Annual Report & Accounts

for the year ended 31 December 1999

www.esb.ie

creating a new dynamic...

Contents

PN 8380

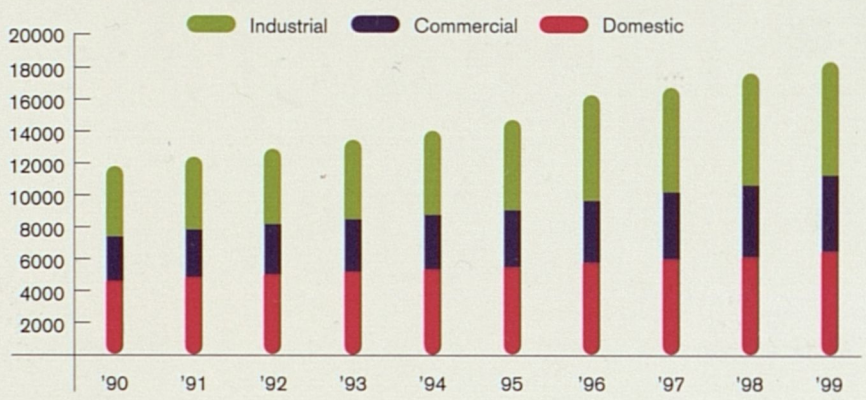
Highlights

Financial highlights

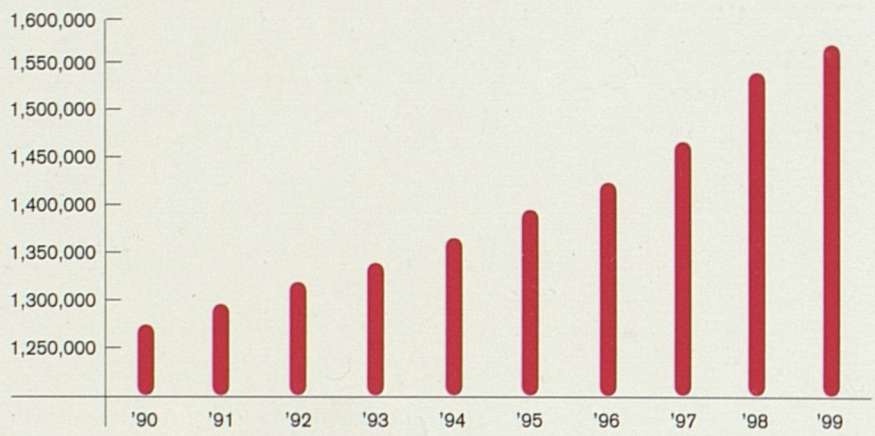
	IR£m	Change on 1998	Euro€m
Turnover	1,355	+7.4%	1720
Surplus for the Year	216	+9.6%	274
Assets in commission (gross)	3,664	+6.6%	4652
Borrowings	655	-6.6%	832

Sales (millons units)	18,598	+6.6%
Total customers	1,577,162	+3.2%

Sales units (millions)



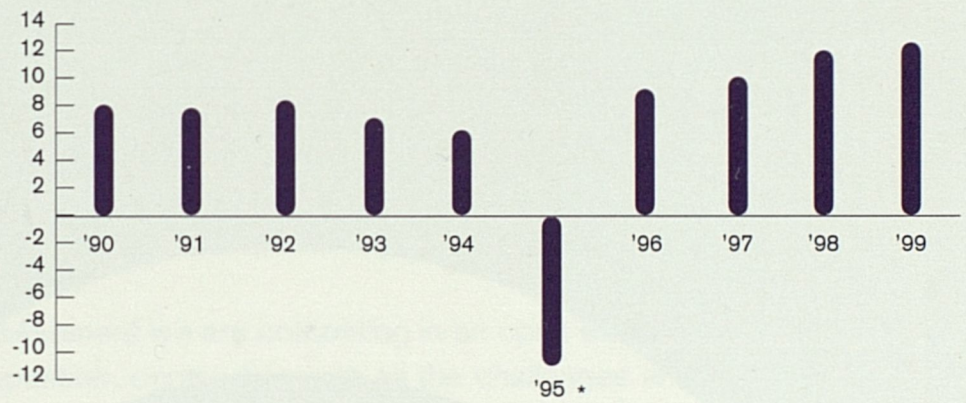
No. customers



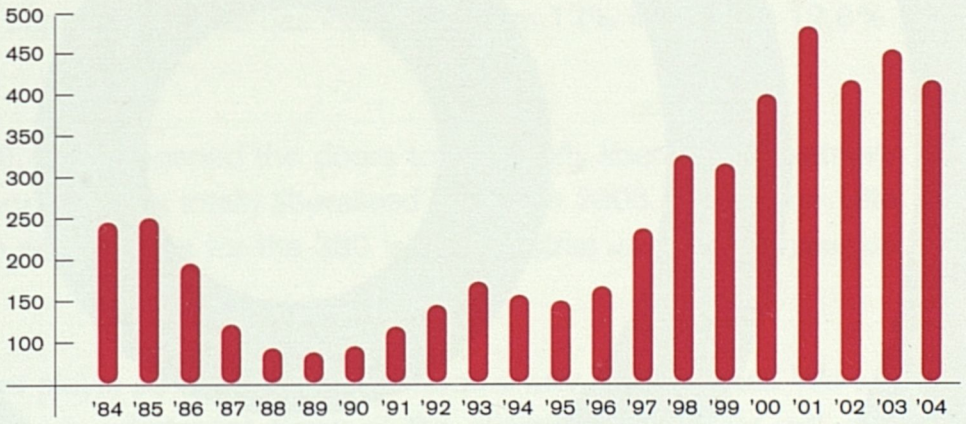
Highlights

Return on average capital employed %

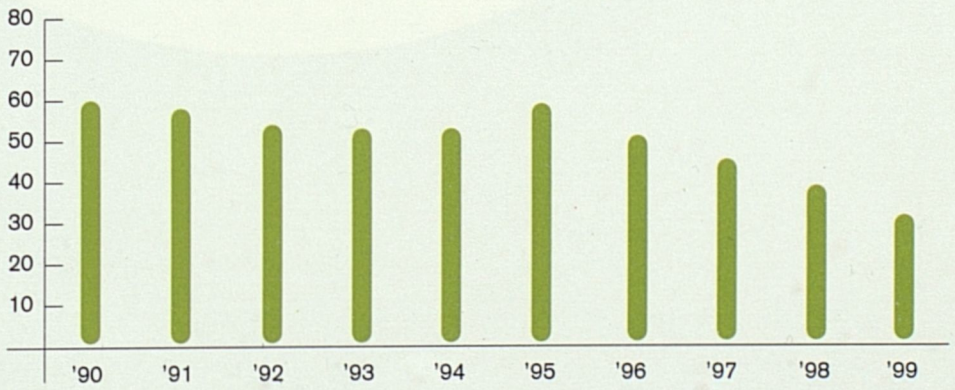
* Includes charge for CCR



Capital expenditure



Debt/net assets %



the energy starts here

Chairman's Statement

In accordance with the provisions of The Electricity (Supply) Act 1927 (as amended), the Board presents its Annual Report and Accounts for the year ended 31st December 1999.

For ESB, this is one of the most challenging and exciting periods since our foundation. We started in 1927 as a utilities business operating in three areas - electricity generation, distribution and transmission and were synonymous with the electricity industry.

Now, for the first time since our establishment we are competing in an open electricity market. We face into an era of unrestricted competition, contending with all the challenges and opportunities of a competitive electricity market, one of the fastest growing in Europe.

The results for the year show a satisfactory increase in the group surplus after tax of over 9% to IR£216m. This is after a tax charge of IR£54m, compared to IR£23m in 1998. The result reflects continuing high electricity demand growth and the full realisation of cost improvements driven by the Cost and Competitiveness Review restructuring plan implemented over the last three years. Falling interest rates and low levels of debt have also been a significant contributor to the Group's increased profitability. The return on capital employed has increased from 12% in 1998 to 12.6%.

Deregulation

Legislation was passed during 1999, which opened the doors to a partially liberalised electricity market, the first step in a phased approach to a totally liberalised market in 2005. ESB, from 19th February 2000, has been vying with new players for the 380 large industrial users who make up 31% of the electricity market.

ESB will position itself as a significant player as we progress towards a fully open market. We will compete fairly and enthusiastically for a substantial share of the eligible market. We will also continue to discharge our public electricity supplier function, providing a quality service at competitive prices.

We have serious challenges ahead. Our market share will inevitably reduce as a result of deregulation. A significant change agenda must be implemented as a matter of urgency to assist our entry into a fully liberalised market and secure a long term future for ESB and its staff in this market and to create value for its owners.

Strategy

We are transforming from a public service corporation to a commercially-focused entity with a new business structure. We expect to be free to compete in new, energy related sectors and to determine and pursue business-driven goals and we have clear plans to do so.

A key priority is to maximize shareholder value through profitable growth. The challenge is to establish ESB as the supplier of choice while competing in the generation business and also developing and securing new profit opportunities to grow our business in Ireland and internationally.

We have developed a clear strategy to achieve profitable growth which will be implemented over the next five years.

Investment and growth

Seizing Irish and international growth opportunities will underpin our profitability. With national market demand growing at a substantial pace, averaging 5% per annum over the last 10 years (6.6% in 1999), there is significant potential to increase our business domestically as well as on an all-Ireland basis. In addition, the worldwide trend towards deregulation also presents substantial opportunities for growth. We also plan to invest IR£2.1 billion over the next five years in extending and improving our transmission and distribution networks.

International expansion

ESB will not rely on one market for growth. As part of its internationalisation strategy, we are currently rolling out an investment and acquisitions programme under the direction of our recently appointed International Investments Director.

Developing assets outside the present franchise area gives ESB additional scale and revenues. ESB's investment in Ocean was undertaken in this context. We have agreed to divest of our stake in Ocean to British Telecom plc following its takeover of ESAT Telecom Group plc.

Competitiveness

ESB has, over the past four years, laid strong foundations for future growth and profitability through the Cost and Competitiveness Review. We have made substantial progress at all levels in achieving ambitious financial and cost reduction targets. The challenges of the progressive opening of the market will require us to achieve further, significant cost reductions and efficiencies.

Staff and shareholders

Once again ESB staff have demonstrated their commitment to service. We have a very loyal and committed staff whose expertise is unsurpassed and has been demonstrated in the work which has taken place maintaining our portfolio of power stations, meeting the demand for new connections and in storm repairs both in Ireland and in France over three Christmas periods. Over 180 workers travelled to France, foregoing their own millennium celebrations, to help restore power to homes, hospitals and essential services in some of the areas worst affected by storms over Christmas. They are an example of the caring and committed ethos of ESB.

I also want to express my special thanks to the management and staff of ESB for another year of strong achievement. The Board is determined to work to retain the key qualities which differentiate ESB from its new competitors.

I would like to express my thanks to my colleagues on the Board for their work during the year and thank the Minister for Public Enterprise and the officials in her Department for the help and support they have given us throughout 1999.

Conclusion and outlook

We face into an unprecedented era for which we have been preparing intensively. We have honed our skills and focused our resources to meet the challenges of an open market. We have already achieved substantial cost savings and become more efficient. As a business, we are leaner, more focused and more driven than at any other stage of our development.

We have invested in infrastructural changes and are upgrading the distribution networks. We have progressive customer response mechanisms and our prices are among the most competitive in the EU. We have an international reputation for reliable, quality electricity supply and service.

Our joint ventures are already providing important international growth opportunities. We can report substantial progress in Northern Ireland, where we have successfully positioned ourselves for future growth. The prospects for longer-term return on our capital and equity investments are excellent.

We are actively addressing important issues for the future. A review of our future ownership structure is underway at the request of the Minister for Public Enterprise. We are examining the potential for renewable resources and identifying areas for further significant cost reductions. We are determined that ESB will, working in partnership with staff and trade unions, remain a leading player in the Irish electricity market.

There is much work to be done. The future will bring opportunity, change and improved performance and we have the resources, skills and strategy to compete in the market that is emerging.

In 1927 we pioneered the Irish electricity supply industry. That pioneering spirit remains. We are confident and well prepared as we enter this important phase of our business development.

W M McCann
Chairman

maximising the opportunities competition creates

De réir na bhforálacha san Acht Leictreachais (Soláthar) 1927 (Leasú), tugann an Bord a Thuairisc agus a Chuntais Bhliantúla don bhliain dar críoch 31 Nollaig 1999.

