ESKOM

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

profile of

ESKOM

Eskom supplies more than half the total electricity consumed on the African continent. Eskom is a self-financing utility operating on the business principles of long-term viability, customer focus, efficient use of scarce and valuable resources and continuous improvement in performance for the benefit of its customers. It has no shareholders, is a separate legal entity and is funded entirely from debt and accumulated reserves. It is committed to making electricity available at the lowest possible price to all in South Africa who want it and are prepared to pay for it.

Eskom's 19 power stations have a nominal capacity of 37 840 megawatts. The total network comprises 241 802 kilometres of power lines. Electricity is supplied countrywide and exported to neighbouring countries. Eskom also imports power from neighbouring countries when required.

Eskom produces more than 95% of South Africa's electrical energy. It supplies most mines and many industries directly. Approximately 43% of its electricity is sold to local authorities which re-sell it to end-users. Where mutually agreed, Eskom supplies direct to certain communities. Supply to households and small businesses is increasing.

Eskom sees affirmative action as a business imperative in the short to medium term to address historic inequalities in recruitment and employment practices. Merit is a decisive factor in advancement and remuneration. Employees are encouraged to develop their potential through training. Eskom takes a responsible attitude to socio-economic improvement and efforts are made to uplift disadvantaged individuals to enhance their contribution within the organisation and society at large.

Eskom supports a regional transmission grid to encourage cooperation and accelerate economic growth in southern Africa.

key

STATISTICS

FINANCIAL/BUSINESS PERFORMANCE INDICATORS

	1995	1994	Change 1994–95 %	Average yearly change 1991–95 %
FINANCIAL				
Revenue, Rm	**17 114**	15 417	11,0	9,9
Net income, Rm	**2 716**	2 268	19,8	28,3
Property, plant and equipment in commission, Rm	**51 686**	48 247	7,1	6,6
Works under construction, Rm[1]	**7 051**	4 816	46,4	17,7
Net expenditure on property, plant and equipment, Rm	**5 168**	4 192	23,3	14,4
Net interest-bearing debt, Rm	**27 278**	27 884	–2,2	0,0
Average price per kWh sold, cents	**11,15**	10,32	8,0	7,2
Average total cost per kWh sold, cents	**9,40**	8,82[2]	6,6	4,9
BUSINESS EFFICIENCY				
Return on total assets, %	**11,45**	11,52		
Real return on total assets, %	**4,28**	4,33		

1. Includes construction materials. 2. Correction.

TECHNICAL/BUSINESS PERFORMANCE INDICATORS

	1995	1994	Change 1994–95 %	Average yearly change 1991–95 %
OPERATIONS				
Total electricity sold, GWh[3]	**153 547**	149 443	2,7	2,4
Coal burnt in power stations, Mt	**79,4**	76,9	3,3	3,0
Water consumed by power stations, M^3	**214 329**	213 220	0,5	–2,6
Peak demand on integrated system, MW	**25 133 (18.07.95)**	24 798 (26.07.94)	1,4	3,0
ASSETS IN COMMISSION AT 31 DECEMBER				
Nominal capacity, MW	**37 840**	37 840	0,0	1,2
Net maximum capacity, MW	**35 951**[4]	35 926	0,1	–0,2
Power lines (all voltages), km	**241 802**	240 972[7]	0,3	1,6

OTHER KEY STATISTICS

	1995	1994	Change 1994–95 %	Average yearly change 1991–95 %
STAFF EMPLOYED				
at 31 December, number[5]	**39 952**[6]	39 760	0,5	–3,8
CUSTOMERS				
at 31 December, number (million)	**1,568**	1,207	29,9	54,1

3. Includes internal sales of 367 GWh. 4. Rating of Arnot power station's unit 1 increased by 25 MW in January 1995.

5. Excludes employees of subsidiary companies. 6. Includes 865 employees taken over from BECOR and 340 from TESCOR.

COMMITMENTS

PROGRESS REPORT

During 1994, Eskom published ten commitments to support the aims and objectives of the Reconstruction and Development Programme. We have made progress on all these commitments and will continue to strive towards the targets which have been set. Refer Directors' Report for further details.

BETWEEN 1994 AND 2000 ESKOM COMMITS TO:

REDUCE THE REAL PRICE OF ELECTRICITY BY 15%

Eskom is on track to fulfil the undertaking to reduce the real price of electricity by 15% by the year 2000.

ELECTRIFY AN ADDITIONAL 1 750 000 HOMES

During the year, 313 179 new residential connections were achieved against a target of 300 000.

CHANGE OF STAFF PROFILE SO THAT 50% OF MANAGEMENT, PROFESSIONAL AND SUPERVISORY STAFF SHALL BE BLACK SOUTH AFRICANS

Good progress has been made with black representation at management, professional and supervisory levels, moving from 9% in December 1994 to 16% in December 1995.

Initiatives such as space creation, recruiting policies, bursaries, training and skills development for future purposes have been implemented to keep the process on track.

EDUCATE, TRAIN, UPGRADE SUFFICIENT NUMBERS OF PEOPLE TO MEET ESKOM'S FUTURE NEEDS

Since the inception of the Adult Basic Development (ABD) programme, 4 141 employees have undergone literacy and numeracy training against a target of 11 000 by 1997. During the year, 1 481 employees successfully completed the ABD programme.

MAINTAIN TRANSPARENCY AND WORKER CONSULTATION IN DECISION-MAKING

In addition to representation at Electricity Council level, the following participative structures are in place: a strategic forum, an Eskom central national forum, group forums, business unit forums, work-team sessions and the Unfolding Vision Agreement, through which Eskom is developing a collaborative, productive relationship with trade unions.

CONTRIBUTING R50 MILLION PER YEAR TO THE ELECTRIFICATION OF SCHOOLS AND CLINICS AND OTHER COMMUNITY DEVELOPMENT ACTIVITIES

Eskom continues to seek viable and ongoing projects which underpin the aims and objectives of the RDP. During 1995, Eskom supported 289 community development projects and electrified 893 schools and 37 clinics.

ENABLING ALL EMPLOYEES TO OWN A HOME

Of the 39 952 employees, 21 504 have already taken advantage of the Eskom Finance Company (Pty) Limited and Eskom housing loans.

ENCOURAGING SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

Eskom has directly facilitated the establishment of 502 viable small, medium and micro enterprises, and assisted with training and development of new entrepreneurs.

PROTECTING THE ENVIRONMENT

A system and programmes are in place to manage Eskom's impact on the environment. Eskom has an environmental policy in place, conforming to existing environmental legislation. During 1995, a corporate environmental affairs manager was appointed. A separate Environmental Annual Report is produced.

FINANCING THE COMMITMENTS FROM SOUTH AFRICAN AND OWN RESOURCES AND FROM OVERSEAS DEVELOPMENT FUNDING

All Eskom RDP commitments are financed from own resources and loans raised, except for an allocation of R86 million from the RDP office, of which R56 million has been used for non-grid and R30 million for grid electrification of schools, and an amount of R15,2 million given by the Norwegian government for the electrification of schools and clinics.

organisational STRUCTURE

ELECTRICITY COUNCIL

CHAIRMAN

MANAGEMENT BOARD
CHIEF EXECUTIVE AND CHAIRMAN OF THE MANAGEMENT BOARD

CHIEF EXECUTIVE

A J Morgan

OFFICE OF THE CHIEF EXECUTIVE
- Corporate audit
- Corporate investigations
- Electricity Council and Management Board Secretariat
- Corporate business processes and controls

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
- Distribution business services

FINANCE

Dr W J Kok

- Treasury
- Financial planning
- Corporate finance
- 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

- Human resources leadership
- Human resources centralised services
- Organisational development
- Human resources development
- Industrial relations
- Remuneration and benefits

GROWTH AND DEVELOPMENT

D N M Mokhobo

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

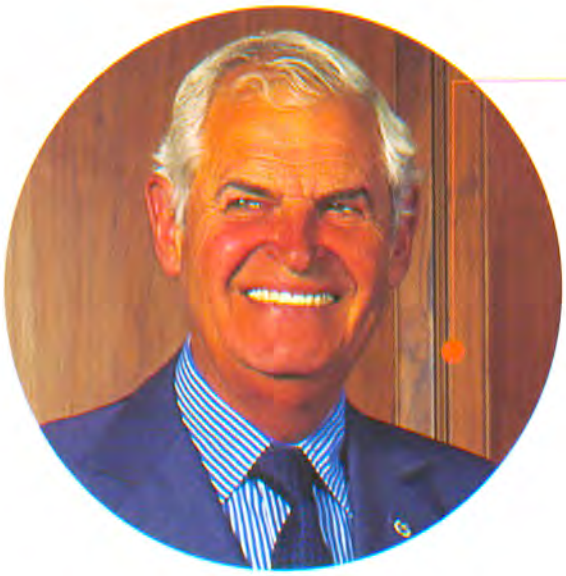
SERVICES

V T L Ngubeni

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

overview by the

CHAIRMAN



Dr J B Maree
Chairman of the
Electricity Council

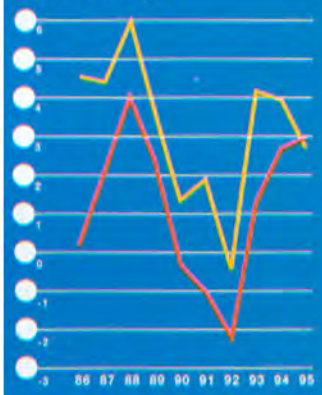
ESKOM IS ONE OF THE PILLARS ON WHICH TO BUILD SOUTH AFRICA'S ECONOMIC GROWTH.

It seems that South Africa brings new challenges with every passing year, which of course also means new opportunities for business. 1995 was no exception. As the country began working through the process of transition to a functioning democracy, it brought with it a constantly changing business environment. The Government of National Unity is settling well into its role of running the country. Legitimate structures are now in place at central and regional level and, after the local elections in November, largely at local level as well. Great resilience has been shown by political structures which have withstood a number of significant stresses. The economy is being prudently handled, somewhat to the surprise of many critics.

Restructuring of the economy is moving on apace. Close attention is being paid to the budget deficit, protection barriers are coming down, the financial rand was removed with minimal reaction, inflation is down, economic growth is running in excess of 3% and there has been a steady inflow of capital. The management of our economy is in many ways a model of sound conservative economic policy.

There are of course a great many matters which still need urgent attention. The most pressing need is to address the hopes and aspirations of the less privileged members of our society in practical ways. Inevitable delays in delivering the expected benefits following political change have largely been caused by weak administrative structures, the inability to properly utilise available capital funding and the slow process required to involve all sections

Real GDP growth vs Eskom sales growth (percentage)



• Provisional figure for GDP

of the community down to grass roots level in consultation. This delay has generated a great deal of frustration, which, along with high unemployment, are among the factors which have contributed to the unacceptably high level of crime and violence.

While the newly enfranchised population has shown amazing patience, this does not detract from the responsibility of addressing the very real expectations of people for a better tomorrow. The changes taking place in our country must be seen to result in changes in people's everyday lives.

NEED FOR ECONOMIC GROWTH

It is now widely accepted that the top national priority is to stimulate capital investment, growth and job creation. There is a need to improve efficiency and to make the best use of available national resources in order to consolidate and improve South Africa's competitive position. It is with these matters in mind that Government has undertaken an investigation into the restructuring of state assets.

Particular attention will of course be paid to the parastatal organisations, including Eskom. Among other issues, the Department of Finance has indicated to Eskom that serious consideration is being given to taxing Eskom. In addition thought is being given to structuring Eskom in such a way that dividends will become payable.

If this were to take place, it would impact on Eskom's ability to finance its electrification programme. This programme has long-term social and economic benefits for South Africa. In-depth consideration will therefore have to be given to the treatment of monies spent on electrification under a different tax and dividend dispensation so that this important programme continues as planned. Eskom's other commitments to the RDP, in particular the further reduction in the price of electricity, could also be affected by any new financial arrangements.

There remain a number of other aspects which still have to be clarified, and the Minister is pursuing discussion and consultation with a wide spectrum of interested parties. One is therefore confident that the course of action finally decided upon will be capable of implementation with the support of all the stakeholders.

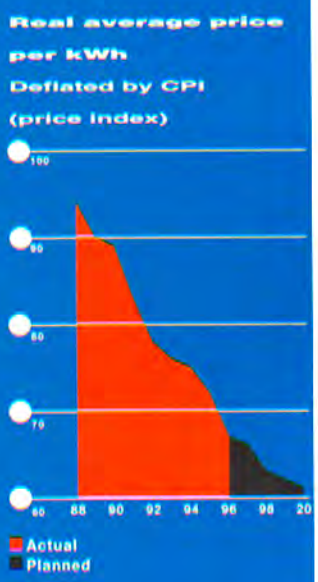
ESKOM'S PERFORMANCE

Eskom has had a year of further progress with revenue growing by 11% and net income rising to R2 716 million.

Eskom has continued to pursue its three main aims, namely to run the business more efficiently so as to reduce the real price of electricity, to bring electricity to more and more people and to stay reflective of the changing environment in which it operates.

Despite the increased costs of electrification, overall costs have been contained and remain a priority for management. While improvement in cost control has been pleasing, it is imperative that management does not relax its efforts in this regard. It has therefore been decided to introduce a long-term bonus scheme which will closely link executive compensation to improved organisational performance.

Regarding business efficiency, significant technical improvements have been achieved, productivity has further improved and financial soundness strengthened as evidenced by a further lowering in debt.



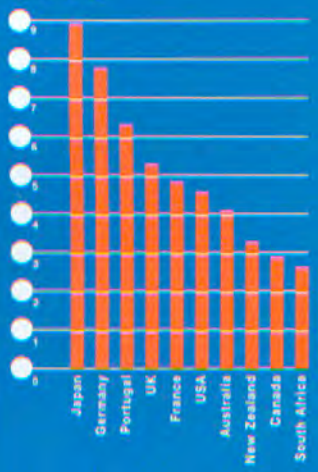
REDUCTION IN REAL PRICE OF ELECTRICITY

The result has been an ongoing reduction in the real price of electricity. The price increase for 1995 was 4% against an inflation rate of 8,7%, a real reduction of 4,7 percentage points. The increase for 1996 is again 4%, an anticipated real price reduction of a further 4%. We are on track to achieve the commitment given to our customers in 1991 to reduce the real price of electricity by 20% between 1992 and 1996. An undertaking was given in 1994 to reduce the real price of electricity by 15% by the year 2000 and this is expected to be achieved. Eskom is committed to being the world's lowest-cost electricity producer and is confident that it will continue to reduce the real price of electricity into the foreseeable future, thereby stimulating the economy and enhancing the competitive position of our energy intensive industries.

CHANGING PEOPLE'S LIVES

The electrification target for 1995 was to make 300 000 new connections compared to the 250 000 of 1994. Despite many and varied difficulties, including being prevented from working for extended periods of time in a number of urban areas, this challenging target was exceeded. It is estimated that the lives of 1,5 million people have been changed as a result. They now have the benefit of an improved quality of life and children are able to study and do their school work at night. Research has shown that for every

World industrial electricity prices
From a representative utility in each country (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 1995.

*Converted, using 30 December 1994 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 the published tariffs only. Prices available under contracts are expected to be approximately 14% lower.

Source: Extract from ®Electricity Association Services Limited, International Electricity Prices - Issue 22.

100 homes electrified, between 10 and 20 new economic activities are started. Informal economic activity is stimulated because many people who are given electricity begin little businesses. This means that during the past year, as a result of Eskom's electrification programme, a significant number of new, albeit small, informal sector businesses have been established.

Turning to the changing environment and Eskom's role in it, it can be stated with confidence that in a number of areas, such as affirmative action at senior management level, technical training, trade union interaction, meaningful relations with the communities, and the electrification of schools and clinics, Eskom has continued to set new standards and act as a model of responsible corporate behaviour.

FUNDING

In an effort to increase the marketability of Eskom bonds, Global Depositary Receipts were created for the E167, E168, E169 and E170 bonds. This is the first Depositary Receipt programme for South African debt securities and will greatly ease the way for international fixed-income investors to purchase these instruments.

Eskom launched its debut Japanese capital market transaction in October 1995. The positive response to this bond issue is reflected in the fact that it was awarded Samurai Bond Issue of the Year status by the influential Corporate Finance Magazine.

Eskom's international borrowing capability has been further enhanced by an improved credit rating given by Standard and Poors Rating Group. The rating improved from an indicative BB to BB+, the same rating as given to South Africa as a country. Standard and Poors Rating Group also assigns its BBB+ rating to Eskom's senior local currency debt, which means that Eskom bonds now enjoy an investment grade rating among international institutional investors.

DISTRIBUTION OF ELECTRICITY

It has for some time been clear that the present structure for the distribution of electricity, with its 400 plus distributors, is both inefficient and costly. Following intensive discussions at the National Electrification Forum, the Government created a new National Electricity Regulator. The role of the Regulator is to ensure that the best interests of the customer are served. In pursuance of this,

it issues licences for the generation, transmission and distribution of electricity, takes steps to rationalise the electricity supply industry and negotiates an equitable tariff structure.

It was not anticipated that Eskom's role as generator and transmitter of electricity would be impacted by these developments and indeed the issuing of licences for generation and transmission proved to be relatively simple.

However, when it came to the distribution side of the industry, the issues became much more complex and only temporary licences were issued. An Electricity Working Group has been created by Government to advise on possible future structures of the electricity distribution industry. Subject to Government accepting their recommendations, permanent licensing should follow.

ESKOM HAS CONTINUED TO SET NEW STANDARDS AND ACT AS A MODEL OF RESPONSIBLE CORPORATE BEHAVIOUR

SOUTHERN AFRICAN POWER POOL

At the Southern African Development Community (SADC) summit meeting held in Kempton Park, Gauteng, at the end of August 1995, most SADC countries signed a government-level memorandum of understanding for the creation of an electricity power pool in the region under the name of the Southern African Power Pool (SAPP). Provision was also made for Zaire to join at a later stage as a non-SADC member. The SAPP agreement was signed at utility level in December 1995. These agreements represent further steps in the electricity cooperation in the region.

OUTLOOK

While there is some volitality in the financial markets, it is my view that we are at the beginning of a most exciting year. Given the improving management of the economy, the excellent rains, the further opening of world markets, the robust competition of South African exporters on world markets, combined with my conviction that Government will address the unhappy crime and violence situation with a firmer and firmer hand, an economic growth rate in excess of 4% is achievable. It is clearly going to require commitment from Government, business and labour to achieve the growth rates of which we are capable and allow us as a country to attend to the needs of our less privileged citizens. It is however my belief that organisations like Eskom will continue to play a positive role in giving effect to Government's efforts to build a prosperous and peaceful South Africa.

APPRECIATION

I want to express my appreciation to Minister Stella Sigcau, Minister for Public Enterprises, for the way she is bringing about important changes which will affect Eskom into the future. During the year, in order to achieve greater stakeholder representation on Eskom's Electricity Council, she introduced legislation which was subsequently passed in Parliament. A new council, constituted in terms of this new legislation, will be appointed by her in the early part of 1996. I have no doubt that such a new council will be well constituted to oversee the future affairs of Eskom.

