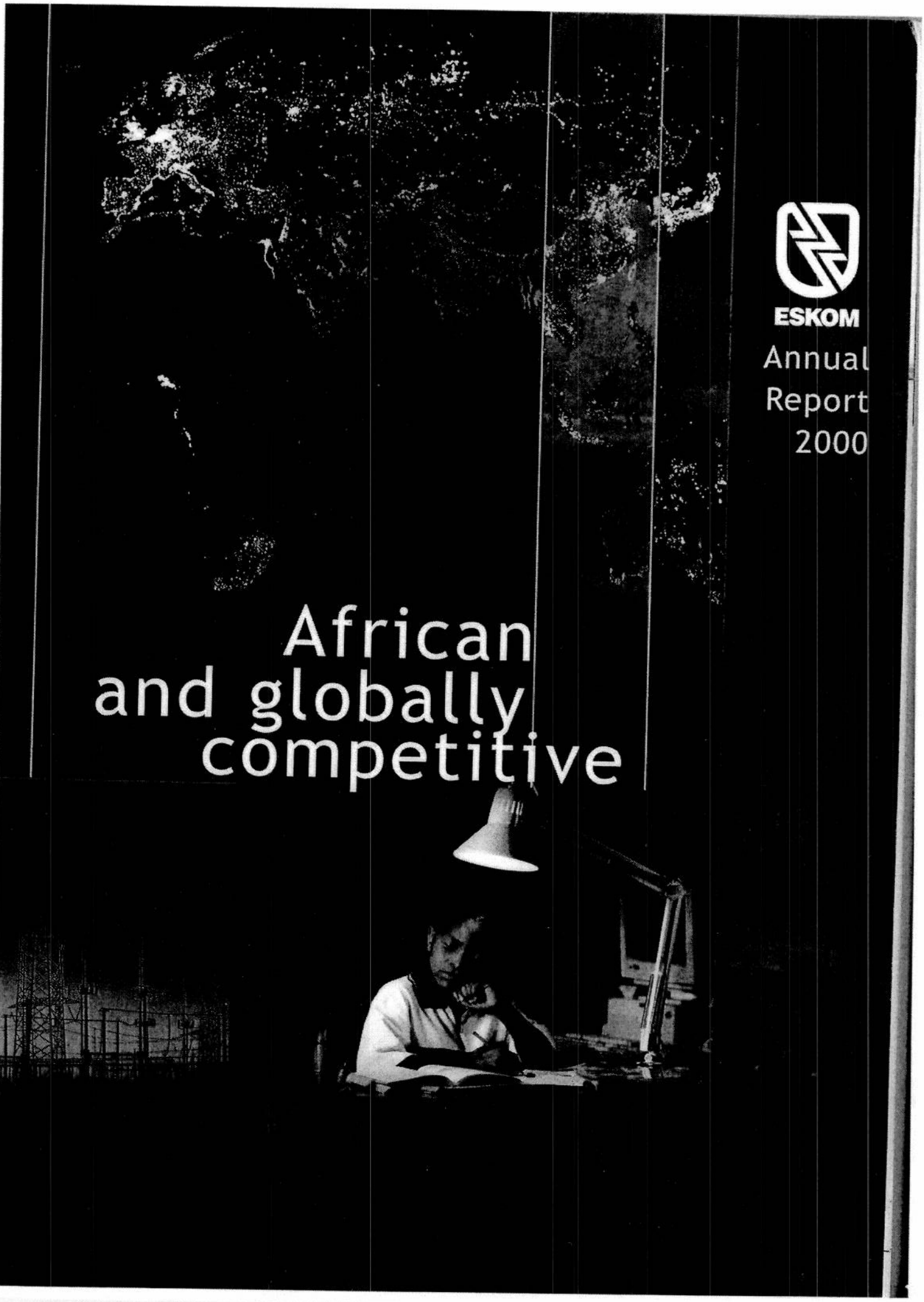
Front Cover and Missing Pages

The Annual Report for 2000 was copied and scanned. A few pages were skipped during the scanning process. These missing pages are included here:

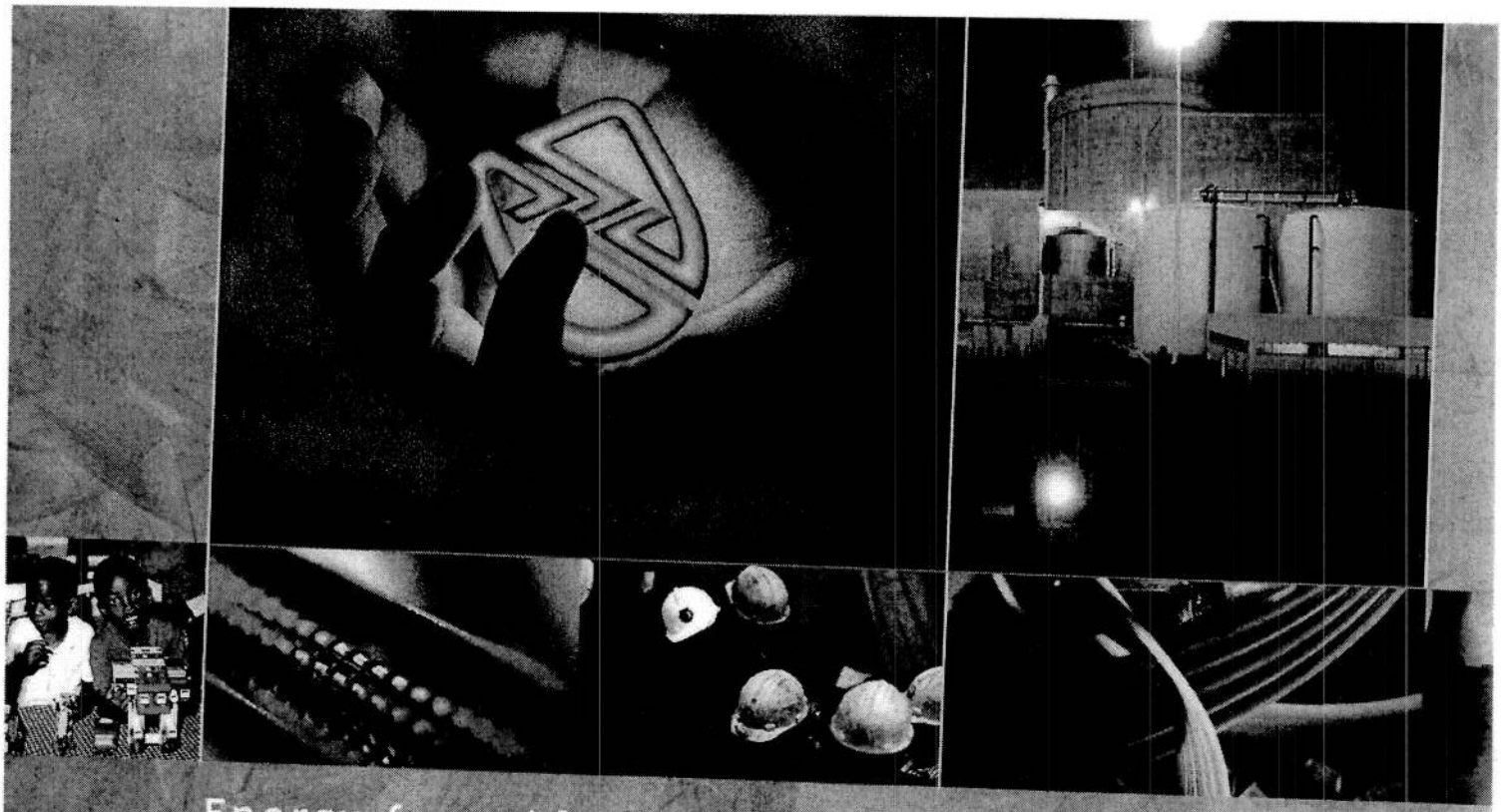
- Front cover
- Inside front cover
- Page 1
- Page 12
- Page 13
- Page 96
- Page 102
- Page 103
- Page 118
- Page 119
- Page 129



ESKOM

Annual Report 2000

African and globally competitive



Energy from Africa, for Africa

Millions in Africa are still without electricity.
But it's a scenario that's changing. With the introduction of low-cost electricity; at a rate of a thousand new homes a day. Eskom, through its specialised subsidiaries, and with business partners throughout Africa, is paving the way for stimulating regional economic opportunities and reinvestment. And thus helping to unleash this continent's true potential.

Contents

ESKOM

Key drivers of direction

Strategic intent

"Eskom will be the pre-eminent African energy and related services business, of global stature."

Mission

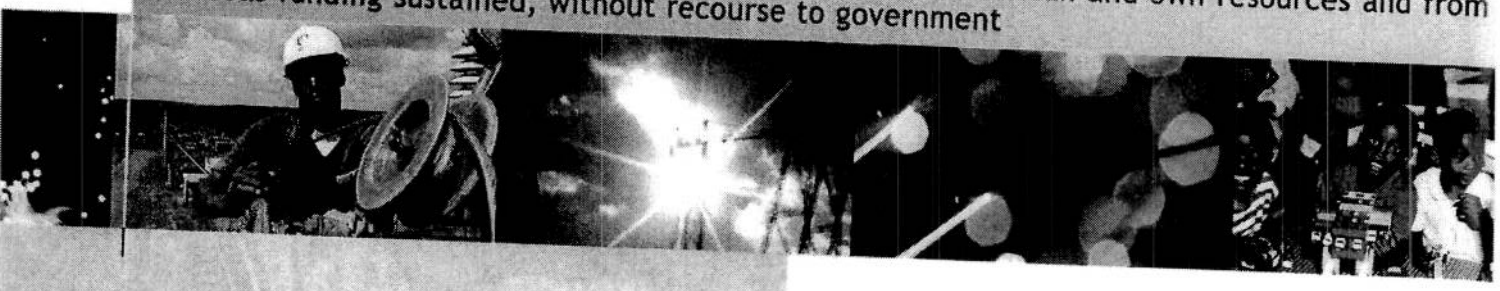
"Eskom will grow shareholder value by exceeding its local and international customers' needs for energy and related services."

Strategy

"Eskom is positioned as a competitive African energy and related services business

- vigorously promoting economic growth in South Africa, its region and the rest of Africa,
- expanding globally, and
- supporting social and economic objectives in our markets."

Financial independence - Financing of Eskom from South African and own resources and from overseas funding sustained, without recourse to government



The regulated business also had a most gratifying year with a net profit of R3 213 million before tax. The balance sheet strengthened further and this is reflected by the debt-equity ratio that, by year-end, stood at 0,68.

Sales growth of 2,8%, together with strict financial discipline, an adherence to sound business principles and world-class technical performance, contributed towards this excellent result.

Globalisation

As part of its vision of globalisation, Eskom has been spreading its influence throughout the length and breadth of the African continent, working in partnership with the utilities of the respective countries. The new political dispensation in our country presents us with the opportunity to interface freely with electricity utilities beyond our borders. Many a continental utility and beyond has approached Eskom, with a view to engaging in meaningful development ventures.

This is in line with our new strategic intent - that of becoming a pre-eminent African energy and related services business of global stature. It is an approach that is informed by foresight, recognising that, as we begin to open up to the African continent and the rest of the world, we shall be faced with the challenges of competition. The era of protectionist markets is long gone. That is why government, with our input and support, is restructuring the electricity industry. It is creating an environment that will enable multinational business concerns, when they come to this country, to deal with a variety of role players in the market. It is also preparing to broaden participation in the industry by all of South Africa's communities. Indeed, government is levelling the playing field.

Innovation

In anticipation of these challenges, we are diversifying our areas of interest. Apart from the business of electrical energy, we have positioned Eskom at the cutting edge of technological innovations such that we are developing a variety of energy-based technologies; we have immense telecommunications capacity and are continuing to streamline our activities, to focus on core business initiatives. Our information technology capacity has been combined and reconfigured with that of other state-owned organisations to form one of the largest IT organisations in the country. We continue to hold a stake in this venture and will leverage its strength and benefit to create value for our shareholder.

Social responsibility

Eskom is also a socially responsible organisation, fully committed to the need to uplift economically and socially disadvantaged communities in this country.

We see ourselves playing a significant role in facilitating the creation of employment opportunities for our people. We support the advancement of entrepreneurship, which creates employment for our communities, thereby creating wealth for our country.

Eskom Development Foundation

In line with this commitment, we formed the Eskom Development Foundation (ESDEF) in 1999. ESDEF supports community development; education and training; electrification of schools and clinics; and small business development. This is all aimed at bringing previously disadvantaged communities into the mainstream of the economy, with particular emphasis on rural areas, women and disabled people. The other emphasis is on job creation through supporting small business development initiatives. During 2000, ESDEF spent R70 million on social investment. This represents an increase of about R20 million over the previous year.

Black economic empowerment

Once again, Eskom can be counted among the South African corporate citizens that have demonstrated their commitment to black economic empowerment. The organisation has encouraged the development and support of this sector through procurement of products and services from businesses that are owned and controlled by the previously disadvantaged of our country. Eskom's target expenditure on black economic empowerment in 2000 was R1 500 million, an increase of approximately 56% on the previous year's target of R963 million. We spent

approximately R1 867 million on black economic empowerment in 2000.

Electrification

The momentum of the electrification programme continued to increase during 2000. The stringent target that was set in 1994 of electrifying 1 750 000 homes between 1994 and the end of the year 2000, was exceeded a year ahead of schedule. After achieving this, we electrified a further 256 023 homes during 2000. The Department of Minerals and Energy initiated changes to the electrification programme, but such changes recognise Eskom as the primary role player in illuminating and energising our country.

Through this massive electrification programme, during which we have electrified over two million homes, we have improved the quality of life of millions of South Africans, who are enjoying the benefits of electricity for the first time.

Flood relief

As a socially responsible organisation, we could not sit and watch when communities in this country and beyond were befallen by a natural disaster. The memory of the devastation and destitution inflicted upon the people of South Africa and Mozambique by the floods early in 2000 still lingers on.

Eskom took a proactive initiative by allocating the sum of R5 million as its contribution to the mitigation of the disaster. In this endeavour, we worked in close collaboration with the Command Centre, a unit established by government for emergency relief and reconstruction.

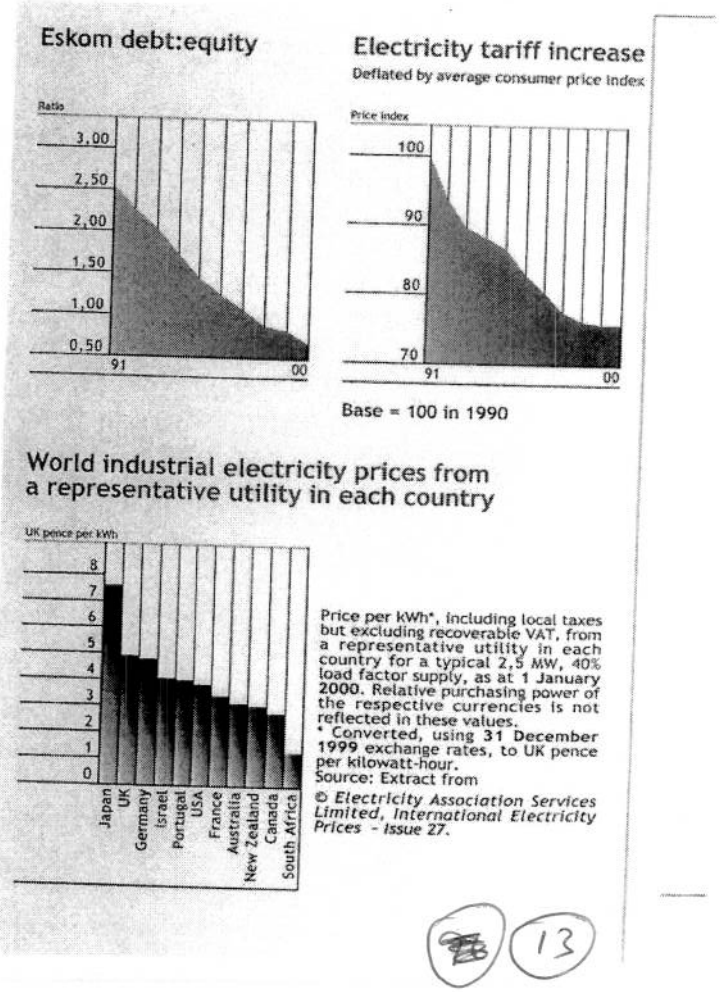
Two and a half million rand of the allocation was used to provide the Amazing Amanzi product, a paraffin-powered water-heater-cum-hotplate appliance produced by an Eskom Enterprises subsidiary. These appliances improved the quality of life of about 6 000 of the people directly affected by the floods.

Likewise, in Mozambique, we were privileged to have collaborated with our sister utility, Electricidade de Moçambique, in the restoration of its damaged electricity infrastructure. We allocated R2,5 million to our Eskom Enterprises subsidiaries with which they successfully restored electricity supply to the towns of Chokwe and Xai Xai and their surrounding communities.

We would like to pay tribute to both our government and that of Mozambique for the success of these interventions.

Environment

Social responsibility in our organisation also means integrating environmental considerations into our core values. Our consistent world-class environmental performance and continuous research demonstrate this. Eskom is so much held in high regard on environmental matters that I was approached by the eight richest countries in the world, the G8, to get Eskom to participate in the G8 Renewable Energy Task Force. The Task Force was established by the G8 at its 2000 summit in Okinawa, Japan, with the objective of identifying the main barriers to the use of renewable energy and to recommend practical solutions. Eskom's role in environmental preservation is further outlined in the Annual Environmental Report that we publish separately.



