CONTENTS

vision

To provide the world's lowest-cost electricity for growth and prosperity

mission

To satisfy all our customers' electricity needs in the most cost-effective way

strategy

To develop Eskom as a business that maximises the value of its products and services to South Africa

ESKOM

profile of Eskom

Eskom supplies more than half the total electricity consumed in Africa. At the end of 1994 it had total assets of R47,4 billion, revenue for the year was R15,4 billion and net income was R2,3 billion.

Eskom is a utility managed on business principles for the benefit of its customers. It has no shareholders, is a separate legal entity, and is funded entirely from debt and accumulated reserves.

Eskom operates under the Eskom Act of 1987 and the Electricity Act of 1987. Its policies are determined by the Electricity Council, which consists of representatives of customers' interests, organised labour and the Government. The Management Board, appointed by the Council, is the executive body responsible for the day-to-day running of Eskom.

Eskom's 19 power stations have a nominal capacity of 37 840 megawatts (MW). The total network comprises 239 457 kilometres (km) of power lines. Electricity is supplied country-wide and exported to neighbouring countries. Eskom imports power from Namibia when necessary.

Eskom produces more than 95% of South Africa's electricity. Eskom's retail customer base has increased to more than one million, making it the largest direct distributor in the country. It supplies most mines and many industries direct whilst 43% of its electricity is sold to local authorities who resell it to end-users. On request from some local authorities and communities, Eskom's direct supply to households and small businesses is increasing. Eskom's marketing thrust is towards bringing electricity, where appropriate and cost effective, to households and consumers still using other energy sources.

Eskom affords equal opportunities to all its employees. Merit is a decisive factor in advancement and remuneration. Employees are encouraged to develop their potential through training. Efforts are being made to uplift disadvantaged individuals to enhance their contribution within the organisation and society at large.

Eskom is committed to being an efficient and effective organisation. It is also making electricity available at the lowest possible price to all in South Africa who want it and can afford it. Eskom supports a regional transmission grid to encourage cooperation and accelerate economic growth in southern Africa.

highlights

	1994	1993	Change 1993 – 94 %	Average yearly change 1990 – 94 %
FINANCIAL				
Revenue, Rm	**15 417**	13 793	11,8	10,7
Net income, Rm	**2 268**	1 646	37,8	25,5
Property, plant and equipment in commission, at cost, Rm	**48 247**	45 623	5,8	8,6
Works under construction, Rm[1]	**4 816**	3 552	35,6	– 6,2
Net expenditure on property, plant and equipment, Rm	**4 192**	3 591	16,7	1,3
Net interest-bearing debt, Rm	**27 884**	28 027	– 0,5	2,5
Average price per kWh sold, cents	**10,32**	9,59	7,6	8,4
Average total cost per kWh sold, cents	**8,80**	8,45	4,2	6,7
OPERATIONS				
Electricity sold, GWh	**149 443**	143 800	3,9	2,2
Coal burnt in power stations, Mt	**76,9**	75,9	1,3	2,6
Water consumed by power stations, Ml	**213 220**	223 650[2]	– 4,7	– 3,9
Peak demand on integrated system, MW	**24 798** (26.07.94)	23 169 (22.06.93)	7,0	2,5
ASSETS IN COMMISSION at 31 December				
Nominal capacity, MW	**37 840**	39 746	– 4,8	2,1
Net maximum capacity, MW	**35 926**	37 636	– 4,5	2,1
Power lines (all voltages), km	**239 457**	238 964	0,2	2,5
STAFF EMPLOYED at 31 December, number[3]	**39 760**	40 128	– 0,9	– 5,1
CUSTOMERS at 31 December, number	**1 207 053**	872 509	38,3	39,4

1. Includes construction materials.
2. Revised.
3. Excludes employees of subsidiary companies.

ESKOM AND THE RDP

Between 1994 and 2000 Eskom commits to:

- Reducing the real price of electricity by 15% – *so as to become the world's lowest-cost producer of electricity*
- Electrifying an additional 1 750 000 homes – *improving the lives of 11 million South Africans*
- Changing its staff profile – *50% of management, professional and supervisory staff shall be black South Africans*
- Educating, training and upgrading sufficient numbers of people to meet Eskom's future managerial, technical and other professional staff needs – *inter alia by*
  - * *having on average 370 black trainees and bursars complete their training annually*
  - * *enabling all Eskom employees to become literate*
- Maintaining transparency and worker consultation in decision making
- Contributing R50 million per year to the electrification of schools and clinics and other community development activities – *particularly in rural areas*
- Enabling all Eskom employees to own a home
- Encouraging small and medium enterprise development – *through Eskom's buying policies and by giving managerial support*
- Protecting the environment
- Financing the above from South African and own resources, and from overseas development funding

ELECTRICITY council

DR J B MAREE OMSG SSAS (70)[bc] Chairman

DCom (Honoris causa) (Stell), BCom (Witwatersrand)
Chairman of Nedcor Group, Nedcor Bank Limited, UAL Merchant Bank Limited and Denel (Pty) Limited. Director of Barlow Rand Limited, the Development Bank of Southern Africa and SA Mutual Life Assurance Society.
Appointed to the Electricity Council in 1985.

DR E CALITZ (45)

DCom (Stell)
Director General of the Department of Finance. Alternate Governor to the International Monetary Fund. Member of the Economic Society of South Africa, the International Institute of Public Finance and the Development Society of Southern Africa.
Representing the Department of Finance.
Appointed to the Electricity Council in 1994.

A B DICKMAN (64)[a]

BCom (Hons) (Witwatersrand), FIBSA
Honorary professor of Economics at the Wits Business School and economic consultant. Director of UAL Merchant Bank Limited.
Representing South African Chamber of Business.
Appointed to the Electricity Council in 1985.

S IMMELMAN (56)[de]

BCom (Cape Town)
President of Municipal Association of the Cape Provinces. Chairman of Cape Joint Pension Fund. Vice-chairman of the Housing Board, Northern Cape.
Representing United Municipal Executive.
Appointed to the Electricity Council in 1993.

PROF I J LAMBRECHTS (52)[ad]

DCom (Stell), MBA (Stell)
Professor of Business Management at the University of Stellenbosch. Chairman of the Subcommittee for Energy of the Afrikaanse Handelsinstituut (AHI). Member of Electricity Control Board.
Representing AHI.
Appointed to the Electricity Council in 1985.

DR F LE ROUX (47)

(Alternate member to Dr E Calitz)
DCom (Stell)
Chief: Fiscal Analysis of the Department of Finance. Member of Financial and Fiscal Commission.
Representing the Department of Finance.
Appointed to the Electricity Council in 1994.

B J LESSING (57)[e]

Pr Eng, BSc, BEng (Stell), FCIT, FSPE
Deputy managing director of Transnet Limited.
Representing Transnet.
Appointed to the Electricity Council in 1988.

MRS N MAJIJA (60)[bc]

Teaching diploma (St Matthew's College)
Member of South African National Civics Organisation (SANCO) Committee (Transkei Region) and of Transkei Rural Development Forum.
Representing consumers.
Appointed to the Electricity Council in 1993.

G MANTASHE (40)[d]

Advanced Diploma in Accounting
Assistant general secretary of the National Union of Mineworkers (NUM).
Representing organised labour.
Appointed to the Electricity Council in 1993.

[a] on Audit and Financial Committee [b] on Community Fund Committee [c] on Personnel Committee [d] on Tariffs and Marketing Committee [e] on Tender Committee

G MAUDE (55)[c]

Pr Eng, BSc (Mining) (Leeds, UK)
Chairman and managing director of Gengold Limited. Executive director of Gencor Limited. Chairman of ten gold mines. Director of 34 South African companies and the World Gold Council.
Representing the Chamber of Mines.
Appointed to the Electricity Council in 1993.

A J MORGAN (47)[a,c,de]

Pr Eng, BSc, BEng (Elec) (Stell)
Chief Executive of Eskom and chairman of the Management Board. Senior member of SA Institute of Electrical Engineers.
Appointed to the Electricity Council in 1994.

D B MOSTERT (57)[a]

BSc (Eng) (Mech) (Stell), MBA (PUCHE)
Former group chief executive of Dorbyl. Ex-director of the Rembrandt Group and Metkor Group.
Representing the Steel and Engineering Industries Federation of South Africa.
Appointed to the Electricity Council in 1990.

C J PRETORIUS (57)[e]

General secretary of Eskom Employees Association. Member of Executive Council of Federation of South African Trade Unions.
Representing organised labour.
Appointed to the Electricity Council in 1993.

C G VAN VEIJEREN (60)[b]

BSc (Agric) (Pret)
Chairman of Cooperative Council of South African Agricultural Union (SAAU) and Citrus Board. Director of Outspan International.
Representing SAAU.
Appointed to the Electricity Council in 1993.

DR G P N VENTER (51)[d]

DSc (Pret)
Deputy director general of Department of Mineral and Energy Affairs. Deputy chairman of National Air Pollution Advisory Committee. Director of Atomic Energy Corporation and CEF (Pty) Limited.
Representing the Department of Mineral and Energy Affairs.
Appointed to the Electricity Council in 1992.

H WHITEHEAD (50)[d]

Pr Eng, BSc (Eng) (Natal), MBL (Unisa), FSAIEE
President of the Association of Municipal Electricity Undertakings of Southern Africa (AMEU).
Representing AMEU.
Appointed to the Electricity Council in 1994.

MEMBERS RETIRED/RESIGNED DURING 1994

G P CROESER (57)

BCom (Stell)
Previously represented the Department of Finance.
Appointed to the Electricity Council in 1989.

DR B L FANAROFF (47)

Ph D (Cambridge)
Previously represented organised labour.
Appointed to the Electricity Council in 1993.

DR E KUZWAYO (80)

PhD (Honoris causa) (Witwatersrand), Higher Primary Teacher's Certificate (1935), Higher Diploma in Social Work Practice (Witwatersrand)
CNA Literary Award (1986). Previously represented consumers.
Appointed to the Electricity Council in 1993.

DR I C McRAE OMSG (65)

Pr Eng, DSc (Honoris causa) (Witwatersrand), BSc (Eng) (Mech) (Witwatersrand)
Previously chief executive of Eskom and chairman of the Management Board.
Appointed to the Electricity Council in 1985.

M D MOFOKENG (34)

B Admin (UNIN)
Previously represented SANCO.
Appointed to the Electricity Council in 1993.

A S NKONYENI (58)

BCom (Cape Town)
Previously represented black business.
Appointed to the Electricity Council in 1991.

DR V E SOLOMON (66)

PhD (Rhodes), BCom (Hons) (RAU), BA (Hons) (Unisa)
Previously represented the Department of Finance (alternate member to G P Croeser).
Appointed to the Electricity Council as alternate member in 1991.

ORGANISATIONAL structure

ELECTRICITY COUNCIL

MANAGEMENT BOARD

CHIEF EXECUTIVE AND CHAIRMAN OF THE MANAGEMENT BOARD

A J Morgan

OFFICE OF THE CHIEF EXECUTIVE

- Audit services
- Confidential investigations
- Electricity Council and Management Board Secretariat

SERVICES

H J Pienaar

- Information management
- Information technology
- Consulting services
- Business services
- Commercial resource management

GENERATION

B T Crookes

- Power station operations
- Fuel and water management
- Generation technology
- Project management

TRANSMISSION

P A Faling

- Transmission system operations
- National control
- Power system planning
- National protection, telecommunication, measurement and control
- Project management
- Operating and maintenance

DISTRIBUTION

L J Messerschmidt

- Customer management
- Sales and customer service
- Business processes

FINANCE

Dr W J Kok

- Treasury
- Financial planning
- Corporate finance
- Investor relations (Atlanta office)
- Corporate risk services
- Eskom Finance Company

MARKETING

M S Mosikili

- Marketing strategy and implementation
- Electricity pricing
- Business and market development

ELECTRIFICATION

R S Dabengwa

- Electrification
- Distribution engineering

TECHNOLOGY

J A de Beer

- Research
- Technology applications
- Nuclear safety
- Environmental management
- Technical resources
- Technical audit

HUMAN RESOURCES

B A Khumalo

- Organisational development
- Human resource development
- Employee relations and benefits
- Strategic human resource initiatives

GROWTH AND DEVELOPMENT

Dr G F Lindeque

- Strategic alignment
- Public affairs
- Communication
- RDP coordination
- Eskom international
- Legal services

MANAGEMENT board

A J MORGAN (47)

Chairman

Pr Eng, BSc, BEng (Elec) (Stell)
Chief executive of Eskom.
Joined Eskom in 1971.
Appointed to the Management Board in 1992.

B T CROOKES (45)

Pr Eng, BCom (Hons) (Unisa), N Dip T (Eng) (Mech)
Executive director: Generation.
Joined Eskom in 1969.
Appointed to the Management Board in 1991.

R S DABENGWA (36)

BSc (Hons) (Eng) (Univ of Zimbabwe), MBA (Witwatersrand)
Executive director: Electrification.
Joined Eskom in 1992.
Appointed to the Management Board in 1994.

J A DE BEER (44)

Pr Eng, BSc (Eng) (Civ) (Pret), MBL (Unisa)
Executive director: Technology.
Joined Eskom in 1978.
Appointed to the Management Board in 1993.

P A FALING (46)

Pr Eng, BSc (Eng) (Mech) (Pret)
Executive director: Transmission.
Joined Eskom in 1981.
Appointed to the Management Board in 1993.

B A KHUMALO (42)

MA (Communication) (Fairfield),
AEP (SBL, Unisa)
Executive director: Human Resources.
Joined Eskom in 1991.
Appointed to the Management Board in 1994.

DR W J KOK (43)

DCom (RAU)
Executive director: Finance.
Seconded to Eskom in 1988; joined permanent staff in 1989.
Appointed to the Management Board in 1993.

DR G F LINDEQUE (53)

DPhil (PUCHE)
Executive director: Growth and Development.
Joined Eskom in 1975.
Appointed to the Management Board in 1987.

L J MESSERSCHMIDT (50)

Pr Eng, BSc (Eng) (Mech) (Pret), MBL (Unisa)
Executive director: Distribution.
Joined Eskom in 1967.
Appointed to the Management Board in 1990.

M S MOSIKILI (49)

BA (UNIN), Dip Mktg (IMM), Dip Econ (Harvard),
PMD (Harvard), Dip Mktg Strategy (Stanford)
Executive director: Marketing.
Joined Eskom in 1991.
Appointed to the Management Board in 1994.

H J PIENAAR (44)

BCompt (Hons) (Unisa), CA(SA), FCMA
Executive director: Services.
Joined Eskom in 1988.
Appointed to the Management Board in 1993.

MEMBERS RETIRED DURING 1994

DR I C McRAE OMSG (65)

Pr Eng, DSc (Honoris causa) (Witwatersrand),
BSc (Eng) (Mech) (Witwatersrand)
Previously chief executive of Eskom.
Joined Eskom in 1947.
Appointed to the Management Board in 1985.
Retired on 28 February 1994.

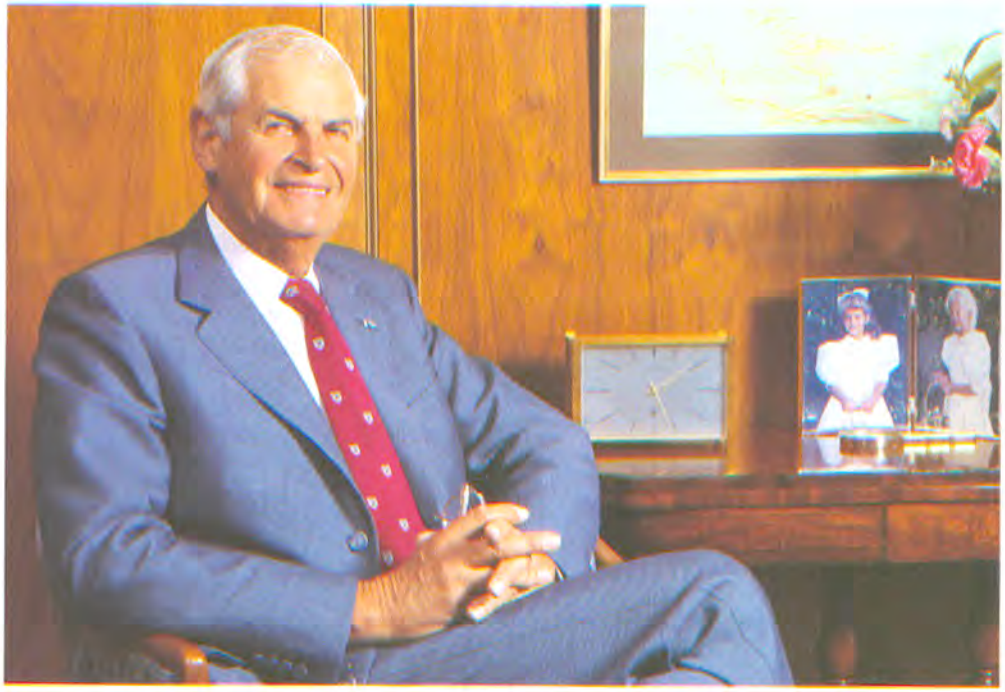
A J HAM (57)

Pr Eng, BSc (Eng) (Mech) (Natal)
Previously executive director: Technology.
Joined Eskom in 1966.
Appointed to the Management Board in 1987.
Retired on 30 June 1994.

