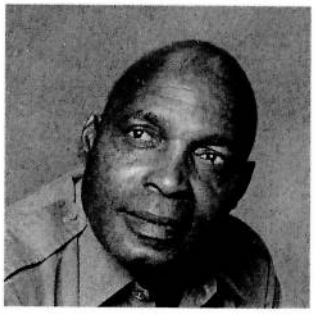
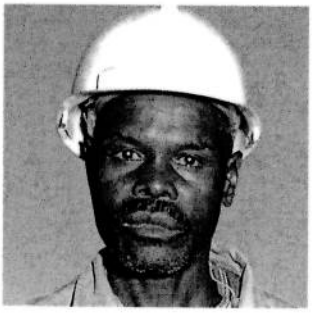
1997 **Annual Report**


celebrating

OUR HEROES





1923-1998 ESKOM 75 YEARS

75 YEARS OF POWER FOR PROGRESS

Eskom Annual Report 1997

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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

Names of the heroes, on the front cover as well as above, appear on the inside back cover.

celebrating

OUR HEROES

"Eskom's outstanding performance could not have been achieved without the hard work, determination and commitment of all Eskom employees. The organisation is always appreciative of their efforts. As we move forward to the celebration of Eskom's 75th anniversary we felt that it was fitting to pay tribute to those people who have dedicated almost their entire working lives to Eskom. It is not possible to include everyone, but it is my sincere hope that the pictures included in this report will serve as a symbol of thanks to all employees in all their various occupations, but especially to those with long service."

Allen Morgan

1923-1998 ESKOM 75 YEARS

ESKOM'S LONG-SERVING CHAUFFEURS

HEZEKIA

Hezekia Mngomezulu first drove Jan H Smith when he was general manager of Escom (the old abbreviation for Electricity Supply Commission). Jan H Smith went on to become chairman of Eskom from 1980 to 1985. Hezekia then became chauffeur to Dr John Maree, then chairman of the Electricity Council, a position he held until 1997 when Dr Maree retired. Hezekia presently performs the same duties for the present chairman, Reuel Khoza. He says it's a job requiring great patience and a huge sense of responsibility, but Hezekia feels more than compensated because he has met so many interesting people in the course of his duties. He wouldn't change jobs for anything he claims.

MOSES

Moses Mtsweni started working for Eskom at the age of eighteen. After having performed a number of jobs at several of the older power stations Moses obtained a driving licence and in 1987 became chauffeur to Dr Ian McRae who was then chief executive of Eskom. The team of Moses and McRae went to many areas which, in those politically tense times, were considered no-go areas for anyone, let alone a senior white manager. They both believe that the visits were worth the risks because much that was positive for Eskom and South Africa came out of those encounters.

EDDIE

Eddie Ndou has been a back-up driver and drove a number of well-known Eskom managers and many international visitors on various occasions. Eddie chose to take advantage of the training opportunities offered by Eskom and wrote his matriculation. He then went on to complete a diploma in Transport Economics and Logistics Management at Rand Afrikaans University. He has subsequently been promoted to a position in the commercial department.

PHILEMON

Philemon Nkoma has been retired for a number of years now but he remembers well the years that he drove Dr Straszacker, then chairman of Escom. Philemon, who was one of the first black people to be allowed to drive top management, believes he has seen more changes in Eskom than most people.

ESKOM, SOUTH AFRICA'S ELECTRICITY UTILITY...

- has 20 power stations with a nominal capacity of 39 154 megawatts
- is among the top five electricity utilities in the world in terms of size and sales
- strives to remain one of the lowest-cost producers of electricity in the world
- supplies 98% of the country's electricity requirements, which amounts to more than half of the electricity generated on the African continent
- is financed by interest-bearing debt and reserves, and is run on business principles for the benefit of its customers
- sells approximately 39% of its electricity to local authorities, which resell it to end-users
- has committed itself to connect 1 750 000 homes between 1994 and the year 2000 and has electrified 1 148 954 to date
- has 26 065 kilometres of transmission lines, which span the entire country and also carry power to neighbouring countries
- supports the development of a Southern African transmission grid to encourage cooperation and accelerate economic growth in the region
- supports employment equity
- encourages employees to develop to their full potential through training
- sees itself as a respected corporate citizen and is working towards environmental sustainability and socio-economic improvement
- operates the largest dry-cooled electricity generation plant in the world

	1997	1996	Change 1996–97 %	Average yearly change 1993–97 %
FINANCIAL/BUSINESS PERFORMANCE INDICATORS				
FINANCIAL				
Revenue, Rm	**20 448**	18 687	9,4	10,1
Net income, Rm	**3 083**	3 072	0,4	15,7
Property, plant and equipment in commission, Rm	**64 112**	58 007	10,5	8,5
Net expenditure on property, plant and equipment, Rm	**5 444**	5 364	1,5	10,9
Net interest-bearing debt, Rm	**26 991**	27 298	(1,1)	(0,5)
Average price per kWh sold, cents[1]	**11,85**	11,30	4,9	5,3
Average total cost per kWh sold, cents[2]	**10,08**	9,46	6,6[3]	5,3
BUSINESS PERFORMANCE				
Return on total assets, %	**11,30**	11,65	(3,0)	1,4
Real (inflation-adjusted) return on total assets, %	**3,62**	3,89	(6,9)	(2,7)
Debt-equity ratio	**1,08**	1,25	(13,6)	(13,8)
Value created per employee, R'000	**360**	330	9,1	11,9

1. Revenue per kWh sold (total sales). 2. Operating expenditure and net interest and finance charges per kWh sold (external sales).
3. This change is 6,2% if the non-recurring profit of 1996 is excluded.

	1997	1996	Change 1996–97 %	Average yearly change 1993–97 %
TECHNICAL/BUSINESS PERFORMANCE INDICATORS				
OPERATIONS				
Total electricity sold, GWh[1]	**172 550**	165 370	4,3	4,6
Coal burnt in power stations, Mt	**90,2**	85,4	5,6	4,9
Water consumed by power stations, M^3	**224 754**	215 199	4,4	(0,1)
Peak demand on integrated system, MW	**28 329** (30 June)	27 967 (24 July)	1,3	4,6
ASSETS IN COMMISSION AT 31 DECEMBER				
Nominal capacity, MW [2]	**39 154**	38 497	1,7	0,1
Net maximum capacity, MW [2]	**37 175**	36 563	1,7	0,2
Power lines (all voltages), km	**267 600**	255 745	4,6	2,8

OTHER KEY STATISTICS				
STAFF EMPLOYED				
at 31 December, number [3]	**39 241**	39 857	(1,5)	(2,3)
CUSTOMERS				
at 31 December, number (thousands)	**2 244**	1 877	19,6	32,9

1. Includes internal sales of 334 GWh. 2. The difference between nominal and net maximum capacity reflects auxiliary power consumption and reduced capacity caused by age of plant and/or low coal quality. 3. Excludes employees of subsidiary companies.

R J Khoza (48) dg

Chairman
MA (Marketing Management) (Lancaster, UK), BA (Hons) (Psychology) (UNIN), PMD (Harvard Business School, USA), IPBM (IMD, Lausanne, Switzerland)
Chairman of Co-ordinated Network Investments (Pty) Limited, Glaxo Wellcome SA (Pty) Limited, Pinnacle Holdings Limited, Tolcon (Pty) Limited and Akani Leisure (Pty) Limited. Director of Standard Bank Investment Corporation Limited, IBM SA Group Limited, Johannesburg Consolidated Investments Limited, Guardrisk Insurance Company Limited, Norwich Holdings SA Limited and IST Holdings (Pty) Limited. Main committee member of JSE.
Appointed to the Electricity Council 15 March 1997.

F M Baleni (37) bcg

Diploma in Politics and Trade Unionism (White Hall College, England), Certificate in Human Resources Management (Unisa).
Regional co-ordinator of National Union of Mineworkers (NUM).
Representing organised labour.
Appointed to the Electricity Council in 1997.

P L Campher (49) ad

MCom (Stell)
Managing director of Coronation Asset Management (Pty) Limited, director of Coronation Holdings (Pty) Limited, Coronation Management Company (Pty) Limited, African Harvest (Pty) Limited, Namibian Asset Management (Pty) Limited, managing director of Sage Capital Managers and chairman of Fund Managers Association of South Africa (FMASA).
Representing FMASA.
Appointed to the Electricity Council in 1997.

J P Deetlefs (64) c

NTC5 (Pretoria Technical College)
National president of the Independent Municipal and Allied Trade Union (IMATU), president of the Federation of Municipal Trade Unions and chairman of Pretoria branch of IMATU.
Representing organised labour.
Appointed to the Electricity Council in 1997.

A B Dickman (67) bcf

BCom (Hons) (Wits), FIBSA
Economic consultant and director of UAL Merchant Bank Limited.
Representing organised business.
Appointed to the Electricity Council in 1985.

S E Funde (54) e

MSc (Elec Eng) (Leningrad Polytechnical Institute, St Petersburg)
Deputy chairperson of South African Telecommunications Regulatory Authority (SATRA), deputy chairperson of the board of directors of the National Institute of Economic Policy (NIEP), non-executive director of Vision of Pride Services, patron of SARDET.
Representing NIEP.
Appointed to the Electricity Council in 1997.

K J Hlongwane (59) bd

BA (ICI University, Texas, USA), BA Ed (Cape Town), EDP (Wits)
President of National African Federated Chamber of Commerce and Industry (NAFCOC). Chairman of Nafhold, Greater Africa Properties. Director of Medhold Limited, Saambou Bank Limited, Financial Services Board. Member of the Policy Board – Financial Services and Regulation, the Unisa Board of Trustees and RAU Council.
Representing organised business.
Appointed to the Electricity Council in 1995.

P R Janisch (58)

BSc (Natal), BSc (Survey) (Natal), GDE (Wits)
Senior executive director of Gold Fields of SA Limited.
Representing South African Chamber of Mines.
Appointed to the Electricity Council in 1997.

B A Khumalo (45) ch

MA (Communication) (Fairfield), AEP (Unisa)
Executive director: Human Resources (Eskom).
Representing Eskom Management Board.
Appointed to the Electricity Council in 1997.

Dr W J Kok (46) ab

DCom (RAU)
Executive director: Finance (Eskom).
Representing Eskom Management Board.
Appointed to the Electricity Council in 1997.

Prof I J Lambrechts (55) aef

DCom (Stell), MBA (Stell)
Professor of Business Management at the University of Stellenbosch. Chairman of Subcommittee for Energy of the AHI.
Representing organised business.
Appointed to the Electricity Council in 1985.

Mrs N Majija (63) ah

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

M Mkwanazi (43) ef

BSc (Maths) (UNIZUL), BSc (Eng) (Natal), Strategies of Successful Business Management (Wharton Business School)
Executive director of Transnet Limited. Director of SA Housing Trust, Khayalethu Home Loans and Freight Logistics International Inc. Chairman of Viamax (Pty) Limited.
Representing Transnet Limited.
Appointed to the Electricity Council in 1997.

L J Mngomezulu (31) cf

Acting chief executive officer of Vereeniging Kopano City Council.
Representing South African National Civics Organisation (SANCO).
Appointed to the Electricity Council in 1995.

A J Morgan (50) abde

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 Energy Association.
Appointed to the Electricity Council in 1994.

D B Mostert (60) acd

BSc, BEng (Stell), MBA (PUCHE), AMP (Harvard)
Representing the Steel and Engineering Industries Federation of South Africa (SEIFSA).
Appointed to the Electricity Council in 1990.

M Ngwenda (35) a

Artisan turner machinist
General secretary of National Union of Metal Workers of South Africa (NUMSA) and national executive member of COSATU.
Representing organised labour.
Appointed to the Electricity Council in 1997.

Mrs J N Seroke (64) dgh

BA (Rhodes)
Trustee of the Women's Development Foundation.
Representing the community.
Appointed to the Electricity Council in 1995.

C G van Veijeren (63) ch

BSc (Agric) (Pret)
Chairman of the Agricultural Cooperative Business Chamber and Citrus Board. Director of Outspan International. Member of South African Agricultural Union (SAAU) Executive and member of Agricultural Research Council.
Representing the agricultural sector.
Appointed to the Electricity Council 1993.

a on Finance Committee
b on Audit Committee
c on Tariffs and Marketing Committee
d on Remuneration and Personnel Committee
e on Tender Committee
f on Regulatory Committee
g on Nuclear Safety Oversight Committee
h on Community Development Committee

ESKOM'S SECRETARIAT

Megawatt Park
PO Box 1091
Johannesburg 2000
South Africa

MEMBERS RETIRED/ RESIGNED DURING 1997

Dr J B Maree OMSG SSAS (73)

Previously chairman of the Electricity Council.
Appointed to the Electricity Council in 1985. Retired.

T G Dale (47)

Represented Chamber of Mines.
Appointed to the Electricity Council in 1997. Resigned.

S Immelman (59)

Represented United Municipal Executive.
Appointed to the Electricity Council in 1993. Retired.

G Mantashe (43)

Represented organised labour.
Appointed to the Electricity Council in 1993. Retired.

A C van Wyk (38)

Represented organised labour.
Appointed to the Electricity Council in 1995. Retired.

Dr G P N Venter (54)

Represented the Department of Minerals and Energy.
Appointed to the Electricity Council in 1992. Retired.

H Whitehead (53)

Represented the Association of Municipal Electricity Undertakings (Southern Africa) (AMEU).
Appointed to the Electricity Council in 1994. Retired.

Chief Executive
A J Morgan (50)

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

Corporate business processes and controls

Technology
J A de Beer (47)

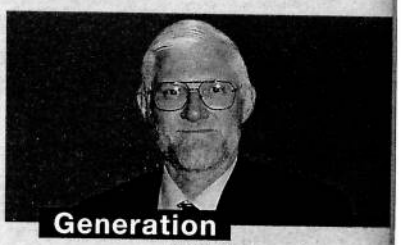
Pr Eng, BSc (Eng) (Pret), MBL (Unisa), AMP (Harvard)
Executive director: Technology.
Joined Eskom in 1978.
Appointed to the Management Board in 1993.

Environmental management
Nuclear safety
Research and development
Technical audit
Technical resources
Technology applications

Human Resources
B A Khumalo (45)

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

Human resources centralised services
Human resources development
Human resources leadership
Industrial relations
Organisational development
Remuneration and benefits
Eskom and Allied Industries Training Board (EAITB)
Integrated Awareness Education, Training and Evaluation System (IAETES)



Generation
B T Crookes (48)

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

Fuel and water management
Generation technology
Power station operations
Project management

Services
V T L Ngubeni (42)

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

Business services
Commercial resource management
Consulting services
Information management
Properties

Transmission

P A Faling (49)

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

Maintenance, refurbishment and expansion of electricity and telecommunications network
Trading and broking of bulk electricity
Transmission network capability
Transmission network operations

Distribution

R S Dabengwa (39)

BSc (Hons) (Eng) (Zimbabwe), MBA (Wits)
Executive director: Distribution.
Joined Eskom in 1992.
Appointed to the Management Board in 1994.

Customer service
Electrification and engineering
Sales and revenue

Finance

Dr W J Kok (46)

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

Corporate finance and planning
Corporate financial management
Corporate risk services
Eskom Finance Company
Treasury

Corporate Affairs

Mrs D D Mokgatle (41)

BProc (UNIN), LLB (Wits),
H Dip Tax Law (Wits)
Executive director: Corporate Affairs.
Joined Eskom in 1991.
Appointed to the Management Board in 1996.

Black economic empowerment
Corporate audit
Corporate investigations
Corporate legal and secretariat
Corporate strategy and transformation
Government liaison
Electricity regulation and interface
Restructuring of the ESI

Marketing and Communication

M S Mosikili (52)

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

Business and market development
Corporate communication
Eskom International
Marketing strategy and implementation
Visual media

New Business Development

L J Messerschmidt (53)

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

New business development

When I assumed the chairmanship of Eskom in March 1997, I did it with the full confidence that all the key stakeholders backed my appointment knowing that I cared about the organisation. I was also fortunate to become chairman of an organisation that is being well managed.

In 1998 we will celebrate the 75th year of Eskom's existence. This kind of celebration provides an opportunity to reflect on our achievements, give credit where it is due, and focus our minds on where our future should be taking us.

Eskom, the world-class organisation that we know today, has its roots in the old Electricity Supply Commission established on 1 March 1923. Since then, the organisation has evolved through a process of social, economic and technological expansion. Its growth has largely mirrored the development of the country, experiencing the same kinds of challenges, problems and excitement, in its quest to bring the ever-changing benefits of electrical technology to the people.

Arguably, the growth of the electricity supply industry (ESI) has, to date, had a more profound effect on the world than that famous and symbolic "great leap for mankind" of the first moon landing. From a single light in Cape Town and a single generator which provided street lights in Kimberley in 1882, electricity has become one of the most vital components of our technological age.

Today Eskom ranks as a world-class organisation and over the years has, through the commitment and dedication of its management and employees, maintained its very high technical and financial achievements. 1997 was no exception. I have personally experienced some of this commitment and dedication in my own contact with employees at all levels and with the trade union representatives on a broad range of issues.

Eskom's 1997 net income amounted to R3 083 million, which is significantly ahead of budget for the year. The 1997 net income also compares favourably with the net income for 1996 (R3 072 million). This is an excellent achievement, especially bearing in mind that in 1996 Eskom benefited from a non-recurring profit of R236 million on the disposal of an investment, and the fact that Eskom made R300 million available in 1997 to facilitate electrification by local authorities.

Eskom's financial position, as measured by the debt-equity ratio, continued to improve during the year. At 31 December 1997 it stood at 1,08:1. This is a far cry from the situation ten years ago when debt levels were nearly three times the equity retained in the business. It is expected that the debt-equity ratio will continue to improve and will reach parity in early 1998. This level of debt is considered appropriate, taking account of the possible future capital requirements when Eskom starts to expand its generating capacity.

The strength of the balance sheet is a major achievement, and this sound financial position provides great flexibility for the future management of the organisation. Eskom's pricing policy ensures that sustainable real price reductions can be achieved while recognising the need for a strong balance sheet.

I am also pleased to report that Eskom capitalised on its strong financial position and good investor relations programme during 1997, by becoming the first South African issuer of Eurorand bonds since the debt standstill in 1985, thereby opening this market for other South African borrowers. In addition, Eskom, in a joint venture with a South African financial services institution, launched a bond unit trust, which allows the opportunity to invest small, regular amounts on a monthly basis. These initiatives are a welcome step in our continuing endeavours to find innovative funding sources, while at the same time diversifying our investor base.

CORPORATE GOVERNANCE

During 1997 Eskom achieved public recognition for its efforts in a number of fields. We were gratified to have been awarded the prestigious Corporate Governance Award in the face of stiff competition from many successful companies in the private sector. This was an exceptional honour and augurs well for the future of the ESI as we enter an era of transition and increasing competition.

FUTURE OF THE ELECTRICITY SUPPLY INDUSTRY

The discussions around the restructuring of the ESI continued, and received greater impetus during 1997. The Government's position on the restructuring of the ESI has been outlined by the Electricity Restructuring Interdepartmental Committee (ERIC). The key recommendations of ERIC were that the entire electricity industry should move to cost-reflective tariffs with separate transparent taxes to fund electrification and other local government services, and that the distribution industry be consolidated into a limited number of independent, financially viable regional distributors. ERIC also recommended the formation of a Transformation Task Team to manage the transformation process.

As a major player in the industry, Eskom was given the opportunity, together with other stakeholders, to submit its views to Government on the ERIC recommendations. Eskom supports the ERIC recommendations and has gone further, by proposing a transformation mechanism to achieve these recommendations, while at the same time ensuring continuity and flexibility during the transformation process.

Another result of the ERIC recommendations was the formation of a Stakeholder Advisory Committee (SAC) during 1997 under the leadership of the Department of

Appointed as Chairman of **Eskom** in 1997

Reuel J Khoza

"Africa is poised to push forward into what has been referred to as the African renaissance. This re-awakening will not happen on rhetoric alone. We have to plan, create initiatives, set things in motion and change more than mere structures and formalities. We must address changes from within."

Minerals and Energy. Eskom is a member of this committee. The SAC began meeting towards the end of 1997 and will continue to meet in 1998 to give input to Government on various restructuring options and process mechanisms.

Eskom's management continues to give support and input to the discussion process, and will focus its attention on ensuring that customers receive a cost-effective and reliable electricity supply.

Whatever future form the ESI takes, it is critical that the benefits of low-cost, reliable electricity are made available to all South Africans, because an efficient electricity industry is vital to the country's economic growth and international competitiveness.