	2000		1999	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
7. Financial instruments (continued)				
7.11 The carrying amounts and fair values of financial assets and liabilities at 31 December are:				
Eskom				
Financial assets				
Financial market investments	**10 837**	**10 837**	9 442	9 442
Investment in associate and joint venture companies	**229**	**229**	62	62
Other investments	**105**	**105**	143	143
Trade and other receivables	**3 832**	**3 832**	3 823	3 823
	15 003	**15 003**	13 470	13 470
Financial liabilities				
Financial market liabilities	**31 661**	**31 661**	33 584	33 584
Other provisions and letter of credit facility	**977**	**977**	821	821
Trade and other payables	**3 852**	**3 852**	4 210	4 210
	36 490	**36 490**	38 615	38 615
Unrealised gains		-		-

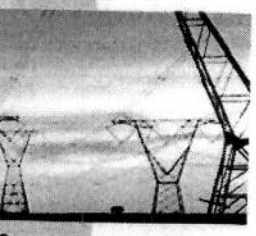
The carrying amount of cash, trade receivables and trade payables approximates fair values because of the short maturity period of these instruments. Trade and other receivables and payables after provision for doubtful and bad debts are mainly expected to mature within 12 months.

The fair value of investment in associate and joint venture companies and other investments is based on directors' valuations.

The method and assumptions for the fair value of the rest of the instruments are discussed in the accounting policies and, as a result, the carrying values approximate the fair values.

for the year ended 31 December

	Nuclear decommissioning and waste management Rm	Other decommissioning Rm	Closure, pollution control, rehabilitation Rm	Employee benefits Rm	Letter of credit facility Rm	Other Rm	Total Rm
15. Provisions (continued)							
Eskom							
Balance at 1 January 1999							
Previously reported	1 038	439	103	2 697	131	600	5 008
Effect of change in accounting policy	-	87	361	-	-	100	548
Restated balance	1 038	526	464	2 697	131	700	5 556
Provision for the year	33	-	24	137	-	468	662
Interest adjustment	149	79	30	364	-	-	622
Revaluation	-	-	-	-	13	-	13
Forward exchange profit	-	-	-	-	6	-	6
Expenditure incurred	(58)	(5)	(13)	(235)	(15)	(482)	(808)
Balance at 31 December 1999	1 162	600	505	2 963	135	686	6 051
Provision for the year	36	-	30	137	-	585	788
Interest adjustment	155	80	32	385	-	-	652
Unused amounts reversed	-	-	-	(60)	-	-	(60)
Revaluation	-	-	-	-	(36)	-	(36)
Forward exchange profit	-	-	-	-	26	-	26
Expenditure incurred	(63)	(7)	(18)	(125)	(16)	(403)	(632)
Balance at 31 December 2000	**1 290**	**673**	**549**	**3 300**	**109**	**868**	6 789
Short-term portion							(852)
Long-term portion							5 937



	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
16. Deferred income				
Balance at the beginning of the year	**340**	374	**340**	374
Amortisation during the year	**22**	34	**22**	34
Balance at end of the year	**318**	340	**318**	340
The gains arise from benefits realised through cross-border lease transactions over certain generating plant. The present value of the lease and leaseback commitments was settled in full on commencement of the transactions and gains resulted. The gains are recognised in the income statement in accordance with the disclosed accounting policy.				
17. Trade and other payables				
Trade and other payables	**2 967**	3 431	**2 900**	3 253
Interest payable	**875**	869	**952**	957
	3 842	4 300	**3 852**	4 210
18. Commitments				
18.1 Capital expenditure				
Estimated capital expenditure	**2 245**	4 091	**2 231**	4 086
Contracted	**948**	1 271	**934**	1 266
Approved, not yet contracted	**1 297**	2 820	**1 297**	2 820
This expenditure will be financed from debt and internally generated funds and is expected to be incurred as follows:	**2 245**	4 091	**2 231**	4 086
Within one year	**1 618**	2 473	**1 615**	2 469
Thereafter	**627**	1 618	**616**	1 617

18.2 Derivative financial instruments

The range of derivative instruments used includes domestic and foreign interest rate swap agreements, forward rate agreements, forward exchange contracts, commodity option contracts, bond option contracts and commodity futures contracts.

No material losses are anticipated as a result of these transactions.

for the year ended 31 December

	Regulated		Non-regulated		Group eliminations		Group	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm	**2000 Rm**	1999 Rm	**2000 Rm**	1999 Rm
35. Segment reporting								
Business segmentation								
Revenue	**23 569**	21 568	**2 911**	1 643	**(2 021)**	(966)	**24 459**	22 245
Net operating income	**6 128**	5 057	**352**	430	**-**	-	**6 480**	5 487
Interest income	**1 310**	1 261	**114**	98	**(367)**	(388)	**1 057**	971
Interest expenditure	**(4 225)**	(4 256)	**(345)**	(387)	**367**	388	**(4 203)**	(4 255)
Profit before tax	**3 213**	2 062	**121**	141	**-**	-	**3 334**	2 203
Income tax expense	**(1 454)**	-	**(12)**	(24)	**-**	-	**(1 466)**	(24)
Net profit for the year after tax	**1 759**	2 062	**109**	117	**-**	-	**1 868**	2 179
Other information								
Capital expenditure	**3 287**	4 023	**80**	22	**-**	-	**3 367**	4 045
Depreciation	**2 988**	3 553	**153**	28	**-**	-	**3 141**	3 581
Impairment losses	**394**	-	**35**	-	**-**	-	**429**	-
Non-cash-flow items	**4 181**	4 262	**506**	224	**-**	-	**4 687**	4 486
Total assets	**73 202**	71 383	**5 818**	4 457	**(4 992)**	(3 906)	**74 028**	71 934
Assets	**72 973**	71 321	**5 807**	4 447	**(4 992)**	(3 906)	**73 788**	71 862
Investment in associate and joint venture companies	**229**	62	**11**	10	**-**	-	**240**	72
Total equity and liabilities	**73 202**	71 383	**5 818**	4 457	**(4 992)**	(3 906)	**74 028**	71 934
Geographical segmentation								
Revenue								
South Africa	**23 095**	21 173	**2 883**	1 643	**(2 021)**	(966)	**23 957**	21 850
Outside South Africa	**474**	395	**28**	-	**-**	-	**502**	395
Total revenue	**23 569**	21 568	**2 911**	1 643	**(2 021)**	(966)	**24 459**	22 245

The assets and liabilities are not available on geographical level.

Schedule 1:

Investment in associate and joint venture companies

at 31 December

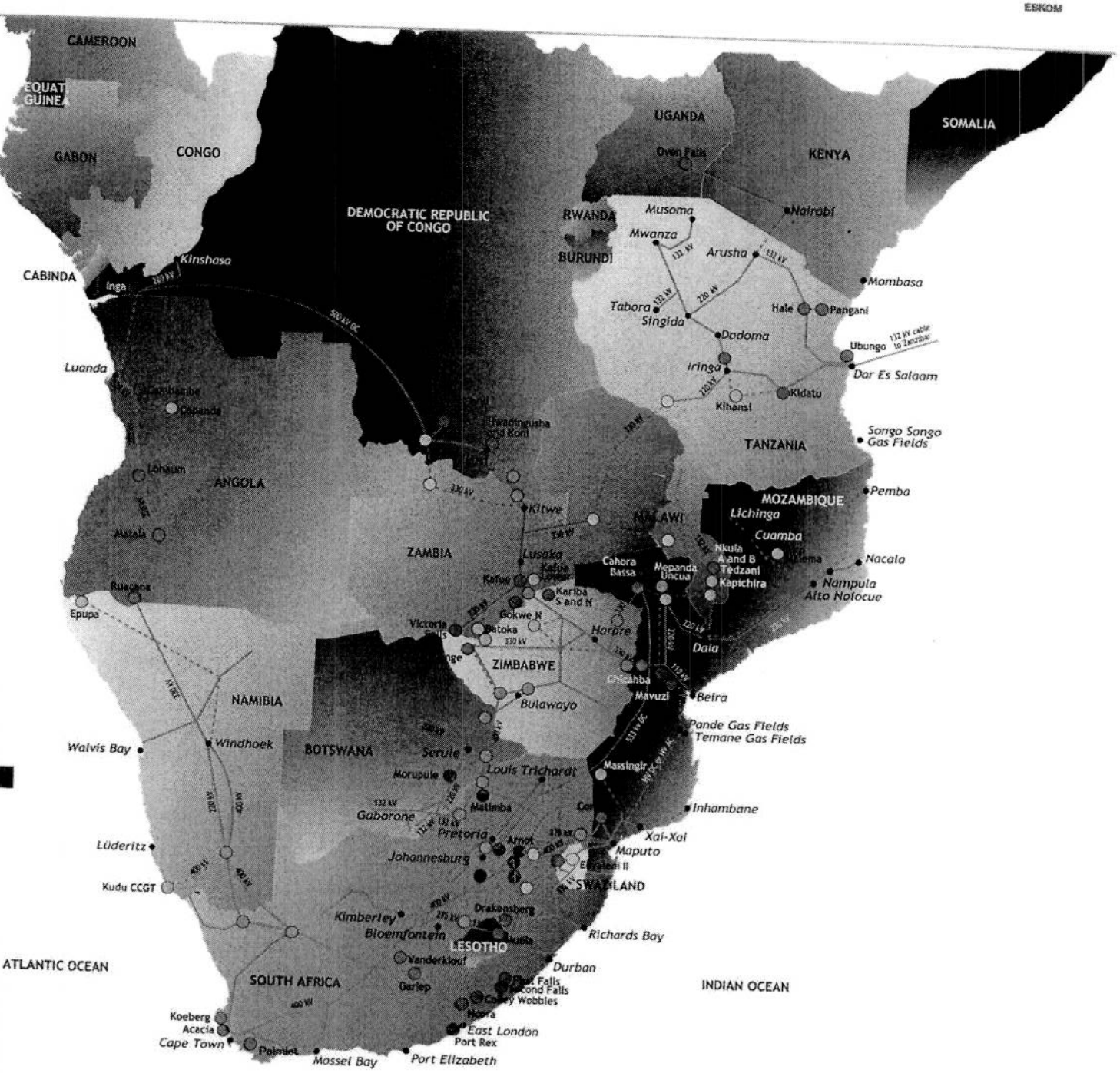
Name	Nature of operation	Issued/ stated capital	Effective holding		Group Carrying amount		Eskom Carrying amount	
			2000	1999	2000	1999	2000	1999
		R	%	%	Rm	Rm	Rm	Rm
The following unlisted investments are included in investments in in associate and joint venture companies (refer note 9).								
Associate companies								
Unlisted shares								
PN Energy Services (Pty) Limited (formerly Phambili Nombane)	Electricity reticulation	3 000 000	**33**	33	4	1	4	1
TED (Pty) Limited** (Transitional Electricity Distributor)	Electricity reticulation	1 000	**50**	50	**203**	-	**203**	-
Uitesco (Pty) Limited (Uitenhage Electricity Supply Company (Pty) Limited)	Electricity reticulation	60 000	**33**	33	**2**	2	**2**	2
Joint venture companies								
Incorporated								
Motraco (Mozambique Transmission Company SARL)	Management of electricity transmission system and supply of electricity	39 500 000*	**33**	33	**76**	51	**76**	51
Eskom-Shell Solar Home Systems (Pty) Limited	Electrification	100	**50**	50	**14**	10	**14**	10
Trans Africa Projects (Pty) Limited**	Construction	4 000	**50**	50	-	-	-	-
Trans Africa Projects Limited**	Construction	100 000*	**50**	50	**4**	-	-	-
Bonesa (Pty) Limited	Lighting	1 000	**45**	-	-	-	-	-
HEM-KOM Liveline Engineering (Pty) Limited	Live-line maintenance	900 000	**50**	50	**1**	2	-	-
EON-Solutions Africa (Pty) Limited	Telecommunication consulting	100	**50**	50	-	-	-	-
Ash Resources (Pty) Limited	Manufacture	200	**25**	25	**6**	8	-	-
Electricity Africa (Pty) Limited	Consulting	8*	**50**	50	-	-	-	-
Total investment in associate and joint venture companies					**310**	74	**299**	64
Provision for impairment losses					**(70)**	(2)	**(70)**	(2)
					240	72	**229**	62

Where the above entities' financial year-end is not coterminous with that of Eskom, financial information has been obtained from published information or management accounts as appropriate.

* *Authorised capital in US dollar*

** *Year-end other than 31 December*

Southern African grid



Existing grid system

Possible future grid system

Hydroelectric power station

Thermal power station

Nuclear power station

Future hydroelectric power station

Future thermal power station

Interconnection substation

Future interconnection substation

Town

Not to scale
Last update 1 July 2000

Eskom, South Africa's electricity utility

- has 24 power stations with a nominal capacity of 41 298 megawatts
- is among the top seven utilities in the world in terms of size and sales
- has 312 939 kilometres of power lines and cables (all voltages), spanning the entire country and also carrying power to neighbouring countries
- supplies approximately 95% of the country's electricity requirements, which equals more than half of the electricity generated on the African continent
- has exceeded the target to electrify 1 750 000 homes from 1994 to 2000 one year ahead of schedule. Since the start of the electrification programme in 1991, Eskom has electrified 2 391 684 homes by the end of 2000
- earned revenue from electricity sales of 178 192 GWh amounting to R23 569 million
- had sales growth of 2,8% compared to last year's growth of 1,1%
- had a net profit of R1 759 million after tax for Eskom and R1 868 million after tax for the group
- had a peak demand for electricity on the national Eskom system of 29 188 MW
- sees itself as a responsible corporate citizen and is working towards environmental sustainability and socio-economic improvement
- supports the development of a southern African transmission grid to encourage co-operation and accelerate economic growth in the region
- supports the African Renaissance vision

Key statistics

ESKOM

	Group			Eskom			
	2000	1999	Change 1999 - 2000 %	2000	1999	Change 1999 - 2000 %	Average yearly change 1996 - 2000 %
ıancial/business performance indicators							
ıancial							
venue, Rm	24 459	22 245	10,0	23 569	21 568	9,3	4,8
: profit for the year after tax, Rm	1 868	2 179	(14,3)	1 759	2 062	(14,7)	(10,6)
perty, plant and equipment commission, Rm	78 373	74 879	4,7	77 438	74 522	3,9	5,9
: expenditure on property, plant, ıipment and intangible assets, Rm	3 090	3 958	(21,9)	3 010	3 940	(23,6)	(14,0)
: financial market liabilities and estments, Rm	19 439	23 341	(16,7)	20 824	24 142	(13,7)	(5,3)
erage price of electricity sold, ıts per kWh [1]	13,23	12,44	6,4	13,23	12,44	6,4	3,2
erage total cost of electricity sold, ıts per kWh [2]	11,44	11,27	1,5	11,44	11,27	1,5	3,9
siness performance [3]							
urn on total assets, %	10,60	9,00	17,8	9,95	8,26	20,5	(3,1)
ıl (inflation-adjusted) return on al assets, %	n/a	n/a	-	2,47	1,42	(73,9)	(20,7)
ot-equity ratio	0,63	0,85	(25,9)	0,68	0,89	(23,6)	(11,5)
ue created per employee, R'000	428	416	2,9	441	420	(5,0)	6,0
ff employed							
31 December, number	35 707	35 573	0,4	32 832	34 027	(3,5)	(3,8)
chnical/business performance indicators							
erations							
al electricity sold, GWh [4]				178 192	173 422	2,8	1,5
ıl burnt in power stations, Mt				92,3	88,5	4,3	1,5
er consumed by power stations, Mℓ				228 759	227 306	0,6	1,2
k demand on integrated system, MW				29 188	27 813	4,9	0,9
				20 July	22 June		
ets in commission at December							
ninal capacity, MW [5]				41 298	40 585	1,8	1,4
maximum capacity, MW [5]				39 186	38 517	1,7	1,4
ver lines (all voltages), km				306 124	294 325	4,0	3,6
ıer key statistics							
ctricity customers							
31 December, number (thousands)				3 110	2 856	8,9	10,6

verage price of electricity sold based on total sales.

verage total cost of electricity sold, calculated as operating expenditure and net interest and based on external sales.

alculated on the basis described in the five-year financial review.

cludes internal sales of 268 GWh (1999: 309 GWh).

he difference between nominal and net maximum capacity reflects auxiliary power consumption and reduced capacity caused by age of plant and/or w coal quality.

RDP commitments	Achievements
To reduce the real price of electricity by 15% by the end of 2000 • Cumulative price reduction	• 15,68% including the electrification discount • 14,1% excluding the electrification discount
To electrify an additional 1 750 000 homes between 1 January 1994 and end of 2000 • Cumulative connections	• 1 750 750 connections by end of 1999 • 2 006 773 connections by end of 2000
To change its staff profile so that 50% of management, professional and supervisory staff shall be black South Africans by end of 2000	• 50,7%
To educate, train and upgrade sufficient numbers of people to meet Eskom's future managerial, technical and other professional staff needs • Having on average 370 black trainees and bursars complete their annual training • Enabling all Eskom employees to become literate - Number completing Adult Basic Development - Annual amount spent on training, Rm	• 2 631 trainees and bursars successfully completed training between 1995 and 2000 • On average 438 trainees and bursars per annum • 10 639 learners successfully completed training between 1995 and 2000 • Illiteracy rate reduced from 45% to less than 10% • On average R393 million spent per annum • Approximately R1 966 million spent on training between 1996 and 2000
To maintain transparency and worker consultation in decision-making	• Processes, forums and agreements in place with employees, unions, etc • New bargaining agreement signed in 2000 • Participation structures renewed

ESKOM

As a contribution to the RDP Eskom undertook to deliver on ten commitments by the end of 2000.

RDP commitments	Achievements
o contribute R50 million per annum to the electrification of chools and clinics and to other community development activities	
Amount contributed	• Spent approximately R306 million between 1995 and 2000 • Contributed on average R51 million per annum
Amount spent on electrification of schools included in the above amount	• Contributed on average R17 million per annum for electrification of schools • Spent approximately R104 million between 1995 and 2000
enable all Eskom employees to own a home, number	At end 2000
Rental subsidies	• 1 680 with rental subsidies
Home owners	• 21 400 owning a home
Employees	• 32 832 employees
encourage small and medium enterprise development	
Amount spent including large black businesses	• Definition expanded to include large black businesses • Expenditure of approximately R1 867 million in 2000 • High emphasis on small and medium enterprise development and training
protect the environment	
Amount spent on environmental activities	• Policy continuously to improve environmental performance and transparency • Spent approximately R330 million on environmental activities in 2000 and R965 million between 1998 and 2000 • Good environmental technical performance as indicated in the environmental sustainability index • An environmental report is produced annually (awards won in 1999)
nance the RDP commitments from South African and own urces and from overseas development funding	• Financial independence maintained, resources accessed without recourse to government

R J Khoza (51)[dfg]
Chairman

MA (Marketing Management) (Lancaster, UK), BA Hons (Psychology) (UNIN), PMD (Harvard Business School, USA), IPBM (IMD, Lausanne, Switzerland)

Director of Standard Bank Investment Corporation Limited, Standard Bank of South Africa Limited, JSE Securities Exchange South Africa and Liberty Life Group. Chairman of Co-ordinated Network Investments (Pty) Limited, Unihold Limited and Akani Leisure (Pty) Limited. Fellow and vice-president of the Institute of Directors of Southern Africa.