Do BSL, tá an tréimhse seo ar an tréimhse is dúshlánaí agus is corraithí ó bunaíodh muid. Thosaíomar sa bhliain 1927 mar ghnó fóntais ag obair i dtrí réimse - an leictreachas a ghiniúint, a dháileadh agus a iompar agus bhíomar ar comhchiall leis an tionscal leictreachais.

Anois, don chéad uair ónár mbunú, táimid in iomaíocht le margadh oscailte leictreachais. Táimid ag tabhairt aghaidhe ar ré iomaíochta neamhshrianta, ag iomaíocht leis na dúshláin agus leis na deiseanna go léir atá i margadh iomaíoch leictreachais atá ar na cinn is tapúla fás san Eoraip.

Taispeánann torthaí na bliana gur tháinig méadú sásúil de 9% ar bharrachas an ghrúpa tar éis cánach, go dtí IR£216m. Tá sé seo tar éis cánach IR£54m, i gcomparáid le IR£23m sa bhliain 1998. Léiríonn an toradh seo an borradh faoin éileamh mór leanúnach ar an leictreachas agus cur i bhfeidhm iomlán na bhfeabhsúchán costais a spreag plean athstruchtúrtha an Athbhreithnithe Chostais agus Iomaíochta le trí bliana anuas. Bhí tionchar nach beag ag laghdú na rátaí úis ar bhrabúsacht méadaithe an Ghrúpa freisin. Tháinig méadú ó 12% sa bhliain 1998 go 12.6% ar an toradh ar chaipiteal in úsáid.

Dírialáil

Ritheadh reachtaíocht i rith na bliana 1999 a d'oscail na doirse do mhargadh leictreachais atá beagáinín léirscaoilte, an chéad chéim i gcur chuige céimnitheach chun margaidh iomlán léirscaoilte sa bhliain 2005. Ón 19 Feabhra 2000 ar aghaidh tá an BSL in iomaíocht le himreoirí nua ar son an 380 úsáidire mór tionsclaíoch a bhfuil 31% den mhargadh acu.

Cuirfidh BSL é féin i láthair mar imreoir tábhachtach agus muid ag dul chun cinn i dtreo margaidh iomlán oscailte. Rachaimid in iomaíocht go cothrom díograiseach ar son scaire substaintiúla den mhargadh inghlactha. Leanfaimid ar aghaidh freisin de bheith ag comhlíonadh ár bhfeidhme mar sholáthraí poiblí leictreachais, ag soláthar seirbhíse den chéad scoth ar phraghsanna iomaíocha.

Tá dúshláin dháiríre romhainn amach. Is léir go dtiocfaidh laghdú ar ár scair den mhargadh de bharr na dírialála. Caithfear clár tábhachtach athraithe a chur i bhfeidhm go práinneach cruógach chun cuidiú lenár dteacht isteach i margadh iomlán oscailte agus chun todhchaí fhadtéarmach a aimsiú do BSL agus dá fhoireann sa mhargadh oscailte agus chun luach dá úinéirí a chruthú.

Straitéis

Táimid ag claochlú óna bheith inár gcorparáid seirbhíse poiblí chun bheith ag díriú ar an tráchtáil le struchtúr nua gnó. Táimid ag súil le bheith saor chun dul in iomaíocht le hearnálacha nua a bhaineann leis an bhfuinneamh agus chun dul sa tóir ar spriocanna gnó agus tá pleananna soiléire againn chun a leithéidí.

Príomhthosaíocht is ea é luach an scairshealbhóra a uasmhéadú trí fhás brabúsach. Is é an dúshlán ná BSL a bhunú mar scoth na soláthraithe agus muid in iomaíocht sa ghnó giniúna, chomh maith lena bheith ag forbairt agus ag daingniú deiseanna nua brabúis chun ár ngnó a fhás in Éirinn agus go hidirnáisiúnta.

Táimid tar éis straitéis shoiléir a fhorbairt chun fás brabúsach a bhaint amach agus cuirfear i bhfeidhm í sna cúig bliana atá amach romhainn.

Infheistíocht agus fás

Déanfaidh tapú na ndeiseanna fáis in Éirinn agus go hidirnáisiúnta ár mbrabúsacht a neartú. Mar go bhfuil an margadh náisiúnta ag fás faoi luas substaintiúl, 5% in aghaidh na bliana le deich mbliana anuas ar meán (6.6% sa bhliain 1999), tá poitéinseal mór ann chun cur lenár ngnó sa bhaile agus ar fud na hÉireann freisin. Chomh maith leis sin, tugann an claonadh chun dírialacháin ar fud an domhain deiseanna ar fhás substaintiúil dúinn. Tá fúinn IR£2.1 billiún a infheistiú, freisin, inár mogalraí iompair agus dáiliúcháin a mhéadú agus a fheabhsú, sna cúig bliana atá amach romhainn.

Leathnú idrnáisiúnta

Ní bhraithfidh BSL ar mhargadh amháin chun fáis. Mar chuid dá straitéis idirnáisiúnaithe, faoi láthair táimid ag leagan amach clár infheistíochta agus éadálacha faoi stiúradh ár Stiúrthóra Infheistíochtaí Idirnáisiúnta nuacheaptha.

Faigheann BSL scála agus teacht isteach breise ó shócmhainní a fhorbairt lasmuigh den achar saincheadúnais atá ann faoi láthair. Tugadh faoi infheistíocht BSL in Ocean sa chomhthéacs seo. Táimid tar éis teacht chun réitigh fáil réidh lenár gcuid in Ocean le British Telecom ctp tar éis dó ESAT Telecom Group ctp a tháthcheangal.

Achmainn iomaíochta

Le ceithre bliana anuas, tá BSL tar éis bonneagar láidir a leagan síos chun fáis agus brabúsachta amach sa todhchaí tríd an Athbhreithniú Costais agus Iomaíochta. Tá dul chun cinn mór déanta againn ag gach leibhéal ag baint amach spriocanna ardaidhmeannacha airgeadais agus laghdaithe costais. Tabharfaidh dúshláin oscailt chéimnitheach an mhargaidh orainn laghduithe costais agus éifeachtachtaí móra eile a bhaint amach.

Foireann agus scairshealbhóirí

Arís féin, thaispeáin foireann BSL a ndíograis don tseirbhís. Tá foireann an-dílis díograiseach againn nach bhfuil sárú a saineolais ar fáil agus léiríodh é seo san obair a rinneadh chun ár bpunann de stáisiúin chumhachta a chothú, ag freagairt don éileamh ar naisc nua agus ar dheisiúcháin tar éis anfaí in Éirinn agus sa Fhrainc araon le trí Nollaig anuas. Thaisteal breis agus 180 oibrí chun na Fraince, ag cailleadh a gceiliúrtha Mhílaoise féin, chun cuidiú leis an gcumhacht a athshlánú i dtithe, in ospidéil agus i seirbhísí riachtanacha eile i gceann de na ceantair ba mhó díobháil ag na hanfaí i rith na Nollag. Is sampla iad d'eiteas truachroíoch díograiseach BSL.

Ba mhaith liom chomh maith buíochas ar leith a ghabháil le bainistíocht agus le foireann BSL as bliain eile de shaothar mór. Tá an Bord soimisiúnta ar oibriú chun na príomhcháilíochtaí a dhealaíonn BSL óna iomaitheoirí nua a choinneáil.

Ba mhaith liom mo bhuíochas a ghabháil le mo chuid leathbhádóirí ar an mBord as a gcuid oibre i rith na bliana agus leis an Aire Fiontar Poiblí agus leis na hoifigigh ina Roinnse as a gcabhair agus a dtacaíocht a thug siad dúinn i rith na bliana 1999.

Críoch agus Dearcadh

Tá ré gan réamhshampla amach romhainn anois a bhfuilimid dár n-ullmhú féin di go dianasach. Táimid tar éis ár gcuid scileanna a líomhadh agus ár gcuid acmhainní a dhíriú chun aghaidh a thabhairt ar dhúshláin mhargaidh oscailte. Tá sábháil mhór costais bainte amach againn cheana féin agus táimid tar éis éirí níos éifeachtaí. Mar ghnó, táimid níos seinge, níos dírithe agus níos gríosaithe ná mar a bhí ag am ar bith eile inár bhforbairt.

Támid tar éis infheistíocht a dhéanamh in athruithe struchtúrtha agus táimid ag nuachóiriú na mogalraí dáiliúcháin. Tá gléasanna céimnitheacha freagartha custaiméirí againn agus tá ár bpraghsanna ar na cinn is iomaíche san Eoraip. Tá ainm idirnáisiúnta againn as soláthar agus seirbhís leictreachais iontaofa den chéad scoth.

Tá ár gcuid comhfhiontar ag tabhairt deiseanna tábhachtacha fáis idirnáisiúnta dúinn cheana féin. Is féidir linn dul chun cinn substaintiúil i dTuaisceart Éireann a thuairisciú mar ar éirigh linn muid fein a lonnú ann chun fáis amach anseo. Is iontach na hionchais ar aischuir níos fadtéarmaí ar ár gcaipiteal agus ar ár n-infheistíochtaí scaireanna.

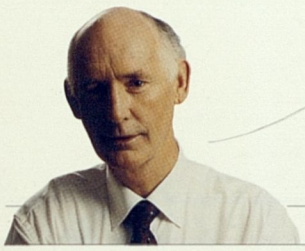
Táimid ag tabhairt aghaidhe go gníomhach ar shaincheisteanna tábhachtacha don todhchaí. Tá athbhreithniú faoi lánseol ar ár struchtúr úinéireachta amach sa todhchaí arna iarraidh ag an Aire Fiontar Poiblí. Táimid ag iniúchadh phoitéinseal na n-acmhainní inathnuaite agus ag aithint achar eile do laghdú mór costais. Táimid meáite go bhfanfaidh BSL ar na príomhimreoirí sa mhargadh leictreachais in Éirinn agus é ag obair i gcomhpháirtíocht le foireann agus le comharchumainn.

Tá an-chuid oibre le déanamh. Béarfaidh an todhchaí deiseanna, athruithe agus feidhmiú feabhsaithe léi agus tá na hacmhainní, na scileanna agus an straitéis againn chun dul in iomaíocht leis an margadh atá ag teacht chun cinn.

Sa bhliain 1927 chuireamar tús leis an tionscal soláthair leictreachais in Éirinn. Tá an meon ceannródaíochta sin fós ann. Tá muinín againn agus táimid ullamh go maith agus muid ag dul isteach i ré thábhachtach seo bhforbartha gnó.

W M McCann
Cathaoirleach

continued success in targetted global markets



Review of finances

Group Financial Results

The Group performed well in 1999 with the surplus after tax up from IR£197m to IR£216m, an increase of over 9%. This is partly driven by continuing high levels of growth in electricity demand with unit sales growth up by 6.6% and full realisation of the benefits of the Cost and Competitiveness Review (CCR) restructuring plan that has been successfully implemented over the last three years. Falling interest rates have also been a key contributor to the bottom line.

Both 1998 and, to a lesser extent, 1999 have benefited from low fuel prices and favourable exchange rates. However, the latter half of 1999 has seen a significant increase in oil prices and these have escalated further since year end. In addition, both the US Dollar and Sterling have continued to strengthen. The key focus in 2000 will be to ensure that profitable growth can be maintained in the light of rising fuel costs.

The surplus before tax for 1999 was £266m, a 22% increase on 1998. However, this is the first year that ESB parent faces a full charge to corporation tax (all losses forward and accelerated capital allowances have now been utilised). It is estimated that the tax bill for 1999 will be IR£54m, bringing the surplus for the financial year, after tax, to IR£216m.

Group summary IR£m	1999	1998	Change	%
Turnover	1,355	1,261	+94	+7.5
Operating costs	(1,038)	(977)	+61	+6
Interest, associates and other	(51)	(66)	-15	-23
Surplus before tax	266	218	+48	+22
Taxation	(54)	(23)	+31	+135
Minority interests	4	2	+2	+100
Surplus for financial year	216	197	+19	+9.6

The return on capital employed for 1999 is 12.6%, which is an improvement on previous years. However, it is still short of the target which management believe is appropriate to a company of ESB's size, necessary to fund its large capital investment programme and to meet competitive challenges, while remaining financially healthy. Now that ESB is operating in a regulated competitive environment, we must continue to focus on reducing costs, while still ensuring improved quality of supply and customer service.