Until such time as a new council is appointed, the present council continues to have responsibility for the affairs of Eskom. I want to express my appreciation to the members of the Electricity Council for the way in which they have addressed the many pressing issues facing the organisation during the period under review and for their dedication to the affairs of Eskom.

During the year we lost the services of Mr C J Pretorius, whose term of office expired, and Messrs G Maude and B J Lessing, who resigned. New appointments to the Council were Messrs P Dantjie, K J Hlongwane, L J Mnogomezulu, S C Motau, A C van Wyk and Mrs J N Seroke.

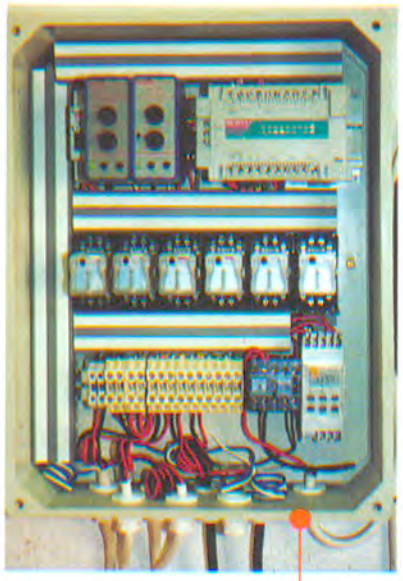
Turning to the Management Board, Mr H J Pienaar took advantage of the space creation option in relation to affirmative action and left Eskom for a career in the private sector. Responsibility for the Services Group has been taken over by Mr V T L Ngubeni. Dr G F Lindeque left Eskom after 20 years of distinguished service and took up the position of Chairman of the Eskom Pension Fund. Mrs D N M Mokhobo was appointed into the position of executive director of Growth and Development.

I thank the Management Board for their ongoing pursuit of efficiency and effectiveness and for the energy and enthusiasm with which they have undertaken their tasks. Allen Morgan is a very competent chief executive and I thank him for the strong and clear leadership he is giving to the organisation.

I also thank all our employees for their loyalty, support and dedication. Each and every one of them can be proud of the role they have played in building an Eskom which is not only admired internationally but is also one of the pillars on which to build South Africa's future economic growth.

John Maree
7 March 1996

AN OFF-PEAK WATER HEATING SYSTEM USING ESKOM'S TIME-OF-USE TARIFF WAS INSTALLED BY A LOCAL HOTEL GROUP. GERRIE KUYPER, ESKOM'S ELEKTROSERVE ADVISOR AND SHEILA HAIR OF CITY LODGE GROUP WITH THE ESKOM ENERGY EFFECTIVE DESIGN AWARD TROPHY.



COMMERCIAL
Power

THIS SOUTHGATE SPAR HALVED ITS ENERGY COSTS BY BETTER ENERGY MANAGEMENT. GREG ROWE OF POWERSAVE, WHO INSTALLED THE EQUIPMENT, AND DOMINGOS DE JESUS, OWNER OF SOUTHGATE SPAR. THE ELECTRICAL LOAD CONTROL SYSTEM THAT SUPERVISES THE FULL SPECTRUM OF MAJOR ENERGY CONSUMING ACTIVITIES WITHIN THE STORE.

ELEKTROSERVE
ESKOM PROFESSIONAL ADVICE FOR COMMERCIAL SERVICES
Helping you manage your energy needs

BOB LAWSON OF HEAT TRANSFER ENGINEERING IN THE BOILER AREA OF THE HOTEL. 50% OF THE HOTEL'S HOT WATER IS HEATED TO 60°C IN A SERVICE VESSEL, WHILE A SEPARATE QUANTITY IS HEATED TO 98°C. AS HOT WATER IS USED UP, COLDER WATER IS HEATED THROUGH CONTACT WITH THE 98°C WATER BY A SYSTEM OF PUMPS AND HEAT EXCHANGERS.

report on operations by the

CHIEF EXECUTIVE

A J Morgan
Chief Executive

ESKOM REMAINS A SOLID AND RELIABLE ORGANISATION, GEARED TO SATISFY THE ELECTRICITY REQUIREMENTS OF THE PEOPLE OF SOUTH AFRICA.

INTRODUCTION

I can say with confidence that 1995 was an exceptional year for Eskom.

Not only did we have our fair share of change and uncertainty on the political front, but unusually high demands and expectations were placed on the organisation from many quarters. Despite the pressures and the difficulties, Eskom has largely met its organisational targets and come through with its business ethos intact. It remains a solid and reliable organisation, geared to satisfy the electricity requirements of the people of South Africa.

Reflective of this process of change is the format of this report which is somewhat different to previous years. In compliance with the Reporting by Public Entities Act, a Directors' Report is included in the audited section and a Corporate Governance statement has been added.

Before going into the detail of reporting on operations, I would like to touch on a few highlights and then give some insight into a number of issues in South Africa which directly impacted the electricity business and the environment in which Eskom operated during 1995.

HIGHLIGHTS

In 1991, we committed to our customers that we would reduce the real price of electricity. Based on our latest price increase and forecast for inflation, we are confident that we are on track to meet that commitment.

Our determination to become the world's lowest-cost producer of electricity continues to provide significant benefits to the South African economy, reducing upward pressure on inflation and making electricity affordable to a larger number of people. In addition, price reductions achieved will provide a major boost to the international competitiveness of South African companies.

In 1994, Eskom undertook to intensify its customer care and we have become more focused on customers' needs. We have improved and simplified billing and payment systems and, by acquiring a great deal more detailed information, we are working at understanding individual customer requirements better. Our services to customers are independently monitored and I am pleased that after all the results were collated and analysed, Eskom exceeded the targets set for 1995.

Significant resources were also mobilised in exceeding our electrification programme targets for the year.

THE ENVIRONMENT IN WHICH ESKOM OPERATED

SIGNIFICANT EVENTS

The National Electricity Regulator (NER) was created in 1995 and given the task of rationalising the electricity supply industry. As part of the licensing process the NER required specific financial and other information from Eskom and other electricity suppliers.

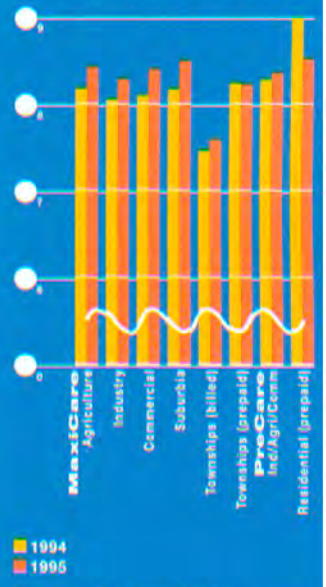
The NER found it difficult to rationalise the industry, given the more than 400 licence applications it received, and requested Government to provide policy guidelines. Government created an Electricity Working Group to recommend possible future structures for the electricity distribution business.

In addition, during the latter half of 1995, Government introduced a process to investigate the restructuring of state-controlled enterprises via the formation of sectoral task teams and reconstruction and transformation committees.

A Cabinet decision in September 1994 determined that the electricity supply entities of the previous TBVC* states and self-governing territories should be integrated into Eskom's operations as part of the ongoing rationalisation and restructuring of the electricity supply industry. The agreement was that Eskom should act as agent in this regard.

*Transkei, Bophuthatswana, Venda and Ciskei.

Overall customer satisfaction scores



MaxiCare (for direct Eskom customers who have been receiving electricity for longer than six months) and PreCare (for newly connected customers) surveys are conducted monthly to measure customer satisfaction. Analyses of results indicate which specific aspects of Eskom's service need to be improved.

SIGNIFICANT TECHNOLOGY RESEARCH PRODUCTS FOR 1995 INCLUDE:

- NEW ENVIRONMENTAL MODELLING AND CONTROL SYSTEMS FOR GROUND WATER AND AIR QUALITY CONTROL
- TECHNOLOGIES TO REDUCE PARTICULATE EMISSIONS BY IMPROVING PRECIPITATOR PERFORMANCE BY UP TO 40%
- A FRAMEWORK FOR DEMAND-SIDE MANAGEMENT IN ESKOM
- CONDITION-MONITORING TECHNOLOGIES USED TO OPTIMISE PLANT CAPACITY AND MAINTENANCE PROGRAMMES
- TECHNO-ECONOMIC STUDIES INTO THE USE OF NATURAL GAS FOR POWER GENERATION.
- THE COST IMPACTS OF PLANNING CRITERIA, MITIGATING TECHNIQUES AND BEHIND-THE-METER SOLUTIONS TO QUALITY OF SUPPLY

ESKOM'S RESPONSE TO THESE EVENTS

It is generally recognised that restructuring is necessary in order to adapt to changing circumstances and pressures. Eskom supports, and will fully participate in, any developments and initiatives which will bring about efficiency improvements to the electricity supply industry and result in better customer service.

Eskom has, for a number of years, been calling for a rationalisation of the electricity supply industry, and the NER is a welcome step in this direction.

Eskom is participating in the Electricity Working Group, looking at possible new structures for the electricity industry in South Africa. These initiatives could result in the distribution business being run as a separate entity. Discussions with many stakeholders will need to be held before Government makes any decisions in this regard.

To align with this thinking and to comply with the information requirements of the NER, Eskom is developing a ringfenced financial framework which will enable the financial results for Generation, Transmission and Distribution to be prepared separately. The objectives are to accommodate the licensing requirements of the recently established NER and improve business efficiency.

The negotiations regarding the incorporation of the electricity supply entities of the previous TBVC states and self-governing territories is proceeding well. It is a complex exercise and has wide-ranging financial and organisational implications.

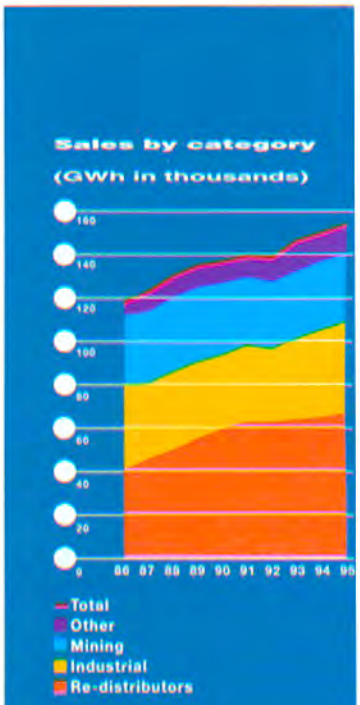
NEED FOR CLEAR DIRECTION

When restructuring is undertaken on the scale contemplated, a great deal of time-consuming strategising, planning and discussion among many stakeholders is required. Unfortunately, in the process, enormous uncertainty is inevitably created among employees, stakeholders and customers. It is therefore in everyone's best interests that intentions are finalised as soon as possible, so that these fears can be dealt with positively and constructively and we can get on with the job.

FUTURE OUTLOOK

As South Africa becomes increasingly accepted into the wider world community and as the economy becomes more open and liberalised there will inevitably be increased competition in the energy field. This will initially

come through the impact of natural gas, the establishment of the Southern African Power Pool (SAPP) and the limited entry of independent power producers, as well as the possible effects of restructuring and future legislation. Eskom is well positioned to deal with future changes in these areas.



KEEPING ON TRACK

The country is poised on the edge of a new era.

We need to be aware that we are at a critical stage of development. Whether our future will be one of prosperity and growth or a descent into poverty, depends on how prudently we run our affairs and manage our resources, including electricity.

People need affordable electricity, backed up by excellent service, as a basis on which to grow the economy and achieve the prosperity and stability that we all desire. I believe that Eskom has set the right goals and direction and is moving steadily towards achieving them. It is vital for Eskom and South Africa that we remain on track in what we are presently doing and do not allow short-term problems to get in the way of long-term objectives.

REPORT ON BUSINESS PERFORMANCE

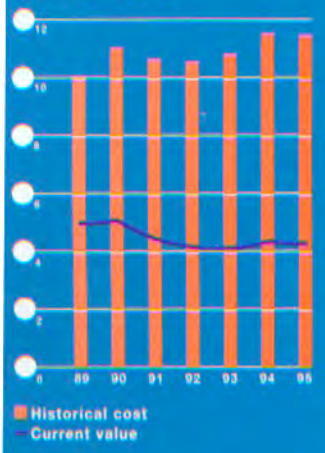
FINANCIAL POLICY

Eskom, being a utility, applies a 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 also ensures that price changes are gradual, predictable and stable and that price levels over the next few years are reduced in real terms and thereafter maintained. The preparation of current value financial statements demonstrates Eskom's use of current value accounting techniques to achieve this policy, which is important considering the long-term nature and asset intensity of the business.

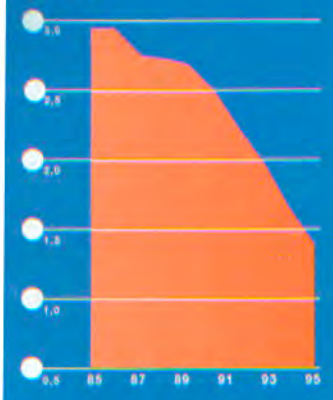
FINANCIAL PERFORMANCE

A very sound financial performance was again achieved this year through ongoing productivity improvements. The increase in the total unit cost of

Return on total assets
(percentage)



Debt: equity
(ratio)



electricity was well contained at 6,6%. Eskom continues to fund net capital expenditure from cash generated from operating activities.

A modest sales growth of 2,8%, together with the average 4% tariff increase, saw revenue increase by 11% to R17 114 million (1994: R15 417 million).

The effective price increase was 8,0%, mainly due to a change in the mix of sales, higher revenue from commodity-linked tariffs and the phasing out of capacity allocations to certain municipalities.

Operating expenditure increased by 13,6% to R11 315 million (1994: R9 963 million) after including a net provision for arrear debts of R302 million (1994: R201 million). Provisions of R247 million (1994: R342 million) were raised for the costs of decommissioning power stations and management of nuclear waste and for medical aid post-retirement benefits of R151 million (1994: R51 million).

Net interest and finance charges reduced by 3,2% to R3 083 million (1994: R3 186 million). These were covered 1,9 times (1994: 1,7 times) by the net operating income and 3,1 times (1994: 2,5 times) by cash from operating activities.

Net income amounted to R2 716 million – an increase of 19,8% over 1994. Net income on a current value basis was R676 million (1994: R407 million). This resulted in a real return on assets of 4,28% (1994: 4,33%), 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.

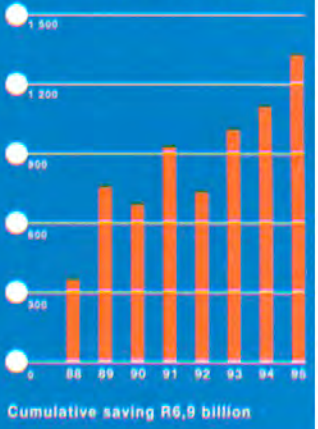
Eskom's anticipated liability in respect of post-retirement medical benefits was assessed by independent actuaries during the year and was estimated to be R1 013 million. This amount is being provided for over a period not exceeding 10 years, commencing in 1994. The increase over the previous year arises mainly as a result of a miscalculation in 1994, as well as taking account of inflationary medical costs.

The balance sheet continues to strengthen as planned, with the debt-equity ratio improving from 1,73 in 1994 to 1,44 in 1995.

PRODUCTIVITY GAINS

Productivity gains of R103 million (1994: R625 million) were achieved in the core business due to improved utilisation of capacity mainly as a result of

increased sales. An overall productivity improvement of 1,5% was achieved, which saved R224 million in 1995 (1994: R93 million) after the effects of the electrification drive and abnormal expenditure were taken into consideration. This means, for three consecutive years the organisation has achieved significant productivity gains.



FINANCIAL AND TREASURY MANAGEMENT

FUNDING

The funding plan for 1995 initially indicated a total requirement of R4 950 million. The reduced requirement of R3 765 million was mainly the result of better than anticipated sales performance. The revised 1995 and 1996 funding plans are summarised below:

	1995		1996
	Actual	Planned	Planned
	Rm	Rm	Rm
Domestic market			
Money market	1 045	2 440	960
Capital market	1 653	1 200	–
Project finance	127	–	170
Foreign market			
Bond issues	–	780	720
Export credits	70	70	70
Bank loans	480	110	–
Project finance	390	350	380
	3 765	4 950	2 300

Electrification Participation Notes (EPNs), designed to share risk inherent in the electrification programme, contributed R1,2 billion towards the domestic capital requirements. On the international markets, after a turbulent 1994 in the bond markets, more attractive pricing prompted a switch from the bond to the bank loan market. The project finance contribution of R390 million came from a drawdown, in January 1995, from a Japanese export import bank (JEXIM) facility.

INSTALLING JUMPER CONDUCTORS ON A 132 KV LINE STRAIN TOWER AND (BELOW) A TECHNICIAN WORKING ON A LARGE TRANSFORMER AT THE ATHENE SUBSTATION.

THE LADLE REFRACTORY CURING PROCESS AT ALUSAF CONVERTED FROM GAS TO ELECTRICITY WITH ENERGY SAVINGS OF 80% PER MONTH AND COST SAVINGS OF 90%.

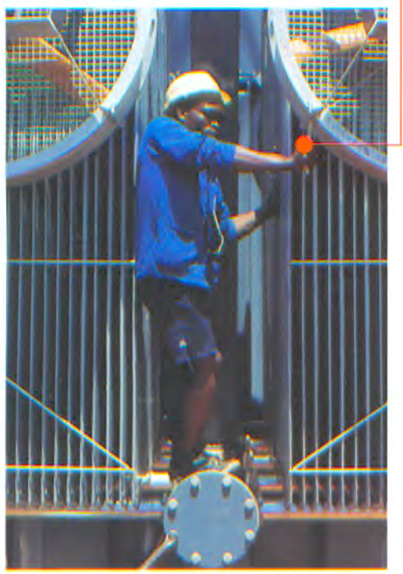
STRINGING A BACK-UP TRANSMISSION LINE TO THE ALUSAF PLANT IN RICHARDS BAY. THE HILLSIDE AND BAYSIDE SMELTERS TOGETHER MAKE ALUSAF ESKOM'S LARGEST SINGLE INDUSTRIAL CUSTOMER.