Appointed to the Electricity Council in 1997.

F M Baleni (40)[abefg]

Diploma in Politics and Trade Unionism (White Hall College, England), Certificate in Human Resources Management (Unisa)

National education co-ordinator of National Union of Mineworkers (NUM).

Representing organised labour.

Appointed to the Electricity Council in 1997.

J P Deetlefs (67)[cf]

NTC5 (Pretoria Technical College)

National president of the Independent Municipal and Allied Trade Union (IMATU). Chairman of Pretoria branch of IMATU. Member of the Stakeholders Advisory Committee - Department of Minerals and Energy.

Representing IMATU.

Appointed to the Electricity Council in 1997.

A B Dickman (70)[abcf]

BCom (Hons) (Wits), FIBSA

Economic consultant.

Representing organised business.

Appointed to the Electricity Council in 1985.

S E Funde (57)[ef]

MSc (Elec Eng) (Leningrad Polytechnical Institute, St Petersburg)

Chairman of the Independent Development Trust (IDT) and of the TW Kambuhle Education, Training and Development Trust. Deputy chairperson of the National Institute of Economic Policy (NIEP). Director of Murray and Roberts Holdings Limited and of family businesses.

Representing the economic development fraternity.

Appointed to the Electricity Council in 1997.

K J Hlongwane (62)[abd]

BA (ICI University, Texas, USA), BEd (CTS, Cape Town), EDP (Wits)

Executive chairman of Nafhold. Chairman of Greater Africa Properties and Savuna Properties (Pty) Limited. Deputy chairman of Uni-Africa Investments. Director of Medhold Limited, Prosperity Bank Limited, Saambou Bank Limited and Financial Services Board. Member of the Financial Services and Regulation Policy Board, the Unisa Board of Trustees and RAU Council.

Representing organised business.

Appointed to the Electricity Council in 1995.

Dr W J Kok (49)[abe]

DCom (RAU)

Executive Director: Finance (Eskom).

Representing Management Board.

Appointed to the Electricity Council in 1997.

Prof I J Lambrechts (58)[abcef]

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.

R J Linnell (56)[abf]

BSc (Hons), BSc (Spec Hons) in Geology (London)

Director of Billiton SA Limited, ARMOR Group (SA) Limited and The D Group SA (Pty) Limited.

Representing the South African Chamber of Mines.

Appointed to the Electricity Council in 2000.

Mrs N Majija (66)[ab]

Teaching Diploma (St Matthew's College), Diploma in Strategic Management, Finance and Corporate Governance

Treasurer of the South African National Civics Organisation (SANCO) (Transkei Region). Chairperson of the Transkei Rural Development Forum (TRDF).

Representing the rural communities.

Appointed to the Electricity Council in 1993.

L J Mngomezulu (34)[cef]

Acting chief executive officer of Vereeniging Kopanong City Council.

Representing South African National Civics Organisation (SANCO).

Appointed to the Electricity Council in 1995.

T S Gcabashe (43)[abcdfg]

BA (Botswana), PED (IMD), MURP (Ball State Univ, USA)

Chief executive of Eskom and chairman of Eskom Enterprises (Pty) Limited.

Representing Management Board.

Appointed to the Electricity Council in 1999.

D B Mostert (63)[abcd]

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.

Mrs J N Seroke (67)[dg]

BA (Rhodes)

Trustee of the Women's Development Foundation.

Representing the community.

Appointed to the Electricity Council in 1995.

C G van Veijeren (66)[c]

BSc (Agric) (Pret)

Director of Outspan International. Member of the Agricultural Research Council and National Water Advisory Council.

Representing the agricultural sector.

Appointed to the Electricity Council in 1993.

Members retired/resigned during 2000

A J Morgan

Management Board representative (Chief Executive of Eskom).

Appointed to the Electricity Council in 1994.

Retired.

B A Khumalo

Management Board representative.

Appointed to the Electricity Council in 1997.

Resigned.

Eskom's Secretariat

Megawatt Park
PO Box 1091
Johannesburg 2000
South Africa

[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 Regulation and Structure Committee*
[g] *on Nuclear Safety Oversight Committee*

Directors of Eskom's regulated business

Management Board members are appointed by the Electricity Council for the day-to-day management of Eskom.

Chief Executive of Eskom - Thulani Gcabashe (43) and Chairman of Eskom Enterprises

BA (Botswana), PED (IMD), MURP (Ball State Univ, USA)

Joined Eskom in 1993
Appointed to the Management Board and Electricity Council in 1999

Office of the Chief Executive

Executive Director
Joe Matsau (52)

Dip in Transport Economics (West Germany), Dip in Marketing (Helsinki)

Joined Eskom in 1992
Appointed to the Management Board in 1999

Eskom positioning
Policy and assurance
Governance

Generation

Executive Director
Ehud Matya (38)

Pr Eng, BSc (Mech) (Wits)

Joined Eskom in 1985
Appointed to the Management Board in 1999

Electricity production
Fuel (coal, nuclear) procurement
Water management
Generation technology
Environmental protection
Nuclear safety assurance

Finance

Executive Director
Dr Willem Kok (49)

DCom (RAU)

Joined Eskom in 1988
Appointed to the Management Board in 1993

Corporate finance
Corporate financial management
Corporate risk services
Corporate taxation
Eskom Finance Company
Financial planning
Treasury
Commercial services

"We are confident that we can grow Eskom into an energy group of world-class standard." (Thulani Gcabashe)

Human Resources
Executive Director
Mpho Letlape (42)

BSc (Computer Science and Psychology) (Fort Hare)

Joined Eskom in 2000
Appointed to the Management Board in 2000

Human resources operations
People development and transformation
Remuneration and benefits
Employee relations
Health and wellness

Transmission
Executive Director
Dolly Mokgatle (44)

BProc (UNIN), LLB (Wits), H Dip Tax Law (Wits)

Joined Eskom in 1991
Appointed to the Management Board in 1996

Customer service
Maintenance, refurbishment and expansion of high-voltage electricity network
System operation and control of transmission network
Transmission network capability
International electricity trading

Distribution
Executive Director
Jacob Maroga (41)

Pr Eng, BSc (Elec) (Wits)

Joined Eskom in 1995
Appointed to the Management Board in 2000

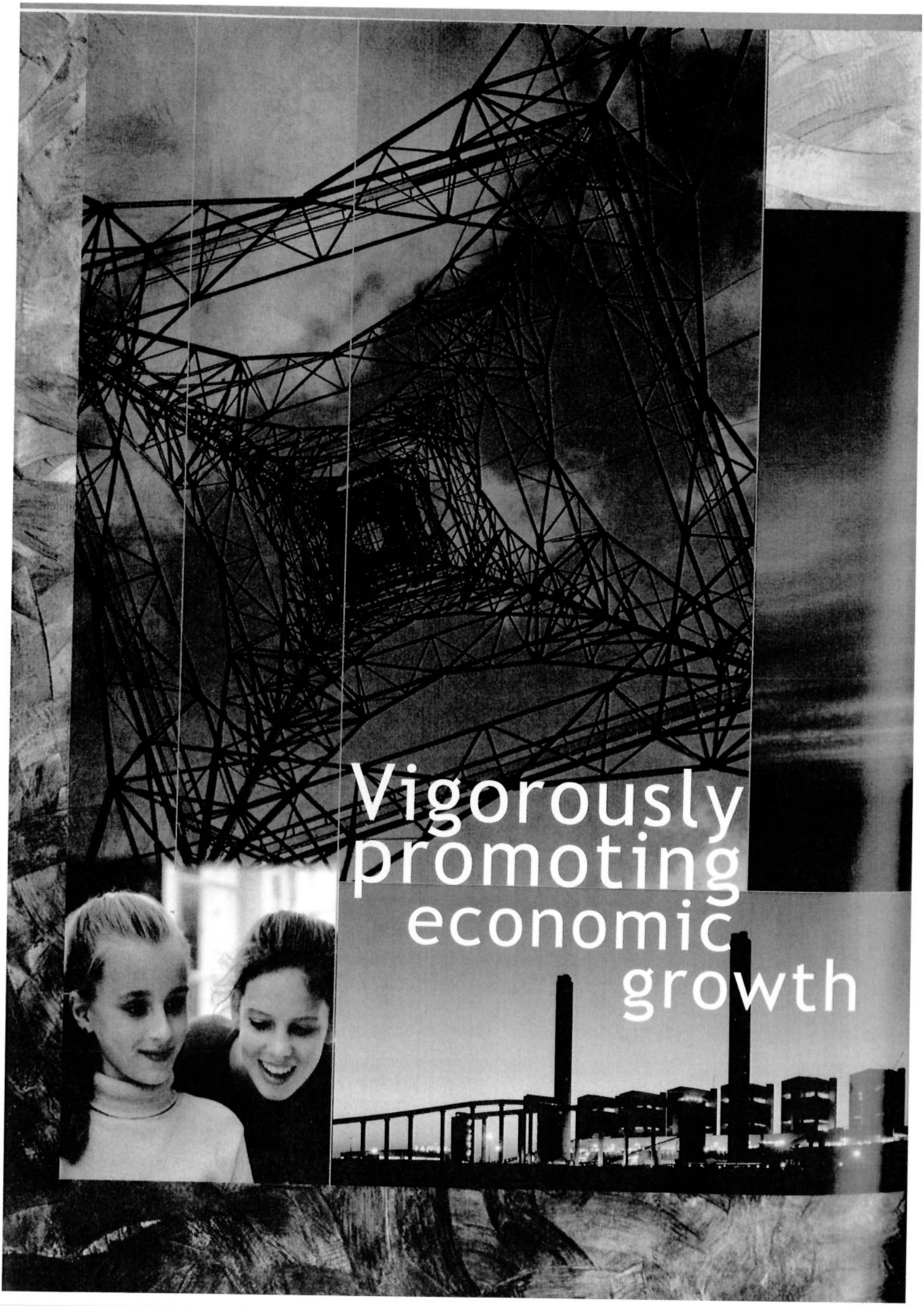
Customer service
Distribution engineering and technology
Electrification
Sales

Resources and Strategy
Executive Director
Dr Steve Lennon (42)

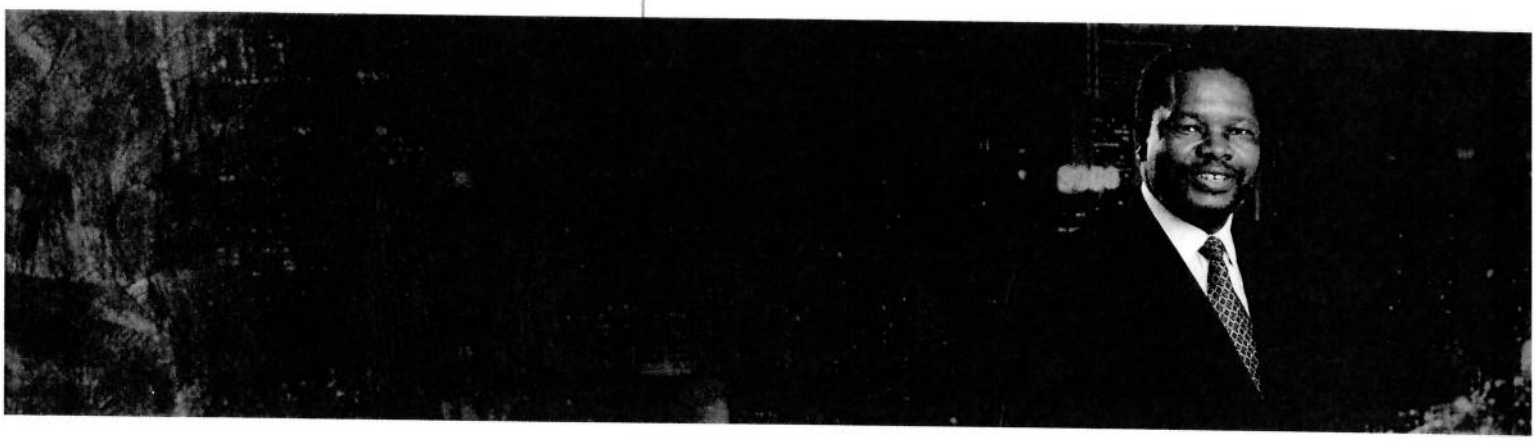
BSc (Chemistry) (Natal), MSc (Eng), PhD (Wits)

Joined Eskom in 1983
Appointed to the Management Board in 2000

Supply- and demand-side planning
Research and development
Business strategy
Environmental management
Information strategy


Vigorously
promoting
economic
growth

Chairman's statement



Reuel Khoz

We have a vision of an Eskom that is rooted in Africa and which is globally competitive. That vision is linked to the new century which, when it began, we saw as marking the dawn of a new African personality, in line with the President's declaration of this new era as the African century. Eskom continues to embrace the President's notion of the African Renaissance. We align ourselves with the view that Africa has the potential to become an economic success story because of the natural wealth and intellectual capital she possesses. All that is required is for us to harness and galvanise our collective energies for growth and development.

Shareholder compact

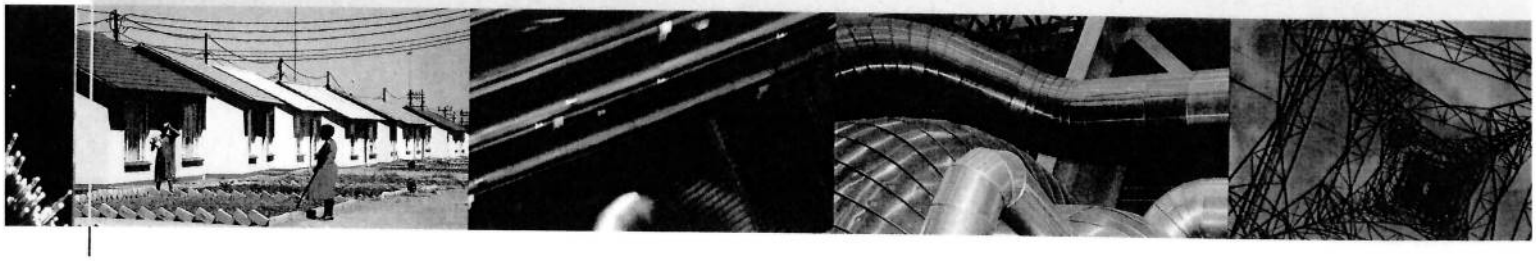
However, our initial primary focus is South Africa itself. As a public enterprise, it is important that we pay attention to our contractual arrangements with government as our owner. It is pleasing to report that the shareholder compact has been developed and awaits its final approval by government. There is now a clear understanding between our owner and Eskom regarding performance objectives and targets to be achieved.

Financial performance

Concomitant with our endeavour to practise sound financial management as expected by the shareholder, our financial results have been prepared in accordance with International Accounting Standards and, for the first time, we have prepared consolidated accounts for the group.

The major trading arm is Eskom, which conducts the regulated business within South Africa. It consists of the Generation, Transmission and Distribution functions. Although not yet incorporated, Eskom became a tax-paying entity during the year. The non-regulated business is mainly conducted by Eskom Enterprises (Pty) Limited, a wholly owned subsidiary of Eskom, which is Eskom's vehicle for ventures into Africa in the area of energy-related products and services. Considering that this is Eskom Enterprises' first year of trading, the results are most satisfactory with a net profit of R17 million, after tax, and after providing for an impairment loss on property of R35 million.

Electrification of South Africa - Since the start of the electrification programme in 1991, Eskom has electrified close on 2,4 million homes



Incorporation

All processes required for the conversion of Eskom into a company with share capital and limited liability have been completed. In fact, the draft bill has already been published for comment in the Government Gazette. The Bill is expected to be passed in the first session of Parliament in 2001. However, the legislation making Eskom a taxpayer was passed into law and is effective from 1 January 2000. The incorporation of Eskom will not adversely affect the rights of third parties or Eskom's objectives.

Future challenges

As we conduct our business, we are conscious of the future challenges that the new era brings. We are aware that the promotion of competition and competitive markets will be an integral element of any future restructuring strategy. Various business entities will be competing for values such as productivity, profitability and innovation. The market will be watching all protagonists closely, and will almost certainly align itself with those that are able to translate their efforts into lower prices; higher quality of goods and services; genuine empowerment; and meaningful participation in the economy by the citizens of this country.

Therefore, Eskom will strengthen its objective of operational empowerment through training and skills development, affirmative action in management, to entrepreneurial opportunities through outsourcing, partnerships, and procurement of services from the emerging sector. I am confident that all envisaged scenarios will find a prepared and dynamic organisation in Eskom. To this end, we recognise the task to be one that will require continued innovation, energised staff and good leadership, which I have no doubt the organisation will enjoy under the new Chief Executive, Thulani Gcabashe.

It will also be incumbent upon us to maintain the highest standard of corporate governance and to boost the confidence of our owner and other stakeholders by being an organisation that is run on sound business principles.

Conclusion

We have had bold, inspiring and visionary leadership from the Minister of Public Enterprises, Jeff Radebe, who was relatively new in the portfolio at the beginning of 2000. We look forward to continued enablement and advice from him on the restructuring of the electricity industry.

The Department of Minerals and Energy, under the leadership of Minister Phumzile Mlambo-Ngcuka, has provided essential guidance in the process of implementing the White Paper on Energy.

