brendan Byrne who was not present for one meeting.

Members: Derry O'Donovan, Chairman
Eamonn Connolly
Brendan Byrne (from 1 September 2004)
Bernard Byrne (resigned 8 February 2004)
Tadhg O'Donoghue (8 February to 31 August 2004)

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. During 2004 the Committee reviewed major proposals relating to the network renewal programme, investments in the power generation portfolio and international investments.

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

Business Strategy Committee

The purpose of this Committee is to monitor the delivery of performance and the achievement of targets in the corporate strategy approved by the Board. During the course of 2004 the Business Strategy Committee reviewed performance against the strategic targets approved by the Board.

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

Health, Safety and Environment Committee

The purpose of the Health, Safety and Environment Committee is to advise the Board on health, safety and environmental matters. During 2004 the Committee considered ESB actions to improve safety and environment compliance. It also considered reports on accidents, involving staff, contractors and members of the public and ESB's compliance with health, safety and environmental legislation.

Members: Pat Smith, Chairman
Padraig McManus
Anne Taylor (RIP)

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 2004 the Finance Committee considered ESB's funding requirements in the context of its major capital investment programmes.

Members: Tadhg O'Donoghue, Chairman
Bernard Byrne (resigned 8 February 2004)
Derry O'Donovan (from 13 December 2004)
Eoin Fahy (from 13 December 2004)
John McGinley

Independent Transmission System Operator Committee

Arising from the European Electricity Directive 96/92 EC and in accordance with the requirements of Statutory Instrument 49 of 2000, the Board established a separate committee, the ITSO Committee, to facilitate the independent management of the Transmission System Operator. The ITSO Committee facilitates the independent management of the Transmission System Operator functions undertaken by the National Grid business within ESB on a strictly ringfenced basis, pending the transfer of those functions to EirGrid as an independent legal entity. The Commission for Energy Regulation approved these ringfencing arrangements as part of the market framework for trade in electricity.

Members: Eoin Fahy, Chairman
Derry O'Donovan

Regulation Committee

The purpose of this Committee is to oversee the development and implementation of the corporate strategy on evolving legislation and regulatory matters and to oversee compliance with regulatory requirements. The Regulation Committee, during the course of 2004, considered regulatory developments at EU and national level.

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

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, to approve any changes to the remuneration of worker Board Members, to 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 2004 the Committee considered the remuneration and targets of the Chief Executive and the senior executives and the developmental needs of the Company's senior managers. The Committee held seven meetings during 2004 with all members attending all meetings.

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

Internal Controls

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The system of internal control is 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 Board has reviewed the effectiveness of the Group's system of internal control covering all material controls, including financial, operational and compliance controls and risk management systems. ESB has in place a strong control framework, which covers all areas of control. The system of internal control includes the following:

- A code of ethics that requires all employees to maintain the highest ethical standards in conducting business.
- 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.
- A corporate governance framework which includes risk analysis, financial control review and formal annual governance statements by the management of Business Units and in the Corporate Centre. This is monitored by

the Group Internal Audit department, which reports to the Audit Committee on an ongoing basis.

- A 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.
- Comprehensive budgeting systems with an annual budget approved by the Board.
- A 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.
- Consideration of operational and financial issues by special Board Committees as described on pages 44 to 46, 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, have reviewed the effectiveness of the system of internal control. The process used by the Board and the Audit Committee to review the effectiveness of the system of internal control includes:

- Review and consideration of the half-yearly risk review process.
- Independent advice on the adequacy of the current risk management process in operation in ESB.
- 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 auditor.
- A review of reports of the external auditors, KPMG, which contain details of any significant control issues identified, arising from their work as auditors.

Executive Board Members' Remuneration

The only executive Board Member is the Chief Executive, Mr Padraig McManus. The Chief Executive's remuneration is set within a range determined by the Ministers for Finance and for Communications, Marine and Natural Resources. It is determined annually, within this range, by the Remuneration and Management Development Committee, which comprises three Non-Executive Board Members, and is approved by the Board.

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 up to 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 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 €5,772 and €17,314 respectively. The total accrued pension at the end of the year in respect of all the Chief Executive's service was €80,383 and the total accrued gratuity was €241,150. The transfer value of the relevant increase was €60,429.

Board Members' remuneration - 2004

Remuneration	2004 €	2003 €
Chairman:		
Tadhg O'Donoghue		
Fees	63,487	63,487
Taxable benefits	2,859	-
	66,346	**63,487**
Chief Executive:		
Padraig McManus		
Salary	285,052	276,645
Performance related pay	48,224	75,395
Taxable benefits	26,138	20,035
Pension contributions	33,921	32,921
Fees	12,697	12,697
	406,032	**417,693**
Non-Executive Board Members:		
Joe LaCumbre *	12,697	12,697
Brendan Byrne	4,244	-
Bernard Byrne	1,357	12,697
Eamonn Connolly *	12,697	12,697
Eoin Fahy	12,697	12,697
Georgina Kenny	12,697	12,697
John McGinley *	12,697	12,697
Will McKee	12,697	12,697
Derry O'Donovan	12,697	12,697
Pat Smith *	12,697	12,697
Anne Taylor	12,697	12,697
	119,874	**126,970**

* In addition to their Board fees, the four Worker Board Members are paid as employees of ESB.

Non-Executive Board Members' Remuneration

Board Members appointed under the Worker Participation (State Enterprises) Act 1977 are remunerated as employees of ESB. They participate in the ESB superannuation scheme. The remuneration of the other Non-Executive Board Members (including the Chairman) is determined by the Minister for Communications, Marine and Natural Resources 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.

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 formalised safety audit systems. Corrective actions are initiated where inadequacies or deficiencies are identified. The procedures confirm substantial compliance with policy, as laid down in ESB's Group Safety Policy and Safety Statement.

The Senior Management Team meet regularly to set Group safety objectives and strategy and review performance. The Chief Executive's Safety Committee, Business Area and local safety committees review and discuss relevant matters of policy and principle covering the health and safety of staff and the public, safety improvement plans and programmes and related matters.

In line with the requirement in Section 12 (6) of the 1989 Safety, Health & Welfare at Work Act an evaluation was carried out of the extent to which ESB Group Safety Policy and the undertakings set out in the accompanying ESB Group Safety Statement were fulfilled during 2004. The evaluation took the form of a formal safety review carried out in accordance with standards of best international practice. Based on the evaluations carried out by the individual businesses against policies and assessed risks, a high standard of safety management practice and adherence to safety procedures was found to be in place. The review also found proactive programmes of safety improvement and safety auditing being implemented together with well developed safety communication channels and safety consultation with staff members and their safety representatives. Lessons are continuously being learned from thoroughly investigating the causes of injuries and near misses and are being fed in a structured way into successive safety improvement programmes and safety priorities. The ESB Group Safety Review 2004 has been published as a separate report and is available on request.

Accounting records

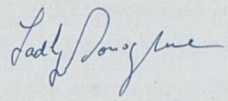
The Board Members believe that they have employed accounting personnel with appropriate expertise and provided adequate resources to the financial function to ensure compliance with ESB's obligation to keep proper books of account. The books of account of ESB are held at Lower Fitzwilliam Street, Dublin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

Electoral Act, 1997

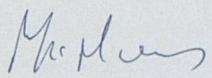
The Board made no political donations during the year.

This report was approved by the Board on 28 June 2005 for submission to the Minister for Communication, Marine and Natural Resources.