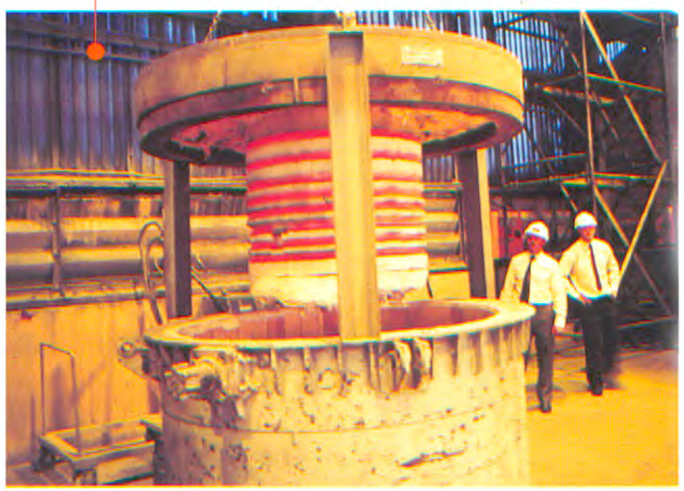
QUALITY OF SUPPLY IS VITAL TO THE TEXTILE INDUSTRY AS VOLTAGE DIPS AND OUTAGES CAN CAUSE SUBSTANTIAL LOSSES. ESKOM IS ABLE TO OFFER BEHIND THE METER SOLUTIONS TO THE INDUSTRY TO ENABLE THEM TO RIDE THROUGH VOLTAGE DIPS.

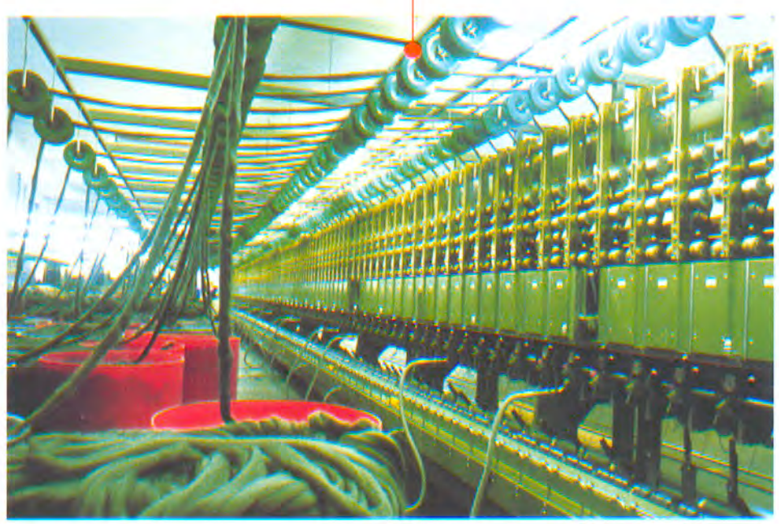
ESKOM WORKERS ENGAGED IN MAINTENANCE WORK ON A SUBSTATION SUPPLYING ELECTRICITY TO THE COLUMBUS STAINLESS STEEL PLANT WHERE CONTINUITY AND QUALITY OF SUPPLY IS VITAL.

INDUSTRIAL Power

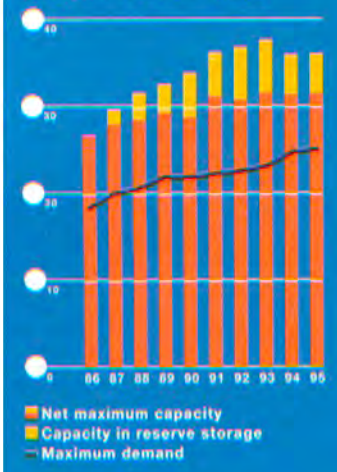
INDUSTRELEK
ESKOM AN ADVISORY SERVICE FOR INDUSTRY
Energy solutions for industry



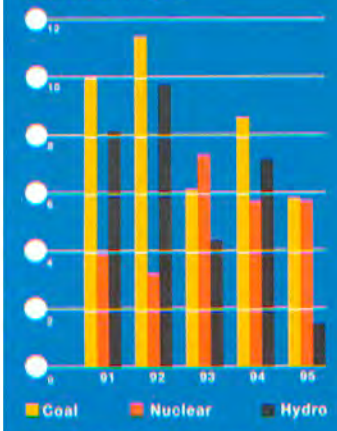




Generation plant capacity and maximum demand (MW in thousands)



Generation plant unplanned capability loss factor (UCLF) (percentage)



A UNIPEDE/WEC/WANO generation 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.

PROJECTED FUNDING FOR 1996

An amount of R1 100 million of the 1996 requirements has been prefunded in the form of Eskom's debut Samurai Bond Issue (R720 million) and the second drawdown from the JEXIM facility (R380 million). Approximately R400 million remains of this facility for utilisation in 1997 and beyond. The Eskom Samurai Bond Issue was formally recognised by the international finance community as "one of the deals of the year".

BUSINESS RISK MANAGEMENT

During 1995, Eskom identified the need to manage business risks on an integrated basis to ensure that business performance was optimised. As a first step towards developing a comprehensive business risk management strategy, an independent assessment of Eskom's risk exposures and risk management processes was conducted. The results of this assessment have confirmed the key risk areas to which Eskom is exposed. This has assisted management in the development of long-term strategic plans and enabled them to ensure that adequate risk management processes exist. Further work will be conducted to develop a fully integrated business risk management process.

INSURANCE AND RISK MANAGEMENT

Eskom remains committed to managing its risks and exposures in a proactive manner. Risk assessments have been carried out and risk profiles are constantly being developed.

An independent review of the Treasury Department's risk management practices was undertaken by external consultants, benchmarking it against the Group of Thirty Report. The finding was that "overall, the control practices at Eskom Treasury are of a very high standard by any comparison, including international treasuries". A few micro issues that were identified are being addressed.

Risk financing continues to be done very cost effectively via the Eskom General Insurance Fund and Escap Limited, the wholly owned onshore captive insurance company. Eskom is the first risk outside of Europe to be accepted as a member of EMANI (European Mutual Association for Nuclear Insurance) and has established an offshore captive insurance company, Gallium Limited, during 1995.

PLANT PERFORMANCE AND STATUS

Technically, Eskom has had a very good year. A combination of good performance from power stations and associated collieries enabled Eskom to meet the growth in demand.

ELECTRICITY PRODUCTION

Generating plant performance, measured according to the international UNIPEDE* indicators, continued to improve, exceeding all targets. Initiatives are in place to sustain the gains and improve plant performance even further. This will be of considerable benefit to Eskom's long-term business.

The generation unit capability factor of 84,3% represents an all-time high for Eskom and means that we are on track to achieving the benchmark of the UNIPEDE best quartile performance for coal-fired plant of 91,2% (1990 to 1994).

It is important to note that we not only need to attain these high levels of performance in the short term but to sustain them into the future. By doing so Eskom would be able to defer indefinitely the construction of one 3 600 MW power station at a capital cost saving of approximately R10 billion.

Unplanned automatic grid separations have shown excellent improvement and are well below the target of 3,47. UNIPEDE best quartile for coal-fired plant is 2,3.

GENERATION PLANT EXPANSION

Arnot power station will be returned to full service by the end of 1998. Unit 4, the first Eskom unit to be de-mothballed, will be returned to service by the end of 1996.

Majuba unit 1 was synchronised during December 1995 and will be operating commercially in April 1996, with units 2 and 3 following at twelve-month intervals.

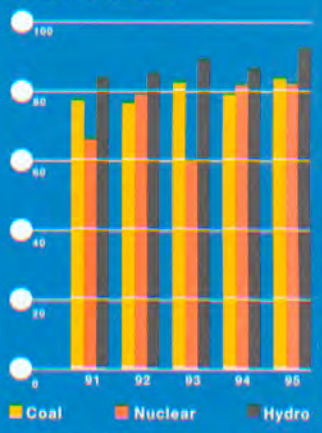
In November 1995, the decision was made to continue constructing Majuba units 4, 5 and 6 according to the current programme. These are planned to go into commercial operation in 1999, 2000 and 2001 respectively.

PROPOSED ESKOM POWER POOL

An Eskom power pool has been created to simulate market conditions where power stations within the Generation Group sell their energy at competitive prices. This is to ensure lower costs to customers.

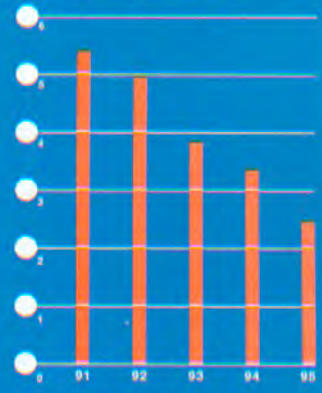
** International Union of Producers and Distributors of Electrical Energy (the international professional organisation representing the electricity supply industry).*

Generation plant unit capability factor (UCF) (percentage)



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

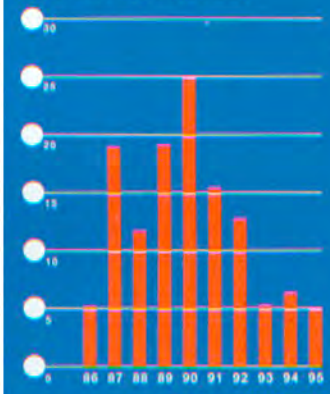
Unplanned automatic grid separations per 7 000 operating hours Coal-fired base-load plant (number per generating unit)



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 3,4 zone.

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.

TRANSMISSION PLANT – EFFECTIVENESS OF SUPPLY

There was a significant improvement in transmission line performance during the year because of an increased focus on line servitude management and the consequent reduction in fire-related faults. As voltage depressions are a serious concern to many of our customers, this improved performance has had a positive impact on the productivity of their operations.

The availability of supply, as measured by system minutes lost, was within target for the fourth consecutive year. There was, however, one major interruption to customers during the year.

TRANSMISSION PLANT CONDITION AND RELIABILITY

The condition of the transmission network is being maintained and performance improved by ongoing refurbishment of primary plant.

Compiling management plans for all existing transmission assets is a new area of priority. In the interests of transparency, all new projects undertaken will have an environmental impact assessment.

NATIONAL TRANSMISSION SYSTEM EXPANSION

An 800 MW supply of electricity was made available to the new Alusaf Hillside Smelter in June with the commissioning of the 400/132 kV Athene substation in the Richards Bay area.

Transmission system expansion for the future will focus on a number of growth centres. One of these is the greater Durban-Pietermaritzburg area, which will see the commissioning of two major substations in 1996 to support the growing industrial and electrification load in the region.

In the Northern Province plans are in place to strengthen the transmission system feeding up to Matimba and Zimbabwe as well as providing for increased industrial and mining load in the Brits-Rustenburg area in the North West Province.

Supply to Western Cape will be strengthened with the building of an additional 400 kV transmission line and voltage support equipment at a number of substations which will be completed by 1997.

INTEGRATED ELECTRICITY PLANNING (IEP)

In 1994, Eskom adopted an IEP plan involving the selection of the least-cost combination of available supply-side and demand-side management options

in response to Eskom's forecast of future electricity demand. IEP is a dynamic process and takes into account financial and environmental considerations. The IEP plan, which is produced as part of the process, was updated on several occasions during 1995.

DEMAND-SIDE MANAGEMENT

In 1995, the Distribution Business made significant progress towards achieving its targets. Eskom's time-of-use tariff options (Megaflex, Miniflex and Ruraflex) for large customers, to be promulgated in 1996, will significantly affect load shifting.

By the end of 1995, interruptible load agreements with a combined capacity of 1 470 MW had been entered into with customers, allowing Eskom to rapidly and effectively reduce electricity demand when necessary.

MAXIMUM DEMAND FORECAST

Due to changes in the customer base, demand forecasting has had to become more versatile and more sophisticated. The maximum demand for electricity grew by 1,4% to 25 133 MW in 1995 (1994: 24 798 MW). The low percentage increase in 1995 follows a very high growth of 7% in 1994 caused by an unusually cold winter in that year. Between now and the year 2000, the maximum demand is expected to grow by more than 5 000 MW.

SUPPLY-SIDE MANAGEMENT

A project to assess the full range of supply-side options in terms of cost, lead times, fuel sources and environmental impacts was initiated. The residential electrification programme is having a significant impact on the shape of Eskom's load curve.

A number of techno-economic and environmental studies around the development of natural gas were undertaken in 1995 within the framework of IEP.

PRIMARY ENERGY MANAGEMENT

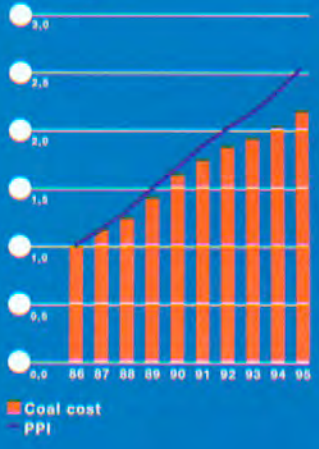
COAL

In 1995, Eskom bought 80,7 million (1994: 76,7 million) tons of coal – an increase of 5,2%. The cost of coal burnt rose by 6,7% from R29,98 per ton to R31,99 per ton. This again reflects creditably on Eskom's coal suppliers and their ongoing endeavours to improve productivity. To prepare for future

DEMAND-SIDE PROGRAMMES

- PROMULGATION OF TIME-OF-USE TARIFFS IN 1996 AND IMPLEMENTATION OF A PEAK DEMAND REDUCTION OF 500 MW
- INVOLVEMENT OF MAJOR MUNICIPALITIES IN IEP
- IMPLEMENTATION OF INTERRUPTIBLE/ CURTAILABLE TARIFF AGREEMENTS TO ACHIEVE A MINIMUM TARGET OF 2 900 MW BY THE YEAR 2000
- IMPLEMENTATION OF A WATER HEATING LOAD MANAGEMENT SCHEME
- REPOSITIONING OF ALL MARKETING PROGRAMMES
- TESTING THE SOUTH AFRICAN POTENTIAL FOR CO-GENERATION

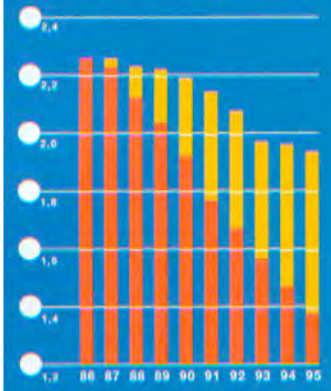
Cost of coal burnt versus production price index (PPI) (index)



RESEARCH AND DEVELOPMENT

- THE SOUTHERN AFRICAN POWER UTILITY RESEARCH ADVISORY BOARD CONTINUES TO GIVE INVALUABLE DIRECTION AND ENSURES INTEGRATION OF ESKOM RESEARCH WITH COMPLEMENTARY NATIONAL PROGRAMMES.
- ESKOM HAS BEEN AN ACTIVE MEMBER OF THE NATIONAL SCIENCE AND TECHNOLOGY FORUM.

Specific water consumption for base-load plant (litres per kilowatt-hour)



increases in demand, the delayed establishment programme for Khutala colliery was reinstated. Arnot colliery's re-establishment continues on schedule. A rail link from Palmford to Majuba and a rail unloading terminal at Majuba are under construction. First coal will be delivered in July 1996.

NUCLEAR FUEL

A national study team issued a report entitled *Nuclear Fuel Cycle Initiative*. The report makes some far-reaching recommendations allowing Eskom greater commercial freedom in terms of nuclear fuel procurement. The report is currently under review by Government and stakeholders. It is hoped to make significant progress in this regard during 1996.

WATER SUPPLY

Water is one of South Africa's scarcest and also one of its most difficult resources to manage due to the arid climate and erratic rainfall patterns.

Eskom, in collaboration with the national Department of Water Affairs and Forestry, has gone to considerable lengths to interconnect and rationalise its water supply systems to provide security in times of drought.

Specific water consumption at Eskom coal-fired power stations reduced by a further 2,1% to 1,38 ℓ/kWh produced in 1995. The Department of Water Affairs and Forestry issued a report giving projected costs of water into the next century that are significantly higher than data currently being used by Eskom. Eskom is examining the possible impact on its operations.

NATURAL GAS

The use of natural gas as an alternate energy source is being evaluated as one possible option for future power generation.

In addition, the application of natural gas for re-powering of plant which is presently mothballed, is being evaluated.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

An environmental management system and organisational accountabilities are in place to manage Eskom's impact on the environment. The internal environmental audit function continues to evaluate the compliance of Eskom's operations to national environmental legislation and to Eskom's own environ-

mental policy. Our commitment to environmental affairs was reinforced in 1995 with the appointment of a corporate environmental affairs manager. This role ensures that there is adequate coordination of Eskom's environmental management activities and attention to the environmental concerns of all Eskom's publics.

A separate Environmental Annual Report will once again be issued during April 1996.

STRATEGIES TO IMPROVE TECHNICAL EFFICIENCIES

TECHNICAL AUDIT

A programme of technical audits has continued to ensure the long-term health of Eskom's plant and technical assets. This involved ensuring appropriate skills, adequate measures and targets, and progress monitoring against previous audit recommendations. There has been a need to balance maintenance, refurbishment and upgrading with the associated financial cost and long-term benefits.

CONTROLLING QUALITY OF SUPPLY

The results of measurements for harmonic voltage levels and unbalance are available to all customers as well as sales and customer service and transmission areas.

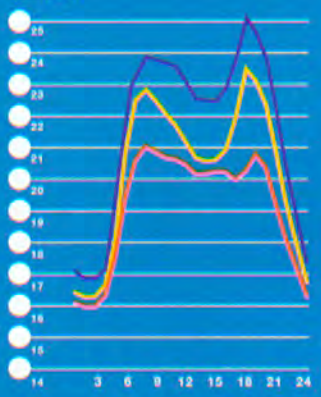
A proactive approach to the NER and the other elements of the electricity supply industry will result in the establishment, in 1996, of a common power quality standard for all customers throughout the industry.

THE DISTRIBUTION BUSINESS

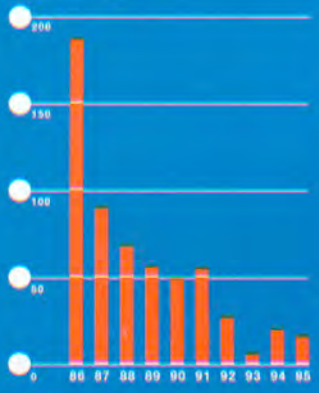
SALES PERFORMANCE

Total sales were 153 547 gigawatt-hours (GWh), which was an increase of 4 104 GWh over the previous year. This included a growth in sales to neighbouring countries of 16% as a result of drought conditions in Namibia and Zimbabwe, whose power generation is largely hydro based. Eskom's South African sales growth was directly influenced by strong economic growth (GDP 3,3% for 1995) and in particular by growth in the ferrochrome and aluminium smelting industries. Negative sales growth was experienced in the mining industry due to falling gold production.

Electricity demand patterns
(MW)



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.

WALK-IN SERVICE CENTRES IN RESIDENTIAL AREAS MAKE ESKOM MORE ACCESSIBLE TO RETAIL CUSTOMERS. THE CENTRES DEAL WITH COMPLAINTS AND ACCOUNTS PAYMENTS, AND SELL PRE-PAID ELECTRICITY COUPONS.

ELEKTROWISE ADVISORS ARE ALWAYS ON HAND TO PROVIDE ADVICE TO RESIDENTIAL CUSTOMERS ON THE ECONOMIC, SAFE AND WISE USE OF ELECTRICITY.

