

TRANSKEI ELECTRICITY SUPPLY CORPORATION

DRAFT

Financial statements
31 March 1991

FINANCIAL STATEMENTS
for the year ended 31 March 1991

The following statements are presented in compliance with the requirements of the Transkeian Corporations Act, 1985:-.

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The financial statements were approved by the board of directors on 19 July 1990 and are signed on its behalf.

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DIRECTOR

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DIRECTOR

DRAFT

REPORT OF THE AUDITOR GENERAL

The financial statements of Transkei Electricity Supply Corporation for the year ended 31 March 1991 were audited in terms of Section 10(2) of the Transkeian Corporations Act, 1985, read with Section 3 of the Transkeian Exchequer and Audit Act, 1986, and have been drawn up so as to fairly present the financial position of the Corporation at 31 March 1991 and the results of its operations for the year then ended.

UMTATA
19 July 1990

AUDITOR GENERAL

INCOME STATEMENT
for the year ended 31 March 1991

	Notes	1991 R	1990 R
TURNOVER	2	<u>41 219 825</u>	<u>35 818 833</u>
Operating (loss)/profit before other income and financial costs	3	(1 397 472)	2 740 947
Other income	4	4 240 047	8 004 809
Financial costs	5	7 889 990	8 343 095
Net (loss)/profit for the year		<u>(5 047 415)</u>	<u>2 402 661</u>
Retained profits at beginning of year		7 145 857	4 743 196
Retained profits at end of year		<u>2 098 442</u>	<u>7 145 857</u>

BALANCE SHEET : 31 March 1991

	Notes	1991 R	1990 R
EMPLOYMENT OF CAPITAL			
Fixed assets	6	101 569 539	91 975 482
Investments		2 164 363	1 212 582
Current assets			
Consumable stores		1 663 840	2 003 915
Electricity debtors		3 857 296	3 938 080
Sundry debtors		1 036 257	2 200 316
Bank and cash balances	7	521 570	2 528 902
Short term deposits		7 541 878	-
		14 620 841	10 671 213
Less:			
Current liabilities			
Accounts payable		4 825 030	5 985 237
Bank overdraft	7	2 233 950	751 201
Short term debt	9,10	5 631 097	5 485 432
Interest payable		2 888 332	1 408 576
		15 578 409	13 630 446
Net current liabilities		(957 568)	(2 959 233)
		102 776 334	90 228 831
CAPITAL EMPLOYED			
Share capital	8	32 720 787	27 720 787
Distributable reserve			
Retained profits		2 098 442	7 145 857
		34 819 229	34 866 644
Long term liabilities	9	67 957 105	55 362 187
		102 776 334	90 228 831

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NOTES TO THE FINANCIAL STATEMENTS : 31 March 1991

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis. The following are the principal accounting policies used by the Corporation which are consistent with those of the previous year:-

1.1 Fixed assets and depreciation

Fixed assets in commission, equipment and vehicles are depreciated on the straight line basis over their estimated useful lives.

Works under construction are stated at cost, which includes all activities necessarily incurred to bring the fixed asset to the condition and location essential for its intended use. Interest and finance charges and related overheads are capitalised during the period of construction.

The helicopter is depreciated to fifty percent of cost on the straight line basis.

Land is not depreciated.

1.2 Foreign currencies

Assets and liabilities in foreign currencies are translated to Rand at the rates of exchange ruling at the end of the financial year, or at forward cover rates if applicable. Translation gains and losses are included in operating profit.

1.3 Consumable stores

Consumable stores are stated at cost. Cost is determined on a first in, first out, basis. Provision is made for obsolete and defective stock.

1.4 Capitalisation of borrowing costs

Interest and other costs payable on funds borrowed to finance the construction of generation and distribution equipment is capitalised until such time as the assets are ready for use.

1.5 Pension scheme arrangements

Current contributions to the pension fund operated for the Corporation's employees are charged against income as incurred. The fund is actuarially valued at intervals of five years and the cost of providing for any deficits is charged against income when determined.

1.6 Investments

Investments are stated at surrender values and are written down only where there is a permanent impairment in value.

2 TURNOVER

Turnover comprises amounts invoiced to consumers for electricity sales less any rebates.