On behalf of the Board



Tadhg O'Donoghue Chairman



Padraig McManus Chief Executive

Date 28 June 2005

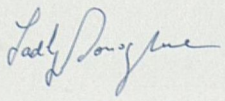
Statement of Board Members' Responsibilities

The Electricity Supply Acts 1927 to 2004 require the Board Members to prepare Financial Statements for each financial year in accordance with those Acts.

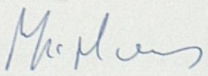
The Board Members consider that, in preparing the Financial Statements on pages 53 to 93, appropriate accounting policies have been used and consistently applied, reasonable and prudent judgements and estimates have been made and all accounting standards considered applicable have been followed.

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 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

28 June 2005

Independent Auditors' Report to the Stockholders of Electricity Supply Board (ESB)

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 ESB on pages 53 to 93.

This report is made solely to the stockholders of ESB as a body, in accordance with Section 193 of the Companies Act, made applicable to ESB by virtue of the Regulations adopted by it as its governing regulations under the Electricity (Supply) Act, 1927, as amended by the Electricity (Supply) (Amendment) Act 2001. Our audit work has been undertaken so that we might state to the stockholders of ESB those matters we are required to state to them in an 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 ESB and its stockholders, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Board Members and Auditors

The Board Members of ESB are responsible for preparing the Annual Report. As described on page 50, this includes responsibility for preparing the financial statements in accordance with the Electricity Supply Acts 1927 to 2004 and applicable Irish accounting standards. Our responsibilities, as independent auditors, are established in Ireland by the Electricity Supply Acts 1927 to 2004, 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 2004. 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 (1) the voluntary statement on pages 42 to 48 reflects the Board's compliance with the nine provisions of the Combined Code specified for review by auditors and (2) the statement on the system of internal control on pages 46 and 47 reflects the Board's compliance with the provision of The Code of Best Practice for the Governance of State Bodies that is specified for review by auditors and we report if those statements do not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information 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 2004 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 2004.

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 2004 is in agreement.



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

28 June 2005

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 2003.

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 2004. 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 2004.

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 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 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) Other

This category includes consolidation adjustments required to prepare group results. These adjustments include the elimination of inter-company sales and purchases.

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 and 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 and 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 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 associates and joint ventures over the fair value of the identifiable assets and liabilities. The useful lives of goodwill on acquired businesses is up to 20 years. Useful life is determined by reference to the period 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'.

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 method 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 > Derivative financial instruments

Gains and losses arising on 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. Prior to 2002 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.

16 > 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.

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 and deferred taxation.

18 > Deferred taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed by 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 2004

	Notes	2004 € '000	2003 € '000
Turnover - group and share of joint ventures		**2,634,006**	2,480,234
Less: Share of joint ventures' turnover		**(145,092)**	(138,431)
Turnover - continuing operations	1	**2,488,914**	2,341,803
Operating costs	2	**(2,126,062)**	(2,016,201)
Operating profit - continuing operations		**362,852**	325,602
Share of joint ventures' operating profit		**35,258**	27,935
Share of associated undertakings' operating profit		**85**	416
Profit on ordinary activities before interest		**398,195**	353,953
Net interest cost and other financing charges	3	**(83,772)**	(51,845)
Profit on ordinary activities before taxation		**314,423**	302,108
Tax charge on profit on ordinary activities	5	**(47,159)**	(53,422)
Profit on ordinary activities after taxation		**267,264**	248,686
Minority interests - equity	21	**(112)**	1
Profit for the financial year		**267,152**	248,687
Dividends	7	**(77,413)**	(67,118)
Profit retained for the financial year		**189,739**	181,569
Appropriation to reserve for the repurchase of loan stock	19	**(314)**	(245)
Transfer to profit and loss reserve	20	**189,425**	181,324

Signed: **Tadhg O'Donoghue** Chairman

Signed: **Padraig McManus** Chief Executive

Signed: **Bernard Byrne** Group Finance Director

28 June 2005

Group Balance Sheet

As at 31 December 2004

	Notes	2004 € '000	2003 € '000
Fixed assets			
Tangible assets	8	**5,633,444**	4,725,100
Investment in associates	9	**3,491**	3,484
Investments in joint ventures			
› Goodwill		**13,274**	14,863
› Share of gross assets		**256,284**	265,308
› Share of gross liabilities		**(78,431)**	(85,884)
Total investment in joint ventures	9	**191,127**	194,287
Other financial asset investments	9	**2,886**	2,624
		5,830,948	4,925,495
Current assets			
Stocks	10	**190,135**	179,725
Debtors	11	**567,097**	508,480
Investments	12	**78**	54
Cash at bank and in hand	22(c)	**74,778**	566,508
		832,088	1,254,767
Creditors: amounts falling due within one year			
Borrowings and other debt	13	**(127,670)**	(98,336)
Other creditors	15	**(655,468)**	(568,009)
		(783,138)	(666,345)
Net current assets		**48,950**	588,422
Total assets less current liabilities		**5,879,898**	5,513,917
Creditors: amounts falling due after more than one year			
Borrowings and other debt	13	**(2,246,002)**	(2,070,978)
Other creditors	15	**(51,703)**	(101,139)
Deferred income	16	**(254,899)**	(155,805)
		(2,552,604)	(2,327,922)
Provision for liabilities and charges	17	**(839,722)**	(887,409)
		2,487,572	2,298,586
Capital stock and reserves			
Capital stock	18	**1,979,882**	1,979,882
Reserve for repurchase of loan stock	19	**2,687**	2,373
Profit and loss account and other reserves	20	**504,325**	315,765
Stockholders' funds - equity		**2,486,894**	2,298,020
Minority interests	21	**678**	566
		2,487,572	2,298,586

Signed: **Tadhg O'Donoghue** Chairman

Signed: **Padraig McManus** Chief Executive

Signed: **Bernard Byrne** Group Finance Director

28 June 2005

Parent Balance Sheet

As at 31 December 2004

	Notes	2004 € '000	2003 € '000
Fixed assets			
Tangible assets	8	**4,924,384**	4,260,526
Financial assets	9	**190,652**	165,819
		5,115,036	4,426,345
Current assets			
Stocks	10	**176,057**	179,725
Debtors	11	**697,545**	575,279
Investments	12	**78**	54
Cash at bank and in hand		**39,792**	502,361
		913,472	1,257,419
Creditors: amounts falling due within one year			
Borrowings and other debt	13	**(113,078)**	(83,744)
Other creditors	15	**(670,893)**	(555,143)
		(783,971)	(638,887)
Net current assets		**129,501**	618,532
Total assets less current liabilities		**5,244,537**	5,044,877
Creditors: amounts falling due after more than one year			
Borrowings and other debt	13	**(1,667,010)**	(1,660,151)
Other creditors	15	**(23,851)**	(70,087)
Deferred income	16	**(253,212)**	(154,423)
		(1,944,073)	(1,884,661)
Provision for liabilities and charges	17	**(836,650)**	(889,411)
		2,463,814	2,270,805
Capital stock and reserves			
Capital stock	18	**1,979,882**	1,979,882
Reserve for repurchase of loan stock	19	**2,687**	2,373
Profit and loss account and other reserves	20	**481,245**	288,550
Stockholders' funds - equity		**2,463,814**	2,270,805

Signed: **Tadhg O'Donoghue** Chairman

Signed: **Padraig McManus** Chief Executive

Signed: **Bernard Byrne** Group Finance Director

28 June 2005

Statement of Total Recognised Gains and Losses

Year ended 31 December 2004

	Notes	2004 € '000	2003 € '000
Profit for the financial year		**267,152**	248,687
Translation differences on consolidation of foreign subsidiaries, joint ventures and associates	20	**(865)**	(3,637)
Total recognised gains and losses for the financial year		**266,287**	245,050