AN ESKOM TECHNICIAN ON A CALLOUT TO REPAIR DAMAGE DURING A THUNDERSTORM. DIRECTION AND INTENSITY OF STORMS ARE MONITORED BY ESKOM IN ORDER TO MINIMISE THE DURATION OF OUTAGES.

A PILOT SCHEME WHEREBY AN ESKOM METER READER USES HAND-HELD EQUIPMENT TO MEASURE CONSUMPTION AND TO PRINT OUT A STATEMENT ON THE SPOT, AND (BELOW) ELECTRICITY ADVICE FOR THE HOME.

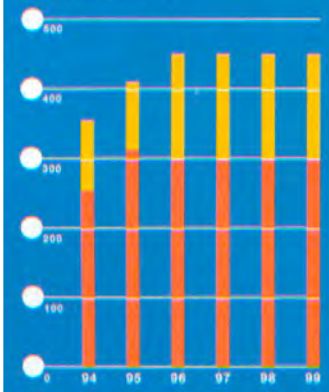
STRINGING POLES AT BOTLENG. ESKOM WORKERS HAVE PUT IN MANY HOURS TO BRING POWER TO PREVIOUSLY DISADVANTAGED COMMUNITIES.

RESIDENTIAL

Power

ELEKTROWISE
ESKOM ELECTRICITY ADVICE FOR THE HOME
Electricity advice for the home, making life a little easier

RDP electrification connections (thousands)

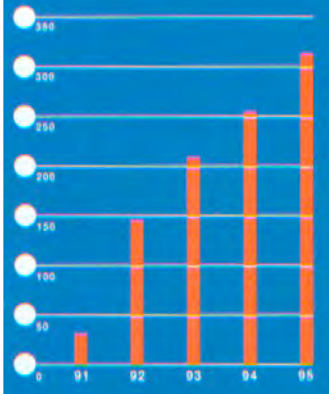


Contribution needed from rest of electricity industry

Eskom

Eskom target: 1,75 million connections of total RDP target (2,5 million) from 1994 to 1999.

Eskom electrification connections (thousands)



TRANSFORMATION OF ESKOM'S DISTRIBUTION BUSINESS

In 1995, Eskom continued to focus efforts on transforming customer interface processes. The various Distribution Group functions were re-linked into a single business. Resources, facilities and infrastructure were also rationalised during the year, and information systems were improved to enable Distribution to accommodate changing business needs and a rapidly growing customer base.

KEY CUSTOMERS

Eskom's larger or key customers* contribute more than 80% of Eskom's sales revenue. To ensure that this segment is well cared for, a key customer portfolio was established in 1995. Customised pricing agreements were concluded with 30 key customers during 1995.

ELECTRIFICATION PROGRAMME

The electrification programme pressed ahead in the face of enormous challenges. There were times during the year when progress was hampered by external factors and there was serious concern about being able to meet the targets. However, due in no small part to the extraordinary efforts and determination of Eskom staff and increasing cooperation with communities, 313 179 connections were achieved during the year.

In the process Eskom's skills base is being increased, customer satisfaction enhanced and large project management capability improved.

ELECTRIFICATION PROGRESS

Connections	Jan 1991 up to Dec 1993	1994	1995	Inception to date
Eskom	384 911	254 383	313 179	952 473
Farm worker houses	28 772	16 838	15 134	60 744
Municipalities	92 378	106 950	59 046	258 374
Total	506 061	378 171	387 359	1 271 591
Total capital expenditure, Rm	1 148	808	1 055	3 012
Capital expenditure per connection, R	2 983	3 176	3 370	3 162

Those whose electrical energy usage is significant in terms of supply, strategic impact, growth potential, contractual complexity or market segment.

Capital expenditure on electrification amounted to R1 055 million in 1995 (1994: R808 million). Eskom is pursuing electrification in rural areas wherever feasible. However, the cost of bringing network electricity to such areas is very high compared with urban areas.

Loan agreements worth R237,4 million were concluded for 1995 and 1996 with the Development Bank of Southern Africa for electrification in areas where Eskom has the right of supply.

REMOTE AREA POWER SUPPLY

In support of the RDP, Eskom is facilitating the electrification of 19 000 rural schools and clinics by means of remote area power supplies. This entails technology evaluation, selection and design to ensure a standardised approach.

MANAGEMENT OF NON-PAYMENT FOR SERVICES

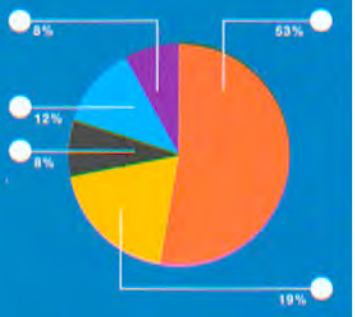
Non-payment for electricity services continues to be a concern. There is a growing realisation that the country cannot afford to provide services under circumstances where customers are not willing to pay for these services.

The total outstanding electricity arrears as at 31 December 1995 was R1 175 million (1994: R873 million) including interest. This was partly due to continuing non-payment in certain areas as well as new problem accounts inherited along with the Transkei Electricity Supply Corporation (TESCOR). The non-payment issue thus remains a significant threat to Eskom, especially when considering the committed annual growth of the domestic customer base.

The Masakhane project, which Eskom supported, had no discernible effect in the short term. The project needs to be underpinned by a compact which rewards performance and acts positively against avoidance.

Other strategies used in dealing with the problem of non-payment have shown some success in 1995 over 1994. A critical factor is the process of normalising electricity supply and ensuring that services not paid for are discontinued. It is imperative that local civic and political leaders embrace this principle and publicly support it. The effect of non-payment in areas under the control of local authorities is also being passed on to Eskom. The capacity of local authorities to ensure payment by customers needs to be urgently addressed.

Main research programmes



- Asset and product performance enhancement (the protection and improvement of Eskom's assets and products) – 53%
- Environmental research (providing scientific data for managing Eskom's impacts on the environment) – 19%
- End-use research (the way in which electricity is used) – 8%
- Future technology (assessment of technologies of future interest to Eskom) – 12%
- Energy systems research (the sourcing and optimisation of energy) – 8%

THE FOLLOWING PROJECTS ARE ONGOING IN THE IEP AREA:

- ASSESSING THE IMPLICATIONS OF REGULATION ON IEP
- ASSESSING THE IMPACT OF ENVIRONMENTAL CONSTRAINTS AND EXTERNAL FORCES ON THE PRICE OF ELECTRICITY
- DETERMINING HOW BEST TO DEAL WITH ELEMENTS OF RISK AND UNCERTAINTY
- PROVIDING STRATEGIC INPUT TO THE NATIONAL ENERGY POLICY
- INCLUSION OF WATER SUPPLY INTO IEP AND PROVIDING INPUT TO THE WATER ACT
- ASSESSING ESKOM'S REQUIRED RESERVE MARGINS IN THE LIGHT OF INTERRUPTIBLE CAPACITY, THE SOUTHERN AFRICAN POWER POOL AND IMPROVEMENTS IN GENERATION PLANT AVAILABILITY

Eskom will continue to seek practical workable solutions to this problem in conjunction with other stakeholders, including the Government and the communities involved.

TARIFF CROSS-SUBSIDISATION

One of the main objectives of Eskom's pricing policy is to have prices which are cost reflective. There are, however, certain circumstances that require cross-subsidisation of one group of customers by the others, inter alia:

Eskom is at present required to apply national tariffs, which causes a substantial amount of cross-subsidisation of customers in the remote regions of South Africa.

With the reincorporation of the TBVC states and self-governing territories into South Africa, Eskom was requested by the Minister for Public Enterprises to assist in normalising supplies. This too has caused some cross-subsidisation of these areas.

Due to requirements for rural and farming electrification in the 1980s, Eskom was required to establish extensive infrastructure. Cross-subsidisation of these areas continues due to the low affordability levels and high committed costs.

The establishment of black local authorities led to many problems which eventually required Eskom taking over and supplying to customers directly in certain areas. Due to the poor state of the networks and non-payment in many of these areas, substantial cross-subsidisation became necessary.

Eskom's extensive residential electrification programme requires cross-subsidisation due to the high costs, low consumption levels and low affordability levels of customers.

Cross-subsidisation is an issue of national concern and needs to be addressed by the whole electricity supply industry for approval and resolution.

SERVICES

The information technology (IT) department has recognised managing information as a strategic issue.

Constant changes in the business environment require more user-friendly and adaptable IT solutions. New solutions are also needed because of increasingly complex computer platforms and integrated networks, and the IT department therefore actively deploys new technologies to serve customers.

To provide the capability of managing proactively, a central point of control was created, called IT Bridge. This provides the means to coordinate customer service levels through proactive problem resolution, effective communication, improved utilisation of skills and resources, and synergistic customer care.

PEOPLE MANAGEMENT

Eskom's people are the corner-stone of its business and with this in mind the past year has concentrated around the transformation and democratisation of the workplace. Human resources policy undertakes to develop people in terms of competence, skills and self-confidence and to make them aware of the value which they add to the organisation and indirectly to the country. The goal is to engender a sense of pride in delivering on commitments while maintaining a high quality of service to customers.

TRANSFORMATION OF EMPLOYEE PROFILE

In 1994, Eskom committed to changing its profile so that 50% of management, professional and supervisory staff would be black South Africans by the year 2000. This is regarded as a business imperative. Although the target will be difficult to meet, good progress has been made, moving from 9% in December 1994 to 16% in December 1995.

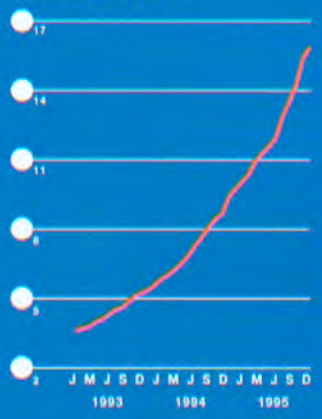
EQUITABLE SERVICE CONDITIONS

Eskom's new accommodation policy aims to ensure that unjustifiable inequities of the past will be rectified and all Eskom employees will be able to own a home or have access to decent accommodation through rental subsidy.

MANAGEMENT AND TRADE UNION COLLABORATION

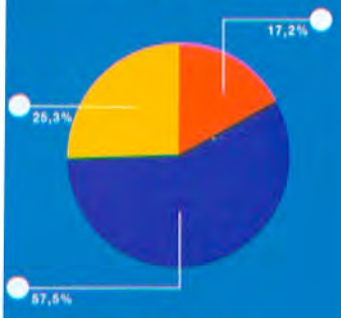
The policy of encouraging meaningful influence into the decision-making process, as well as the investment in skills and training, are beginning to pay dividends in terms of developing a collaborative, productive relationship between Eskom and the trade unions, and has led to significant achievements which are recognised nationally. A new shift is now required to ensure a stronger focus on matters related to organisational performance and competitiveness.

Affirmative action (percentage)



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

Community investment



- Capital expenditure – 17,2%
  - Building of classrooms
  - Athletics facilities
  - Facilitation of water provision at schools electrified by Eskom
- Education and teacher training – 57,5%
  - Early childhood development
  - Primary and secondary school support
  - Health care education
  - Streetlaw and environmental education
  - Teaching aids and equipment
  - Resource centres
- Community development – 25,3%
  - Environmental education and food production
  - Adult basic education
  - Skills development for rural women
  - Job creation and entrepreneurship development

AIDS

It is estimated that 2 500 new HIV infections occur daily in South Africa. This poses a significant threat to both the country and industry. Eskom has therefore adopted a campaign against AIDS as a strategic priority. A response team, consisting of all stakeholder bodies, was established to ensure that all employees are fully informed about the prevention of AIDS.

ADULT BASIC DEVELOPMENT

R90 million will be invested over the period 1995 to 1997 to minimise illiteracy. The development of 11 000 employees without basic education skills is the main focus of attention. Adult Basic Development (ABD) certification will carry national recognition through the Independent Examinations Board. There is a high level of stakeholder commitment and ownership in the ABD project.

OTHER DEVELOPMENT INITIATIVES

Eskom's community development fund invested some R11,4 million in education, focusing on early childhood development and teacher in-service training. Eskom recognises the importance of developing a pool of potential students in the area of technology. To this end various technology awareness programmes and initiatives to improve the study of mathematics and science at school are also supported. One of Eskom's projects has been the implementation of technology as a formal subject at Standard 8 level at certain schools. This involved some 6 400 pupils and 58 teachers and was undertaken in conjunction with the Mpumalanga Education Department, 40 schools and Protec.

The success of these initiatives and of different recruitment strategies is demonstrated by the change in Eskom's bursar profile. In 1989, less than 10% of Eskom's bursars were black while, in 1995, 59% were black. Of the present bursars, 150 are women and Eskom is striving to increase this number.

An annual investment of R30 million is made through bursaries to support South African students studying at universities and technikons. Most of this investment supports studies in the engineering disciplines as this is traditionally the area in which the main skills shortages are experienced.

Eskom's tertiary education support programme invests in post-graduate research and aims to create an excitement around technological careers to

attract prospective students and develop the future employee capability. An investment of R4,3 million supported 63 projects at nine universities and seven technikons. Technological guidance by Eskom specialists is provided.

MASTER ARTISANS HONE THEIR SKILLS

Ten master artisans completed their courses at the Handwerkskammer für Mittelfranken in Nürnberg, Germany. Eleven further trainees should qualify in 1997. A Master Artisan School has been opened in South Africa and will enhance the development and appreciation of technical skills in Eskom and South Africa.

SMALL BUSINESS DEVELOPMENT AND SUPPORT

During the year, 502 small businesses were established, resulting in the creation of 2 033 new jobs.

Eskom has been instrumental in promoting black economic empowerment and job creation by facilitating the establishment of viable small, medium and micro enterprises (SMMEs). This was possible through training and development of new entrepreneurs.

Approximately R15,2 million (1994: R6,8 million) worth of contracts have been awarded to SMMEs during 1995.

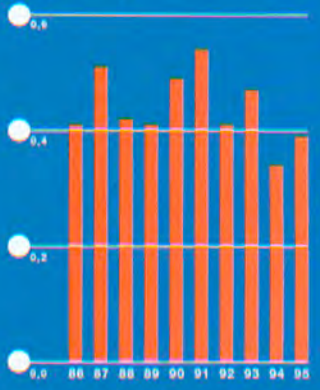
HEALTH AND SAFETY

The Occupational Health and Safety Act places greater emphasis on occupational health issues, and Eskom is in the process of establishing risk profiles to identify these. Eskom concentrates on improving workplace safety through active worker participation. The reported disabling injury incidence rate of 0,39 (1994: 0,34) is not satisfactorily attested to. The number of work-related Eskom fatalities increased to an unacceptable level of 16 (1994: 8) for a 95 million man-hour exposure. To reduce the risks to occupational health and safety, health and safety committees are in place.

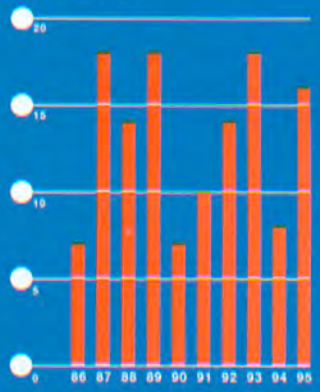
SOUTHERN AFRICAN TRANSMISSION GRID DEVELOPMENTS

The vision of an integrated southern African grid, shared by many associate utilities in the region, is now becoming a reality with the signing of the SAPP

Disabling injuries per 95 million man-hour exposure (number)



Eskom fatalities (number)



HIGHLIGHTS ON THE INTERNATIONAL FRONT

- MEMORANDA OF UNDERSTANDING WERE SIGNED WITH STEG OF TUNISIA AND GEORGIA POWER OF THE UNITED STATES.
- ESKOM WAS INVITED TO BE ASSOCIATED WITH THE E7 GROUP REPRESENTING THE SEVEN LARGEST ELECTRICITY UTILITIES IN THE WORLD.
- AN INITIATIVE TO ENABLE WSKOM'S SUPPLIERS OF ELECTRICAL EQUIPMENT TO BE SOLD IN AFRICA, WITH COMMERCIAL RESOURCES MANAGEMENT ACTING AS AN AGENT, WAS LAUNCHED DURING THE YEAR.
- ESKOM INTERNATIONAL PARTICIPATED IN THE TRADE DELEGATION BY THE MINISTER FOR TRADE AND INDUSTRY TO GERMANY.
- ESKOM HAS BECOME A MEMBER OF THE INTERNATIONAL ELECTRICITY RESEARCH EXCHANGE, A BODY AIMED AT FACILITATING VOLUNTARY COOPERATIVE RESEARCH BETWEEN INTERNATIONAL UTILITIES.

agreement which was formalised at government and at utility level during 1995. New interconnections are being commissioned and things are moving forward apace.

ELECTRICITY EXCHANGE A REALITY

With the 400 kV line from Matimba (Ellisras) to Insukamini (near Bulawayo) in Zimbabwe being placed into commercial operation in October 1995, exchanges of electricity are now possible on a significant scale between the northern part of the region, which is predominantly hydro, and the south whose power generation is based on thermal power stations. Initially, the flow of power will be mainly northwards because the dam levels in the north are at present very low. This represents a major step towards the operation of the SAPP as it opens the gateway between Eskom and the rest of the region and will allow trading of energy as far north as Zaire. The full energy trading process depends on the advanced application and operation of telecommunications, and control and metering technologies, which are currently being introduced. The line passes through Botswana and it is expected that Botswana Power Corporation will be electrically connected to this line by 1998.

INTERNATIONAL CONTACT AND COOPERATION

South Africa has once again become part of the international community and this presents new challenges. Eskom needs to position itself to operate effectively in this wider environment.

Management Board recognised the need for effective coordination of Eskom's international activities and appointed a group international affairs manager under whom the activities of Eskom's offices in Atlanta and London would be coordinated from Johannesburg.

ACKNOWLEDGEMENTS

Eskom has every reason to be proud of what was achieved in 1995. I wish to express my appreciation, first and foremost, to Eskom staff. The Management Board and I are very much aware of the many uncertainties due to ongoing change. Despite this, their loyalty has been unwavering and their hard work has been invaluable in keeping Eskom focused, stable and on track.

My sincere thanks to the Management Board whose leadership made a significant contribution to the building of a first-class organisation.

I also thank the Chairman, Dr John Maree, and members of the Electricity Council for their excellent guidance and support.

I wish to express my appreciation to all the representatives of organised labour for their positive approach to our many negotiations.

Finally, our customers must also be thanked for their continuing support, cooperation and valuable feedback, enabling Eskom to render a better and more effective service.