OVERVIEW BY THE chairman

Dr J B Maree
Chairman of the
Electricity Council

"I am confident that the positive political and economic trends established during 1994 will continue and accelerate in 1995 and that Eskom will continue to make a significant contribution to South Africa's economic growth in the future."



THE YEAR UNDER REVIEW The remarkable success of South Africa's first democratic elections, our re-acceptance into the world community, coupled with the commitment to tackling the urgent needs of growth and development, have been major positive factors in the changed outlook for the country during the year. The Government of National Unity is in place, facing its challenges energetically, and has established relationships with a wide diversity of stakeholders and interest groups. Uncertainty about the future has been much reduced, although concern about the ongoing unacceptable levels of crime and violence and sorely needed economic growth continue to occupy much of the centre stage.

Low foreign reserves and inflationary pressures continue to be a worry. Prerequisites for economic growth are foreign investment and the competitiveness of South African products on newly opening international markets. Relatively high levels of taxation, the two-tier currency and accompanying restrictive exchange controls are, however, acting as a bar to foreign investment. These need to be addressed at the earliest opportunity.

Indications of economic growth have been encouraging. These are reflected in the sales of electricity, which increased by 3,9% in 1994, far exceeding budgets. Given this background, it is very pleasing that the financial performance of Eskom continued to improve. If this modest economic growth is to be sustained and increased, then Government, civil society and business need to combine forces to create the stability that will allow the exciting promise of the new South Africa to be fulfilled.

The Reconstruction and Development Programme (RDP) is a most positive step, spelling out the Government's goals, priorities and areas of focus. It now

requires practical and realistic commitment from business and civil society to align themselves behind this programme and to identify and address those problems that presently hamper economic development.

Eskom's support of the RDP is set out in a ten-point commitment, aimed at ensuring that its role in achieving the aims of the RDP are clearly defined, realistic and significant.

It is my strong view that the biggest contribution Eskom can make to our country's future is to run its business efficiently and effectively, ensure its financial soundness, and keep the cost of producing electricity as low as possible in the interests of customers. At the same time it must ensure that it remains in harmony with the environment in which it operates.

ELECTRICITY PRICES Despite the high costs of electrification, Eskom's ongoing efforts to improve productivity, reduce operating expenditure and focus on cost containment, have resulted in substantial overall cost reductions and a high level of efficiency. Combined with the cost advantages in our power production system, this achievement has clearly contributed to low and relatively stable prices for electricity – a factor of considerable importance at a time when the country aims to increase its share of global markets.

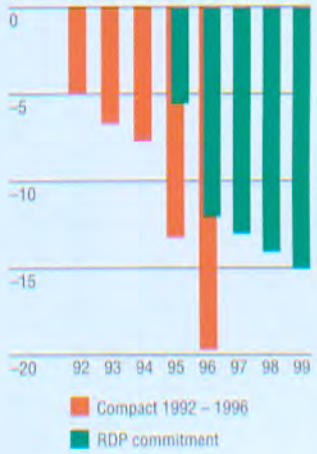
The electricity price increase of 7% for the year was in line with our 1991 compact to reduce the real price of electricity by 20% between 1992 and 1996. The real average price of electricity today is 73% of the price 10 years ago. In its RDP commitments, Eskom has undertaken to reduce the real price of electricity by 15% between 1995 and 2000. This will result in an additional 3% real reduction over the period 1997 to 2000.

South African industry today enjoys favourable electricity costs. Industrial companies, for example, pay 38% less than their North American competitors and 50% less than their European counterparts. There is also ample justification for electricity-intensive industries to commit themselves to long-term investments in South Africa, particularly as our low-cost electricity gives them an international competitive edge. To date, the country has attracted substantial investments in industries involved in the processing of metals.

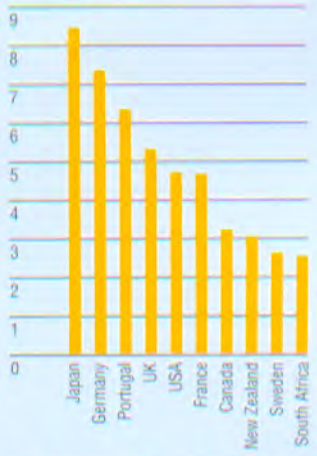
In line with its commitment to customers, Eskom conducted a comprehensive exercise during the review period that established a set of proven customer satisfaction indicators as a basis for appropriate action.

NON-PAYMENT FOR SERVICES The non-payment for electricity by customers in certain areas is expected to decrease gradually over time. It is, however, still one of the most significant financial threats facing Eskom, and considerable effort is being applied to deal with the situation in a practical manner. Cutting off service to individual non-paying customers is starting to have the desired effect. It is clear

COMPACT AND RDP COMMITMENTS
cumulative real price reduction as measured against CPI (%)



WORLD INDUSTRIAL ELECTRICITY PRICES
(p/kWh)



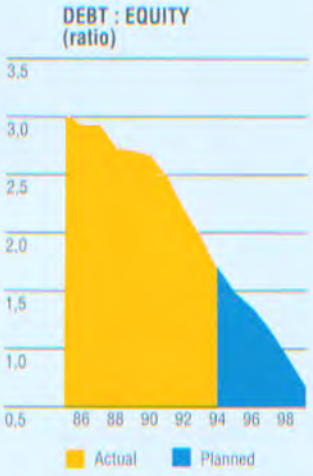
Price per kWh*, including local taxes but excluding recoverable VAT, from a representative utility in each country for a typical 2,5 MW, 40% load factor supply, as at 1 January 1994.

*Converted, using 31 December 1993 exchange rates to UK pence per kilowatt-hour.

Relative purchasing power of the respective currencies is not reflected in these values.

UK prices are derived using published tariffs only. Prices available under contracts are expected to be approximately 12% lower.

Source: © Electricity Association Services Limited, International Electricity Prices – Issue 21.



to me that, in our thrust to achieve a normal society, the pattern of non-payment needs to be addressed by all parties concerned, or the objectives of the RDP will not be achieved.

ELECTRIFICATION Experience in other countries shows that substantial economic growth is not achieved until the large majority of the population has access to electricity. Electrification and economic growth go hand in hand. Eskom has accelerated its electrification thrust over the past two years and its programme is on target.

Eskom has electrified 639 741 homes since the electrification drive began at the end of 1990. This programme will positively affect the lives of more than eleven million people, giving them access to a clean, affordable and convenient source of energy and allowing them to become part of a modern industrially developing society.

Eskom is well on target to meet its portion of the RDP requirement for electrification, namely 1,75 million electrified households spread over the period 1994 to 1999.

FINANCING Eskom continues to strengthen its balance sheet. It is increasingly financing net capital expenditure from its own cash flows. The result is that borrowings, expressed as a percentage of total assets, are reducing. Whereas the debt-equity ratio was 3,0:1 in 1985, it has now been reduced to 1,7:1 and will approximate parity within the next four years.

Eskom is financing its electrification drive from earnings and borrowings. It issued a 15-year Electrification Participation Note (EPN1) in May 1993. In view of the enlargement of the electrification programme, EPN1 was replaced with EPN2 which raised R1,2 billion.

To facilitate and enhance Eskom's international borrowing, credit ratings were obtained from Moody's Investor Services and Standard and Poors Rating Group – Baa3 and BB respectively. These are the same as those obtained by South Africa as a country and will enable Eskom to access new capital markets. To facilitate this process, an office has been opened in Atlanta, Georgia, in the United States.

STAKEHOLDERS The forces impinging on Eskom and demands made on the organisation have been complex, requiring careful and disciplined handling to ensure that the interests of all customers and stakeholders are taken into account.

We have continued to strengthen relationships with key stakeholders, including organised labour. These relationships are characterised by improving transparency, public accountability and a greater degree of meaningful influence by all parties involved in the decision-making process. These initiatives have been motivated by our desire for Eskom to remain a top utility and to be recognised as such world-wide. Positive results have been achieved in many areas, softening the effects on

our organisation of the climate of industrial unrest which prevailed during the pre-election period.

Eskom sees affirmative action as a business imperative and is committed to significant change in its staffing to bring it into line with the demographic profile of our country.

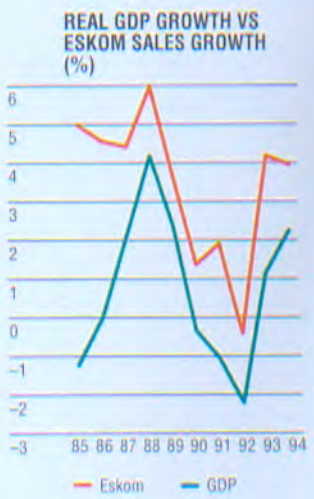
PRIVATISATION The global trend of privatising public corporations has proved beneficial in promoting economic growth in countries where it has been applied. Privatisation has been raised as an issue for discussion by our government and Eskom is giving attention to both the advisability of privatising and methods of doing so. In this connection, however, it must be borne in mind that Eskom is playing an important role in the delivery of the RDP goals. As a premier South African organisation, there is no doubt that Eskom will attract a great deal of local and international investor interest if the decision is made to privatise.

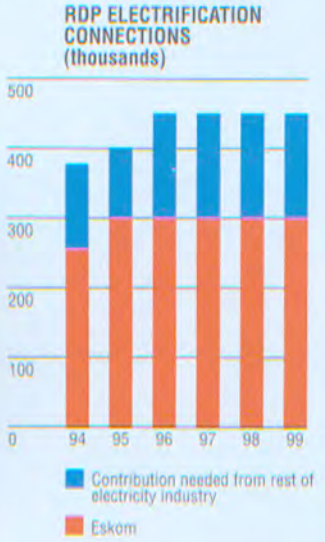
REGULATOR Discussions and negotiations at the National Electrification Forum (NELF) resulted in a recommendation that Government replace the Electricity Control Board by a National Electricity Regulator with broader powers. The main task of this body will be to ensure the orderly and effective generation and distribution of electricity. It will exercise regulatory control over Eskom and all other authorities to safeguard the interests of customers, government, and other key stakeholders.

SOUTHERN AFRICAN RELATIONS The positive political developments in South Africa and the normalisation of international relations are creating opportunities for closer cooperation between countries in our region. The interconnection of national electrical systems in southern Africa, especially between South Africa and the other Southern African Development Community countries to the north, is progressing. This could lead to reduced electricity costs in the entire region as well as improved security of supply.

INTERNATIONAL PARTICIPATION International participation in South Africa's electricity sector has largely been through investment in Eskom bonds. Nearly half of all rand-denominated Eskom bonds are held by non-residents. During the year, technology and management agreements were established with Electricité de France and East Midlands Electricity (United Kingdom) to increase foreign participation in the local electricity sector. To widen our sphere of interest and contact, and to ensure long-term improvements in the quality of supply to customers, similar collaboration with United States and Japanese companies is being pursued.

OUTLOOK Growth in the world economy is set to continue in 1995 with a positive impact on the demand for raw materials and commodities. The broadening international upswing should be reflected in improved South African exports. This, coupled with the enhanced optimism of the business sector, inspires confidence





that higher economic growth rates will be seen in the year ahead. We are therefore budgeting for another year of growing electricity sales.

A price increase of 4% was announced for 1995. By maintaining a tight rein on costs, it is expected that the price increase for 1996 will again be below the rate of inflation, continuing the established pattern of reducing the real price of electricity

Given the hard work and dedication of our electrification teams, which have electrified over 250 000 homes this year, the target of 300 000 for 1995 should be achieved.

I am confident that the positive political and economic trends established during 1994 will continue and accelerate in 1995. I am also confident that Eskom will continue to make a significant contribution to South Africa's economic growth in the future.

MANAGEMENT BOARD The demands placed on Eskom by changing circumstances have necessitated a realignment of responsibilities at senior management level. Messrs Ray Dabengwa, Bongani Khumalo and Sam Mosikili have accordingly been appointed executive directors. During the year, Management Board recognised the need for Eskom to become strategically aligned to the transformation process under way in the country, leading to the creation of a new Growth and Development Group.

Executive director of Technology, Alex Ham, retired during the course of the year. I wish to record my appreciation for his dedicated contribution to Eskom over a period of 28 years.

ELECTRICITY COUNCIL During the year we lost the services of Mr G P Croeser, who took up an appointment in Europe, Dr Ellen Kuzwayo, Dr Bernie Fanaroff and Mr Dan Mofokeng, who took up positions in public service, and also Dr V E Solomon. Mr Archie Nkonyeni resigned from the Council when his term as President of Nafcoc came to an end. I thank these members for their valuable contributions during their period of office.

APPRECIATION In October last year, Minister Stella Sigcau graciously conducted the official opening ceremony of Kendal, the world's biggest dry-cooled power station. This reflects the enthusiasm and dedication she has shown in addressing her challenging portfolio, for which we thank her.

I also wish to pay tribute to the members of the Electricity Council for their wise guidance of Eskom's affairs during this time of dramatic transformation in both our country and our industry.

JOHN MAREE
2 March 1995

From left: Mr Messerschmidt, executive director (Distribution), Mr Ehlers, electrification manager (Cape Town Distributor), Mrs Sigcau (Minister of Public Enterprises), Mr Kingwill, general manager (Cape Town Distributor), Mr Melani, Mr Calitz, senior general manager (Marketing) and Mr Morgan, Chief Executive (Eskom), at the ceremony to connect Eskom's millionth customer

Alusaf's Hillside smelter and Durban beach front

Mr George Melani, Eskom's millionth customer, sits beside his shack after the official switch-on

From large customers, such as mines, cities, industry and hospitals to small households, Eskom cares about the service it provides

Dr Maree, Chairman (Electricity Council), Mr Mitterand, President of France, and President Mandela at a ceremony to switch on 50 homes in Khayelitsha at the Cape. This was part of a joint venture undertaken by Electricité de France, East Midlands Electricity (UK) and Eskom

REPORT OF THE chief executive

Allen Morgan
Chief Executive of Eskom and Chairman of the Management Board

"Eskom is a vital institution in South Africa and is well positioned and focused in key areas to contribute to a better quality of life through electrification."

INTRODUCTION

The year under review has seen the transition to a new democracy under the Government of National Unity. The peaceful nature of this transition was regarded as a miracle in many quarters. Cordial and constructive relations were established with the new government and Eskom is adapting well to the new South Africa and to an unprecedented pace of change.

In order to remain positioned to deal with its changing business environment, Eskom has made significant changes to the way it manages its business. Responsibilities within the Management Board portfolios of distribution, marketing and electrification were re-allocated and a new portfolio for growth and development was created.

The Management Board focuses on improving processes and reviewing business performance against key performance indicators in several crucial areas. Newly formed committees will concentrate on areas such as communication, distribution liaison, environmental impact, human resources, information, operations and procurement.

The King Report on corporate governance, which was issued on 29 November 1994, is being studied by Eskom for appropriate compliance in 1995. Eskom has been listed for compliance with the Reporting by Public Entities Act from 1 January 1995.

ESKOM SUPPORTS THE RDP Following the adoption of the Reconstruction and Development White Paper by Parliament, Eskom published ten commitments demonstrating its support of the RDP. Many of these activities were already under way in the organisation and therefore reflect a change in degree rather than direction for Eskom.

FINANCE

FINANCIAL POLICY Eskom, as a self-funding utility, applies the financial policy of recovering the real cost of supplying electricity to customers in each year and earning a real return on assets. This ensures that financial viability is maintained. The annual price increase is determined by the cost of supply, future requirements for expansion and the need, if any, to adjust the financial position. The strategy is designed to ensure that price changes are gradual, predictable and stable and that real price levels over the next few years are reduced and thereafter maintained. The preparation of current value financial statements demonstrates Eskom's use of current value accounting techniques to implement this policy, which is important considering the long-term nature and asset intensity of the business.

FINANCIAL PERFORMANCE Eskom achieved commendable financial results through an ongoing focus on efficiency, the efforts by all our employees to curb operating costs and the cost advantages in our power production system. Eskom's ability to

restrict the increase in the average operating expenditure per kilowatt-hour to just 6,5% is evidence of tight control of expenditure which is important for the maintance of low and relatively stable prices. This benefits all our customers, particularly the manufacturing sector, and helps to create a competitive advantage for South Africa's export trade.

Revenue for the year increased by 11,8% to R15 417 million (1993: R13 793 million) as a result of a net tariff increase of 7,6% and an increase in sales volume of 3,9%.

Operating expenditure increased by 10,7% to R9 963 million (1993: R9 000 million) after including a net provision for arrear debts of R201 million (1993: R167 million). Further necessary provisions were raised for the costs of decommissioning fossil-fired power stations of R192 million, management rationalisation and early retirement of R110 million, and medical aid post-retirement benefits of R51 million.

Net interest and finance charges increased by only 1,2% to R3 186 million, mainly due to the improved debt-equity ratio. These were covered 1,7 times (1993: 1,5 times) by net operating income and 2,5 times (1993: 2,2 times) by cash from operating activities.