I wish to thank all members of the Electricity Council for their dedication to Eskom during the course of the year. I must also thank Mr Allen Morgan, who retired in the year, for his immensely valued contribution. We congratulate Eskom management and employees on their sterling performance under the leadership of the new Chief Executive, Thulani Gcabashe. I have absolute confidence in Mr Thulani Gcabashe and I congratulate him on his appointment.

There are immensely serious challenges ahead. I am confident however that, with our collective resolve, insight and foresight, we shall triumph.

Reuel J Khoza
Chairman

Awards

Technology Top 100
Eskom was awarded the Technology Top 100 award for its contribution to the development of technical skills and resources in South Africa.

NOSA Health and Safety Effort and Experience Trophy
Palmiet and Duvha power stations were presented with the winning trophies in the NOSA Health and Safety Effort and Experience competition. Duvha won the award for companies with 1 000 or more employees for obtaining a NOSA 5-star rating of 92,6% in 1999. Duvha first won this award in 1995.

NOSA Safety Excellence Award
NOSA Safety Excellence Award for medium category employers went to Arnot Power Station.

NOSA Integrated 5-Star Certificate
Arnot received a NOSA Integrated 5-Star Certificate.

NOSCAR Award
Excellent safety performance earned Duvha and Matla power stations and Drakensberg Pumped Storage Scheme the NOSCAR Award. Koeberg received its fifth NOSCAR Award.

APOLCOM Merit Award
Arnot was the runner up of APOLCOM Most Improved Operation Annual Award. The award was presented for its improvement in air pollution control and performance over the previous four years.

ABB Southern African Maintenance Association (SAMA) gold certificates
Matimba and Matla power stations were awarded gold certificates by the Southern African Maintenance Association.

IMCSA Project of the Year 2000 Award
The Finesse Support Centre Establishment Project was selected as the IMCSA Project of the Year 2000. The award is representative of the innovative ideas that went into building a world-class business system support centre infrastructure.

Global Customer Competency Centre of the Month Award
The successful Eskom project to establish the Finesse Support Centre has resulted in Eskom receiving the SAP Global Customer Competency Centre of the Month Award in February 2000 from SAP Germany. This award is in recognition of the holistic process, system, people and technology.

Electric Power Research Institute - 1999 Technology Transfer Award
Eskom Generation was awarded the 1999 Technology Transfer Award for the Application of the Boiler Tube Failure Reduction Programme at all Eskom plants. It was awarded to individuals at member organisations for their efforts in transferring EPRI technology to their organisations. The award was in recognition of Generation's outstanding performance in reducing tube leaks.

Technology Women in Business Award
The Minister of Minerals and Energy, Phumzile Mlambo-Ngcuka, presented the Technology Women in Business Award to Dolly Mokgatle, Executive Director of Transmission, in recognition of her outstanding contribution to championing women in business.

The KPMG/University of Pretoria Award
Eskom was awarded the KPMG/University of Pretoria Gold Award for corporate environmental reporting for the 1999 Environmental Report, and the Silver Award for Environmental Disclosure in an Annual Report.

Climate Technology Initiative Award
Eskom received the Climate Technology Initiative Award at the Climate Change Sixth Conference of the Parties (COP6) for the Eskom/Shell Solar Homes System Limited SA project, which is focused on electrification using solar technology.

Green Trust Award
The Eskom/Endangered Wildlife Trust Partnership was a finalist in the Green Trust Awards Corporate Category. These awards by the World Wide Fund for Nature - South Africa, reward exemplary environmental conservation projects in the region. The partnership involves an integrated strategy to address wildlife interactions with power lines from an electrical and biological perspective.

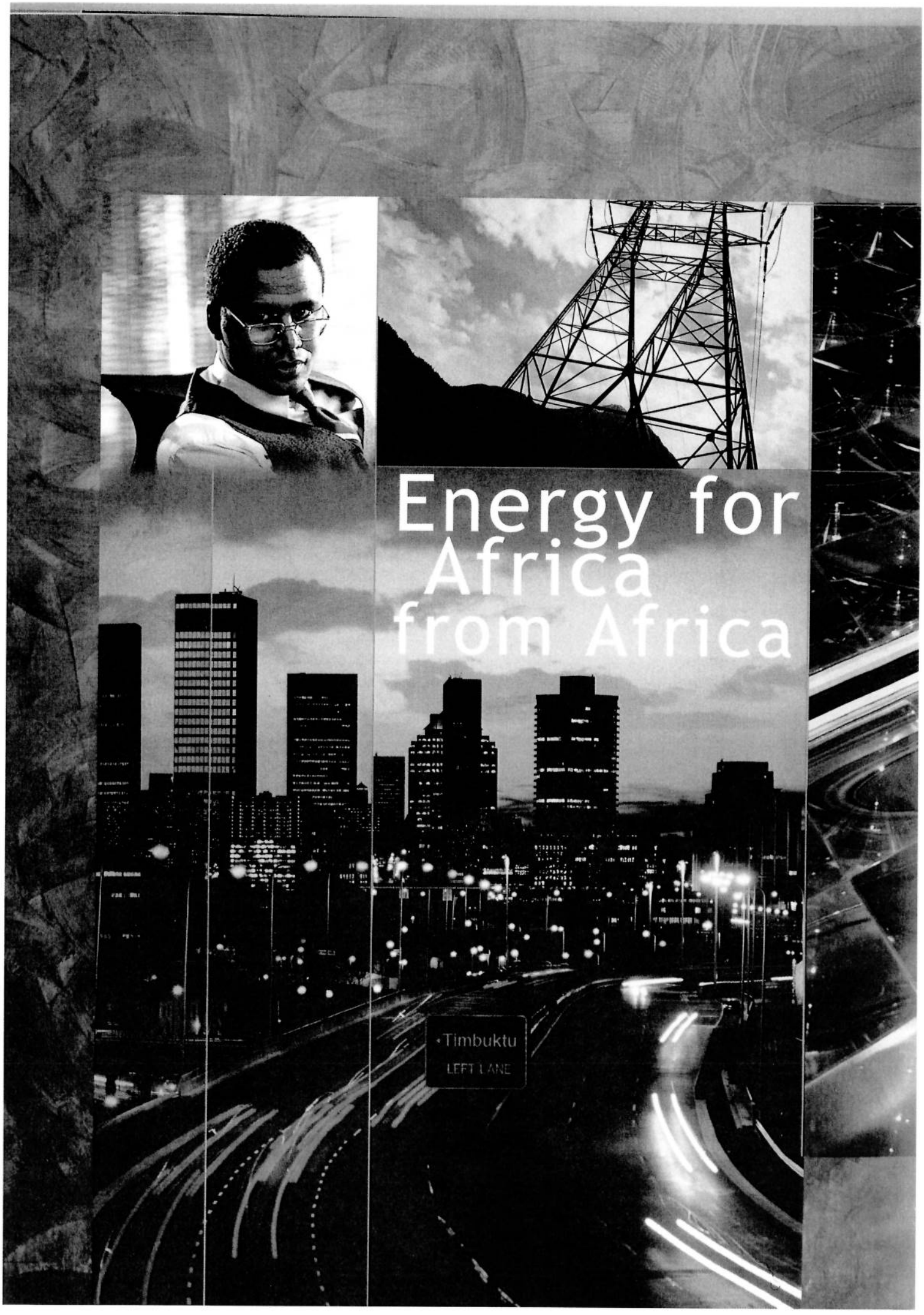
Business Woman of the Year Award
Dolly Mokgatle, Executive Director of Transmission, was nominated as one of four finalists in the 2000 Business Woman of the Year Award organised by the Business Women Association. Dolly was noted as being the first black person and first woman, without a technical background, to lead a technical group. Under her leadership, the Transmission Group had recorded outstanding results.

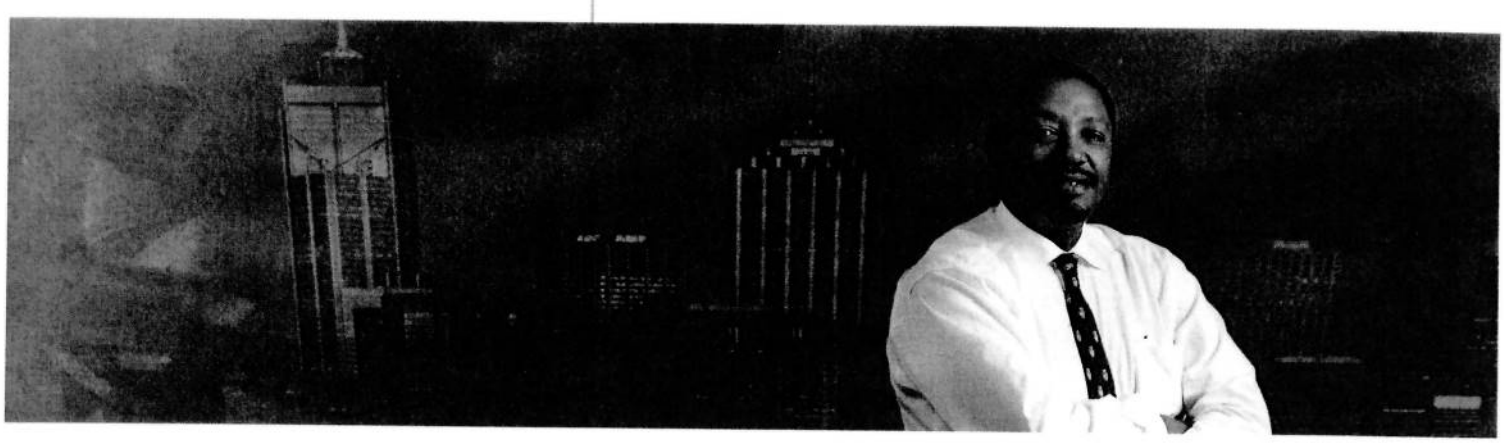
Sunday Times Markinor Brands of the Year Award
Eskom was voted one of the three top organisations in South Africa. Eskom maintains its third position.

International Climate Technology Initiative Leadership Award
The Eskom Shell/Solar Home System Limited SA was selected as a winner of the International Climate Technology Initiative Leadership Award. This award was presented during the Sixth Conference of the Parties on the United Nations Framework Convention on Climate Change held in The Hague.

HIV/AIDS Champions Award 2000
Eskom received the HIV/AIDS Champions Award 2000, in recognition of its outstanding contribution to the fight against HIV/AIDS.

Human Resources Practitioner of the Year Award
Mpho Letlape, Executive Director of Human Resources, was awarded the HR Practioner of the Year in 2000 by the Institute for People Management.


Energy for
Africa
from Africa
Timbuktu
LEFT LANE



Thulani Gcabashe

Africa, our initial primary focus

Eskom is changing fundamentally in response to a changing business environment. Its philosophy is to adopt strategies that will strengthen its ability to react to changing requirements, and to be flexible to deal with uncertainty, while pursuing business growth. This response is embodied in Eskom's strategic intent - to be the pre-eminent African energy and related services business, of global stature.

CEO, Thulane Gcabashe
Annual report, 2000.

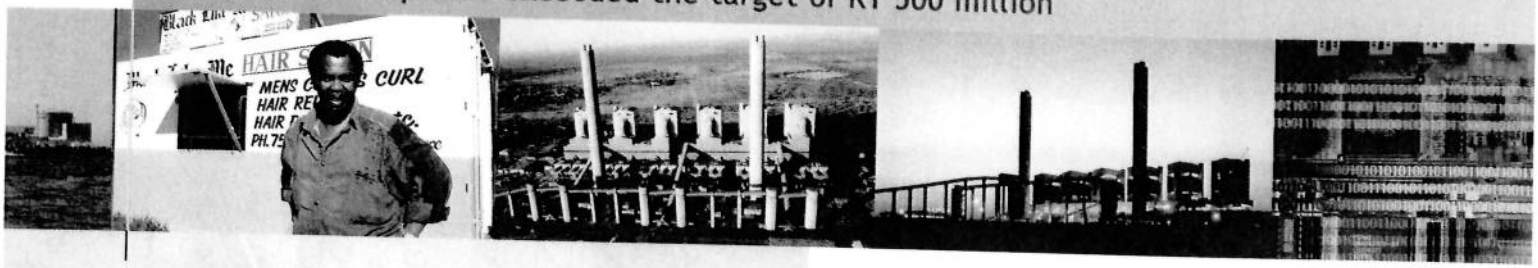
Our strategic intent is one of the drivers that continue to promote Eskom's ongoing innovation, in its endeavour to contribute to the electricity industry globally.

Eskom is diversifying and will thus not only focus on electricity, but also leverage its core competencies into energy and related services, such as gas, telecommunications and information technology.

The financial policy

Eskom became a taxpayer with effect from 1 January 2000. In addition, the price increase granted to Eskom by the National Electricity Regulator was a lesser percentage than that required in terms of the stated financial policy relating to required revenue.

Black economic empowerment - Procurement expenditure and supply of services to encourage enterprise development exceeded the target of R1 500 million



These developments notwithstanding, Eskom has reaffirmed its commitment to a financial policy that takes into account the needs of its owner, which include ensuring stable, gradual and predictable price increases.

Eskom is diversifying and will thus not only focus on electricity, but will also leverage its core competencies into energy and related services, such as gas, telecommunications and information technology.

This policy will be strengthened once the owner has enunciated its expectations. In the meantime, Eskom will strive to continue to recover the real (inflation-adjusted) cost of supplying electricity.

Business performance

For the past five years, Eskom has been the second most admired brand in the country. During the year 2000, both the regulated and non-regulated businesses of Eskom remained deserving of this accolade. They continued to be run along sound business principles, and they raised high the banner of excellence in South Africa's business environment.

Regulated business

The regulated business performed very well during the year and I am pleased to report that net profit before tax was R3 213 million, up from the previous year's net profit of R2 062 million. Trading conditions this year were more favourable than in the past few years as a result of a more buoyant economy.

Sales for the year were 178 192 GWh, which reflects a growth of 2,8% on the previous year. Contributing to this growth was the upturn in the economy, together with the commissioning of the Mozal Smelter in Maputo and more favourable commodity prices. This increase in sales growth, coupled to a tariff increase of 5,5%, resulted in net revenue of R23 569 million; up from R21 568 million in 1999.

The total cost of supplying electricity was R20 356 million, which is an increase of R850 million or 4,4% (1,5% per unit sold) on 1999. Good financial management has been maintained and, together with good cost control, overall costs were well managed. Included in these costs are certain exceptional items, such as the favourable impact of changing the asset lives of the generating plant from 25 years to 35 years and the negative impact of complying with new international accounting standards in respect of onerous contracts and impairments. If these amounts are isolated, the costs increased by 5,2% in total which compares favourably with the inflation rate of 5,3%. The increase is largely attributable to more maintenance work carried out in terms of the planned maintenance programme. In terms of the new tax framework applicable to Eskom, Eskom is in a tax loss position, which means that no tax will be payable for the next few years. However, R1 454 million has been charged to the income statement for deferred tax. Net profit after tax is therefore R1 759 million.

Ongoing productivity and efficiency improvements remain a focus area. This past year, productivity improvements in respect of the total business were R428 million. However, a major portion of this amount arose as a result of less voluntary separations paid out during the course of the year. Productivity improvements on core business contributed R45 million, which was used to fund takeovers and electrification.

Excluding the price increase to our commodity-linked customers (which are long-term contracts and over the contract period should result in standard tariffs being charged), our price increase was again deflationary. Compared to the inflation absorbed by Eskom of 5,1%, the average price increase to our customers was only 4,3%.

Non-regulated business

The non-regulated business activities, mainly conducted by Eskom Enterprises, yielded results beyond expectation in its first year of operations.

The performance objectives set for the group were largely achieved. The main objective in forming Eskom Enterprises was to create a vehicle for Eskom to expand into other markets in energy and related services. Revenue of R567 million was derived from external sources. This represents a major increase compared to efforts prior to the formation of Eskom Enterprises, and the business has targeted to increase this revenue further.

Over and above increasing returns from historical operations, the business is planning expansion into the rest of Africa to help achieve the African Renaissance. During 2000, Eskom Enterprises went to great lengths to establish itself as a supplier of choice throughout the continent. The principle of supporting electricity utilities on a partnership basis is being pursued in several African states. Eskom Enterprises' subsidiaries and joint ventures are contracting successfully throughout the continent – Trans-Africa Projects, Rotek and Electricity Africa, amongst others, are well established in the African power sector.

Eskom Enterprises has acquired a stake in Telecomms Lesotho Limited as an initial investment in the tele-communications business. The group intends to develop a significant focus in telecommunications to take advantage of our electricity utility infrastructure for aerial fibre optic network stringing.

The Detailed Feasibility Study of the Pebble Bed Modular Reactor is well advanced. The project has attracted overwhelming interest from international investors. All the necessary partners are on board, with the exception of the 10% shareholding reserved for black empowerment.

The groundwork done in Africa, the Middle East, the Far East and South America should deliver a substantial number of development projects during 2001.

Eskom Enterprises has shown itself to be equal to the challenge of transforming from a parastatal to a commercially viable business, delivering value to its shareholder.

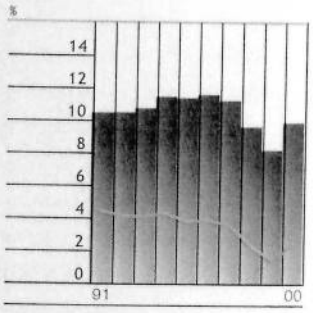
Over and above increasing returns from historical operations, the business is planning expansion into the rest of Africa to help achieve the African Renaissance. During 2000, Eskom Enterprises went to great lengths to establish itself as a supplier of choice throughout the continent.

Human resources

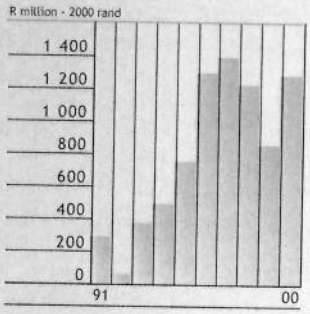
Systems have been put into place to support people as they, together with Eskom, embark upon the process of restructuring the electricity supply industry (ESI) and the electricity distribution industry (EDI).

Five strategic priorities have been the focus of the Human Resources Department to realise its commitment to value-added measurable human resources, and these priorities have yielded impressive results.