Allen Morgan

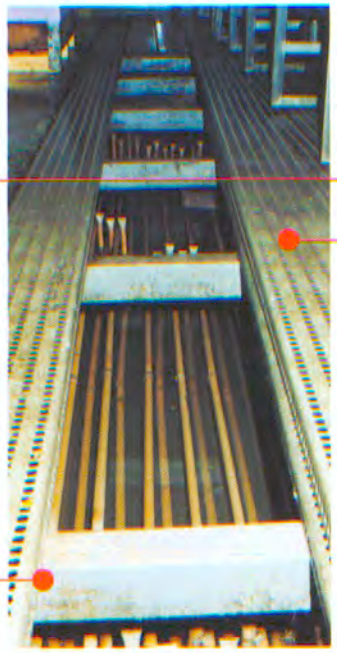
7 March 1996

INTERNATIONAL CONTACT AND COOPERATION

A MULTI-PROJECT CO-FUNDING AGREEMENT WAS ENTERED INTO WITH THE USA-BASED ELECTRIC POWER RESEARCH INSTITUTE. THIS AGREEMENT PERMITS ESKOM TO MAXIMISE ITS RESEARCH BENEFITS, AVOID DUPLICATION OF EFFORT, OPTIMISE FUNDING WITH INTERNATIONAL PARTNERS AND REALISE BENEFITS IN TERMS OF LOCAL PLACEMENT OF RESEARCH CONTRACTS FROM THE USA. IN ADDITION, MAJOR RESEARCH AND DEVELOPMENT, AS WELL AS TECHNOLOGY TRANSFER BENEFITS ARE REALISED.

AGRICULTURAL Power

ZETLER BROTHERS, PROMINENT PRODUCER OF FRESH PRODUCE FOR EXPORT, REFINED AND IMPROVED HYDRO-COOLING TECHNOLOGY ORIGINALLY DEVELOPED IN THE UNITED STATES IN ORDER TO MEET THE QUALITY EXPECTATIONS OF OVERSEAS BUYERS.



ICE-COLD WATER SPRAYED ONTO FRESH PRODUCE INDUCES RAPID COOLING. BEFORE HYDRO-COOLING TECHNOLOGY, CORN TOOK 4 TO 5 DAYS TO REDUCE TO 2°C, IT NOW TAKES 60 TO 90 MINUTES TO REDUCE TO 6°C.

WATER IS STORED IN A COOLING TANK MEASURING 20 METRES X 3 METRES. OFF-PEAK ELECTRICITY RATES ARE USED TO CREATE AN "ICE BANK" OF 50 TONS OF ICE. WATER IS PASSED OVER THE ICE AND SPRAYED ONTO THE CORN.

AGRELEK
ESKOM AN ADVISORY SERVICE FOR AGRICULTURE
Farming with electricity is farming for profits

JEFFERY ZETLER AMONG HIS CROPS WHICH THROUGH THE RAPID COOLING PROCESS, LAST AN AVERAGE FIVE DAYS

PRODUCE COOLED, PACKED AND READY FOR EXPORT.

REVIEW

31 December

	1995	1994	1993	1992	1991	1990	1989
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
FINANCIAL POSITION							
Reserves	**18 821**	16 105	13 837	12 191	10 702	9 700	8 855
Net interest-bearing debt	**27 278**	27 884	28 027	27 616	27 266	26 590	24 630
Total assets	**50 625**	47 364	44 397	42 455	40 245	38 717	36 092
Net assets	**47 276**	44 778	42 260	40 115	38 231	36 521	33 687
OPERATIONS							
Revenue	**17 114**	15 417	13 793	12 649	11 726	10 736	9 271
Operating expenditure	**11 315**	9 963	9 000	8 173	7 450	6 461	5 644
Net interest and finance charges	**3 083**	3 186	3 147	2 987	3 240	3 302	2 899
Net income	**2 716**	2 268	1 646	1 489	1 002	845	728
CASH FLOW							
Cash from operating activities	**9 631**	7 998	6 819	6 625	5 825	5 892	5 106
Net financing charges	**(2 430)**	(2 492)	(2 642)	(2 288)	(2 854)	(2 835)	(2 884)
Net cash from operating activities	**7 201**	5 506	4 177	4 337	2 971	3 057	2 222
Net capital expenditure	**(5 835)**	(4 735)	(4 041)	(4 041)	(3 335)	(3 662)	(3 993)
Net cash generated/(utilised)	**1 366**	771	136	296	(364)	(605)	(1 771)
Debt raised	**4 338**	1 714	2 582	3 316	2 903	5 457	5 137
Debt repaid	**(4 551)**	(2 783)	(3 701)	(1 748)	(2 158)	(3 502)	(1 635)
(Increase)/decrease in investments	**(1 153)**	298	983	(1 864)	(381)	(1 350)	(1 731)
Net cash (utilised)/generated	**(1 366)**	(771)	(136)	(296)	364	605	1 771
RATIOS							
Profitability and asset management							
Net asset turn	**0,36**	0,34	0,33	0,32	0,31	0,29	0,28
Return on total assets, %	**11,45**	11,52	10,80	10,54	10,62	11,04	10,05
Gearing							
Debt:equity	**1,44**	1,73	2,03	2,27	2,55	2,74	2,78
Interest cover	**1,88**	1,71	1,52	1,50	1,32	1,29	1,25
Value created per employee, R'000	**293**	262	230	205	171	150	129

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

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.

	1995		1994	
	Rm	**%**	Rm	%
VALUE CREATED				
Revenue	**17 114**		15 417	
Less: Cost of primary energy, materials and services	**5 389**		4 991	
	11 725	**100**	10 426	100
VALUE DISTRIBUTED				
To remunerate employees for their services*	**3 273**	**28**	2 868	28
To providers of finance for monies borrowed	**3 083**	**26**	3 186	30
	6 356	**54**	6 054	58
VALUE RETAINED				
To maintain and develop operations	**5 369**	**46**	4 372	42
	11 725	**100**	10 426	100

**Excluding capitalised manpower costs amounting to R331 million (1994: R297 million).*

Value created increased by 12,5% over 1994. Similarly, value distributed to employees increased by 14% during the same period. Value distributed to financiers decreased favourably.

The value retained in the business for the replacement of assets has increased to 46%, 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.

STATEMENT

for the year ended 31 December

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.

	1995	1994
	Rm	Rm
Net income for the year	**2 716**	2 268
Net income for the previous year	**2 268**	1 646
Change in net income	**448**	622
Attributable to:		
Wealth reinvested in the business	**200**	430
Productivity improvement	**224**	93
Price over/(under)recovery	**(24)**	337
Growth	**248**	192
	448	622

Improvements in productivity performance during the year created additional wealth of R224 million. Part of this improvement was used to fund deflationary electricity price increases through a price underrecovery of R24 million to the benefit of customers.

The organisation achieved productivity gains in the core business of R103 million which were mainly driven through the better utilisation of capacity. All these gains in the core business were used to partially fund the electrification project. Reduced expenditure on provisions, such as decommissioning, also contributed positively to the overall performance of the business.

Since 1988, Eskom has made cumulative productivity savings, expressed in 1995 rand, of R6,9 billion. These savings have been passed on to customers through a cumulative price under-recovery of R6,5 billion over the same period.

The above performance figures, derived using the methodology of the National Productivity Institute (NPI), have been audited by the NPI. This included an examination of the structure of the analysis, the appropriateness of quantity and price drivers used, the accuracy of the model, and the derivation and presentation of results. In the opinion of the NPI, the productivity statement fairly represents the overall performance of Eskom for 1995 when compared to 1994.

electricity COUNCIL

DR J B MAREE OMSG SSAS (71)[AC]
CHAIRMAN
DCom (Honoris causa) (Stell), BCom (Witwatersrand)
Chairman of Nedcor Group, Nedcor Bank Limited and UAL Merchant Bank Limited. Director of the Development Bank of Southern Africa.
Appointed to the Electricity Council in 1985.

DR E CALITZ (46)[E]
DCom (Stell)
Director general of Department of Finance.
Alternate governor to the International Monetary Fund.
Representing the Department of Finance.
Appointed to the Electricity Council in 1994.

P M DANTJIE (35)[A]
Deputy general secretary of National Union of Metalworkers of South Africa.
Representing organised labour.
Appointed to the Electricity Council in 1995.

A B DICKMAN (65)[C]
BCom (Hons) (Witwatersrand), FIBSA
Economic consultant. Director of UAL Merchant Bank Limited.
Representing the South African Chamber of Business (SACOB).
Appointed to the Electricity Council in 1985.

K J HLONGWANE (57)[C]
BA (ICI University, Texas, USA)
President of National African Federated Chamber of Commerce and Industry (NAFCOC).
Representing black business.
Appointed to the Electricity Council in 1995.

S IMMELMAN (57)[B]
BCom (Cape Town)
Chairman of Cape Joint Pension Fund. Vice-chairman of Housing Board Northern Cape and Northern Cape Local Government Association.
Representing United Municipal Executive.
Appointed to the Electricity Council in 1993.

C C W KRUGER (47)
(Alternate member to Dr E Calitz)
BCom (Hons) (Unisa)
Chief director: Financial Planning (Department of Finance). Director of Mossgas (Pty) Limited, SEF (Pty) Limited and SSF (Pty) Limited.
Representing the Department of Finance.
Appointed to the Electricity Council as alternate member in 1995.

PROF I J LAMBRECHTS (53)[EF]
DCom (Stell), MBA (Stell)
Professor of Business Management at the University of Stellenbosch.
Chairman of Subcommittee for Energy of the Afrikaanse Handelsinstituut (AHI).
Member of the Board of the National Electricity Regulator (NER).
Representing AHI.
Appointed to the Electricity Council in 1985.

MRS N MAJIJA (61)[EF]
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 (41)[EF]
Advanced diploma in Accounting
Assistant general secretary of National Union of Mineworkers (NUM).
Representing organised labour.
Appointed to the Electricity Council in 1993.

L J MNGOMEZULU (29)[A]
Representing South African National Civics Organisation (SANCO).
Appointed to the Electricity Council in 1995.

A J MORGAN (48)[ABCDEF]
Pr Eng, BSc, BEng (Elec) (Stell)
Chief executive of Eskom and chairman of the Management Board.
Director of Atomic Energy Corporation and chairman of the South African National Committee of the World Energy Council.
Appointed to the Electricity Council in 1994.

D B MOSTERT (58)[EF]
BSc, BEng (Mech) (Stell), MBA (PUCHE)
Representing the Steel and Engineering Industries Federation of South Africa (SEIFSA).
Appointed to the Electricity Council in 1990.

S C MOTAU (52)[C]
MA (Journalism) (Univ of California, Berkeley, USA)
Transnet general manager: Group Corporate Affairs.
Representing Transnet.
Appointed to the Electricity Council in 1995.

MRS J N SEROKE (62)[A]
BA (Rhodes)
Trustee of the Women's Development Foundation.
Representing consumers.
Appointed to the Electricity Council in 1995.

C G VAN VEIJEREN (61)[D]
BSc (Agric) (Pret)
Chairman of the Agricultural Cooperative Business Chamber and Citrus Board.
Director of Outspan International.
Representing South African Agricultural Union (SAAU).
Appointed to the Electricity Council in 1993.

A C VAN WYK (36)[D]
Bluris (Unisa), NDA (RAU)
Executive officer: Labour Relations (Mineworkers' Union).
Representing organised labour.
Appointed to the Electricity Council in 1995.

DR G P N VENTER (52)[D]
DSc (Pret)
Deputy director general of Department of Mineral and Energy Affairs. Deputy chairman of National Air Pollution Advisory Committee of Minister of Environmental Affairs. 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 (51)[B]
Pr Eng, BSc (Eng) (Natal), MBL (Unisa), FSAIEE
Executive director of Durban Electricity.
Representing the Association of Municipal Electricity Undertakings (Southern Africa) (AMEU).
Appointed to the Electricity Council in 1994.

A ON COMMUNITY DEVELOPMENT COMMITTEE
B ON TENDER COMMITTEE
C ON PERSONNEL COMMITTEE
D ON TARIFF AND MARKETING COMMITTEE
E ON FINANCE COMMITTEE
F ON AUDIT COMMITTEE

ESKOM'S SECRETARIAT
Megawatt Park
PO Box 1091
Johannesburg 2000
South Africa

MEMBERS RETIRED/RESIGNED DURING 1995

G MAUDE (56)
Pr Eng, BSc (Mining) (Leeds, UK)
Chairman of Gengold Limited. Executive director of Gencor Limited.
Chairman of three gold mines. Director of six South African companies and the World Gold Council.
Previously represented the Chamber of Mines.
Appointed to the Electricity Council in 1993.

DR F LE ROUX (48)
DCom (Stell)
Chief: Fiscal Analysis (Department of Finance).
Previously represented the Department of Finance.
Appointed to the Electricity Council as alternate member in 1994.

B J LESSING (58)
Pr Eng, BSc, BEng (Stell), FCIT, FSPE
Deputy managing director of Transnet Limited.
Previously represented Transnet.
Appointed to the Electricity Council in 1988.

C J PRETORIUS (58)
General secretary of Eskom Employees Association.
President of Federation of South African Trade Unions.
Previously represented organised labour.
Appointed to the Electricity Council in 1993.

BOARD

A J MORGAN (48)
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 (46)
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 (37)
BSc (Hons) (Eng) (Zimbabwe), MBA (Witwatersrand)
Executive director: Electrification.
Joined Eskom in 1992.
Appointed to the Management Board in 1994.

J A DE BEER (45)
Pr Eng, BSc (Eng) (Pret), MBL (Unisa), AMP (Harvard)
Executive director: Technology.
Joined Eskom in 1978.
Appointed to the Management Board in 1993.

P A FALING (47)
Pr Eng, BSc (Eng) (Mech) (Pret)
Executive director: Transmission.
Joined Eskom in 1981.
Appointed to the Management Board in 1993.

B A KHUMALO (43)
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 (44)
DCom (RAU)
Executive director: Finance.
Seconded to Eskom in 1988; joined permanent staff in 1989.
Appointed to the Management Board in 1993.

L J MESSERSCHMIDT (51)
Pr Eng, BSc (Eng) (Mech) (Pret), MBL (Unisa)
Executive director: Distribution.
Joined Eskom in 1967.
Appointed to the Management Board in 1990.

MRS D N M MOKHOBO (47)
BA (SocSc) (UNIN)
Executive director: Growth and Development.
Joined Eskom in 1992.
Appointed to the Management Board in 1995.

M S MOSIKILI (50)
BA (UNIN), Dip Mktg (IMM), PMD (Harvard), Dip Mktg Strategy (Stanford)
Executive director: Marketing.
Joined Eskom in 1991.
Appointed to the Management Board in 1994.

V T L NGUBENI (40)
BA Admin (Botswana and Swaziland)
Executive director: Services.
Joined Eskom in 1993.
Appointed to the Management Board in 1995.

MEMBERS RETIRED/RESIGNED DURING 1995

DR G F LINDEQUE (54)
DPhil (PUCHE)
Previously executive director: Growth and Development.
Joined Eskom in 1975.
Appointed to the Management Board in 1987.
Retired on 30 June 1995.

H J PIENAAR (45)
BCompt (Hons) (Unisa), CA(SA) FCMA
Previously executive director: Services.
Joined Eskom in 1988.
Appointed to the Management Board in 1993.
Resigned on 31 May 1995.

GOVERNANCE

Eskom has long subscribed to the principles of openness, integrity and accountability. Following publication of the King Report on Corporate Governance, Eskom reassessed its compliance with the generally accepted corporate practices by which corporate entities in the developed world seek to govern themselves. Eskom's compliance with these corporate practices is as follows:

GOVERNING BODIES

Eskom is governed by the Electricity Council (Council) and a Management Board (Board), established in terms of the Eskom Act. The Council is responsible for determining Eskom's policy and objectives and for exercising control over the performance of its functions and the utilisation of its powers. The Board is responsible for managing the affairs of Eskom in accordance with the policy and objectives determined by the Council. Although Eskom therefore has a separate supervisory and management board structure, the Council and Board are considered to be fulfilling the role of directors and have a collective responsibility to provide effective corporate governance.

The members of the Council are appointed by the Minister for Public Enterprises in terms of the Eskom Act. Appointments are for a maximum of five years or such shorter period as determined by the Minister at the time of appointment. With the exception of the chairperson of the Board, all the members of the Council are non-executive and are representative of a wide range of stakeholders. The Council members have a range of differing skills and experience which are brought to bear for the benefit of Eskom. All Council members are actively involved in, and bring independent judgement to bear on, Council deliberations and decisions. Amendments have been made to the Eskom Act, and these will affect the composition of the new Council.

In order to provide appropriate guidance and input to the Council and management, the chairperson of the Council has significantly more involvement in Eskom than the other non-executive Council members.

The Council meets regularly, retains full and effective control over Eskom and monitors executive management through a structured approach to delegation, reporting and accountability. This structured approach includes reliance on various Council subcommittees on which Council members sit.

The Board consists of a chairperson, who as chief executive is also a member of the Council, and 10 members who are appointed by the Council. The members of the Board, who are all executive, have normal employment contracts with Eskom. The continuation of their service is dependent on satisfactory performance on an ongoing basis.

In order to implement and manage the policies established by the Council, the Board and its subcommittees meet regularly.

Where relevant, new Council and Board appointees are appropriately familiarised with Eskom's business.

Council and Board have access to the advice and services of Eskom's secretariat and are entitled to obtain independent professional advice, at Eskom's expense, should they deem this necessary.

FINANCIAL STATEMENTS

The Council and Board of Eskom are responsible for the preparation and integrity of the annual financial statements and related financial information included in this annual report. The external auditors are responsible for independently reviewing and reporting on the financial statements in conformity with generally accepted auditing standards.

The financial statements are prepared in accordance with generally accepted accounting practices and incorporate full and meaningful disclosure in line with Eskom's reporting philosophy. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

AUDITING

The Audit Committee, which comprises Council members, co-opted members and the Chief Executive, operates as a subcommittee of the Council. The Committee is chaired by a Council member. Committee meetings are also attended by the Board member responsible for finance, the head of corporate audit and the external auditors.

The Committee addresses appropriate policies, internal control, internal and external audit matters and such other issues as may be referred to it by the Council. The Committee meets regularly with management and the internal and external auditors. The head of corporate audit and the external auditors have unrestricted access to the chairperson of the Committee.

Eskom's corporate audit function is an independent appraisal function, which performs, inter alia, the functions as set out in the Reporting by Public Entities Act.

INTERNAL CONTROL

The Council has ultimate responsibility for the system of internal controls. The controls throughout Eskom focus on critical risk areas. These areas are identified by operational risk management, confirmed by executive management and endorsed by the auditors. Controls relating to these critical risk areas are closely monitored by both management and the auditors.

These controls are augmented by approval frameworks, policies and organisational structures which provide for division of responsibilities and the careful selection and training of personnel.

The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. The system is designed to provide reasonable but not absolute assurance, at appropriate cost, that assets are

safeguarded and that transactions are executed and recorded in accordance with Eskom's policies and procedures.

During November 1995, Eskom's executive directors performed a self-assessment on the control environment as it is known or operated at board level. This was performed in relation to criteria for effective internal control, described in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organisations on the Treadway Commission of the USA.

REMUNERATION

The remuneration of Council members is determined by the Minister for Public Enterprises with the concurrence of the Minister of Finance.