Net income amounted to R2 268 million, a 37,8% increase over 1993. Net income on a current value basis amounted to R407 million (1993: R14 million). This resulted in a real return on assets of 4,3% (1993: 4,1%) which is considered appropriate, taking cognisance of the expected long-term growth rate, current and future risks to which the business is exposed and our stated objective of improving the financial structure.

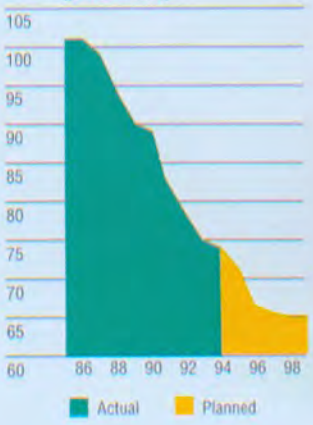
Accumulated reserves increased to R16 005 million after a transfer of R100 million to an insurance reserve to cover potential, abnormal self-insured losses not covered externally.

Net expenditure on property, plant and equipment of R4 192 million was partly made up of expenditure of R867 million on Majuba and R808 million on electrification. Total assets at year end amounted to R47 364 million.

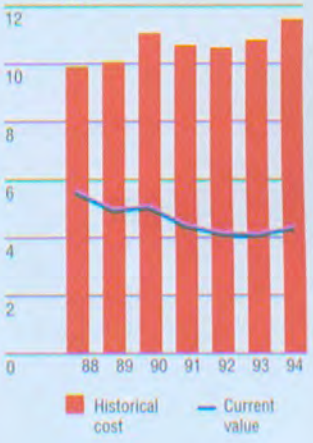
FINANCIAL AND TREASURY MANAGEMENT The domestic capital market during 1994 was characterised by the most severe bear market of the past decade with interest rates rising by more than four percentage points over a five-month period. Eskom's financing programme was relatively unaffected by this movement due to the hedging strategies adopted late in 1993. However, it was not able to access the foreign bond market because of unfavourable conditions prevailing for most of the year. This was not a major setback since the funding required was less than anticipated, as a result of cash savings by the organisation.

Various contingency plans to deal with anticipated pre- and post-election crises were drawn up. These involved creating sufficient liquidity reserves and cash settlement procedures to ensure that Eskom's cash requirements would be met in the event of disruption in the financial markets.

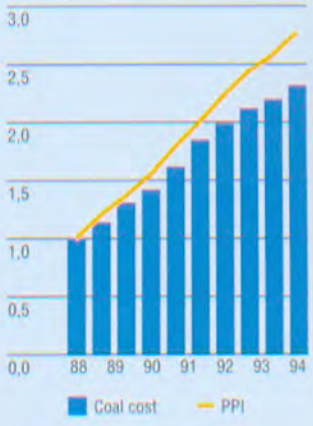
REAL AVERAGE PRICE PER kWh deflated by CPI (price index)



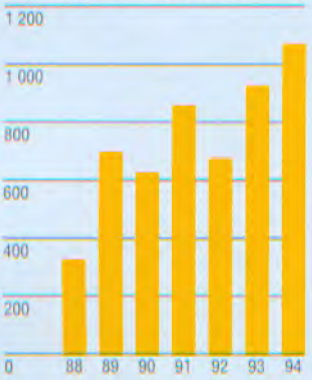
RETURN ON TOTAL ASSETS (%)



ESKOM COAL COST VERSUS PRODUCTION PRICE INDEX (PPI) (index)

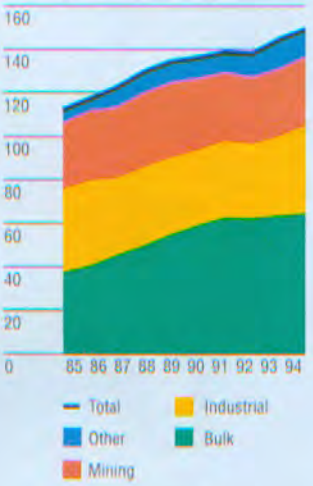


CUMULATIVE PRODUCTIVITY IMPROVEMENT FOR ALL RESOURCES
(R million – 1994 rands)



Cumulative saving R5,2 billion

SALES BY CATEGORY
(GWh in thousands)



FUNDING The 1994 and 1995 funding plans are summarised below:

	1994 Actual Rm	1994 Planned Rm	1995 Planned Rm
DOMESTIC MARKET			
Money market	3 000	2 500	2 400
Capital market	1 575	1 800	1 200
FOREIGN MARKET			
Bond issues	–	500	800
Export credits	75	100	350
Bank loans	–	–	100
Property finance	–	–	100
	4 650	4 900	4 950

PRODUCTIVITY GAINS Continued productivity improvement occurred during the year. Significant productivity gains of R625 million were achieved in the core business due to improved utilisation of existing capacity as a result of increased sales and improvements in business efficiency. These gains were used to fund electrification and abnormal expenditure, resulting in a net productivity improvement of R93 million.

ELECTRICITY SALES Total electricity sales increased by 3,9% to 149 443 gigawatt-hours (GWh) in 1994.

There were several reasons for the increase in sales. The upswing in the business cycle gained momentum, a portion of which was attributable to an upturn in the agricultural sector as well as a recovery of prices and increased activity in the metals sector.

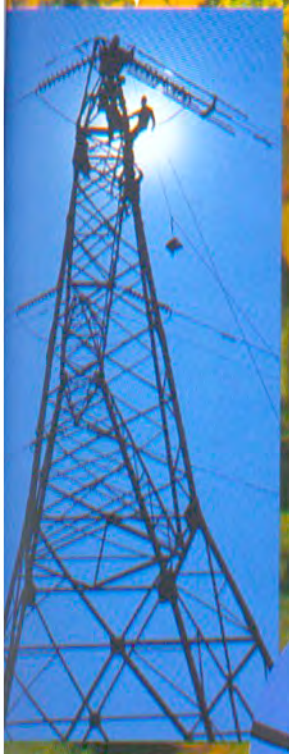
NORMALISATION OF PAYMENTS There is a growing realisation that the country cannot afford to provide services under circumstances where customers are not paying for services provided to them. The total outstanding electricity arrears at 31 December 1994 were R923 million. Eskom is working together with national, provincial and local government, as well as civic associations and other community leaders, to encourage normalisation of payments. Towards the end of the year there was an improvement in payments in some of the affected areas, led by Soweto.

LOW-COST ELECTRICITY Keeping the cost of electricity down is Eskom's single most important means of satisfying the needs of customers and ultimately assisting economic development. The 1994 price increase was 2% below inflation (CPI) and the 4% price increase for 1995 is the lowest for 20 years. In line with Eskom's

Helicopters are used for live-line work, stringing conductors in difficult terrain, washing of lines to minimise pollution and for inspection patrols

Workers checking circuit breakers in a high-voltage substation

Routine maintenance on high-voltage transmission line equipment



Transmission line design takes the impact of birds into consideration

Testing of insulators

High-voltage conductor

vision, we are on track to fulfil the 1991 compact with customers to reduce the price of electricity by 20% in real terms by 1996, as well as our RDP commitment to reduce it by 15% between 1995 and 2000.

CUSTOMER CARE

CUSTOMER RELATIONS Recognising that customer satisfaction is a key strategy for long-term survival and growth, Eskom has implemented a major programme to direct the entire organisation towards meeting customer needs. This three-year programme started with the introduction of customer care centres, standardised and simplified customer accounts and the publication of a number of brochures on the wise and effective use of electricity and appliances.

Revised and new practices, processes and systems aimed at ensuring sustained improvement of services will be introduced over the next three years. These will be constantly tested against "best practices" world-wide.

Eskom is increasingly including customers, landowners and other stakeholders in decision-making processes, such as negotiating new servitudes, as early as possible to avoid long delays in reaching mutually acceptable solutions. Alternative ways to compensate landowners for the granting of servitudes, particularly in farming areas, are also being investigated.

MEASURING CUSTOMER SATISFACTION To measure Eskom's performance in the area of customer satisfaction, a scientific and effective measurement system was required. Two instruments (MaxiCare and PreCare) were developed and implemented during 1994 to measure customer satisfaction and the perceptions of customers who have been receiving electricity for longer than six months, as well as new customers.

The customer satisfaction target is eight and is not merely focused on reflecting the status of customer perceptions, but the objective is to accurately analyse needs to enable customer care processes to be put in place to meet those needs.

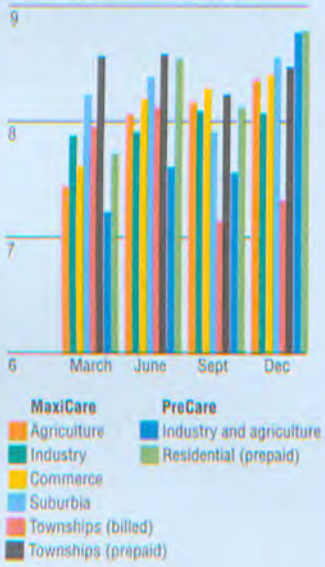
MARKETING FOR GROWTH Marketing activities focus on the safe and efficient use of electricity, the pricing of the product, providing advice and solutions to customers and promoting electricity through branded services.

The Industrelek, Agrelek and ElektroWise service brands were further developed during the year and ElektroServe, which advises the commercial sector on electrotechnologies, was launched.

END-USE ELECTROTECHNOLOGY In promoting the wider use of electricity, Eskom provides advice to customers at test and demonstration centres across the country on efficient energy use and productivity improvements related to electricity.

Eskom provides in-depth technical support to customers needing help with the adoption and incorporation of end-use electrotechnologies in their business.

OVERALL CUSTOMER SATISFACTION SCORES
March to December 1994



BRANDS

AGRELEK

Agrelek renders an advisory service to agricultural customers.

ELEKTROSERVE

ElektroServe provides advice to the commercial sector on electrotechnologies.

ELEKTROWISE

ElektroWise advises and informs domestic customers on the safe and economic use of electricity.

INDUSTRELEK

Industrelek's main objective is to provide industrial customers with solutions to their energy problems.

Technical support is also given to entrepreneurs who are developing electrical appliances specifically for newly connected customers. Domestic appliance testing facilities have provided assistance with the development of 30 different appliances over the past two years.

FLEXIBLE AND CUSTOMISED PRICING AGREEMENTS Greater emphasis is being placed on flexible pricing agreements with large customers, some of which are designed to shift load from peak periods in support of Eskom's integrated electricity plan.

In 1994, 35 customers benefited from customised pricing agreements. To date Eskom has entered into contracts for 1 400 MW of interruptible load with Alusaf and the ferrochrome industry, and will continue to tailor pricing and supply packages for large customers to allow them to expand their businesses in South Africa.

TARIFFS The names of Eskom's electricity tariffs were changed to enhance their acceptance by the relevant market sectors.

Studies have identified significant cross-subsidies between regions close to generating areas and those further away, and also between high-voltage and low-voltage customers. Rural customers and those being connected by the electrification programme also enjoy a subsidy. It is important that the issue of cross-subsidisation be addressed by key stakeholders, including the National Electricity Regulator.

ELECTRIFICATION

PROGRAMME ON TARGET Eskom's electrification programme to date reflects a consistent increase in the annual number of new connections. Eskom's customer base now exceeds one million, mainly due to the increase in the newly electrified domestic market.

During the year, 254 383 new domestic connections were achieved against a target of 250 000. Capital expenditure on electrification amounted to R808 million. Through the electrification incentive scheme, a further 123 788 domestic connections were achieved in South Africa, resulting in a total of 378 171 in 1994.

Presently, only about 44% of homes in South Africa are electrified. In line with the RDP, Eskom will connect 300 000 households every year until 1999. This, together with connections by other distributors, will bring the number of households electrified up to 65%.

IMPACT ON SALES Sales to newly electrified households averaged 80 kWh per customer per month. This average figure will increase over time as people become more accustomed to using electricity and convert from other energy sources. An improvement in the economy and in income levels will enable people to buy more electrical appliances, and this in turn will have a positive impact on sales.

TARIFFS

STANDARDRATE
Fixed rate for large customers with standard consumption

NIGHTSAVE
Cheaper rates from sundown to sun-up for large customers

MAXIFLEX
Time-of-use rates for large customers with flexible consumption

MINIFLEX
Time-of-use rates for medium customers with flexible consumption

RURAFLEX
Time-of-use rates for rural customers to avoid the rush-hour costs

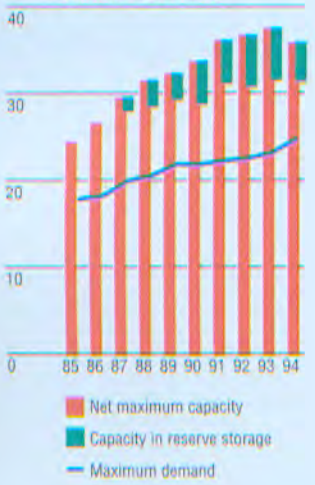
BUSINESSRATE
Electricity tariff for the small business in urban areas

LANDRATE
Electricity tariff for farmers and rural businessmen

HOMEPOWER
Electricity tariff for medium-usage domestic customers

HOMELIGHT
Subsidised electricity tariff for low-usage domestic customers with restricted capacity

GENERATION PLANT CAPACITY AND MAXIMUM DEMAND (MW in thousands)



DEMAND-SIDE OBJECTIVES OF INTEGRATED ELECTRICITY PLAN (IEP)

- Help customers manage their demand
- Further expand time-of-use tariffs
- Review the generation displacement agreements with municipalities that have their own generation capability
- Increase of interruptible/curtailable tariff agreements
- Review sales programmes to take account of Eskom's diminishing surplus capacity

ELECTRIFICATION PROGRESS

Connections	Jan 1991 up to Dec 1992	1993	1994	Inception to date
Eskom	176 557	208 801	254 383	639 741
Farm worker houses	12 698	16 074	16 838	45 610
Municipalities	22 622	69 756	106 950	199 328
Total	211 877	294 631	378 171	884 679
Total capital expenditure (Rm)	472	584	808	1 864
Capital expenditure per connection (R)	3 036	2 799	3 176	3 070

APPROPRIATE TECHNOLOGY A standard method of transferring electricity credits to electricity dispensers was implemented in 1994. One vending system can now be used to sell tokens to the total installed base of electricity dispensers, with the integrity and security of tokens ensured.

ELECTRICITY SUPPLIES IN RURAL AREAS Many of the homes still needing electricity are situated far from the national grid in remote rural areas with a low-density population. At present only 12% of rural households have access to electricity. Eskom's electrification programme will raise this figure to 30% in 1999 and will have a positive effect on quality of life. The cost of bringing network electricity to such areas will be very high. Eskom is constantly researching ways to substantially reduce the cost of rural electrification through appropriate technology.

CAPACITY MANAGEMENT AND INTEGRATED ELECTRICITY PLANNING

GOOD OVERALL PERFORMANCE The combined performance of power stations and associated collieries enabled Eskom to meet the unexpectedly high growth in energy sales and maximum demand.

HIGH PEAK DEMAND Maximum demand grew by 7,0% to 24 798 megawatt (MW) (1993: 23 169 MW). This was due in part to an unusually cold winter that sent domestic demand soaring at certain times, resulting in exceptionally high peak demand over short periods of time.

Between now and the year 2000, maximum demand for electricity is expected to increase by more than 6 000 MW.

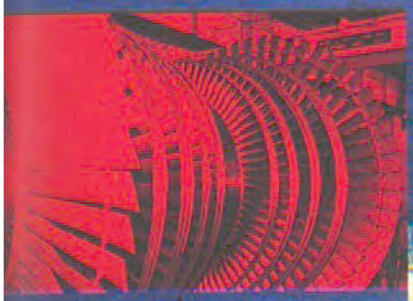
Changes in demand patterns in the domestic sector, and present and projected growth in the industrial sector, have caused Eskom to re-assess load management and surplus capacity.