Borrowings fell by IR£46m during the year and stand at IR£655m at the end of 1999. This has resulted in a reduction in the ratio of debt to debt plus net assets to 31%. Sufficient cash was generated from operations to cover net loan repayments and meet the Group's extensive capital expenditure programme. However, this is unlikely to continue as the capital expenditure programme is increasing. Capital expenditure for the year amounted to just under IR£300m. The 1999 work programme included:

- Continuation of the five year distribution networks renewal programme which commenced in 1996.
- Connection of 52,743 new customers.
- Significant transmission and distribution network projects to meet load growth and to improve supply standards.
- Completion of the new Poolbeg Gas Turbine generating station.

We have also incurred initial expenditure on the design and planning of the new Ringsend Gas Turbine station, through our joint venture with Statoil.

We are planning to invest a further IR£2.1bn in the next five years, with a large proportion being spent on our networks. The level of expenditure on transmission networks will in future be determined in agreement with the new Independent Transmission System Operator and the Independent Commission for Electricity Regulation.

Taxation

1999 is the first year for which ESB has no losses or accelerated capital allowances brought forward from earlier periods to be set against taxable profits. Of the IR£54m group tax charge, IR£50m relates to ESB parent. The effective tax rate (after manufacturing relief) is 18%.

Non-core Businesses

The non-core businesses continued to perform well this year. ESB International reported record pre-tax profit levels of IR£14m, before accounting for ESB's share of 1999 losses in Ocean. We have agreed to sell our 30% stake in Ocean since the year end. The total proceeds received by ESBIT (which is 60% owned by ESB), for the sale of Ocean, were IR£166m.

The non-core businesses of ESB Retail and Contracting had a successful year in 1999 and exceeded both previous year results. It is clear, however, that while the size of the total retail market in Ireland is growing, competition is increasing with the entry of new players.

Treasury Activities

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

The principal financial risks facing the business, that are addressed by treasury activities, include managing interest rate exposure and foreign currency exposures on debt, fuel and other purchases.

Treasury Policies

ESB's Treasury policies are approved by the board and regularly reviewed and revised as appropriate. They include the management of the company's debt portfolio, so as to minimise funding costs (within acceptable risk parameters.) The strategies, covering the three main risk areas of currency content, interest rate risk and maturity profile, are summarised as follows:

- To have ESB's debt in Euro currencies (Euro).
- To have an acceptable level of the debt portfolio at fixed rates of interest.
- To achieve a balanced debt maturity profile, considering the life times of underlying assets.
- To achieve a smooth annual debt repayment profile.

It is also policy to actively manage ESB's foreign currency exposures, mainly US Dollar and Sterling, on fuel and other purchases so as to minimise costs and reduce volatility due to currency fluctuations.

Financial Instruments

ESB uses financial instruments throughout its business: borrowings, cash and liquid resources are used to finance its operations and to invest surplus funds; trade debtors and creditors arise directly from operations; and derivatives are used to manage the interest rate and currency risks arising from its operations and sources of finance.

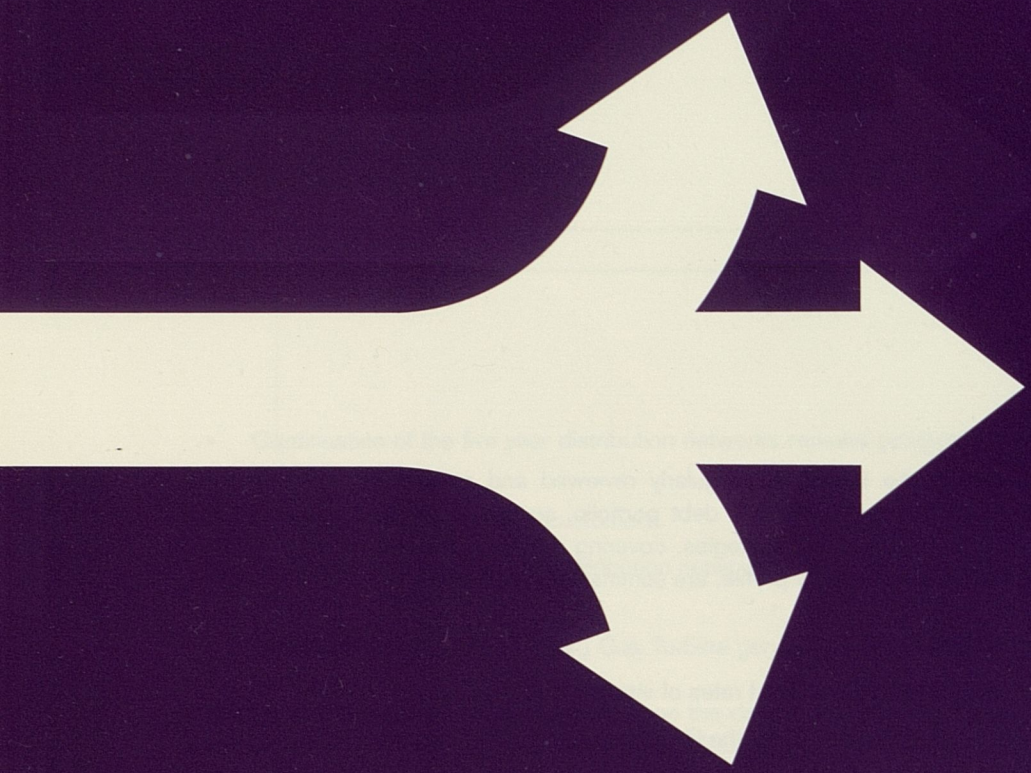
ESB finances it's operations out of operating cash flows, borrowings and finance leases. The funding is raised centrally by Group Treasury. Fixed rate deposit instruments are used as a means of investing surplus funds.

The main risks addressed in the use of financial instruments are (a) market rate risk (b) liquidity risk and (c) credit risk. Strategies for managing these risks are approved by the Board on an annual basis.

Each of the risks referred to above is addressed in more detail below. Disclosures in relation to financial instruments in place at year end are set out in note 13 to the accounts.

(a) Market Rate Risk

This is defined as ESB's financial exposure to adverse movements in interest rates and foreign exchange rates. The principal aim of managing these risks is to limit the potential adverse financial impact on ESB caused by a movement in interest rates and foreign exchange rates.
The main derivative financial instruments used by ESB to manage these risks are interest rate swaps, currency swaps and forward foreign exchange contracts.



effective resource management

With regard to interest rate risk, ESB policy is to have an acceptable level of the debt portfolio at fixed rates of interest. At year end, the fixed/floating profile of ESB's debt portfolio was approximately 58/42.

97% of ESB's debt portfolio was denominated in Euro currencies at year end, either by directly borrowing in Euro currencies or by putting currency swaps in place. The remaining 3% related to a US Dollar loan, matched by a corresponding US Dollar deposit.

ESB's other foreign currency exposures, mainly US Dollar and Sterling, on fuel and other purchases, are actively managed. If a decision is made to hedge, this is achieved by putting forward foreign exchange contracts in place.

As at 31 December 1999, after taking into account the effects of forward foreign exchange contracts, currency swaps and foreign currency deposits (matching a US Dollar loan), ESB had no material currency exposures.

(b) Liquidity Risk

The objective of liquidity management is to ensure sufficient funds are available to meet ESB's funding requirements, including debt repayments. This is achieved by monitoring and controlling cash flows on a day to day basis, ensuring sufficient cash resources are readily available and smoothing out debt repayments.

At year end, ESB had an undrawn committed borrowing facility for IR£100m in place, expiring Quarter 4, 2002. All conditions precedent to avail of this facility were satisfied at year end.

(c) Credit Risk

ESB is exposed to credit risk relating to its cash and current financial assets. A policy is in place which ensures ESB places its cash with a number of highly credit rated institutions and thereby limits exposure to any one institution.

ESB does not have any significant credit risks in relation to its other current financial assets. The group's trade debtors consist of a large number of domestic, commercial and industrial customers. Exposure to credit loss is actively monitored. Bad debts are immaterial in the context of the group's turnover.

Implementation of Euro

The implications of the introduction of the euro have been under review by ESB since 1996 and, following confirmation of the participating countries in mid 1998, the ESB Euro Programme was formally established. The Programme covers group wide activities through a cross company structure.

ESB was fully prepared for the three year Transition Period, which started on 1 January 1999, and since then ESB has been in a position to:

- Accept and process customer payments in euro.
- Conduct all transactions with suppliers in euro.
- Comply with detailed conversion, triangulation and rounding rules.

Dual display of euro equivalent totals on customers' bills was provided early in 1999.

Work is well advanced under our Euro Programme to ensure a smooth changeover of all business processes and IT systems to euro by the end of the transition period on 1 January 2002. ESB will adopt a proactive approach by converting certain internal financial management systems early in 2001, and by encouraging suppliers to move to euro as early as possible.

The total cost of changeover to euro for ESB is estimated at IR£10m (euro 12.8m). We have presented our Profit and Loss and Balance Sheet, both in Irish Punts and in euro in Appendix II.

Prompt Payment Act

The Prompt Payment of Accounts Act 1997, came into effect on 2nd January 1998. ESB operates a policy of paying all undisputed supplier invoices within the agreed terms of payment. ESB standard payment terms are net monthly. ESB is complying with the requirements of the Act.

The Open Market

Deregulation of the market has far reaching implications for ESB, not least for the way we do business, for our future ownership and for our market position. To facilitate free competition, the government last year appointed an independent Commission for Electricity Regulation to oversee the transition from single player to a multiplayer market.

Further legislation will see ESB become a public limited company. The Independent Transmission System Operator, Eirgrid, will also be set up. ESB has actively facilitated the introduction of competition by making 400MW's of power available to the regulator for a "virtual" market this year with a further 200MW's to be auctioned later this year, following a review by the Commission for Electricity Regulation. In addition, up to 100MW's of capacity generated in Northern Ireland is available for trading through the North-South Interconnector. Structural and regulatory change will continue as we move to a totally open market by the year 2005.

For the last number of years, ESB has been preparing for this liberalisation of the market. We have implemented a highly focused strategy, setting and meeting ambitious targets to contend with the challenges of the new competitive environment.

The efficiencies and progress achieved have contributed enormously to what will be a successful transition from a statutory corporation to a PLC, operating in a competitive regulated environment. We expect ESB to remain a significant player in the reorganised electricity market, retaining a profitable share of this market. We will compete for a share of the "virtual" market and will trade over the Interconnector with Northern Ireland. To do this, we have created a new eligible supply business that will purchase power on the same basis as other independent suppliers.

We are moving quickly to retain, develop and secure our share of traditional and new business sectors. We are actively exploiting new expansion opportunities in Ireland and abroad and we are investing significantly in new plant and existing assets.

An independent survey conducted by UNIPEDE, the international electricity body, has shown that ESB's domestic prices are among the lowest in the European Union and our industrial prices are 34 per cent cheaper than in Northern Ireland. In addition, our domestic electricity prices here are 22 per cent cheaper than in Northern Ireland.

There is still a lot of work ahead. We have clearly developed strategies to achieve our goals. We have a new commercial focus geared towards exploiting profitable growth opportunities both in Ireland and abroad.

cost management delivering low electricity tariffs

Managing the Transition

There is the potential for the creation of surplus capacity as new generating stations come on stream to compete in a market only partially liberalised. Dealing with that potential through properly managed transition arrangements is important for the existence of an orderly and stable market. The establishment of fair trading mechanisms is, of course, important to all players in the market, including ESB.

There are a number of other issues, a direct legacy of being a public sector body, which face ESB as the market opens up. These include our public service obligations, public electricity supplier role, ageing generating plants, tariff structures, further rationalisation, third party connection to our networks and future ownership. A tripartite group set up at the request of the Minister for Public Enterprise, involving representatives from ESB management, the Group of Unions and the Department of Public Enterprise has agreed a framework of principles to tackle these issues.

Strengths

ESB has a clear objective to be the electricity supplier of first choice, to provide a high level of service to our customers and to achieve profitable growth. Our considerable experience in the national and international electricity supply industry is a very significant strength in meeting the competitive challenge. ESB's strong national brand identity is also a valuable asset. Strong management and a proven partnership approach to internal change will help ESB achieve new goals in the future.

Strategy

Our strategic objective is to achieve profitable growth by meeting existing and new customer needs and by improving the competitiveness of ESB. We will identify new growth and profit opportunities at home and abroad. Our financial target is to earn 16% return on capital within five years. This is an ambitious target, moving towards best international practice and is essential for our business to continue to be successful. It moves ESB's performance towards that of the top companies in the electricity sector. It will be revisited within five years to align ESB's performance with other high performing companies.

Competitiveness

We have implemented a radical programme for competitiveness across all our operations, benchmarked against international best practice.