Reconciliation of Movements in Stockholders' Funds		**2004 € '000**	**2003 € '000**
Total recognised gains and losses for year		**266,287**	245,050
Dividends	7	**(77,413)**	(67,118)
Opening stockholders' funds		**2,298,020**	2,120,088
Closing stockholders' funds		**2,486,894**	2,298,020

Group Cash Flow Statement

Year ended 31 December 2004

	Notes	2004 € '000	2003 € '000
Net cash inflow from operating activities	22(a)	**485,035**	530,731
Dividends received from joint venture undertakings		**32,224**	15,189
Returns on investments and servicing of finance			
Interest received		**7,069**	4,017
Interest paid		**(108,013)**	(49,031)
Interest element of finance lease payments		**(8,608)**	(7,597)
Net cash outflow from returns on investments and servicing of finance		**(109,552)**	(52,611)
Taxation			
Corporation tax paid		**(29,324)**	(24,044)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(1,142,627)**	(1,234,862)
Sale of tangible fixed assets		**28,167**	12,864
Deferred income	16	**106,425**	78,359
		(1,008,035)	(1,143,639)
Acquisitions and disposals			
Purchase of subsidiary, joint ventures' and associates		**-**	(7,000)
Net cash outflow from capital expenditure & financial investment		**(1,008,035)**	(1,150,639)
Dividends paid		**(67,118)**	(19,704)
Net cash outflow before management of liquid resources and financing		**(696,770)**	(701,078)
Net cash outflow/(inflow) from management of liquid resources	22(b)	**438,048**	(426,924)
Financing			
Increase in loans and finance leases (net)	22(b)	**204,419**	1,146,453
Net cash inflow from financing		**204,419**	1,146,453
(Decrease) / Increase in cash	22(b)	**(54,303)**	18,451

Notes to the Financial Statements

1 Segmental information

(a) By activity

	2004 € '000	2003 € '000
Power Generation and Supply		
Power Generation		
Total turnover	1,065,387	981,002
Internal turnover	936,085	883,617
External turnover	129,302	97,385
Profit before interest and tax	72,680	62,004
Capital expenditure	192,940	270,047
ESB Customer Supply		
Total turnover	1,759,040	1,660,390
Internal turnover	39,348	28,002
External turnover	1,719,692	1,632,388
Profit before interest and tax	76,476	88,693
Capital expenditure	7,283	2,755
Networks		
Total turnover	945,060	849,196
Internal turnover	728,760	689,935
External turnover	216,300	159,261
Profit before interest and tax	254,187	216,091
Capital expenditure	703,580	671,665
Commercial Enterprises		
Total turnover	691,223	659,983
Internal turnover	200,458	186,775
External turnover	490,765	473,208
Profit before interest and tax	25,892	13,899
Capital expenditure	246,300	308,267
Other		
External turnover - consolidation adjustments	(67,145)	(20,439)
Consolidation adjustments and losses before interest and tax	(31,040)	(26,734)
Capital expenditure	59,044	41,148
Group Totals		
External turnover	2,488,914	2,341,803
Turnover from joint ventures	145,092	138,431
Profit before interest and tax	398,195	353,953
Capital expenditure	1,209,147	1,293,882

Notes to the Financial Statements

1 > Segmental information (continued)

(b) Turnover by geographic market

	2004	2003
	€ '000	€ '000
Ireland	**2,423,984**	2,272,351
UK & Europe	**186,941**	156,574
Other	**23,081**	51,309
Total	**2,634,006**	2,480,234

2 > Operating costs

	2004	2003
	€ '000	€ '000
Payroll	**494,749**	481,142
Fuel	**806,300**	732,141
Operations and maintenance	**528,034**	483,864
Depreciation	**295,933**	286,455
Impairment of assets (Note 8)	**1,046**	32,599
	2,126,062	2,016,201

3 > Net interest cost and other financing charges

	2004	2003
	€ '000	€ '000
Interest payable on borrowings	**110,205**	54,547
Interest payable on finance leases	**8,541**	7,612
Total interest payable	**118,746**	62,159
Total interest receivable	**(6,769)**	(3,943)
Net interest payable	**111,977**	58,216
Less capitalised interest	**(60,691)**	(39,490)
Financing charges:		
> on restructuring provision	**15,886**	18,425
> on station closure provision	**16,600**	14,694
Net interest cost and other financing charges	**83,772**	51,845

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

Notes to the Financial Statements

4 > Employees

(a) Average number of employees in the year by business activity, including temporary employees:	2004 Number	2003 Number
Power Generation & Customer Supply	**2,269**	2,471
Networks	**4,008**	4,073
Commercial Enterprises	**2,652**	2,669
Other	**360**	374
	9,289	9,587

(b) Employee costs in the year	2004 € '000	2003 € '000
Salaries	**561,354**	542,362
Social welfare costs (PRSI)	**22,837**	22,355
Pension costs	**40,369**	39,566
Other payroll benefits*	**41,489**	40,059
	666,049	644,342
Capitalised payroll	**(171,300)**	(163,200)
Charged to the Profit & Loss Account	**494,749**	481,142

* These benefits primarily include travel and subsistence expenses.

5 > Tax on profit on ordinary activities

	2004 € '000	2003 € '000
Corporation tax at 12.5% (2003: 12.5%)	**12,688**	30,526
Less manufacturing relief	**(1,096)**	(2,344)
	11,592	28,182
Capital gains tax	**4,817**	-
Chargeable gains	**52**	-
Overseas tax (excluding associated companies)	**2,395**	3,904
Tax attributable to group	**18,856**	32,086
Tax attributable to associated companies	**-**	63
Tax attributable to joint ventures	**3,972**	2,183
Prior year overprovision	**(1,424)**	-
Current year tax charge (continued overleaf)	**21,404**	34,332

Notes to the Financial Statements

5 > Tax on profit on ordinary activities (continued)

	2004 € '000	2003 € '000
Current year tax change	**21,404**	34,332
Deferred taxation		
Origination and reversal of timing differences	**30,108**	18,774
Deferred tax attributable to joint ventures	**(316)**	316
Prior year overprovision	**(4,037)**	-
	47,159	53,422
Factors affecting tax charge for the year		
Profit on ordinary activities before tax multiplied at current trading rate (12.5%) (2003: 12.5%)	**39,303**	37,764
Tax effects of:		
Expenses not deductible for tax purposes	**1,058**	13,923
Foreign earnings subject to different rates of tax	**4,519**	3,765
Income and gains taxed at the higher rate of Irish tax	**2,082**	316
Income at the reduced Irish tax rate	**(1,096)**	(2,344)
Capital allowances in excess of depreciation	**(25,246)**	(21,626)
Other deferred tax timing differences	**2,208**	2,534
Prior year over provisions	**(1,424)**	-
Current year tax charge before deferred tax	**21,404**	34,332

ESB's profits are taxed at the standard corporation tax rate of 12.5% (2003:12.5%) reduced by manufacturing relief where applicable. Capital gains made during the year have been taxed at 20%. Roughly 10% of the Group's profits are liable to foreign tax at rates ranging between 30% and 40%.

The charge for taxation is based on the profit before tax for the year and takes into account deferred taxation arising from timing differences between the taxation and accounting treatment of certain items. Provision has been made for all deferred taxation assets and liabilities in respect of transactions and events recognised in the financial statements in the current period and previous periods. These deferred taxation assets and liabilities have not been discounted.

Future items that are likely to impact on the tax charge of the company relate mainly to the company's current investment in the new Coolkeeragh power station in Northern Ireland. It is expected that this plant will be fully operational during the year ended 2005. This plant is currently in the commissioning phase and is due to be fully operational in 2005. The current rate of corporate profits tax in Northern Ireland is 30%.