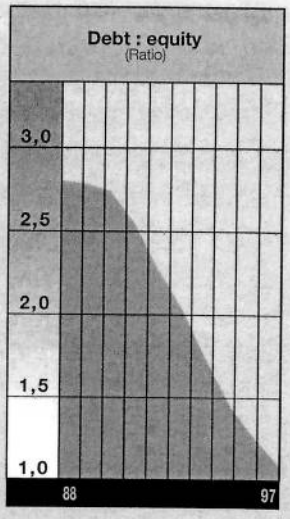
CORPORATISATION OF ESKOM

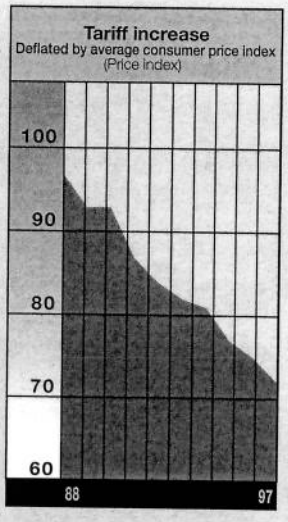
Government has indicated that it wishes to convert Eskom into a company liable for income tax and dividends, and it is anticipated that legislation to this effect should be completed during 1998. When this occurs, it will herald a new era for Eskom which, although it has been operating on business lines, has not been formally subject to the provisions of the Companies Act.

TRANSFORMATION AND ECONOMIC DEVELOPMENT

Eskom is acutely aware that, in order to realise the tough targets which it has set itself in terms of tight financial controls and excellent technical performance, it needs to concentrate a great deal of energy and resources on skills development and transformation of the people in the organisation.

Transformation refers not only to addressing the numbers side of affirmative action, but also to addressing the mental attitudes of many employees derived from generations of not being in any kind of control of their own destiny.





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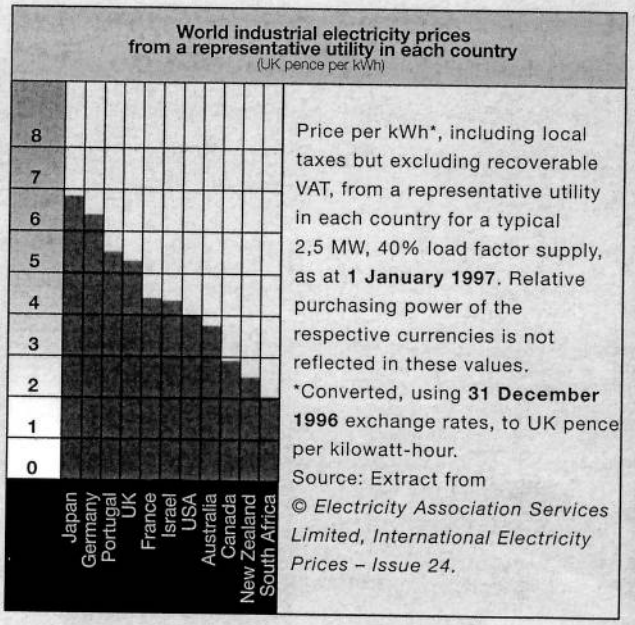


Eskom has adopted a policy framework in respect of black economic empowerment. This framework provides the parameters by which the organisation contributes to capacity building, training, procurement and empowerment. During 1997 Eskom spent approximately R286 million with small, medium and micro enterprises (SMMEs). Eskom is also making good progress in sourcing future coal supplies from small black-owned coal-mining companies. It is anticipated that, in the future, coal supplies from these sources will grow.

These empowerment initiatives represent a major step forward in the transformation process of South Africa, and Eskom will continue to play a full part in this process.

Africa is delicately poised, from where it can descend into chaos or push forward into what has been referred to as the African renaissance. This re-awakening will not happen on rhetoric alone. We have to plan, create initiatives, set things in motion and change more than mere structures and formalities. We must address the changes that need to be made from within. All of this must be reinforced by business and large technical organisations such as Eskom, which must lead by example, instil a rewarding work ethic and demonstrate that the achievement of excellence is possible.

The world today is so interconnected that the concerns of Africa, if not properly addressed, will have inevitable consequences for the economies of other great nations, and vice versa. It is therefore imperative that Africa becomes a substantial net socio-economic contributor towards global economic development.

APPRECIATION

I wish to express my sincere appreciation to the Minister for Public Enterprises, Stella Sigcau, as well as the Minister for Minerals and Energy, Penuell Maduna, and members of the Electricity Council and the Management Board, for their support and dedication in ensuring a smooth transition during the change of chairmanship. I would also like to express a special word of thanks and appreciation to Dr John Maree, former chairman, whose contribution is reflected in so much of what Eskom is today.

There have been a number of changes to the Electricity Council during the year. It is particularly pleasing to see the depth of available talent, skills and knowledge that have been introduced to the Council. The Electricity Council represents a good blend of new and existing members with a rich and diversified experience of South Africa, the ESI and of Eskom. I would also like to thank those members of the Council who retired or resigned during the year, for their many contributions.

Allen Morgan and members of the Management Board deserve credit for the professional manner with which they have kept the business on track while at the same time dealing with the challenges of transformation.

Reuel J Khoza
5 March 1998

INTRODUCTION

Eskom has had an outstanding year in terms of continuing improvement of business performance, particularly in the financial, technical and human resource areas. The growth in sales for 1997 was higher than expected, with positive contributions from international and commodity-producing customers. This growth was particularly pleasing, given the high sales base in 1996, and reflects the continued mood of optimism in the changing environment of South Africa.

During 1997 Eskom won a number of awards and received gratifying public recognition for its achievements. In addition to winning the prestigious Corporate Governance Award, Eskom received a gold productivity award from the National Productivity Institute. This award recognised the significant productivity gains achieved by the organisation over recent years. Eskom has taken up the challenge of not only sustaining its current performance levels but improving future productivity levels even further.

Eskom continues its drive to reduce the real price of electricity, and is determined to achieve its vision of being the world's lowest-cost producer of electricity for growth and prosperity. The 1997 electricity price increase was about 3,6 percentage points below the average consumer price inflation (CPI) rate, and this real price reduction provides a welcome boost to our customers.

Eskom was recognised as one of the leading brands in South Africa, coming second only to the world's leading international soft drink brand.

After its record-breaking performance in 1996, Generation is to be congratulated on maintaining excellent technical performance levels, which is a tribute to the ongoing commitment and dedication of the Generation staff. The best ever unit capability factor (UCF) of 96,7% was achieved during the winter months of 1997.

Transmission continued to improve its reliability, as measured by the number of system minutes that were lost over a 12-month period, thus providing our customers with a reliable source of power. This is a major contribution in ensuring that South African industry is competitive internationally.

Eskom is on track to meet its RDP commitment to electrify 1 750 000 homes between 1994 and the year 2000. Since 1 January 1994 a cumulative total of 1 148 954 new homes have been connected against this target. Eskom's customer base is therefore undergoing a major change, with the number of customers increasing by over 30% each year over the past five years.

Eskom is at the forefront of efforts to improve the skills base of its employees, and has initiated a number of strategies to ensure that the future skills needs of the organisation are met. At the end of 1997, 32% of Eskom's management, professional and supervisory staff were black[1] South Africans compared with 5% in 1993.

FINANCIAL MANAGEMENT

Eskom's financial policy is described in detail in the Directors' Report. In essence, the sustainability of Eskom's business in the long term is dependent on exercising tight financial management and control to ensure that financial viability is maintained. Operating expenditure increased from R12 421 million in 1996 to R14 016 million. On a comparable basis[2], this increase amounts to 10,7%. This is a creditable performance, given the sales growth[3] of 4,3% and an average inflation rate in 1997 of 8,6%. Expressed in cents per kilowatt-hour, our 1997 operating costs[2] increased by 6,2% compared with 1996, which is a good performance.

PREPARING FOR COMPETITION

With the opening up of South African markets, Eskom has to adapt to the fact that its former near monopoly status

1. Refers to blacks, Asians and Coloureds. 2. Excluding the R236 million non-recurring profit on disposal of an investment in 1996. 3. Excludes internal sales.

is being rapidly eroded as the energy industry becomes more competitive.

Accordingly, a policy to prepare Eskom for increased competition has been refined by the Management Board and a new macro strategic framework adopted. The organisation is confident that it will be able to more than hold its own in its traditional local markets and in any new markets it may consider entering, either regionally or internationally. Initially the focus will be on South and Southern Africa. Where suitable opportunities arise elsewhere in the world, these will be seriously considered. During the process, skills transfer and development, as well as black economic empowerment, will remain important criteria along with commercial considerations.

An example is the creation of a joint venture company with Electricidade de Moçambique (EdM) and the Swaziland Electricity Board (SEB), initiated in 1997, to supply electricity to a proposed new aluminium smelter in Maputo, which is scheduled to start operations in the year 2000.

GENERATION PLANT PERFORMANCE AND STATUS

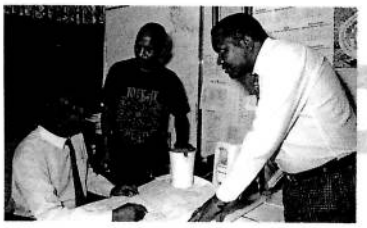
The Generation business had another outstanding year, maintaining the unit capability factor (UCF) above 91,5%. During the winter months of 1997, a UCF value of 96,7% was achieved, which is the highest monthly figure ever achieved by Eskom. As a result of this excellent performance, the maximum demand of 28 329 MW was met with ease.

Majuba unit 2 was taken into commercial operation on 1 April 1997 as planned, but difficulties were experienced with the return to service of Arnot unit 4 which had been mothballed. This has highlighted the need to plan for

Chief Executive of **Eskom** since 1994

Allen Morgan

"Eskom has had an outstanding year in terms of improved business performance. The organisation will continue its drive to reduce the real price of electricity and to be the world's lowest-cost producer of electricity for growth and prosperity."



adequate lead times for the refurbishment and return to service of mothballed plant. This exercise has offered tremendous learning opportunities both to Eskom and the relevant suppliers. The reinstatement of units 5 and 6, which is progressing well, will benefit considerably from the experience gained with unit 4.

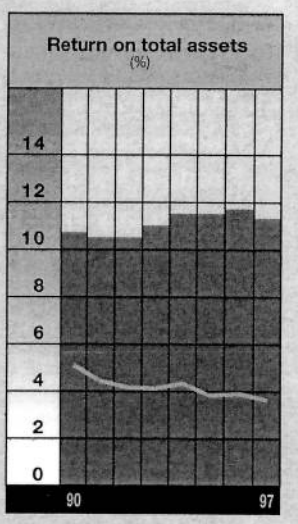
Problems experienced with generators at Matimba and Matla had a negative impact on the UCF of about 1%.

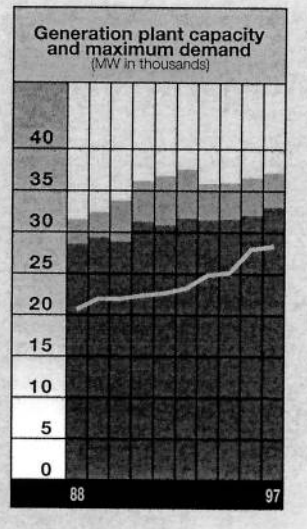
WATER SUPPLY

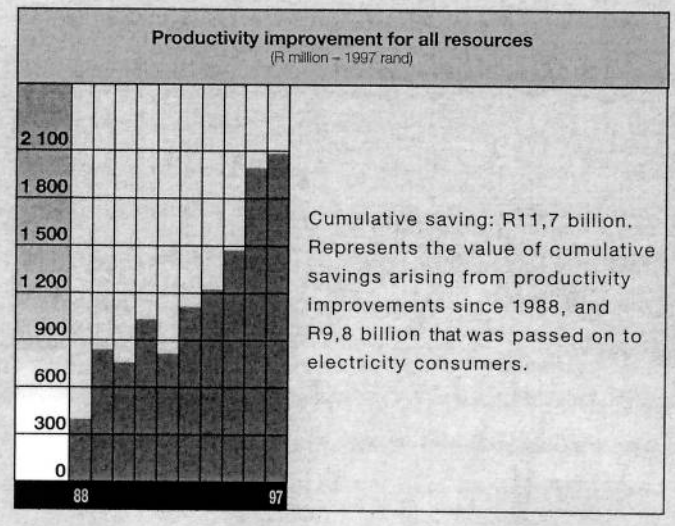
The above-normal rainfall during the two previous rainy seasons ensured that the dams that supply the coal-fired power stations were at full capacity. The predicted below-normal rainfall during the 1997-98 rainy season, due to the effects of the El Niño phenomenon, is therefore not expected to affect Eskom during the 1998 financial year. The dam levels will, however, be constantly monitored and, should it become necessary, long-term contingency plans will be put in place in conjunction with the Department of Water Affairs and Forestry (DWAF).

The year presented a number of new challenges, with the White Paper on national water policy and two new draft water bills issued by Government for comment. Eskom's inputs into national water policy issues have been presented in the relevant forums.

Water costs to Eskom continue to escalate. The total tariff applicable to water from the Vaal River system increased at well above the rate of inflation, rising by 5,5% in April 1997 and again by 48,3% in October 1997.







During 1997 Eskom's coal-fired power stations consumed 224 754 Mℓ (megalitres) of water from Government water schemes to produce 170 464 GWh (gigawatt-hours) of electricity. This is in line with the 215 199 Mℓ consumed in 1996 to produce 163 541 GWh.

HYDRO GENERATION OF ELECTRICITY

South Africa

As a result of the high runoff in the Orange River catchment during the 1996/97 summer, Eskom's two hydro power stations on the river achieved a record 2 092 GWh output for the year. The excess water from Gariep and Vanderkloof dams was used to generate electricity.

During the year final feasibility studies were initiated to confirm the viability of three sites for new pumped storage schemes. Opportunities for the joint development of new hydro schemes with the DWAF were also further explored, including rural electrification and water supply using micro hydro technology.

Southern Africa

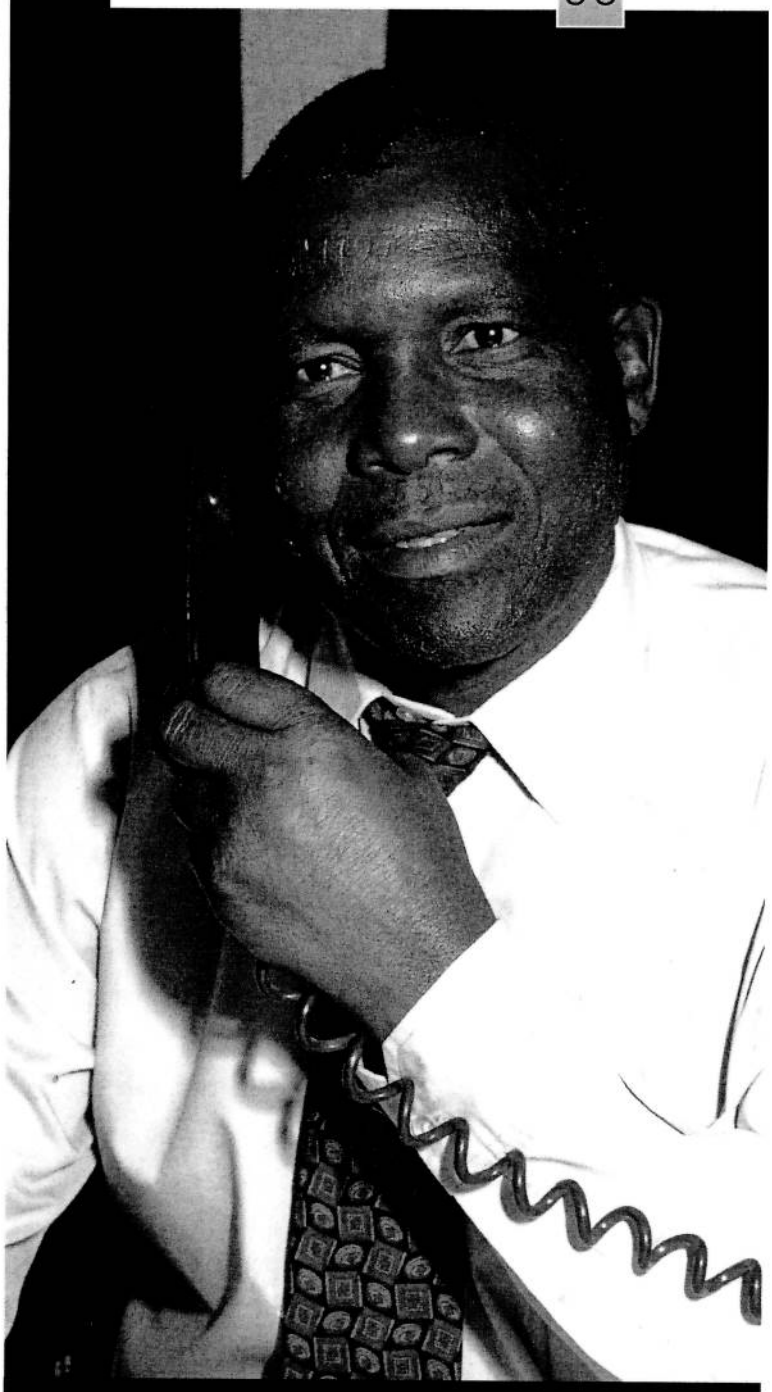
Eskom provided support to utilities in the Southern African region to optimise existing, and investigate new, hydro options. An intergovernmental Memorandum of Understanding was signed between South Africa and Mozambique, enabling studies to be undertaken to confirm the feasibility of a hydro power station on the Zambezi, downstream from Cahora Bassa.

FUEL AND ENERGY MANAGEMENT

Coal

At present, Eskom has generating capacity in excess of electricity demand. This is, however, diminishing, bringing with it a demand for flexible fuel supplies. Current long-term coal supply agreements are inflexible regarding deliveries

Wilson Masemola
has been with **Eskom** for **38** years



Wilson Masemola joined Eskom in 1959 as a general worker on rural line construction. He took an interest in safety matters and did a number of courses on aspects of safety. Later he was promoted to clerk. Taking advantage of Eskom's training and development opportunities, he underwent training courses in customer care, facilitation and supervisory training. He is presently working as a sales advisor in Groblersdal.

and risk sharing. In the next five years Eskom's coal demand will exceed the quantities provided in these long-term supply agreements.

This greater demand for coal will create opportunities for supply flexibility. Negotiations have started to secure more flexibility in terms of deliveries from tied collieries, movement of coal between power stations, spot purchases and more equitable risk sharing.

Studies aimed at finding flexible coal supply and transport options, including coal requirements for Majuba power station, have progressed well, and recommendations to implement the findings could be made during 1998.

Performance of coal suppliers

During the first three months of 1997 exceptionally high rainfall again had a negative impact on the production of the open-pit mines. This, combined with the lower than planned opening coal stockpile levels (the result of the underproduction during 1996), forced Eskom to import coal from non-Eskom-tied collieries, to ensure that coal stocks were at acceptable levels during the winter of 1997.

During the period June to December 1997 the performance of Eskom's coal suppliers improved to such an extent that all the tied collieries, except New Denmark, delivered coal as planned. The remedial actions implemented by Amcoal at New Denmark have resulted in improved production and unit cost performance during the last quarter of 1997.

Eskom and its suppliers are continuously searching for ways to improve coal production. During April 1997 a new total extraction short-wall production section was commissioned very successfully at Matla colliery. Once teething problems had been overcome, this unit improved the South African monthly production record to 343 000 tons during October 1997.

Nuclear fuel

Since the Cabinet decision during October 1996 regarding the recommendations of the Nuclear Fuel Cycle Initiative Report, Eskom has had the freedom to negotiate new nuclear fuel contracts on the open market. Significant cost savings are expected in current and future fuel cycles as a result of this decision.

Nuclear generation and safety

The project to re-rack Koeberg's spent fuel pools with super-high-density racks, to allow the storage on site of spent fuel accumulated over 40 years of operation, is progressing. Negotiations are under way to obtain approval for the installation of racks from the Council for Nuclear Safety.

Koeberg's safety performance continues in line with world standards, but with a strong emphasis on continual improvement.

Unfortunately, during the year there were two incidents when individual workers received radiation exposures above the annual limit laid down by the Council for Nuclear Safety. The level of exposure will not lead to any detectable health effect on the workers involved. The incidents were investigated in depth by both Eskom and the Council for Nuclear Safety, and all resulting issues are being addressed.

Gas

The discovery of natural gas deposits in Southern Africa, if proved to be of significant size, may impact both the

future supply of, and demand for, electricity. Gas has the ability to compete with electricity in meeting certain customer energy needs, and it can be used as a fuel source for electricity generation.

During 1997 Eskom signed a Memorandum of Understanding with NamPower, the Namibian electricity utility, and Shell Exploration to investigate further the long-term commercial feasibility of using gas from the Kudu field to generate electricity.

IMPROVED AIR QUALITY

Eskom produced the first scientifically valid data that indicated an improvement in air quality and visibility in the Mpumalanga area. Particulate emissions have reduced by 91% since 1982.

At an operational level, an electrostatic precipitator flow modification, developed in 1996, has not only reduced particulate emissions, but has also already saved Eskom more than R26 million in negating the installation of costly fluegas-conditioning plant.

TRANSMISSION CHANGING WITH THE TIMES

Transmission has undergone a number of changes during 1997 in order to serve its customers better and to align itself with the democratisation that is taking place in the country and in the workplace. This has involved changing its business structure to a process-based organisation to ensure that all outputs are customer-focused.