	1991	1990
3 OPERATING PROFIT BEFORE OTHER INCOME AND FINANCIAL COSTS	R	R

The following abnormal item has been taken into account in arriving at operating profit before other income and financial costs:

Legal fees	-	3 125 520
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4 OTHER INCOME

Line connection fees	2 696 213	1 912 333
Interest received	578 255	917 080
Sundry	964 579	175 513
Government subsidy	1 000	4 999 883
	4 240 047	8 004 809

5 FINANCIAL COSTS

Interest paid	7 015 535	7 357 623
Finance charges	54 542	121 000
Cost of forward cover	819 913	864 472
	7 889 990	8 343 095

6 FIXED ASSETS	Cost R	Accumulated depreciation R	Net book value 1991 R	Net book value 1990 R
Generation plants	63 081 101	13 329 186	49 751 915	48 895 824
Transmission lines	42 304 810	7 742 963	34 561 847	24 243 505
Land and buildings	11 060 680	493 693	10 566 987	6 454 365
Motor vehicles	3 871 691	2 488 483	1 383 208	1 181 788
Helicopter	444 050	222 937	221 113	221 113
Assets under construction	3 505 922	-	3 505 922	5 846 375
Equipment	5 319 262	3 740 715	1 578 547	5 132 512
	129 587 516	28 017 977	101 569 539	91 975 482

The Corporation has no title to the land on which the hydro electric installations on the Umtata and Mbashe rivers have been constructed. Formal lease agreements have not been concluded in respect of this land.

Certain motor vehicles, purchased at a cost of R514 413 (1990 - R1 623 763), are subject to suspensive sale agreements.

A first mortgage bond has been registered over certain residential land and building as security for long term loans amounting to R1 604 624.

7 BANK AND CASH BALANCES

A short term deposit of R1 million has been pledged as security for a court case in which the Corporation has been involved.

The remaining short term deposits have been pledged to the Corporation's bankers as security for overdraft facilities.

8	SHARE CAPITAL	1991 R	1990 R
	32 720 787 ordinary shares of R1 each	<u>32 720 787</u>	<u>27 720 787</u>
9	LONG TERM LIABILITIES		
(a)	Secured		
	Industrial Development Corporation of South Africa Limited	21 070 160	25 338 819
	Development Bank of Southern Africa	19 348 624	10 833 862
	Other	2 929 815	1 786 961
	Foreign loan	8 500 008	4 923 117
		<u>51 848 607</u>	<u>42 882 759</u>
(b)	Unsecured		
	Public Debt Commissioner	20 500 000	17 000 000
	Other	845 398	686 908
		<u>21 345 398</u>	<u>17 686 908</u>
	Total long-term liabilities	73 194 005	60 569 667
	Less: Current portion payable within the next twelve months included in current liabilities	<u>5 236 900</u>	<u>5 207 480</u>
		<u>67 957 105</u>	<u>55 362 187</u>

These loans bear interest at various rates, ranging from 5% to 22% and are repayable in monthly and half yearly instalments. The foreign loan is subject to the third debt standstill agreement and is repayable in instalments commencing in 1995.

10	COMPENSATION DUE TO MUNICIPALITY OF UMTATA	1991 R	1990 R
	Compensation due, including arrears	1 864 340	1 733 661
	Deferred amount to be amortised over the next 15 years commencing 1 April 1990	(1 470 143)	(1 455 709)
	Amount included in current liabilities	<u>394 197</u>	<u>277 952</u>

The amount of compensation payable is determined on the basis of the hydro generation capacity lost by the Municipality of Umtata, calculated at the tariff ruling at the balance sheet date. This gives rise to a further contingency as the amount payable is required to be reassessed annually to take account of tariff changes. The amount payable relating to the next financial year is R (1990 - R116 245). This is in addition to the amount of R394 197 included in current liabilities.

11 CONTINGENT LIABILITIES

11.1 As part of the agreement with ESCOM for the bulk supply of electricity, the Corporation has guaranteed to pay compensation to ESCOM of R420 000 for the cost of dismantling its equipment in the event of it becoming necessary to terminate the supply. The sum shall be reduced by R30 000 for and in respect of each completed year during which the supply was taken under this agreement. The contingent liability at 31 March 1991 amounted to R (1990 - R150 000).