Eskom adopted an Integrated Electricity Plan (IEP) in July 1994. The plan sets out an optimal combination of various supply-side and demand-side options, taking into consideration the expected growth in demand, the value of electricity

Matimba Power Station, one of Eskom's large dry-cooled power stations

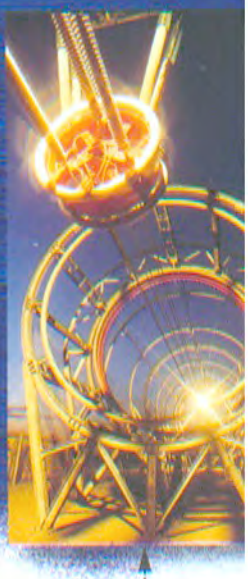
Solar panels are sometimes used for remote area power supply for customers in rural areas away from the national grid

Industries, such as this motor production plant, rely on electricity



A low-pressure steam turbine. Steam turbines generate more than 90% of Eskom's electricity

Cahora Bassa Dam in Mozambique is a potential source of increased hydroelectric power in the region in the future

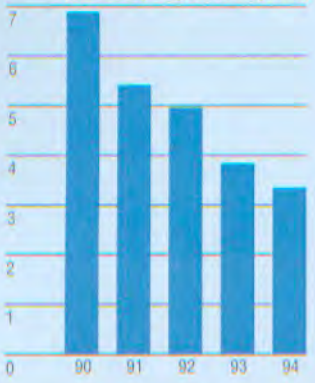


Testing conductor bundles for electrical strength at the corona test station

SUPPLY-SIDE OBJECTIVES OF INTEGRATED ELECTRICITY PLAN

- Negotiate agreements for the import of 500 MW of peaking power from Kariba hydro station in Zimbabwe by January 1996
- Expedite the Cahora Bassa project in Mozambique to have 950 MW available by the winter of 1997
- Return the mothballed units of Arnot to service, starting in 1996
- Commission Majuba units 1, 2 and 3 in 1996, 1997 and 1998 respectively
- Arrange for the supply and rail transport of coal to Majuba by end of 1996
- Review the status of Majuba units 4, 5 and 6 and some mothballed power stations (Camden, Grootvlei, Komati, Ingagane, Highveld and Taaibos)

UNPLANNED AUTOMATIC GRID SEPARATIONS PER 7 000 OPERATING HOURS
Coal-fired base-load plant (number per generating unit)



A UNIPEDE fossil-fired plant indicator which is a measure of the reliability of service provided to the electrical grid. International achievements (median) lie within the 5,9 zone.

to the consumer and the need to manage Eskom's generation capacity. The plan also sets out specific actions on the supply-side that are being actively pursued.

After review it was decided to keep the construction programme for Majuba 4, 5 and 6 under review and that Ingagane, Highveld and Taaibos power stations would shortly be decommissioned. Wilge and Salt River stations were officially decommissioned in 1994. The plan takes cognisance of the creation of the Southern African Power Pool, and other energy-sharing arrangements being negotiated, which should enable South Africa to import cheaper hydro power from the north to meet peak demand.

FUEL AND WATER MANAGEMENT In 1994, Eskom bought 76,7 million tons of coal, an increase of 4,9 million tons (6,8%) over 1993, at a cost of R2 296,7 million. Coal burnt amounted to 76,9 million tons at a cost of R2 305 million. This represents an increase of 4,8% over 1993 of which price increase represents a mere 3%. This reflects very creditably on Eskom's coal suppliers who again succeeded in controlling cost increases and improving productivity.

The decision to supply coal to Majuba by rail has progressed with the commencement of a rail link from Palmford on the main Johannesburg-Durban line to the power station site. Arrangements to supply coal from the Ogies area are currently being finalised.

NUCLEAR FUEL Eskom is continually evaluating nuclear fuel costs and procurement options to achieve security of supply. The closure of the South African Atomic Energy Corporation Z plant will allow Eskom to purchase nuclear fuel at more competitive prices.

There is considerable local debate on the future of the South African nuclear industry. Eskom firmly believes that nuclear power is one of the logical options for the future and the excellent operational and safety record of Koeberg supports this view.

MAINTAINING LONG-TERM GENERATING PLANT PERFORMANCE Generating plant performance, measured by the international system of indicators (UNIPEDE), continued to improve, maintaining a favourable trend since 1990. Unit capability factor was 0,8 percentage points below target at 79,9%, while unplanned automatic grid separations at 3,3 was better than target. The unplanned capability loss factor was 8,3%, which was 1,4 percentage points below target. This was almost entirely due to a single generator fault that kept one unit out of service for a prolonged period.

Considerable effort is being invested in performing root cause analyses of incidents and anomalies in plant performance so that the lessons learnt can drive continuous improvement.

During the year, generic deficiencies necessitating major remedial work were detected in the generators at Matla and Lethabo. The problems are being addressed in conjunction with the original supplier and a satisfactory resolution is expected.

Very high ambient temperatures coupled with adverse wind directions have led to load restrictions at the dry-cooled Matimba power station. A detailed study has been launched to overcome these restrictions.

TRANSMISSION PLANT HEALTH AND RELIABILITY The long-term health of the transmission system is being assured through systematic refurbishment of ageing equipment.

The modernisation of protection, telecommunication, measurement and control equipment is ongoing and is part of Eskom's long-term plan to improve business efficiency. An effort is being made to introduce new technologies at the start of their commercial life cycle with, in most cases, digital technology offering a noticeable price reduction compared to older technologies.

EFFECTIVENESS OF SUPPLY Despite the high level of instability and threats of sabotage during the pre-election period, the quality of electricity supply to customers was maintained at an acceptable level during 1994. The total transmission system interruption time was within target for the third consecutive year. The slight deterioration in the total transmission system performance experienced in 1994 was largely attributed to a single incident on the transmission system which led to the tripping of five turbo-generators, a severe frequency dip and the necessity to shed load to some customers according to established agreements.

The higher number of low-frequency incidents in 1994 resulted from lower reserve margins and exceptionally high peak demands.

Despite devastating veld fires in many parts of the country, good progress was made in addressing pollution-related line faults. With the introduction of sugar-cane-free servitudes in Kwazulu Natal (KZN), further improvement of system performance is anticipated.

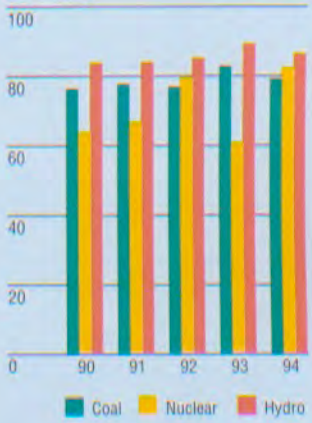
TRANSMISSION SYSTEM EXPANSION As the demand for electricity grows, there is an ongoing requirement to strengthen the transmission system. The primary elements of this proposed strengthening are large projects scheduled for the transmission system in the Western Cape, KZN, and interconnectors to neighbouring countries, and voltage-compensating devices for the KZN coastal areas.

Thanks to an exceptional response by transmission staff and contractors during the construction of the system feeding Alusaf's Hillside Smelter, and related projects, the planned commissioning date of supply to the smelter was advanced by five months.

INTERNATIONAL AND REGIONAL COOPERATION

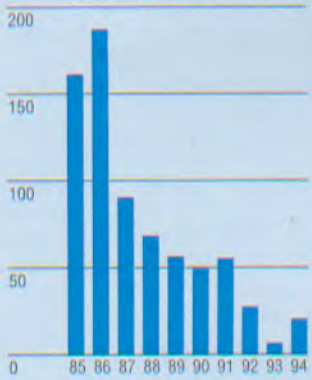
INTERNATIONAL RELATIONS Eskom has various formal cooperation agreements as well as informal relationships with a wide range of utilities and institutions worldwide. These international agreements focus on technical assistance, technology

GENERATION PLANT UNIT CAPABILITY FACTOR (UCF) (%)



A UNIPEDE/WANO generation plant performance indicator. UCF gives the true energy capability of the plant whereby energy loss due to constraints not under plant management control are excluded from its calculation. International achievements (median) lie within the 85% zone.

LOW-FREQUENCY INCIDENTS Below 49,7 Hz (number)



Low frequency is an indicator of imbalance of instantaneous supply and demand due to unexpected unit trips and/or immediate shortages on the electrical system.

transfer, training and other mutual assistance. In particular, a multi-project co-funding research agreement has been established with the Electric Power Research Institute (EPRI) in the United States as part of Eskom's research programme. Other research programmes are conducted with non-government organisations in a variety of countries.

REGIONAL COOPERATION Practical cooperation with utilities in sub-equatorial Africa continues to increase through technical interconnection planning studies, transfer of technical expertise and inter-utility supply agreements.

The establishment of a Southern African Power Pool has been agreed in principle at utility level and discussions on the formation of such a pool are well advanced. By end 1995, BPC*, ZESA*, ZESCO* and Eskom will operate within the full parameters of the pool. The potential exists that eventually all the SADC* countries and Zaire will join.

CAHORA BASSA Agreement has been reached for the return of supply from Cahora Bassa by 1997. Eskom will finance the export of steel towers from South Africa to a value of R130 million. The bulk of the remaining finance has been secured from the European Investment Bank, the European Union, Portuguese government and Caisse Française de Développement. A call for tenders for the rehabilitation of the Mozambican section of the line went out in September 1994.

A total of some R300 million worth of international contracts are expected to be placed by Hidroelectrica de Cahora Bassa in 1995 for the rehabilitation of the high-voltage, direct-current lines in Mozambique.

Studies for the development of the new master power controller and proposed dynamic braking resistors at Cahora Bassa are well advanced. These will provide the desired quality of supply to the region when Zimbabwe, South Africa, Zambia and Malawi are connected via the grid to Cahora Bassa.

TECHNOLOGY

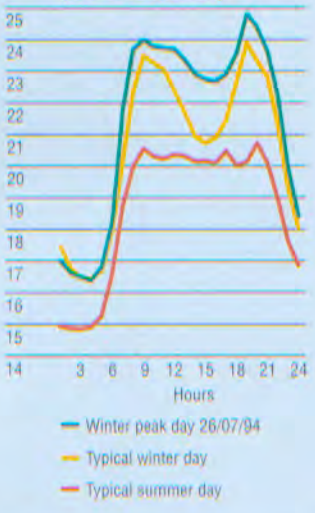
TECHNOLOGY RESEARCH AND DEVELOPMENT Eskom has maintained a programme of applied research to keep abreast of technological advances that underpin our core business and commercial activities, and improve quality of supply and service, while remaining conscious of environmental impact.

Investment in research and development amounted to R27 million in 1994 and should result in substantial annual savings over the next three years. To optimise research expenditure, joint projects have been undertaken with EPRI.

SIGNIFICANT INTERCONNECTIONS

- **Two 132 kV transmission lines between Spitskop in Northern Transvaal and Gaborone in Botswana were completed in 1994.**
- **A 416 km 400 kV line between Matimba and Bulawayo in Zimbabwe will be completed in 1995.**
- **The rehabilitation of the DC lines to Cahora Bassa and the DC/AC conversion stations at either end will be completed in 1997.**

ELECTRICITY DEMAND PATTERNS
(MW in thousands)



* *BPC – Botswana Power Corporation, ZESA – Zimbabwe Electricity Supply Authority, ZESCO – Zambia Electricity Supply Corporation Limited, SADC – Southern African Development Community.*

High-temperature steam electrode boiler, an example of electro-technology for end-use customers

Testing a generator retaining ring for corrosion cracking

Drop-tube furnace used to establish the characteristics of coal

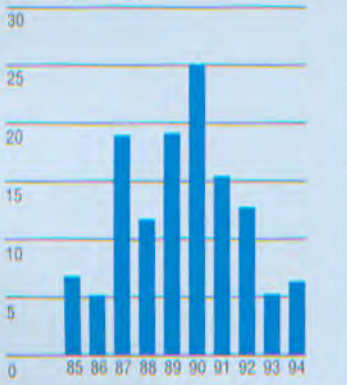
Insulators being tested to ensure improved quality of supply to our customers

Modelling the air flow around the air-cooled condensers at Matimba

Solar panels give access to electricity at clinics and schools in remote areas

Evaluating disturbances in electricity supply to customers

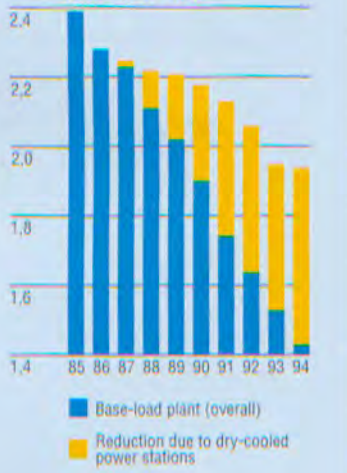
TOTAL TRANSMISSION SYSTEM INTERRUPTION TIME
System minutes lost per annum* (minutes)



*System minutes = Energy not supplied in MWh x 60 / Eskom maximum demand in MW

This graph excludes the effect of load shedding.

SPECIFIC WATER CONSUMPTION FOR BASE-LOAD PLANT
(litres per kWh)



Electricité de France, Ontario Hydro and with local research and development organisations.

In the area of environmental technology, the commissioning of the retrofitted bag filter installation at Duvha power station has resulted in excellent emission performance, but the life of the bag material is cause for concern and is being investigated.

TRANSMISSION AND DISTRIBUTION TECHNOLOGY DEVELOPMENT In a continuous drive to improve quality of supply, the distribution system serving the industrial, mining and agricultural sectors is being refurbished and upgraded. Theft of powerline conductors has decreased but remains a problem.

Affordable power technology contributes to the electrification programme of the RDP. Cost savings were achieved through an agreement with Telkom to share poles in urban areas. In conjunction with local communities and suppliers of distribution equipment, strong emphasis will be placed on reducing costs of rural electrification over the next two years. The aim is to reduce life-cycle costs by about 40% over a 20-year period.

Through NELF and the Electricity Suppliers Liaison Committee, efforts are being made to rationalise the different standards applied in power distribution technology.

Innovative tower designs have resulted in a 50% reduction in steel mass and a considerable reduction in visual impact. Design alternatives for lines have been devised that use modular upgradable towers and allow older lines in urban servitudes to be re-used and upgraded.

ENVIRONMENT Environmental issues remain of central importance. An internal environmental audit function has been established to ensure that operations conform to national environmental legislation and to Eskom's own environmental policy. Eskom follows the principles of the International Standards Organisation.

We believe it is important that stakeholders and customers have more information about Eskom and the environment and therefore we are publishing a separate environmental report this year.

BUSINESS SUPPORT SERVICES

COST CONTROL PROCESSES Initiatives to separate core and support processes have continued to reap benefits. Commercialised services such as catering and accommodation, conference centres, horticulture, information technology, printing, property management, protective services, transport and visual services continue to run efficiently and service costs have dropped by R107 million.

INFORMATION TECHNOLOGY Information technology is sized, used and implemented in a sensible and evolutionary fashion. Eskom will commit itself only to proven, robust, manageable and cost-effective technologies to ensure improvement in the efficiency and effectiveness of business systems.

COMMUNITY RELATIONS

SMALL BUSINESS DEVELOPMENT AND JOB CREATION The electrification programme provides employment for over 4 000 people involved in construction – 2 200 from Eskom and the balance as contractors employed by Eskom. In addition, an estimated 2 300 people are employed in the local manufacturing industry to provide materials required. Over a thousand people are employed in marketing, maintenance and administration functions in newly electrified areas.

Research shows that an average of seven small businesses, supporting 14 new jobs, are established for every 100 houses electrified.

In addition, Eskom has directly assisted in starting 534 small and medium enterprises, resulting in the creation of 1 600 new jobs in underdeveloped areas.

COMMUNITY DEVELOPMENT Eskom actively promotes community development through programmes designed to assist disadvantaged communities with a strong emphasis on education. Only projects at grass roots level, with community support and accountability, are supported.

Over the past four years funding has risen from R4 million to approximately R40 million annually.

Where possible, Eskom uses subcontractors from small businesses in underdeveloped and electrification areas. Training programmes aim at employing members from the local community. Capital development projects affected more than a million people in 1994.

In support of the electrification programme and Eskom's RDP commitments, Eskom increased its community development contribution by electrifying 562 schools and 21 clinics in 1994.

During 1994, the Norwegian Agency for Development Cooperation pledged R15,2 million in grant funding for the electrification of schools and clinics.

PEOPLE MANAGEMENT

ALIGNMENT WITH A CHANGING SOCIETY The major political transformation in the country, a changing customer base and the drive for business efficiency, require well-founded human resource policies, practices and processes to achieve an aligned, motivated workforce. Management Board has declared human resource development a strategic priority.

MAIN RESEARCH PROGRAMMES

- Asset and product performance enhancement (the protection and improvement of Eskom's assets and products) – 44%
- Environmental research (providing scientific data for managing Eskom's impacts on the environment) – 19%
- End-use research (the way in which electricity is used) – 14%
- Future technology (assessment of technologies of future interest to Eskom) – 12%
- Energy systems research (the sourcing and optimisation of energy) – 11%

COMMUNITY DEVELOPMENT CATEGORIES

- Capital development programmes – 48,0%
  - building of classrooms
  - electrification of schools and clinics
  - teaching equipment
  - establishing resource centres
  - sport facilities and equipment
- Education support programmes – 40,5%
  - preprimary
  - primary
  - secondary
  - mathematics / science
  - teacher development
- Other – 11,5%

EDUCATION AND TRAINING ACHIEVEMENTS

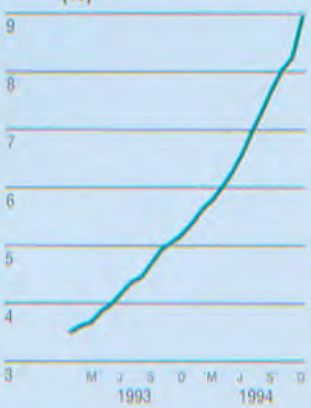
Eskom has provided basic education skills to 1 552 employees in 1994, 14% of the total target population of 11 000. Over the next two years 80% of this group will be reached.

An average of 370 black trainees and bursars will complete their training with Eskom each year.

Eskom maintains an annual complement of approximately 750 apprentices at technical colleges. Of these 45% are black.

During 1994, ten master artisans also completed three years of advanced training in Germany. This programme was aimed at enhancing advanced technical skills amongst all Eskom technical employees.