This programme, implemented as part of the Cost and Competitiveness Review (CCR), achieved annual cost savings of IR£90 million. Staff reductions have contributed significantly to the cost savings, with 2,000 people leaving ESB since 1996 under voluntary severance arrangements.

Further radical change is required to compete in a full, open market. ESB has set a target of ongoing additional cost reductions in excess of IR£100 million per annum over the next five years. This will mean lower staff numbers, increased efficiencies and the competitive sourcing of business and purchasing services.

It will also involve a combination of closure of uncompetitive plant, refurbishment of existing plant and investment in new plant. It has been agreed as part of the Tripartite Process that ESB's existing peat stations will be closed within the next five years and replaced with two new peat stations.

Investment programme

At national level, ESB has a substantial capital and equity investment programme already in train. Significant investment in upgrading the network, integration of new technologies and the establishment of modern call centres have led to increased reliability and responsiveness of service levels.

Continued investment in ESB's networks is essential in order to meet the IDA's target of locating 50 per cent of jobs from green-field projects in areas that qualify for Objective 1 status. ESB is committed to supporting the target and is liaising closely with the IDA to ensure our network renewal and reinforcement work is scheduled to complement their Agenda 2000 Plan. Our network investment programme also covers our domestic customers, where growth in demand and the introduction of new quality standards, require significant investment over the years ahead.

Our Power Generation business will own, operate and maintain a portfolio of plant which is competitive and which helps fulfil Ireland's environmental obligations under the Kyoto Protocol on greenhouse gas emissions.

We will continue to maintain a strong cash flow that will fund the massive investments the company is making. Last year investment totalled IR£300 million - this figure will total IR£2 billion over the next five years. The high level of electricity sales growth, particularly from industrial customers, will be a key driver of ESB's financial performance. Without a strong cashflow, ESB's ability to invest to meet economic growth will be curtailed, especially in the regions where the networks are weaker. A competitively priced, quality electricity supply is essential to Ireland's attractiveness as a location in which to set up business.

Work on the final phase of the Poolbeg CCGT (Contained Cycle Gas Turbine) plant was completed in December 1999 at a cost of IR£220 million as part of ESB's investment programme. Poolbeg station now supplies over one quarter of the country's electricity requirement.

Earlier this year, ESB entered into a joint venture agreement with Statoil for the construction and operation of a 400-megawatt gas turbine at Ringsend. The plant, which has received full planning

permission, is due for completion in 2002, has been authorised by the Commission for Electricity Regulation and the availability of gas.

Joint venture initiatives such as this reflect our threefold aim of building new, modern power generation capacity and being in a position to compete and build our customer base.

Northern Ireland

Earlier this year, ESB secured a second tier license to buy power in the wholesale market in Northern Ireland and sell it on to eligible customers. This step demonstrates that we have the skills and expertise necessary to compete effectively and win customers in a competitive marketplace. ESB has already completed contracts to supply 55 sites in Northern Ireland.

We have consolidated our position in Northern Ireland, increasing our stake in the Coolkeeragh Power Station from 15% to 40%. We have also entered a new strategic partnership with the objective of developing a Combined Cycle Gas Turbine at Coolkeeragh in line with our growth strategy.

The further development of the North South Interconnector, which is underway, will have the effect of moving towards an all island single market, providing further opportunities and competition for ESB.

International operations

ESB International has continued to grow and prosper and our established reputation in the overseas market, built on our engineering construction and consultancy business, is now being enhanced by equity participation in the international electricity sector. The engineering and consultancy business continued to perform well. The Sultartangi hydro project in Iceland was commissioned and has led to a similar project in Guatemala. ESBI also secured contracts in Kyrgyzstan, Laos, Romania, Georgia, Zambia and Jamaica and continued to consolidate its growing construction business in the UK. In addition, our role at Corby Power Station in England was expanded to cover full administration as well as the existing operation and maintenance contract.

Our goal is to build up a portfolio of suitable investments, which will be of significant scale and profitability in the context of overall operations throughout the company. ESB's strategic approach to international market development is to continue to build on our traditional engineering activities and to take ownership stakes in international projects worth between IR£1.5 billion and IR£2 billion. We currently have significant stakes in a range of power generating projects in the UK, Northern Ireland and Spain. Our involvement as the Independent Transmission Administrator in the Canadian Province of Alberta has been very successful and has led to the development of a revolutionary tariff to incentivise the optimal location of new generation within the province. This business is seen as a key growth area for the future.

solutions for a diverse customer base

There are three elements to our Investment Strategy. The first entails investment mostly in independent power plants and small utilities in developing countries and in Western Europe. We intend to invest about IR£120 million in this area. This year saw the conclusion of a deal, whereby we own 49% of the Guyana Electricity Corporation jointly with the Commonwealth Development Corporation. ESB will manage and operate the business with the joint venture partners, investing IR£20 million in the project.

The second involves exploiting existing assets to develop new businesses where there are profitable opportunities. The Ocean joint venture, under ESBIT, was an example of this. Notwithstanding the agreement to divest Ocean, ESB will continue to leverage its infrastructural assets where it is commercially attractive to do so.

The third involves larger scale investment in electricity businesses outside the Republic of Ireland. The scope for large-scale investments is immense. Areas such as The Middle East, where ESB is already established, provide very buoyant and promising markets. We are currently concentrating on Oman, The United Arab Emirates and Qatar.

Year 2000 Programme

ESB's preparations for the Year 2000 date change from 1999 into 2000 went according to plan across the organisation, with no major incidents reported on any key plant or systems. The efforts of all those involved in the Programme over the past three years delivered the initial Programme objective, which was to ensure that we maintained our normal level of electricity service at all times during and beyond the transition into the new millennium. The Leap Day transitions also passed without incident.

Environment

Sustainable development is a major theme of current public policy and, with the publication in 1999 of the Government's Green Paper on Sustainable Energy, has become central to national energy policy. The advent of the new electricity market structure reinforces the attention now focused on the environment as pressure builds to deliver competitive energy services with reduced environmental impact.

Climate change remains the most important strategic concern facing the industry. The extent of the challenge facing ESB in meeting its share of the national commitments under the Kyoto Protocol is becoming increasingly apparent. ESB projections indicate that Ireland has already exceeded its agreed EU emission target for greenhouse gases for the period 2008–2012. Continued strong economic growth will increase the emissions of carbon dioxide, the key greenhouse gas, in the transport and electricity sectors. ESB is committed to playing its role in addressing greenhouse gas emission growth and is active in the policy debate at national and EU level regarding the contribution electricity can make in this regard.

A sustainable energy system will require greater expansion of Ireland's renewable resources to meet the energy needs of the growing national economy within environmental constraints. This will include further development of wind power for electricity generation. Proposed wind farm projects to date have highlighted the difficulties in siting such developments in a non-contentious manner. We are assessing the potential for constructing large windfarms offshore and in 1999 commenced detailed site investigation on the Kish Bank.

We have installed environmental management systems in all our generating stations. Formal accreditation of the systems to the ISO 14001 International Standard was obtained in six power stations in 1999. Our strong and visible commitment to continuous environmental improvement will facilitate EPA licensing of the Company's existing generation stations which commences in 2000.

ESB provides information and advice to members of the public on the topic of electromagnetic fields (EMF) associated with electricity use. The results of the largest epidemiological study to date (UK Childhood Cancer Study) into possible links between childhood leukemia and EMF exposure was published in The Lancet medical journal in December. The authors conclude that "this study provides no evidence that exposure to magnetic fields associated with electricity supply in the UK increases risks for childhood leukemia, cancers of the central nervous system, or any other childhood cancer."

Safety

ESB considers the health and safety of our staff and members of the public to be a core value of the organisation. We are committed to complying with our obligations under the Safety, Health and Welfare at Work Act 1989, and in fulfiling the policy set out in our Safety Statement. We continue to review our compliance with the above Act and where inadequacies are identified, programmes of rectification are initiated.

In 1999, each Business Unit prepared its individual safety improvement plan in consultation with staff and commenced implementation. The plans address the key safety elements of systems, behaviour and culture and were supplemented by on-going staff training, risk assessment and safety auditing programmes.

Arising from these safety initiatives, a significant improvement in our safety performance was recorded in 1999. Our medium term objective, to halve our lost time accident rate over five years from 1996, is reaffirmed.

1999 was our sixth consecutive year without incurring a staff fatality in Ireland. This, given our size and the wide-ranging nature of our activities, is a notable achievement by international electricity utility standards. We continued to advertise extensively to the public the hazards associated with electricity and electrical infrastructure. Accidents and fatalities involving members of the public have reached an historically low level.

Customer service

We extended our Call Centre service nationwide during 1999, operating 24 hours a day, seven days a week. In all, our Call Centre staff deal with an average of 40,000 queries per week.

We were pleased to be involved with ISME and the SFA in developing a programme to assist their members to combat "Y2K" problems in their businesses. A booklet, outlining the special services we offer to our elderly customers and those with disabilities, was published.

We have upgraded our emergency response systems and enhanced our ability to respond to situations, such as major storms. These improvements will reduce the level of supply loss experienced by customers during such periods.

During 1999 we continued to actively promote the role and responsibilities of the Customer Arbitrator, an independent complaints resolution facility for electricity customers.

Customer Charter

Payments under our Customer Charter amounted to IR£57,680 involving 2,082 customers in 1999.

These were almost entirely related to our non-provision of a Quotation for Supply to customers within 20 days of application - a reflection of the record level of applications for connection received during 1999.

Staff as shareholders

Work is progressing on new legislation that will establish ESB as a public limited company. When this is completed, it will facilitate the provision of five percent of the company's shares to ESB staff. This equity participation, committed in 1996, under the Cost and Competitiveness Review, represents a significant step in the partnership approach to prepare ESB for the challenges ahead. There is clearly a need to expedite the implementation of this legislation.

Future ownership

We are currently carrying out a review to determine the most appropriate ownership structure for ESB in the context of the competitive environment developing in the electricity industry. At the request of the Minister for Public Enterprise, we are examining various options for ownership, including strategic partnerships, alliances or trade sale, partial or complete IPO.

The review will look at ESB's structure and ownership, the impact of costs, commercial freedoms, regulatory policy, international expansion and access to equity capital and new skills.

Commission for electricity regulation

Already, new structures are in place in the market. We look forward to developing a good working relationship with the Commission for Electricity Regulation which, while introducing competition, has a dual mandate to safeguard the interests of the final customer while not discriminating unfairly between the participants in the industry.

The way forward

A commercially focused culture will underpin our future success.

We will compete vigorously to retain customers and to produce the profits we need to reinvest in our business. Additional cost reductions will bring us into line with the most efficient electricity suppliers. This will be achieved as part of a radical ongoing change programme aimed at optimising operational effectiveness in the new business environment.

Further rationalisation of our business and improvements in our productivity and efficiency will be undertaken in a partnership approach with the trade unions and staff.

We are committed to growing our business and determined to move forward and implement the Corporate Strategy now in place. We have valuable assets, not least a strong national brand, experienced and strong management, an excellent track record, a highly motivated staff, an international presence and a clear strategy to see us through the challenges ahead. We look forward with confidence to delivering results for all our stakeholders - our customers, shareholder and staff.

The Board

There were 12 general meetings and 8 special meetings of the Board during the year ended 31st December 1999. The number in brackets opposite each name represents the attendance by each Board Member at general and special meetings respectively, during the year.

The following were the Members of the Board during the year ending 31st December 1999.

William M McCann, Chairman	(12,8)
James Wrynn, Deputy Chairman	(11,6)
Jerry Carey	(10,4)
Sean Geraghty	(11,6)
Stewart Harrington	(10,2)
Joe LaCumbre	(12,8)
John McGinley	(11,8)
Caitriona Murphy	(10,8)
Ken O'Hara, Chief Executive	(12,8)
Pat Smith	(12,8)
Paul Sweeney	(11,7)
Anne Taylor	(12,8)

This report was approved by the Board at its meeting 21st March 2000, for submission to the Minister for Public Enterprise.

W M McCann
Chairman

K O'Hara
Chief Executive

L Donald
Secretary

Board Members

From left to right: Billy McCann John McGinley Stewart Harrington Ken O'Hara Anne Taylor Sean Geraghty

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

John McGinley was first appointed to the Board in January 1995 under the Worker participation (State Enterprises) Act, 1977 and was re-elected in 1998. A technologist in Distribution Department, he is a member of Mid-East Regional Authority. Mr. McGinley is a member of the Capital Projects and the Legislation Committees.