Notes to the Financial Statements

6 › Profit for the financial year

	2004 € '000	2003 € '000
The profit for the financial year is stated after charging/(crediting):		
Depreciation	**295,933**	286,455
Operating lease charges	**9,046**	9,120
Amortisation of goodwill	**1,648**	15,170
Amortisation of deferred income	**(7,331)**	(4,876)
Loss on disposal of fixed assets	**725**	2,766
(Profit) on disposal of fixed assets	**(25,059)**	(10,312)
Loss on disposal of investment in financial fixed asset	**-**	463
Auditors' remuneration		
› audit services	**382**	358
› taxation	**171**	53
› other non-audit services	**223**	151
ESB (Parent) Board Members' remuneration:		
› fees	**196**	203
› other remuneration	**396**	405
Impairment of fixed assets (Note 8)	**1,046**	32,599

7 › Dividends

	2004 € '000	2003 € '000
Dividends on capital stock:		
Proposed final dividend of 3.91 cent (2003: 3.39 cent) per capital stock unit	**77,413**	67,118

It is proposed to pay a dividend of 3.91 cent per capital stock unit issued (2003: 3.39 cent). The total number of capital units in issue is 1,979,881,856. No interim dividend was paid in 2004 or 2003.

Notes to the Financial Statements

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 2004	789,295	5,801,634	6,590,929	1,222,149	7,813,078
Additions	28,123	1,082,440	1,110,563	98,584	1,209,147
Retirements/disposals	(1,703)	(20,632)	(22,335)	-	(22,335)
Translation difference	1	(14)	(13)	-	(13)
Balance at 31 December 2004	815,716	6,863,428	7,679,144	1,320,733	8,999,877
Depreciation					
Balance at 1 January 2004	430,519	2,657,459	3,087,978	-	3,087,978
Charge for the year	24,565	271,368	295,933	-	295,933
Retirements/disposals	(543)	(17,959)	(18,502)	-	(18,502)
Translation difference	1	(23)	(22)	-	(22)
Impairment adjustment	-	1,046	1,046	-	1,046
Balance at 31 December 2004	454,542	2,911,891	3,366,433	-	3,366,433
Net book value at 31 December 2004	**361,174**	**3,951,537**	**4,312,711**	**1,320,733**	**5,633,444**
Net book value at 31 December 2003	358,776	3,144,175	3,502,951	1,222,149	4,725,100

The non depreciable element of land and buildings amounts to €6.6m (2003: €6.4m).

During the year the group capitalised the sum of €60.7m (2003: €39.5m) in interest. The capitalisation rate was 5%/(2003: 5.3%).

During 2004, Ballyragget Power Limited carried out an impairment review of its fixed assets and consequently wrote down the net book value by €1m.

ESB Telecoms Limited, a subsidiary company carried out reviews of its business strategy and fixed asset values during 2003. Arising from this, the value of its fibre asset was written down by €41.4m and the deferred government grant relating to this asset was amortised by a further €13m. The value of the tangible assets in Hibernian Hydro Limited, a subsidiary company was also written down following an impairment review in 2003, reducing the carrying value of the assets by €4.2m.

Additions for 2004 include transfers from assets under construction which have been commissioned during 2004.

Finance leases

All finance leases are held by the parent company. The net book value of tangible fixed assets includes an amount of €43.9m (2003: €48.3m) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to €4.4m (2003: €4.4m).

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.

Notes to the Financial Statements

8 > Tangible fixed assets (continued)

(b) Parent	Land and buildings € '000	Plant and machinery € '000	Total assets in commission € '000	Assets under construction € '000	Total € '000
Cost					
Balance at 1 January 2004	783,443	5,718,407	6,501,850	780,345	7,282,195
Additions	27,967	1,078,516	1,106,483	(143,256)	963,227
Retirements/disposals	(1,703)	(31,540)	(33,243)	-	(33,243)
Balance at 31 December 2004	809,707	6,765,383	7,575,090	637,089	8,212,179
Depreciation					
Balance at 1 January 2004	430,281	2,591,388	3,021,669	-	3,021,669
Charge for the year	24,552	261,578	286,130	-	286,130
Retirements/disposals	(543)	(19,461)	(20,004)	-	(20,004)
Balance at 31 December 2004	454,290	2,833,505	3,287,795	-	3,287,795
Net book value at 31 December 2004	**355,417**	**3,931,878**	**4,287,295**	**637,089**	**4,924,384**
Net book value at 31 December 2003	353,162	3,127,019	3,480,181	780,345	4,260,526

The non depreciable element of land and buildings amounts to €0.7m (2003: €0.8m)

During the year the Parent capitalised the sum of €34.6m (2003: €30.3m) in interest. The capitalisation rate was 5% (2003: 5.3%).

Notes to the Financial Statements

9 > Financial fixed assets

(a) Group	Associated undertakings shares € '000	Joint venture investments € '000	Sinking fund and other investments € '000	Goodwill & intangible assets € '000	Total € '000
Balance at 1 January 2004	3,484	194,287	2,500	124	200,395
(Disposals) / Additions	(78)	109	-	-	31
Amortisation of goodwill	-	(1,596)	-	(52)	(1,648)
Retranslation/other movements	-	(961)	314	-	(647)
Share of profit	85	31,512	-	-	31,597
Dividends received	-	(32,224)	-	-	(32,224)
Balance at 31 December 2004	**3,491**	**191,127**	**2,814**	**72**	**197,504**

The carrying amount of goodwill on subsidiaries after amortisation, at 31 December 2004 is €0.1m (2003: €0.1m).

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 2004 is €2.687m (2003 : €2.373m). Subsidiary, associated and joint venture undertakings are listed in Note 29.

	Subsidiary undertakings			Sinking fund	
(b) Parent	Shares € '000	Loans € '000	Subtotal € '000	investments € '000	Total € '000
Balance at 1 January 2004	56,778	106,668	163,446	2,373	165,819
Additions	-	56,045	56,045	314	56,359
Repayments	-	(31,526)	(31,526)	-	(31,526)
Balance at 31 December 2004	**56,778**	**131,187**	**187,965**	**2,687**	**190,652**

Notes to the Financial Statements

10 Stocks

	2004 € '000	2003 € '000
Group		
Materials and spares	**102,241**	98,607
Fuel	**73,816**	70,995
Appliances and other goods for resale	**14,078**	10,123
	190,135	179,725
Parent		
Materials and spares	**102,241**	98,607
Fuel	**73,816**	70,995
Appliances and other goods for resale	**-**	10,123
	176,057	179,725

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

11 Debtors

	GROUP		PARENT	
	2004 € '000	2003 € '000	2004 € '000	2003 € '000
Amounts falling due within one year:				
Trade debtors	**125,562**	124,535	**111,963**	106,347
Unbilled consumption	**277,873**	189,992	**253,444**	184,752
Deferred payment contracts	**45,746**	69,704	**2,345**	24,028
Value added tax	**21,503**	5,934	**-**	6,792
Amounts owed by subsidiary undertakings	**-**	-	**284,616**	195,309
Other debtors	**79,337**	94,876	**45,177**	56,694
	550,021	485,041	**697,545**	573,922
Amounts falling due after more than one year:				
Deferred payment contracts	**17,076**	23,439	**-**	1,357
Total debtors	**567,097**	508,480	**697,545**	575,279

Notes to the Financial Statements

12 > Investments

Group & Parent	2004 € '000	2003 € '000
Listed investments at cost	78	54
Market value of listed investments	106	68