AFFIRMATIVE ACTION (%)



Blacks, Asians and Coloureds as a percentage of total middle and upper management

AFFIRMATIVE ACTION Eskom is committed to changing its staff profile to reflect the South African community in which it conducts its business. Affirmative action is a key business strategy and a matter of national priority.

Eskom aims to ensure that by 1996, black South Africans will hold 30% of all professional, managerial and supervisory posts in Eskom, and by the year 2000 this will have increased to 50%. An affirmative action policy was implemented, and processes and strategies aimed at achieving these objectives were accelerated during 1994. While progress has been made, intensified efforts are required to achieve these objectives.

A NEW SYNERGY THROUGH MEANINGFUL INFLUENCE Cooperative initiatives with organised labour to further democratise the workplace and to improve the overall business performance of Eskom have been strengthened and enhanced.

Ongoing negotiations between Eskom and the trade unions at a centralised forum, and other participative structures, concentrate on issues which have potential for conflict. There is a high level of joint commitment to find mutually acceptable solutions.

Achievements during 1994 include the rationalisation of service conditions to eliminate indefensible differences between categories of employees, and the signing of the Health and Safety Agreement. Agreement in principle has also been reached on the introduction of a gain-sharing scheme linked to continued productivity improvements.

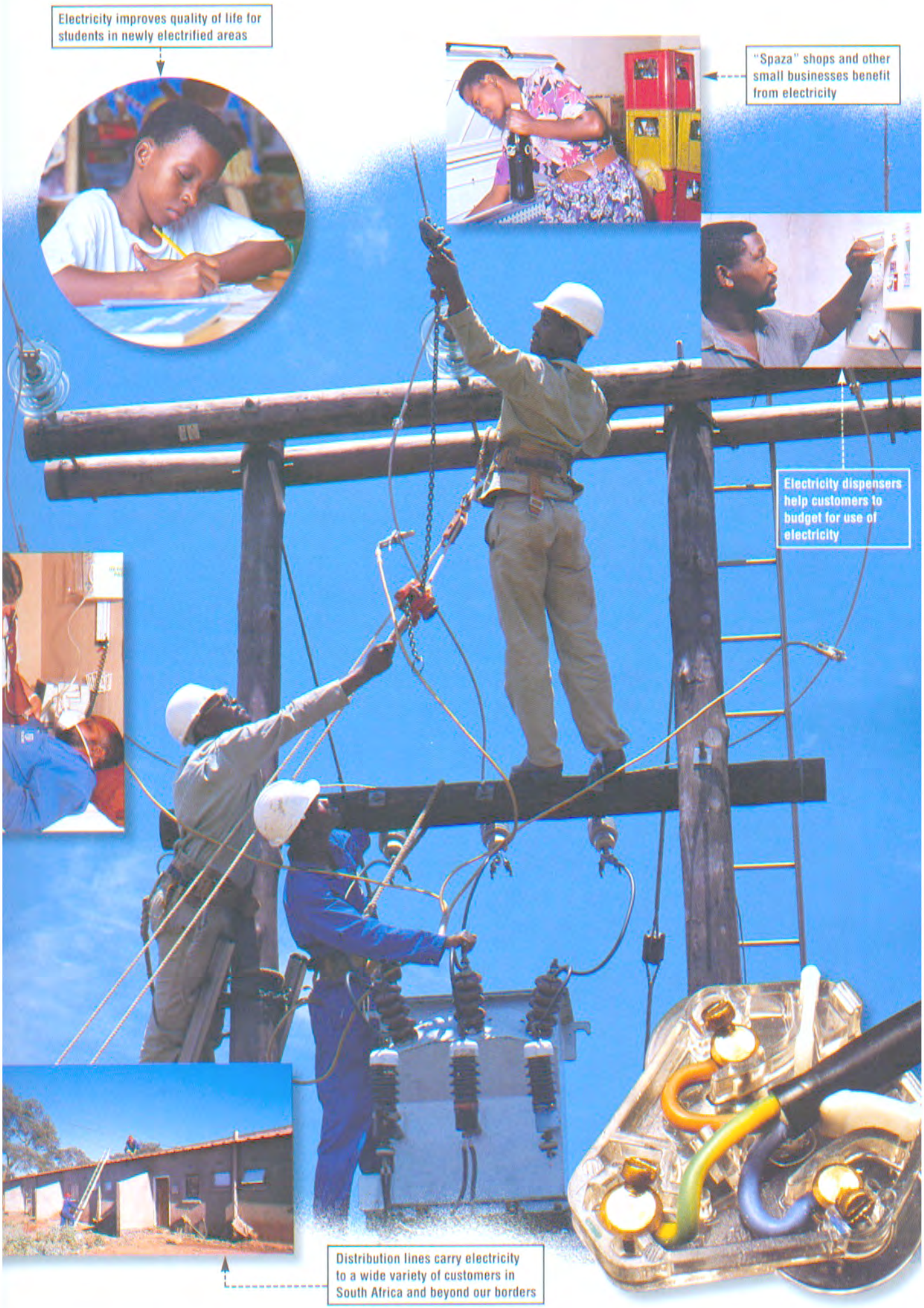
In comparison with other organisations countrywide, Eskom experienced minor industrial action during 1994. This was primarily due to the sound industrial relations climate throughout the organisation, facilitated by the partnership approach adopted by Eskom and organised labour.

The new participative culture entrenches the concept of worker participation and empowerment as an intrinsic Eskom value. This will enable employees at all levels to meaningfully influence decisions that affect them.

HUMAN RESOURCE DEVELOPMENT The focus is on the integration of all education and training initiatives. Increased investment in education, as well as skills development, is necessary to create and maintain an adequate skills pool to improve productivity and service to customers.

Eskom has set targets for development of employees on the lower levels of the organisation, through accelerated development programmes. Specific focus is on adult basic development where a strategy aimed at achieving functional literacy for all employees has been developed in collaboration with the trade unions.

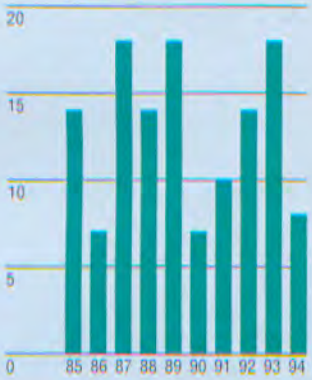
In the past year an average of seven days per employee were spent on off-the-job training. Eskom's total investment in education, training and development, including the commitment to community development initiatives, amounted to


Electricity improves quality of life for students in newly electrified areas
"Spaza" shops and other small businesses benefit from electricity
Electricity dispensers help customers to budget for use of electricity
Distribution lines carry electricity to a wide variety of customers in South Africa and beyond our borders

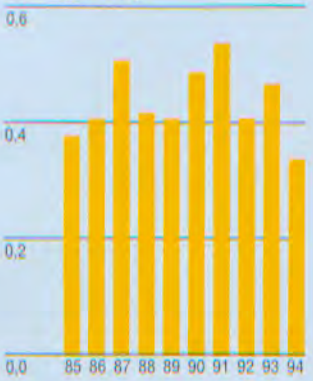
SAFETY AWARD

Lethabo power station was the first Eskom power station to receive the prestigious NOSCAR award from the National Occupational Safety Association.

ESKOM FATALITIES (number)



DISABLING INJURIES PER 200 000 MAN-HOUR EXPOSURE (number)



some R300 million, translating into almost 10% of the payroll. Job-specific courses were supplemented with programmes concerning social issues such as voter education and health care, including AIDS prevention.

HEALTH AND SAFETY Eskom places great emphasis on improving workplace safety through active worker participation. The disabling injury incidence rate improved from 0,47 a year ago to 0,34. The number of work-related fatalities reduced to eight in 1994 (1993: 18) for 95 million man-hour exposure. The loss of even one life through work-related causes is unacceptable to Eskom and efforts to improve are ongoing.

The implementation of the new Occupational Health and Safety Act in January 1994 made worker involvement in all health and safety activities a statutory requirement. Introduction of the new Compensation for Occupational Injuries and Diseases Act removed discrimination in compensation benefits to all employees.

ISSUES FACING ESKOM

NELF AND THE REGULATOR The National Electrification Forum (NELF) has completed the majority of its work and made an initial recommendation to Government that the distribution sector of the industry should be rationalised, national tariff systems should be implemented and that a national electricity regulatory authority should be established to oversee the industry. The result will be that many local governments will retain the right of supply in their areas. The National Electricity Regulator (NER) will be responsible for licensing all suppliers and ensuring that they perform to set standards.

This means that Eskom will have to be licensed and in future will be subject to regulatory jurisdiction. Also, Eskom will become responsible for supplies in large areas of the previous TBVC* states and self-governing territories, while possibly handing over staff and assets in some urban areas where it is presently operative.

INTERNATIONAL COMPETITION Increasing international competition may require that Eskom re-examine its relationships with other players in the international energy scene, including other utilities.

GAS Eskom has intensified its examination of the impact that natural gas could have on its business. Fairly promising natural gas finds have been identified in Namibia and Mozambique, while methane extracted from coal deposits in South Africa could be significant. Natural gas could have advantages for Eskom as a primary fuel, but it could also become a direct competitor in certain sectors of the energy market.

* *Transkei, Bophuthatswana, Venda and Ciskei.*

THE WAY AHEAD South Africa's political transformation is proof that we have the ability to succeed against great odds. The new-found levels of tolerance and understanding among South Africans must be encouraged in the workplace to form the platform on which to grow.

Our fledgling democracy, however, needs to be strengthened and underpinned by economic renewal if it is going to survive the daunting tasks ahead. Indeed, meeting the needs for economic transformation may prove to be more challenging than political transformation.

Against the backdrop of the changes to the electricity supply industry and the regulatory situation, we still have to meet the continuing demands for electrification, transparency, participative management, affirmative action and support of community development. At the same time we must manage our business even more efficiently and effectively in our quest to be the world's lowest-cost producer of electricity.

Lastly, we will have to deal with what will hopefully be the last vestiges of the non-payment patterns and resultant arrears.

Eskom is a vital institution in South Africa and is well positioned and focused in key areas to contribute to a better quality of life through electrification.

ACKNOWLEDGEMENTS I would like to thank our customers for their support and to give them the assurance that satisfying their electricity needs is the basis of all our efforts.

I am grateful to the Electricity Council and to the Chairman, Dr John Maree, for the support and valuable counsel in guiding the organisation through the many changes in 1994. I also express my appreciation to my colleagues on the Management Board for their contribution to Eskom's continued high performance and for their constant support and loyalty.

In addition, I would like to pay tribute to the trade unions for their contribution to our continued success as a business. My thanks also to our associate service providers and suppliers for their assistance and contribution to our business efficiency. My special thanks go to our employees for the diligence and loyalty they have shown, and for their commitment, once again, to the needs of the organisation and of South Africa.

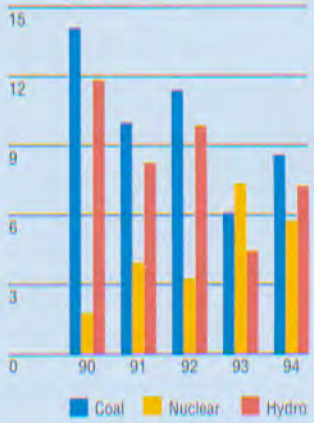
ALLEN MORGAN
2 March 1995

KOEBERG
Koeberg nuclear power station achieved the exceptional reliability record of running the entire year without a unit trip.

KENDAL
In its first full year of operation, Kendal set a world record for a six-unit power station using hard coal, when its maximum hourly net power produced reached 4 056 MW on 22 September 1994.

KRIEL
Kriel power station received a silver award from the National Productivity Institute.

GENERATION PLANT UNPLANNED CAPABILITY LOSS FACTOR (UCLF) (%)



A UNIPEDE/WEC/WANO generation plant performance indicator. UCLF represents the percentage of maximum energy generation that a plant is **not** capable of supplying to the electrical grid because of unplanned shutdowns, outage extensions or load reductions. International achievements (median) lie within the 5% zone.

SEVEN YEAR FINANCIAL REVIEW

31 DECEMBER

ESKOM

	1994	1993	1992	1991	1990	1989	1988
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
FINANCIAL POSITION							
Reserves	**16 105**	13 837	12 191	10 702	9 700	8 855	8 127
Net interest-bearing debt	**27 884**	28 027	27 616	27 266	26 590	24 630	22 779
Total assets	**47 364**	44 397	42 455	40 245	38 717	36 092	33 385
Net assets	**44 727**	42 260	40 115	38 231	36 521	33 687	31 083
OPERATIONS							
Revenue	**15 417**	13 793	12 649	11 726	10 736	9 271	8 159
Operating expenditure	**9 963**	9 000	8 173	7 450*	6 461*	5 644	4 858
Net interest and finance charges	**3 186**	3 147	2 987	3 240	3 302	2 899	2 485
Net income	**2 268**	1 646	1 489	1 002	845	728	816
CASH FLOW							
Cash from operating activities	**7 998**	6 819	6 625	5 825	5 892	5 106	4 913
Net financing charges	**(2 492)**	(2 642)	(2 288)	(2 854)	(2 835)	(2 884)	(2 372)
Net cash from operating activities	**5 506**	4 177	4 337	2 971	3 057	2 222	2 541
Net capital expenditure	**(4 735)**	(4 041)	(4 041)	(3 335)	(3 662)	(3 993)	(3 969)
Net cash generated/(utilised)	**771**	136	296	(364)	(605)	(1 771)	(1 428)
Debt raised	**1 714**	2 582	3 316	2 903	5 457	5 137	3 569
Debt repaid	**(2 783)**	(3 701)	(1 748)	(2 158)	(3 502)	(1 635)	(801)
Decrease/(increase) in investments	**298**	983	(1 864)	(381)	(1 350)	(1 731)	(1 340)
Net cash (utilised)/generated	**(771)**	(136)	(296)	364	605	1 771	1 428
RATIOS							
Profitability and asset management							
Net asset turn	**0,34**	0,33	0,32	0,31	0,29	0,28	0,26
Return on total assets, %	**11,52**	10,80	10,54	10,62	11,04	10,05	9,89
Gearing							
Debt:equity	**1,73**	2,03	2,27	2,55	2,74	2,78	2,80
Interest cover	**1,71**	1,52	1,50	1,32	1,29	1,25	1,33
Value created per employee, R'000	**262**	230	205	171	150	129	105

* *Excludes abnormal items*

DEFINITIONS OF RATIOS

Net asset turn – Revenue divided by net assets

Return on total assets – Net operating income expressed as a percentage of total assets

Debt:equity – Net interest-bearing debt divided by reserves

Interest cover – Net operating income divided by net interest and finance charges

Value created per employee – Value created divided by number of employees at 31 December as per value added statement

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

ESKOM

Value added is the value created by Eskom through the generation, transmission, distribution and selling of electrical energy.

Value created from the sale of electricity is the excess of revenue over the costs of generation, transmission and distribution, comprising primary energy, materials and services.

The value added statement shows the total value created and how it was distributed to meet certain obligations, reward those responsible for its creation, and the portion retained for the continued operation and expansion of Eskom.

	1994		1993	
	Rm	%	Rm	%
VALUE CREATED				
Revenue	**15 417**		13 793	
Less: Cost of primary energy, materials and services	**4 991**		4 554	
	10 426	**100**	9 239	100
VALUE DISTRIBUTED				
To remunerate employees for their services*	**2 868**	**28**	2 562	28
To providers of finance for monies borrowed	**3 186**	**30**	3 147	34
	6 054	**58**	5 709	62
VALUE RETAINED				
To maintain and develop operations	**4 372**	**42**	3 530	38
	10 426	**100**	9 239	100

**Excluding capitalised manpower costs amounting to R297 million (1993: R278 million).*

Value created increased by 13% over 1993. Similarly, value distributed to employees increased by 12% during the same period. The marginal increase in net interest and finance charges led to a relative decline in the value distributed to financiers. This decline reflects the favourable management of Eskom's funding activities.

The value retained in the business for the replacement of, and addition to, assets has increased to 42%, which remains relatively high. This is in line with the policy of strengthening Eskom's financial position for the benefit of existing and future customers.

PRODUCTIVITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

ESKOM

Productivity statements provide key insights into business performance by analysing the change in net income between two accounting periods in terms of the impact of productivity, inflation (price recovery) and growth.

Productivity improvement occurs through the more efficient and effective use of all operating and capital resources which include coal, employees and assets. Price recovery is the difference between electricity price increases and inflationary changes in the prices of Eskom's resources. Growth represents the change in net income when resource quantities and prices change at the same rate as electricity sales volumes and prices, and is not directly related to productivity or price recovery.

Broadly speaking, productivity improvement creates additional wealth and thereby drives long-term business performance. Price recovery, on the other hand, indicates how wealth is distributed to the organisation's stakeholders which include customers, employees and investors.

	1994 **Rm**	1993 Rm
Net income for the year	**2 268**	1 646
Net income for the previous year	**1 646**	1 489
Change in net income	**622**	157
Attributable to:		
Wealth reinvested in the business	**430**	11
Productivity improvement	**93**	237
Price over/(under)recovery	**337**	(226)
Growth	**192**	146
	622	157

Improvements in productivity performance during the year created additional wealth of R93 million.