11.2 There is a contingent liability in respect of the possible payment of general sales tax on certain capital expenditure contracts.

12 CAPITAL EXPENDITURE APPROVED

	1991 R	1990 R
Commitments in respect of contracts placed	<i>o/s.</i>	12 046 479
Approved by the directors in addition to contracts placed		-
Approved expenditure outstanding		<u>12 046 479</u>

It is intended to finance capital expenditure from existing borrowing facilities and from an increase in share capital

13 TAXATION

In terms of Section 8(3) of the Transkeian Corporations Act, 1985, the Corporation is exempt from Transkei taxation.

14 PENSION FUND COMMITMENT

The latest actuarial valuation was carried out in February 1990 and in the actuary's opinion the fund was in a sound financial position.

TRANSKEI ELECTRICITY SUPPLY CORPORATION

VALUE ADDED STATEMENT
for the year ended 31 March 1991

	1991 R	1990 R
Electricity revenue	41 219 825	35 818 833
Electricity purchases	16 496 033	9 640 458
	<u>24 723 792</u>	<u>26 178 375</u>
Value added		
Income from investments	578 255	917 080
Government subsidy	1 000	4 999 883
Line connection fees	2 696 213	1 912 333
Other	964 579	175 513
	<u>28 963 839</u>	<u>34 183 184</u>
Total wealth created		
 Distributed as follows:		
Providers of capital		
Interest paid on borrowings	7 889 990	8 343 095
Employees		
Salaries, wages, bonuses, pension, medical and other benefits	11 597 950	6 604 037
Other costs		
Repairs and maintenance	7 225 760	6 761 379
Insurances	1 362 635	1 105 818
Legal fees	(1 514 476)	3 125 520
Other	1 690 319	552 601
	<u>8 764 238</u>	<u>11 545 318</u>
Reinvested in the Corporation to maintain and develop operations		
Depreciation	5 759 076	5 288 073
Accumulated (loss)/profits	(5 047 415)	2 402 661
	<u>711 661</u>	<u>7 690 734</u>
Total wealth distributed/retained	<u>28 963 839</u>	<u>34 183 184</u>

This statement does not form part of the financial
statements and is unaudited.

DETAILED INCOME STATEMENT
for the year ended 31 March 1991

	1991 R	1990 R
Consumer billings	41 219 825	35 818 833
Less:		
Electricity purchased	16 496 033	9 640 458
Operating income before expenses	<u>24 723 792</u>	<u>26 178 375</u>
Operating expenses		
Construction	1 617 084	(12 446)
Distribution	9 743 734	7 825 120
Generation	6 567 819	5 400 149
Helicopter	904 662	616 580
Security	3 492 528	3 329 906
Workshop	3 064 259	2 016 769
Other expenses	3 793 606	7 276 985
	<u>29 183 692</u>	<u>26 453 063</u>
	(4 459 900)	(274 688)
Add: Recoveries	<u>3 062 428</u>	<u>3 015 635</u>
Operating profit before other income and financial costs	<u>(1 397 472)</u>	<u>2 740 947</u>
Other income		
Line connection fees	2 696 213	1 912 333
Interest received	578 255	917 080
Sundry	964 579	175 513
Government subsidy	1 000	4 999 883
	<u>4 240 047</u>	<u>8 004 809</u>
Financial costs		
Interest paid	7 015 535	7 357 623
Finance charges	54 542	121 000
Cost of forward cover	819 913	864 472
	<u>7 889 990</u>	<u>8 343 095</u>
(Loss)/profit for the year	<u><u>(5 047 415)</u></u>	<u><u>2 402 661</u></u>