The remuneration of the Board is determined by the Council Personnel Committee. This Committee is chaired by the chairperson of the Council and comprises the Chief Executive and three other Council members.

The Personnel Committee takes account of external market surveys and other relevant information sources in determining levels of remuneration which appropriately reward senior executives for their contributions to Eskom's performance.

WORKER PARTICIPATION

Workers participate in the determination of Eskom's policies and objectives through their representation on the Council.

In addition, a variety of participative structures have been established to involve worker representatives in the governance of Eskom. These structures include a strategic forum, established to debate high-level strategic issues and issues of principle affecting employees; a central national forum where all national negotiations, consultation and sharing of information occur; group forums, catering for all group-related issues; and business unit forums and work team sessions, where employee issues are addressed at local level. Workers also participate in normal management and leadership communication.

CODE OF ETHICS

Eskom has a written code of ethics, endorsed by the Council and the Board, which is in the process of being prepared for distribution to employees. Particular emphasis is placed on effective communication of the code and the importance of wide acceptance of the principles contained in the code.

GENERAL

Eskom recognises that corporate governance is a dynamic area and, as such, its systems of corporate governance are reassessed on an ongoing basis to ensure that they are developed to world-class standards and continue to be relevant to Eskom's business as it evolves.

for the year ended 31 December 1995

ANNUAL FINANCIAL STATEMENTS

ESKOM

contents

currency

OF FINANCIAL STATEMENTS

The financial statements are expressed in South African rand (R).

The following are approximate values of R1,00 at 31 December for selected currencies.

	1995	1994
French franc	**1,34**	1,51
German mark	**0,39**	0,44
Pound sterling	**0,18**	0,18
Swiss franc	**0,32**	0,37
US dollar	**0,27**	0,28

approval of the
ANNUAL FINANCIAL STATEMENTS

ESKOM

The annual financial statements for the year ended 31 December 1995, set out on pages 50 to 77, have been approved by the Management Board and Electricity Council and signed on their behalf on 7 March 1996 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

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TO THE MINISTER FOR PUBLIC ENTERPRISES

We have audited the annual financial statements set out on pages 50 to 73.

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 financial statements fairly present the financial position of Eskom at 31 December 1995 and the results of its operations and cash flow information for the year then ended, in conformity with generally accepted accounting practice and as required by the Eskom Act of 1987, and
- the information presented in the financial statements conforms, in all material respects, to the requirements of the Reporting by Public Entities Act of 1992.

We have examined the current value financial statements set out on pages 74 to 77. In our opinion these statements have been properly prepared on the basis set out in the notes thereto.

KPMG
Chartered Accountants (SA)
Auditors

DELOITTE & TOUCHE
Chartered Accountants (SA)
Auditors

Johannesburg, 7 March 1996

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INTRODUCTION

The Electricity Council and the Management Board fulfil the role of directors, and have pleasure in presenting their report and the audited financial statements for the year ended 31 December 1995, which were approved on 7 March 1996.

NATURE OF THE BUSINESS

Eskom generates, transmits and distributes electricity to industrial, commercial and residential customers and re-distributors. Eskom is regulated in terms of licences granted by the National Electricity Regulator, the Eskom Act of 1987 and the Electricity Act of 1987.

ACTS AND LEGISLATION

This report, in terms of the Reporting by Public Entities Act, Act 93 of 1992, and the Companies Act, Act 61 of 1973, addresses the performance of Eskom and relevant statutory information requirements and should be read in conjunction with other parts of the annual report, which contain additional comments on Eskom's performance.

FUNCTIONS AND OBJECTIVES

The vision, mission and strategy are reflected on the inside front cover.

OBJECTIVES AND STRATEGIC PLANS

The role of the Electricity Council and Management Board is detailed in the Corporate Governance section on pages 45 to 47.

A five-year business plan, which sets out Eskom's strategic direction, is developed in consultation with key stakeholders, utilising inputs from all the business units. Annual budgets are prepared, based on the strategic direction set out in the five-year business plan. Key performance indicators are used to measure performance against budget. Stakeholders are given the opportunity to influence meaningfully the strategic direction of Eskom.

ACHIEVEMENT OF OBJECTIVES AND PERFORMANCE INFORMATION

This performance report is prepared for the first time to reflect information in terms of the Reporting by Public Entities Act. Appropriate enhancement to this report will be effected in future years.

PEOPLE MANAGEMENT

PARTICIPATIVE MANAGEMENT

The constituent membership of the Electricity Council ensures participation at the highest level. Significant effort is applied to building evolving relationships with key stakeholders. These

relationships are characterised by transparency, meaningful influence on decision-making, public accountability and reporting. The Unfolding Vision Agreement between Eskom and its recognised trade unions has established the structures for some of the above-mentioned areas. The effectiveness of such structures has been assessed, and improved implementation is being focused on. Included in the issues raised, tabled and dealt with, during 1995, with the Eskom Central National Forum, are the salary negotiations, the new housing policy and gainsharing. Eskom and the trade unions are in the process of negotiating a long-term salary and conditions of service agreement linked to productivity improvements, cost-savings and gainsharing.

HEALTH AND SAFETY

Refer to page 35 in the Report on operations by the Chief Executive.

FINANCIAL MANAGEMENT

The overall performance was sound during the year with net income exceeding the budget.

Financial performance	Refer to Financial Performance on page 17.
Overall productivity results	Refer to Productivity statement on page 41.
Real return on assets	Refer to page 18 in the Report on operations by the Chief Executive.
Sales performance	Refer to page 27 in the Report on operations by the Chief Executive.

The Electricity Council and Management Board have every reason to believe that Eskom will be a going concern in the foreseeable future and the financial statements have accordingly been prepared on the basis of this assumption. The auditors concur with this statement.

CAPACITY MANAGEMENT

The projection is that maximum demand for electricity is expected to increase to over 30 000 MW by the year 2000. During 1994, Eskom adopted a formalised Integrated Electricity Plan which is monitored annually. The plan sets out an optimal combination of the various options available for the sourcing or generation of electricity (supply-side options) and methods of management of its use (demand-side options), taking into consideration the expected growth in demand, the value of electricity to the consumer, and the need to manage Eskom's generation capacity. The plan also takes cognisance of the creation of the Southern African Power Pool and other energy-sharing arrangements being negotiated.

Maximum demand grew by 1,4% (1994: 7,0%) to 25 133 MW (1994: 24 798 MW), whilst the maximum active capacity was 31 481 MW (1994: 31 395 MW). This demand was met by the combined performance of power stations and associated collieries.

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PLANT PERFORMANCE

The long-term health of generation, transmission and distribution systems is assured through systematic, well-planned refurbishment and maintenance of ageing plant. Although there is no quantitative measure to report on the quality status of the plant, Eskom Technical Audit annually reviews the Five Year Technical Plan against the condition status of the plant.

Generating plant performance, measured by the UNIPEDE international system of indicators, continued to improve, maintaining a favourable trend since 1990. Availability, as measured by the unit capability factor, improved from 79,9% in 1994 to 84,3%. The UNIPEDE median benchmark for availability is 85,9% (1990 to 1994). Reliability, as measured in terms of the unplanned automatic grid separations per 7 000 operating hours, improved to 2,58 (1994: 3,38) against a target of 3,47 (1994: 5,5) and a UNIPEDE median of 3,4 (1994).

In terms of the transmission system performance, there was one incident (1994: 1) with a severity greater than one system minute. For the year, the total system minutes lost was 5,0 (1994: 6,3) against a target of 9,0 (1994: 17,0). At present, no UNIPEDE benchmark exists for this performance indicator.

The distribution supply loss index is a measure of the reliability of supply in the distribution system and was 0,180 (1994: 0,178) for the year against a target of 0,180 (1994: 0,180). The measure for the reliability of the reticulation system is the reticulation supply loss index, which was 1,83 (1994: 1,69) for the year against a target of 1,80 (1994: 1,80). The composite supply loss index is a combined calculation of reliability of both the distribution and the reticulation systems and it improved to 14,1 (1994: 15,8) against a target of 20,0 (1994: 14,5).

CUSTOMER CARE

Eskom has initiated a major programme to direct the entire organisation towards meeting customer needs. This 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.

To measure Eskom's performance in the area of customer satisfaction and to identify customer needs, a scientifically effective measurement system was introduced. MaxiCare (customers who have been receiving electricity for longer than six months) and PreCare (new customers) surveys were developed and implemented during 1994 to measure customer satisfaction and perceptions. Surveys were performed independently, and Eskom exceeded the targeted rating of 8 on a 10-point scale, achieving 8,27 (1994: 8,05) for MaxiCare and 8,45 (1994: 8,65) for PreCare.

Greater emphasis is being placed on flexible pricing agreements with large customers in order to better meet their needs for low-cost electricity and to optimise supply of and demand for electricity.

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ENVIRONMENTAL MANAGEMENT

A system and programmes are in place to manage Eskom's impact on the environment. An internal environmental audit function has been established to evaluate the extent to which Eskom complies with national environmental legislation and Eskom's own environmental policy. This function has been independently reviewed by external management consultants, who made several recommendations to improve the effectiveness of the auditing process. These recommendations are currently being addressed. Expenditure related to environmental issues has not yet been fully ringfenced, but efforts are being made to improve reporting. A separate Environmental Report has been produced and includes the information set out below.

Eskom's particulate emissions of 115 320 tons (1994: 122 000 tons) have continued their downward trend for 1995, despite a net increase of 2,5% in units generated by coal-fired stations. This satisfactory performance has been aided by the introduction of key performance indicators at individual power stations. Targets for kilograms of particulates emitted per megawatt-hour sent out, have proved effective at 0,77 kg/MWh sent out (1994: 0,83 kg/MWh sent out). Eskom has been proactive in protecting the environment by temporarily closing down two units at Duvha power station because of bagfilter material which was performing poorly.

Hazardous wastes generated, included low and intermediate level nuclear waste from Koeberg. The calculated annual exposure since Koeberg's start-up in 1984 was less than 5% of the licence limit of 0,25 mSv for 1995.

Eskom power stations consumed 214 329 Mℓ (1994: 213 220 Mℓ) of water during the year. Coal-fired power stations used 1,38 ℓ/kWh sent out (1994: 1,41 ℓ/kWh sent out). During the year, there were 16 incidents (1994: 6)* of Water Act transgressions, against a target of zero liquid effluent discharge.

TECHNOLOGY MANAGEMENT

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

Information Technology (IT) has identified the management of information as a strategic issue and therefore, with the move towards distributed processing, embarked on a number of major IT initiatives throughout the business, which included the Customer Care Programme, Finesse (integrated financial management processes and systems) and Phoenix (transmission client/server system).

RECONSTRUCTION AND DEVELOPMENT PROGRAMME COMMITMENT

Eskom demonstrated its support for the RDP by the ten-point commitment published in 1994 (see pages 4 to 5). Eskom had initiated many of these activities prior to the establishment of the RDP,

* *Statistics for 1994 for Generation Group only.*

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and therefore the ten-point commitment complements Eskom's initiatives. Other than transparency and environmental issues, which have been discussed previously in this report, the remaining RDP commitments are discussed below.

LOW-COST ELECTRICITY

The 1995 price increase was 4,7 percentage points (1994: 2,0 percentage points) below the rate of inflation as measured by the Consumer Price Index. Eskom is on track to fulfil the 1991 price compact with customers to reduce the price of electricity by 20% in real terms between 1992 and 1996, as well as its RDP commitment to reduce it by 15% in real terms between 1995 and 2000, assuming no significant structural changes occur. The average total cost of electricity sold (external sales) was 9,40 cents per kilowatt-hour (c/kWh) (1994: 8,82c/kWh) against a target of 9,19c/kWh (1994: 9,09c/kWh).

ELECTRIFICATION

Of the 1,75 million homes to be electrified by the year 2000, Eskom has electrified 567 562 homes since 1 January 1994. During the year, 313 179 (1994: 254 383) new residential connections were achieved against a target of 300 000 (1994: 250 000). Since the inception of Eskom's electrification programme (January 1991), 952 473 homes have been electrified. Capital expenditure on electrification amounted to R1 055 million (1994: R808 million). The Eskom capital cost per connection was R3 370 (1994: R3 176) against a target of R3 372. Through the electrification incentive scheme, a further 74 180 (1994: 123 788) new residential connections were claimed by other electricity suppliers in South Africa.

Sales to customers serviced by prepayment meters averaged 78 kWh (1994: 80 kWh) per customer per month.

AFFIRMATIVE ACTION

Eskom targets to ensure that, by the year 2000, black South Africans (blacks, Asians and Coloureds) will hold 50% of all professional, managerial and supervisory posts in Eskom. With the shortage of skills in the market, and the need to develop people in their jobs to reach their maximum potential, and recognising the difficulty of achieving this target, Eskom has implemented the following initiatives: space creation, recruitment policies, bursaries, and training and development of skills for future purposes. In 1995, black South Africans held 16% (1994: 9%) of the professional, managerial and supervisory positions.

SKILLS PROMOTION, EDUCATION, TRAINING AND DEVELOPMENT

Since inception, 4 141 employees have undergone literacy and numeracy training against the 1997 target of 11 000. During 1995, 1 481 employees successfully completed the Adult Basic Development programme at a cost of R25,9 million. A further 2 318 employees are currently in training.

Although a significant amount is invested in education, training and development, including the commitment to community development initiatives, it has not yet been fully ringfenced. Efforts are being made to report on this in 1996. All existing employees are encouraged to develop their potential by utilising the bursary schemes for further studies. During 1995, Eskom had 1 990 bursars and trainees and of these 59% (1994: 7%) were black. Eskom has a target of training 370 full-time trainees and bursars per year, and during 1995, 266 (1994: 303), excluding 80 bridging students previously reported successfully completed their training.

COMMUNITY RELATIONS

Until 1999, R50 million per year will be spent on the electrification of schools and clinics, and other community development activities. Funds were allocated as follows: R15 million for electrification of schools and clinics, R15 million for small business development and R20 million for other community development activities. An additional R15,2 million was donated by the Norwegian government for the electrification of schools and clinics.

During 1995, 893 (1994: 562) schools and 37 (1994: 21) clinics were electrified, against a target of 900 institutions (schools and clinics). The cost of electrification of schools was R29 million (1994: R10,8 million) and R0,6 million (1994: R0,4 million) for clinics, excluding research and other related costs. During 1995, full responsibility has been taken by Eskom for all school electrification programmes, while the Independent Development Trust took responsibility for managing the clinic electrification programmes. From the RDP funds allocated, 97 grid schools, at a cost of R3,7 million, and 67 non-grid schools, at a cost of R2,8 million, were electrified.

Of the R19,8 million (1994: R19,2 million) spent on 289 community development projects, R11,4 million was for education, R5 million for community development and R3,4 million for capital projects.

Eskom has directly assisted in establishing 502 (1994: 534) small and medium enterprises at a cost of R1,5 million.

As part of its buying policies and managerial support programme, Eskom placed 17 (1994: 8) contracts with a recorded value of R15,2 million (1994: R6,8 million) with 26 small, medium and micro enterprises.

HOUSING

Eskom is committed to enabling all Eskom employees to own a home. Of 39 952 (1994: 39 760) employees, 21 504 (1994: 21 171) have already taken advantage of the Eskom Finance Company (Pty) Limited and Eskom housing loans.

FINANCING OF RDP COMMITMENTS

All Eskom RDP commitments are financed from own resources and loans raised, except for an allocation of R86 million from the RDP office, of which R56 million has been used for non-grid and

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R30 million for grid electrification of schools, and an amount of R15,2 million from the Norwegian government for the electrification of schools and clinics.

INFORMATION REQUIRED UNDER SCHEDULE 4 OF THE COMPANIES ACT

SHARE CAPITAL AND DIVIDENDS

Eskom does not have share capital and as a result no dividends have been paid or proposed. Equity consists of reserves.

CAPITAL EXPENDITURE

Net capital expenditure on property, plant and equipment of R5 168 million (1994: R4 192 million) was partly made up of expenditure of R1 399 million (1994: R867 million) on Majuba and R1 055 million (1994: R808 million) on electrification.

SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND INVESTMENTS

Details of Eskom's principal subsidiaries, significant joint ventures, listed and unlisted investments and associates are set out in Schedule 2 on page 73.

DIRECTORATE AND SECRETARIAT

The names of the directors appear on pages 42 to 44 and the name and address of Eskom's Secretariat on page 43.

Changes in the composition of the Electricity Council and the Management Board appear on pages 42 to 44.

POST BALANCE SHEET EVENTS

No significant events occurred between the year end and the date of this report.

POLICIES

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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.

Where necessary, comparative figures have been reclassified.

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

Locally registered bonds 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.

Locally registered bonds and other debt issued or held for trading purposes are stated at fair value. Trading profits and losses, with the exception of market-making debt, are included in interest and finance charges. Profits and losses on market-making debt are recognised over the period to redemption of the most actively traded bond.

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.

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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

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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 fuel 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.

Post-retirement medical benefits are provided for employees through the various medical aid schemes. Provision is made for such benefits by annually charging to income the estimated costs over the expected remaining service of the members of such schemes based on the assessment of independent actuaries. The transition amount is being provided for over a period not exceeding 10 years from 1994.