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

Ken O'Hara was appointed Chief Executive in September 1997. He held a number of senior management positions and was involved in consultancy work in Bahrain during the 1970's. Mr. O'Hara was appointed District Manager, Cork in 1979 and was subsequently appointed Director, Customer Operations in 1987. He was appointed Managing Director of Power Generation in 1993. He is a fellow of the Institution of Engineers of Ireland, a member of the National Executive Council of IBEC and a Board Member of IMI.

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

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

Board Members

From left to right: Paul Sweeney Jerry Carey Caitriona Murphy Joe LaCumbre Pat Smith James Wrynn

Paul Sweeney was appointed to the Board in April 1996. A business and economic advisor, Mr. Sweeney is a Member of the Capital Projects, Legislation and International Investments Committee.

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

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

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

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

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

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

Audit Committee

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

Members
William M McCann, Chairman
Jerry Carey
Stewart Harrington
James Wrynn

Capital Projects Committee

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

Members
Caitriona Murphy, Chairman
Joe LaCumbre
John McGinley
Paul Sweeney

ESB International Business Unit Committee

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

Members
James Wrynn, Chairman
Sean Geraghty
Stewart Harrington
Paul Sweeney
Anne Taylor

Environment and Safety Committee

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

Members
Sean Geraghty, Chairman
Pat Smith
Ken O'Hara
Anne Taylor

Legislation Committee

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

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

Remuneration and Management Development Committee

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

Members
William M McCann, Chairman
Stewart Harrington
Caitriona Murphy

Technology Committee

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

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

The Board

Chairman
W M McCann

Chief Executive
Ken O'Hara

Company Secretary
Larry Donald

Group Finance Director
Tony Donnelly

Managing Director
International Investment
Donal Curtin

Group Human Resources Director
Sean O'Driscoll

Managing Director
Engineering/Commercial Business
Sean Wyse

Commercial Director
Dominic Layden

Managing Director
Irish Electricity
Ted Dalton

Managing Director
National Grid
Kieran O'Brien

Top Management

From left to right: **Dominic Layden Donal Curtan Sean Wyse Sean O'Driscoll**

Dominic J. Layden has recently joined ESB as Commercial Director. He joins the company from Motorola in Chicago, where he held the position of Vice President and General Manager, Networks Communications Division. Prior to joining Motorola in 1988, Mr. Layden worked in this country with Kerry Group, A.C. Nielson and Kodak Ireland.

Donal Curtin was appointed Director, International Investments in 1999. He is a Director of several ESBI companies and previously held the positions of Commercial Director, ESB and Group Managing Director, ESBI Contracting. Mr. Curtin has worked extensively overseas in the U.K., Middle East and Far East since the early 1980s.

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

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

Top Management

From left to right: **Larry Donald Kieran O'Brien Tony Donnelly Ted Dalton**

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

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

Tony Donnelly was appointed Group Finance Director in December 1997. He held a number of senior financial management positions prior to his appointment, including Group Financial Controller. He was project manager of the Cost Competitiveness Review (CCR) and is a Trustee of the ESB Superannuation Fund.

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

Contents

Financial Statements

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

The Board Members consider that, in preparing the Financial Statements on pages 46 to 81, appropriate accounting policies have been used and consistently applied, reasonable and prudent judgements and estimates have been made and all accounting standards considered applicable have been followed.

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

Corporate Governance

The "Combined Code" sets out Principles of Good Governance and a Code of Best Practice and is derived from the final report of the Committee for Corporate Governance and from the Cadbury and Greenbury reports. The Board Members have reported on the Cadbury and Greenbury reports in prior years. Companies listed on The Irish Stock Exchange are required to report on compliance with the code, with the exception of the internal control provisions, for which there are transitional arrangements.

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

- ESB is accountable to the Minister for Public Enterprise. ESB has no share capital. Accordingly, code provisions relating to shareholder relations and conduct of Annual General Meetings are not applicable.
- Appointments to the Board are a matter for Government and accordingly ESB does not have a nomination committee. Board Members, who are appointed for five and four year terms, are not subject to re-election to the Board at intervals not exceeding three years.
- Mr James Wrynn was appointed as senior independent Board Member on 9th March 1999 and therefore this position was not established for the full year under review.
- Formal training procedures for new Board Members are being put in place.
- ESB's policies in relation to remuneration of Executive Board Members (Chief Executive) are determined by the guidelines of the 'Review Body on Higher Remuneration in the Public Sector'.

Principles of Good Governance

The Board

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

The Board agrees a schedule of monthly meetings 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 the Board meetings. The Board Members, in the furtherance of their duties, can take independent professional advice as required, at the expense of ESB. All Board Members have access to the advice and services of the Secretary.

The Board Members receive monthly financial statements for the group and full Board papers are sent to each member a week before the Board meetings. The Board papers include the minutes of all Board sub-committee meetings which have been held since the previous Board meeting. The relationship between ESB and the Department of Public Enterprise (DPE) is formally established in an "Agreement on Framework for Interaction between DPE and ESB" dated September 1998. This agreement provides a blueprint for the working relationship between the Department and ESB and the principles are set out under six priority areas - agreeing key policies, setting objectives, agreeing the high level strategy, agreeing special operating decisions, performance management and shaping/influencing the environment.

Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise an Audit Committee (see below), Capital Projects Committee, International Investments Committee, Environment and Safety Committee, Legislation Committee, Remuneration and Management Development Committee and Technology Committee. Their members and the terms of reference are listed on page 34.

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

Internal Financial Controls

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

The Combined Code introduced a requirement that directors of a listed company review the effectiveness of the company's systems of internal controls. This extends the existing requirements in respect of internal financial controls to cover all controls including financial and operational controls and risk management. Guidance for directors was only published in September 1999 (Turnbull). In common with most public companies who are applying the Stock Exchange transitional rules on reporting on internal controls, the Board Members have continued to report on internal financial controls as before.

ESB has in place a strong control framework which specifically covers all areas of control and includes a detailed annual risk review process and internal corporate governance sign-off procedures. The Board Members are satisfied that ESB already meets most of the requirements set out in the Turnbull guidance on internal control. It is planned to formalise ESB's adherence to all aspects of the Combined Code requirements in relation to internal control during 2000. The Board Members expect that ESB will be in a position to disclose full compliance with these provisions by the December 2000 deadline for Irish Listed companies.

The systems of internal financial control include the following:

- Comprehensive budgeting systems with an annual budget approved by the Board
- Monthly consideration by the Board of actual results compared with budgets and forecasts.
- Clearly defined responsibilities and financial controls (including investment control guidelines and procedures).
- A corporate governance framework which includes risk analysis, financial control review and formal annual governance statements by the Managing Directors of Business Units.
- Managing and reporting on key business and financial risks to the Audit Committee and Board.
- An internal audit function which reviews key business processes and controls.

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

Board Members' Remuneration

Executive Board Members' Remuneration

The only executive Board Member is the Chief Executive. The Chief Executive's remuneration is set within a range determined by the Minister for Finance, as set out in the guidelines of the 'Review Body on Higher Remuneration in the Public Sector'. It is determined annually by the Remuneration and Management Development Committee, which comprises three non-executive Board Members, and is approved by the Board. The Remuneration and Management Development Committee also advises the Board on all aspects of remuneration of the top management group.

The remuneration of the Chief Executive consists of basic salary, performance related pay up to a maximum of 20% of basic salary, and a company car. In his role as Board Member, the Chief Executive also receives a fee as determined by the Minister for Public Enterprise.

The retirement benefits for Chief Executive are calculated on basic pay, and pensionable allowances only and in general aim to provide benefits, by way of pension and gratuity, broadly equivalent to two-thirds of salary at retirement for full service. The increases in accrued pension and accrued gratuity excluding inflation during the year were IR£1,487 and IR£4,462 respectively. The total accrued pension at the end of the year was IR£53,790 and the total accrued gratuity was IR£161,370. The transfer value of the relevant increase was IR£22,915.

Non-Executive Board Members' Remuneration

The remuneration of Non-executive Board Members' is determined by the Minister for Public Enterprise. Non-Executive Board Members do not receive pensions.

Board Members appointed under the Worker Participation (State Enterprises) Act 1977 are remunerated in accordance with the provisions of the Act.

Remuneration	**1999**	**1998**
	IR£	**IR£**
Executive Board Member (Chief Executive)		
Salary	104,000	100,379
Performance related pay (six months only paid for 1999)	10,400	20,000
Taxable benefits (company car)	7,750	8,750
Pension contributions	13,298	12,986
Fees	5,000	5,000
Total	**140,448**	**147,115**
Non-Executive Board Members (eleven)		
Fees	75,000	75,000

Going Concern

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

On behalf of the Board

Chairman

Chief Executive

21st March 2000

Auditor's Report

As auditors appointed by the Minister for Public Enterprise, with the consent of the Minister for Finance, under Section 7 of the Electricity (Supply) Act 1927, we have audited the financial statements of Electricity Supply Board on pages 46 to 81.

Respective responsibilities of directors and auditors

The Board Members of Electricity Supply Board are responsible for preparing the Annual Report. As described on page 39, this includes responsibility for preparing the financial statements in accordance with the Electricity Supply Acts 1927 to 1988 and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by the Electricity Supply Acts 1927 to 1988, the Auditing Practices Board and by our profession's ethical guidance.

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

We review, at the request of the Board Members, whether the voluntary statement on page 39 to 43 reflects the Board's compliance with the seven provisions of the Combined Code specified, for our review, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risks and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

We draw your attention to the "Basis of Accounting" note on page 50.

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 1999 and of the surplus of the Group for the year then ended and have been properly prepared in accordance with the Electricity Supply Acts, 1927 to 1988.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, the Parent has kept proper books of account with which the balance sheet of the Parent at 31 December 1999 is in agreement.

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

3 April 2000

Consolidated profit and loss account

Year ended 31 December 1999

	Notes	1999 IR£000's	1998 IR£000's
Turnover - continuing operations	1	**1,354,842**	1,261,341
Operating costs	2	**(1,038,048)**	(977,059)
Operating surplus - continuing operations		**316,794**	284,282
Share of joint venture losses		**(13,326)**	(6,078)
Share of associated undertakings' profit		5,065	3,485
Surplus before interest		**308,533**	281,689
Net interest cost and other financing charges	3	(42,968)	(63,400)
Surplus on ordinary activities before taxation		**265,565**	218,289
Tax charge	5	(53,660)	(22,706)
Surplus on ordinary activities after taxation		**211,905**	195,583
Minority interests - equity		4,539	2,051
Surplus for financial year	6	**216,444**	197,634
Appropriation to sinking fund reserve	16	(370)	(784)
Retained surplus for year	18	**216,074**	196,850
Profit and loss account at beginning of year		**7,799**	(189,051)
Profit and loss account at end of year		**223,873**	7,799

Signed: **W M McCann,** Chairman

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

21 March 2000

Balance sheets

As at 31 December 1999

	Notes	Consolidated 1999 IR£000's	Consolidated 1998 IR£000's	Parent 1999 IR£000's	Parent 1998 IR£000's
Assets employed:					
Fixed assets:					
Tangible assets	7	**2,216,751**	2,073,547	**2,200,185**	2,065,559
Financial assets (including joint venture and associate undertakings)	8	**38,392**	19,150	**66,767**	53,854
		2,255,143	2,092,697	**2,266,952**	2,119,413
Current assets:					
Stocks	9	**130,258**	109,345	**130,258**	109,345
Debtors	10	**292,987**	279,001	**250,179**	231,227
Investments	11	**5**	634	**5**	634
Cash at bank and in hand		**75,331**	28,727	**60,286**	17,339
		498,581	417,707	**440,728**	358,545
Creditors (falling due within one year)					
Borrowings and other debt	12	**(98,534)**	(193,505)	**(98,333)**	(193,305)
Other creditors	14	**(282,035)**	(222,804)	**(267,627)**	(211,542)
		(380,569)	(416,309)	**(365,960)**	(404,847)
Net current assets/(liabilities)		**118,012**	1,398	**74,768**	(46,302)
Total assets less current liabilities		**2,373,155**	2,094,095	**2,341,720**	2,073,111
Creditors (falling due after more than one year)					
Borrowings and other debt	12	**(556,186)**	(507,368)	**(555,504)**	(506,530)
Other creditors	14	**(70,137)**	(89,470)	**(69,896)**	(89,470)
		(626,323)	(596,838)	**(625,400)**	(596,000)
Provision for liabilities and charges	15	**(309,301)**	(335,347)	**(309,301)**	(335,347)
Net assets		**1,437,531**	**1,161,910**	**1,407,019**	**1,141,764**
Financed by:					
Reserves:					
Sinking fund reserve for repayment of borrowings	16	**423**	317	**423**	317
Other reserves	17	**1,210,743**	1,153,559	**1,203,180**	1,151,806
Profit and loss account		**223,873**	7,799	**203,416**	(10,359)
		1,435,039	1,161,675	**1,407,019**	1,141,764
Minority interests		**2,492**	235	**0**	0
		1,437,531	**1,161,910**	**1,407,019**	**1,141,764**