13 > Borrowings and other debt

(a) Group	Short term borrowings € '000	Finance leases € '000	Borrowings € '000	Non recourse borrowings € '000	2004 Total € '000	2003 Total € '000
Borrowings due within one year						
> Repayable by instalments	-	7,145	30,130	-	**37,275**	35,125
> Repayable other than by instalments	20,000	-	70,395	-	**90,395**	63,211
	20,000	7,145	100,525	-	**127,670**	98,336
Borrowings due after one year						
> Repayable by instalments						
Between one and two years	-	7,727	100,598	7,962	**116,287**	37,275
Between two and five years	-	23,581	123,684	33,173	**180,438**	146,839
After five years	-	86,135	449,764	312,409	**848,308**	744,992
	-	117,443	674,046	353,544	**1,145,033**	929,106
> Repayable other than by instalments						
Between one and two years	-	-	50,000	-	**50,000**	70,395
Between two and five years	-	-	161,716	-	**161,716**	125,404
After five years	-	11,220	878,033	-	**889,253**	946,073
	-	11,220	1,089,749	-	**1,100,969**	1,141,872
Total borrowings due after one year	-	128,663	1,763,795	353,544	**2,246,002**	2,070,978
Total borrowings outstanding	**20,000**	**135,808**	**1,864,320**	**353,544**	**2,373,672**	2,169,314

Borrowings totalling €53.3m (2003: €87.6m) are State guaranteed. Borrowings include €593.6m (2003: €427.4m) related to subsidiary undertakings of which €353.5m (2003: €172.5m) relates to the non-recourse financing for Bizkaia Energia SL. The purpose of the latter company is to build, own and operate a nominal 755MW combined cycle turbine power plant at Amorebieta, near Bilbao, Spain.

ESB stock accounts for €15m (2003: €15m) of the year-end borrowings.

Notes to the Financial Statements

13 › Borrowings and other debt (continued)

At year end, ESB's total debt portfolio amounted to €2.373bn (2003: €2.169bn). The underlying debt, before swaps, was denominated in the following currencies:

Currency	2004 %	2003 %
Euro	**56**	49
Japanese Yen	**0**	1
Swiss Franc	**1**	1
US Dollar	**34**	39
Sterling	**9**	10
Total	**100**	**100**

(b) Parent	Short term borrowings € '000	Finance leases € '000	Borrowings € '000	2004 Total € '000	2003 Total € '000
Borrowings due within one year					
› Repayable by instalments	-	7,145	15,538	**22,683**	20,533
› Repayable other than by instalments	20,000	-	70,395	**90,395**	63,211
	20,000	7,145	85,933	**113,078**	83,744
Borrowings due after one year					
› Repayable by instalments					
Between one and two years	-	7,727	13,762	**21,489**	22,683
Between two and five years	-	23,581	79,906	**103,487**	90,245
After five years	-	86,190	354,875	**441,065**	475,860
	-	117,498	448,543	**566,041**	588,788
› Repayable other than by instalments					
Between one and two years	-	-	50,000	**50,000**	70,395
Between two and five years	-	-	161,716	**161,716**	54,896
After five years	-	11,220	878,033	**889,253**	946,072
	-	11,220	1,089,749	**1,100,969**	1,071,363
Total borrowings due after one year	-	128,718	1,538,292	**1,667,010**	1,660,151
Total borrowings outstanding	**20,000**	**135,863**	**1,624,225**	**1,780,088**	1,743,895

Notes to the Financial Statements

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 Finance 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, which also manages the financial risks associated with borrowing. Debt management strategies are summarised as follows:

- To ensure all borrowing facilities are in compliance with the Electricity Acts and relevant regulatory requirements.
- To ensure adequate funding facilities are available to the Group on an ongoing basis to facilitate implementation of ESB business strategy.
- To achieve a debt portfolio with a maturity, currency mix, cost of funds and interest rate profile consistent with ESB's business strategy.
- To utilise structured non-recourse and limited recourse financing while ensuring compatibility between funding costs and risk mitigation.
- To maintain a diversity in ESB's lender base and a strategic spread of non-borrowing business.
- To ensure all instruments used and terms and conditions negotiated, allow flexibility for future changes in business strategy.

(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's fuel-related foreign currency exposures, mainly US Dollar and Sterling are managed through an indexation formula agreed with CER. This allows spot fuel market price and foreign exchange variations to be factored into CER price determinations.

For other foreign exchange purchases, foreign currency spot and forward purchase contracts, options, deposits and borrowings are used to reduce volatility arising from currency fluctuations.

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.

(f) Counterparty credit risk

ESB is exposed to credit risk relating to its cash deposits, derivative transactions and current financial assets. It deposits cash surpluses and transacts derivative business with financial institutions which meet approved creditworthiness criteria. Also, there is a limit on the amount of credit exposure to any one bank or institution.

Notes to the Financial Statements

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 calculate 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 taking into account maturity and credit margin.

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

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

The Group's floating rate financial assets and liabilities primarily bear interest rates based on the six month Euribor/Libor. Short term liabilities and assets are excluded from these disclosures.

(i) Cash deposits

2004	**Currency**	**Book value € m**	**Fair value € m**	**Fixed %**	**Weighted avg. period**	**Weighted avg. rate %**
	EUR	**25.7**	**25.7**	**100**	**1 day**	**2.1**
	GBP	**10.5**	**10.5**	**100**	**11 days**	**4.8**
	USD	**0.7**	**0.7**	**100**	**7 days**	**2.4**

2003	**Currency**	**Book value € m**	**Fair value € m**	**Fixed %**	**Weighted avg. period**	**Weighted avg. rate %**
	EUR	450.0	450.0	100	15 days	2.1
	GBP	11.6	11.6	100	5.8 days	3.9
	USD	11.7	11.7	100	7.5 days	1.1

The sinking fund investments amount to €2.7m 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 %**
2004	**GBP**	**20.0**	**20.0**	**100**	**4 days**	**2.3**
2003	GBP	10.8	10.8	100	86 days	4.1

Notes to the Financial Statements

14 > Financial instruments (continued)

(iii) Debt portfolio

86% of the Group's debt portfolio is fixed to maturity. The weighted average cost of the overall debt portfolio is approximately 5% and the average life is 9.25 years.

	2004			2003		
			Mark-to-market			Mark-to-market
Instruments	**Book value**	**Fair value**	**Gain/(Loss)**	Book value	Fair value	Gain/(Loss)
	€ m	**€ m**	**€ m**	€ m	€ m	€ m
Loans/Leases	**1,434.6**	**1,462.8**	**(28.2)**	1,227.7	1,263.7	(36.0)
Interest Rate Swaps	**-**	**27.2**	**(27.2)**	-	(21.2)	21.2
Currency Swaps	**919.1**	**999.6**	**(80.5)**	930.8	955.6	(24.8)
Total	**2,353.7**	**2,489.6**	**(135.9)**	**2,158.5**	**2,198.1**	**(39.6)**

(iv) Foreign exchange contracts

	2004			2003		
			Mark-to-market			Mark-to-market
Currency	**Book value**	**Fair value**	**Gain/(Loss)**	Book value	Fair value	Gain/(Loss)
	€ m	**€ m**	**€ m**	€ m	€ m	€ m
USD	**31.7**	**29.4**	**(2.3)**	45.4	38.8	(6.6)
GBP	**101.4**	**102.2**	**0.8**	115.2	115.1	(0.1)
Total	**133.1**	**131.6**	**(1.5)**	**160.6**	**153.9**	**(6.7)**

(v) Commodity contracts

ESB manages its commodity pricing risk on fuel in the context of indexation as set by the Commission for Energy Regulation. These exposures are managed using commodity spot and forward contracts.