Eskom rate of return on total assets



Eskom productivity improvement for all resources



The sum of the cumulative annual productivity savings over the ten-year period amounted to R8 042 million.

Excellent technical performance - Exceeded the 80% minimum threshold of the sustainabil

These priorities are:

- strategic alignment of HR,
- stakeholder relationships,
- ensuring management of the HIV/AIDS impact,
- providing people with transformation strategies, and
- skills development.

In 2000, Eskom's power stations used 228 759 Mℓ of water to produce 189 307 GWh of electricity. This results in a specific water consumption of 1,21 ℓ/kWh sent out, which is an improvement on the 1999 performance.

Safety

The overall improvement in Eskom's health and safety performance is directly related to continued top management safety leadership and commitment, clearly reflected in the formulation and monitoring of risk control strategies.

The Management Board Operations Committee's insistence on formal programmes to ensure regular job observation and driver evaluation has attributed largely to the reduction in disabling injuries and fatalities experienced.

It is of concern that the strategies and campaigns instrumental in the overall encouragement of safety performance within Eskom have failed to elicit an equivalent performance improvement in the high-risk area of public electrical contacts.

Notwithstanding excellent interventions and public safety campaigns emphasising the dangers of low-hanging conductors, contact incidents have unfortunately reflected an upward trend. Fatalities and injuries were reported in various parts of the country. However, arrangements are under way to reinforce the current awareness campaig through the national news media.

Recognition for exemplary safety performance and the achievement of safety goals has, however, been celebratec appropriately at various business units throughout the year.

Technical performance

Generation

Eskom's Generation Group continued with its exceptional plant performance by achieving a best ever energy availability factor of 92,1% against a target of 90%. This is, undoubtedly, a world-class performance.

Continually improved performance has also been achieved for reliability of Eskom units as measured by unplanned automatic grid separations. This year's achievement of 1,4 interruptions against a target of 2,3 was once again better than the international best quartile. This continued superior performance by Generation ultimately benefits the customer through improved asset utilisation, and consequently lower electricity prices.

Coal

The year 2000 showed noticeable growth in electricity generated by Eskom, resulting in a direct increase in coal burnt compared to 1999.

A major event, as far as black economic empowerment and an increased supplier base are concerned, was the takeover of the NewCoal assets by Eyesizwe Mining (Pty) Limited. The NewCoal assets include the Arnot (underground) and Matla coal supply agreements, providing for the supply of a significant portion of Eskom's future annual coal requirements.

Water consumption

In 2000, Eskom's power stations used 228 759 Mℓ of water to produce 189 307 GWh of electricity. This results in a specific water consumption of 1,21 ℓ/kWh sent out, which is an improvement on the 1999 performance when 227 306 Mℓ of water were used to produce 181 818 GWh of electricity

(specific water consumption of 1,25 ℓ/kWh sent out). This can be attributed to improved water management at the power stations in addition to the high levels of rainfall experienced during 2000.

Water-related legislation

Eskom continues to keep abreast of the latest developments in legislation, and continually assesses the impact of legislation on its business and the management of water resources. Eskom has taken the lead in developing the benchmarking of water usage for power generation in co-operation with the Department of Water Affairs and Forestry.

In addition to this, Eskom complies with all legislation that affects its operations, and takes an active role in the development of various strategies and institutions, such as catchment management agencies, that may affect its water use in the future.

Nuclear fuel procurement

The nuclear fuel cost to Koeberg compares with the best in the world at present. Efforts are now being undertaken and options evaluated to ensure that the supply of nuclear fuel to Koeberg remains competitive. In conjunction with this, and together with black-empowered companies, efforts are being undertaken to enhance the involvement of black-empowered companies in the supply chain of nuclear fuel to Eskom.

Developing and implementing interventions to support the ongoing vision of fuel supply flexibility has remained one of the key strategic objectives of Eskom.

Capacity management

The introduction of enhanced cold reserve has given Generation the ability to store surplus capacity at relatively low cost, with very short return to service times.

Two shifting operations at Majuba and Tutuka have also given Generation the flexibility to manage its assets more cost effectively in support of the demand profile that reflects relatively higher morning and evening peaks.

Transmission

Transmission system performance

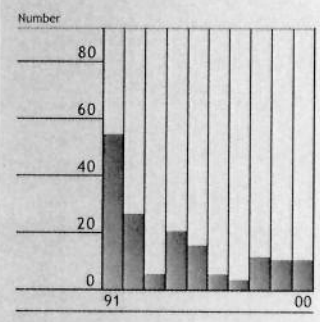
The overall performance of the quality and continuity of supply on the transmission system was well maintained in 2000.

A major event, as far as black economic empowerment and an increased supplier base are concerned, was the takeover of the NewCoal assets by Eyesizwe Mining (Pty) Limited. The NewCoal assets include the Arnot (underground) and Matla coal supply agreements, providing for the supply of a significant portion of Eskom's future annual coal requirements.

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. In 2000, the transmission system registered 4,1 (1999: 3,08) system minutes lost with no incidents with a severity greater than one system minute. There were 48 (1999: 55) interruptions recorded against a target of 50.

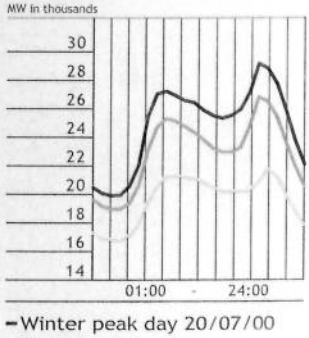
Low-frequency incidents

Below 49,7 Hz



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

Electricity demand patterns



- Winter peak day 20/07/00
- Typical winter day
- Typical summer day

Distribution system performance - The customer satisfaction levels exceeded the target of (MaxiCare 8,19 and PreCare 8,90)

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. In 2000, the transmission system registered 4,1 (1999: 3,08) system minutes lost with no incidents with a severity greater than one system minute. There were 48 (1999: 55) interruptions recorded against a target of 50.

Motraco launch

The Mozambique Transmission Company, Motraco, energised two of the major 400 kV electricity supply lines into Maputo. Motraco is a joint venture company formed as a result of an intergovernmental memorandum of understanding between Mozambique, South Africa and Swaziland. Motraco was formed to supply the power needs of Billiton's aluminium smelter, Mozal, in Mozambique. Eskom Transmission also successfully secured a maintenance contract with Motraco. The success of Motraco is yet another example of the African Renaissance vision – Africans working together on a par with the best in the world.

Debt agreement with ZESA

The Zimbabwe Electricity Supply Authority (ZESA) has been Eskom's good trading partner since 1996. In the process of a normal business transaction, ZESA'S account went into arrears in 1999. This was a direct result of the shortage in foreign exchange reserves the country was experiencing. The debt has been reduced. There has been ample demonstration on the part of ZESA that it is committed to liquidating the debt, which is on its way to being cleared.

The successful negotiations we had with ZESA in the past year contributed to the continued strengthening of the supplier/customer relationship between ZESA and Eskom, to the benefit of all.

New winter peak

Eskom broke its past peak record of 28 329 MW set in 1997 by achieving a peak supply of 29 188 MW on 20 July 2000. This was due to the extremely cold weather conditions combined with the increase in residential customers from the national electrification programme.

Empowerment of women in energy

Eskom strongly supported the Minister of Minerals and Energy's drive on women empowerment initiatives during 2000, focusing on the advancement of women entrepreneurs and women in energy markets.

Cahora Bassa

Eskom received 4 929 GWh from Cahora Bassa at Apollo converting station during the course of 2000. Of this energy, 645 GWh were wheeled to southern Mozambique, and the balance was used to supply Eskom consumers.

Towards the end of February 2000, both DC Cahora Bassa-Apollo lines were destroyed as a result of the heavy floods in Mozambique. A temporary line was established by mid-June, and normal supply was restored by November 2000.

In December 2000, Eskom tentatively agreed to an amicable settlement with Hidroelectrica de Cahora Bassa, SARL (HCB) to resolve the tariff dispute between Eskom and HCB. A final decision will be made at ministerial level between South Africa, Mozambique and Portugal in the near future.

Distribution

Satisfying customers' electricity needs

The independent customer ratings (MaxiCare and PreCare) indicated an overall positive trend in perceived customer service during 2000. The positive results can be attributed to system stability, and staff gaining experience in the new processes introduced in 1999. Huge strides were made in getting all call centres operational, for instance, customer recordings of up to 170 000 interactions per month, with over 230 000 customer calls a month to our seven call

centres. This indicates that our new architecture of handling routine customer interactions by telephone is effective. Service levels in the call centres have risen to an average of 60%, with two centres exceeding the target of 70%. Customer forums also have been revitalised.

Townships (billed) is the only customer segment that has produced generally negative customer perception trends throughout the year. This can be attributed primarily to the focused credit management activities in these areas. Although the agriculture ratings were below target, the trend was positive during 2000.

Energisation

Since the inception of Eskom's electrification programme in 1991, well over two million homes were electrified, of which 1 750 000 were in terms of the RDP compact entered into with government in 1994. The intention was to realise the RDP commitment by the end of the year 2000. However, the compact was achieved at the end of 1999 – a year ahead of schedule.

Despite having met the compact, we went on to electrify a further 256 023 homes, including farm worker homes, in the year 2000.

A process has been put in place to allow for concessionaires to be established primarily to provide for photovoltaic systems, together with a gas supply for cooking, to operate in remote areas. This will enable the total energy needs of the community to be met prior to the provision of grid supplies in these areas. There are at present five concessionaires who will commence installation in the foreseeable future. Three are in KwaZulu-Natal, two in Eastern Cape and one in the Northern Province. The Eskom/Shell joint venture operates in KwaZulu-Natal and Eastern Cape.

Energy efficiency

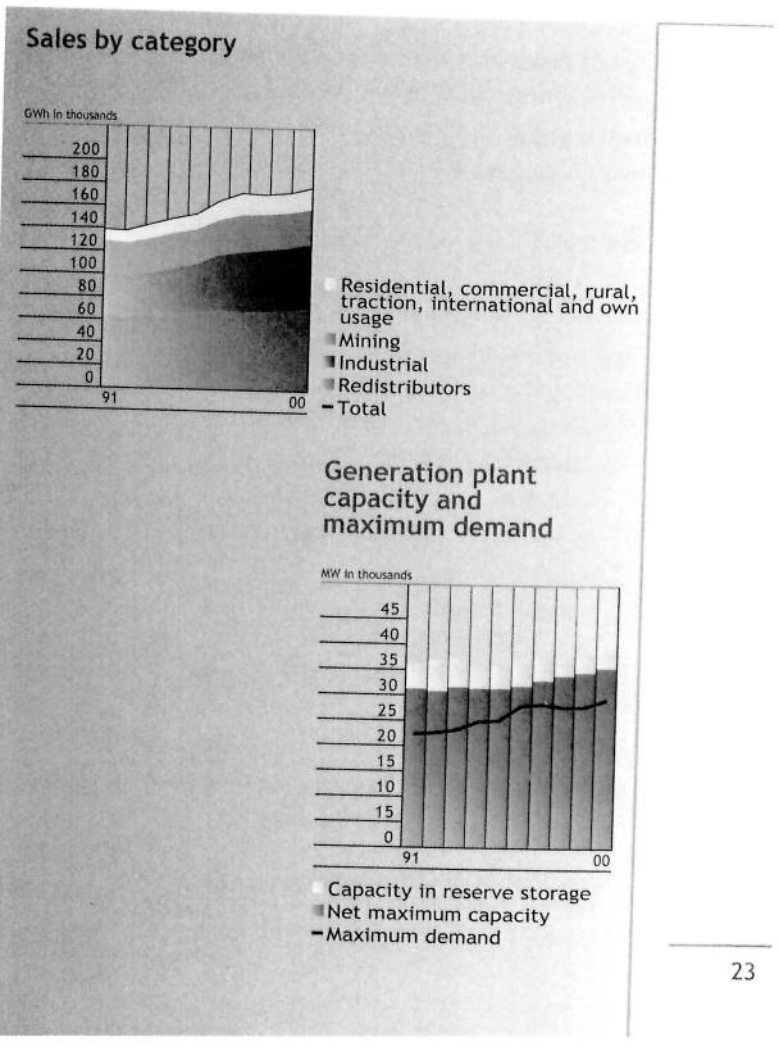
A programme funded by Eskom and the Global Environment Facility has led to the establishment of the South African Efficient Lighting Initiative, a three-year, R63 million programme aimed at transforming the local market to make use of energy-efficient lighting technologies.

The Efficient Lighting Initiative, aimed at reducing electricity demand, increasing efficiency and reducing emissions through the promotion of compact fluorescent

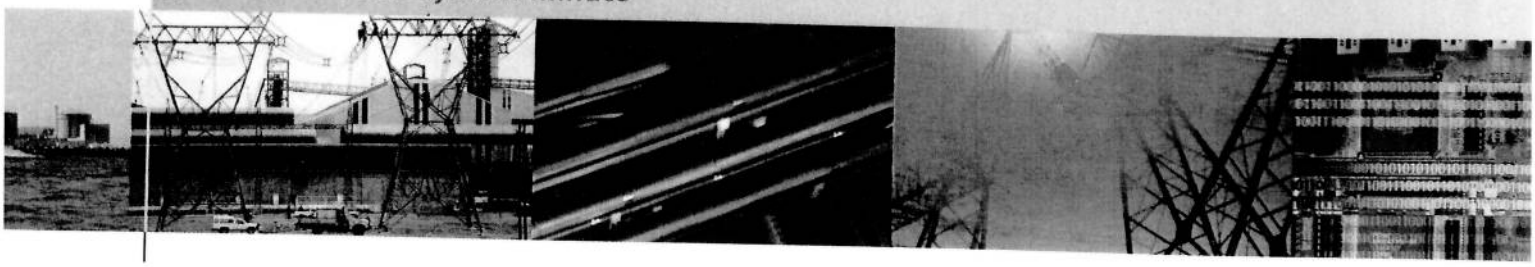
A programme funded by Eskom and the Global Environment Facility has led to the establishment of the South African Efficient Lighting Initiative, a three-year, R63 million programme aimed at transforming the local market to make use of energy-efficient lighting technologies.

light bulbs throughout South Africa, was set in motion in Guguletu in the Western Cape at the end of July 2000.

In her address, the Minister of Minerals and Energy, Phumzile Mlambo-Ngcuka, stated that the Efficient Lighting Initiative was a project that would provide real benefits to the country and its citizens. She added that South African consumers could look forward to affordable, energy-efficient technologies replacing standard products in the



Transmission system performance - Achieved the target of zero supply interruptions with a s greater than one system minute



near future. The programme is not only set to contribute to global environmental benefits, but it will also serve to reduce the electricity bills of our customers.

Huge strides were made in getting all call centres operational, with over 230 000 customer calls a month to our seven call centres.

The Global Environmental Facility's main concern is to reduce greenhouse gas emissions from South Africa's coal-fired electricity industry by stimulating sustainable markets for energy-efficient products. In turn, Eskom is aiming to reduce evening peak electricity demand, which is substantially exacerbated by residential lighting. While the morning peak has a longer duration than the very short but high evening peak, it has a much smaller coincidence with residential load than in the evening.

Resources and strategy group

In 2000, the Electricity Council approved the creation of the Resources and Strategy Group as a corporate function. The Group's mission is to realise Eskom's strategic intent through the development and application of:

- integrated business strategies;
- relevant and aligned investments, research development and demonstration, policies, standards and systems; and
- effective market strategies.

Information management

The management of information within Eskom remains a strategic issue, and considerable resources have been invested on various strategic initiatives.

The Information Technology (IT) Department has been ringfenced into a separate unit, under the management control of Eskom Enterprises, whereby all IT staff and negotiated IT assets were transferred from the groups into this unit. This has subsequently been incorporated into the Government Synergy Company, with the IT resources of Denel and Transnet. They are trading under the name of arivia.kom, and it is one of the largest IT companies in South Africa.

Environmental management

Eskom's overarching goal is to contribute towards the strengthening of our region. An integral component of this goal is the provision of affordable energy to our un-electrified population in a sustainable manner. The inter-relationship between socio-economic and environmental considerations is at the heart of our strategy and operations. This is reflected in both our commitment towards sustainability and our environmental performance. To this end, Eskom publishes a separate annual Environmental Report. Certain areas are highlighted below.

Our commitment to environmental management is demonstrated, at the highest level, by the Management Board Environmental Steering Committee, a subcommittee of Management Board. Accountability for Eskom's environmental performance is delegated from myself as the Chief Executive to the executive directors of the relevant groups.

The Corporate Environmental Affairs Manager is expected to ensure the overall setting of policies and directives, giving strategic direction and providing input to the determinations and processes of the Environmental Steering Committee. An environmental representative from each Group, nominated by the relevant Group executive director, serves on the Environmental Liaison Committee, which liaises with the Corporate Environmental Affairs Manager on strategic and policy issues.

Emissions strategy

Air quality is of paramount importance. A key benefit of our electrification programme is the improvement of air quality as people switch to electricity from domestic coal burning.

Emissions management of our operations is given impetus from the capital investment stage through to the technical planning process of the individual groups, the scheduling process at our operations and by continuous research.

Climate change

As a country with developing country status under the Climate Change Convention, addressing our vulnerability to the adverse impacts of climate change is an important issue. Our regional vulnerability and adaptation study continues, with the objective of improving data and contributing towards research and development in this area. Our strategic approach is the incorporation of climate change issues into our long-term business planning processes, taking into account the interrelationship between socio-economic factors and the environment. We are in the process of finalising our climate change policy. Eskom is represented on South Africa's National Climate Change Committee, an advisory body to the Minister of Environmental Affairs and Tourism on all climate change related issues.

Stakeholder relations

Our owner, investors, customers, communities and non-government organisations (NGOs) are important in meeting our overarching goal. Thus we continue to engage our stakeholders in our planning processes and by providing information on our environmental performance through our Environmental Report. Linkages with other processes are ensured through various ways. The Chief Executive is represented on the Industrial Environmental Forum. Eskom is a member of the Southern African Power Pool (SAPP), which comprises representatives from utilities from all southern African countries, and is actively involved in the Environmental subcommittee. Eskom is represented on the Environmental subcommittee of the Power Institute of East and Southern Africa (PIESA). PIESA primarily aims to develop the technological capacity in the region's distribution network by promoting the spirit of resource sharing.