Signed: **W M McCann,** Chairman

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

21 March 2000

Consolidated statement of total recognised gains and losses

Year ended 31 December 1999

	Notes	1999 IR£000's	1998 IR£000's
Surplus for financial year		**216,444**	197,634
Non repayable supply contributions	17	**36,910**	30,491
Employee shareholding scheme	17	**14,200**	21,100
Other reserve movements	17	**601**	2,237
Translation differences on consolidation of foreign subsidiaries	17	**5,209**	(954)
Total recognised gains and losses		**273,364**	250,508

Reconciliation of movements in reserves:

Total recognised gains and losses for year	**273,364**	250,508
Opening reserves	**1,161,675**	911,167
Closing reserves	**1,435,039**	1,161,675

	Notes	1999 IR£000's	1998 IR£000's
Net cash inflow from operating activities	19(a)	**410,745**	414,705
Returns on investments and servicing of finance			
Other interest received		**2,596**	2,319
Interest paid		**(44,066)**	(56,407)
Interest element of finance lease payments		**(3,589)**	(5,942)
Net cash outflow from returns on investments and servicing of finance		**(45,059)**	(60,030)
Taxation			
Corporation tax paid		**(23,836)**	(1,205)
Capital expenditure & financial investment			
Purchase of tangible fixed assets		**(274,417)**	(299,440)
Purchase of financial fixed assets		**(24,529)**	(7,599)
Sale of tangible fixed assets		**926**	2,688
Sale of financial fixed assets		**0**	765
Net cash outflow from capital expenditure & financial investment		**(298,020)**	(303,586)
Net cash inflow before management of liquid resources and financing		**43,830**	49,884
Net cash (outflow)/inflow from management of liquid resources	19(b)	**(37,395)**	14,340
Financing			
Repayment of loans (net)	19(b)	**(52,489)**	(86,123)
Non repayable supply contributions		**38,235**	30,751
Minority interests		**6,796**	2,211
Net cash outflow from financing		**(7,458)**	(53,161)
(Decrease)/increase in cash	19(b)	**(1,023)**	11,063

1 Basis of accounting

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

Section 21 (2) of the Electricity (Supply) Act 1927 requires ESB (Parent) to fix charges made for the sale of electricity and for goods and services rendered by it so that the revenue derived in any year from such sales and services will be sufficient and only sufficient (as nearly as may be) to pay all salaries, working expenses, and other outgoings properly chargeable to income in that year and such sums as the Board may think proper to set aside in that year for reserve fund, extensions, renewals, depreciation, loans and other like purposes. Accounting policies 11 and 12 reflect this requirement.

2 Basis of consolidation

The group financial statements consolidate the financial statements of the parent and of all subsidiary undertakings made up to 31 December 1999. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. The financial statements of all subsidiary undertakings are drawn up to 31 December.

3 Financial fixed assets

(a) Joint venture and associated undertakings

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

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

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

The amounts included in the consolidated financial statements in respect of post acquisition profits of joint ventures and associates are taken from their latest audited financial statements made up to the balance sheet date, except in the case of Ocean Communications Limited, whose year end is March, where management accounts made up to 31 December 1999 have been used.

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

b) Other financial fixed assets

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

4 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the 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 year. Exchange differences resulting from the re-translation of the opening balance sheets of overseas subsidiary undertakings, joint ventures and associates at closing rates, together with the differences on the translation of the profit and loss accounts, are dealt with through reserves and reflected in the statement of total recognised gains and losses.

5 Turnover

Turnover comprises net sales of electricity and other goods and services to customers outside the group and excludes value added tax. Electricity turnover includes an estimate of the value of units supplied to customers between the date of the last meter reading and the year end which is included in debtors in the balance sheet as 'unbilled consumption'.

6 Tangible fixed assets and depreciation

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

The charge for depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values over their expected useful lives using methods appropriate to the nature of the Group's business and to the character and extent of its tangible fixed assets. Assets are grouped and allotted lifespans in line with international practice. Major asset classifications and their allotted lifespans are:

: Generation Plant and Thermal Station Structures	20 years
: Distribution Plant and Structures	25/30 years
: Transmission Plant and Structures	30 years
: General Buildings and Hydro Stations	50 years

Depreciation is provided:

: On the straight-line method for Transmission, Distribution and General Assets.
: On a projected plant usage basis for Generating Units.
: On all assets from date of commissioning.

7 Stocks

Stocks are carried at average cost, other than:

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

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

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

8 Deferred payment contracts

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

9 Leased assets

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

10 Grants

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

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

11 Non-repayable supply contributions

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

12 Sinking fund reserve for repayment of borrowings

Section 5 of the Electricity (Supply) (Amendment) Act 1982 allows the Board appropriate such sums as it considers proper to be used for the repayment of borrowings. These sums are appropriated to the sinking fund reserve in accordance with the Act, by way of transfer from the profit and loss account. In 1999, as in 1998, an amount has been appropriated to cover repayment of ESB stock issues in accordance with contractual obligations.

13 Taxation

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

14 Provision 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 provided on a discounted basis, the provision must be increased by a financing charge each year, which is calculated based on the provision balance and is included in the profit and loss account. In this way, the provision will equal the estimated closure costs at the end of the useful economic lives of the stations. The actual expenditure is set against the provision as stations are closed.

15 Discounting of future commitments

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

16 Superannuation scheme

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

17 Cash and liquid resources

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 are traded in an active market. They comprise term deposits placed for less than one year other than cash.

1 TURNOVER

	1999 IR£000's	1998 IR£000's
(a) Business activity:		
Electricity	**1,169,075**	1,099,979
Retail, contracts and other services	**107,543**	90,885
Other activities	**78,224**	70,477
	1,354,842	**1,261,341**
(b) Geographic markets (originating primarily in Ireland):		
Ireland	**1,295,013**	1,205,894
Europe	**33,274**	29,921
Others	**26,555**	25,526
	1,354,842	**1,261,341**

2 OPERATING COSTS

	1999 IR£000's	1998 IR£000's
Payroll	**267,643**	243,356
Fuel	**333,167**	298,665
Operations and maintenance	**423,038**	397,938
CCR Restructuring costs	**0**	16,000
Employee shareholding scheme	**14,200**	21,100
	1,038,048	**977,059**

CCR Restructuring costs

In 1998, IR£16m was charged to the profit and loss account in respect of implementation of the Cost and Competitiveness Review (CCR) restructuring plan. As the CCR costs were provided for on a discounted basis in earlier years, an annual financing charge will be required until the provision is fully utilised. The financing charge is calculated in accordance with the accounting policy set out on page 54.

It is charged to the profit and loss account (note 3) and included in the provision in the balance sheet (note 15). Actual expenditure is set against the provision as incurred.

Employee Shareholding Scheme

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

The scheme will operate as follows:

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

The Scheme will apply to surpluses earned since 1997. However, the actual shares can only be purchased and the scheme put into operation after ESB is incorporated as a public limited company.

In recognition of the ESB's liability in respect of 1997 and 1998, a charge of IR£21.1m was made in the 1998 accounts representing 5% of relevant profits for 1997 and 1998. The charge for 1999 is IR£14.2m. These amounts are being held in a special reserve (see note 17) until the shares are purchased.

3 NET INTEREST COST AND OTHER FINANCING CHARGES

	1999 IR£000's	1998 IR£000's
Interest payable on borrowings	**42,144**	53,985
Interest payable on finance leases	**3,527**	5,762
Total interest payable	**45,671**	59,747
Total interest receivable	**(2,556)**	(3,678)
Net interest payable	**43,115**	56,069
Less capitalised interest	**(16,435)**	(14,729)
Financing charges:		
– on restructuring provision (note 2)	**4,100**	10,286
– on station closure provision (note 15)	**12,188**	11,774
Net interest cost and other financing charges	**42,968**	63,400

The financing charges on provisions are calculated in accordance with the policy for discounting on page 54.

4 EMPLOYEES

(a) Average number of employees in year by business activity:	1999	1998
Electricity supply	**7,980**	8,053
Retail and contracts	**346**	323
Other activities	**993**	864
	9,319	9,240

(b) Employee costs in year

	1999 IR£000's	1998 IR£000's
Pay (salaries/wages)	**282,194**	269,871
Social welfare costs (PRSI)	**8,820**	8,435
Pension costs	**21,979**	20,036
Other payroll benefits	**19,174**	18,960
	332,167	317,302

Employee costs above include capitalised payroll of IR£64.7m (1998: IR£73.9m). They do not include the charge of IR£14.2m (1998: IR£21.1m) in respect of the employee shareholding scheme disclosed separately in note 2.

5 TAX CHARGE

	1999 IR£000's	1998 IR£000's
Corporation tax at 28% (1998: 32%)	**78,065**	32,273
Less manufacturing relief	**(26,500)**	(11,182)
	51,565	21,091
Overseas tax (excluding associated companies)	**695**	754
Tax attributable to group	**52,260**	21,845
Tax attributable to associated companies	**1,400**	861
	53,660	22,706

ESB's profits are taxed at the standard corporation tax rate of 28% (1998: 32%), reduced by manufacturing relief where applicable.

6 SURPLUS FOR THE FINANCIAL YEAR

The surplus for the financial year is stated after charging:		1999 IR£000's	1998 IR£000's
Depreciation		**151,980**	138,526
Bad debts		**2,851**	287
Operating lease charges		**3,288**	2,715
Auditor's remuneration	- audit services	**115**	113
	- non-audit services	**30**	85
ESB (Parent) board members' remuneration:			
	- Fees	**80**	80
	- Other remuneration (see page 42)		

7 TANGIBLE FIXED ASSETS

Consolidated	Land and buildings IR£000's	Plant and machinery IR£000's	Total assets in commission IR£000's	Payments on account and assets in course of construction IR£000's	Total IR£000's
Cost					
Balance at start of year	524,938	2,910,728	3,435,666	216,535	3,652,201
Additions/transfers	13,288	230,717	244,005	53,273	297,278
Retirements/disposals	(755)	(15,190)	(15,945)	0	(15,945)
Translation difference	90	332	422	0	422
Balance at end of year	537,561	3,126,587	3,664,148	269,808	3,933,956
Depreciation					
Balance at start of year	248,169	1,330,485	1,578,654	0	1,578,654
Charge	22,971	129,009	151,980	0	151,980
Retirements/disposals	(296)	(13,323)	(13,619)	0	(13,619)
Translation difference	21	169	190	0	190
Balance at end of year	270,865	1,446,340	1,717,205	0	1,717,205
Net book value at 31 December 1999	**266,696**	**1,680,247**	**1,946,943**	**269,808**	**2,216,751**
Net book value at 31 December 1998	276,769	1,580,243	1,857,012	216,535	2,073,547

Included above is plant and machinery with a net book value of IR£16.6m (1998: IR£8m) relating to subsidiary undertakings. The non-depreciable element of land and buildings amounts to IR£1.7m (1998: IR£1.7m).

Finance leases

All finance leases are held by the parent company. The net book value of tangible fixed assets includes an amount of IR£189.2m (1998: IR£198.1m) in respect of plant and machinery held under finance leases. Depreciation charged on such assets during the year amounted to IR£9.9m (1998: IR£9.2m).

8 FINANCIAL FIXED ASSETS

	Associated undertakings shares IR£000's	Joint venture investments IR£000's	Total IR£000's	Sinking fund and other investments IR£000's	Total IR£000's
Consolidated					
Balance at start of year at cost	18,260	473	18,733	417	19,150
Additions	8,505	21,317	29,822	106	29,928
Retranslation/ other movements	2,236	(752)	1,484	0	1,484
Share of retained profit/(losses)	3,665	(13,326)	(9,661)	0	(9,661)
Dividends received	(2,509)	0	(2,509)	0	(2,509)
Balance at end of year at cost	**30,157**	**7,712**	**37,869**	**523**	**38,392**

8 FINANCIAL FIXED ASSETS (continued)

The investment in joint ventures comprises an investment in Ocean Communications Limited and Dublin Bay Power Partnership which have contributed the following amounts:

	1999 IR£000's	1998 IR£000's
Share of turnover	**8,129**	1,755
Share of gross assets	**32,230**	8,860
Share of gross liabilities	**(24,518)**	(8,687)
	7,712	173

The carrying amount of associated undertakings represents the Group's share of their net assets and includes £5.5m of goodwill arising on investment in an associated undertaking during 1999. Subsidiary, associated and joint venture undertakings are listed in note 26.