At 31 December 2004, there were no oil swaps - (2003: book value US$4.9m, fair value US$5.3m - Gain US$0.4m).

At 31 December 2004, there were four coal swaps in place for the period from January to December 2004 - book value US$37.8m, fair value US$42.8 - loss US$5m (2003: no coal swaps in place).

Notes to the Financial Statements

14 > Financial instruments (continued)

(h) Liquidity risk

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

	2004		2003	
	Drawn debt	**Maturing**	Drawn debt	Maturing
	€ m	**€ m**	€ m	€ m
In one year or less	**90.4**	**154.2**	73.9	-
Between one and two years	**122.2**	**-**	70.4	328.0
Between two and five years	**202.6**	**941.0**	169.4	1,085.0
In more than five years	**1,958.5**	**-**	1,855.6	-
	2,373.7	**1,095.2**	2,169.3	1,413.0

(i) Other

ESB has entered into a leasing transaction, early termination of which could expose ESB to a current estimated maximum net loss of €0.1m in present value terms (2003: €5.7m). 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 2004, ESB had no forward foreign exchange fuel contracts in place (2003: None in place).

Long term debtors of €17.1m (2003: €23.4m) and creditors of €51.7m (2003: €101.1m) form part of the long term financing of the Group.

15 > Other creditors

	Group		Parent	
	2004	**2003**	**2004**	**2003**
Creditors falling due within one year:	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Progress payments on work in progress	**34,812**	32,919	**34,812**	32,919
Trade creditors	**202,579**	229,782	**182,397**	202,951
Other creditors	**66,377**	20,169	**59,821**	14,812
Employment taxes	**12,527**	11,170	**11,557**	10,318
Value added tax	**-**	-	**3**	-
Dividends	**77,413**	67,118	**77,413**	67,118
Accruals	**224,384**	160,070	**133,114**	108,697
Amounts owed to subsidiary undertakings	**-**	-	**133,241**	73,452
Accrued interest on borrowings	**15,197**	12,772	**14,139**	12,472
Corporation tax	**22,179**	34,009	**24,396**	32,404
	655,468	568,009	**670,893**	555,143
Creditors falling due after more than one year	**51,703**	101,139	**23,851**	70,087

Notes to the Financial Statements

16 > Deferred income

	2004	2003
Group	€ '000	€ '000
Balance at 1 January 2004	**155,805**	95,368
Receivable	**106,425**	78,359
Transferred to profit and loss account	**(7,331)**	(4,876)
Impairment of Asset (Note 8)	**-**	(13,046)
Balance at 31 December 2004	**254,899**	155,805
Parent		
Balance at 1 January 2004	**154,423**	85,038
Receivable	**106,005**	73,897
Transferred to profit and loss account	**(7,216)**	(4,512)
Balance at 31 December 2004	**253,212**	154,423

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.

It is estimated that €11m deferred income will be released to the profit and loss account in 2005 in accordance with the accounting policy on deferred income.

17 > Provisions for liabilities and charges

	Deferred taxation	Generating station closure	Restructuring costs	2004 Total	2003 Total
Group	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 1 January 2004	**249,975**	**298,667**	**338,767**	**887,409**	929,558
Transfer from profit & loss account:					
> Increase in station closure provision	**-**	**-**	**-**	**-**	1,300
> Financing charge (note 3)	**-**	**16,600**	**15,886**	**32,486**	33,119
> Deferred tax charge for the year	**26,071**	**-**	**-**	**26,071**	18,774
Utilised during the year	**-**	**(19,027)**	**(87,217)**	**(106,244)**	(95,342)
Balance at 31 December 2004	**276,046**	**296,240**	**267,436**	**839,722**	887,409

Notes to the Financial Statements

17 > Provisions for liabilities and charges (continued)

Deferred Taxation

Group	2004 € '000	2003 € '000
Capital allowances in excess of depreciation	**289,468**	264,222
Timing differences arising on provisions	**(13,422)**	(14,247)
	276,046	249,975

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.

The provision for liabilities and charges for the Parent for 2004 is €836.7m (2003: €889.4m). The note above refers both to the Group and the Parent with the exception of deferred taxation. The charge for deferred taxation in the Parent for 2004 was €21m (2003: €20.8m) and the balance at year end is €273m (2003: €252m).

Provision for generating station closure

The provision at 31 December 2004 of €296.2m (2003: €298.7m) for station closure represents the present value of the current estimate of the costs of closure of generating stations at the end of their useful economic lives. The expected closure dates of most generating stations are up to 2020. As the costs are provided on a discounted basis, a financing charge is included in the profit and loss account and added to the provision each year. The station closure provision has been re-examined and the liability re-calculated in accordance with the current expected station closure dates.

Closure costs include physical dismantling costs and costs associated with demanning 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 the end of 2005 and the majority of the liabilities will be discharged by 2017.

Notes to the Financial Statements

18 > Capital stock

Group & Parent	2004	2003
	€ '000	€'000
Capital Stock	**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 2001, on 30 December 2001, the capital and reserves of ESB were converted to capital stock and issued to the Department of Finance. At the same time, ESB ESOP Trustee Limited, established to act as Trustee for an ESB employee shareholding scheme, subscribed for 5% of the stock.

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

19 > Sinking fund reserve for repayment of borrowings

Group & Parent	2004	2003
	€ '000	€ '000
Balance at 1 January 2004	**2,373**	2,128
Appropriation for repayment of borrowings	**314**	245
Balance at 31 December 2004	**2,687**	2,373
Represented by:		
Sinking fund investments (Note 9)	**2,687**	2,373

Notes to the Financial Statements

20 > Profit and loss account and other reserves

(a) Group	Profit & Loss account € '000	Other reserves € '000	2004 Total € '000	2003 Total € '000
Balance at 1 January 2004	**306,567**	**9,198**	**315,765**	138,078
Profit retained in year	**189,425**	-	**189,425**	181,324
Translation differences on consolidation of foreign subsidiaries	-	**(865)**	**(865)**	(3,637)
Balance at 31 December 2004	**495,992**	**8,333**	**504,325**	315,765
(b) Parent	**481,245**	-	**481,245**	288,550

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

The retained profit in the parent accounts for 2004 amounted to €192.7m (2003: €205.8m).

21 > Minority interest

	2004 € '000	2003 € '000
Equity minority interest:		
Balance at 1 January 2004	**566**	567
Profit and loss account	**112**	(1)
Balance at 31 December 2004	**678**	566

Minority interests at the end of 2004 and 2003 relate to the minority shareholdings in Crockahenny Wind Farm Limited and Hibernian Hydro Limited.