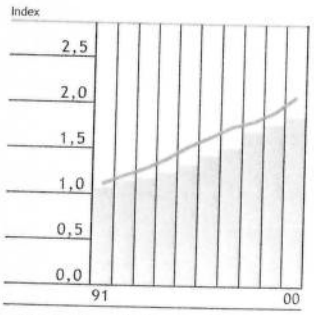
In 1999, the African Centre for Energy and Environment, a joint initiative between Eskom and the Electric Power Research Institute aiming at capacity building and technology transfer within the environmental field, was established.

At the launch of the United Nations Compact in July 2000, Eskom's Chief Executive, at the invitation of the Secretary-General, Kofi Annan, became a participant in the Global Compact. The Compact is a voluntary initiative that seeks to provide a global framework to promote sustainable growth and good citizenship through committed and creative corporate leadership.

Our commitment to environmental management is demonstrated, at the highest level, by the Management Board Environmental Steering Committee, a subcommittee of Management Board.

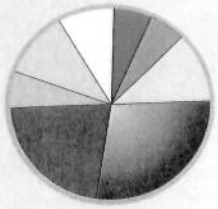
The Global Compact brings companies together with the United Nations, international labour and human rights organisations, together with NGOs to foster partnerships and to build a more inclusive and equitable global marketplace. Business is being called on to support and enact the nine principles in the areas of labour standards, human rights and environmental practice.

Cost of coal burnt versus production price index (PPI)



Cost of coal burnt, R/ton
–PPI
Base = 1 in 1990

Eskom research programmes expressed as a percentage of total research cost



Research management	6%
Future technology	6%
Environmental	12%
Transmission and distribution related	28%
Generation related	22%
Demand-side management	6%
Supply-side management	11%
End use	9%

Generation plant performance - The energy availability factor was 92,1% against a target of 90

Research projects

The South African Power Utility Research Advisory Board continued to give an invaluable national perspective to Eskom's research portfolio. Eskom's research and development programme is strongly driven by the medium-term operational needs of the line groups and the longer-term strategic and environmental priorities of both the southern and South African power sector. This is strongly aligned to Eskom's strategic intent and the vision of the African Renaissance.

The Tertiary Education Support Programme continued to build human resource capacity at tertiary education institutions through investment in Eskom-related research programmes. Grants to the value of R6,47 million were awarded to 86 academic projects at 22 tertiary education institutions. These included 15 projects at previously disadvantaged institutions.

Investment in technical research and development projects amounted to R184 million (1999: R189 million), which is 0,8% (1999: 0,9%) of total revenue, and a further R7 million (1999: R8 million) was spent on marketing of research and development project results. Research and development activities resulted in 15 major outputs, including a fluidised bed combustion and gasification facility which was completed and commissioned early in 2000.

The Tertiary Education Support Programme continued to build human resource capacity at tertiary education institutions through investment in Eskom-related research programmes. Grants to the value of R6,47 million (1999: R6,07 million) were awarded to 86 (1999: 83) academic projects at 22 (1999: 22) tertiary education institutions. These included 15 (1999: 14) projects at previously disadvantaged institutions.

Infrared pigment curing system

In 2000, an infrared pad dye drying system for use in the textile industry was successfully developed. Advantages of the system are that capital costs of the curing system are approximately half that of the traditional thermex system. Operational energy costs are significantly reduced, as well as improvement achieved to both the quality and production.

The TSI Fuels and Combustion Technologies Centre

Eskom's coal consumption of close to 90 million tons makes it one of the single largest coal consumers in the world. As part of an initiative to understand better the coal combustion process, and the optimisation thereof, Eskom's Research Division has commissioned a new Fuels and Combustion Technologies Centre at TSI.

The centre comprises a pulverised fuel combustion test facility (CTF) and a pilot-scale fluidised bed combustion and gasification test facility (FBTF). The CTF can accurately simulate the full-scale combustion processes in Eskom's power station boilers. This allows in-depth analysis of both coal combustion performance and operational factors affecting this performance, at conditions beyond the safe operating envelope of commercial generating plant. This also negates the need for plant downtime and the logistical problems that would be associated with full-scale testing in power stations, thus minimising both costs and risk. This plant is particularly suited for investigating new coal supplies and blends, and the primary reduction of coal combustion emissions.

While the CTF will have numerous immediate applications to Eskom's power stations, the FBTF will be mainly used for applied research into the utilisation of very poor quality coal in South Africa. Fluidised bed technology, as a clean coal technology, offers significant operational and environmental advantages over pulverised fuel combustion.

Eskom has a long history of internationally acclaimed achievements with combusting very poor quality coals economically, efficiently and safely. The new Fuels and Combustion Technologies Centre will allow Eskom to extend these boundaries even further, and also to explore a range of new technologies that offer greater flexibility and environmental performance.

Acknowledgements

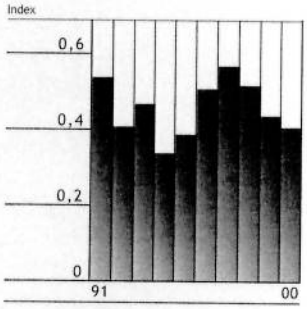
I wish to thank the Chairman and Electricity Council members for having offered invaluable guidance and support during the year. My colleagues on the Management Board were remarkable for their dedication and determination to make Eskom a winning organisation. My fellow directors and I are immensely appreciative of all the efforts of Eskom employees' commitment and determination.

Lastly, I wish to thank my former colleagues, Allen Morgan and Bongani Khumalo, for their contribution to the performance of Eskom in 2000. Allen Morgan, who at the time of his retirement was Chief Executive, had 30 years of unrelenting service with Eskom. Bongani Khumalo was Deputy Chief Executive: Restructuring and Transformation at the time he was transferred to government. He played a prominent role in ushering in a new era of transformation in Eskom. Their contribution to Eskom over many years of excellent service is much appreciated.

Thulani S Gcabashe
Chief Executive

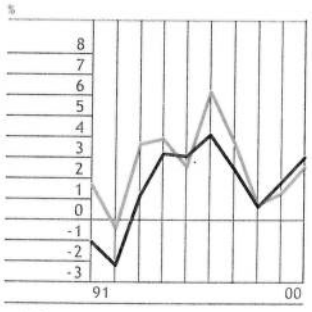
Eskom broke its past peak record set in 1997 by achieving a peak supply of 29 188 MW on 20 July 2000. This was due to the extremely cold weather conditions combined with the increase in residential customers from the national electrification programme.

Eskom disabling injury incidence rate

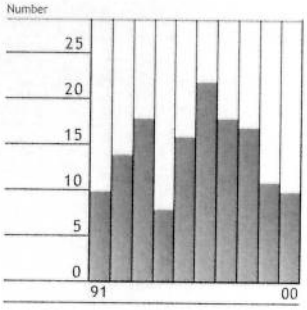


Disabling injury incidence rate (DIIR) expresses the percentage of employees that suffered a disabling injury over a 12-month period.

Real GDP growth versus Eskom sales (GWh) growth



Eskom fatalities



31 December

	Group		Eskom				
	2000 Rm	1999 Rm	2000 Rm	1999 Rm	1998 Rm	1997 Rm	1996 Rm
Financial position[1]							
Total reserves	**30 989**	27 496	**30 582**	27 198	27 805	25 029	21 893
Long-term provisions and deferred income	**6 398**	5 750	**6 255**	5 676	4 783	1 979	1 539
Financial market liabilities	**31 472**	33 446	**31 661**	33 584	38 424	34 345	32 610
Trade, other payables and provisions	**5 169**	5 242	**4 704**	4 925	4 073	3 930	4 173
Total assets	**74 028**	71 934	**73 202**	71 383	75 085	65 283	60 215
Operations							
Revenue	**24 459**	22 245	**23 569**	21 568	21 074	20 448	18 687
Operating expenditure	**(17 979)**	(16 758)	**(17 441)**	(16 511)	(15 242)	(14 016)	(12 421)
Net operating income	**6 480**	5 487	**6 128**	5 057	5 832	6 432	6 266
Interest income	**1 057**	971	**1 310**	1 261	1 156	1 008	1 366
Interest expenditure	**(4 203)**	(4 255)	**(4 225)**	(4 256)	(4 514)	(4 357)	(4 560)
Profit before tax	**3 334**	2 203	**3 213**	2 062	2 474	3 083	3 072
Income tax expense	**(1 466)**	(24)	**(1 454)**	-	-	-	-
Net profit for the year after tax	**1 868**	2 179	**1 759**	2 062	2 474	3 083	3 072
Cash flow							
Cash generated by trading operations	**10 758**	9 463	**9 874**	8 821	10 229	9 555	8 809
Net interest received and interest paid	**(2 965)**	(3 070)	**(2 734)**	(2 781)	(2 721)	(2 766)	(2 631)
Income tax paid	**(30)**	(15)	**-**	-	-	-	-
Cash flows from operations	**7 763**	6 378	**7 140**	6 040	7 508	6 789	6 178
Cash utilised in investing activities	**(3 377)**	(4 479)	**(3 301)**	(4 397)	(5 928)	(5 836)	(5 610)
Cash effects of financing activities	**(2 939)**	(4 601)	**(2 949)**	(4 285)	(637)	(468)	(1 907)
Debt raised	**159**	1 838	**119**	1 813	596	2 703	1 934
Debt repaid	**(2 192)**	(5 105)	**(2 175)**	(4 914)	(3 481)	(3 100)	(4 321)
(Increase)/decrease in long-term financial market investments	**(906)**	(1 334)	**(893)**	(1 184)	2 248	(71)	480
Net increase/(decrease) in cash and cash equivalents for the year	1 447	(2 702)	**890**	(2 642)	943	485	(1 339)
Ratios							
Earnings protection (profitability indicators)							
Return on total assets, %[2]	**10,60**	9,00	**9,95**	8,26	9,69	11,30	11,65
Return on average equity, %	**6,40**	8,10	**6,10**	7,50	9,40	13,10	15,10
Total operating expenditure/revenue, %	**60,70**	59,20	**61,30**	60,10	56,80	53,70	52,10
Real (inflation-adjusted) return on total assets, %[2]	**n/a**	n/a	**2,47**	1,42	2,34	3,62	3,89
Net pre-tax interest coverage	**1,94**	1,56	**1,90**	1,53	1,44	1,51	1,49
EBITDA interest coverage	**2,87**	2,59	**2,78**	2,54	2,13	2,11	2,02
Cash flow protection (cash flow adequacy indicators)							
Funds from operations/average total debt, %	**25,00**	20,00	**23,00**	17,00	20,90	26,00	23,00
Funds from operations/capex, %	**250,20**	157,30	**236,30**	151,60	121,80	128,60	125,50
Funds from operations/net interest coverage, %	**2,80**	2,50	**2,70**	2,40	2,40	2,30	2,10
Capital structure							
Debt:equity	**0,63**	0,85	**0,68**	0,89	0,89	1,08	1,25
Interest cover	**2,06**	1,67	**2,10**	1,69	1,74	1,92	1,96
Other							
Value created per employee, R'000	**428**	416	**441**	420	381	360	330

ESKOM

Definitions of ratios

- Return on total assets - Net operating income expressed as a percentage of total assets[2]
- Return on average equity - Net profit divided by average equity
- Total operating expenditure/revenue - Total operating expenditure divided by revenue after making an adjustment for depreciation
- Real (inflation-adjusted) return on total assets - Net inflation-adjusted operating income, after taking account of financial gearing adjustment, but before taking into account interest income and interest expenditure, as a percentage of total assets[2]
- Net pre-tax interest coverage - Net profit before tax adjusted by interest expenditure divided by the financial market interest expense adjusted for capitalised interest
- EBITDA interest coverage - Net operating income adjusted for interest income and depreciation divided by the financial market interest expense adjusted for capitalised interest
- Funds from operations/average total debt - Net operating income adjusted for capitalised interest, depreciation and non-cash-flow items divided by the average total financial market liabilities
- Funds from operations/capex - Net operating income adjusted for capitalised interest, depreciation and non-cash-flow items divided by capital utilised in investment activities adjusted for capitalised interest
- Funds from operations/net interest coverage - Net operating income adjusted for capitalised interest, depreciation and non-cash-flow items divided by interest expenditure adjusted for capitalised interest
- Debt:equity - Net financial market investments and liabilities divided by total reserves
- Interest cover - Net operating income divided by net interest income and expenditure
- Value created per employee - Value created divided by number of employees at 31 December as per value added statement

1. Figures for 2000 and 1999 as per new accounting policies.
2. Total assets are reduced by financial market investments and interest receivable, since Eskom's funding is managed in a single pool of financial market assets and liabilities.

Value added statement

at 31 December

Value added is the wealth created by the regulated business through the generation, transmission, distribution and selling of electrical energy and the non-regulated businesses.
Value created from the sale of electricity and goods 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 businesses.

	Group				Eskom			
	2000 Rm	%	1999 Rm	%	2000 Rm	%	1999 Rm	%
Value created								
Revenue and manpower cost capitalised	**24 730**		22 517		**23 840**		21 840	
Less: Cost of primary energy, materials, services and abnormal items	**(9 453)**		(7 712)		**(9 360)**		(7 543)	
	15 277	**100**	14 805	100	**14 480**	**100**	14 297	100
Value distributed								
To remunerate employees for their services[1]	**5 656**	**37**	5 737	39	**5 364**	**37**	5 687	40
To providers of finance for monies borrowed	**3 146**	**21**	3 284	22	**2 915**	**20**	2 995	21
Taxation	**1 466**	**10**	24	-	**1 454**	**10**	-	-
	10 268	**68**	9 045	61	**9 733**	**67**	8 682	61
Value retained								
To maintain and develop operations	**5 009**	**32**	5 760	39	**4 747**	**33**	5 615	39
	15 277	**100**	14 805	100	**14 480**	**100**	14 297	100

The value retained for the maintenance and replacement of assets has decreased. This is mainly due to the taxation charge and the reduction in depreciation due to the change in the asset lives of generating plant from 25 to 35 years.

1. Including capitalised manpower costs amounting to R271 million (1999: R272 million).

Eskom productivity statement

for the year ended 31 December

A productivity statement provides key insights into business performance by analysing the change in net profit between two accounting periods in terms of the impact of productivity, inflation (price recovery) and growth.

Productivity improvement occurs through the more economic, 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 profit when resource quantities and prices change at the same rate as electricity sales volumes and prices.

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.

	2000 Rm	1999 Rm
Adjusted net profit for the year	3 072	1 906
Net profit for the year	3 213	2 062
Deduct provisions and adjustments not impacting on overall performance	(141)	(156)
Adjusted net profit for the previous year	2 168	2 622
Net profit for the previous year	2 062	2 622
Add back provisions and adjustments not impacting on overall performance	106	-
Change in net profit	904	(716)
Attributable to:		
Productivity improvement before restructuring	20	75
Productivity improvement/(deterioration) of restructuring	408	(426)
Net productivity improvement/(deterioration)	428	(351)
Price over/(under)recovery	273	(428)
Change in wealth invested	701	(779)
Growth	203	63
Total	904	(716)

The sustainable improvement in productivity continues to be a key focus area for the business. The improvement of R428 million reflects this, although a significant portion of this was due to a reduction in restructuring-related expenditure. Excluding restructuring, the business showed modest productivity gains of R20 million. The focus on continuous improvement in productivity performance is reflected in the core business (excludes electrification and abnormal costs) productivity improvement of R45 million for the year. All of the gains in the core business were used to fund negative productivity from the electrification initiative during the year. The main reason for the overall performance level, excluding the impact of restructuring of R20 million, was Eskom's commitment to the expansion of the existing infrastructure through increasing generating capacity, the electrification initiative and increased expenditure on the customer interface. The results also show that Eskom over-recovered on its prices during the year by R273 million (1,3%). This meant Eskom's effective electricity price increase was higher than the impact of inflation on the business. One of the reasons for this was an increase in the commodity-linked prices above that budgeted, due to higher than expected aluminium prices.

The productivity improvement of R45 million in the core business (excluding the impact of the electrification initiative and abnormal costs) demonstrates the organisation's commitment to improving its performance. This improvement was the result of better utilisation of existing capacity through increased sales.

Over the past ten years, Eskom's cumulative productivity saving, when expressed in 2000 rand, amounts to R8 billion.

The above performance figures have been reviewed by the National Productivity Institute (NPI). This included an examination of the structure of the analysis, the appropriateness of quantity and price drivers used, the accuracy of the model and the derivation and presentation of the results. In the opinion of the NPI, the productivity statement fairly presents the overall performance of Eskom for 2000 when compared with 1999.

om continues to subscribe to the principles of openness, egrity and accountability. More importantly, the area of porate governance is one that continually evolves, and om ensures that its processes and practices are reviewed an ongoing basis to ensure compliance with legal igations, utilisation of funds in an economic, efficient l effective manner, and adherence to good corporate ernance practices that are benchmarked with ernational best practices.

skom continues to comply with the King Report on porate Governance, the Protocol of Corporate ernance in the Public Sector, the Public Finance nagement Act of 1999 and the Eskom Act of 1987.

overning bodies

Eskom Amendment Act, which came into effect on December 1998, envisages the incorporation of Eskom a company in the near future. This has not yet come ut, and Eskom's governance structures still exist in terms he Eskom Act of 1987.

the circumstances, Eskom continues to be governed by Electricity Council (Council) and the Management Board ard). The Council is responsible for determining policy l objectives and for exercising control. The Board is onsible for managing the affairs of Eskom in accordance h the policy and objectives determined by the Council. ough Eskom has a separate supervisory and management rd structure, the Council and Board are considered to be illing the role of directors, and have a collective onsibility to act in accordance with directors' fiduciary ies and provide effective corporate governance.

he members of the Council are appointed by the Minister Public Enterprises. Appointments are for a maximum of years or such shorter period as determined by the ister at the time of appointment. With the exception of Board representatives on the Council, all the members he Council are non-executive and are representative of vide range of stakeholders. In order to ensure that ectors are able to fulfil their roles as directors, they are y informed on their roles and responsibilities. In ticular, with regard to Council members, an induction gramme facilitates an understanding of Eskom's business new members and includes a programme of visits to ious sites. There is also an ongoing programme for all ncil members, who are actively involved in, and bring ependent judgement to bear on, Council deliberations l decisions.

he Council meets regularly and monitors executive nagement through a structured approach to delegation, orting and accountability. This structured approach udes reliance on various Council subcommittees that are a position to investigate and analyse thoroughly the ction taken by executive management in respect of key es. The chairman also guides and monitors the input and tribution of the Council members.