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 in Schedule 2.

at 31 December

BALANCE SHEET

ESKOM

	Notes	1995 Rm	1994 Rm
CAPITAL EMPLOYED			
Reserves		**18 821**	16 105
Accumulated reserves		**18 671**	16 005
Insurance reserve	1	**150**	100
Long-term provisions	2	**1 177**	789
Net interest-bearing debt	3	**27 278**	27 884
Long term		**24 234**	24 404
Short term		**3 044**	3 480
		47 276	44 778
EMPLOYMENT OF CAPITAL			
Property, plant and equipment	4	**43 593**	40 711
Non-current assets	5	**4 498**	4 074
Current assets		**2 534**	2 579
Inventories	6	**794**	758
Debtors	7	**1 740**	1 821
Total assets		**50 625**	47 364
Interest-free liabilities		**3 349**	2 586
Creditors and other provisions		**2 912**	2 042
Net interest accrued	8	**437**	544
Net assets		**47 276**	44 778

for the year ended 31 December

INCOME STATEMENT

ESKOM

	Notes	1995 Rm	1994 Rm
Revenue		**17 114**	15 417
Operating expenditure	12	**11 315**	9 963
Net operating income		**5 799**	5 454
Net interest and finance charges	13	**3 083**	3 186
Net income		**2 716**	2 268
Transfer to insurance reserve		**50**	100
Retained income for the year		**2 666**	2 168
Accumulated reserves at beginning of the year		**16 005**	13 837
Accumulated reserves at end of the year		**18 671**	16 005

for the year ended 31 December

CASH FLOW STATEMENT

	Notes	1995 Rm	1994 Rm
CASH FROM OPERATING ACTIVITIES AND CASH UTILISED IN CAPITAL EXPENDITURE ACTIVITIES			
Cash from operating activities	15	**9 631**	7 998
Net financing charges	16	**(2 430)**	(2 492)
Net cash from operating activities		**7 201**	5 506
Net capital expenditure	17	**(5 835)**	(4 735)
Net cash generated		**1 366**	771
CASH EFFECTS OF FUNDING ACTIVITIES			
Debt raised	18	**4 338**	1 714
Debt repaid	19	**(4 551)**	(2 783)
(Increase)/decrease in investments		**(1 153)**	298
Net cash utilised		**(1 366)**	(771)

NOTES TO THE FINANCIAL STATEMENTS

ESKOM

	1995 Rm	1994 Rm
NOTES TO THE BALANCE SHEET		
1. INSURANCE RESERVE		
Balance at beginning of the year	**100**	–
Transfer from income statement	**50**	100
Balance at end of the year	**150**	100
2. LONG-TERM PROVISIONS		
Decommissioning and nuclear waste management		
– Nuclear plant		
Balance at beginning of the year	**546**	396
Provision for the year	**123**	150
	669	546
Expenditure incurred	**–**	–
Balance at end of the year	**669**	546
– Other plant		
Balance at beginning of the year	**192**	–
Provision for the year	**124**	192
	316	192
Expenditure incurred	**10**	–
Balance at end of the year	**306**	192
Post-retirement medical benefits		
Balance at beginning of the year	**51**	–
Net provision for the year	**151**	51
Balance at end of the year	**202**	51
Total long-term provisions	**1 177**	789

ESKOM

	1995 Rm	1994 Rm
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	**33 911**	33 154
Locally registered bonds	**23 020**	21 696
Other local debt		
Commercial paper bills	**3 027**	4 490
Other	**360**	323
Foreign debt		
Bonds and loans	**5 648**	4 315
Project finance	**1 856**	2 330
Less: Investments	**6 633**	5 270
Capital market investments	**3 487**	2 064
Deposits and money market assets		
Negotiable certificates of deposit	**2 088**	1 412
Bills and bankers' acceptances	**12**	631
Fixed and other deposits	**657**	923
Money on call	**219**	106
Cash and bank	**170**	134
Net interest-bearing debt	**27 278**	27 884
The fair value of investments is	***6 495***	*5 152*

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

	Local	Foreign	Less: Investments	Net	Net
Long term	**20 360**	**6 316**	**2 442**	**24 234**	24 404
After 1 year within 5 years	**3 670**	**4 836**	**835**	**7 671**	9 287
After 5 years within 10 years	**2 234**	**1 424**	**595**	**3 063**	2 099
After 10 years	**14 456**	**56**	**1 012**	**13 500**	13 018
Short term	**6 047**	**1 188**	**4 191**	**3 044**	3 480
	26 407	**7 504**	**6 633**	**27 278**	27 884

The weighted average maturity period of net interest-bearing debt is 9,73 years (1994: 10,0 years).

Short-term debt includes credits and short-term loans of a revolving nature amounting to	**3 109**	4 583

ESKOM

	1995 Rm	1994 Rm
3. NET INTEREST-BEARING DEBT (CONTINUED)		
3.2 The nominal value of locally registered bonds is:		
Authorised	**71 314**	71 314
Issued	**27 760**	25 260
(Refer Schedule 1.)		
3.3 The rand equivalent of foreign debt by major currency is:		
US dollar	**3 326**	3 734
German mark	**1 868**	2 403
Other	**2 310**	508
	7 504	6 645

All significant foreign currency exposures were appropriately hedged at year end.

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 14,1% (1994: 13,6%).

	Cost Rm	Accumulated depreciation Rm	Book value Rm
4. PROPERTY, PLANT AND EQUIPMENT			
1995			
Land and rights	**358**	**104**	**254**
Buildings and facilities	**2 284**	**909**	**1 375**
Plant – Generation	**30 060**	**9 952**	**20 108**
– Transmission	**5 992**	**1 828**	**4 164**
– Distribution	**10 645**	**2 503**	**8 142**
Test and telecommunication equipment	**753**	**405**	**348**
Equipment and vehicles	**1 520**	**941**	**579**
Leased equipment	**74**	**39**	**35**
Total in commission	**51 686**	**16 681**	**35 005**
Plant at mothballed power stations	**2 085**	**548**	**1 537**
Works under construction	**6 879**	**–**	**6 879**
Construction materials	**172**	**–**	**172**
	60 822	**17 229**	**43 593**

ESKOM

	Cost Rm	Accumulated depreciation Rm	Book value Rm
4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
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

	1995 Rm	1994 Rm
Reconciliation of movements		
Book value at beginning of the year	**40 711**	38 605
Additions	**5 252**	4 295
Disposals	**(48)**	(84)
Depreciation	**(2 322)**	(2 105)
Book value at end of the year	**43 593**	40 711

The rate, used to determine the amount of borrowing costs eligible for capitalisation for 1995, was 8,41% (1994: 8,48%).

5. NON-CURRENT ASSETS		
Future fuel supplies	**2 151**	1 854
Nuclear fuel	**868**	912
In reactors	**288**	351
Fuel assemblies in process and in inventory	**580**	561
Unlisted investments (Refer Schedule 2.)	**1 412**	1 227
Other	**67**	81
	4 498	4 074

NOTES TO THE FINANCIAL STATEMENTS

continued

ESKOM

	1995 Rm	1994 Rm
6. INVENTORIES		
Coal	**283**	229
Maintenance and consumables	**511**	529
	794	758
7. DEBTORS		
Trade	**1 391**	1 266
Other	**349**	555
	1 740	1 821
8. NET INTEREST ACCRUED		
Interest payable	**677**	671
Interest receivable	**(240)**	(127)
	437	544
9. COMMITMENTS		
9.1 Capital expenditure		
Estimated capital expenditure	**7 263**	6 883
Contracted	**3 292**	3 010
Approved, not yet contracted	**3 971**	3 873
This expenditure will be financed from debt and internally generated funds and is expected to be incurred as follows:	**7 263**	6 883
Within one year	**3 376**	2 939
Thereafter	**3 887**	3 944
9.2 Derivative financial instruments		
Option contracts, commodity futures contracts, interest rate swaps and interest rate caps have been transacted. No material losses are anticipated as a result of these transactions.		
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	**820**	697
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.		

ESKOM

	1995 Rm	1994 Rm
10. CONTINGENT LIABILITIES (CONTINUED)		
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 Guarantees and suretyship issued on behalf of group companies and third parties	**178**	111
11. RETIREMENT BENEFITS		
11.1 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 1995 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.		
11.2 Eskom has anticipated expenditure in terms of continued contributions to medical aid subscriptions in respect of employees who retire. The estimated present value of the anticipated expenditure, amounting to R1 013 million for both in-service and continuation members, was recalculated by independent actuaries during 1995. This transition amount is being provided for over a period not exceeding 10 years from 1994. An independent actuarial valuation will be performed at intervals of not more than three years. The unprovided portion amounts to	**811**	459

ESKOM

	1995 Rm	1994 Rm
NOTES TO THE INCOME STATEMENT		
12. OPERATING EXPENDITURE		
This includes:		
Auditors' remuneration		
Audit	**3**	3
Depreciation	**2 322**	2 105
Rights	**7**	14
Buildings and facilities	**83**	86
Plant	**1 934**	1 771
Test and telecommunication equipment	**90**	66
Equipment and vehicles	**195**	155
Leased equipment	**13**	13
Managerial, technical and other fees	**48**	37
Net provision for arrear debts	**302**	201
Provision raised	**302**	324
Reversal of prior provisions – Network takeovers	**–**	(123)
Decommissioning and nuclear waste management provision	**247**	342
Nuclear plant	**123**	150
Other plant	**124**	192
Pension contributions	**257**	226
Provision for management rationalisation	**–**	110
Net provision for post-retirement medical benefits	**151**	51
Research and development expenses	**37**	30
Net profit on disposal of property, plant and equipment	**(36)**	(19)
Directors' emoluments		
Executive directors		
Basic remuneration	**4**	3
Other benefits	**2**	2
Performance-related remuneration	**2**	2
Payment to past directors (including consideration for retirement from office)	**4**	4
	12	11
Non-executive directors		
Services as directors	**1**	1
Total emoluments	**13**	12

Included in other benefits are Eskom's contributions of 13,5% of the basic and performance-related remuneration to the Pension Fund and 6,5% of the basic remuneration to the Executive Group Life Insurance Scheme.

ESKOM

	1995 Rm	1994 Rm
13. NET INTEREST AND FINANCE CHARGES		
Interest paid and discount amortised	**4 815**	4 398
Locally registered bonds	**3 326**	3 115
Other local debt	**566**	468
Foreign debt	**923**	815
Interest received and discount amortised	**(1 131)**	(778)
	3 684	3 620
Amounts capitalised	**(601)**	(434)
	3 083	3 186
Interest received includes amounts from		
Subsidiary company	**45**	21
Associate company	**120**	97

14. TAXATION

In terms of Section 24 of the Eskom Act, Eskom is exempt from South African normal taxation on income.

ESKOM

	1995 Rm	1994 Rm
NOTES TO THE CASH FLOW STATEMENT		
15. CASH FROM OPERATING ACTIVITIES		
Net operating income	**5 799**	5 454
Non-cash items	**2 917**	2 710
Depreciation	**2 322**	2 105
Fuel amortisation – Nuclear fuel	**185**	141
– Coal	**58**	90
Profit on disposal of property, plant and equipment	**(36)**	(19)
Net decommissioning and nuclear waste management provision		
– Nuclear plant	**123**	150
– Other plant	**114**	192
Net provision for post-retirement medical benefits	**151**	51
	8 716	8 164
Cash generated from/(applied to) working capital	**915**	(166)
Inventories	**(36)**	(27)
Debtors	**81**	(522)
Creditors and other provisions	**870**	383
	9 631	7 998
16. NET FINANCING CHARGES		
Net interest and finance charges	**(3 083)**	(3 186)
Non-cash items	**653**	694
Net interest accrued	**(107)**	66
Net discount amortised	**647**	558
Other	**113**	70
	(2 430)	(2 492)

ESKOM

	5 n	1994 Rm
17. NET CAPITAL EXPENDITURE		
Expenditure on land, buildings and plant	**(4 962)**	(4 128)
Expenditure on equipment and vehicles	**(290)**	(167)
	(5 252)	(4 295)
Proceeds from disposals	**84**	103
Net expenditure on property, plant and equipment	**(5 168)**	(4 192)
Expenditure on future fuel supplies	**(355)**	(162)
Expenditure on nuclear fuel	**(141)**	(151)
Unlisted investments	**(185)**	(248)
Other	**14**	18
	(5 835)	(4 735)
18. DEBT RAISED		
Locally registered bonds	**2 335**	1 505
Other local debt	**–**	–
Foreign debt	**2 003**	209
	4 338	1 714
19. DEBT REPAID		
Locally registered bonds	**(1 410)**	(1 370)
Other local debt	**(1 982)**	(388)
Foreign debt	**(1 159)**	(1 025)
	(4 551)	(2 783)

SCHEDULE 1: LOCALLY REGISTERED BONDS

ESKOM

Loan	Authorised nominal value 1995 Rm	Coupon rate %	Capital repayment dates	Interest payment dates	Issued nominal value 1995 Rm	Issued nominal value 1994 Rm
83	18	7,5	1995	Apr/Oct	–	14
84	3	7	1995	Apr/Oct	–	3
85	35	8,75	1995	May/Nov	–	25
86	10	8,5	1995	May/Nov	–	6
87	45	9,25	1996	Jan/Jul	**21**	22
88	10	8,75	1996	Jan/Jul	**7**	5
89	20	9,25	1996	Jun/Dec	**5**	5
90	30	9,25	1996	Jun/Dec	**12**	13
91	10	8,75	1996	Jun/Dec	**2**	2
92	20	9,25	1997	Jun/Dec	**12**	11
93	22	9,125	1997	May/Nov	**14**	14
94	5	8,75	1997	May/Nov	**1**	2
95	25	8,5	1997	Jun/Dec	**6**	4
96	28	8,25	1997	May/Nov	**11**	12
97	7	8	1997	May/Nov	**4**	5
98	45	8,25	1997	May/Nov	**34**	35
99	30	8,25	1998	Jun/Dec	**23**	20
100	20	8,375	1998	Jun/Dec	**19**	14
101	5	8	1998	Jun/Dec	**4**	3
103	24	8	1998	Feb/Aug	**21**	22
104	6	7,625	1998	Feb/Aug	**6**	4
106	45	8	1998	Jun/Dec	**42**	39
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	**6**	7
112	29	10,75	2000	Jan/Jul	**25**	23
113	40	10,75	2000	Feb/Aug	**38**	33
114	25	10,75	2000	Jun/Dec	**21**	16
115	5	10,25	2000	Jun/Dec	**4**	4
116	30	10,75	2000	Feb/Aug	**26**	20
118	55	11	2000	Apr/Oct	**51**	49
119	6	10,75	1995	Apr/Oct	–	3
C/fwd	722				**465**	485

Loan	Authorised nominal value 1995 Rm	Coupon rate %	Capital repayment dates	Interest payment dates	Issued nominal value 1995 Rm	Issued nominal value 1994 Rm
B/fwd	722				**465**	485
121	40	11,4	2001	Mar/Sep	**32**	36
122	2	11,1	1996	Mar/Sep	**1**	1
123	40	12,75	1996	May/Nov	**36**	33
126	40	12,5	2001	Jun/Dec	**29**	30
127	150	12,6	1999	Mar/Sep	**145**	140
131	250	11,15	2002	Apr/Oct	**10**	10
132	250	11,75	2002	Apr/Oct	**28**	28
134	170	10,75	2003	May/Nov	**7**	8
135	270	11,3	2003	May/Nov	**30**	30
138	150	9,7	2003	Feb/Aug	**7**	7
139	340	10,25	2003	Feb/Aug	**11**	11
141	130	8,65	2004	Mar/Sep	**20**	17
142	350	9,15	2004	Mar/Sep	**267**	256
144	130	9,05	2005	Feb/Aug	**11**	11
145	270	9,55	2005	Feb/Aug	**253**	220
148	100	9,05	2005	Jun/Dec	**5**	5
149	230	9,55	2005	Jun/Dec	**39**	38
151	275	10,95	2004	May/Nov	**4**	4
153	400	12,95	2006	Apr/Oct	**216**	242
154	220	10	2007	May/Nov	**73**	75
155	170	13,2	2007	May/Nov	**147**	146
157	415	14,25	2008	May/Nov	**355**	337
159	325	12	2008	Mar/Sep	**200**	202
160	350	11	2009	May/Nov	**189**	190
163	125	10,5	2004	Jun/Dec	**27**	31
165	2 000	11	1995	Feb/Aug	–	569
167	5 000	12	1996	May/Nov	**2 068**	1 720
168	20 000	11	2008	Jun/Dec	**13 550**	13 282
169	6 000	15	1998	Apr/Oct	**3 735**	2 924
170	20 000	13,5	2020	Feb/Aug	**2 650**	1 965
171	6 500	0	2002	Mar/Sep	**566**	259
172	4 500	8	2001	Mar/Sep	**1 415**	779
EPN2	1 400	6	2010	Apr/Oct	**1 169**	1 169
	71 314				**27 760**	25 260

SCHEDULE 2: UNLISTED INVESTMENTS

ESKOM

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

Name	Nature of operation	Issued/ stated capital R	Effective holding 1995 %	Effective holding 1994 %	Investment 1995 Rm	Investment 1994 Rm	Indebtedness 1995 Rm	Indebtedness 1994 Rm
SUBSIDIARY COMPANIES								
Escap Limited	Insurance	29 500 000	**100**	100	**30**	30	**–**	–
Gallium Insurance Company Limited	Insurance	4 000 000	**100**	–	**4**	–	**–**	–
Rotek Industries (Pty) Limited	Maintenance and service	4 000	**100**	100	**–**	–	**305**	217
					34	30	**305**	217
ASSOCIATE COMPANIES								
Eskom Finance Company (Pty) Limited	Finance (employee housing loans)	4 000	**20**	20	**–**	–	**717**	678
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	**–**	–	**–**	–
Phambili Nombane (Pty) Limited	Electricity reticulation	3 000 000	**33**	33	**1**	1	**–**	–
					1	1	**717**	678
OTHER								
Alusaf Limited – loan (Unsecured, redeemable loan with an ordinary share conversion option and a dividend-linked interest rate)					**–**	–	**300**	300
The Ash Classification Venture (Unsecured, fixed interest and fixed repayment terms)					**–**	–	**3**	–
Bophuthatswana Electricity Corporation (Unsecured with no fixed redemption dates bearing interest at prime)					**–**	–	**24**	–
Hidroelectrica de Cahora Bassa SARL (Unsecured, fixed interest and fixed repayment terms)					**–**	–	**27**	–
Small Business Development Corporation Limited – 500 000 ordinary "A" shares (Equity shares)					**1**	1	**–**	–
					1	1	**354**	300
					36	32	**1 376**	1 195
Indebtedness					**1 376**	1 195		
					1 412	1 227		

UNCONSOLIDATED SUBSIDIARY COMPANIES

Aggregate abridged financial statements	1995 Rm	1994 Rm
CAPITAL EMPLOYED		
Cost of unlisted shares in subsidiary companies	**34**	30
Post-acquisition deficit at beginning of the year	**(18)**	–
Attributable net loss for the year	**(95)**	(18)
Total share capital and reserves	**(79)**	12
Loans by holding company	**452**	276
Long-term liabilities	**–**	–
	373	288
EMPLOYMENT OF CAPITAL		
Property, plant and equipment	**187**	151
Net current assets	**186**	137
	373	288

at 31 December

CURRENT VALUE BALANCE SHEET

ESKOM

	Note	1995 Rm	1994 Rm
CAPITAL EMPLOYED			
Reserves		**55 458**	50 711
Accumulated reserves		**7 725**	7 099
Revaluation reserve	2	**47 583**	43 512
Insurance reserve		**150**	100
Long-term provisions		**1 177**	789
Net interest-bearing debt		**27 257**	27 885
		83 892	79 385
EMPLOYMENT OF CAPITAL			
Property, plant and equipment		**78 043**	73 445
Non-current assets		**6 641**	5 931
Current assets		**2 557**	2 595
Inventories		**817**	774
Debtors		**1 740**	1 821
Total assets		**87 241**	81 971
Interest-free liabilities		**3 349**	2 586
Net assets		**83 892**	79 385

CURRENT VALUE INCOME STATEMENT

ESKOM

	Notes	1995	1994
		Rm	Rm
Revenue		**17 114**	15 417
Operating expenditure		**13 377**	11 864
Net operating income	3	**3 737**	3 553
Net interest and finance charges	4	**3 061**	3 146
Net income		**676**	407
Transfer to insurance reserve		**50**	100
Retained income for the year		**626**	307
Accumulated reserves at beginning of the year		**7 099**	6 792
Accumulated reserves at end of the year		**7 725**	7 099

RATIOS[1]

Real return on total assets, %[2]	**4,28**	4,33
Debt:equity	**0,49**	0,55
Interest cover	**1,22**	1,13
Financial gearing adjustment, %	**32,72**	34,74

1. *Calculated on the basis described in the seven year financial review on page 39.*
2. *After taking account of financial gearing adjustment.*

NOTES TO THE CURRENT VALUE FINANCIAL STATEMENTS

ESKOM

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 reclassified.