Notes to the Financial Statements

22 › Cash flow statement

(a) Reconciliation of operating surplus to net cash inflow from operating activities	2004 € '000	2003 € '000
Operating profit	**362,852**	325,602
Depreciation	**295,933**	286,455
Utilisation of provisions for liabilities and charges	**(106,244)**	(95,342)
Increase in provisions for liabilities and charges	**-**	1,300
Loss on disposal of tangible fixed assets	**725**	2,766
(Profit) on disposal of tangible fixed assets	**(25,059)**	(10,312)
Loss on disposal of investment in financial fixed assets	**-**	463
Amortisation of deferred income	**(7,331)**	(4,876)
Amortisation of goodwill	**1,648**	15,170
Translation differences	**576**	1,391
(Increase) in debtors	**(58,617)**	(25,127)
(Increase) in stocks	**(7,710)**	(964)
Increase in creditors	**27,216**	1,606
Provision for the impairment of fixed assets	**1,046**	32,599
Net cash inflow from operating activities	**485,035**	530,731

(b) Reconciliation of net cash flow to movement in net debt	2004 € '000	2003 € '000
(Decrease) / Increase in cash in the year	**(54,303)**	18,451
Repayment of loans	**67,643**	334,262
New loans in year	**(282,900)**	(1,494,000)
Capital element of finance lease payments	**10,838**	13,285
Cash (inflow) from change in debt and lease financing	**(204,419)**	(1,146,453)
Net change in sinking fund bank deposits	**314**	245
Net change in other bank deposits	**(438,362)**	426,679
Cash (outflow)/inflow from decrease in liquid resources	**(438,048)**	426,924
Change in net debt resulting from cashflows	**(696,770)**	(701,078)
Exchange differences	**996**	879
Movement in net debt in the year	**(695,774)**	(700,199)
Net debt at 1 January 2004	**(1,600,433)**	(900,234)
Net debt at 31 December 2004	**(2,296,207)**	(1,600,433)

Notes to the Financial Statements

22 Cash flow statement (continued)

(c) Analysis of changes in net debt

	At 1 January 2004 € '000	Cashflow € '000	Exchange movements € '000	At 31 December 2004 € '000
Cash at bank and in hand (see below)	94,887	(54,303)	-	**40,584**
Loans	(2,022,668)	(215,257)	61	**(2,237,864)**
Finance leases	(146,646)	10,838	-	**(135,808)**
	(2,169,314)	(204,419)	61	**(2,373,672)**
Other bank deposits (see below)	471,621	(438,362)	935	**34,194**
Sinking fund bank deposits & other investments	2,373	314	-	**2,687**
	473,994	(438,048)	935	**36,880**
Total	**(1,600,433)**	**(696,770)**	**996**	**(2,296,207)**
Cash at bank and in hand	94,887			**40,584**
Other bank deposits	471,621			**34,194**
Cash at bank and in hand per balance sheet	566,508			**74,778**

Notes to the Financial Statements

23 Pensions

(a) SSAP 24 Accounting for Pension Costs

The group has continued to account for pensions in accordance with SSAP 24. The pension charge of the Group for the year was €40.4m (2003: €39.6m), based on the on-going contribution rates as advised by the actuaries.

ESB General Employers' Superannuation Scheme

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

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

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

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 below.

Actuarial Valuation

The pension costs of the scheme are assessed in accordance with the advice of independent actuaries obtained at three yearly intervals. An actuarial valuation was completed as at 31 December 2003.

The valuation for the scheme was prepared using the attained age method. The principal actuarial assumption was that, over the long-term, the annual rate of return on investments would be 3% higher than the annual increase in pensionable remuneration and pensions in course of payment. At the date of that actuarial valuation, the market value of the assets of the scheme together with the value of future contributions was €3,311m and the actuarial valuation of accrued liabilities allowing for expected future increases in earnings and pensions was €3,822m. Hence the scheme's liabilities exceeded the value of its assets by €511m.

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

ESB Subsidiary Companies Pension Scheme

ESB also operates an approved defined contribution scheme called ESB Subsidiary Companies Pension Scheme for employees of ESB subsidiary companies. Contributions are paid by the members and employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the scheme are held in a separate trustee administered fund. The pension charge for the year represents the defined employer contribution and amounted to €2.08m (2003:€1.8m).

Notes to the Financial Statements

23 Pensions (continued)

(b) FRS 17 Retirement Benefits

The phased transitional disclosures required by FRS 17 - 'Retirement Benefits' are included below.

The valuation of the scheme for the purposes 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 in order to assess the liabilities of the scheme at the balance sheet date. The scheme assets are stated at their market value at the balance sheet date. The valuation was carried out using the projected unit method.

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.

Assumptions

Financial Assumptions

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

	2004 %	2003 %	2002 %
Rate of interest applied to discount liabilities	**4.75**	5.50	5.75
Price inflation	**2.00**	2.25	2.25
Rate of increase of salaries	**3.00**	3.50	3.50
Rate of increase of pensions in payment	**3.00**	3.50	3.50

Scheme Assets

Long term rates of return expected at 31 December 2004, 2003 and 2002 are set out below:

	2004 %	2003 %	2002 %
Rate of return on equity investments	**7.50**	8.00	8.25
Rate of return on bond investments	**4.00**	4.75	4.75
Rate of return on other investments	**6.00**	5.75	5.75

Notes to the Financial Statements

23 > Pensions (continued)

> Assets in the Scheme at 31 December 2004, 2003 and 2002

	2004	2003	2002
	€ '000	€ '000	€ '000
Equities	**2,081,153**	1,921,002	1,554,443
Bonds	**254,892**	243,937	257,953
Other	**464,969**	376,069	430,668
	2,801,014	2,541,008	2,243,064
Actuarial value of scheme liabilities	**(4,151,765)**	(3,608,805)	(3,147,997)
Deficit	**(1,350,751)**	(1,067,797)	(904,933)
Related deferred tax	**168,844**	133,475	113,117
Net pension liability	**(1,181,907)**	(934,322)	(791,816)

> Analysis of the amount that would have been charged to operating profit in 2004 under FRS 17

Impact on Group operating profit	2004	2003
	€ '000	€ '000
Current service cost	**47,405**	40,631
Past service cost	**-**	-
Total operating charge	**47,405**	40,631

> Analysis of the amount that would have been credited to other finance income in 2004 under FRS 17

Impact on other finance income	2004	2003
	€ '000	€ '000
Expected return on pension scheme assets	**186,139**	165,776
Interest on pension scheme liabilities	**(196,681)**	(179,826)
Net return	**(10,542)**	(14,050)
Total net impact on reported profits	**57,947**	**54,681**

Notes to the Financial Statements

23 Pensions (continued)

Analysis of amount which would be recognised in Statement of Total Recognised Gains and Losses (STRGL) under FRS 17

	2004 € '000	2003 € '000
Actual return less expected return on pension scheme assets	**94,322**	145,111
Experience gains and losses arising on the scheme liabilities	**(147,432)**	(211,054)
Changes in demographic and financial assumptions	**(264,423)**	(132,083)
Actuarial loss which would be recognised in the STRGL	**(317,533)**	(198,026)

Movement in deficit during the year

	2004 € '000	2003 € '000
Deficit in scheme at beginning of the year	**(1,067, 797)**	(904,933)
Movement in year:		
Current service cost	**(47,405)**	(40,631)
Contributions	**92,526**	89,843
Past service costs	**-**	-
Other finance income	**(10,542)**	(14,050)
Actuarial Loss	**(317,533)**	(198,026)
Deficit	**(1,350,751)**	(1,067,797)

History of experience gains / losses

	2004	2003	2002
Experience gains and losses on scheme assets:			
Amounts (€' 000)	**94,322**	145,111	(641,683)
% of the market value of the scheme assets	**3%**	6%	(29%)
Experience gains and losses on scheme liabilities:			
Amounts (€' 000)	**(147,432)**	(211,054)	(104,546)
% of the present value of the scheme liabilities	**4%**	6%	3%
Total amount recognised in the STRGL			
Amounts (€' 000)	**(317,533)**	(198,026)	(846,474)
% of the present value of the scheme liabilities	**8%**	5%	27%

Notes to the Financial Statements

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:	2004 € '000	2003 € '000
Within one year	**26**	55
Between two and five years	**1,672**	2,486
After five years	**7,108**	7,382
Total payable within one year	**8,806**	**9,923**

(b) Capital commitments

	2004 € '000	2003 € '000
Contracted for	**439,453**	310,962
Authorised but not contracted for	**917,500**	583,549
	1,356,953	894,511

(c) Fuel contract commitments

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

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

Other than agreed allocations under ESOP, Board Members had no beneficial interest in ESB or its subsidiaries at any time during the year.