Parent	Subsidiary undertakings Shares IR£000's	Loans IR£000's	Total IR£000's	Sinking fund investment IR£000's	Total IR£000's
Balance at start of year at cost	11,884	41,653	53,537	317	53,854
Additions	0	17,870	17,870	106	17,976
Disposals	0	(5,063)	(5,063)	0	(5,063)
Balance at end of year at cost	**11,884**	**54,460**	**66,344**	**423**	**66,767**

Sinking fund investments are represented by short term bank deposits. The market value of sinking fund investments at the end of year is IR£0.4m (1998: IR£0.3m).

9 STOCKS

Consolidated and Parent	1999 IR£000's	1998 IR£000's
Materials and spares	**74,498**	71,045
Fuel	**50,471**	35,900
Goods for resale (appliances)	**5,289**	2,400
	130,258	109,345

10 DEBTORS

	Consolidated		Parent	
	1999 IR£000's	1998 IR£000's	1999 IR£000's	1998 IR£000's
Amounts falling due within one year:				
Trade debtors	**73,705**	57,744	**54,457**	47,126
Unbilled consumption	**108,536**	111,847	**108,536**	111,847
Deferred payment contracts	**39,749**	41,785	**15,645**	16,415
Amounts owed by:				
Subsidiary undertakings	**0**	0	**30,727**	12,006
Associated undertakings	**151**	97	**0**	0
Other debtors	**55,160**	51,816	**40,169**	43,206
	277,301	263,289	**249,534**	230,600
Amounts falling due after more than one year:				
Deferred payment contracts	**15,686**	15,712	**645**	627
Total debtors	**292,987**	279,001	**250,179**	231,227

11 INVESTMENTS

Consolidated and Parent	1999 IR£000's	1998 IR£000's
Listed investments at cost	**5**	634
Market value of listed investments	**7**	861

12 BORROWINGS AND OTHER DEBT

Consolidated	Overdraft/ other debt IR£000's	Finance leases IR£000's	Borrowings IR£000's	1999 Total IR£000's	1998 Total IR£000's
Borrowings due within one year					
- Repayable by instalments	0	13,438	26,105	**39,543**	43,866
- Repayable other than by instalments	10,564	0	48,427	**58,991**	149,639
	10,564	13,438	74,532	**98,534**	193,505
Borrowings due after one year					
- Repayable by instalments					
Between one and two years	0	12,069	81,508	**93,577**	44,392
Between two and five years	0	25,377	43,831	**69,208**	77,782
After five years	0	32,964	99,974	**132,938**	75,376
	0	70,410	225,313	**295,723**	197,550
- Repayable other than by instalments					
Between one and two years	0	0	69,601	**69,601**	42,612
Between two and five years	0	0	170,862	**170,862**	165,616
After five years	0	0	20,000	**20,000**	101,590
	0	0	260,463	**260,463**	309,818
Total borrowings due after one year	0	70,410	485,776	**556,186**	507,368
Total borrowings outstanding	10,564	83,848	560,308	**654,720**	700,873

12 BORROWINGS AND OTHER DEBT (continued)

Borrowings totalling IR£169m (1998: IR£252.2m) are State guaranteed. Borrowings include IR£0.9m (1998: £0.8m) related to subsidiary undertakings.

At year end, ESB's total debt portfolio amounted to IR£643m excluding overdraft and subsidiary undertakings' borrowings. The underlying debt, before swaps, was denominated in the following currencies:

Currency	% of debt (pre swaps)	Currency	% of debt (pre swaps)
EUR	32	EURO	71
IEP	21	JPY	16
NLG	7	CHF	6
DEM	6	USD	5
FRF	5	GBP	2
Total Euro	71	Total	100

At 31 December 1999, all of the debt was denominated or swapped to Euro, except for one US Dollar loan, which was matched by a corresponding US Dollar deposit.

13 FINANCIAL INSTRUMENTS

A description of the policies related to financial instruments is set out in the Chief Executive's Statement on page 15. Short-term debtors and creditors have been excluded from all the numerical disclosures below.

Interest Rate Risk profile

Taking the effect of swaps into account, 58% (IR£373m) of the Group's year end borrowings are at fixed rates of interest. The weighted average interest rate of the fixed debt portfolio is 5.5% and the average life of this debt is 4.2 years. ESB had no interest free liabilities at year end. Variable rates on loans and swaps are based on the appropriate Euribor and Libor rates.

13 FINANCIAL INSTRUMENTS (continued)

Fair Values

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. The table set out below provides a comparison of the carrying amounts (book value) and fair value amounts of ESB's fixed rate financial assets and liabilities, including derivatives.

The fair values of short term deposits and floating rate loans approximate to their carrying amounts. The fair value of fixed rate loans is affected by movements in foreign exchange and interest rates.

The fair values of fixed rate debt and derivative instruments are estimated by discounting the future cash flows to net present values using market rates prevailing at the year end.

On interest rate swaps, as the same notional principal is used for the paying and receiving sides, the carrying amount equals zero. The fair value reflects the difference between the fixed rate and market rates 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.

	Book value IR£m	Fair value IR£m
Primary financial instruments held to finance ESB's operations:		
- Cash deposits	75.3	75.3
- Current portion of long term debt	(54.2)	(55.6)
- Long term debt	(579.9)	(625.4)
Derivative financial instruments held to manage interest rate and currency profile:		
- Interest rate swaps	0.0	9.4
- Currency swaps	(9.1)	(0.1)
- Forward foreign currency contracts	0.4	3.5

13 FINANCIAL INSTRUMENTS (continued)

Liquidity risk

The maturity profile of debt, excluding overdraft and subsidiary undertakings' borrowings, as at 31 December 1999 is as follows:

	Maturity Profile	
	IR£m	%
In one year or less	88	15
Between one and two years	162	24
Between two and five years	240	37
More than five years	153	24
Total	643	100

14 OTHER CREDITORS

	Consolidated		Parent	
Creditors falling due within one year:	**1999**	1998	**1999**	1998
	IR£000's	IR£000's	**IR£000's**	IR£000's
Progress payments on work in progress	**9,225**	15,600	**9,225**	15,600
Trade creditors	**96,729**	67,827	**94,201**	66,349
Other creditors	**26,146**	20,792	**25,746**	15,309
PAYE/PRSI	**5,455**	6,731	**5,252**	6,731
VAT	**7,739**	13,466	**6,435**	13,297
Accruals and deferred income	**78,164**	67,007	**53,041**	49,032
Deferred capital grants	**79**	295	**79**	295
Amounts owed to subsidiary undertakings	**0**	0	**17,451**	17,520
Accrued interest on borrowings	**6,697**	8,650	**6,697**	8,650
Corporation tax	**51,801**	21,977	**49,500**	18,300
Amounts owed to superannuation fund	**0**	459	**0**	459
	282,035	222,804	**267,627**	211,542

Creditors falling due after more than one year:

Deferred capital grants	**5,679**	4,850	**5,679**	4,850
Other creditors	**64,458**	84,620	**64,217**	84,620
	70,137	89,470	**69,896**	89,470

15 PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and parent	Station closure IR£000's	Restructuring costs IR£000's	Total IR£000's
Balance at 1 January 1999	245,614	89,733	**335,347**
Transfer from profit & loss account:			
- Financing charge (note 3)	12,188	4,100	**16,288**
Utilised during the year	(1,386)	(40,948)	**(42,334)**
Balance at 31 December 1999	**256,416**	**52,885**	**309,301**

Provision for Generating Station Closure

The provision at 31 December 1999 of IR£256.4m for station closure costs represents the present value of the current estimate of the costs of closure of generating stations at the end of their useful economic lives. The expected closure dates of most generating stations are up to 2013. 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.

Provision for restructuring

The provision for restructuring costs represents the remaining liabilities under the CCR restructuring plan (see note 2). Most of the remaining liability will be discharged by 2010.

16 SINKING FUND RESERVE FOR REPAYMENT OF BORROWINGS

Consolidated and parent	1999 IR£000's	1998 IR£000's
Balance at start of year	**317**	5,769
Appropriation for repayment of borrowings	**370**	784
Sinking fund applied to repay borrowings	**(264)**	(6,236)
Balance at end of year	**423**	317
Represented by:		
Sinking fund investments (note 8)	**423**	317

17 OTHER RESERVES

Consolidated	Non-repayable supply contributions IR£000's	Repaid capital reserve IR£000's	Shareholding scheme reserve IR£000's	Other reserves IR£000's	Total IR£000's
Balance at start of year	351,064	779,642	21,100	1,753	1,153,559
Non-repayable supply contributions	36,910	0	0	0	36,910
Borrowings repaid from sinking fund	0	264	0	0	264
Other reserve movements	0	0	0	601	601
Employee shareholding scheme (note 2)	0	0	14,200	0	14,200
Translation differences on consolidation of foreign subsidiaries	0	0	0	5,209	5,209
Balance at end of year	**387,974**	**779,906**	**35,300**	**7,563**	**1,210,743**
Parent	**387,974**	**779,906**	**35,300**	**0**	**1,203,180**

18 PROFIT AND LOSS ACCOUNT

The retained surplus of the parent for the year was IR£214m (1998 : IR£194m)

19 CASH FLOW STATEMENT

(a) Reconciliation of operating surplus to net cash inflow from operating activities

	1999 IR£000's	1998 IR£000's
Operating surplus	**316,794**	284,282
Depreciation	**151,980**	138,526
Increase in provisions for liabilities & charges	**0**	16,000
Utilisation of provisions for liabilities & charges	**(42,334)**	(40,257)
Employee shareholding scheme	**14,200**	21,100
Other reserve movements	**0**	1,635
Loss on disposal of tangible fixed assets	**234**	0
Profit on disposal of tangible fixed assets	**(571)**	(85)
Amortisation of capital grants	**(79)**	(131)
Translation differences	**(1,831)**	(2,288)
(Increase) in debtors	**(16,416)**	(4,363)
(Increase)/decrease in stocks	**(18,806)**	7,848
Increase/(decrease) in creditors	**7,574**	(7,562)
Net cash inflow from operating activities	**410,745**	414,705

19 CASH FLOW STATEMENT (continued)

(b) Reconciliation of net cash flow to movement in net debt	1999 IR£000's	1998 IR£000's
(Decrease)/Increase in cash in the year	**(1,023)**	11,063
Repayment of loans	**244,732**	115,125
New loans in year	**(217,962)**	(12,586)
Capital element of finance lease payments	**25,719**	15,821
Other new financing	**0**	(32,237)
Cash outflow from decrease in debt and lease financing	**52,489**	86,123
Net change in sinking fund bank deposits	**106**	(5,452)
Net change in other bank deposits	**37,289**	(8,888)
Cash outflow/(inflow) from management of liquid resources	**37,395**	(14,340)
Change in net debt resulting from cashflows	**88,861**	82,846
Exchange differences	**4,003**	1,335
Movement in net debt in the year	**92,864**	84,181
Net debt at the start of the year	**(671,730)**	(755,911)
Net debt at the end of the year	**(578,866)**	(671,730)

19 CASH FLOW STATEMENT (continued)

(c) Analysis of changes in net debt

Analysis of changes in net debt	At 1 January 1999 IR£000's	Cashflow IR£000's	Exchange movements IR£000's	At 31 December 1999 IR£000's
Cash at bank and in hand (see below)	19,135	4,868	2,388	**26,391**
Overdrafts	(935)	(5,891)	0	**(6,826)**
	18,200	(1,023)	2,388	**19,565**
Loans	(590,372)	26,770	(444)	**(564,046)**
Finance leases	(109,567)	25,719	0	**(83,848)**
	(699,939)	52,489	(444)	**(647,894)**
Other bank deposits (see below)	9,592	37,289	2,059	**48,940**
Sinking fund bank deposits & other investments	417	106	0	**523**
	10,009	37,395	2,059	**49,463**
Total	**(671,730)**	**88,861**	**4,003**	**(578,866)**

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

20 PENSION COMMITMENTS

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

The pension costs of the scheme are assessed in accordance with the advice of independent actuaries obtained at three yearly intervals. The latest actuarial valuation for the scheme was at 31 December 1997 using the attained age method. The principal actuarial assumption was that, over the long-term, the annual rate of return on investments would be 3% higher than the annual increase in pensionable remuneration and pensions in course of payment.