All of the improved performance came from the core business* where productivity savings of R625 million were realised. Of the R625 million, it is estimated that R283 million was due to improved utilisation of the organisation's existing capacity as a result of increased sales, and the remaining R342 million, from improvements in business efficiency.

A significant portion of the core productivity gains (R532 million) was used to fund the electrification project and abnormal expenditure.

In addition to the productivity gains there was a price over-recovery of R337 million. The sum of the productivity gains and price overrecovery was reinvested in the business to improve the organisation's financial position for the benefit of future customers.

Since 1988, Eskom has made cumulative productivity savings, when expressed in 1994 rands, of R5,2 billion. These savings have been passed on to customers through a cumulative price under-recovery of R5,5 billion over the same period.

* *Excludes electrification and abnormal expenditure.*

ESKOM

CONTENTS

CURRENCY OF FINANCIAL STATEMENTS

ESKOM

The financial statements are expressed in South African rand (R).
The following are approximate values of R1,00 at 31 December for selected currencies.

	1994	1993
French franc	**1,51**	1,73
German mark	**0,44**	0,51
Pound sterling	**0,18**	0,20
Swiss franc	**0,37**	0,44
US dollar	**0,28**	0,29

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Management Board of Eskom is responsible for the preparation, integrity and objectivity of the annual financial statements and other information included in this annual report.

Eskom maintains a system of internal accounting and administrative controls focused on critical risk areas which are identified by management. This system, which includes monitoring by a staff of internal auditors, is designed to provide assurance, at appropriate cost, that assets are safeguarded and that transactions are executed and recorded in accordance with Eskom's policies and procedures. It is further supported by the careful selection of competent financial managers, the establishment of organisational structures which provide an appropriate delegation of authority and division of responsibilities and the communication of policies and standards of business conduct throughout Eskom.

External auditors independently review and report on Eskom's annual financial statements and underlying financial controls.

The Electricity Council has appointed certain of its members to an audit and financial committee. This committee meets at least twice a year with management, the internal auditors and the external auditors to review the activities of each in discharging their responsibilities. Both the internal and external auditors have unrestricted access to the Audit and Financial Committee to discuss the results of their examinations and the adequacy of Eskom's internal accounting controls.

The annual financial statements for the year ended 31 December 1994, set out on pages 38 to 53, which have been prepared by the Management Board, were approved by the Electricity Council and signed on its behalf on 2 March 1995 by

DR J B MAREE
Chairman of the Electricity Council

A J MORGAN
Member of the Electricity Council,
Chief Executive of Eskom and
Chairman of the Management Board

REPORT OF THE INDEPENDENT AUDITORS

ESKOM

TO THE MINISTER FOR PUBLIC ENTERPRISES

We have audited the annual financial statements set out on pages 38 to 50.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the financial statements. Our audit included an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statement presentation. We consider that our audit procedures were appropriate in the circumstances to express our audit opinion presented below.

In our opinion the historical cost financial statements fairly present the financial position of Eskom at 31 December 1994 and the results of its operations and cash flow information for the year then ended, in conformity with generally accepted accounting practice as required by the Eskom Act of 1987.

We have examined the current value financial statements set out on pages 51 to 53. In our opinion these statements have been properly prepared on the basis set out in the notes thereto.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants (SA)
Auditors

KPMG Aiken & Peat

KPMG AIKEN & PEAT
Chartered Accountants (SA)
Auditors

Johannesburg
2 March 1995

ESKOM

BASIS OF PREPARATION

In terms of the Eskom Act, and as determined by the Electricity Council, the financial statements are prepared in accordance with the applicable requirements of the Companies Act and conform, in all material respects, with South African generally accepted accounting practice and with International Accounting Standards.
The financial statements are prepared on the historical cost basis, except for financial instruments and investments held for trading purposes, which are stated at fair value (market value or, where not listed, at valuation).
The following principal accounting policies are consistent, in all material respects, with those applied during the previous year.

INSURANCE RESERVE

The insurance reserve is held to cover potential, abnormal self-insured losses not covered externally. The value of the reserve is based on management's assessment of the possible exposure.

DECOMMISSIONING AND NUCLEAR WASTE MANAGEMENT PROVISION

Nuclear plant A provision is made over the life of the plant, for the decommissioning of nuclear plant and the management of spent nuclear fuel assemblies and radioactive waste. The annual transfer from the income statement is based on the latest available cost information and is included in operating expenditure.
Other plant Provision is made, over the estimated remaining life of the plant, for the costs of decommissioning other plant if it is expected that such costs will exceed the net proceeds from the disposal of associated land and the salvage value of the plant.

INTEREST-BEARING DEBT

Local registered stock and other debt issued for non-trading purposes is recorded at the consideration received and adjusted for amortised discount or premium. The discount or premium is amortised over the period of the debt using the yield to redemption method, where applicable.
Local registered stock and other debt issued or held for trading purposes is stated at fair value and the resultant profits and losses are included in interest and finance charges.

INVESTMENTS

Non-trading investments included in net interest-bearing debt are stated at cost, which is adjusted for amortised discount on the yield to redemption method, where applicable. Profits and losses are recognised on realisation and included in interest and finance charges.
Trading investments are stated at fair value and the resultant profits and losses are included in interest and finance charges.
Unlisted investments included in non-current assets are stated at cost less amounts provided for diminution in value.

DERIVATIVE FINANCIAL INSTRUMENTS

The premiums received or paid on derivative financial instruments designated as hedges are amortised over the lives of the instruments. Profits and losses on these instruments are deferred and recognised on the same basis as the hedged transactions.
Derivative financial instruments held for trading purposes are stated at fair value and the resultant profits and losses are included in interest and finance charges.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the spot rate on transaction date or at the spot rate specified in the related forward exchange contract.
Monetary assets, liabilities and commitments in foreign currencies are translated at the forward rates of the underlying forward exchange contracts or at the rates of exchange ruling at year end. The unamortised forward exchange contract costs are included in foreign debt.
Forward exchange contract costs are recognised over the periods of the related contracts. These costs, as well as profits and losses on foreign currency transactions, are included in interest and finance charges.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost of acquisition or construction, less depreciation thereon.
Land is not depreciated. Rights are fully depreciated on acquisition. Other property, plant and equipment in commission are depreciated on the straight-line basis over their estimated useful lives, which are as follows:

Class	Years
Buildings and facilities	25
Plant – Generation	25
– Transmission	25
– Distribution	15 or 25
Equipment and vehicles	1 to 10
Test and telecommunication equipment	3 to 5

Plant at mothballed power stations is not being depreciated.
Works under construction are stated at cost, which includes all costs necessarily incurred to bring plant to the condition and location essential for its intended use.
Costs include overheads and net interest, which is capitalised at the average cost of capital employed.
Construction materials are stated at weighted average cost.
The cost of renewal and maintenance of assets is expensed as incurred. Where the life of an asset is extended, such costs are capitalised and depreciated over the adjusted useful life of the asset.

LEASED ASSETS

Assets subject to finance lease agreements are capitalised at their cash cost equivalents and the corresponding liabilities are recognised. The assets are depreciated on the straight-line basis over their estimated useful lives, as indicated in the property, plant and equipment policy. Lease finance charges are included in interest and finance charges as they become due.

FUTURE FUEL SUPPLIES

Certain long-term supply contracts require advance payments or loans to suppliers. Advances to suppliers, together with interest capitalised thereon, are deferred and amortised against the cost of coal on the basis of quantities of coal purchased.

NUCLEAR FUEL

Nuclear fuel consists of raw materials, fuel assemblies in the process of fabrication, fabricated fuel assemblies and fuel in reactors.
Nuclear fuel is valued at cost on the first-in-first-out basis and includes net interest, which is capitalised at the average cost of capital employed during the fabrication period.
The charge to operating expenditure is based on estimated fuel consumption.

INVENTORIES

Inventories are valued at weighted average cost. Provision for obsolescence is made where appropriate.

REVENUE

Revenue comprises electricity revenue and excludes value added tax.
Revenue is recognised at the time customers are invoiced.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operating expenditure when incurred.

RETIREMENT BENEFITS

Retirement benefits are provided for all employees through the Eskom Pension and Provident Fund. Contributions to the Fund are based on a percentage of salaries and are expensed in the period in which they are incurred.
Gratuities paid to retiring employees are expensed in the period in which they are paid.

CONSOLIDATION

Investments in subsidiary companies and associate companies are not consolidated or equity accounted as their assets and operating results are not material in relation to Eskom's assets and operating results.
Information relating to unconsolidated subsidiary companies is disclosed separately.

BALANCE SHEET
AT 31 DECEMBER

ESKOM

	Notes	1994 Rm	1993 Rm
CAPITAL EMPLOYED			
Reserves		**16 105**	13 837
Accumulated reserves		**16 005**	13 837
Insurance reserve	1	**100**	–
Provisions	2	**738**	396
Net interest-bearing debt	3	**27 884**	28 027
Long term		**24 404**	24 946
Short term		**3 480**	3 081
		44 727	42 260
EMPLOYMENT OF CAPITAL			
Property, plant and equipment	4	**40 711**	38 605
Non-current assets	5	**4 074**	3 762
Current assets		**2 579**	2 030
Inventories	6	**758**	731
Debtors	7	**1 821**	1 299
Total assets		**47 364**	44 397
Interest-free liabilities		**2 637**	2 137
Creditors		**2 093**	1 659
Net interest accrued	8	**544**	478
Net assets		**44 727**	42 260

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

ESKOM

	Notes	1994 Rm	1993 Rm
Revenue		**15 417**	13 793
Operating expenditure	12	**9 963**	9 000
Net operating income		**5 454**	4 793
Net interest and finance charges	13	**3 186**	3 147
Net income		**2 268**	1 646
Transfer (to)/from insurance reserve		**(100)**	206
Retained income for the year		**2 168**	1 852
Accumulated reserves at beginning of the year		**13 837**	11 985
Accumulated reserves at end of the year		**16 005**	13 837

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

ESKOM

	Notes	1994 Rm	1993 Rm
CASH FROM OPERATING ACTIVITIES AND CASH UTILISED IN CAPITAL EXPENDITURE ACTIVITIES			
Cash from operating activities	15	**7 998**	6 819
Net financing charges	16	**(2 492)**	(2 642)
Net cash from operating activities		**5 506**	4 177
Net capital expenditure	17	**(4 735)**	(4 041)
Net cash generated		**771**	136
CASH EFFECTS OF FUNDING ACTIVITIES			
Debt raised	18	**1 714**	2 582
Debt repaid	19	**(2 783)**	(3 701)
Decrease in investments		**298**	983
Net cash utilised		**(771)**	(136)

ESKOM

	1994 Rm	1993 Rm
NOTES TO THE BALANCE SHEET		
1. INSURANCE RESERVE		
Balance at beginning of the year	–	206
Transfer from/(to) income statement	100	(206)
Balance at end of the year	100	–
This reserve was reinstated during 1994 to cater for potential, abnormal self-insured losses not covered externally.		
2. PROVISIONS		
Decommissioning and nuclear waste management		
– Nuclear plant		
Balance at beginning of the year	396	308
Provided during the year	150	88
	546	396
Expenditure incurred	–	–
Balance at end of the year	546	396
– Other plant		
Balance at beginning of the year	–	–
Provided during the year	192	–
	192	–
Expenditure incurred	–	–
Balance at end of the year	192	–
Total provisions	738	396
3. NET INTEREST-BEARING DEBT		
Eskom's funding is managed in a single pool consisting of debt and investments. Funds received from swap cash flows and prefunding activities are invested, pending their use for repayment of debt and for funding of operating and capital expenditure.		
Net interest-bearing debt consists of:		
Interest-bearing debt	33 154	33 507
Local registered stock	21 696	21 301
Other local debt		
Commercial paper bills	4 490	4 196
Other	323	560
Foreign debt		
Bonds and loans	4 315	4 678
Project finance	2 330	2 772

	1994 Rm	1993 Rm
3. NET INTEREST-BEARING DEBT CONTINUED		
Less: Investments	**5 270**	5 480
Capital market investments	**2 064**	2 224
Deposits and money market assets		
Negotiable certificates of deposit	**1 412**	1 787
Bills and bankers' acceptances	**631**	345
Fixed and other deposits	**923**	720
Money on call	**106**	263
Cash and bank	**134**	141
Net interest-bearing debt	**27 884**	28 027
The fair value of investments is	***5 152***	*5 860*

3.1 The maturity structure of net interest-bearing debt is as follows:

	Local	Foreign	Less: Investments	Net	Net
Long term	**21 474**	**5 095**	**2 165**	**24 404**	24 946
After 1 year within 5 years	**5 606**	**4 179**	**498**	**9 287**	9 465
After 5 years within 10 years	**1 700**	**885**	**486**	**2 099**	2 586
After 10 years	**14 168**	**31**	**1 181**	**13 018**	12 895
Short term	**5 035**	**1 550**	**3 105**	**3 480**	3 081
	26 509	**6 645**	**5 270**	**27 884**	28 027

The weighted average maturity period of net interest-bearing debt is 10,0 years (1993: 10,1 years).

Short-term debt includes credits and short-term loans of a revolving nature amounting to	**4 583**	4 526
3.2 The nominal value of local registered stock is:		
Authorised	**71 314**	69 749
Issued	**25 260**	25 318
(Refer Schedule 1.)		
3.3 The rand equivalent of foreign debt by major currency is:		
US dollar	**3 734**	4 372
German mark	**2 403**	2 467
Other	**508**	611
	6 645	7 450

All significant foreign currency exposures were appropriately hedged at 31 December 1994.

3. NET INTEREST-BEARING DEBT CONTINUED

3.4 Interest-bearing debt and interest thereon are secured by a first claim against revenue and assets.

3.5 Foreign debt is guaranteed by the government of the Republic of South Africa.

3.6 The average annual rate of net interest and finance charges on net interest-bearing debt amounted to 13,6% (1993: 13,0%).

4. PROPERTY, PLANT AND EQUIPMENT

	Cost Rm	Accumulated depreciation Rm	Book value Rm
1994			
Land and rights	**359**	**98**	**261**
Buildings and facilities	**2 213**	**839**	**1 374**
Plant – Generation	**29 673**	**8 767**	**20 906**
– Transmission	**5 205**	**1 606**	**3 599**
– Distribution	**8 902**	**2 068**	**6 834**
Test and telecommunication equipment	**527**	**317**	**210**
Equipment and vehicles	**1 294**	**811**	**483**
Leased equipment	**74**	**26**	**48**
Total in commission	**48 247**	**14 532**	**33 715**
Plant at mothballed power stations	**2 728**	**548**	**2 180**
Works under construction	**4 664**	**–**	**4 664**
Construction materials	**152**	**–**	**152**
	55 791	**15 080**	**40 711**
1993			
Land and rights	333	84	249
Buildings and facilities	2 146	779	1 367
Plant – Generation	29 174	7 638	21 536
– Transmission	4 938	1 403	3 535
– Distribution	7 437	1 717	5 720
Test and telecommunication equipment	415	264	151
Equipment and vehicles	1 107	708	399
Leased equipment	73	13	60
Total in commission	45 623	12 606	33 017
Plant at mothballed power stations	2 559	523	2 036
Works under construction	3 409	–	3 409
Construction materials	143	–	143
	51 734	13 129	38 605

	1994 Rm	1993 Rm
5. NON-CURRENT ASSETS		
Future fuel supplies	**1 854**	1 782
Nuclear fuel	**912**	902
In reactors	**351**	364
Fuel assemblies in process and in inventory	**561**	538
Unlisted investments (Refer Schedule 2.)	**1 227**	979
Other	**81**	99
	4 074	3 762
6. INVENTORIES		
Coal	**229**	211
Maintenance and consumables	**529**	520
	758	731
7. DEBTORS		
Trade	**1 266**	1 054
Other	**555**	245
	1 821	1 299
8. NET INTEREST ACCRUED		
Interest payable	**671**	633
Interest receivable	**(127)**	(155)
	544	478
9. COMMITMENTS		
9.1 Capital expenditure		
Estimated capital expenditure	**6 883**	6 554
Contracted	**3 010**	3 098
Approved, not yet contracted	**3 873**	3 456
This expenditure will be financed from debt and internally generated funds and is expected to be incurred as follows:	**6 883**	6 554
within one year	**2 939**	2 303
thereafter	**3 944**	4 251

9.2 Derivative financial instruments

Option contracts, commodity futures contracts, interest rate swaps and interest rate caps have been entered into. No material losses are anticipated as a result of these transactions.