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TRANSKEI ELECTRICITY SUPPLY CORPORATION

ANALYSIS OF OPERATING EXPENSES
for the year ended 31 March 1991

	Distribution R	Generation R	Workshop R	Helicopter R	Con- struction R	Security R	Other R	1991 R	1990 R
Advertising	-	-	-	-	-	-	2 864	2 864	28 476
Audit fees	-	-	-	-	-	-	87 300	87 300	45 000
Bad debts	-	-	-	-	-	-	-	-	64 212
Bad debts provision	-	-	-	-	-	-	-	-	175 000
Bank charges	-	-	-	-	-	-	164 132	164 132	77 141
Board meeting expenses	-	-	-	-	-	-	498	498	1 106
Cleaning	12 286	16 918	10 463	478	10 191	8 479	6 676	65 491	45 159
Collection fees	-	-	-	-	-	-	29 142	29 142	17 679
Computer expenses	-	-	-	-	-	-	68 950	68 950	-
Consultants' fees	3 723	794 951	-	49	-	11 466	118 339	928 528	213 047
Depreciation	1 555 750	2 318 802	947 333	2 630	191 390	506 491	236 680	5 759 076	5 288 073
Directors' fees	-	-	-	-	-	-	35 285	35 285	31 610
Fire arms and ammunition	-	-	-	-	-	8 346	-	8 346	-
General expenses	1 808	128	300	522	3 166	270	38 291	44 485	63 798
Interest	-	-	-	-	-	-	-	-	-
- amortised	-	-	-	-	-	-	-	-	-
- on loans	-	-	-	-	-	-	18 361	18 361	16 257
Insurance	71 784	871 455	168 727	91 977	28 086	30 727	99 879	1 362 635	1 105 818
Landing fees	-	-	-	246	-	-	-	246	-
Lease charges	-	-	-	-	-	-	-	-	30 378
Legal costs written off	-	-	-	-	-	1 500	(1 515 976)	(1 514 476)	3 125 520
Lights and water	14 724	-	-	-	312	2 808	114 920	132 764	302 004
Loss on sale of assets	-	-	-	-	-	-	120 230	120 230	-
Medical aid	25 496	10 595	7 354	1 583	11 235	32 634	56 520	145 417	62 124
Carried forward	1 685 571	4 012 849	1 134 177	97 485	244 380	602 721	(317 909)	7 459 274	10 692 402

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	Distribution R	Generation R	Workshop R	Helicopter R	Con- struction R	Security R	Other R	1991 R	1990 R
Brought forward	1 685 571	4 012 849	1 134 177	97 485	244 380	602 721	(317 909)	7 459 274	10 692 402
Pension contributions	251 305	128 750	51 887	9 788	89 598	204 688	250 501	986 517	615 306
Refreshments	9 595	13 154	71	-	10 528	20 327	19 723	73 398	-
Postage, telephone and telex	59 643	1 758	6 135	589	(43)	11 832	96 515	176 429	139 805
Printing and stationery	36 194	5 039	10 409	915	2 386	30 716	136 977	222 636	207 675
Protective clothing	17 347	10 506	2 313	40	9 214	5 941	1 135	46 496	55 355
Railage	639	-	6 376	70	-	-	34 346	41 431	48 197
Refundable utensils	-	-	-	-	-	-	-	-	66 947
Rent	25 389	-	-	-	-	-	15 909	41 298	22 973
Repairs and maintenance	3 802 280	743 111	1 276 669	667 327	197 921	149 310	389 142	7 225 760	6 761 379
Salaries and wages	2 448 345	1 326 127	436 752	85 841	872 544	2 144 345	2 385 466	9 699 420	4 777 316
Staff									
- housing	209 501	38 998	19 484	(80)	24 095	103 963	119 475	515 436	620 721
- recruitment and training	59 867	11 090	5 026	360	2 024	15 822	98 986	193 175	551 138
- removal	-	-	-	-	-	-	14 548	14 548	39 556
Tools and equipment	151 910	17 300	7 457	-	94 646	3 889	91 753	366 955	180 201
Transport expenses	953 766	245 732	104 310	20 598	66 573	184 391	339 601	1 914 971	1 544 649
Travelling and subsistence	23 801	9 828	2 030	21 685	210	3 148	101 809	162 511	99 662
Unemployment Insurance fund	8 581	4 235	1 163	44	3 008	11 156	7 296	35 483	19 909
Workmen's Compensation Assurance	-	(658)	-	-	-	279	8 333	7 954	9 872
	<u>9 743 734</u>	<u>6 567 819</u>	<u>3 064 259</u>	<u>904 662</u>	<u>1 617 084</u>	<u>3 492 528</u>	<u>3 793 606</u>	<u>29 183 692</u>	<u>26 453 063</u>

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