The Board consists of a chief executive, who is also the chairman of the Board, and executive directors, who are all appointed by the Council. The chief executive and the executive director of Finance were also appointed as members of Council. The members of the Board, who are all executive, have normal employment contracts with Eskom that set out objectives, key performance indicators and targets. These are evaluated on an ongoing basis.

Performance evaluations are regularly done for the Board as well as for individual members of the Board. The performance of the executive directors is evaluated by the Council Remuneration and Personnel Committee. Members of the Council, as well as the Council as a governance structure, are regularly reviewed by the chairman using a 360° performance evaluation.

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

Once Eskom has been incorporated as a company the governance structures will be replaced by the appointment of a board of directors in terms of the Companies Act of 1973.

Corporate secretariat

A company secretary role has been established through the appointment of the corporate counsel and the corporate secretariat department. 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. The Council and Board also rely on the secretariat to ensure that the matters that require the attention of the Council and Board are placed on relevant agendas for discussion. The Council and Board are also assisted by the secretariat to identify key issues that should form the focus of their attention.

Ownership of Eskom

Eskom's ownership has been clarified in the Eskom Amendment Act and the ownership of Eskom's equity now vests in the State.

Shareholder compact

A shareholder compact will be entered into between Eskom and government as shareholder, setting out the key performance objectives and key performance indicators for Eskom. The shareholder compact is a mechanism to ensure that Eskom's business is run in an enterprising manner within a framework of accountability to the shareholder. The shareholder compact also contributes to greater transparency and openness by Eskom as well as by its shareholder, the government. A final draft has been submitted to the Minister for approval.

Public Finance Management Act (PFMA)

The PFMA became effective on 1 April 2000 and replaces the Reporting by Public Entities Act of 1992. There is an ongoing

process of awareness, education, instruction and advice on the PFMA to the business. Processes have been put in place to report on material losses caused by criminal conduct and by irregular, fruitless and wasteful expenditure.

The directors comply with their fiduciary duties as set out in the Act. The Council is regarded as the accounting authority of Eskom. Responsibilities of the accounting authority in terms of the PFMA and other regulations include taking appropriate measures to ensure:

- a system is maintained for properly evaluating all major capital projects prior to a final decision on each project;
- implementing effective and appropriate measures to prevent unauthorised, irregular, wasteful and fruitless expenditure, losses from criminal conduct and expenditure not complying with legislation;
- managing available working capital economically and efficiently; and
- defining objectives and allocation of resources in an economic, efficient, effective and transparent manner.

Annual 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.

Reporting

More emphasis is being placed by Eskom on reporting in a manner that takes into account non-financial as well as financial issues. This report includes reporting on social, economic as well as financial issues, as Eskom recognises the importance of effective disclosure to all stakeholders. Non-financial issues can no longer be regarded as secondary to other business imperatives, and Eskom is continually striving to ensure that its reporting and disclosure to stakeholders is relevant, clear and effective. Eskom also takes pride in reporting regularly on its environmental performance in the form of a separate environmental report.

Auditing

The Audit Committee, which comprises Council members, members of the Finance Committee, 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 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.

The Audit Committee also ensures that the annual financial statements and annual report are reviewed with management and the external auditors before approval by the Council.

Internal control

The Council has ultimate responsibility for the system of internal control including an appropriate procurement and provisioning system. 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 assurance at appropriate cost that assets are safeguarded and that transactions are executed and recorded in accordance with Eskom's policies and procedures.

Corporate Audit provides the Audit Committee and executive management with assurance that the internal controls are sufficient to manage the risks that could hinder the achievement of the business objectives.

Corporate Audit applies a risk self-assessment framework as the basis for its risk-based audit approach and plan. Please also refer to the statement on Integrated Risk Management in the Directors' report.

Remuneration

The remuneration of Council members is determined by the Minister of 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 chief executive's remuneration is also dealt with by the Committee, excluding the chief executive, and is done in consultation with the Minister.

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

Employees and organised labour participate in the determination of Eskom's policies and objectives 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.

Business conduct

Eskom has a written business conduct policy dealing with ethics, which was endorsed by the Council and the Board.

The chief executive is the custodian of ethics, with the General Manager Business Processes and Controls the caretaker of ethics, across Eskom. The following process ensures that the business conduct policy is effectively implemented throughout Eskom:

- Ethics co-ordinators ensure uniformity of application across Eskom and that all employees are appropriately exposed to and made aware of both the business conduct policy and the training manual on ethical guidelines.
- A database is maintained of all the outside interests declared by senior and executive management. New contracts are matched against this database to ensure there are no conflicts of interest.
- To ensure that there are no conflicts of interest, all employees that perform private work must first apply for permission.
- A confidential compliance and ethics helpline, on ethical issues, as well as for the reporting of possible contraventions, is in place.
- All departments are required to keep a courtesy register in which all gifts given and received are recorded.
- Compliance with the business conduct policy is monitored by the business processes and controls department, and is included in the scope of audits performed by Corporate Audit.

The focus on the business conduct policy has raised awareness of the need of ethical behaviour across the organisation. Calls to the ethics helpline have resulted in forensic investigations of irregularities across all groups in Eskom and its subsidiaries

Environmental impact control

The chief executive, as chairman of the Management Board Environmental Steering Committee, bears responsibility for Eskom's overall environmental performance. The Corporate Environmental Affairs Manager has delegated authority for ensuring due environmental performance.

The groups within Eskom are charged with implementing environmental policies, directives, standards and strategic direction. They have assigned accountabilities for the environment to specific functional areas. These accountabilities are supported by the inclusion of environmental key performance indicators in the relevant compacts.

Regular cyclical environmental audits are carried out on all the line groups and are verified independently. Such audits are also undertaken in the event of an environmentally related incident.

Nuclear

International good practice in the nuclear field requires that an appropriate governance structure be implemented in the operating organisation. In line with this practice, Eskom has implemented a three-tier system of nuclear governance. The first tier is a subcommittee of the Council, the Nuclear Safety Oversight Committee, which performs an oversight function to provide assurance that nuclear safety at Eskom's facilities exceeds compliance with minimum regulatory and Eskom standards, while emulating international good practice. This committee is chaired by the chairman of the Council, and includes a number of international experts.

The second tier is a subcommittee of the Board, the Nuclear Management Committee, whose function is to monitor, review and ratify/approve the total Eskom nuclear business (safety, economic and reliability performance) in relation to international benchmarks and Eskom's overall business requirements. This Committee also debates and authorises nuclear policy, standards and rules for Eskom. This Committee is chaired by the chief executive or the executive director of Generation.

The third tier of nuclear governance is provided by the Nuclear Safety Review Group. This group is a forum that brings together nuclear expertise from different parts of Eskom for the purpose of meaningfully debating and evaluating nuclear safety issues and making appropriate recommendations to senior management and the higher tiered committees.

A further requirement is to ensure the independence of the nuclear safety assurance function from the electricity production function. Eskom's nuclear infrastructure is therefore separated into two structures. The first is the nuclear business arena, which consists of the nuclear power station (Koeberg) with direct accountability to the executive director of Generation for all aspects of electricity production at the power station, including safety. The second is a nuclear safety and licence compliance assurance function, independently accountable to the executive director of Generation, with its own technical experts and resources.

General

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

Consolidated annual financial statements

ESKOM

for the year ended 31 December

CONTENTS

Currency of financial statements

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

	2000	1999
French franc	0,93	1,06
German mark	0,28	0,32
Pound sterling	0,09	0,10
Swiss franc	0,22	0,26
Japanese yen	15,17	16,62
US dollar	0,13	0,16
Euro	0,14	0,16

Approval of annual financial statements

ESKOM

The group annual financial statements for the year ended 31 December 2000, set out on pages 36 to 122, have been approved by the Management Board and Electricity Council and signed on their behalf on 9 March 2001 by

Reuel J Khoza
Chairman of the Electricity Council

Thulani S Gcabashe
Chief Executive of Eskom, Chairman of the Management Board and member of the Electricity Council

Report of the independent auditors

To the Minister of Public Enterprises

We have audited the annual financial statements and the group annual financial statements of Eskom set out on pages 36 to 120 for the year ended 31 December 2000. The annual financial statements are the responsibility of Eskom's accounting authority. Our responsibility is to express an opinion on these annual financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards issued by The South African Institute of Chartered Accountants. 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 Public Finance Management Act of 1999 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.

Audit opinion

In our opinion:

- the financial statements fairly present, in all material respects, the financial position of Eskom and the group at 31 December 2000 and the results of their operations and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice issued by the Accounting Practices Board of The South African Institute of Chartered Accountants and International Accounting Standards issued by the International Accounting Standards Committee; and in the manner required by the applicable sections of the Companies Act of 1973 in South Africa, the Eskom Act of 1987, and other reporting requirements as set out in the Public Finance Management Act of 1999;
- the performance information of Eskom furnished in terms of section 55(2)(a) of the Public Finance Management Act of 1999 fairly presents in all material respects Eskom's performance for the year ended 31 December 2000 against predetermined objectives and, where applicable, consistent with that of the preceding year; and
- the transactions of Eskom and the group that were examined during the course of our audit were in all material respects in accordance with mandatory functions of Eskom, as determined by law or otherwise.

We have examined the inflation-adjusted financial information set out on pages 121 to 122. In our opinion the statements have been properly prepared on the basis set out in the notes thereto.

Nkonki Sizwe Ntsaluba

Nkonki Sizwe Ntsaluba

Deloitte & Touche

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

KPMG Inc

KPMG Inc

Johannesburg, 9 March 2001

ESKOM

Introduction

This report, in terms of the Public Finance Management Act (PFMA), Act 1 of 1999, as amended by Act 29 of 1999, and in terms of 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 the Electricity Council acts as the accounting authority in terms of the PFMA. The directors have pleasure in presenting their report and the audited group financial statements for the year ended 31 December 2000. In the opinion of the directors, the financial statements fairly present the financial position of Eskom and the group at 31 December 2000 and the results of its operations and cash flow information for the year then ended.

The directors have no reason to believe that the business as a whole and as presently constituted will not be a going concern in the year ahead. The effect of the reconfiguring of the business is, however, complex, and it is not possible to address the full effect definitively at this time. This matter is further discussed in paragraph 10 below. They are also of the opinion that Eskom complies, in all significant respects, with the provisions of the PFMA.

Eskom is listed as a Schedule 2 public entity in terms of the PFMA. The Act also applies to subsidiaries under the ownership control of Eskom. The PFMA, effective from April 2000, states that all subsidiaries of a public entity in terms of that Act are also considered to be public entities. As the effective date is after the beginning of the financial year, predetermined objectives in terms of the Act have only been set for the subsidiaries for the 2001 financial year. Detailed public reporting on these objectives will therefore commence in respect of the 2001 year. This directors' report is therefore not a fully comprehensive and consolidated report, but deals with the performance of Eskom's regulated operations in detail and only with the more important aspects of the main subsidiaries.

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 operationally regulated in terms of licences granted by the National Electricity Regulator (NER) in terms of 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.

The core businesses of the main subsidiaries include non-regulated electricity supply industry activities, the provision of electricity supply and related services outside South Africa, the granting of home loans to employees and the reduction and insurance of the relevant risks of Eskom, and social investment initiatives.

Objectives

A medium-term business plan setting out Eskom's strategic direction, as well as critical key indicators to manage the business effectively, is developed in consultation with key stakeholders, using input from all business units. The Electricity Council and the Management Board approved the medium-term business plan. The predetermined strategic and operational objectives have also been approved by the Electricity Council and Management Board.

Annual budgets are prepared based on the strategic direction set out in the medium-term business plan. The 2000 budget, which included key performance indicators (KPIs), was approved at the end of 1999 and updated early in 2000 as a result of certain information arising from the 1999 final results. KPIs are used to measure performance against budget, and are reported to the Electricity Council and the Management Board on a monthly basis in the Eskom and line (Eskom groups) business reports. Eskom's objectives are included in the line group objectives with relevant KPIs, and are communicated and measured at appropriate staff levels. These objectives and indicators are discussed in detail in this Directors' report.

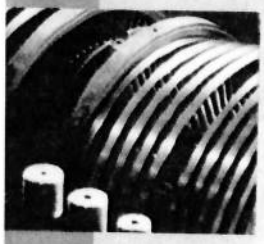
High-level performance for the year

An overview of Eskom's regulated business performance against the objectives is contained in the table below. The detailed performance is described in the remainder of the report.

	Objectives	Key performance indicators	Targets	Performance results
1.	**Reconfiguring the business**[1]			
		• Changes to move from utility to company identified and effected, and further action plans developed		• Ongoing
		• Changes to implement electricity industry restructuring identified, and action plans developed		• Ongoing
		• Shareholder compact is in place		• Draft compact prepared - awaiting Minister's approval
2.	**Eskom Enterprises**			
	Reposition the non-regulated business to maximise the value from existing subsidiaries, businesses transferred and new businesses created	• Appropriate capital, structures, staff and existing Eskom activities, which meet business case criteria, transferred		• Transfer completed
		• Business plan approved		• Business plan in place
		• Shareholder compact is in place		• Compact in place
3.	**Black economic empowerment**			
	Encourage black enterprise development	• Procurement expenditure and supply of services, both capital and operating, on black economic empowerment, R million	R1 500 million	• Exceeded - approximately R1 867 million

1. *The achievement of this objective depends on the agreement and approval of the relevant stakeholders as well as the prerequisite actions needed to effect this process by the other parties.*

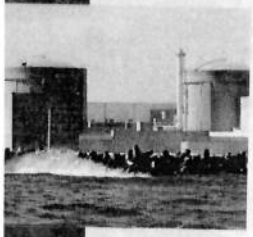
	Objectives	Key performance indicators	Targets	Performance results
4.	**Human resource alignment**			
	• Educate, train and develop sufficient people on all levels to meet future managerial, technical and other professional staff needs	• ABET learner days (target population reducing), number	100 000	• Exceeded - estimated 118 111
		• ABET overall pass rate, %	65%	• Exceeded - 70%
		• Black bursars and trainees completed training, number	300	• Exceeded - 620
		• Energy Sector Education and Training Authority established	April 2000	• Established
		• Skills levy recovery	50% by end of 2000	• Requirements met • Awaiting grant payments from Energy Sector Education and Training Authority
		• Intellectual capital managed and retained	Succession plans in place	• Progress made
		• Reward systems updated, developed and implemented		• Eskom performance index successfully piloted for executive management
		• Training provided on Public Finance Management Act		• Responsible parties made aware of and educated on their responsibilities in terms of the Act
	• Improve consultative processes and structures • Manage the impact of HIV/AIDS	• Consultative processes and structures revised and implemented		• New agreement signed • Process revitalised
		• Possible future impact of HIV/AIDS on the business determined		• Impact studies completed
		• Scenarios and related action plans developed		• Action plans developed
		• Contribution to South African AIDS vaccine initiative, amount spent	R15 million	• Contributed R15 million



	Objectives	Key performance indicators	Targets	Performance results
5.	**Implementing employment equity**			
	• Change the staff profile so that 50% of management, professional and supervisory staff shall be black South Africans by the end of 2000	• Black management, professional and supervisory staff at 31 December, %	50%	• Achieved - 50,7%
	• Change the staff profile by focusing more on women and disabled persons	Implement a policy which promotes gender equity and the appointment of disabled persons by identifying and creating opportunities in the business and establishing a friendly environment:		
		• Women[1] employed at 31 December[2], %	18%	• Good progress made - 18,4%
		• Disabled persons employed, %	Progress made[3]	• Ongoing
6.	**Tariff increases**			
	• Reduce the real price of electricity by 15% by the end of 2000	• Cumulative annual difference between the Eskom annual price increases and the average consumer price indices since 1 January 1995, %	Cumulative: 15% by end of 2000	• Cumulative difference 14,1%[4]
	• Price changes over the long term are gradual, predictable and stable	• Annual price increase is equal to or marginally below CPI		• Increase for 2000 marginally higher than CPI
7.	**Electrification**			
	• Electrify an additional 600 000[5] homes between 2000 and the end of 2002	• Homes electrified since 1 January 2000, number	250 000[6]	• Exceeded - 256 023 homes electrified
8.	**Maintain financial independence**			
	• Financing from South African and own resources, and from normal overseas funding	• Financial independence maintained, resources accessed without recourse to government		• Sustained

1. *Management, professional and supervisory staff.*
2. *Giving preference to women promoted and striving for 50% of annual recruitment and bursars accepted to be women.*
3. *In process of determining targets in terms of Employment Equity Act.*
4. *Taking the impact of the electrification incentive discount into account, 15,68% was achieved.*
5. *Subject to the approval of the 2,5 A tariff by the NER.*
6. *Target has been approved by the NECC. Targets for 2001 and 2002 still to be approved by the NECC.*

	Objectives	Key performance indicators	Targets	Performance results
9.	**Technical performance**			
	• Excellent technical performance	• Sustainability index consisting of 19 relevant measures, %	Minimum threshold - 80%	• Achieved - 80,9%[1]
		• Safety	Striving for 0 incidents	• Safety improved, but remains an area of concern
		- Disabling injury incidence rate, less than index	0,40	• Improved - 0,41
		- Work-related fatalities, number	Less than previous years', with a downward trend	• 10 (1999: 11)
		• Generation plant performance		
		- Energy availability factor, %	90%	• Exceeded - 92,1%
		- Unplanned automatic grid separations, number	2,3	• Exceeded - 1,4
		• Transmission system performance		
		Supply interruptions:		
		- With severity greater than or equal to one system minute, number	0	• Achieved - 0
		- System minutes, minutes per year	6,2	• Achieved - 4,1
		• Distribution system performance customer satisfaction levels, PreCare and MaxiCare indicators	8	• Achieved MaxiCare: 8,19 PreCare: 8,90
	• Protecting the environment	Indicators, amongst others, the following:		
		• Relative particulate emissions, kg/MWh sent out	0,36	• Achieved - 0,35
		• Radiation exposure, less than, mSv per annum	0,25	• Better than target - 0,0005
		• Specific water consumption, ℓ/kWh sent out	1,41	• Better than target - 1,21
		• Reported legal contraventions counted in sustainability index, number	0	• Reported three contraventions



1. Index reconstituted as a result of inability to measure interruption performance.

	Objectives	Key performance indicators	Targets	Performance results
10.	**Financial performance based on a predicted sales growth**			
	• Operating and capital resources are used economically, efficiently and effectively	• Productivity improvement for the year, %	1,3%[1]	• Improvement - 2,1%
		• Total electricity cost, R/MWh	R119,24	• Better than planned - R114,41
		• Employee numbers	33 408	• Achieved - 32 832
	• Maintain financial viability over the long term	• Net profit for the year, Rm	R2 459[2]	• Achieved - R3 213
		• Net profit after taxation for the year, Rm	[3]	• Achieved - R1 759
		• Debt-equity ratio	Between 0,73 and 0,80	• Achieved - 0,68
		• Real rate of return, %	Positive return	• Achieved - 2,47%
11.	**Information systems**			
	Implement the Information Systems Strategy	• Ringfenced Information Technology Services established and transferred into the appropriate organisational environment	First quarter 2000	• Completed identification of staff and assets • Transferred to ringfenced entity
		• Overarching contract as well as related service level agreements between Eskom and Information Technology Services in place	Mid-2000 (after establishment of Information Technology Services)	• Overarching contract negotiated • Service level agreements for 2000 in place
		• The Corporate Information System, Group Information Systems as well as appropriate information system governance mechanisms established	Mid-2000	• Eskom Corporate Information System structure established • Group Information System in place • Information System governance mechanisms established

1. *Calculated on adjusted net profit.*
2. *Net profit for the year is before certain accounting adjustments, but after restructuring.*
3. *Implication of tax had not yet been determined when the targets were set.*

1. Reconfiguring the business

Significant progress was made in reconfiguring the business. Reconfiguring the business includes the initiative by the Department of Public Enterprises to incorporate Eskom as a company, broader electricity supply industry (ESI) restructuring as well as certain other issues.