Subsidiary undertakings

During the year ended 31 December 2004, ESB Parent purchased €78.9m (2003: €62.3m) from its subsidiaries. These purchases largely relate to engineering and consulting services, mainly by the electricity businesses.

During the year, ESB Parent sold €96.1m (2003: €55.7m) to subsidiaries. These sales mainly relate to management services, as well as electricity charges such as use of system charges and sales of electricity.

Notes to the Financial Statements

25 > Related party transactions (continued)

Associated undertakings

ESB undertook no transactions with its associated undertakings during the year. In 2003, contracts with America and Caribbean Power Limited for the provision of services amounted to €1.4m.

Joint ventures

During the year the Group provided services to its joint ventures, Synergen and Corby Power Ltd. ESB provided services to Synergen to the value of €31.1m (2003: €7.5m) and had to the year end advanced capital to the partnership totalling €108.3m (2003: €134.3m), funded through third party borrowings. The capital advanced fell during 2004 due to dividends received from Synergen. Synergen made sales of €81.0m (2003: €79.8m) to the Group. Services to the value of €4.8m (2003: €5.14m) were provided to Corby Power Ltd.

26 > ESB ESOP Trustee Limited

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as trustee to the ESB Employee Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the company. The trustee company is chaired by an independent professional trustee with four directors representing ESB employees and two directors representing the Company. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist. In accordance with FRS 2 "Accounting for Subsidiary Undertakings", the accounts for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

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 Members, which would require adjustment to the accounts or any additional disclosures.

28 > Approval of Accounts

The Board approved the accounts on 28 June 2005.

Notes to the Financial Statements

29 > Subsidiary, Joint Venture & Associated undertakings

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
ESB International Ltd	*	100	Holding company
ESBI Engineering and Facility Management Ltd	*	100	Engineering
ESBI Engineering Overseas Ltd	*	100	Engineering
ESBI Contracting Ltd	*	100	Contracting
ESBI Consultants Ltd	*	100	Consultancy
ESBI Computing Ltd	*	100	Computer services
ESB Ireland Holdings Ltd	*	100	Holding company
ESBII Technology and Construction Ltd	*	100	Power generation
FinancElectric Ltd	*	100	Customer credit
ESB International Investments Ltd	*	100	International investments
ESBI Facility Management Ltd	*	100	Facility management
Salmara Holdings Ltd	*	100	Holding company
ESB Independent Energy Ltd	*	100	Electricity sales
ESB Contracts Ltd	**	100	Contracting
ESB Power Generation Holding Company Ltd	**	100	Holding company
Ballyragget Power Ltd	**	100	Power projects
Gort Windfarms Ltd	**	100	Wind farm
Crockahenny Wind Farm Ltd	**	75	Wind farm
Hibernian Hydro Ltd	**	95	Small hydro projects

Notes to the Financial Statements

29 Subsidiary, Joint Venture & Associated undertakings (continued)

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
Dublin Bay Power Ltd	**	100	Holding company
Tawnawully Power Ltd	**	100	Power generation
Utilities O&M Services Ltd	**	100	Operation & maintenance services
Hibernian Wind Power Ltd	**	100	Wind power
ESB Independent Energy NI Ltd	**	100	Electricity sales
ESB Retail Ltd	**	100	Sale of electrical appliances
ESB Telecoms Ltd	**	100	Telecommunications
Bizkaia Energia SL	****	100	Power generation
Facility Management Espana SL	****	100	Facility management
ESBI Engineering UK Ltd	*****	100	Engineering and general consultancy
Electricity Supply Board Services B.V.	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	100	Facility management
ESBI US Transmission Inc.	2800 Post Oak Road Houston Texas, 77056	100	Holding company
Electricity Supply Board International Investments B.V.	Strawinskylaan 3105 7th Floor 1077 ZX Amsterdam The Netherlands	100	Holding company
Coolkeeragh ESB Ltd	2 Electra Road Maydown Derry BT47 6 UL	84	Power generation

Notes to the Financial Statements

29 > Subsidiary, Joint Venture & Associated undertakings (continued)

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
ESBII UK Ltd	******	100	Power generation
ESBI Luxembourg SA.	121 Avenue de la Faiencerie L.1511 Luxembourg	100	Holding company
Power Generation Technology Snd Bhd	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia.	100	Power generation
Facility Management UK Ltd	******	100	Facility management
ESBI Georgia Ltd	39 Gamsakhurdia Ave Suite 42 Tbilisi Georgia	100	Transmission management
Marchwood Power Ltd	******	100	Power generation
Marchwood Power Development Ltd	******	100	Power generation
Menloe Two Ltd	**	100	Finance leasing
Menloe Investments Ltd	**	100	Finance leasing
Non-controlled subsidiary undertaking			
ESB ESOP Trustee Ltd	43 Merrion Square Dublin 2	100	Staff shareholding scheme
Associated undertakings			
Transpower Ltd	*	50	Development of independent power projects

Notes to the Financial Statements

29 Subsidiary, Joint Venture & Associated undertakings (continued)

Company name	Registered office	Group share %	Nature of business
Associated undertakings			
CPL Operations Ltd	***	50	Facility management
Saur Utilities Ltd.	16 St. Stephen's Green, Dublin 2	49	Water and sewerage treatment
Coolkeeragh Group Ltd	2 Electra Road Maydown Derry BT47 6 UL	40	Power generation
Joint venture undertakings			
Irish Power Systems Ltd	**	50	Power generation
Corby Power Ltd	***	50	Power generation
Synergen	South Bank Road Ringsend Dublin 4	70 (Note 1)	Power generation
Investments			
Rousch (Pakistan) Power Ltd	94-W, 3rd Floor Admir Plaza Jinnah Ave. Blue Area Islamabad Pakistan	7	Independent power producer

Note 1: Accounted for as a Joint Venture due to the terms of the Partnership deed.

* Stephen Court
18-21 St. Stephen's Green
Dublin 2

** 27 Lr. Fitzwilliam St.
Dublin 2

*** Mitchell Road
Phoenix Parkway
Corby
Northamptonshire
N17 1Q7

**** Iparraguirre 29
2a Planta
48011 Bilbao
Spain

***** 122 London Road
Kingston on Thames
Surrey
KT2 26QJ

******165 Queen Victoria Street
London
EC4V 4DD



Appendix

Appendix

Report of Board Members on Compliance with the Prompt Payment of Accounts Act, 1997 and European Communities (Late Payments in Commercial Transactions) Regulations, 2002 (S.I. No. 388 of 2002)

Introduction

Prompt payments during 2004 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.
- European Communities (Late Payments in Commercial Transactions) Regulations, 2002 (S.I. No. 388 of 2002) to combat late payments in commercial transactions, amended the above when they came into effect on 7th August 2002. These Regulations apply to contracts made after 7th August 2002 for 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 legislation

ESB complies with the requirements of the legislation in respect of external supplier payments within the EU in all material respects.

Procedures and controls in place

Appropriate internal financial controls have been implemented including clearly defined roles and responsibilities. These procedures provide reasonable and not absolute assurance against material non-compliance with the legislation.

Details of interest payments in respect of 2004

No interest payments were made during the year. When ESB receives a request from the supplier, it is ESB's policy to pay interest due on late payments. No such requests were received during 2004.

Tadhg O'Donoghue Chairman

Padraig McManus Chief Executive

28 June 2005

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