	1994 Rm	1993 Rm
10. CONTINGENT LIABILITIES		
10.1 In terms of the shareholders' agreement, signed between the members of Eskom Finance Company (Proprietary) Limited, Eskom has guaranteed the amounts due by the associate to its other members, amounting to	**697**	623
10.2 Eskom has underwritten the solvency margin of its subsidiary company, Escap Limited, in accordance with the requirements of the Insurance Act. There was no solvency shortfall at year end.		
10.3 Eskom has indemnified the Eskom Pension and Provident Fund against any loss resulting from the negligence, dishonesty or fraud of the Fund's officers or trustees.		
10.4 Eskom has anticipated expenditure in respect of its retired employees in terms of continued contributions to medical aid subscriptions. This has been actuarially valued during 1994 for both in-service and continuation members. The total actuarially valued amount is being provided for over a period of 10 years commencing in 1994. An actuarial valuation will be performed at intervals of not more than three years. The unprovided portion amounts to	**459**	

11. RETIREMENT BENEFITS

The Eskom Pension and Provident Fund, a defined benefit fund, is registered in terms of the Pension Funds Act, 1956. Contributions comprise 20,8% of pensionable emoluments of which members pay 7,3%. The Fund is actuarially valued at intervals of not more than three years. The last valuation was performed at 30 June 1994 when the consulting actuaries reported that the Fund was in a sound financial position. No events have had a significant effect on the Fund's position since this valuation. Any deficit will be funded by the payment of actuarially determined lump sums or by future contributions.

	1994 Rm	1993 Rm
NOTES TO THE INCOME STATEMENT		
12. OPERATING EXPENDITURE		
This includes:		
Auditors' remuneration		
Audit	**3**	3
Depreciation	**2 105**	1 884
Rights	**14**	8
Buildings and facilities	**86**	78
Plant	**1 771**	1 616
Test and telecommunication equipment	**66**	47
Equipment and vehicles	**155**	127
Leased equipment	**13**	8
Managerial, technical and other fees	**37**	27
Net provision for arrear debts	**201**	167
Provision raised	**324**	248
Reversal of prior provisions – Network takeovers	**(123)**	(81)
Decommissioning and nuclear waste management provision	**342**	88
Nuclear plant	**150**	88
Other plant	**192**	–
Provision for management rationalisation	**110**	–
Provision for post-retirement benefits	**51**	–
Net profit on disposal of property, plant and equipment	**(19)**	(3)
13. NET INTEREST AND FINANCE CHARGES		
Interest paid and discount amortised	**4 398**	4 485
Local registered stock	**3 115**	3 128
Other local debt	**468**	446
Foreign debt	**815**	911
Interest received and discount amortised	**(778)**	(1 035)
	3 620	3 450
Amounts capitalised	**(434)**	(303)
	3 186	3 147
Interest received includes amounts from:		
Subsidiary company	**21**	17
Associate company	**97**	101
14. TAXATION		
In terms of Section 24 of the Eskom Act, Eskom is exempt from South African normal taxation on income.		

	1994 Rm	1993 Rm
NOTES TO THE CASH FLOW STATEMENT		
15. CASH FROM OPERATING ACTIVITIES		
Net operating income	**5 454**	4 793
Non-cash items	**2 659**	2 158
Depreciation	**2 105**	1 884
Fuel amortisation – Nuclear fuel	**141**	105
– Coal	**90**	84
Profit on disposal of property, plant and equipment	**(19)**	(3)
Decommissioning and nuclear waste management provision		
– Nuclear plant	**150**	88
– Other plant	**192**	–
	8 113	6 951
Cash applied to working capital	**(115)**	(132)
Inventories	**(27)**	120
Debtors	**(522)**	(91)
Creditors	**434**	(161)
	7 998	6 819
16. NET FINANCING CHARGES		
Net interest and finance charges	**(3 186)**	(3 147)
Non-cash items	**694**	505
Net interest accrued	**66**	(42)
Net discount amortised	**558**	499
Other	**70**	48
	(2 492)	(2 642)
17. NET CAPITAL EXPENDITURE		
Expenditure on land, buildings and plant	**(4 128)**	(3 494)
Expenditure on equipment and vehicles	**(167)**	(158)
	(4 295)	(3 652)
Proceeds from disposals	**103**	61
Net expenditure on property, plant and equipment	**(4 192)**	(3 591)
Expenditure on future fuel supplies	**(162)**	(253)
Expenditure on nuclear fuel	**(151)**	(121)
Unlisted investments	**(248)**	(108)
Other	**18**	32
	(4 735)	(4 041)
18. DEBT RAISED		
Local registered stock	**1 505**	1 248
Other local debt	**–**	473
Foreign debt	**209**	861
	1 714	2 582
19. DEBT REPAID		
Local registered stock	**(1 370)**	(765)
Other local debt	**(388)**	(295)
Foreign debt	**(1 025)**	(2 641)
	(2 783)	(3 701)

SCHEDULE 1: LOCAL REGISTERED STOCK

AT 31 DECEMBER

ESKOM

Loan	Authorised nominal value 1994 Rm	Coupon rate %	Capital repayment dates	Interest payment dates	Issued nominal value 1994 Rm	Issued nominal value 1993 Rm
78	–	6,5	1994	Apr/Oct	–	17
79	–	6,875	1994	Apr/Oct	–	22
81	–	6,5	1994	Apr/Oct	–	7
82	–	6,875	1994	Apr/Oct	–	16
83	18	7,5	1995	Apr/Oct	14	16
84	3	7	1995	Apr/Oct	3	2
85	35	8,75	1995	May/Nov	25	21
86	10	8,5	1995	May/Nov	6	6
87	45	9,25	1996	Jan/Jul	22	24
88	10	8,75	1996	Jan/Jul	5	5
89	20	9,25	1996	Jun/Dec	5	8
90	30	9,25	1996	Jun/Dec	13	15
91	10	8,75	1996	Jun/Dec	2	2
92	20	9,25	1997	Jun/Dec	11	11
93	22	9,125	1997	May/Nov	14	11
94	5	8,75	1997	May/Nov	2	2
95	25	8,5	1997	Jun/Dec	4	5
96	28	8,25	1997	May/Nov	12	13
97	7	8	1997	May/Nov	5	5
98	45	8,25	1997	May/Nov	35	35
99	30	8,25	1998	Jun/Dec	20	22
100	20	8,375	1998	Jun/Dec	14	17
101	5	8	1998	Jun/Dec	3	3
103	24	8	1998	Feb/Aug	22	22
104	6	7,625	1998	Feb/Aug	4	4
106	45	8	1998	Jun/Dec	39	37
107	27	9	1999	Feb/Aug	23	23
108	3	8,5	1999	Feb/Aug	–	–
110	30	9,5	1999	Jan/Jul	27	27
111	9	10,75	2000	Jan/Jul	7	4
112	29	10,75	2000	Jan/Jul	23	17
113	40	10,75	2000	Feb/Aug	33	34
114	25	10,75	2000	Jun/Dec	16	17
115	5	10,25	2000	Jun/Dec	4	4
116	30	10,75	2000	Feb/Aug	20	20
118	55	11	2000	Apr/Oct	49	49
119	6	10,75	1995	Apr/Oct	3	3
C/fwd	722				485	546

Loan	Authorised nominal value 1994 Rm	Coupon rate %	Capital repayment dates	Interest payment dates	Issued nominal value 1994 Rm	Issued nominal value 1993 Rm
B/fwd	722				485	546
121	40	11,4	2001	Mar/Sep	36	31
122	2	11,1	1996	Mar/Sep	1	1
123	40	12,75	1996	May/Nov	33	36
126	40	12,5	2001	Jun/Dec	30	34
127	150	12,6	1999	Mar/Sep	140	125
131	250	11,15	2002	Apr/Oct	10	12
132	250	11,75	2002	Apr/Oct	28	51
134	170	10,75	2003	May/Nov	8	9
135	270	11,3	2003	May/Nov	30	26
138	150	9,7	2003	Feb/Aug	7	7
139	340	10,25	2003	Feb/Aug	11	14
141	130	8,65	2004	Mar/Sep	17	11
142	350	9,15	2004	Mar/Sep	256	132
144	130	9,05	2005	Feb/Aug	11	10
145	270	9,55	2005	Feb/Aug	220	130
148	100	9,05	2005	Jun/Dec	5	5
149	230	9,55	2005	Jun/Dec	38	12
151	275	10,95	2004	May/Nov	4	6
153	400	12,95	2006	Apr/Oct	242	304
154	220	10	2007	May/Nov	75	155
155	170	13,2	2007	May/Nov	146	157
157	415	14,25	2008	May/Nov	337	382
158	–	9,25	1994	Mar/Sep	–	1 128
159	325	12	2008	Mar/Sep	202	224
160	350	11	2009	May/Nov	190	208
163	125	10,5	2004	Jun/Dec	31	95
165	2 000	11	1995	Feb/Aug	569	627
167	5 000	12	1996	May/Nov	1 720	1 577
168	20 000	11	2008	Jun/Dec	13 282	13 815
169	6 000	15	1998	Apr/Oct	2 924	2 471
170	20 000	13,5	2020	Feb/Aug	1 965	1 323
171	6 500	–	2002	–	259	254
172	4 500	8	2001	Mar/Sep	779	791
EPN1	–	6	2008	May/Nov	–	609
EPN2	1 400	6	2010	Apr/Oct	1 169	–
	71 314				25 260	25 318

SCHEDULE 2: UNLISTED INVESTMENTS

AT 31 DECEMBER

ESKOM

The following unlisted investments are included in non-current assets. (Refer Note 5.)

Name	Nature of operation	Issued/ stated capital R	Effective holding 1994 %	Effective holding 1993 %	Investment 1994 Rm	Investment 1993 Rm	Indebtedness 1994 Rm	Indebtedness 1993 Rm
SUBSIDIARY COMPANIES								
Escap Limited	Insurance	29 500 000	**100**	100	**30**	30	**–**	–
Rotek Industries (Pty) Limited	Maintenance and service	4 000	**100**	100	**–**	–	**217**	167
					30	30	**217**	167
ASSOCIATE COMPANIES								
Eskom Finance Company (Pty) Limited	Finance (employee housing loans)	4 000	**20**	20	**–**	–	**678**	628
Gezicor (Pty) Limited	Electricity reticulation	1 000	**50**	50	**–**	–	**–**	–
Kescor (Pty) Limited	Electricity reticulation	1 000	**50**	50	**–**	–	**–**	–
Kwanobuhle Electricity Supply Company (Pty) Limited	Electricity reticulation	40 000	**50**	50	**–**	2	**–**	–
Phambili Nombane (Pty) Limited	Electricity reticulation	3 000 000	**33**	33	**1**	1	**–**	–
					1	3	**678**	628
OTHER								
Alusaf Limited – loan (Unsecured, redeemable loan with an ordinary share conversion option and a dividend-linked interest rate)					**–**	–	**300**	150
Small Business Development Corporation Limited – 500 000 ordinary "A" shares					**1**	1	**–**	–
					1	1	**300**	150
					32	34	**1 195**	945
Indebtedness					**1 195**	945		
					1 227	979		

UNCONSOLIDATED SUBSIDIARY COMPANIES

Aggregate abridged financial statements

	1994 Rm	1993 Rm
CAPITAL EMPLOYED		
Cost of unlisted shares in subsidiary companies	**30**	30
Post-acquisition reserves/(deficit) at beginning of the year	**–**	(11)
Attributable net (loss)/income for the year	**(18)**	11
Total share capital and reserves	**12**	30
Loans by holding company	**276**	200
Long-term liabilities	**–**	13
	288	243
EMPLOYMENT OF CAPITAL		
Property, plant and equipment	**151**	161
Net current assets	**137**	82
	288	243

CURRENT VALUE BALANCE SHEET

AT 31 DECEMBER

ESKOM

	Note	1994 Rm	1993 Rm
CAPITAL EMPLOYED			
Reserves		**50 711**	47 011
Accumulated reserves		**7 099**	6 792
Revaluation reserve	2	**43 512**	40 219
Insurance reserve		**100**	–
Provisions		**738**	396
Net interest-bearing debt		**27 885**	28 068
		79 334	75 475
EMPLOYMENT OF CAPITAL			
Property, plant and equipment		**73 445**	70 127
Non-current assets		**5 931**	5 442
Current assets		**2 595**	2 043
Inventories		**774**	744
Debtors		**1 821**	1 299
Total assets		**81 971**	77 612
Interest-free liabilities		**2 637**	2 137
Net assets		**79 334**	75 475

CURRENT VALUE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

ESKOM

	Notes	1994 Rm	1993 Rm
Revenue		**15 417**	13 793
Operating expenditure		**11 864**	10 591
Net operating income	3	**3 553**	3 202
Net interest and finance charges	4	**3 146**	3 188
Net income		**407**	14
Transfer (to)/from insurance reserve		**(100)**	206
Retained income for the year		**307**	220
Accumulated reserves at beginning of the year		**6 792**	6 572
Accumulated reserves at end of the year		**7 099**	6 792
RATIOS[1]			
Real return on total assets, %		**4,33**	4,13
Debt:equity		**0,55**	0,60
Interest cover		**1,13**	1,00
Financial gearing adjustment, %		**34,74**	37,04

1. Calculated on the basis described in the seven year financial review on page 32.

1. BASIS OF PREPARATION

Historical cost accounting practices reflect financial results of prices and costs in effect at the time the underlying transactions occurred. This approach does not account for the fact that the purchasing power of money diminishes during periods of inflation. In an attempt to eliminate the effects of changing prices on assets and income, and to ensure that funds needed to maintain the operating capacity are preserved, historical costs have been restated by the preparation of current value financial statements based on guideline AC201, issued by The South African Institute of Chartered Accountants, which also complies with the International Accounting Standard IAS15.

Where necessary, comparative figures have been regrouped or restated.

The current value financial statements include the following:

1.1 Revaluation reserve

Differences arising on the revaluation of non-monetary assets are taken to a revaluation reserve, taking into account the financial gearing adjustment.

1.2 Non-monetary assets

The current values of property, plant and equipment, future fuel supplies, and maintenance and consumable inventories are stated using the relevant year's production price index (PPI).

Nuclear fuel and coal are stated at replacement value.

Unlisted investments are stated at book value.

1.3 Monetary assets

Debtors are stated at net present value.

1.4 Monetary liabilities

Interest-free liabilities are stated at net present value.
Net interest-bearing debt is stated at fair value.

1.5 Income statement inflation adjustments

Current value depreciation/amortisation is calculated on the current values of relevant non-monetary assets on the same basis as for historical cost purposes.

The depreciation adjustment is the difference between the current cost depreciation charge and the historical cost depreciation charge.

The cost of sales adjustment is the difference between the current cost and the historical cost of consumption of fuel and stores.

The financial gearing adjustment represents the proportion of the current cost depreciation and cost of sales adjustments attributed to the level of net finance provided by outside sources of capital at year end.

Differences arising on the revaluation of net interest-bearing debt are included in interest and finance charges.

	1994 Rm	1993 Rm
2. REVALUATION RESERVE		
Balance at beginning of the year	**40 219**	36 935
Net revaluation to maintain operating capacity	**3 293**	3 284
Property, plant and equipment revaluation	**3 983**	3 974
Non-current assets revaluation	**281**	209
Other revaluation	**41**	37
Financial gearing adjustment	**(1 012)**	(936)
Balance at end of the year	**43 512**	40 219
3. NET OPERATING INCOME RECONCILIATION		
Current cost net operating income	**3 553**	3 202
Inflation adjustments	**1 901**	1 591
Depreciation	**2 771**	2 396
Cost of sales	**142**	131
Financial gearing adjustment	**(1 012)**	(936)
Historical cost net operating income	**5 454**	4 793
4. NET INTEREST AND FINANCE CHARGES RECONCILIATION		
Current value net interest and finance charges	**3 146**	3 188
Fair value adjustments	**40**	(41)
Interest-bearing debt revaluation	**536**	(420)
Investment revaluation	**(496)**	379
Historical cost net interest and finance charges	**3 186**	3 147