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 book value.

1.4 MONETARY LIABILITIES

Interest-free liabilities are stated at net book 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 future fuel supplies and maintenance and consumable inventories.

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.

ESKOM

	1995 Rm	1994 Rm
2. REVALUATION RESERVE		
Balance at beginning of the year	**43 512**	40 219
Net revaluation to maintain operating capacity	**4 071**	3 293
Property, plant and equipment revaluation	**4 687**	3 983
Non-current assets revaluation	**347**	281
Other revaluation	**39**	41
Financial gearing adjustment	**(1 002)**	(1 012)
Balance at end of the year	**47 583**	43 512
3. NET OPERATING INCOME RECONCILIATION		
Current cost net operating income	**3 737**	3 553
Inflation adjustments	**2 062**	1 901
Depreciation	**2 971**	2 771
Cost of sales	**93**	142
Financial gearing adjustment	**(1 002)**	(1 012)
Historical cost net operating income	**5 799**	5 454
4. NET INTEREST AND FINANCE CHARGES RECONCILIATION		
Current value net interest and finance charges	**3 061**	3 146
Fair value adjustments	**22**	40
Interest-bearing debt revaluation	**(273)**	536
Investment revaluation	**295**	(496)
Historical cost net interest and finance charges	**3 083**	3 186

TABLES

ESKOM

1. STATISTICAL OVERVIEW

	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Sales										
Total sold, GWh[1]	**153 547**[2]	149 443[2]	143 800	138 126	138 687	136 168	134 347	129 493	122 524	117 353
Growth in GWh sales, percent	**2,7**	3,9	4,1	– 0,4	1,8	1,4	3,7	5,7	4,4	4,5
Electricity output										
Total electricity production in South Africa, GWh (net)[3]	**171 298**	167 609	155 812	149 427	148 919	147 069	146 162	140 802	134 751	130 056
Eskom electricity production as percentage of South African total	**96,2**	95,7	97,9	97,9	98,0	97,5	96,7	97,0	96,1	95,1
Total electricity for Eskom system (Eskom stations and purchased), GWh[4]	**165 006**	160 351	154 361	148 556	148 934	146 320	143 548	139 197	132 774	126 766
Total produced by Eskom stations, GWh (net)	**164 834**	160 293	154 260	148 207	148 671	146 047	143 204	138 837	132 507	126 511
Subtotal from coal-fired stations, GWh (net)	**151 730**	148 003	145 514	136 830	135 743	134 744	128 304	123 777	122 947	114 298
Subtotal from hydroelectric stations, GWh (net)	**529**	1 074	146	752	1 980	1 010	2 759	3 162	1 617	1 623
Subtotal from pumped storage stations, GWh (net)	**1 274**	1 517	1 345	1 333	1 804	1 841	1 039	1 403	1 774	1 785
Subtotal from gas turbine stations, GWh (net)	**0**	2	–	4	–	3	3	2	2	2
Subtotal from nuclear power station, GWh (net)	**11 301**	9 697	7 255	9 288	9 144	8 449	11 099	10 493	6 167	8 803
Total purchased for Eskom system, GWh	**172**	58	101	349	263	273	344	360	267	255
Total consumed by Eskom, GWh[5]	**1 866**	2 113	1 898	2 295	2 933	2 953	2 265	2 567	3 229	3 018
Total available for distribution, GWh[1]	**163 140**	158 238	152 463	146 261	146 001	143 367	141 283	136 630	129 545	123 748
Plant performance										
Total power station nominal capacity, MW	**37 840**	37 840	39 746	39 060	38 396	35 673	34 141	33 176	31 261	28 086
Total power station net maximum capacity, MW	**35 951**	35 926	37 636	36 846	36 228	33 843	32 403	31 465	29 618	26 682
Peak demand on integrated Eskom system, MW	**25 133**	24 798	23 169	22 640	22 342	21 863	21 871	20 589	20 001	18 278
Average energy availability (unit capability factor), percent[6]	**81,6 (84,3)**	77,1 (79,9)	80,5 (81,7)	76,7	76,1	75,0	78,1	79,1	79,2	78,5
Generation load factor (after excess capacity management), percent[7]	**52,3 (59,0)**	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
Integrated Eskom system load factor, percent	**74,1**	72,8	75,1	73,5	74,6	74,9	73,7	75,5	73,9	77,3
Coal burnt, thousands of tons	**79 376,9**	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
Coal consumption, kg/kWh net	**0,523**	0,520	0,522	0,519	0,520	0,526	0,523	0,521	0,535	0,515
Average heat rate of coal-fired stations, MJ/kWh net	**10,45**	10,46	10,47	10,54	10,49	10,66	10,72	10,71	11,00	10,95
Average gross calorific value of coal (as received), MJ/kg	**19,95**	20,09	20,05	20,25	20,21	20,26	20,20	20,44	20,48	21,19
Overall thermal efficiency, percent	**34,4**	34,4	34,4	34,2	34,3	33,7	33,6	33,6	32,7	32,9
Weighted average cost of coal burnt, R/ton	**31,99**	29,98	28,48	27,47	25,70	23,91	20,90	18,67	17,11	14,87
Weighted average cost of coal burnt, c/kWh	**1,6735**	1,5572	1,4860	1,4263	1,3354	1,2575	1,1023	0,9727	0,9155	0,7665
Employees										
Total number at 31 December[8]	**39 952**	39 760	40 128	42 223	46 637	50 000	51 554	56 726	56 830	60 800
GWh sold per employee	**3 843**	3,759[9]	3,584	3,271	2,974	2,723	2,606	2,283	2,156	1,930
Sales to other countries in southern Africa, GWh										
Botswana	**340,0**	205,1	120,6	100,4	105,8	84,2	57,8	53,4	77,5	232,3
Lesotho	**324,1**	310,1	281,2	240,6	205,7	192,3	181,9	170,9	156,2	134,6
Mozambique	**597,6**	559,1	510,0	435,5	383,3	321,6	307,1	340,4	329,2	303,8
Namibia	**963,2**	812,9	999,0	457,5	822,7	586,3	556,6	452,9	613,6	411,1
Swaziland	**618,5**	577,1	529,5	567,0	356,6	409,5	274,0	290,3	253,5	277,1
Zimbabwe	**203,6**	163,5	149,1	13,8	6,2	13,2	14,6	16,5	16,5	15,6
	3 047,0	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. Difference between electricity available for distribution and electricity sold is due to transmission losses. Includes internal sales. 2. Includes sales in respect of Department of Water Affairs not stated in previous years. 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 10. 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. Excludes employees of subsidiary companies; includes 865 employees taken over from BECOR and 340 employees from TESCOR. 9. Correction.

TABLES

continued

ESKOM

2. POWER STATIONS IN COMMISSION AT 31 DECEMBER 1995

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, Mpumalanga	6 x 350	2 100	1 980[3]	3	990
Camden[4]	Ermelo	8 x 200	1 600	1 520	8	1 520
Duvha[2]	Witbank	6 x 600	3 600	3 450	–	–
Grootvlei[4]	Balfour	6 x 200	1 200	1 130	6	1 130
Hendrina[2]	Hendrina	10 x 200	2 000	1 900	–	–
Kendal[2, 5]	Witbank	6 x 686	4 116	3 840	–	–
Komati[4]	Middelburg, Mpumalanga	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, 5]	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	31 769	26	4 531
Gas turbine stations[6]						
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[7]						
Colley Wobbles[8]	Mbashe River	3 x 14	42	42	–	–
First Falls[8]	Umtata River	2 x 3	6	6	–	–
Gariep	Norvalspont	4 x 90	360	360	–	–
Ncora[8]	Ncora River	2 x 0,4; 1 x 1,3	2	2	–	–
Second Falls[8]	Umtata River	2 x 5,5	11	11	–	–
Vanderkloof	Petrusville	2 x 120	240	240	–	–
Subtotal hydroelectric stations (2)[9]			600[9]	600[9]	–	–
Pumped storage schemes[10]						
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)[9]			37 840[9]	35 951[9]	26	4 531

1. Difference between nominal and net maximum capacity reflects auxiliary power consumption and reduced capacity by age of plant and/or low coal quality. 2. Base-load station. 3. Rating of unit 1 increased by 25 MW in January 1995. 4. In long-term reserve storage (mothballed). 5. Dry-cooled unit specifications are based on design back-pressure and ambient air temperature. 6. Stations used for peaking or emergency supplies. 7. Use restricted to peaking, emergencies and availability of water in Gariep and Vanderkloof dams. 8. During 1995, NER issued a licence to Eskom for generating electricity at this hydroelectric generating unit. 9. Four hydroelectric generating units with a total capacity of 61 MW not included because they are not Eskom assets. Also see Note 8. 10. Pumped storage facilities are net users of electricity during peak periods. Water is pumped during off-peak periods to generate electricity during peak periods.

ESKOM

3. GENERATING SETS ON ORDER AT 31 DECEMBER 1995

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*
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	

* *Dates on which sets on order will be put into commercial service may change, depending on growth in electricity demand.*

4. TRANSMISSION AND DISTRIBUTION EQUIPMENT IN SERVICE AT 31 DECEMBER

		1995	1994	Change
Main transmission system, km	765 kV	**1 153**[1]	1 153[1]	–
	533 kV DC (monopolar)	**1 031**	1 031	–
	400 kV	**13 981**	13 724[2]	257
	275 kV	**7 148**	7 146[2]	2
	220 kV	**1 243**	1 243	–
	132 kV	**632**	526[2]	106
Total transmission lines, km		**25 188**	24 823[2]	365
Distribution lines, km	165-132 kV	**16 632**	16 632[2]	–
	88-33 kV	**20 230**	20 186[2]	44
Total distribution lines, km		**36 862**	36 818[2]	44
Reticulation lines, km	Total 22 kV and lower	**179 752**	179 331[2]	421
Total all lines, km		**241 802**	240 972[2]	830
Cables, km	165-132 kV	**47**	47[2]	–
	88-33 kV	**206**	206[2]	–
	22 kV and lower	**4 838**	4 806[2]	32
Total all cables, km		**5 091**	5 059[2]	32
Transformers	Transmission, MVA	**124 790**[3]	106 646	18 144
	Distribution and reticulation, MVA	**68 681**	68 555[2]	126
Total transformer capacity, MVA		**193 471**	175 201[2]	18 270
Transformers	Transmission, number	**453**	436	17
	Distribution and reticulation, number	**213 099**	167 115[2]	45 984
Total transformers, number		**213 552**	167 551[2]	46 001

1. 282 km of 765 kV line presently operating at 400 kV. 2. Correction. 3. New base of definition: transformers rated ≥ 30 MVA and primary voltage ≥ 132 kV.

TABLES

continued

ESKOM

5. SALES OF ELECTRICITY TO CATEGORIES OF CUSTOMERS

Category	Number of customers 1995	Number of customers 1994	Change 94 – 95 %	GWh sold 1995	GWh sold 1994	Change 94 – 95 %
Re-distributors	**704**	704	0,0	**66 421**	64 584	2,8
Domestic and street lighting[1]	**1 407 117**	1 053 725	33,5	**3 906**	3 660	6,7
Commercial	**23 098**	20 112	14,8	**579**	478	21,1
Industrial	**6 326**	5 707	10,8	**42 244**	40 394	4,6
Mining	**661**	631	4,8	**31 293**	31 619	-1,0
Rural/farming	**129 590**	125 864	3,0	**3 383**	3 255	3,9
Traction	**38**	38	0,0	**3 522**	3 494	0,8
International[2]	**4**	4	0,0	**1 832**	1 583	15,7
Own usage	**255**	268	-4,9	**367**	376	-2,4
	1 567 793	1 207 053	29,9	**153 547**	149 443	2,7

1. Includes pre-paid sales. 2. International category comprises four main customers in Botswana, Mozambique, Namibia and Zimbabwe.

6. REVENUE PER CATEGORY OF CUSTOMER

Category	Revenue Rm 1995	Revenue Rm 1994	Change 94 – 95 %	Average price c/kWh sold 1995	Average price c/kWh sold 1994	Change 94 – 95 %
Re-distributors	**7 155**	6 573	8,9	**10,772**	10,176	5,9
Domestic and street lighting[1]	**709**	613	15,7	**18,152**	16,756	8,3
Commercial	**108**	83	30,1	**18,653**	17,433	7,0
Industrial	**4 394**	3 599	22,1	**10,401**	8,908	16,8
Mining	**3 322**	3 198	3,9	**10,616**	10,113	5,0
Rural/farming	**744**	688	8,1	**21,992**	21,134	4,1
Traction	**516**	500	3,2	**14,651**	14,312	2,4
International[2]	**127**	125	1,6	**6,932**	7,883	-12,1
Own usage	**39**	39	0,0	**10,627**	10,260	3,6
	17 114	15 417	11,0	**11,146**	10,316	8,0[3]

1. Includes pre-paid sales. 2. International category comprises four main customers in Botswana, Mozambique, Namibia and Zimbabwe. 3. Official price increase 4%; actual 8%, due to a change in the mix of sales, higher revenue from commodity-linked tariffs and the phasing out of capacity allocations to certain municipalities.

7. ANALYSIS OF REGISTERED HOLDERS OF ESKOM LOCALLY REGISTERED BONDS AT 31 DECEMBER

	% of issued nominal value 1995	% of issued nominal value 1994
Insurance companies, pension and provident funds	**6**	7
Corporate bodies	**12**	13
Nominee companies	**65**	58
Private individuals	**17**	22
	100	100

INTERNATIONAL COMPARISONS

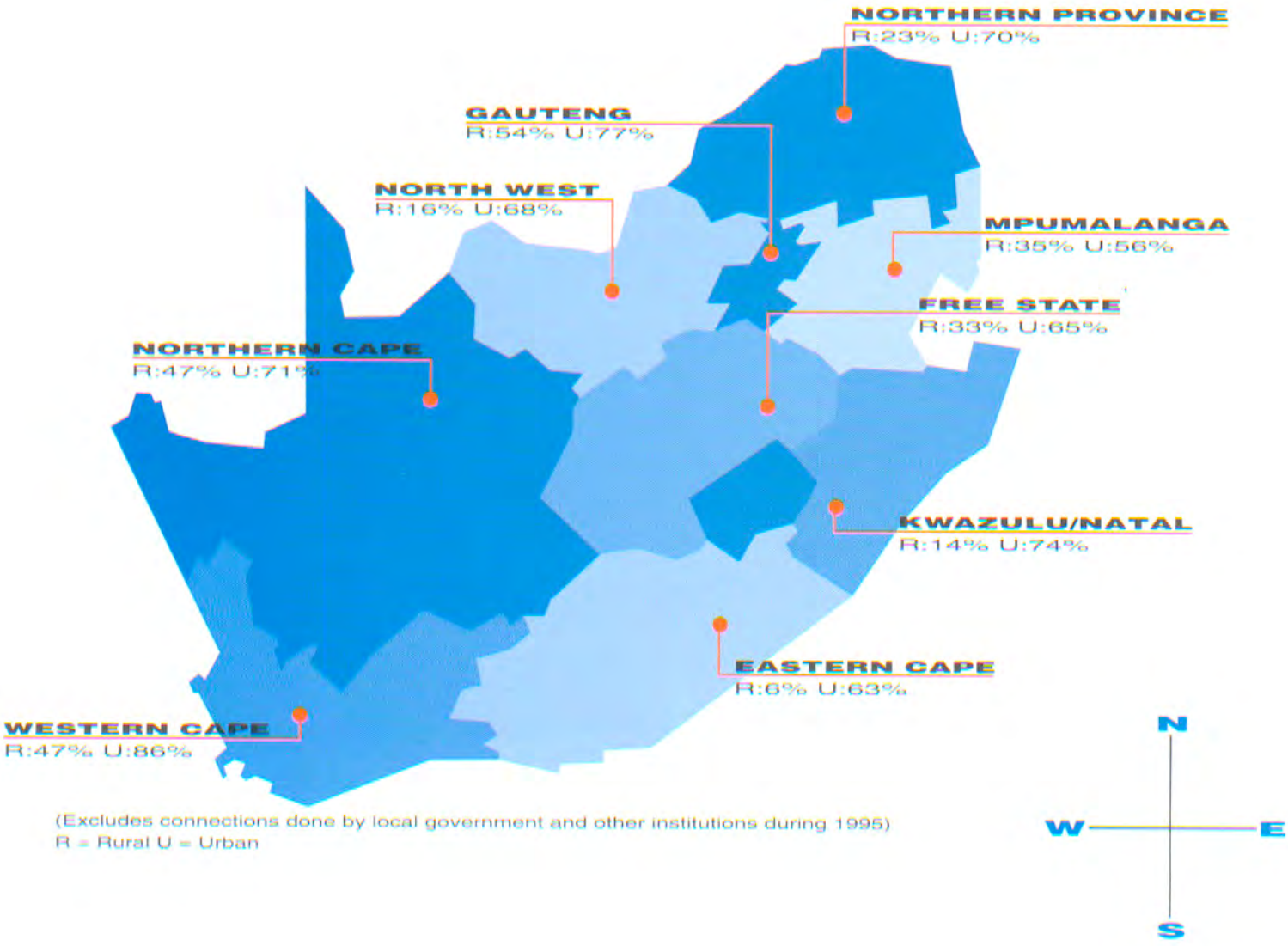
ESKOM

MAJOR ELECTRICITY UTILITIES IN THE WORLD

Utility	Country	Sales GWh	Rating by sales	Nominal capacity, MW	Rating by capacity
EDF	France	427 700	1	97 500	1
TEPCO[1]	Japan	248 855	2	51 318	3
ENEL	Italy	205 100	3	54 357	2
Hydro-Québec	Canada	158 166	4	30 435	7
Eskom	South Africa	149 443	5	37 840	4
Korea Electric Power Co.	South Korea	146 540	6	28 750	8
Kansai Electric Power Co.[1]	Japan	131 934	7	35 355	5
Ontario Hydro	Canada	129 028	8	34 432	6
RWE[2]	Germany	123 570	9	25 960	10
TVA[3]	USA	122 574	10	25 913	11
Chubu Electric Power Co.[1]	Japan	110 117	11	26 654	9
Tai Power	Taiwan	98 561	12	20 983	14
National Power[1]	United Kingdom	92 300	13	20 243	15
Texas Utilities Electric	USA	89 134	14	22 233	13
Commonwealth Edison	USA	85 171	15	22 522	12

All data for the year ended 31 December 1994, except for the year ending as follows:
[1] 31 March 1995 [2] 30 June 1994 [3] 30 September 1994.
Source: Tokyo Electric Power Company Statistical Review – For the year ended 31 March 1995.

Percentage houses electrified as at end 1995



(Excludes connections done by local government and other institutions during 1995)
R = Rural U = Urban

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