In addition, Transmission formed customer load networks to serve its distribution customers better, and to provide more efficient and effective technical support to major industrial or growth areas. Improved quality of supply has been achieved by continuing refurbishment of equipment and improving rapid response to service requests. This means that Eskom will be able to reduce capital expenditure by about

Jeremiah Pitse has been with **Eskom** for **41** years

Jeremiah Pitse from the air-conditioning section at Lethabo power station is proud of the fact that he has only missed ten days' work in the last twelve years, and is able to turn his hand to anything from painting to plumbing and boiler maintenance. Although he never went to school, he has taught himself to read and write by attending evening classes. He and his family are regular church-goers and he says if he had to live his life again, he would still work for Eskom.

R300 million per annum for the next three or four years.

IMPROVED TRANSMISSION PLANT PERFORMANCE

Both the total number and severity of transmission interruptions during the year showed a significant improvement on the previous five years. The number of low-frequency incidents (less than 49,7 hertz) also improved.

TRANSMISSION SYSTEM EXPANSION

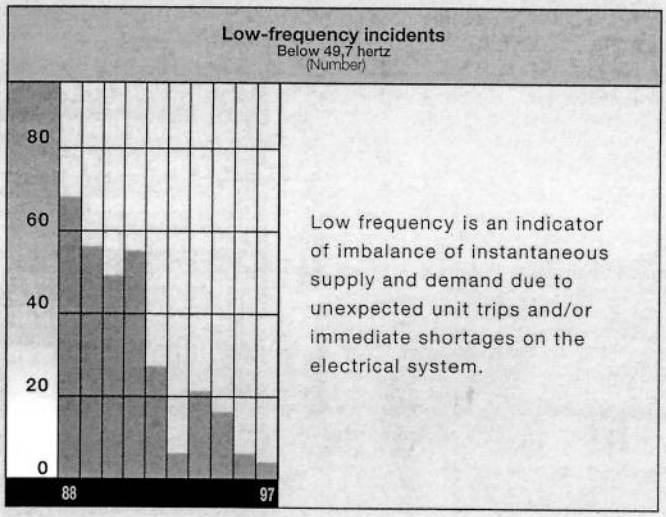
To ensure that quality of supply is maintained, an extensive expansion programme was tackled during 1997 with over R900 million of new assets being constructed. During the year, 398 km of 400 kV, 137 km of 275 kV and 104 km of 132 kV lines were constructed. In addition, 1 300 MVA capacity was installed on the transmission network.

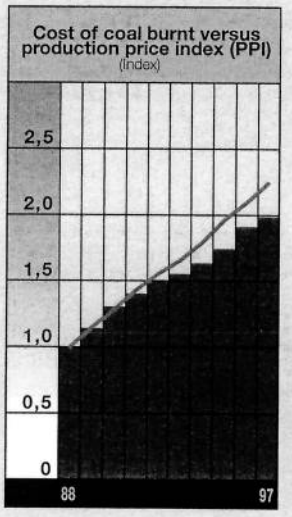
Much of this work was done in very harsh terrain, particularly as far as the KwaZulu-Natal and the Droërivier-Hydra 400 kV transmission lines were concerned. The latter line forms part of the planned strengthening of the supply to the Western Cape.

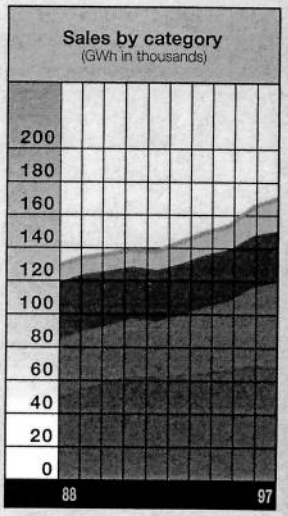
The electricity supply to Saldanha Steel was completed slightly ahead of schedule, to the satisfaction of both parties.

EXPORTING OF POWER

Transmission is also involved in extensive and ongoing discussions with the National Electricity Regulator (NER) to establish a pricing framework for exports of energy to other Southern African countries and regarding the







financial separation of the broking and trading activities of Transmission.

At present Eskom transmission has export contracts with Zimbabwe, Botswana, Mozambique and Namibia. By improved trading methods and systems, Eskom was able to support other utilities to the north by means of short-term sales, which have been mutually beneficial.

Export of electrical energy to neighbouring states has increased by 24%, of which export to Zimbabwe formed a major portion.

PROGRESS ON CAHORA BASSA

The reconstruction of the high-voltage DC line between Cahora Bassa and South Africa has been completed and is expected to be providing commercial supply by April 1998. Eskom is engaged in ongoing discussions and negotiations in respect of the tariff arrangements for Cahora Bassa.

SOUTHERN AFRICAN TRANSMISSION GRID DEVELOPMENT

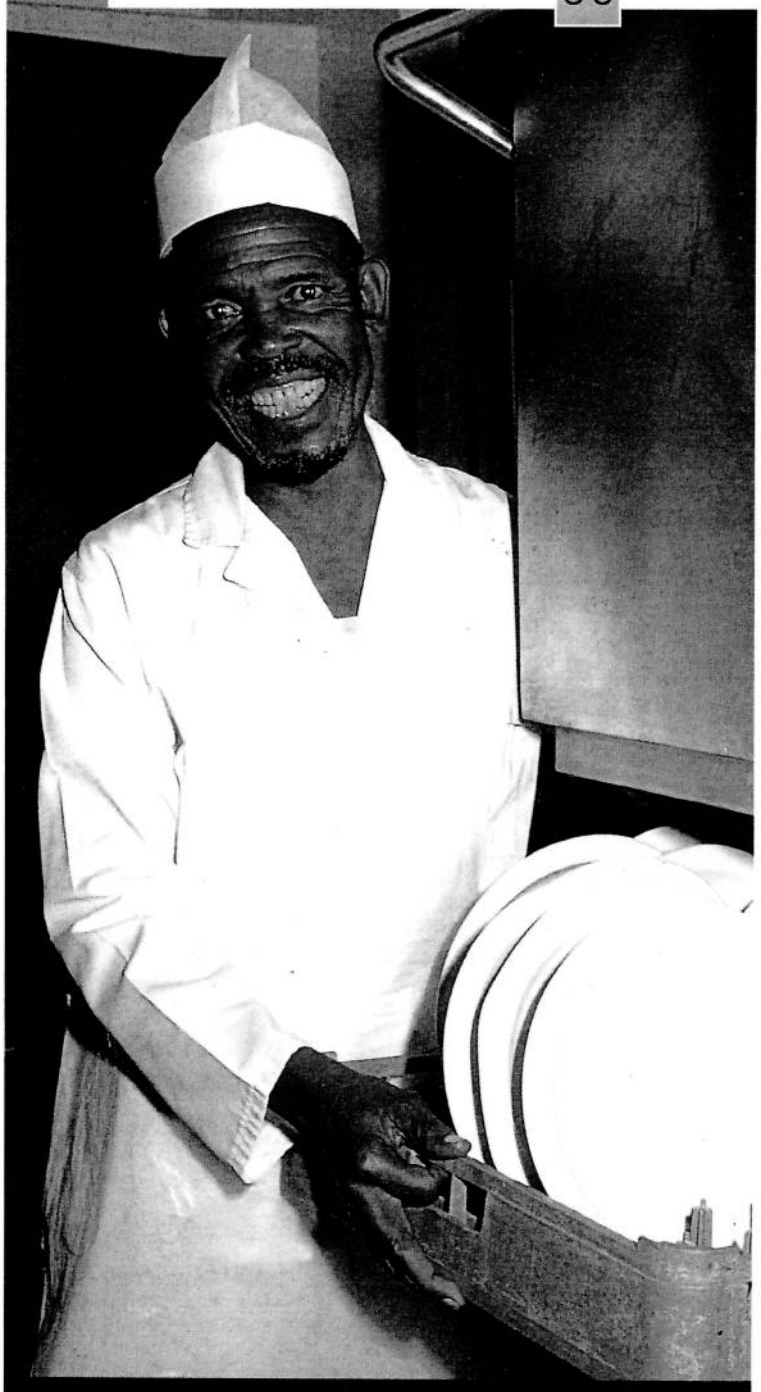
One of the main reasons for expanding the transmission grid into Southern Africa is to exchange energy and, ultimately, to stimulate development of the hydro generation sites in Mozambique, Angola and the Democratic Republic of Congo as a source of renewable and inexpensive power.

SNEL[1] (Democratic Republic of Congo), ENE[2] (Angola), NamPower (Namibia) and Eskom (South Africa) are all involved in a study being undertaken to develop a transmission interconnection from Inga in the Democratic Republic of Congo via Angola and Namibia to South Africa.

Studies have been completed and work will commence on a new 400 kV interconnection between the Northern Cape and Namibia (420 km).

1. Société Nationale d'Electricite. 2. Empresa Nacional de Electricidade.

Paulos Mahlangu
has been with **Eskom** for 38 years



M P Mahlanga, food service assistant in the kitchen at Wilge power station, is one of the reasons the kitchen keeps running smoothly. His main duties include cleaning the kitchen, washing the dishes, tidying the dining room and preparing the vegetables for cooking.

SOUTHERN AFRICAN POWER POOL (SAPP)

Eskom continues to liaise with other members of the SAPP to improve operational efficiency, increase reliability of supply and reduce costs, so that energy capacity within the region can be optimised for the benefit of its members through interconnected power systems.

DISTRIBUTION BUSINESS

While the discussions surrounding the restructuring of the ESI continue, Eskom has maintained its focus on the business of serving its customers as efficiently and effectively as possible. This includes ongoing customer care programmes, processes and tight financial discipline, while retaining sufficient flexibility for whatever structures emerge from the restructuring debate.

Improved productivity in the construction side of the distribution business, increased standardisation of designs and tightening of financial controls on capital investments, have all contributed to increased efficiency.

SALES BY CATEGORY

Historically, Eskom's sales growth has been closely linked to the growth experienced in the South African economy. The sales growth of 4,3% in 1997 has been achieved, at least in part, by a number of Eskom marketing interventions, some of which bring new and innovative pricing arrangements to customers to sell additional electricity.

LOCAL AUTHORITY BULK ARREARS

To assist local authorities with bulk debt accumulated prior to 30 June 1995, Eskom offered them an agreement whereby these arrears would be written off provided current accounts were paid in full. This has had a very positive impact on payment levels. Steps are being taken against the few local authorities which have not met their commitments.

CROSS-SUBSIDISATION

The issue of cross-subsidisation within the ESI has been extensively debated recently. It is recognised that cross-subsidisation exists between customer categories and classes, and depends on the electricity supply voltage levels and location of consumers. These cross-subsidies will only be eliminated through the introduction of cost-reflective tariffs, with transparent subsidies for electrification, as recommended by the Government's Electricity Restructuring Interdepartmental Committee (ERIC).

Cost-reflective tariffs require an industry-wide cost of service study to be completed and Eskom is assisting the NER to undertake such an exercise. In the meantime Eskom is gradually adjusting certain tariffs each year in accordance with its five-year tariff plan.

ELECTRIFICATION REVENUE

Electrification revenue losses also showed a significant improvement reducing from 38% in 1996 to 26% in 1997 despite the growing customer base.

NON-GRID ELECTRIFICATION

A programme undertaken by Eskom, acting as project manager for the Department of Minerals and Energy, to provide electricity to remote rural schools by using photovoltaic power, is progressing steadily. This programme ensures that rural schools in remote areas, which would otherwise have been neglected, can receive the benefits of electricity. Many of the communities have, for the first time, experienced some tangible demonstration of delivery of modern technology, albeit with a limited supply.

The joy and appreciation of the pupils, school staff and community members is truly heart-warming.

TECHNICAL SERVICE TO THE ELECTRICITY INDUSTRY

Internationally, the introduction of competition into the ESI has necessitated a review of the way the Technology Group conducts its business. Plans are in place to increase the focus of the group on non-Eskom business, and this emphasis will continue into 1998 and beyond. Although Eskom will remain its prime customer, the success of the group will become increasingly dependent on external business.

STANDARDISATION

Eskom continues to believe that the performance of the ESI as a whole is dependent on a high level of standardisation and therefore continues to support and work with the municipal electricity departments and the NER on the development of common industry standards.

RESEARCH PROGRAMMES

Eskom's applied research programme focuses on those technological advances that underpin its core business and commercial activities while remaining conscious of, and seeking to minimise, the environmental impacts of Eskom's activities. The investment in technical research and development during 1997 amounted to R85 million (0,41% of revenue). Research programmes will continue to supply detailed data for optimised integrated electricity planning, as well as ways to develop South and southern African capacity through a variety of new technologies.

John Mahlangu, a heavy rigid vehicle driver at Fleet Management, started as a driver 38 years ago. He was the first black driver at Eskom Park (Witbank).

HUMAN RESOURCES ACHIEVEMENTS

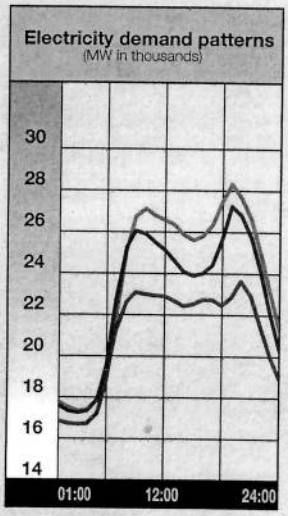
In terms of human resources management, Eskom can be proud of a number of achievements.

PEOPLE DEVELOPMENT

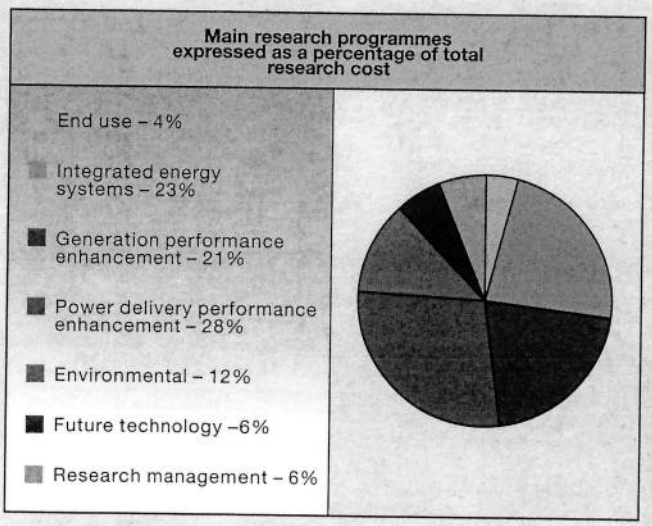
Eskom established a Council of Learning to formulate strategies that would optimise human resource development. In order to implement these strategies, an Integrated Learning Programme (ILP) was launched in 1997. ILP forms the basis of an overall guiding policy for all people-related development initiatives, and also creates a formal structure to co-ordinate the large variety of existing learning processes into an integrated learning system.

On a broader front, Eskom continues to increase its investment in education. The Eskom John Maree Scholarship Trust has been established to support mathematics and science teachers to further their studies by means of a Further Diploma in Education, or a BEd degree. In addition, Eskom recently launched the Eskom Walter Sisulu Secondary School Scholarship Scheme to assist in the areas of mathematics and science.

Eskom's contribution to tertiary education has been recognised by a number of awards, including the prestigious Bozzoli Award from the University of the Witwatersrand and an excellence award from the Peninsula Technikon.



—Winter peak day 30/06/97
—Typical winter day
—Typical summer day



AFFIRMATIVE ACTION

We are achieving the transformation of the organisation in terms of affirmative action. At the end of 1997, 32% of Eskom's management, professional and supervisory staff were black and positive steps are being taken to change the organisational culture to be more inclusive and respectful of cultural diversity. Most of this movement has been brought about by external recruitment. However, there is currently a drive to focus more on the internal development and promotion of employees in line with Eskom's continually changing business needs.

Eskom strives for an end state where:

- race, gender, creed and cultural diversity have no negative effects on the workplace;
- performance and ability are the only criteria by which employees and potential employees are judged; and
- Eskom is viewed as having even greater credibility and legitimacy.

LABOUR LEGISLATION

Eskom's industrial relations system and human resource practices are well aligned with current labour legislation and in many instances exceed the minimum requirements prescribed. The spirit and intent of the Labour Relations Act (66 of 1995) is fully captured in the Unfolding Vision Agreement which was jointly developed by Eskom and the trade unions. The participative structures that exist allow for employee participation in the decision-making process.

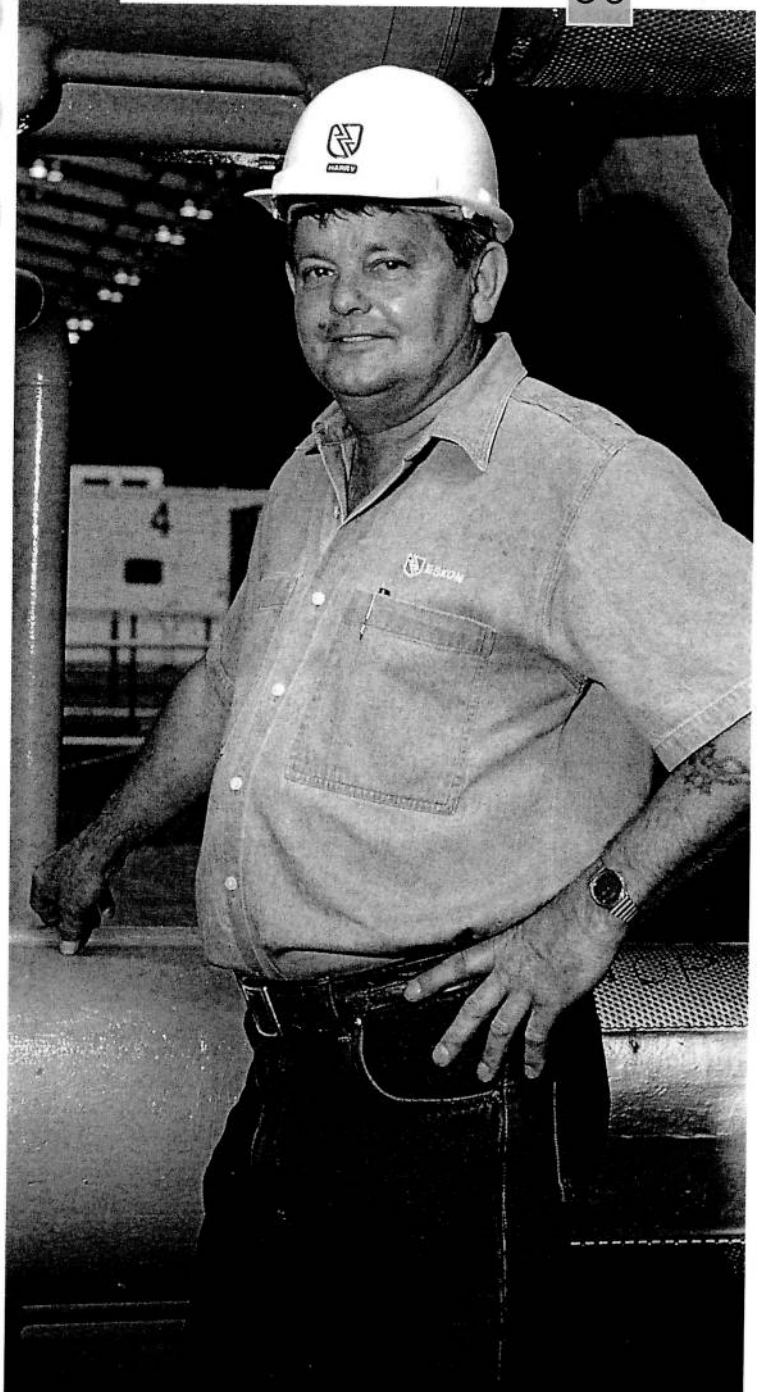
The Skills Development Bill is being assessed to ensure that structures, programmes and policies will be aligned with the intention of the bill.

MEDICAL AID

On 1 January 1997, ESMED, a new managed health care medical aid scheme was implemented for Eskom employees. During 1997, ESMED experienced a number

Harry Soekoe

has been with **Eskom** for **33** years



Harry Soekoe started his career at the old Vaal power station. He has a keen interest in safety and safety competitions. On a number of occasions he was involved in rescue work, both at power stations and public sites, as an active member of Red Cross International. He takes pride in his long association with Eskom and has a high regard for the many colleagues who have shared his working life.

of administrative, technical and financial problems. The Board of Trustees of ESMED, which comprises representatives of employees, pensioners, organised labour and Eskom, is responsible for the well-being of the scheme. Eskom has committed resources to assist the trustees to resolve the problems. In the longer term, it is important that affordable and cost-effective contributions are matched by appropriate benefits for members.

HIV AND AIDS

Dealing with the threat of HIV and AIDS and their effect on the organisation in the longer term, remains a priority, and Eskom has developed a number of strategies to combat the disease. These include treatment of sexually transmitted diseases, awareness and education programmes, training of peer health educators and the distribution of condoms.

RECOGNITION OF ESKOM'S ROLE IN DEVELOPMENT

It is heartening that Eskom has received recognition in the form of additional awards, such as the RDP Masimanyane Award for small business franchise projects in the Eastern Cape and recognition by the European Council for Global Business in Spain, for Eskom's positive involvement in small business and economic development.

MARKETING AND COMMUNICATION

In 1997 Eskom was involved in two international benchmarking projects to assess its marketing and communication activities compared with international utilities. Eskom's Marketing and Communication Group outperformed its international peer groups for the third year in succession. Eskom also performed extremely well against cross-industry strategic marketing and communication processes.