20 PENSION COMMITMENTS (continued)

At the date of the latest actuarial valuation, the market value of the assets of the scheme was IR£1,581 million which exceeded the scheme's actuarial valuation of accrued liabilities based on current earnings. The actuarial value of the assets was sufficient to cover 92% of the accrued liabilities allowing for expected future increases in earnings and pensions. Payment of the recommended funding rate is planned to increase the figure to 100% over time.

The pension charge of the Group for the year was IR£22m (1998: IR£20m), based on the on-going contribution rates as advised by the actuaries.

Of the normal contributions, IR£nil (1998: IR£0.5m) is unpaid at year end and is included in Other Creditors.

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

21 COMMITMENTS AND CONTINGENCIES

(a) Deferred taxation

On the basis of the investment plans of the Group it is considered that no provision for deferred taxation is required at 31 December 1999. The potential liability for deferred taxation, at the group's estimated effective tax rate of 18%, is set out below.

Consolidated and Parent

	1999	1998
	IR£000's	IR£000's
Capital allowances in excess of depreciation	**193,023**	213,657
Provisions	**(47,678)**	(58,881)
	145,345	154,776

The potential liability for deferred taxation at 31 December 1998 has been restated based on more detailed calculations.

21 COMMITMENTS AND CONTINGENCIES (continued)

(b) Operating lease obligations

Operating lease rentals payable within one year of the balance date are in respect of leases expiring:	1999 IR£000's	1998 IR£000's
Within one year	10	14
Between two and five years	62	36
After five years	3,755	3,384
Total payable within one year	**3,827**	3,434

(c) Capital commitments

	1999 IR£000's	1998 IR£000's
Contracted for	209,200	86,785
Authorised but not contracted for	69,800	216,000
	279,000	302,785

(d) Other

ESB has entered into a leasing transaction, early termination of which could expose ESB to a current estimated maximum net loss of IR£31m (in present value terms). No provision has been made in the financial statements for this amount as the Board considers the likelihood of any loss as remote.

22 RELATED PARTY TRANSACTIONS

Semi-State Bodies

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

Associated undertakings

ESB has undertaken transactions at arms length for the purchase and supply of goods and services to associated undertakings during the year. The only significant contracts are with Corby Power Limited and Rousch Pakistan Power from which a total revenue of IR£8m (1998 : IR£8m) was received in 1999.

23 POST BALANCE SHEET EVENTS

Subsequent to year end, ESBIT Limited (60% owned by ESB) contracted to dispose of its investment in Ocean Communications Limited for IR£166m.

The Group has also disposed of its investment in ESB Fund Managers for IR£8m.

24 COMPARATIVE FIGURES

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

25 APPROVAL OF ACCOUNTS

The Board approved the accounts on 21st March 2000.

26 SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS

Company name	Registered office	Group share%	Nature of business
Subsidiary undertakings			
ESB International Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Holding company
ESBI Engineering Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Engineering
ESBI Engineering (Overseas) Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Engineering
ESBI Contracting Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Contracting
ESBI Consultants Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Consultancy
ESBI Engineering UK Ltd.	122 London Road Kingston on Thames Surrey KT2 6QJ Great Britain.	100	Engineering and general consultancy
EPIN European Procurement Information Network Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Marketing software
ESBI Computing Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	95	Computer services

26 SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share%	Nature of business
ESB International Services Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Financial consultancy and computer services
Electricity Supply Board International Services B.V.	Stravinskylaan 3105 7th Floor 1077 2X Amsterdam The Netherlands.	100	Holding company
Electricity Supply Board International Holdings B.V.	Stravinskylaan 3105 7th Floor 1077 2X Amsterdam The Netherlands.	100	Holding company
ESBI Luxembourg SA	121 Avenue de la Faiencerie L.1511 Luxembourg.	100	Holding company
ESBIT Limited	Stephen's Court 18-21 St Stephens Green Dublin 2.	60	Holding company
ESBI Energy Company	2800 Post Oak Road Houston,Texas 77056 USA.	100	Engineering consultancy
ESB Fund Managers Ltd.	Stephen's Court 18-21 St.Stephen's Green Dublin 2.	100*	Funds Management
FinancElectric Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Customer credit

* This company has been disposed of since the year end.

26 SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share%	Nature of business
ESB International Investments	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Industrial and commercial projects
Power Generation Technology Snd Bhd	Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Malaysia.	100	Power generation contracting
Transmission Line Services Ltd.	122 London Road Kingston on Thames Surrey KT2 6QJ Great Britain.	100	Overhead line contracts
ESBI Alberta Limited	1500.855 2nd Street South West Calgary Alberta T2P 4J7 Canada.	100	Transmission Management
ESBI Facility Management Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	100	Facilities Management
College Power Limited	27 Lr. Fitzwilliam St. Dublin 2.	100	Power Project
ESB Power Generation Holding Company Limited	27 Lr. Fitzwilliam St. Dublin 2.	100	Holding company
Customer Services Holdings Ltd.	27 Lr. Fitzwilliam St. Dublin 2.	100	Holding company

26 SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share%	Nature of business
Ballyragget Power Ltd.	27 Lr. Fitzwilliam St. Dublin 2.	100	Power projects
Crockahenny Wind Farm Ltd.	27 Lr. Fitzwilliam St. Dublin 2.	75	Wind Farm
Hibernian Hydro Ltd.	27 Lr. Fitzwilliam St. Dublin 2.	95	Small hydro projects
Dublin Bay Power Ltd.	27 Lr. Fitzwilliam St. Dublin 2.	100	Holding company
Associated Undertakings			
Sevent Industries Ltd.	27 Lr Fitzwilliam St. Dublin 2.	49	Electrical distribution material manufacture
Transpower Ltd.	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	50	Development of independent power projects
Saur Utilities Ltd.	16 St. Stephens Green, Dublin 2.	49	Water and sewerage treatment
Corby Power Ltd.	Mitchell Road Phoenix Parkway Corby Northamptonshire NN17 IQ7 Great Britain.	20	Power generation
Coolkeeragh Group Limited	4 Electra Road Maydown, Derry BT47 1UL.	40	Power generation
Bizkaia Energia SL	2A Planta, 48011 Bilbao, Spain.	50	Power generation

26 SUBSIDIARY, JOINT VENTURE AND ASSOCIATED UNDERTAKINGS (continued)

Company name	Registered office	Group share%	Nature of business
Rousch Pakistan Power	94-W, 3rd Floor Admir Plaza Jinnah Ave, Blue Area Islamabad Pakistan.	7	Independent Power Producer
Americas and Caribbean Power	Craigmuir Chambers PO Box 71 Road Town Tortola British Virgin Islands.	20	Facilities Management
Joint venture undertakings			
Ocean Communications Limited	Stephen's Court 18-21 St. Stephen's Green Dublin 2.	30 *	Telecoms
Dublin Bay Power Partnership	25/126 Lower Baggot St. Dublin 2.	70**	Power Generation
Irish Power Systems Ltd .	27 Lr Fitzwilliam St. Dublin 2.	50	Power Generation

* ESBIT, a 60% subsidiary of ESB, owns 50% of the equity of Ocean Communications Limited. This investment has been disposed of since the year end.

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

Appendix I - key ratios and ESB input to Ireland's economy

Key Ratios	1995	1996	1997	1998	**1999**
Return on average capital employed (%)	(10.8)	9.1	11.2	12.0	**12.6**
Debt/debt and net assets (%)	58.0	50.0	46.0	38.0	**31.0**
Current ratio (times)	3.1	2.0	1.9	1.9	**1.8**
Interest cover (times) (excluding interest capitalised)	(3.0)	3.1	4.2	6.3	**11.1**
Average electricity credit period (days from date billed)	16.4	16.2	16.3	15.7	**16.4**

Input to Ireland's economy	1995 IR£m	1996 IR£m	1997 IR£m	1998 IR£m	**1999 IR£m**
Fuel: gas, peat, excise duties	160	174	177	158	**176**
Irish suppliers of goods and services incl. capital work	213	227	253	304	**311**
Rates	35	36	38	39	**41**
Payroll Costs	301	292	305	304	**320**
Interest paid to Irish lenders and stockholders	29	22	17	24	**8**
Other superannuation funding and voluntary severance payments	8	187	134	39	**41**
TOTAL	746	938	924	868	**897**

Appendix II - 1999 accounts in euro's

Consolidated profit and loss account
Year ended 31 December 1999

	1999 IR£000's	1999 Eur€000's	1998 IR£000's	1998 Eur€000's
Turnover - continuing operations	**1,354,842**	**1,720,295**	1,261,341	1,601,573
Operating costs	**(1,038,048)**	**(1,318,049)**	(977,059)	(1,240,609)
Operating surplus - continuing operations	**316,794**	**402,246**	284,282	360,964
Share of joint venture losses	**(13,326)**	**(16,921)**	(6,078)	(7,717)
Share of associated undertakings' profit	**5,065**	**6,431**	3,485	4,425
Surplus before interest	**308,533**	**391,756**	281,689	357,672
Net interest cost and other financing charges	**(42,968)**	**(54,558)**	(63,400)	(80,501)
Surplus on ordinary activities before taxation	**265,565**	**337,198**	218,289	277,171
Tax charge	**(53,660)**	**(68,134)**	(22,706)	(28,831)
Surplus on ordinary activities after taxation	**211,905**	**269,064**	195,583	248,340
Minority interests - equity	**4,539**	**5,763**	2,051	2,604
Surplus for financial year	**216,444**	**274,827**	197,634	250,944
Appropriation to sinking fund reserve	**(370)**	**(470)**	(784)	(995)
Retained surplus for year	**216,074**	**274,357**	196,850	249,949

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

Consolidated balance sheet as at 31 December 1999

Assets employed:	1999 IR£000's	1999 Eur€000's	1998 IR£000's	1998 Eur€0000's
Fixed assets:				
Tangible assets	2,216,751	2,814,693	2,073,547	2,632,862
Financial assets (including joint venture and associate undertakings)	38,392	48,748	19,150	24,315
	2,255,143	2,863,441	2,092,697	2,657,177
Current assets:				
Stocks	130,258	165,394	109,345	138,840
Debtors	292,987	372,017	279,001	354,258
Investments	5	6	634	805
Cash at bank and in hand	75,331	95,651	28,727	36,476
	498,581	633,068	417,707	530,379
Creditors (falling due within one year)				
Borrowings and other debt	(98,534)	(125,112)	(193,505)	(245,701)
Other creditors	(282,035)	(358,111)	(222,804)	(282,903)
	(380,569)	(483,223)	(416,309)	(528,604)
Net current assets	118,012	149,845	1,398	1,775
Total assets less current liabilities	2,373,155	3,013,286	2,094,095	2,658,952
Creditors (falling due after more than one year)				
Borrowings and other debt	(556,186)	(706,211)	(507,368)	(644,224)
Other creditors	(70,137)	(89,056)	(89,470)	(113,603)
	(626,323)	(795,267)	(596,838)	(757,827)
Provision for liabilities and charges	(309,301)	(392,731)	(335,347)	(425,803)
Net assets	1,437,531	1,825,288	1,161,910	1,475,322
Financed by:				
Reserves:				
Sinking fund reserve for repayment of borrowings	423	537	317	403
Other reserves	1,210,743	1,537,327	1,153,559	1,464,718
Profit and loss account	223,873	284,260	7,799	9,903
	1,435,039	1,822,124	1,161,675	1,475,024
Minority interests	2,492	3,164	235	298
	1,437,531	1,825,288	1,161,910	1,475,322

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

Appendix III - Report of Board Members on Compliance with the Prompt Payment of Accounts Act, 1997

Introduction

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

Statement of Payment practices including standard payment periods

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

Compliance with the Act

ESB complies with the requirements of the Act in respect of all external supplier payments, with the exception of the two items referred to below.

a) Interest payments amounting to less than £1 are not paid unless there is cumulative interest due to a supplier of £1.
b) For internal control reasons interest payments are made monthly, and not on the same day as the invoice payment.

In the opinion of the Board Members, the financial impact of the above for suppliers would be immaterial.

Procedures and controls in place

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

Details of interest payments in respect of 1999:

Total number of late payments	6,169
Total value of late payments	IR£23,291,441
Total value of late payments as a % of total value of payments made:	6%
Total value of interest paid:	IR£158,678

Chairman Chief Executive

21st March 2000

Notes