ESKOM

ESKOM

1. STATISTICAL OVERVIEW

	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Sales										
Total sold, GWh[1]	**149 443**[2]	143 800	138 126	138 687	136 168	134 347	129 493	122 524	117 353	112 306
Growth in GWh sales, percent	**3,9**	4,1	– 0,4	1,8	1,4	3,7	5,7	4,4	4,5	5,1
Electricity output										
Total electricity production in South Africa, GWh[3]	**167 609**	155 812	149 427	148 919	147 069	146 162	140 802	134 751	130 056	126 206
Eskom electricity production as percentage of South African total	**95,7**	97,9	97,9	98,0	97,5	96,7	97,0	96,1	95,1	94,5
Total electricity for Eskom system (Eskom stations and purchased), GWh[4]	**160 351**	154 361	148 556	148 934	146 320	143 548	139 197	132 774	126 766	122 494
Total produced by Eskom stations, GWh	**160 293**	154 260	148 207	148 671	146 047	143 204	138 837	132 507	126 511	121 987
Subtotal from coal-fired stations, GWh	**148 003**	145 514	136 830	135 743	134 744	128 304	123 777	122 947	114 298	113 941
Subtotal from hydroelectric stations, GWh	**1 074**	146	752	1 980	1 010	2 759	3 162	1 617	1 623	624
Subtotal from pumped storage stations, GWh	**1 517**	1 345	1 333	1 804	1 841	1 039	1 403	1 774	1 785	2 107
Subtotal from gas turbine stations, GWh	**2**	–	4	–	3	3	2	2	2	–
Subtotal from nuclear power station, GWh	**9 697**	7 255	9 288	9 144	8 449	11 099	10 493	6 167	8 803	5 315
Total purchased for Eskom system, GWh	**58**	101	349	263	273	344	360	267	255	507
Total consumed by Eskom, GWh[5]	**2 113**	1 898	2 295	2 933	2 953	2 265	2 567	3 229	3 018	3 265
Total available for distribution, GWh[1]	**158 238**	152 463	146 261	146 001	143 367	141 283	136 630	129 545	123 748	119 229
Plant performance										
Total power station nominal capacity, MW	**37 840**	39 746	39 060	38 396	35 673	34 141	33 176	31 261	28 086	25 716
Total power station net maximum capacity, MW	**35 926**	37 636	36 846	36 228	33 843	32 403	31 465	29 618	26 682	24 359
Peak demand on integrated Eskom system, MW	**24 798**	23 169	22 640	22 342	21 863	21 871	20 589	20 001	18 278	17 852
Average energy availability (unit capability factor), percent[6]	**77,1 (79,9)**	80,5 (81,7)	76,7	76,1	75,0	78,1	79,1	79,2	78,5	77,5
Generation load factor (after excess capacity management), percent[7]	**50,9 (58,3)**	46,8 (56,4)	46,9 (54,6)	49,8 (58,5)	50,5 (57,3)	51,1	52,3	54,3	55,5	58,0
Integrated Eskom system load factor, percent	**72,8**	75,1	73,5	74,6	74,9	73,7	75,5	73,9	77,3	76,2
Coal burnt, thousands of tons	**76 883,0**	75 926,4	71 037,9	70 523,2	70 861,2	67 529,3	64 489,6	65 787,0	58 915,9	59 488,6
Coal consumption, kg/kWh net	**0,520**	0,522	0,519	0,520	0,526	0,523	0,521	0,535	0,515	0,522
Average heat rate of coal-fired stations, MJ/kWh net	**10,46**	10,47	10,54	10,49	10,66	10,72	10,71	11,00	10,95	11,26
Average gross calorific value of coal (as received), MJ/kg	**20,09**	20,05[8]	20,25	20,21	20,26	20,20	20,44	20,48	21,19	21,52
Overall thermal efficiency, percent	**34,4**	34,4	34,2	34,3	33,7	33,6	33,6	32,7	32,9	32,0
Weighted average cost of coal burnt, R/ton	**29,98**	28,48	27,47	25,70	23,91	20,90	18,67	17,11	14,87	13,25
Weighted average cost of coal burnt, c/kWh	**1,5572**	1,4860	1,4263	1,3354	1,2575	1,1023	0,9727	0,9155	0,7665	0,6916
Employees										
Total number at 31 December[9]	**39 760**	40 128	42 223	46 637	50 000	51 554	56 726	56 830	60 800	66 000
GWh sold per employee	**3,749**	3,584	3,271	2,974	2,723	2,606	2,283	2,156	1,930	1,702
Sales to other countries in southern Africa, GWh										
Botswana	**205,1**	120,6	100,4	105,8	84,2	57,8	53,4	77,5	232,3	222,4
Lesotho	**310,1**	281,2	240,6	205,7	192,3	181,9	170,9	156,2	134,6	123,7
Mozambique	**559,1**	510,0[8]	435,5	383,3	321,6	307,1	340,4	329,2	303,8	227,8
Namibia	**812,9**	999,0	457,5	822,7	586,3	556,6	452,9	613,6	411,1	223,8
Swaziland	**577,1**	529,5[8]	567,0	356,6	409,5	274,0	290,3	253,5	277,1	227,2
Zimbabwe	**163,5**	149,1[8]	13,8	6,2	13,2	14,6	16,5	16,5	15,6	11,5
	2 627,7	2 589,4	1 814,8	1 880,3	1 607,1	1 392,0	1 324,4	1 446,5	1 374,5	1 036,4

1. Difference between electricity available for distribution and electricity sold is due to transmission losses. 2. Includes sales in respect of Department of Water Affairs not stated in previous years. The actual growth is 3,5%. 3. Electricity production by Eskom and by some industries and municipalities which generate all or part of their electricity requirements. 4. Includes Eskom electricity produced and delivered to neighbouring countries.

5. In respect of pumped storage facilities and synchronous condenser mode of operation. See Table 2, Note 6. Since 1993, energy consumption for water pumped for Department of Water Affairs has been excluded from this total. 6. Capacity hours available x 100/total capacity hours in year. 7. kWh produced x 100/(average net maximum capacity x hours in year). 8. Revised. 9. Excludes employees of subsidiary companies.

ESKOM

2. POWER STATIONS IN COMMISSION AT 31 DECEMBER 1994

Name of station	Location	Number and capacity of generator sets MW	Total nominal capacity MW	Total net maximum capacity MW[1]	Generators in reserve storage Number	Generators in reserve storage Total rating MW
Coal-fired stations						
Arnot[2]	Middelburg, E Tvl	6 x 350	2 100	1 955	3	990
Camden[3]	Ermelo	8 x 200	1 600	1 520	8	1 520
Duvha[2]	Witbank	6 x 600	3 600	3 450	–	–
Grootvlei[3]	Balfour	6 x 200	1 200	1 130	6	1 130
Hendrina[3]	Hendrina	10 x 200	2 000	1 900	–	–
Kendal[2,4]	Witbank	6 x 686	4 116	3 840	–	–
Komati[3]	Middelburg, E Tvl	5 x 100; 4 x 125	1 000	891	9	891
Kriel[2]	Bethal	6 x 500	3 000	2 850	–	–
Lethabo[2]	Sasolburg	6 x 618	3 708	3 558	–	–
Matimba[2,4]	Ellisras	6 x 665	3 990	3 690	–	–
Matla[2]	Bethal	6 x 600	3 600	3 450	–	–
Tutuka[2]	Standerton	6 x 609	3 654	3 510	–	–
Subtotal coal-fired stations (12)			33 568	31 744	26	4 531
Gas turbine stations[5]						
Acacia	Cape Town	3 x 57	171	171	–	–
Port Rex	East London	3 x 57	171	171	–	–
Subtotal gas turbine stations (2)			342	342	–	–
Hydroelectric stations[6]						
Gariep[6]	Norvalspont	4 x 90	360	360	–	–
Vanderkloof	Petrusville	2 x 120	240	240	–	–
Subtotal hydroelectric stations (2)			600	600	–	–
Pumped storage schemes[7]						
Drakensberg	Bergville	4 x 250	1 000	1 000	–	–
Palmiet	Grabouw	2 x 200	400	400	–	–
Subtotal pumped storage schemes (2)			1 400	1 400	–	–
Nuclear power station						
Koeberg[2]	Cape Town	2 x 965	1 930	1 840	–	–
Total Eskom stations in commission (19)			37 840	35 926	26	4 531

1. Difference between nominal and net maximum capacity reflects auxiliary power consumption and reduced capacity caused by age of plant and/or low coal quality. 2. Base-load station. 3. Mothballed. 4. Dry-cooled unit specifications are based on design back-pressure and ambient air temperature. 5. Stations used for peaking or emergency supplies. 6. Use restricted to peaking, emergencies and availability of water in Gariep and Vanderkloof dams. 7. Pumped storage facilities are net users of electricity and are used for peaking. Water is pumped during off-peak periods to generate electricity during peak periods. 8. Previously known as Hendrik Verwoerd.

3. POWER STATIONS DECOMMISSIONED/DISPOSED OF DURING 1994

	Type	Total nominal capacity, MW	Total net max. capacity, MW
Highveld	Coal fired	480	412
Ingagane	Coal fired	500	465
Paratus[1]	Diesel	26	26
Salt River	Coal fired	240	228
Taaibos	Coal fired	480	440
Wilge	Coal fired	240	199
Total		1 966	1 770

4. GENERATING SETS ON ORDER AT 31 DECEMBER 1994

Name, type and location of power station	Number and nominal capacity of sets MW	Net max. capacity of sets MW	Total nominal capacity of station MW	Total net max. capacity of station MW	Number of sets in service (on order)	Total nominal capacity of sets on order	Total net max. capacity of sets on order	Year of completion first (last) set[2]
Majuba, coal fired	3 x 657	3 x 612						
Volksrust	3 x 713	3 x 669	4 110	3 843	0 (6)	4 110	3 843	1996 (2001)
Total generating sets on order						4 110	3 843	

5. TRANSMISSION AND DISTRIBUTION EQUIPMENT IN SERVICE AT 31 DECEMBER

		1994	1993	Change
Main transmission system, km	765 kV	**1 153**[3]	1 153	–
	533 kV DC (monopolar)	**1 031**	1 031	–
	400 kV	**13 930**	13 848	82
	275 kV	**7 220**	7 167	53
	220 kV	**1 243**	1 186	57
	132 kV	**604**[4]	371	233
Total		**25 181**	24 756	425
Distribution lines, km	165-132 kV	**17 483**	17 102	381
	88-33 kV	**20 639**	20 953	(314)
Total		**38 122**	38 055	67
Reticulation lines, km	Total 22 kV and lower	**176 154**	176 153	1
Total all lines, km		**239 457**	238 964	493
Cables, km	165-132 kV	**60**	53	7
	88-33 kV	**272**	278	(6)
	22 kV and lower	**5 509**	5 510	(1)
Total all cables, km		**5 841**	5 841	–
Transformers	Transmission, MVA	**106 646**	105 540	1 106
	Distribution and reticulation, MVA	**61 856**	61 873	(17)
Total capacity, MVA		**168 502**	167 413	1 089
Transformers	Transmission, number	**436**	383	53
	Distribution and reticulation, number	**149 162**	149 214	(52)
Total, number		**149 598**	149 597	1

1. Disposed of. 2. Dates on which sets on order will be taken into commercial service may change, depending on growth in electricity demand. 3. 282 km of 765 kV construction line presently operating at 400 kV. 4. No new lines commissioned. Clarity on ownership for 132 kV lines pertaining to the Transmission Group.

6. SALES OF ELECTRICITY TO CATEGORIES OF CUSTOMERS

Category	Number of customers 1994	Number of customers 1993	Change 93 – 94 %	GWh sold 1994	GWh sold 1993	Change 93 – 94 %
Bulk	**704**	742	– 5,1	**64 584**	63 591	1,6
Domestic and street lighting[1]	**1 053 725**	715 219	47,3	**3 660**	2 778	31,8
Commercial	**20 112**	26 535	– 24,2	**478**	493	– 3,0
Industrial	**5 707**	3 032[3]	88,2	**40 394**[2]	37 467[3]	7,8
Mining	**631**	632	– 0,2	**31 619**	30 998	2,0
Rural/farming	**125 864**	126 038[3]	– 0,1	**3 255**	3 149[3]	3,3
Traction	**38**	41	– 7,3	**3 494**	3 365	3,8
International[4]	**4**	4	0,0	**1 583**	1 565	1,2
Own usage	**268**	266	0,8	**376**	394	– 4,6
	1 207 053	872 509	38,3	**149 443**	143 800	3,9[5]

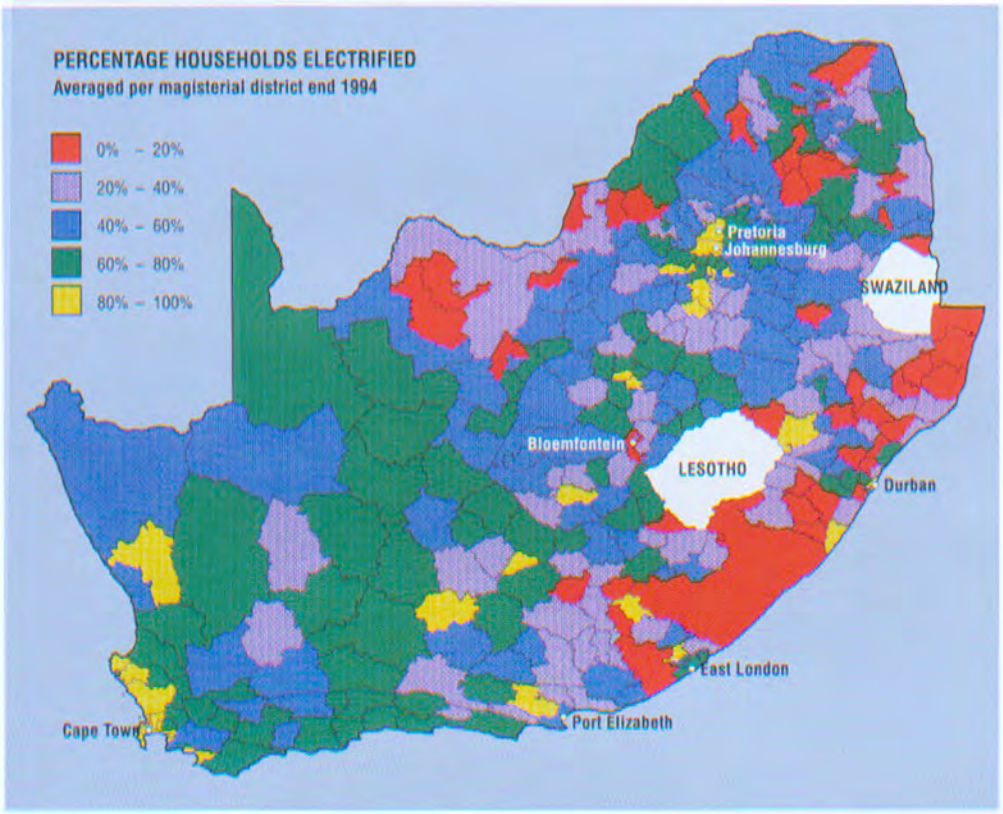
7. REVENUE PER CATEGORY OF CUSTOMER

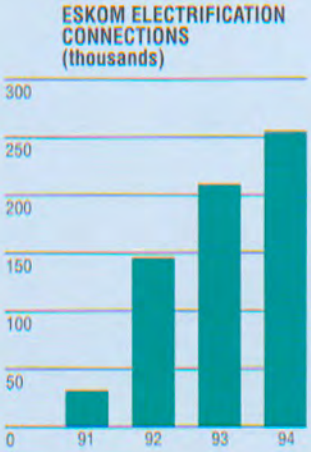
Category	Revenue Rm 1994	Revenue Rm 1993	Change 93 – 94 %	Average price c/kWh sold 1994	Average price c/kWh sold 1993	Change 93 – 94 %
Bulk	**6 573**	6 035	8,9	**10,176**	9,490	7,2
Domestic and street lighting	**613**	353	74,1	**16,756**	12,680	32,1
Commercial	**83**	81	2,7	**17,433**	16,457	5,9
Industrial	**3 599**	3 127[3]	15,1	**8,908**	8,345	6,8
Mining	**3 198**	2 951	8,3	**10,113**	9,521	6,2
Rural/farming	**688**	625[3]	10,1	**21,134**	19,839	6,5
Traction	**500**	461	8,5	**14,312**	13,700	4,5
International	**125**	120	4,3	**7,883**	7,649	3,1
Own usage	**39**	40	– 3,5	**10,260**	10,142	1,2
	15 417	13 793	11,8	**10,316**	9,591	7,6[5]

1. Includes pre-paid sales. 2. Industrial sales for 1994 include sales in respect of Department of Water Affairs not stated in previous years. If consistent with 1993, the total actual growth would be 3,5%. 3. Reclassification of customer codes. 4. International category comprises four main customers in Botswana, Mozambique, Namibia and Zimbabwe. 5. Official price increase 7%; actual 7,6%, due to increase in domestic customers on tariff S1 and reduced consumption by rural customers.

8. ANALYSIS OF REGISTERED HOLDERS OF ESKOM LOCAL REGISTERED STOCK AT 31 DECEMBER

	% of issued nominal value 1994	% of issued nominal value 1993
Insurance companies, pension and provident funds	**7**	9
Corporate bodies	**13**	8
Nominee companies	**58**	60
Private individuals	**22**	23
	100	100





MAJOR ELECTRICITY UTILITIES IN THE WORLD

Utility	Country	Sales GWh	Rating by sales	Nominal capacity, MW	Rating by capacity
EDF	France	372 400	1	98 100	1
TEPCO[1]	Japan	231 665	2	49 492	3
ENEL[2]	Italy	197 451	3	50 888	2
Hydro-Quebec	Canada	152 099	4	29 131	7
Eskom	South Africa	143 800	5	39 746	4
Ontario Hydro	Canada	127 777	6	33 793	6
Korea Electric Power Co.	South Korea	127 734	7	27 654	8
Kansai Electric Power Co.[1]	Japan	123 300	8	35 035	5
RWE[3]	Germany	121 504	9	25 777	9
TVA[4]	USA	118 560	10	25 622	10
Chubu Electric Power Co.[1]	Japan	102 868	11	25 346	11
National Power[1]	United Kingdom	95 000	12	23 983	12
Taipower	Taiwan	92 085	13	19 355	13

All data for the year ended 31 December 1993, except for the year ending as follows:
[1] 31 March 1994 [2] 31 December 1992 [3] 30 June 1993 [4] 30 September 1993
Source: Tokyo Electric Power Company Statistical Review – For the year ended 31 March 1994.