OUTSOURCING OF INFORMATION TECHNOLOGY

During 1997 agreement was reached with the trade unions at the Restructuring and Transformation Committee to outsource certain components of Eskom's information technology service delivery. This was endorsed by the Minister for Public Enterprises during November 1997. The outsourcing project will start in earnest in 1998 and is expected to be completed approximately nine months after vendor selection.

FUTURE OUTLOOK

Reviewing the goals and objectives which the organisation has set for itself over the period under review, I am confident that Eskom is well positioned to make a positive and lasting contribution to both South Africa and the Southern African region.

Nevertheless, there are a number of significant challenges that need to be addressed.

The whole question of Eskom becoming subject to tax and dividends will have profound effects on both business structures and processes. These matters will, to a large extent, be dependent on Government's decisions regarding the future of the ESI, which are expected to be finalised during 1998.

It is important that we maintain our business focus, while at the same time providing input to the transformation process for the ESI. Some progress has been made in 1997 and Government has indicated that it will consult with all key stakeholders before final decisions are made. The evolution of the ESI will take some time, but in the context

of the development of South Africa, it is vital that this process is thoroughly considered and debated.

The electrification programme will be sustained. The responsibility for funding this programme still needs to be addressed in the context of the future industry structure, taxation and dividends.

We have forecast an average sales growth of 2,9% over the next five years and Eskom is well able to meet this increased demand. A portion of the 1997 sales growth was as a result of particular requirements from some of our neighbouring states. This augurs well for increased mutually beneficial cooperative agreements with members of the SAPP in the future. However, a number of matters need to be resolved in this arena, including agreement on the best possible usage of the infrastructure and the electricity outputs of Cahora Bassa to the benefit of all parties.

The present volatility in the international gold markets has cast doubt on the viability of a number of gold mines. Nearly 12% of Eskom's total energy is sold to the gold mining industry. Almost half of the gold mines in South Africa are considered marginal at the present gold price of around $300 per ounce, and many mines have already announced closure. Eskom's sales to this sector are therefore under severe threat. A positive aspect emerging from all of this, however, is that smaller black economic empowerment groups are taking over some of these marginal shafts in an attempt to keep them open and operational, and this should reduce any immediate impact on Eskom.

Eskom will continue to focus a great deal of effort on developing its skills base in a determined drive to improve customer service and to broaden black economic empowerment initiatives.

Gwen Arundale has been with **Eskom** for **35** years

Gwen Arundale joined Eskom 35 years ago in the land survey section when draughting was still done by hand using a dip pen, which she claims was only shortly after the quill pen went out of fashion. Since then she has handled cadastral survey contracts used for the registration of servitudes and property. Most of this type of work is now handled on CAD computer systems.

Safety remains an area of concern, as evidenced by the unacceptably high levels of disabling injuries and fatalities. The Management Board is firmly committed to improving all aspects of Eskom's safety record.

I am confident that our excellent technical and financial performance will be sustained, and that we will continue to improve efficiencies in all aspects of the business as we strive to reduce the cost of electricity.

Eskom can be proud of the way in which it has performed as an organisation during these challenging times.

ACKNOWLEDGEMENTS

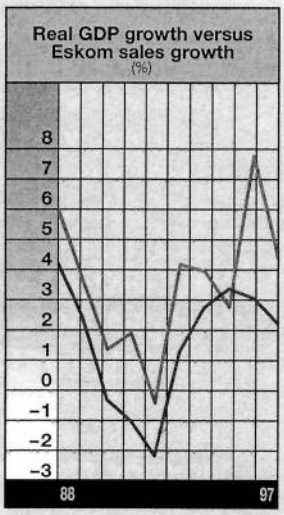
My thanks to the Minister for Public Enterprises, Stella Sigcau, for her continued interest in, and support for, the affairs of Eskom. I would also like to thank the Minister of Minerals and Energy, Penuell Maduna, for his input and support.

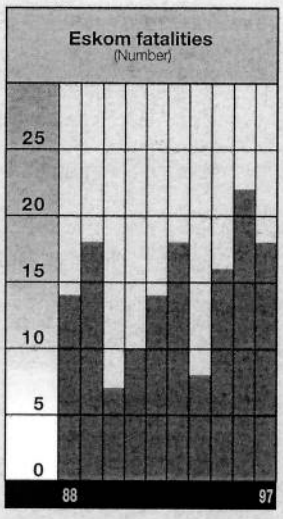
The enthusiasm and guidance provided by the Electricity Council members has been invaluable and I thank them sincerely for their efforts on behalf of Eskom and the ESI.

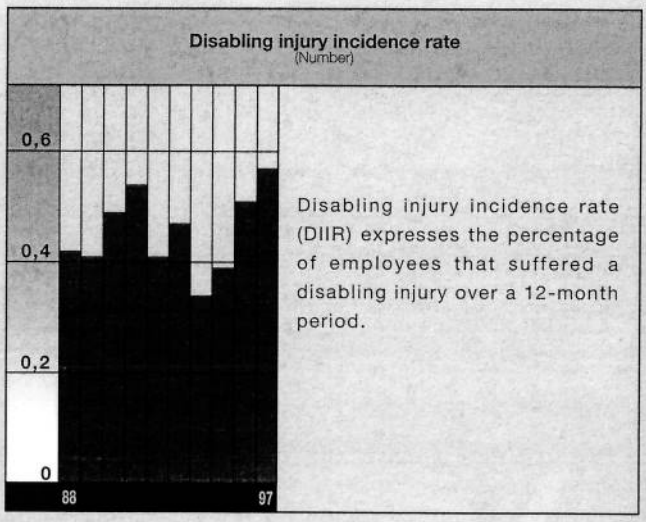
I would also like to thank my colleagues on the Management Board for their hard work, dedication and determination to make Eskom a winning organisation.

My thanks to the Board of the National Electricity Regulator for the continued spirit of co-operation between Eskom and the NER.

I thank the representatives of organised labour for their efforts on behalf of their constituencies and look forward to a year of positive participation in our various negotiations.



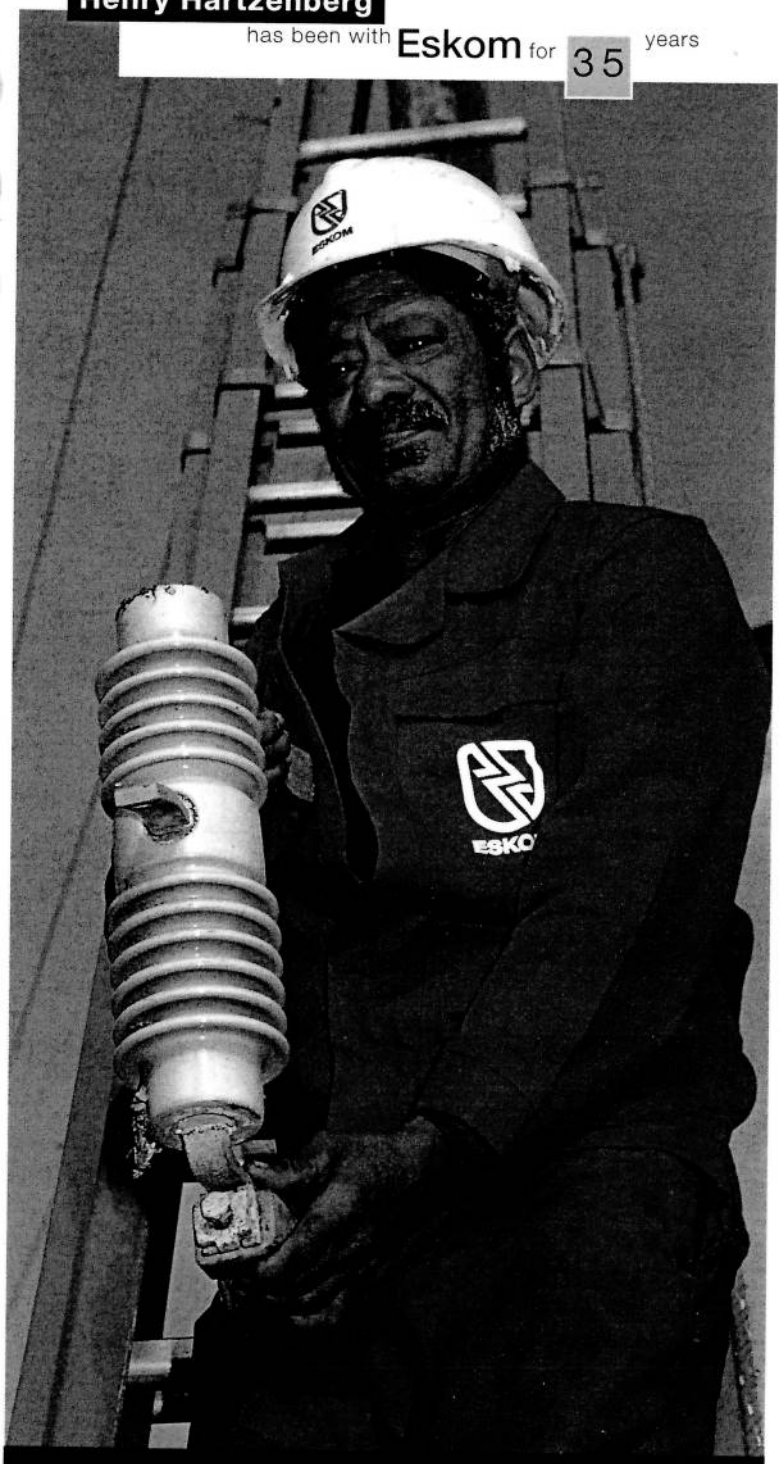




Eskom's outstanding performance could not have been achieved without the hard work, determination and commitment of all Eskom employees. The organisation is always appreciative of their efforts. As we move forward to the celebration of Eskom's 75th anniversary we felt that it was fitting to pay tribute to those people who have dedicated almost their entire working lives to Eskom. It is not possible to include everyone, but it is my sincere hope that the pictures included in this report will serve as a symbol of thanks to all employees in all their various occupations, but especially to those with long service.

Allen Morgan
5 March 1998

Henry Hartzenberg
has been with **Eskom** for 35 years



Henry Hartzenberg started out laying cables and he now works as a linesman. He has enjoyed his working life with Eskom but feels that the time will soon be coming when he will be glad to make way for the younger generation.

AGRELEK
AN ADVISORY SERVICE FOR AGRICULTURE

Agrelek assisted Eskom in achieving additional energy sales through product development and the provision of strategic direction and advice to the agricultural and farming sector.

ELEKTROSERVE
PROFESSIONAL ADVICE FOR COMMERCIAL SERVICES

ElektroServe focuses on the commercial market including hospitals, retail trade operations, electric transport and the tourism industry.

ELEKTROWISE
ELECTRICITY ADVICE FOR THE HOME

ElektroWise provides services to the residential customer base and is geared to educate residential customers on the wise and safe use of electricity as well as the affordability and viability of electrical power in emerging markets.

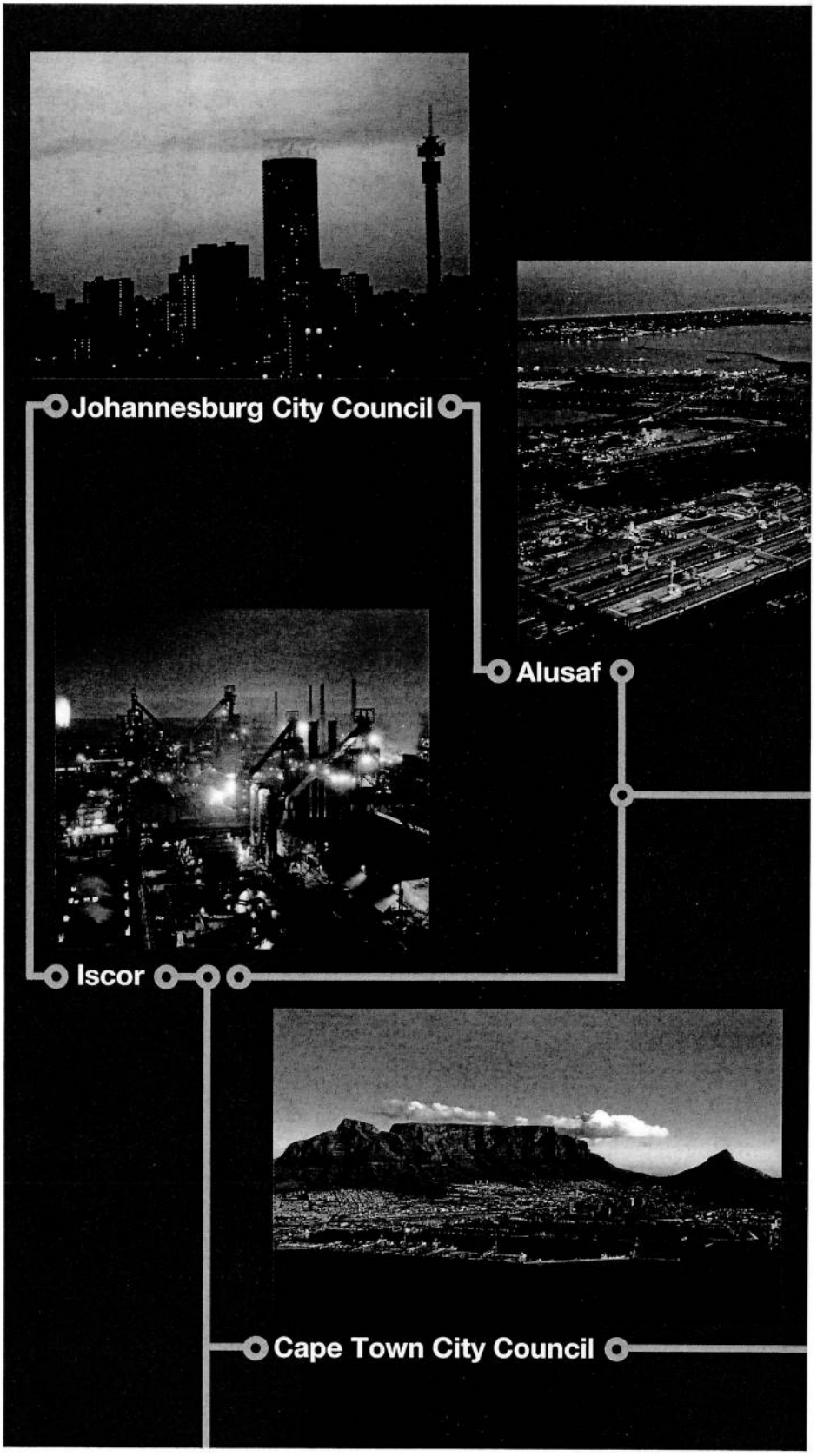
INDUSTRELEK

Industrelek which serves the industrial market segment, has expanded its vision to include the development of value added energy products such as concrete curing, wood waste resource management, dielectric processing of timber, galvanising and powder coating, energy management and load shifting.

UTILIMARK
PROGRESS THROUGH POWER MARKETING

UtiliMark was launched in March 1997 and is dedicated to enhancing Eskom's relationships with customers and improving productivity and profitability.

Eskom is dedicated to providing superior customer service. Specialised attention is provided to different segments of the customer base through the five branded services. Whether customers are large or small there is an Eskom team ready to address their needs. Eskom was voted the second most respected and admired brand in South Africa.



Richards Bay Minerals

Sasol

Port Elizabeth City Council

Durban Corporation

Freegold

Pretoria City Council

Five-year financial review – 31 December

	1997 Rm	1996 Rm	1995 Rm	1994 Rm	1993 Rm
FINANCIAL POSITION					
Total reserves	**25 029**	21 893	18 821	16 105	13 837
Long-term provisions	**1 979**	1 539	1 177	789	396
Net interest-bearing debt	**26 991**	27 298	27 278	27 884	28 027
Total assets	**56 912**	53 770	50 625	47 364	44 397
Net assets	**53 999**	50 730	47 276	44 778	42 260
OPERATIONS					
Revenue	**20 448**	18 687	17 114	15 417	13 793
Operating expenditure	**14 016**	12 421	11 315	9 963	9 000
Net interest and finance charges	**3 349**	3 194	3 083	3 186	3 147
Net income	**3 083**	3 072	2 716	2 268	1 646
CASH FLOW[1]					
Cash generated by trading operations	**9 605**	8 809	9 631	7 998	6 819
Net interest and financing charges paid	**(2 766)**	(2 631)	(2 848)	(2 863)	(3 043)
Cash flows from operating activities	**6 839**	6 178	6 783	5 135	3 776
Cash utilised in investment activities	**(5 886)**	(5 610)	(5 835)	(4 735)	(4 041)
Cash effects of financing activities	**(468)**	(1 907)	505	(739)	(415)
Debt raised	**2 703**	1 934	4 338	1 714	2 582
Debt repaid	**(3 100)**	(4 321)	(2 520)	(2 665)	(3 462)
Decrease/(Increase) in long-term financial market investments	**(71)**	480	(1 313)	212	465
Net increase/(decrease) in cash and cash equivalents for the year	**485**	(1 339)	1 453	(339)	(680)
RATIOS					
ASSET MANAGEMENT AND PROFITABILITY					
Net asset turn	**0,38**	0,37	0,36	0,34	0,33
Return on total assets, %	**11,30**	11,65	11,45	11,52	10,80
GEARING					
Debt:equity	**1,08**	1,25	1,45	1,73	2,03
Interest cover	**1,92**	1,96	1,88	1,71	1,52
PERFORMANCE					
Value created per employee, R'000	**360**	330	293	262	230

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 total 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

1. Cash flows restated to comply with GAAP changes.

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

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

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

	1997		1996	
	Rm	**%**	Rm	%
VALUE CREATED				
Revenue and manpower cost capitalised	**20 814**		19 038	
Less: Cost of primary energy, materials, services and abnormal items	**(6 615)**		(5 815)	
	14 199	**100**	13 223	100
VALUE DISTRIBUTED				
To remunerate employees for their services[1]	**4 726**	**33**	4 278	32
To providers of finance for monies borrowed	**3 349**	**24**	3 194	25
	8 075	**57**	7 472	57
VALUE RETAINED				
To maintain and develop operations	**6 124**	**43**	5 751	43
	14 199	**100**	13 223	100

1. Including capitalised manpower costs amounting to R366 million (1996: R351 million).

Value created increased by 7,4% compared with 1996. Similarly, value distributed to employees increased by 10,5% during the same period.

Value distributed to financiers and investors decreased from 25% to 24%.

The value retained in the business for the maintenance and replacement of assets has remained at 43%. This is in line with the policy of strengthening Eskom's financial position for the benefit of existing and future customers.

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 independent of productivity and 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.

	1997 **Rm**	1996 Rm
Net income for the year	**3 083**	3 072
Add back provisions not impacting on overall performance	**128**	–
Adjusted net income for the year	**3 211**	3 072
Net income for the previous year	**3 072**	2 716
Change in net income	**139**	356
Attributable to:		
Productivity improvement	**91**	488
Price underrecovery	**(241)**	(382)
Growth	**289**	250
Total change in net income	**139**	356

Continuous and sustainable improvement in productivity performance is a key focus area for the business. This is again reflected in the 1997 results. For the fifth year in succession, the business has improved its bottom-line productivity performance.

During 1997 improvements in productivity created additional wealth of R91 million. This improvement was achieved despite a R184 million productivity loss from electrification and network take-overs that will provide social and economic benefits in the future. In its core business Eskom achieved a productivity gain of R225 million, as a result of better utilisation of capacity.

The results also show that Eskom passed the benefit of R241 million during the year on to electricity consumers in respect of a price underrecovery. This was achieved as Eskom's electricity price increase was lower than the impact of inflation on the business.

Over the past ten years, Eskom's cumulative productivity savings, expressed in 1997 rands, amounted to R11,7 billion. A major portion of this saving has been passed on to Eskom's customers through a cumulative price underrecovery of R9,8 billion over the same period.

The above performance figures have been audited by the National Productivity Institute (NPI). The audit included an examination of the structure of the productivity analysis, the appropriateness of quantity and price drivers, the accuracy of the model and the derivation and presentation of the results. In the opinion of the NPI, the productivity statement fairly represents the overall performance of Eskom for 1997 when compared with 1996.

Eskom has long subscribed to the principles of openness, integrity and accountability and seeks to comply 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 of 1987. The Council is responsible for determining policy and objectives and for exercising control. 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. 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 chief executive, the executive directors of Finance and Human Resources, all the members of the Council are non-executive and are representative of a wide range of stakeholders. All Council members are actively involved in, and bring independent judgement to bear on, Council deliberations and decisions.

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

The Council meets regularly and monitors executive management through a structured approach to delegation, reporting and accountability. This structured approach includes reliance on various Council subcommittees.

The Board consists of a chairman, and ten executive directors who are appointed by the Council. The chief executive and the executive directors of Finance and Human Resources are also members of 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.

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 the 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 auditing and reporting on the financial statements in conformity with generally accepted auditing standards.

The financial statements are prepared in accordance with generally accepted accounting practice 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.

AUDIT COMMITTEE

The Audit Committee, which comprises Council members, co-opted members and the chief executive, is chaired by a Council member. Committee meetings are also attended by the executive director of Finance, the head of Corporate Audit, the external auditors and other relevant corporate officials.

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 chairman 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 those critical risk areas 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 and these controls are augmented by approval frameworks, policies and organisational structures that 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.

The executive directors performed a self-assessment on the control environment in November 1995. Corporate Audit recently completed a follow-up review of the actions required to improve the control environment and concluded that the necessary actions had been taken or are taking place.

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 Remuneration and Personnel Committee. This Committee is chaired by the chairman of the Council and comprises the chief executive and four other Council members.

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

EMPLOYEE PARTICIPATION

Unions and employees participate in the determination of Eskom's policies and objectives through their representation on the Council and through a variety of participative structures established to involve employee representatives in the business of Eskom. Employees 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, and all employees are made aware of its contents. The Audit Committee and the Management Review Committee[1] collectively fulfil the functions of an Ethics Council, which oversees the ongoing efforts to maintain ethical behaviour within Eskom.

ENVIRONMENTAL IMPACT CONTROL

Environmental management is driven from the highest level of Eskom. The chief executive and executive directors take accountability for Eskom's environmental performance. They constitute, together with the Corporate Environmental Manager, the Environmental Steering Committee of the Management Board. This committee is the custodian of Eskom's environmental policy.

GENERAL

Eskom continues to comply with all major recommendations of the King Report on corporate governance.

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.

1. Management Board and senior general managers.

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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.

	1997	1996
French franc	**1,23**	1,12
German mark	**0,37**	0,33
Pound sterling	**0,12**	0,13
Swiss franc	**0,30**	0,29
Japanese yen	**26,72**	24,83
US dollar	**0,21**	0,21

The annual financial statements for the year ended 31 December 1997, set out on pages 42 to 78, have been approved by the Management Board and Electricity Council and signed on their behalf on 5 March 1998 by

Reuel J Khoza
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

TO THE MINISTER FOR PUBLIC ENTERPRISES

We have audited the annual financial statements of Eskom set out on pages 42 to 75 for the year ended 31 December 1997. The annual financial statements are the responsibility of Eskom's directors. Our responsibility is to express an opinion on the annual financial statements.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit was also planned and performed to obtain reasonable assurance that, in all material respects, the relevant requirements of the Reporting by Public Entities Act, 1992, as amended, have been complied with.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

We concur with the decision of the Electricity Council and the Management Board not to prepare consolidated annual financial statements as stated in the Directors' Report.

AUDIT OPINION

In our opinion:

- the financial statements fairly present, in all material respects, the financial position of Eskom at 31 December 1997, and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by Schedule 4 of the Companies Act, 1973, the Eskom Act of 1987, and other reporting requirements as set out in the Reporting by Public Entities Act, 1992, as amended, and the regulations thereto;
- the information furnished in terms of Section 6 and 7 of the Reporting by Public Entities Act (Act No. 93 of 1992) is fair in all material respects and, where applicable, consistent with that of the preceding year; and
- the transactions of Eskom, that were examined during the course of our audit, were made in accordance with applicable laws and instructions and, in all material respects, are in accordance with mandatory functions of Eskom, as determined by law or otherwise.

We have examined the current value financial statements set out on pages 76 to 78. In our opinion the statements have been properly prepared on the basis set out in the notes thereto.

Nkonki Sizwe Ntsaluba
Registered Accountants and Auditors
Chartered Accountants (SA)

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)

KPMG
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg, 5 March 1998

INTRODUCTION

This report, in terms of the Reporting by Public Entities Act, Act 93 of 1992, as amended, and the Companies Act, Act 61 of 1973, addresses the performance of Eskom and relevant statutory information requirements.

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 1997. In the opinion of the directors, the financial statements fairly present the financial position of Eskom at 31 December 1997 and the results of its operations and cash flow information for the year then ended.

FUNCTION AND OBJECTIVES OF THE BUSINESS

NATURE OF THE BUSINESS

Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and to redistributors. Eskom is regulated in terms of licences granted by the National Electricity Regulator (NER), the Eskom Act of 1987 and the Electricity Act of 1987.

The objective of Eskom is to provide the means and systems by which the electricity needs of the consumer may be satisfied in the most cost-effective manner, subject to resource constraints and the national interest, and to perform such other functions as may be assigned to it by or under the Eskom Act or the Electricity Act.

OBJECTIVES

A five-year business plan, which sets out Eskom's strategic direction as well as critical key indicators to manage the business effectively, is developed in consultation with key stakeholders on an annual basis, utilising input from all business units. The 1997 business plan was approved by the Council and Management Board during 1996. 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. These objectives and indicators are discussed in detail in this Directors' Report. Eskom remains aligned with Government's Reconstruction and Development Programme (RDP) commitments.

REDUCING THE REAL PRICE OF ELECTRICITY

Eskom continued to reduce the real price of electricity during 1997 and is determined to achieve its vision of being the world's lowest-cost producer of electricity for growth and prosperity. In 1994 Eskom made a commitment in terms of the RDP to reduce the real price of electricity by 15% by the end of the year 2000 and is on track to meet this commitment.

The 1997 price increase was 3,6 percentage points (1996: 3,4 percentage points) below the rate of inflation as measured by the average consumer price index (CPI). The cumulative real price reduction since 1995 amounted to 11,7% (1996: 8,1%) by the end of 1997.

ELECTRIFICATION

In 1994, Eskom undertook to electrify 1 750 000 homes by the year 2000 in terms of its RDP commitment. Since Eskom had exceeded its cumulative target at the end of 1996, the 1997 target for the number of connections and capital expenditure was revised. By December 1997, Eskom had electrified 1 148 954 homes since 1 January 1994. In 1997, Eskom electrified 274 345 (1996: 307 047) homes against a target of 270 000. Eskom remains on track to meet its 1994 RDP commitment. Since the inception of Eskom's electrification programme in 1991, a total of 1 533 865 homes have been electrified.

As part of the farm worker incentive scheme, 11 197 (1996: 9 414) farm workers' dwellings were connected during 1997, bringing the total farm worker connections to 81 355 since 1992, when the project was launched.

Eskom made R300 million available in 1997 to facilitate electrification by local authorities. This was administered and distributed by the NER.

Electrification	Target 1997	Actual 1997	Actual 1996
Number of homes electrified	**270 000**	**274 345**	307 047
Capital expenditure, Rm	**891**	**867**	1 049
Capital cost per connection, R	**3 329**	**3 159**	3 417
Average monthly operating cost per customer, excluding depreciation and interest[1], R	**25**	**26**	23
Average monthly sales per prepayment customer, kWh	**95**	**99**	86
Average monthly sales per prepayment customer, R	**24**	**24**	19

Efforts to reduce further the installation and monthly operating costs continue. The increase in average monthly operating cost per customer is due to the amount spent to reduce revenue losses.

Although the average monthly sales to prepayment customers have increased during 1997, this remains significantly lower than the amount required to break even and subsequently generate positive returns.

EMPLOYEE PARTICIPATION

Over the past four years, Eskom has developed internal structures that allow organised labour and employees to meaningfully influence decisions at all levels. These structures, created in terms of an Unfolding Vision Agreement and established at strategic, central, group, business unit and work-team levels, allow trade unions and employees to meaningfully influence all decisions that may affect them, are continuing as planned. At business unit level the participation process has progressed positively over the past two years. However, the following areas can still be improved: trust between parties, clarity on concepts of the Unfolding Vision Agreement and the ownership thereof.

Eskom continues to encourage a culture of participation, involvement, transparency and movement towards democratic workplace practices and relationships.

Some indicators of the success of the participative structures, such as the Central National Forum, are agreements that were reached on the following:

- A proposed move from upgrading the hostels to alternative accommodation for hostel residents. A trade union and management workgroup will facilitate the process.
- Minimum Services in an Essential Services Agreement.
- Smooth salary and conditions of service negotiations.

The implementation of the competency and remuneration framework for A-Band[2] employees is being negotiated.

The Strategic Forum has served as a useful platform for the sharing of information. Issues, concerns and problems with regard to the unfolding vision process are being assessed and addressed by meetings between the Management Board and trade union leadership to ensure its future success.

SUCCESSION PLANNING

Management Board continues to recognise the importance of retaining key skills. Management Board evaluates individuals from M-Upper[2] to F-Band[2] levels on a regular

1. Includes primary energy at marginal cost. *2. Denotes level on Paterson job grading system.*

basis. In respect of lower levels of management, work on succession planning has commenced in certain, but not all, of the grades within Eskom.

COMPETENCY-BASED REMUNERATION

A competency-based remuneration framework for A-Band employees was developed and initially tested during 1996. During 1997, further refinements were made and the framework was successfully implemented for 8 464 A-Band employees. The process determined detailed work-related competence requirements, developed evaluation instruments and addressed the problems regarding the match between competence and remuneration. Such a framework adds value in the initial recognition of prior learning and the establishment of competency-based criteria.

DEVELOPING HUMAN RESOURCES

During 1997, approximately R389 million (1996: R300 million estimated) was spent on the training and education of employees.

Since the inception of the Adult Basic Development (ABD) programme, 8 627 Eskom employees have attended the programme out of the original target of 11 000. The shortfall of 2 373 has been due to two main reasons: pressure of work, which has made it difficult for line managers to release certain workers, and the fact that the programme is voluntary.

During 1997, 146 759 learner days (against a target of 205 425), were provided to approximately 2 200 learners in ABD programmes at a cost of R37 million (1996: R32 million), with a pass rate of 56% (1996: 57%). The ABD initiative has been refocused and will, in 1998, become the ABET (Adult Basic Education, Development and Training) programme, to align it better with both Eskom's and the national needs.

BURSARS AND TRAINEES

On a 1995 base, the increase in bursars and trainees was 22% in 1996 and a further increase of 20% in 1997 as a result of a Management Board decision to increase the intake. In 1997, 79% (1996: 72%) of bursars and trainees were black[1]. During the year, 422 (1996: 349) black bursars and trainees, against the RDP target of 370, completed their training at a cost of R48 million (1996: R36 million).

STAKEHOLDER PARTICIPATION

Discussions between Eskom and the trade unions in the Restructuring and Transformation Committee (RTC) continued throughout 1997. Recommendations for the future positioning and restructuring of Information Technology, as well as Rotek Industries (Pty) Limited, a wholly-owned subsidiary, were made by the RTC.

RTC discussions about the restructuring of the electricity supply industry (ESI) are ongoing, and require input from many stakeholders. Eskom will continue to work with the trade unions in the RTC and with other key stakeholders in an effort to establish a future structure for the ESI. Eskom will also actively participate in the other industry restructuring forums. During the year, 11 (1996: 15) meetings were held.

Restructuring of the ESI is one of the most critical challenges facing the industry and Eskom is confident that a way forward in the best interest of customers and the community at large will be found.

SATISFYING CUSTOMERS' ELECTRICITY NEEDS

Eskom developed and implemented a statistical measurement tool that identifies customer needs and measures customer satisfaction with the service delivered. MaxiCare[2] and PreCare[3] surveys are conducted on a monthly basis by an independent party and results are analysed and reported to the organisation.

Specific service aspects that customers find unsatisfactory, as well as those service aspects that are most important to customers, are identified through this instrument. By addressing and improving these individual service aspects, Eskom ensures that overall customer satisfaction improves over time.

During 1997 the trend improved, with customers rating Eskom's overall service quality at 8,65 (1996: 8,32) for MaxiCare and 8,95 (1996: 8,58) for PreCare against a target of 8.

IMPLEMENTING EMPLOYMENT EQUITY

In 1994 Eskom made a commitment to transform the demographic profile of its business so as to reflect the community in which it conducts its business more realistically and to ensure that, by the end of the year 2000, 50% of all management, professional and supervisory staff will be black South Africans.

Black representation increased to 32% (1996: 25%) in 1997.

REGULATION MANAGEMENT

To regulate the relationship between Eskom and the NER, a communication strategy was approved by Management Board and accepted by the NER. In addition, an Electricity Council Subcommittee on Regulation has been established to focus the attention of Eskom specifically on regulatory issues.

Eskom continues to provide information requested by the NER in terms of the electricity supply licences issued to Eskom's Generation, Transmission and Distribution businesses.

COMPETITION MANAGEMENT

During the year, a strategy with reference to becoming more competitive, both locally and internationally, was refined and a macro competitive strategic framework is being developed.

The organisation is well aware that it faces competition in its traditional South African markets and in any new markets it may consider entering.

FUEL FLEXIBILITY

Eskom is dependent on a limited number of suppliers for its coal and nuclear fuel requirements for the power stations. Eskom is continually in the process of negotiating its supplies of coal and nuclear fuel with a view to reducing costs and improving flexibility in the short, medium and long term.

KEY PERFORMANCE INDICATORS

SUSTAINABILITY INDEX

The sustainability index, a set of twenty-four measures, was developed to reflect overall technical business performance. This is also used to measure top management's performance. These measures cover the whole spectrum of Eskom's business and include plant health, quality of supply, safety and the environment. All major measures are covered in detail in this report.

Alarms and standards are set, based wherever possible on legal requirements, international standards or requirements of the NER. These complement targets set in the business plan. The objective of the index is to act as a monitoring and alarm system so that problem areas are highlighted and proactive measures can be implemented to prevent loss of performance, and to ensure the long-term smooth running of the organisation in a sustainable way.

Senior management bonuses are reduced if the sustainability index falls below 80%. The index value for 1997 was 91%.

LONG-TERM PLANT HEALTH

The long-term health of generation, transmission and distribution systems is assured through the systematic, well-planned refurbishment and maintenance of ageing plant. During 1997, Generation Group included for the first time an indicator of long-term plant health in the sustainability index.

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1. Refers to blacks, Asians and Coloureds. 2. Customers who have been receiving electricity for longer than six months. 3. New customers or customers with revised contracts.

DISTRIBUTION PLANT PERFORMANCE

The Distribution Group measures reliability in the different systems as reflected in the table below:

Supply loss index	Target 1997	Actual 1997	Actual 1996
Distribution	**0,18**	**0,18**	0,17
Reticulation	**1,80**	**1,70**	1,76
Composite	**9,00**	**8,70**	8,68

GENERATION PLANT PERFORMANCE

The Generation Group continued to maintain the exceptional plant performance of 1996 (90,6%) by achieving a unit capability factor (UCF) of 91,5% during 1997 against a target of 90,5%. The highest level ever recorded by Eskom of 96,7% was achieved in August 1997.

PLANT RELIABILITY

Unplanned automatic grid separations (UAGS), a measure of generation plant reliability, improved from 2,53 in 1996 to 2,12 during 1997. This performance is due to better maintenance and management of the system and reflects the increased focus on customer satisfaction.

COAL BURNT

The average cost of coal burnt during 1997 was R36,52 per ton (1996: R35,05 per ton) against a target of R34,91 per ton. To meet the higher than expected sales growth, additional coal purchases were required and, as a result, consistency of coal quality and cost could not be maintained at expected levels. Less efficient generating units had to be brought on stream to meet this increased demand.

COAL PURCHASED

The coal suppliers have largely recovered from the poor performance of 1996 and met delivery expectations for the latter half of 1997. Coal stockpiles at the power stations are now back to planned levels.

During 1997, Eskom purchased 94 million tons of coal (1996: 83 million tons) against a target of 88 million tons. Of this, 89 million tons was produced at the Eskom-tied collieries, while five million tons was acquired from various short-term sources.

GENERATION PERFORMANCE INDICATORS

	Target 1997	Actual 1997	Actual 1996
Nominal capacity, MW	**39 154**	**39 154**	38 497
Peak demand on integrated Eskom system, MW	**28 300**	**28 329**	27 967
Maximum active capacity[1], MW	**32 974**	**32 974**	32 032

MAINTAINING TRANSMISSION SYSTEM PERFORMANCE

In terms of transmission system performance, there were two incidents in 1997 (1996: 1) with a severity greater than one system minute.

The transmission system's performance in terms of continuity of supply is measured by the number of system minutes that were lost over a 12-month period.

SAFETY

In 1997 the disabling injury incidence rate (DIIR) was 0,57 but this could not be attested to (1996: 0,51), and there were 18 fatalities (1996: 22). Vehicle accidents are the major cause of fatalities in Eskom, followed by electrical contact incidents.

1. Net maximum capacity excluding capacity in reserve storage.

Safety activities during the year, which included training, campaigns, competitions and driver testing, have therefore focused on strategies to reduce the high-risk accidents. Procedures for improving driver training and evaluation were developed and implemented. This initiative is intended to change the attitude of drivers towards more defensive driving.

Programmes for reducing the number of electrical contacts were developed and implemented during the year. Programmes include improved auditing systems, increased job observations to ensure that procedures are followed, and retesting of individuals for the purpose of issuing re-authorisations.

The new Risk Audit System, successfully piloted during 1997 in a sample of business units throughout Eskom, will assess risks in areas including occupational health and hygiene, safety, fire and emergency preparedness.

The DIIR measurement system for safety is in the process of being improved. The incident reporting formats were amended to identify the root causes of incidents and pinpoint key areas of weakness better so that specific safety strategies can be developed to reduce the number of incidents.

LIMITING ENVIRONMENTAL IMPACT

The environmental audit function continues to ensure compliance with regulations and with Eskom's environmental policy. A programme of audits and audit follow-ups was carried out in 1997.

An accounting methodology for identifying the costs of environmental activities, management and impact control, was introduced in the Generation Group in 1997. The process to separate costs has not yet produced any meaningful results.

Eskom's focus on research, in order to identify sound technological and viable means to reduce its impact on the environment, continues. R12 million, which is part of the total research and development costs, was spent on environmental research during 1997.

During 1997 Eskom provided constructive input into environment-related legislative initiatives undertaken by the Government. Various mechanisms are currently under way within Eskom to ensure compliance with legislative amendments and to align the organisation with Government policy.

The reduction in particulate emissions is due to the continued success of the precipitator enhancement programme and fitting of bag filters as well as improvement in plant efficiency.

Environmental performance indicators	Actual 1997	Actual 1996
Particulate emissions, kt	**83,43**	112,11
Particulates emitted, kg/MWh sent out	**0,49**	0,69
Radiation exposure[1], mSv	**0,0006**	0,0006
Water consumed at coal-fired power stations[2]		
Mℓ	**224 754**	215 199
ℓ/kWh sent out	**1,32**	1,32
Water-related legal transgressions[3]	**12**	4

FINANCIAL POLICY

Eskom, being a utility, continues to apply a financial policy of recovering the real (inflation-adjusted) cost of supplying electricity to customers each year and earning an appropriate real return on assets. This ensures that financial viability is maintained over the long term. 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.

1. The legal limit is 0,25 millisieverts. 2. Water consumption based on water purchased from Government water schemes. 3. As prescribed by the Water Act No 54 of 1956. (Only Generation and Services incidents included.)

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.

VALUATION OF ASSETS

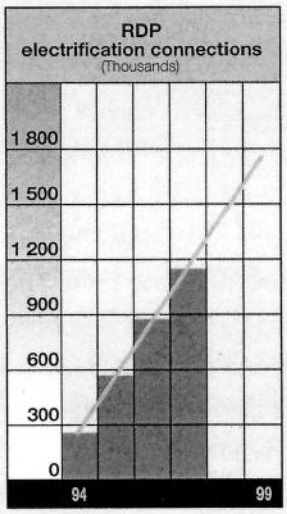
Eskom's annual revenue requirement is determined in accordance with the financial policy described above and on the basis of the total revenue streams from all customer categories as a whole. Cross-subsidisation, therefore, exists between certain customer categories depending on customers' electricity consumption levels, geographical location and voltage supply levels. On this basis, the directors believe that no adjustment is required to the value of assets relating to any particular customer category, since Eskom fully recovers all costs of supplying electricity to its customer base, as a whole, and earns an appropriate return (inflation-adjusted) on assets.

FINANCIAL PERFORMANCE

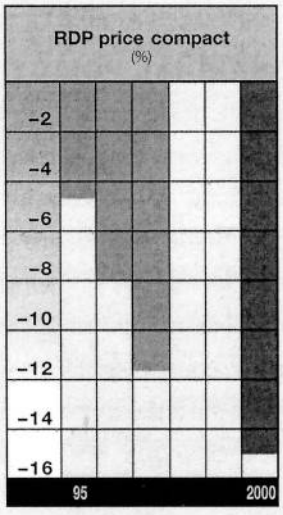
The financial performance for the year can be summarised as follows:

	Target 1997	Actual 1997	Actual 1996
Revenue, Rm	19 567	20 448	18 687
External sales, GWh	167 158	172 216	165 089
External sales growth, %	1,3	4,3	7,8
Operating expenditure, Rm	13 715	14 016	12 421
Net interest and finance charges, Rm	3 342	3 349	3 194
Average total cost of electricity per kWh, cents[1]	10,20	10,08	9,46
Net income on historical cost basis, Rm	2 509	3 083	3 072
Net income on current value basis, Rm		322	545
Real (inflation-adjusted) rate of return, %		3,6	3,9
Debt-equity ratio		1,08	1,25

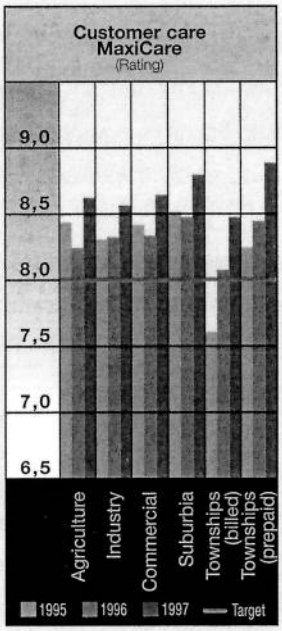
1. Based on external sales.

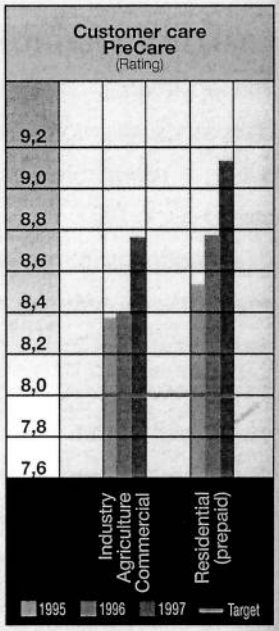


Cumulative actual connections
Cumulative target



Cumulative real price reduction
Target by the end of the year 2000
Based on Eskom's annual price increase compared with average CPI percentage.





The sales growth of 4,3% for the year was higher than expected, with positive contributions from international and ferrochrome-producing customers.

The net income for 1996 was favourably impacted by the non-recurring profit of R236 million on the sale of an investment. During 1997, R300 million was made available to local authorities to facilitate electrification. Therefore net income on a comparable basis increased by R547 million from 1996 to 1997.

The excess of the actual operating expenditure over the target is mainly due to the increased sales and a provision for management rationalisation of R200 million in 1997.

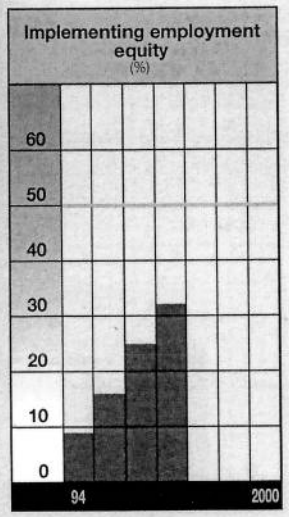
The average operating cost of electricity expressed in cents per kilowatt-hour (excluding the non-recurring profit in 1996) has increased by 6,2% between 1996 and 1997 compared with an average CPI inflation rate of 8,6%. The continuing take-over of former TBVC[1] and SGT[2] electricity operations contributed about one percentage point of the 6,2% increase.

The real (inflation-adjusted) rate of return was 3,6% (1996: 3,9%). This rate is considered adequate taking into account the expected long-term growth rate of electricity sales and the current and future risks to which Eskom is exposed.

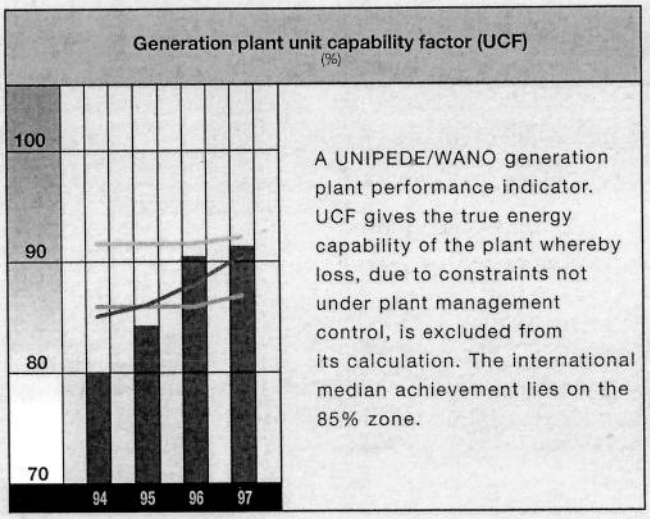
BUSINESS EFFICIENCY

The business continued to show bottom-line productivity gains during the year. During 1997 improvements in productivity performance created additional wealth of R91 million (1996: R488 million). This was due to a relatively high sales growth rate resulting in the better utilisation of existing capacity. In the core business, excluding the impact of electrification, and take-overs of certain TBVC customer bases and assets, Eskom recorded a productivity improvement of 1,5%, or R225 million (1996: R594 million), with a contribution coming from improved labour and capital

1. Transkei, Bophuthatswana, Venda and Ciskei. 2. Self-governing territories.



■ Actual
— Target by the year 2000



■ Actual
— Annual target
— International median
— International best quartile

productivity. A large portion, R241 million (1996: R382 million), of the productivity gains has been passed on to the customer through low electricity price increases during the year and to employees in the form of a productivity incentive.

Please refer to the detailed productivity statement on page 36 in the Annual Report.

ARREARS

At the end of 1997, the arrear debt provision amounted to R1 605 million (1996: R1 413 million). The annual expense for local authority arrear debts decreased to R142 million, compared with R199 million in 1996. During 1997, the average payment levels of previously black local authorities increased to 80% (1996: 62%).

TARIFF RESTRUCTURING

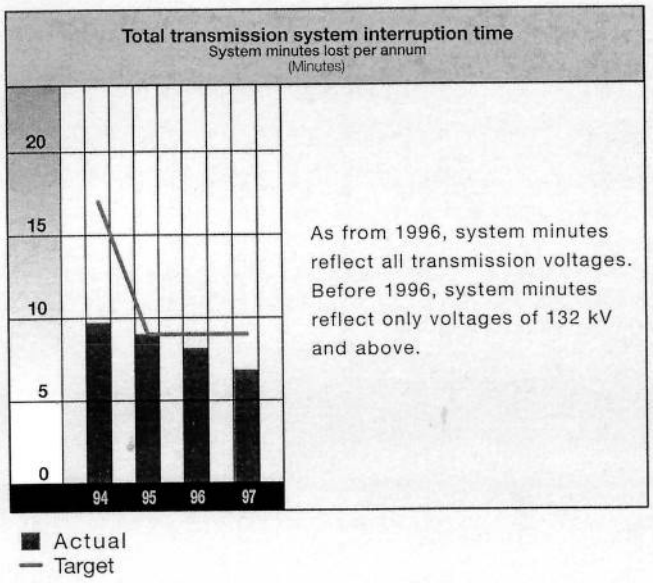
The 1996 tariff plan was updated during 1997 to reflect the latest tariff developments. This is in line with the long-term objective of introducing cost-reflective tariffs with transparent subsidies for electrification.

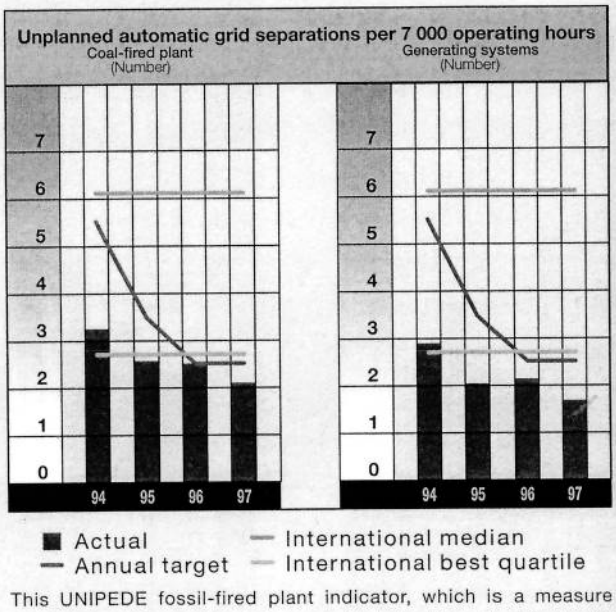
INTEGRATED ELECTRICITY PLANNING (IEP)

During 1997 the sixth revision of the Integrated Electricity Plan (IEP 6) was prepared and shared with the NER. IEP 6 sets out an optimal combination of various options available for the sourcing or generation of electricity (supply side) and methods of management of its use (demand side), based on the forecast load growth in the longer term. The objectives of the IEP are to:

- satisfy the expected growth in electricity demand;
- provide optimal value to the customer;
- retain Eskom's sound financial position; and
- be compatible with the strategic direction of Eskom.

IEP 6 revealed that, in view of the sustained high levels of power station performance, there is still no need to commit to new generating capacity in 1998.





This UNIPEDE fossil-fired plant indicator, which is a measure of the reliability of service provided to the electrical grid measures the number of supply interruptions per operating period. The international median achievement is 6,1.

Load management, energy efficiency and interruptible load agreements will assist customers to use energy more efficiently and should result in long-term benefits for the South African electricity consumer and for the country as a whole. Demand-side programmes to promote lower energy consumption at times of peak demand will receive increasing attention. Interruptible load agreements will be increased to include up to 2 900 MW by the year 2016.

EMPLOYEE ACCESS TO ACCOMMODATION

Eskom is committed to enabling all employees to have access to accommodation. During 1997, 1 322 new mortgage loans were advanced to employees, of which 373 were personal housing loans. The personal housing loans are limited to a maximum of R22 000 for a house in an unproclaimed area where no bond could be registered. The number of employees making use of Eskom Finance Company (Pty) Limited home loans as at 31 December 1997, amounted to 23 199 (1996: 22 641) out of 39 241 (1996: 39 857) employees.

In addition, 2 345 (1996: 1 380) employees are making use of rental subsidies. Other forms of housing assistance consist of Eskom hostel and housing accommodation as well as subsidies for home loans with other financial institutions.

COMMUNITY DEVELOPMENT

Eskom has made available R50 million per year until 1999 to be spent on the electrification of schools and on other community development activities. An amount of R11 million was allocated to small business development, but the expenditure could not be attested to as the necessary recording systems are not in place.

	Budget 1997 Rm	Actual 1997 Rm	Actual 1996 Rm
Electrification of grid schools	15	14	18
Community development	24	23	24

GRID SCHOOLS ELECTRIFICATION

Government funding of R4 million was allocated for the provision of specified equipment and the electrification of grid schools. In addition, Eskom reported the unsubsidised connection of 39 schools and 28 clinics made at the request of the customers concerned as part of the electrification total and also five community centres electrified out of Eskom's community development funding.

NON-GRID SCHOOLS ELECTRIFICATION

The Netherlands government provided grant funding of R15 million to electrify 240 non-grid schools over a period of eighteen months.

Funds received for the electrification of schools	Budget 1997 Number	Budget 1997 Rm	Actual 1997 Number	Actual 1997 Rm	Actual 1996 Number	Actual 1996 Rm
Grid schools						
Eskom community development funds	312	15	497	14	307	18
SA government grant (1997)	77	4	13	0,5	–	–
Non-grid schools						
SA government grant (1995 balance)	13	4	52	4	920	49
Netherlands government grant	240	15	143	9	–	–

RESEARCH AND DEVELOPMENT

Eskom's applied research programme has continued to develop and to keep abreast of those technological advances that underpin its core business and commercial activities.

In 1997 the initial results of some major supply and demand-side demonstration projects were obtained, indicating the viability of the pebble-bed modular reactor (PBMR) as well as the repowering of Komati power station using discard coal and fluidised-bed technology.

Eskom's total research programme will continue to supply detailed data for optimised integrated electricity planning, as well as develop South and Southern African capacity through a variety of new technologies.

Investment in technical research and development amounted to R85 million (1996: R58 million) and a further R11 million (1996: R5 million) was spent on marketing research and development.

INFORMATION MANAGEMENT

Eskom has identified the management of information as a strategic issue. Considerable expenditure has been invested in a number of information technology initiatives to date. The strategy and approach to information management is currently under scrutiny and may impact on the scope of current information management initiatives. The most significant information technology initiatives are:

Finesse

Finesse is a major programme to upgrade financial and materials processes and systems. Using world-best practices and market-leading modern technology, Finesse is aligning financial and materials management with the Eskom vision of lowest-cost electricity. The project covers a comprehensive review of long-term financial and materials needs and the associated opportunities for human capacity development and is due for completion by the end of 1999. It also obviates the need to update various software programmes for year 2000 compliance.

During 1997, 120 full-time Eskom personnel were assigned to the Finesse project, assisted by consultants and process experts from the various business units. Achievements in 1997 have been the preparation of detailed designs for financial and materials processes, the development of working software prototypes, the development of migration plans for the whole organisation, the conversion and replacement plans for major systems, and the interfaces to 70 other existing systems outside the scope of Finesse.

During 1997, R134 million was spent on the Finesse project against a target of R132 million. A focus area for 1998 is that continued investment in other important initiatives will be considered as the Systems Applications Products software procured for Finesse may provide increased efficiency and functionality from software obtained as part of the package.

Phoenix

In order to leverage the value of information and to support expected business changes in Transmission, a major information systems regeneration exercise, Phoenix, was started in 1994. Systems have been implemented that will provide the means to use the same data for both planning and maintenance. Phoenix has also been integrated and interfaced with other Transmission information networks and infrastructure enhancements. During 1997, R2 million against a budget of R4 million was spent on this project.

IGIS

Phase 1 of the IGIS project (configuration and documentation management) was completed at a total capital cost of R28 million against a budget of R30 million. This includes software licensing, implementation and information technology, and development support. The final release of the software, with all outstanding issues resolved, was

accepted for production use in 1997 at Majuba power station for the Generation Group.

A free text retrieval system will allow the retrieval of any documents stored in the IGIS system, based on the content of the document, using an intranet web interface. The software has been installed at pilot sites at Megawatt Park, as well as at Majuba and Hendrina power stations.

Customer Care Programme (CCP)

The CCP consists of the customer relations programme which addresses customer service aspects, and an energy delivery programme, which has an engineering focus. The focus of CCP is to enhance customer service while driving down costs. The first pilot customer care centre was opened in Westville, KwaZulu-Natal, in September 1997, with the official opening planned for 1998.

The following components to support the electricity delivery process were put into operation during 1997:

- An energy accounting system
- Phase 1 of fault management and field work management systems

Expenditure on the CCP during 1997 was R68 million against a budget of R86 million. The difference in expenditure was mainly due to a reduction in project scope as a result of ESI restructuring negotiations.

Year 2000

During 1997 Eskom launched a programme to address the year 2000 computer date problem.

A team was given the responsibility for identifying and correcting any such date-related problems which could arise in Eskom's financial and operating systems. Its prime objective is to ensure that the relevant systems remain operational and function correctly at all times, irrespective of the century date change.

The affected systems have been identified and the necessary changes are being addressed. These changes are also affected by non-Eskom systems of certain customers and suppliers. The majority of the expenditure on this project is expected in 1998. The total estimated cost of this project is R106 million, while actual expenditure incurred in 1997 amounted to R11 million.

SMALL, MEDIUM AND MICRO ENTERPRISES

As part of its buying policies and managerial support programme, Eskom supports small, medium and micro enterprises. An amount of R286 million (estimated) was spent against a target of R201 million to support accelerated black economic empowerment.

ADDITIONAL PERFORMANCE INDICATORS

INDUSTRIAL RELATIONS

A total of 11 880 (1996: 16 356) work days were lost as a result of industrial actions during 1997, mainly due to trade union protest actions and business unit related issues.

TERTIARY EDUCATION SUPPORT

The Tertiary Education Support Programme aims at building human resource capacity at tertiary education institutions in disciplines related to Eskom's business so that centres of specialisation, which can undertake contract research, can be developed.

During 1997, grants to the value of R5 million (1996: R5 million) were awarded to 79 (1996: 73) academic projects at 20 (1996: 19) tertiary education institutions, which included eight previously disadvantaged institutions.

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 444 million (1996: R5 364 million) was partly made up of expenditure of R1 469 million (1996: R976 million) on Majuba power station and R867 million (1996: R1 049 million) on electrification.

SUBSIDIARIES, ASSOCIATES AND INVESTMENTS

Details of Eskom's principal subsidiaries, significant associates and unlisted investments are set out in Schedule 2 on page 75.

DIRECTORATE AND SECRETARIAT

The names of the directors appear on pages 8 to 11 and the address of Eskom's Secretariat on page 9.

Changes in the composition of the Electricity Council and the Management Board appear on pages 8 to 11.

POST BALANCE SHEET EVENTS

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

DECISION OF THE DIRECTORS IN TERMS OF SECTION 291(1) OF THE COMPANIES ACT

Investments in subsidiary companies and associate companies are not consolidated or equity accounted as their assets and operating results are insignificant in relation to Eskom's assets and operating results.

Information relating to unconsolidated subsidiary companies is disclosed separately in Schedule 2 to the financial statements on page 75.

AUDIT COMMITTEE INFORMATION

The names of Audit Committee members are reflected on pages 8 and 9. During 1997 four meetings took place.

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 and restated.

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 local and foreign debt issued for non-trading purposes are 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 local 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.

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 marked-to-market, and the resultant profits and losses are included in interest and finance charges.

INVESTMENTS

Financial market 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 marked-to-market and the resultant profits and losses are included in interest and finance charges.

Unlisted investments Unlisted investments included in non-current assets are stated at cost less amounts provided for diminution in value.

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 or 35
– Transmission	25
– Distribution	
Electrification	15
Other	25
Test and telecommunication equipment	3 to 5
Equipment and vehicles	1 to 10

Plant at mothballed power stations is not being depreciated.

Works under construction are stated at cost, which includes all costs necessarily incurred to bring plant to the condition and location essential for its intended use.

Costs include overheads and net interest, which is capitalised at the average cost of capital employed.

Construction materials are stated at weighted average cost.

The cost of renewal and maintenance of assets is expensed as incurred.

Where the life of an asset is extended, such costs are capitalised and depreciated over the adjusted useful life of the asset.

LEASED ASSETS

Assets subject to finance lease agreements are capitalised at their cash cost equivalents, and the corresponding liabilities are recognised. The assets are depreciated on the straight-line basis over their estimated useful lives, as indicated in the property, plant and equipment accounting 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 supplies on the basis of quantities of coal burnt.

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 the lower of cost and net realisable value. Cost is determined on the weighted average basis. 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 charging to income annually the estimated costs over the expected service of the members of such schemes based on the assessment of independent actuaries.

The estimated present value of the unprovided anticipated expenditure at the beginning of 1994, for both in-service and continuation members, is being provided for over a period not exceeding 10 years.

ACCOUNTS RECEIVABLE

Bad debts are written off and provision is made for doubtful debts.

TAKE-OVERS OF ELECTRICITY OPERATIONS IN THE FORMER TBVC[1] AND SGT[2] HOMELANDS

Electricity operations in the former homelands taken over by Eskom are accounted for on the purchase method. The results of the operations of the acquired entity are incorporated from the date of take-over. The assets, other than network assets, and liabilities are valued at fair value. Network assets are valued at the estimated or actual historical cost of the assets, reduced by the accumulated depreciation for the expired portion of the useful life of the assets at take-over date in terms of the Eskom asset useful life policy.

Any excess of the value of the net assets acquired over the cost of the take-over is described as a non-distributable reserve. Any excess of the cost of the take-over compared with the value of the net assets acquired, is described as goodwill.

Goodwill and non-distributable reserves arising on acquisition are written off to the income statement over the life of the assets, on a straight-line basis, over a period not exceeding 20 years.

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1. Transkei, Bophuthatswana, Venda and Ciskei. 2. Self-governing territories.

ESKOM	Notes	1997 Rm	1996 Rm
CAPITAL EMPLOYED			
Reserves			
Non-distributable reserve	1	**53**	–
Other reserves		**24 976**	21 893
Accumulated reserve		**24 826**	21 743
Insurance reserve	2	**150**	150
Total reserves		**25 029**	21 893
Long-term provisions	3	**1 979**	1 539
Net interest-bearing debt	4	**26 991**	27 298
Long-term		**22 819**	24 419
Short-term		**4 172**	2 879
		53 999	50 730
EMPLOYMENT OF CAPITAL			
Property, plant and equipment	5	**48 832**	46 334
Non-current assets	6	**4 805**	4 697
Current assets		**3 275**	2 739
Inventories	7	**1 054**	834
Accounts receivable	8	**2 221**	1 905
Total assets		**56 912**	53 770
Interest-free liabilities		**2 913**	3 040
Accounts payable and other provisions		**2 563**	2 627
Net interest payable	9	**350**	413
Net assets		**53 999**	50 730

ESKOM

	Notes	1997 Rm	1996 Rm
Revenue	13	**20 448**	18 687
Operating expenditure	14	**14 016**	12 421
Net operating income		**6 432**	6 266
Net interest and finance charges	15	**3 349**	3 194
Retained income for the year		**3 083**	3 072
Accumulated reserve at beginning of the year		**21 743**	18 671
Accumulated reserve at end of the year		**24 826**	21 743

ESKOM

	Notes	1997 Rm	1996 Rm
Cash flows from operating activities		**6 839**	6 178
Cash generated by trading operations	18	**9 605**	8 809
Net interest and finance charges paid	19	**(2 766)**	(2 631)
Cash utilised in investment activities	20	**(5 886)**	(5 610)
Cash effects of financing activities		**(468)**	(1 907)
Debt raised		**2 703**	1 934
Debt repaid		**(3 100)**	(4 321)
Decrease/(Increase) in long-term financial market investments		**(71)**	480
Net increase/(decrease) in cash and cash equivalents for the year	21	**485**	(1 339)

ESKOM

	1997 Rm	1996 Rm
1. NON-DISTRIBUTABLE RESERVE		
The non-distributable reserve arises from the take-over of the electricity operations in the former TBVC[1] and SGT[2] homelands.		
Gross amount	–	–
Accumulated amount recognised in income in previous years	–	–
Balance at beginning of the year	–	–
Arising during the year	57	–
	57	–
Amortisation during the year	4	–
Balance at end of the year	53	–
On 1 January 1997 the assets and liabilities of Bophuthatswana Electricity Corporation were taken over by Eskom for no consideration.		
2. INSURANCE RESERVE		
Balance at beginning and end of the year	150	150
3. LONG-TERM PROVISIONS		
Decommissioning and nuclear waste management – Nuclear plant		
Balance at beginning of the year	788	669
Provision for the year	185	145
	973	814
Expenditure incurred	33	26
Balance at end of the year	940	788
– Other plant		
Balance at beginning of the year	385	306
Provision for the year	83	80
	468	386
Expenditure incurred	4	1
Balance at end of the year	464	385
– Post-retirement medical benefits (Refer note 12.2)		
Balance at beginning of the year	366	202
Provision for the year	236	186
	602	388
Expenditure incurred	27	22
Balance at end of the year	575	366
Total long-term provisions	1 979	1 539

1. Transkei, Bophuthatswana, Venda and Ciskei. 2. Self-governing territories.

ESKOM

	1997 Rm	1996 Rm

4. NET INTEREST-BEARING DEBT

Eskom's funding is managed in a single pool consisting of debt and financial market investments. Funds received from 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	**33 459**	32 610
Local debt		
Locally registered bonds	**18 671**	18 967
Commercial paper bills	**4 045**	3 464
Other	**3 668**	1 882
Foreign debt		
Bonds and loans	**5 766**	6 810
Project finance	**1 309**	1 487
Less: Financial market investments	**6 468**	5 312
Capital market assets	**3 158**	3 079
Other deposits	**51**	54
Money market assets	**3 164**	2 008
Negotiable certificates of deposit	**1 883**	1 327
Bills and bankers' acceptances	**63**	21
Fixed deposits	**801**	331
Money on call	**417**	329
Cash and bank	**95**	171
Net interest-bearing debt	**26 991**	27 298
The fair value of financial market investments is	***6 727***	*5 155*

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

ESKOM

	Local	Foreign	Financial market investments	Net	Net
Long term	**19 468**	**6 334**	**(2 983)**	**22 819**	24 419
After 1 year within 5 years	**3 125**	**4 997**	**(744)**	**7 378**	9 241
After 5 years within 10 years	**1 620**	**1 337**	**(832)**	**2 125**	2 436
After l0 years	**14 723**	**–**	**(1 407)**	**13 316**	12 742
Short-term	**6 916**	**741**	**(3 485)**	**4 172**	2 879
	26 384	**7 075**	**(6 468)**	**26 991**	27 298

		1997 Rm	1996 Rm
4.	**NET INTEREST-BEARING DEBT (CONTINUED)**		
4.1	The maturity structure of net interest-bearing debt (continued) The weighted average maturity period of net interest-bearing debt is 9,03 years (1996: 9,04 years).		
	Short-term debt includes credits and short-term loans of a revolving nature amounting to	**4 159**	3 579
4.2	The nominal value of locally registered bonds is:		
	Authorised	**62 685**	67 848
	Issued (Refer Schedule 1)	**23 306**	23 994
4.3	The rand equivalent of foreign debt by major currency is:		
	US dollar	**2 178**	2 726
	German mark	**1 001**	1 800
	Japanese yen	**3 750**	3 550
	Other	**146**	221
		7 075	8 297
	All significant foreign currency exposures were appropriately hedged at year end.		
4.4	Interest-bearing debt and interest thereon are secured by a first claim against revenue and assets.		
4.5	A portion of foreign debt is guaranteed by the Government of the Republic of South Africa.		
4.6	The average annual rate of net interest and finance charges on net interest-bearing debt amounted to 15,3% (1996: 14,9%).		

ESKOM

5. PROPERTY, PLANT AND EQUIPMENT

	Cost Rm	Accumulated depreciation Rm	Book value Rm
1997			
Land and rights	**392**	**142**	**250**
Buildings and facilities	**2 391**	**1 027**	**1 364**
Plant – Generation	**35 751**	**12 716**	**23 035**
– Transmission	**7 206**	**2 342**	**4 864**
– Distribution	**14 816**	**3 858**	**10 958**
Electrification	**4 757**	**852**	**3 905**
Other	**10 059**	**3 006**	**7 053**
Test and telecommunication equipment	**1 179**	**684**	**495**
Equipment and vehicles	**2 303**	**1 409**	**894**
Leased equipment	**74**	**66**	**8**
Total in commission	**64 112**	**22 244**	**41 868**
Plant at mothballed power stations	**1 881**	**545**	**1 336**
Works under construction	**5 483**	**–**	**5 483**
Construction materials	**145**	**–**	**145**
	71 621	**22 789**	**48 832**
1996			
Land and rights	374	119	255
Buildings and facilities	2 358	982	1 376
Plant – Generation	33 342	11 289	22 053
– Transmission	6 489	2 073	4 416
– Distribution	12 450	3 050	9 400
Electrification	4 040	564	3 476
Other	8 410	2 486	5 924
Test and telecommunication equipment	996	528	468
Equipment and vehicles	1 924	1 178	746
Leased equipment	74	52	22
Total in commission	58 007	19 271	38 736
Plant at mothballed power stations	1 748	545	1 203
Works under construction	6 217	–	6 217
Construction materials	178	–	178
	66 150	19 816	46 334

Details of land and buildings are available at the head office.

	1997 Rm	1996 Rm
5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Reconciliation of movements		
Book value at beginning of the year	**46 334**	43 593
Additions	**5 612**	5 475
Disposals	**(73)**	(55)
Depreciation	**(3 041)**	(2 679)
Book value at end of the year	**48 832**	46 334
Borrowing costs are capitalised at the rate of 7,18% (1996: 7,71%)		
6. NON-CURRENT ASSETS		
Future fuel supplies	**2 592**	2 443
Nuclear fuel	**679**	810
In reactors	**421**	361
Fuel assemblies in process and in inventory	**258**	449
Unlisted investments (Refer Schedule 2)	**1 490**	1 385
Other	**44**	59
	4 805	4 697
7. INVENTORIES		
Coal	**465**	299
Maintenance and consumables	**589**	535
	1 054	834
8. ACCOUNTS RECEIVABLE		
Trade	**1 903**	1 550
Other	**318**	355
	2 221	1 905
9. NET INTEREST PAYABLE		
Interest payable	**1 367**	1 546
Interest receivable	**(1 017)**	(1 133)
	350	413

ESKOM

	1997 Rm	1996 Rm
10. COMMITMENTS		
10.1 Capital expenditure		
Estimated capital expenditure	**4 790**	6 536
Contracted	**2 602**	5 080
Approved, not yet contracted	**2 188**	1 456
This expenditure will be financed from debt and internally generated funds and is expected to be incurred as follows:	**4 790**	6 536
Within one year	**3 099**	3 981
Thereafter	**1 691**	2 555
10.2 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.		
10.3 Supply of water Eskom has entered into long-term agreements with the Department of Water Affairs and Forestry to reimburse the department for the cost incurred in supplying water to Eskom. This cost is regarded as part of the cost of water and is included in operating expenditure.		
11. CONTINGENT LIABILITIES		
11.1 Eskom Finance Company (Proprietary) Limited became a 100% subsidiary during 1997. In terms of the previous shareholders' agreement, Eskom has guaranteed the amounts due by Eskom Finance Company (Proprietary) Limited to the previous shareholders, amounting to	**965**	882
11.2 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.		
11.3 Eskom has guaranteed any amounts which may become due and payable by Gallium Insurance Company Limited in terms of its reinsurance agreement.	**120**	–
11.4 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.		
11.5 Guarantees and suretyship, issued on behalf of group companies and third parties, amount to	**154**	170

ESKOM

	1997 Rm	1996 Rm

12. RETIREMENT BENEFITS

12.1 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 1997 when the consulting actuaries reported that the Fund was in a sound financial position. The actuarial present value of promised retirement benefits at 30 June 1997 was R10 512 million (1996: R9 098 million), while the fair value of the Fund's assets at this date was R11 208 million (1996: R9 505 million), indicating an estimated surplus of R696 million (1996: R407 million). The next valuation will be performed at 30 June 1998.

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.

12.2 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 186 million (1996: R978 million), for both in-service and continuation members, was recalculated by independent actuaries during 1997. This 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. (Refer note 3)

The unprovided portion amounts to	**611**	612

ESKOM

	1997 Rm	1996 Rm

13. COMMODITY-LINKED PRICING AGREEMENTS

Eskom has entered into a number of long-term commodity-linked pricing agreements to supply electricity to the aluminium and ferrochrome industries in order to grow Eskom's sales base. These agreements, which constitute approximately 11,2% (1996: 9,9%) of Eskom's sales, link sales revenue to the international commodity (e.g. ferrochrome and aluminium) prices and the rand/dollar exchange rate, in addition to the normal pricing determinants.

The basic principle contained in these agreements is that, over the duration of the contracts, the revenue generated by Eskom should approximate the revenue generated under a standard industrial tariff agreement. Electricity tariffs charged to ferrochrome producers fluctuate between predetermined contractual minimum and maximum levels. The agreements for ferrochrome and aluminium are for a maximum period of 7 and 25 years respectively.

The average revenue expressed in cents per kilowatt-hour for 1997 under these contracts amounted to approximately 95% (1996: 93%) of the revenue that would have been generated under standard industrial tariff agreements.

	1997 Rm	1996 Rm
14. OPERATING EXPENDITURE		
This includes:		
Auditors' remuneration	**6**	5
Audit	**5**	4
Other	**1**	1
Depreciation	**3 041**	2 679
Rights	**23**	15
Buildings and facilities	**91**	87
Plant	**2 460**	2 188
Test and telecommunication equipment	**157**	139
Equipment and vehicles	**297**	237
Leased equipment	**13**	13
Managerial, technical and other fees	**49**	47
Pension contributions	**318**	289
Decommissioning and nuclear waste management provision	**268**	225
Nuclear plant	**185**	145
Other plant	**83**	80
Net profit on disposal of property, plant and equipment	**(95)**	(57)
Net profit on disposal of unlisted investment	**–**	(236)
Research and development	**85**	58
Net provision for arrear debts	**142**	199
Provision for post-retirement medical benefits	**236**	186
Provision for management rationalisation	**200**	–
Amortisation of non-distributable reserve arising from the take-over of operations in former TBVC[1] and SGT[2] homelands	**(4)**	–
Directors' emoluments		
Executive directors		
Basic remuneration	**5**	5
Other benefits	**2**	2
Performance-related remuneration	**4**	3
	11	10
Non-executive directors		
Services as directors	**1**	1
Total emoluments	**12**	11

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.

1. Transkei, Bophuthatswana, Venda and Ciskei. 2. Self-governing territories.

ESKOM

	1997 Rm	1996 Rm
15. NET INTEREST AND FINANCE CHARGES		
Interest paid and discount amortised	**5 118**	5 108
Locally registered bonds	**3 174**	3 279
Other local debt	**667**	518
Foreign debt	**1 277**	1 311
Interest received and discount amortised	**(1 314)**	(1 366)
	3 804	3 742
Amounts capitalised	**(455)**	(548)
	3 349	3 194
Interest received includes amounts from subsidiary and associate companies, amounting to	**191**	184

16. MARKET RISK MANAGEMENT

Eskom's financial policy is described in the Directors' Report. In this context, the objective of Eskom's market risk management is to ensure that Eskom and its customers are not exposed to undue financial risk. The management of market risk takes place within Eskom's centralised treasury function and adheres substantially to the G30[1] recommendations and in particular to the requirement that the functions of risk assessment and risk management be completely segregated.

Risk assessment

The risk assessment function takes responsibility for the identification, measurement and monitoring of market risk. By ensuring that the necessary processes and tools are in place, the risk assessment function seeks to identify potential risks at an early stage so that the information can be supplied timeously to the risk management committee. Advanced risk evaluation procedures are used and, amongst other indicators, internationally recognised methodologies of value at risk are used extensively. The revaluation rates and prices utilised for risk and accounting evaluations are obtained from independent external sources.

To ensure impartiality, the risk assessment and compliance functions within the centralised treasury have direct access and reporting responsibility to the executive director of Finance.

1. Group of 30 leading international bankers.

ESKOM

	1997	1996

16. MARKET RISK MANAGEMENT (CONTINUED)

Risk management

Based on the information supplied by the risk assessment function, the risk management committee meets regularly to review, and if appropriate, approve the implementation of optimal strategies for the effective management of Eskom's commodity, liquidity, credit, currency and interest rate risks.

Market risks and broad management strategies

Commodity risk

Commodity risk originates from Eskom's use of commodities as input to the business as well as commodity-linked tariff agreements exposing it to commodity risk on the income side of the business. Where necessary, Eskom utilises derivative instruments, including options, futures and forward agreements, to manage the exposure to these commodities.

Liquidity risk

Liquidity risk arises primarily from an uncertainty in revenue flows as well as Eskom's commitment to act as a market-maker in its own debt instruments. Eskom's strategy is to maintain a satisfactory call account balance as well as an adequate liquidity reserve portfolio consisting of liquid Government and Government-guaranteed assets.

Credit risk

The risk of counterparty failure is managed by setting exposure limits for each counterparty. This process is evaluated and managed by placing reliance on independent rating agencies. A credit committee, which is chaired by the executive director of Finance, reviews and approves these limits on a quarterly basis. International Swap Dealers Association (ISDA) netting agreements are in place with all Eskom's major counterparties.

The credit exposures by rating as at 31 December were:

RSA government, %	**45**	43
A1+, %	**48**	52
Other, %	**7**	5
	100	100

ESKOM

	1997 Rm	1996 Rm

16. MARKET RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk arises primarily from foreign borrowings, imported components and electricity sales in foreign currencies. Management follows a conservative approach to currency risk and therefore forward exchange contracts, and, to a limited extent, currency options, are used to hedge substantially all known foreign exchange exposures.

Interest rate risk

Interest rate risk arises from the repricing of Eskom's forward cover and floating rate debt as well as incremental funding and roll-over of maturing debt. Eskom's fixed/floating interest rate ratio approximates 95:5, indicating limited exposure to interest rate fluctuations. Derivative instruments which are utilised to maintain this position, include interest rate swaps and forward rate agreements.

Funding requirement

Eskom's requirements for external funding have been decreasing steadily over recent years and it is anticipated that this trend will continue in the near future. However, Eskom's future funding requirement may change, depending on the future financial framework (with respect to taxation and dividend payments) still to be finalised with Government and the impact, if any, of the restructuring of the electricity supply industry. Eskom borrowed R944 million (1996: R3 297 million) from the debt markets during 1997.

17. TAXATION

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

ESKOM

	1997 Rm	1996 Rm
18. CASH GENERATED BY TRADING OPERATIONS		
Net operating income	**6 432**	6 266
Non-cash items	**3 773**	3 029
Depreciation	**3 041**	2 679
Fuel		
– Nuclear fuel	**224**	207
– Coal	**110**	74
Profit on disposal of property, plant and equipment	**(95)**	(57)
Profit on disposal of unlisted investment	**–**	(236)
Net decommissioning and nuclear waste management provision		
– Nuclear plant	**152**	119
– Other plant	**79**	79
Movement on non-distributable reserve arising from the take-over of electricity operations in former TBVC[1] and SGT[2] homelands	**53**	–
Post-retirement medical benefits	**209**	164
	10 205	9 295
Changes in working capital	**(600)**	(486)
Inventories	**(220)**	(40)
Accounts receivable	**(316)**	(160)
Accounts payable and other provisions	**(64)**	(286)
	9 605	8 809
19. NET INTEREST AND FINANCE CHARGES PAID		
Net interest and finance charges	**(3 349)**	(3 194)
Non-cash items	**583**	563
Net interest payable	**(63)**	(24)
Net discount amortised	**434**	189
Other	**212**	398
	(2 766)	(2 631)

1. Transkei, Bophuthatswana, Venda and Ciskei. 2. Self-governing territories.

ESKOM

	1997 Rm	1996 Rm
20. CASH UTILISED IN INVESTMENT ACTIVITIES		
Expenditure on land, buildings and plant	**(5 148)**	(5 019)
Expenditure on equipment and vehicles	**(464)**	(456)
	(5 612)	(5 475)
Proceeds from disposals	**168**	111
Net expenditure on property, plant and equipment	**(5 444)**	(5 364)
Future fuel supplies	**(259)**	(366)
Nuclear fuel	**(93)**	(150)
Unlisted investments	**(105)**	261
Other	**15**	9
	(5 886)	(5 610)
21. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents are defined as money market assets and liabilities that mature within one year, and cash and bank balances.		
Cash and bank, and money market assets	**3 230**	2 179
Commercial paper bills	**(3 984)**	(3 418)
Total cash and cash equivalents at end of year	**(754)**	(1 239)
Total cash and cash equivalents at beginning of year	**(1 239)**	100
Net increase/(decrease) in cash and cash equivalents for the year	**485**	(1 339)

Schedule 1: Summary of interest-bearing debt at 31 December

LOCAL DEBT Loan	Interest payment dates	Capital repayment dates	Coupon rate %	Average yield base funding %	Issued nominal value 1997 Rm	Issued book value 1997 Rm	1996 Rm
Locally registered bonds							
142	Mar/Sep	2004	9,15	14,68	**299**	**234**	263
157	May/Nov	2008	14,25	15,93	**380**	**348**	330
168	Jun/Dec	2008	11,00	15,63	**12 091**	**9 251**	9 692
169	Apr/Oct	1998	15,00	13,76	**3 320**	**3 346**	3 451
170	Feb/Aug	2020	13,50	14,38	**3 078**	**2 895**	2 456
171	Mar/Sep	2002	0,00	15,30	**774**	**389**	435
172	Mar/Sep	2001	8,00	12,19	**1 753**	**1 541**	1 399
Various					**1 611**	**667**	941
					23 306	**18 671**	18 967
Commercial paper bills							
Various		Within one year		15,52		**3 984**	3 418
Various		After one year		15,46		**61**	46
						4 045	3 464
Other							
Electrification Participation Note 2	Apr/Oct	2010	6,00	16,63		**1 591**	1 481
Eurorand zero coupon		2027	0,00	13,35		**196**	–
Eurorand zero coupon		2032	0,00	11,89		**147**	–
Eurorand	Jun	2002	15,00	15,00		**150**	–
Various						**1 584**	401
						3 668	1 882
Total local debt						**26 384**	24 313

FOREIGN DEBT Currency	Interest payment dates	Final repayment dates	Interest rate %	Repayment terms	Nominal in foreign currency 1997	Rand equivalent 1997 Rm	1996 Rm
Japanese yen	Jan/Jul	2000	Fixed – 3,87	16 equal semi-annual instalments	**30 586**	**1 195**	1 232
Japanese yen	Apr/Oct	2000	Fixed – 3,10	Bullet	**20 000**	**719**	805
Japanese yen	Apr/Oct	2001	Fixed – 3,45	Bullet	**15 000**	**630**	604
US dollar	May/Nov	2000	Floating – 6,26	Bullet	**100**	**369**	476
US dollar	May/Nov	2001	Floating – 6,52	Bullet	**50**	**231**	238
Various small loans						**3 931**	4 942
Total foreign debt						**7 075**	8 297
Total debt						**33 459**	32 610

Name	Nature of operation	Issued/ stated capital R	Effective holding 1997 %	Effective holding 1996 %	Investment 1997 Rm	Investment 1996 Rm	Indebtedness 1997 Rm	Indebtedness 1996 Rm
The following unlisted investments are included in non-current assets. (Refer Note 6)								
SUBSIDIARY COMPANIES								
Eskom Finance Company (Pty) Limited	Finance (employee housing loans)	4 000	**100**	20	**–**	–	**1 062**	915
Escap Limited	Insurance	29 500 000	**100**	100	**30**	30	**–**	–
Gallium Insurance Company Limited	Insurance	4 000 000	**100**	100	**4**	4	**–**	–
Rotek Industries (Pty) Limited	Maintenance and service	4 000	**100**	100	**–**	–	**284**	301
					34	34	**1 346**	1 216
ASSOCIATE COMPANIES								
Gezicor (Pty) Limited	Electricity reticulation	1 000	**50**	50	**–**	–	**–**	–
Phambili Nombane (Pty) Limited	Electricity reticulation	3 000 000	**33**	33	**1**	1	**–**	–
TED (Pty) Limited (Transitional Electricity Distributor)	Electricity reticulation	1 000	**50**	50	**–**	–	**–**	–
Uitenhage Electricity Supply Company (Pty) Limited formerly Kwanobuhle Electricity Supply Company (Pty) Limited	Electricity reticulation	60 000	**33**	33	**–**	–	**–**	–
					1	1	**–**	–
OTHER								
The Ash Classification Venture (Unsecured, fixed interest and fixed repayment terms)							**1**	2
Bophuthatswana Electricity Corporation (Unsecured with no fixed redemption dates and bearing interest at prime)							**–**	28
Hidroelectrica de Cahora Bassa SARL (Unsecured, fixed interest and fixed repayment terms)							**107**	103
Small Business Development Corporation Limited – 500 000 ordinary "A" shares					**1**	1	**–**	–
					1	1	**108**	133
					36	36	**1 454**	1 349
Indebtedness					**1 454**	1 349		
					1 490	1 385		
Directors' valuation of unlisted investments					***1 490***	*1 385*		

Certain immaterial subsidiaries, associate companies and other investments are not disclosed above.

UNCONSOLIDATED SUBSIDIARY COMPANIES

Aggregate abridged financial statements	1997 Rm	1996 Rm
Capital employed		
Cost of unlisted shares in subsidiary companies	**34**	34
Pre-acquisition reserve	**(40)**	–
Post-acquisition deficit at beginning of the year	**(142)**	(131)
Attributable net profit/(loss) for the year	**44**	(11)
Total share capital and reserves	**(104)**	(108)
Loans by holding company	**1 586**	499
Long-term liabilities	**949**	12
	2 431	403
Employment of capital		
Property, plant and equipment	**230**	223
Advances	**2 024**	–
Net current assets	**177**	180
	2 431	403

Current value balance sheet at 31 December

	Notes	1997 Rm	1996 Rm
CAPITAL EMPLOYED			
Reserves			
Non-distributable reserve	2	**53**	–
Revaluation reserve	3	**59 441**	56 003
Accumulated reserve		**8 360**	8 038
Insurance reserve		**150**	150
Total reserves		**68 004**	64 191
Long-term provisions		**1 979**	1 539
Net interest-bearing debt		**26 911**	27 276
		96 894	93 006
EMPLOYMENT OF CAPITAL			
Property, plant and equipment		**89 137**	86 230
Non-current assets		**7 374**	7 058
Current assets		**3 295**	2 757
Inventories		**1 074**	852
Accounts receivable		**2 221**	1 905
Total assets		**99 806**	96 045
Interest-free liabilities		**2 912**	3 039
Net assets		**96 894**	93 006

Current value income statement for the year ended 31 December

	Notes	1997 Rm	1996 Rm
Revenue		**20 448**	18 687
Operating expenditure		**16 835**	14 950
Net operating income	4	**3 613**	3 737
Net interest and finance charges	5	**3 291**	3 192
Retained income for the year		**322**	545
Accumulated reserve at beginning of the year		**8 038**	7 493
Accumulated reserve at end of the year		**8 360**	8 038

RATIOS[1]

Real return on total assets, % (after taking account of financial gearing adjustment)	**3,62**	3,89
Debt:equity	**0,40**	0,42
Interest cover	**1,10**	1,17
Financial gearing adjustment, %	**27,33**	28,94

1. Calculated on the basis described in the five-year financial review.

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.
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

Accounts receivable 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 financed 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

	1997 Rm	1996 Rm
2. NON-DISTRIBUTABLE RESERVE		
Arising from the take-over of the electricity operations in the former TBVC[1] and SGT[2] homelands	**53**	–
3. REVALUATION RESERVE		
Balance at beginning of the year	**56 003**	52 358
Net revaluation to maintain operating capacity	**3 438**	3 645
Property, plant and equipment revaluation	**4 126**	4 342
Non-current assets revaluation	**344**	306
Other revaluation	**28**	26
Financial gearing adjustment	**(1 060)**	(1 029)
Balance at end of the year	**59 441**	56 003
4. NET OPERATING INCOME RECONCILIATION		
Current value net operating income	**3 613**	3 737
Inflation adjustments	**2 819**	2 529
Depreciation	**3 717**	3 439
Cost of sales	**162**	119
Financial gearing adjustment	**(1 060)**	(1 029)
Historical cost net operating income	**6 432**	6 266
5. NET INTEREST AND FINANCE CHARGES RECONCILIATION		
Current value net interest and finance charges	**3 291**	3 192
Fair value adjustments	**58**	2
Interest-bearing debt revaluation	**(326)**	257
Revaluation of financial market investments	**384**	(255)
Historical cost net interest and finance charges	**3 349**	3 194

1. Transkei, Bophuthatswana, Venda and Ciskei. 2. Self-governing territories.

1. POWER STATIONS IN COMMISSION AT 31 DECEMBER 1997

Name of station	Location	Number and capacity of generator sets MW	Total nominal capacity MW[1]	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	2	660
Camden[3]	Ermelo	8 x 200	1 600	1 520	8	1 520
Duvha[2]	Witbank	6 x 600	3 600	3 450	–	–
Grootvlei[3]	Balfour	6 x 200	1 200	1 130	6	1 130
Hendrina[2]	Hendrina	10 x 200	2 000	1 900	–	–
Kendal[2, 4]	Witbank	6 x 686	4 116	3 840	–	–
Komati[3]	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	–	–
Majuba[5]	Volksrust	2 x 657	1 314	1 224	–	–
Matimba[2, 4]	Ellisras	6 x 665	3 990	3 690	–	–
Matla[2]	Bethal	6 x 600	3 600	3 450	–	–
Tutuka[2]	Standerton	6 x 609	3 654	3 510	–	–
Subtotal coal-fired stations (13)			34 882	32 993	25	4 201
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						
Colley Wobbles[8]	Mbashe River	3 x 14	42	42	–	–
First Falls[8]	Umtata River	2 x 3	6	6	–	–
Gariep[7]	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[7]	Petrusville	2 x 120	240	240	–	–
Subtotal hydroelectric stations (2)			600	600	–	–
Pumped storage schemes[9]						
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 (20)			39 154	37 175	25	4 201

1. Difference between nominal and net maximum capacity reflects auxiliary power consumption and reduced capacity caused by age of plant and/or low coal quality. 2. Base-load station. 3. In long-term reserve storage (mothballed). 4. Dry-cooled unit specifications are based on design back-pressure and ambient air temperature. 5. Unit 3 expected to be commissioned in April 1998. 6. Stations used for peaking or emergency supplies. 7. Use restricted to peaking, emergencies and availability of water in Gariep and Vanderkloof dams. 8. Not an Eskom asset, but during 1995 Eskom was licensed to generate electricity at this station. Generating capacity is not included in Eskom total generating capacity. 9. Pumped storage facilities are net users of electricity during peak periods. Water is pumped during off-peak periods to generate electricity during peak periods.

2. STATISTICAL OVERVIEW

	1997	1996	1995	199
Sales				
Total sold, GWh[1]	**172 550**[2]	165 370[2]	153 547[2]	149 44
Growth in GWh sales, %	**4,3**[3]	7,7	2,7	3,
Electricity output				
Total electricity production in South Africa, GWh (net)[4]	**187 458**	184 500[5]	172 655[5]	167 60
Eskom electricity available as percentage of South African total	**98,3**	95,3	94,5	94,
Total electricity for Eskom system (Eskom stations and purchased), GWh[6]	**187 850**	178 884	165 006	160 35
Total produced by Eskom stations, GWh (net)	**187 811**	178 855	164 834	160 29
Coal-fired stations, GWh (net)	**170 464**	163 541	151 730	148 00
Hydroelectric stations, GWh (net)	**2 092**	1 319	529	1 07
Pumped storage stations, GWh (net)	**2 608**	2 220	1 274	1 51
Gas turbine stations, GWh (net)	**0**	0	0	2
Nuclear power station, GWh (net)	**12 647**	11 775	11 301	9 69
Total purchased for Eskom system, GWh	**39**	29	172	5
Total consumed by Eskom, GWh[7]	**3 511**	3 130	1 866	2 11
Total available for distribution, GWh[1]	**184 339**	175 754	163 140	158 23
Plant performance				
Total power station nominal capacity, MW	**39 154**	38 497	37 840	37 84
Total power station net maximum capacity, MW	**37 175**	36 563	35 951	35 92
Peak demand on integrated Eskom system, MW	**28 329**	27 967	25 133	24 79
Average energy availability (UCF), percent[8]	**90,4 (91,5)**	89,6 (90,6)	81,6 (84,3)	77,1 (79,
Generation load factor (after excess capacity management), percent[9]	**57,7 (65,0)**	55,7 (63,9)	52,3 (59,0)	50,9 (58,
Integrated Eskom system load factor, percent	**74,3**	71,5	74,1	72,
Coal burnt, thousands of tons	**90 169**	85 401	79 377	76 88
Overall thermal efficiency, percent	**34,5**	34,5	34,4	34,
Employees				
Total number at 31 December[10]	**39 241**	39 857[11]	39 952	39 76
GWh sold per employee	**4,397**	4,149	3,843	3,75
Sales to other countries in Southern Africa, GWh				
Botswana	**748**	685	340	20
Lesotho	**318**	335	324	31
Mozambique	**621**	596	600	55
Namibia	**1 298**	1 100	950	81
Swaziland	**608**	571	618	57
Zimbabwe	**2 789**	2 267	154	16
	6 382	5 554	2 986	2 62

1. Difference between electricity available for distribution and electricity sold (includes internal sales) is due to transmission losses. 2. Includes sales in respect of Department of Water Affairs and Forestry (DWAF) not stated in previous years. 3. Growth from 1996 to 1997 is 4,3% if own usage is excluded. 4. Electricity production by Eskom and by some industries and municipalities which generate all or part of their electricity requirements. 5. Restated. Source: National Electricity Regulator. 6. Includes Eskom electricity produced and delivered to neighbouring countries.

1993	1992	1991	1990	1989	1988
143 800	138 126	138 687	136 168	134 347	129 493
4,1	(0,4)	1,8	1,4	3,7	5,7
155 812	149 427	148 919	147 069	146 162	140 802
97,9	97,9	98,0	97,5	96,7	97,0
154 361	148 556	148 934	146 320	143 548	139 197
154 260	148 207	148 671	146 047	143 204	138 837
145 514	136 830	135 743	134 744	128 304	123 777
146	752	1 980	1 010	2 759	3 162
1 345	1 333	1 804	1 841	1 039	1 403
0	4	0	3	3	2
7 255	9 288	9 144	8 449	11 099	10 493
101	349	263	273	344	360
1 898	2 295	2 933	2 953	2 265	2 567
152 463	146 261	146 001	143 367	141 283	136 630
39 746	39 060	38 396	35 673	34 141	33 176
37 636	36 846	36 228	33 843	32 403	31 465
23 169	22 640	22 342	21 863	21 871	20 589
80,5 (81,7)	76,7	76,1	75,0	78,1	79,1
46,8 (56,4)	46,9 (54,6)	49,8 (58,5)	50,5 (57,3)	51,1	52,3
75,1	73,5	74,6	74,9	73,7	75,5
75 926	71 038	70 523	70 861	67 529	64 490
34,4	34,2	34,3	33,7	33,6	33,6
40 128	42 223	46 637	50 000	51 554	56 726
3,584	3,271	2,974	2,723	2,606	2,283
121	100	106	84	58	53
281	241	206	192	182	171
510	436	383	322	307	340
999	457	823	586	557	453
530	567	356	410	274	290
149	14	6	13	14	17
2 590	1 815	1 880	1 607	1 392	1 324

7. In respect of pumped storage facilities and synchronous condenser mode of operation. See Table 1, Note 9. Since 1993, energy consumption for water pumped for DWAF has been excluded from this total. 8. Capacity hours available x 100/total capacity hours in year. 9. kWh produced x 100/(average net maximum capacity x hours in year). 10. Excludes employees of subsidiary companies. 11. Includes 398 employees taken over from Venda Electricity Corporation.

3. GENERATING SETS ON ORDER AT 31 DECEMBER 1997

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 MW	Total net max. capacity of sets on order MW	Year of completion first (last) set[1]
Majuba, coal-fired	3 x 657	3 x 612						
Volksrust	3 x 713	3 x 669	4 110	3 843	2(4)	2 796	2 619	1996 (2001)
Total generating sets on order						**2 796**	**2 619**	

1. 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

		1997	1996	Change
Main transmission system lines, km	765 kV	**1 153**[1]	1 153[1]	0
	533 kV DC (monopolar)	**1 035**	1 035	0
	400 kV	**14 614**	14 216	398
	275 kV	**7 267**	7 130	137
	220 kV	**1 239**	1 239	0
	132 kV	**757**	653	104
Total transmission lines[2], km		**26 065**	25 426	639
Distribution lines, km	165-132 kV	**19 123**	18 730	393
	88-33 kV	**20 695**	20 597	98
Total distribution lines, km		**39 818**	39 327	491
Reticulation lines, km	22 kV and lower	**201 717**	190 992	10 725
Total all lines, km		**267 600**	255 745	11 855
Cables, km	165-132 kV	**47**	47	0
	88-33 kV	**243**	243	0
	22 kV and lower	**5 952**	5 767	185
Total all cables, km		**6 242**	6 057	185
Transformers	Transmission, MVA[3]	**126 090**	124 790	1 300
	Distribution and reticulation, MVA	**73 260**	71 382	1 878
Total transformer capacity, MVA		**199 350**	196 172	3 178
Transformers	Transmission, number	**465**	455	10
	Distribution and reticulation, number	**234 627**	224 724	9 903
Total transformers, number		**235 092**	225 179	9 913

1. 282 km of 765 kV line presently operating at 400 kV. 2. Transmission line lengths as per GIS (Geographic Information System) distances. 3. Base of definition: transformers rated ≥ 30 MVA and primary voltage ≥ 132 kV.

5. SALES OF ELECTRICITY TO CATEGORIES OF CUSTOMERS

Category	Number of customers 1997	Number of customers 1996	Change 96 – 97 %	GWh sold 1997	GWh sold 1996	Change 96– 97 %
Redistributors	**734**	752	(2,4)	**68 109**	69 905	(2,6)
Residential	**2 065 368**	1 712 958	20,6	**5 494**	4 753	15,6
Commercial	**22 531**	23 869	(5,6)	**979**	654	49,7
Industrial	**7 930**	7 199	10,2	**52 236**	47 451	10,1
Mining	**750**	731	2,6	**33 077**	31 188	6,1
Rural	**146 987**	131 539	11,7	**3 402**	3 239	5,0
Traction	**40**	155	(74,2)	**3 406**	3 458	(1,5)
International[1]	**6**	6	0,0	**5 513**	4 441	24,1
Own usage	**61**	60	1,7	**334**	281	18,8
	2 244 407	1 877 269	19,6	**172 550**	165 370	4,3[2]

1. International category comprises six main customers in Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe.
2. The GWh sold growth from 1996 to 1997 is also 4,3% if own usage is excluded.

6. NET REVENUE PER CATEGORY OF CUSTOMER

Category	Net revenue Rm 1997	Net revenue Rm 1996	Change 96 – 97 %	Average net price c/kWh sold 1997	Average net price c/kWh sold 1996	Change 96 – 97 %
Redistributors	**7 774**	7 785	(0,1)	**11,41**	11,10	2,8
Residential[1]	**1 172**	924	26,8	**21,33**	19,45	9,7
Commercial	**198**	127	56,0	**20,23**	19,40	4,3
Industrial	**5 630**	4 794	17,4	**10,78**	10,10	6,7
Mining	**3 857**	3 437	12,2	**11,66**	11,00	6,0
Rural	**839**	757	10,8	**24,66**	23,39	5,4
Traction	**512**	530	(3,4)	**15,04**	15,30	(1,7)
International[2]	**424**	302	40,4	**7,69**	6,80	13,1
Own usage	**42**	31	35,5	**12,56**	10,91	15,1
	20 448	18 687	9,4	**11,85**	11,30	4,9[3]

1. Prepayments included. 2. International category comprises six main customers in Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe. 3. General price increase with effect fom 1 January 1997 equal to 5%.

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

	% of issued nominal value 1997	% of issued nominal value 1996
Insurance companies, pension and provident funds	**2**	3
Corporate bodies	**1**	2
Nominee companies	**85**	81
Private individuals	**12**	14
	100	100

MAJOR ELECTRICITY UTILITIES IN THE WORLD

Utility	Country	Sales GWh	Rating by sales	Nominal capacity MW	Rating by capacity
EDF	France	355 200	1	99 500	1
TEPCO[1]	Japan	257 426	2	53 975	3
ENEL[2]	Italy	211 455	3	53 986	2
Korea Electric Power Co	South Korea	182 470	4	35 715	6
Eskom[3]	South Africa	172 550	5	39 154	4
Hydro-Québec	Canada	163 546	6	31 413	7
TVA[4]	USA	140 600	7	28 123	10
Ontario Hydro	Canada	137 770	8	29 844	8
Kansai Electric Power Co[1]	Japan	136 379	9	37 051	5
RWE[5]	Germany	124 308	10	20 460	14
Chubu Electric Power Co[1]	Japan	115 580	11	29 474	9
Taiwan Power Co	Taiwan	111 140	12	23 763	12
Texas Utilities Electric Co	USA	100 344	13	22 305	13
Commonwealth Edison Co	USA	91 275	14	24 996	11
Florida Power & Light Co	USA	80 889	15	16 369	15

All data for the year ended 31 December 1996, except for the year ending as follows:
1. 31 March 1997 2. 31 December 1995 3. 31 December 1997 4. 30 September 1996 5. 30 June 1996
Source: Tokyo Electric Power Company (TEPCO)

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1 **Elmon Mapote** *(39 years' service)*

Worked in Land Survey in the Orange Free State in the fifties. He is presently employed as a messenger.

2 **Gwen Arundale** *(35 years' service)*

Joined Eskom 35 years ago in Land Survey when draughting was still done by hand using a dip pen, which she claims was only shortly after the quill pen went out of fashion. Since then she has handled cadastral survey contracts, used for the registration of servitudes and property. Most work is now handled on CAD computer systems.

3 **Joseph Mtsweni** *(34 years' service)*

Was employed for 26 years as a general worker. He later joined Chemical Services where he does water sampling, laboratory cleaning and messenger work. He is proud to work for Eskom and very appreciative of what he calls "34 years of caring employment".

4 **Piet Makofane** *(41 years' service)*

Started work in the boiler department at Simmerpan feeding coal into the giant boilers. He has worked at various loading bays where heavy cable is handled. He also steps in as assistant truck driver when needed. He is a previous soccer player for an Eskom team and particularly proud of his seven children.

5 **Wellington Macatshisa** *(38 years' service)*

Is an accommodation assistant at a hostel. Eskom Catering and Accommodation Services at Lethabo power station employed a really committed worker who takes pride in his job. Clean buildings and bathrooms are usually taken for granted as people seldom remember the many people behind the scenes who work hard to keep them that way.

6 **Judas Komane** *(38 years' service)*

Worked in Land Survey in the Orange Free State. He is presently employed as a painter.

7 **Phineas Mahlalela** *(39 years' service)*

Has had experience at seven of Eskom's power stations and a number of pumping stations as a member of the maintenance repair gang. He is presently an artisan helper and has been at Arnot power station for the last twelve years.

8 **Zacharia Mphahlele** *(38 years' service)*

Has worked as a cook and waiter at Simmerpan Lodge. His many years of service involved preparing about 30 000 meals at the Lodge.

9 **Tolly Monaga** *(39 years' service)*

Started as a general labourer and later moved to Standby and Maintenance. Here he spent many weary nights, often in bad weather, as he worked to restore customers' electricity supply. He is now a live-line assistant where he provides invaluable support in a very specialised technological field.

10 **Leabua Sechomila** *(39 years' service)*

Started as a driver at Klip power station, which has since been closed down. He now transports workers, materials and food supplies. He is known for his friendly disposition and helpful attitude.

11 **Alpheus Sehlahle** *(40 years' service)*

Has worked in a number of Distribution areas. He is presently employed at National Control at Simmerpan.

12 **Japhet Ngema** *(44 years' service)*

Has been working in Distribution at Stanger near Durban for a number of years. Despite his advanced years and long service, he is as strong and able as ever and his supervisor claims he is one of the best. Despite many difficulties he has managed to give all his children a good education and has built himself a house to be ready for retirement.

13 **Connie Mutch** *(30 years' service)*

Originally worked in Generation as a junior typist in the planning office, then moved to Engineering and is now a member of the metering team in Transmission. She enjoys the many challenges of a changing organisation and is especially pleased that, in the new Eskom, workers' ideas are as much appreciated as managers' ideas.

14 **Andries Matekola** *(39 years' service)*

Electrical assistant, has helped keep things together – handling everything from first-line, fence and vehicle maintenance to painting, weed control and gardening at Transmission Operations and Maintenance in Middelburg (Mpumalanga).

15 **Jenny du Plessis** *(32 years' service)*

Started in Eskom's postal section. Over the years she has worked in Human Resources, as a cashier, in the computer room and the payroll section. She is presently working in Financial Accounts.

16 **Choene Manamela** *(38 years' service)*

Has worked for Eskom in a wide range of general worker jobs in many different parts of the country. Garden maintenance, cooking, replacing isolators, battery maintenance, substation inspections and assisting with installation of transformers are among his many skills. He has also taken advantage of the ABD training programmes to develop and upgrade his numeracy and literacy abilities.

17 **Vernon Volschenk** *(38 years' service)*

Started his career at Eskom in the power sales department in Cape Town. In 1986 he moved to the new Bellville head office where he helped establish the first Test and Demonstration Centre in the Western Cape.

18 **Sydney Tsotetsi** *(40 years' service)*

Assistant official, started as a filer in the drawing office in 1958. He moved on to the storerooms and was later promoted to the plan printing section in Generation Engineering where he is still working today.

LITHA GRAPHICS
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