Incorporation of Eskom

The due diligence exercise has been finalised and no major obstacles have emerged that could hinder the incorporation of Eskom. The draft Eskom Conversion Bill has also been prepared by the Department of Public Enterprises, with significant input by Eskom, and it is anticipated that the Bill will be tabled in Parliament during the first quarter of 2001.

The draft constitutive documents are in the process of being drafted and Eskom will also submit inputs with regard to their development.

The conversion of Eskom into a company with limited liability and a share capital is therefore almost complete. A strategy for communication with key stakeholders has been developed and will form a focus area during 2001. It is important to note that existing contractual obligations will not be affected or prejudiced as a result of the conversion of Eskom.

Taxation of Eskom

Eskom's income tax status changed with effect from 1 January 2000, at which date Eskom became liable for income tax.

An appropriate tax framework for Eskom's business has been finalised. The framework takes into account Eskom's electrification obligation, the need for stable and predictable price increases as well as an appropriate dividend policy.

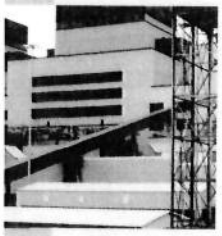
Electricity industry restructuring

The industry restructuring initiative is currently still focusing on the electricity distribution industry (EDI). Eskom consistently endeavours to ensure that the Eskom and EDI restructuring processes are aligned.

A consultant was appointed by government to assist the Electricity Distribution Industry Restructuring Committee (EDIRC) in producing proposals on how the restructuring of the industry in South Africa should be approached. Six workshops were conducted with relevant stakeholders, and Eskom utilised every opportunity to contribute to the workshops and to make constructive submissions in the best interests of its customers and the industry as a whole.

During the latter part of 2000, the EDIRC devoted much time to the evaluation of stakeholder input, and the proposals from the consultant. The purpose of the evaluation was to assist the EDIRC in drafting its recommendations for submission to the Minister of Minerals and Energy. The proposal was submitted to the Cabinet for approval in December 2000, but was referred back for rework on a number of key aspects, including implementation, tariff implications and broader financial implications.

Eskom will continue to contribute to the current process to ensure that value is added to the interests of the shareholder[1]. Eskom is committed to the smooth transition to the new EDI, and will continue to contribute proactively to the process.



1. Shareholder by virtue of the fact that Eskom shareholder equity vests in the government in terms of the Eskom Amendment Act of 1998. Eskom has not been converted into a company yet and, in strict legal terms, does not have a shareholder.

In the light of the above, Eskom's EDI Task Team is continuing the work on positioning Eskom regarding certain key aspects of restructuring which include:

- updating key stakeholders on the latest developments;
- developing a detailed response to the latest revised proposal;
- exploring EDI synergies; and
- separating distribution from Eskom and strategic alignment with future EDI.

In addition, government has indicated its intention to restructure the transmission and generation sectors of the electricity supply industry in order to introduce competition into the generation sector and facilitate black economic empowerment.

Eskom is preparing itself for transformation by considering various models that will ensure open access to both the transmission network and an effective power market, while maintaining quality of supply standards.

The Generation group is proactively assessing the different restructuring options in order to be able to provide meaningful influence to the process. It is also continuing to focus on world-class performance, consistent with commercial objectives, and exposing its management teams to learning opportunities in the areas of trading, flexible supply options and governance, which will equip these managers to operate in the restructured electricity supply industry.

Eskom's future performance

It is clear that certain trade-offs will have to be made with regard to Eskom's performance into the future. Eskom has suggested that a shareholder compact be used as a tool to manage effectively and identify the choices to be made. The compact should create a business model for governance.

Significant progress has been made regarding the development of a shareholder compact, and a final draft has been submitted to the Minister of Public Enterprises for approval.

The shareholder compact will give direction from government, as the shareholder, as to what it requires from Eskom in terms of strategic objectives, key policies and performance parameters and targets. It will take into account government policies, for example energy policy, employment equity, protocol on corporate governance in the public sector, the PFMA and any other policies deemed appropriate. It will also prioritise the financial demands on Eskom such that long-term financial sustainability will not be prejudiced.

Strategic intent

Eskom has the strategic intent to be the pre-eminent African energy and related services business of global stature.

During 2000, the Electricity Council approved the creation of the Resources and Strategy group. The group's mission is to facilitate the realisation of Eskom's strategic intent through the development and application of integrated and effective business strategies, policies, standards and systems; relevant and aligned investments and research, development and demonstration.

2. Eskom Enterprises

Government, as the shareholder of Eskom, approved the following on 6 December 2000 retrospective to 1 January 2000:

- Endorsement of the core business as the provision of energy and related services
- A growth strategy focused on Africa
- The sale of shares and assets of the non-regulated businesses of Eskom to Eskom Enterprises
- The total value of the shares and assets of the non-regulated businesses of Eskom be sold to Eskom Enterprises in exchange for 100% equity by Eskom

Eskom Enterprises (Pty) Limited and its subsidiaries, associate companies and joint ventures leverage the competencies and facilities of Eskom and focus on the following lines of business:

- Infrastructure development, which includes asset creation, project management, consulting services, and research and development
- Management contracts for energy business operations, operating, maintenance and refurbishment contracts and the acquisition of operating entities
- Specialised energy utility services and equity investment in related services
- Related strategic businesses, including telecommunications and information technology
- Primary energy provision

The company was capitalised with assets and investments transferred from certain operating divisions of Eskom, as well as subsidiary, associate and joint venture companies. Eskom Enterprises commenced trading operations in January 2000. Expansion activities into markets outside South Africa were hampered by delays in the approval of the capitalisation.

A medium-term business plan setting out Eskom Enterprises' strategic direction, as well as critical key indicators to manage the business effectively, was developed in consultation with key stakeholders utilising input from all business units. The Electricity Council and the Eskom Enterprises Board approved the medium-term business plan, including the annual budget.

A shareholder compact, setting out the objectives of Eskom Enterprises, was put in place between Eskom and Eskom Enterprises. The performance of Eskom Enterprises for 2000 is discussed under the performance of subsidiaries on page 63.

3. Black economic empowerment

As part of its procurement policies and managerial support programme, Eskom supports small, medium and micro enterprises (SMMEs) and large black businesses by the procurement and supply of goods and services from black business, thereby contributing to black economic empowerment. An approximate amount of R1 867 million (1999: R1 320 million) was spent in this regard, against a target of R1 500 million. While this reflects the amount spent, there needs to be consistent compliance with the process of evaluating the validity of the SMMEs and large black businesses against criteria outlined in the policy.

4. Human resource alignment

Human resources sustainability index

An index of the sustainability of the availability of appropriate human resources in Eskom has been developed to ensure the long-term sustainability of Eskom's business. The index was approved by the Management Board, and is due for implementation in January 2001. The index measures employee satisfaction, employee competence, achievement of equity targets and employee health and wellness. It comprises 16 relevant measures and provides an indicator of trends in these areas. The human resources sustainability index will complement the existing technical sustainability index, and will improve the management of human resources by providing measurable trends.

Developing human resources

Eskom has continued to demonstrate its commitment to the development of its employees by investing in education and training. It has also made progress with the alignment of its learning systems with the requirements of legislation to maximise value for both the organisation and its employees.

During 2000, Eskom invested at least R405 million (1999: R437 million) in the development and training of its employees.

During 2000, Adult Basic Education and Training (ABET) was provided by decentralised group structures. An estimated total of 118 111 learner days were provided (1999: 113 300), against a target of 100 000 learner days, to an estimated 2 882 ABET learners (1999: 3 814), and with an overall pass rate of 70% (1999: 70%) against a target of 65% across all levels. The need for ABET training decreased during the year as the illiteracy level is reducing. There is, however, still a need for ABET training in the organisation. In future, the measurement of this training will be incorporated into the human resources sustainability index mentioned above.

Bursars and trainees

Eskom's bursary programme continues to provide for the critical skills identified at the entrance level in the fields of engineering, finance and information technology, and continues to ensure that the organisation proactively develops a pipeline for its future business requirements.

During 2000, Eskom supported 2 481 (1999: 2 546) bursars and trainees, 84% (1999: 82%) of whom were black. Of the bursary intake for 2000, 46% (1999: 29%) were women. This represents a 17% (1999: 38%) increase in the intake of women bursars and trainees between 1999 and 2000. The increase in the number of women bursars and trainees should assist the organisation to meet the gender equity target of 20% women by 2004.

During the year 620 (1999: 481) black bursars and trainees completed their training, against the target of 300, at an estimated cost of R74 million (1999: R74 million). The additional bursars this year are undergoing experiential training in the line groups. The associated costs are borne by the line groups.

The mentorship programme introduced in recent years in the technical field continues to provide support to students and staff, thereby underpinning the development of required future skills. The Chief Executive's Women Graduate Programme has been particularly successful as a result of the mentorship programme.

Energy Sector Education and Training Authority (ESETA)

Eskom played a leading role in the establishment of the ESETA in March 2000. Eskom complied with the requirements of the Skills Development Act of 1998, paying skills levies due, appointing two skills development facilitators (one from Eskom and one from organised labour) and submitting a workplace skills plan. The skills plan was completed in consultation with organised labour through group training forums and the Eskom National Training Forum. This will in future become an ongoing process. By complying with the requirements of the Act, Eskom is entitled to skills development grants allowed for under the Act. The ESETA will commence with grant payments in 2001.

Managing and retaining intellectual capital

The process for the identification of critical and scarce skills, which was approved by the Management Board and Electricity Council during 1999, continues to be implemented in the business. The process is supported by the training and development of staff, as well as the mentorship programmes that are in place.

ESKOM

Employee wellness

Eskom has established a comprehensive wellness programme, intended for the total well-being of individuals and groups. The programme consists of employee assistance, sports and recreation, combating HIV/AIDS, biokinetics, spiritual wellness and occupational health.

Employee access to accommodation

Eskom is committed to enabling all employees to have access to accommodation. Eskom has a housing policy in place, providing all employees with access to funding for accommodation. The scheduled phasing in of market-related rentals is intended to be completed by the end of 2002. Private rental subsidies are being utilised by 1 680 (1999: 1 480) employees, while homeowners numbered 21 400 (1999: 22 536) out of 32 832 (1999: 34 027) employees.

Rewards and recognition

The remuneration structure was aligned with the market in July 2000 following evaluation of market information to ensure that Eskom remains competitive. Market information was derived from participating in major national remuneration surveys during the year.

The Electricity Council has adopted the Eskom performance index (EPI) as a measure of performance. In 2000, the EPI was piloted for the calculation of executive incentive bonuses. Implementation will commence during 2001.

For employees in the bargaining unit, agreement with trade unions regarding salary increases was reached in time for implementation on 1 July 2000. Implementation of salary increases for all employees ran smoothly.

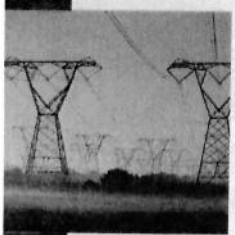
The assessment of B-lower[1] employees continued during the year and at year-end 77,8% of the total had been assessed.

Eskom and the National Productivity Institute embarked on a comprehensive study into the management of sick leave. Results indicate that the gross sickness absenteeism rate in Eskom decreased from 4,54% during 1998 to 2,61% during 1999, which is closer to the norm of 2,5%. The analysis for 2000 shows a further decrease to 2,53%, which is the lowest in five years, and indicates that Eskom's policy on the management of sick leave has had a positive impact on employee attendance.

Employee participation

Eskom and the trade unions signed a new bargaining agreement in May 2000. The function of the agreement is to guide and regulate the activities of the parties in the execution of their duties. The agreement is intended to create a conducive, peaceful and productive environment, which acknowledges that conflict needs to be managed in an effective manner.

Eskom and the trade unions committed themselves to co-operate in the spirit of mutual respect. All parties subscribe to democratic practices, and understand the importance of mutual responsibility and accountability.



1. Denotes level on Paterson job grading system.

The participative structures were revised and revitalised. The collective bargaining forum was successfully utilised in concluding salary negotiations within the specified time frame. Disputes over other conditions of service at the forum were referred for settlement to the mechanism set up for this purpose.

Workdays lost as a result of industrial action increased from 669 in 1999 to 2 745 in 2000 largely due to the COSATU protest action, which took place during May 2000 in protest against the government restructuring of state assets. The protest action was protected in terms of the Labour Relations Act. No disruption of service to Eskom's customers took place as a result.

Managing the impact of HIV/AIDS

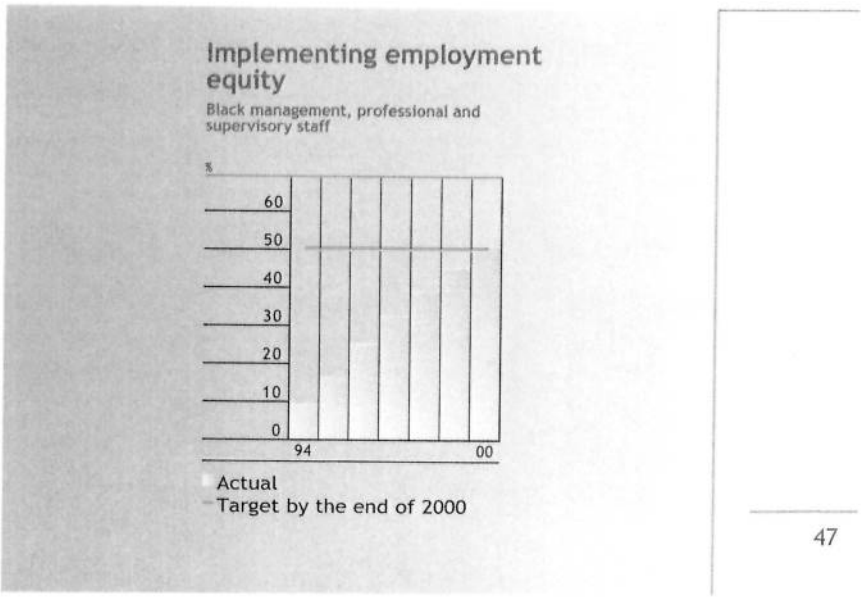
Information from the HIV/AIDS surveillance study in 1999 was used to do financial impact analyses and projections. Both the surveillance and analysis studies were conducted by internationally reputable organisations. The surveillance study was anonymous and voluntary. Agreement was reached with labour that the results would be confidential. The results of the studies were used to develop response strategies to enhance Eskom's preventative programme and reduce the impact on business. Subprojects that include AIDS education, a communication plan, care and support, self-awareness, management of risk areas, relevant management information and advice on policies, practices and procedures impacted by HIV/AIDS, were consequently initiated.

Eskom's HIV/AIDS programme has received two international awards and a South African award, and has also been the subject of two *HIV/Aids Best Practice Series* documents developed by international bodies.

Eskom has continued to contribute to the national and international fight against HIV/AIDS. In February 2000 the South African Business Council on HIV/AIDS was relaunched with Eskom's support. Eskom provides leadership to the South African Development Community utilities' HIV/AIDS committee. Eskom committed R30 million to vaccine development research, of which R15 million[1] has been paid during 2000.

5. Implementing employment equity

Eskom achieved its employment equity target that 50% of all management, professional and supervisory staff will be black[2] by the end of 2000 with an actual figure of 50,7% (1999: 45%). This is an exceptional performance considering that Eskom had only 5% black management, professional and supervisory staff in 1993.



1. *R10 million is to be paid in 2001 and R5 million in 2002.*
2. *Blacks, Asians and Coloureds.*

Eskom has also formulated equity targets to be achieved in the next three years in support of the Employment Equity Act. Eskom has set itself a target that 20% of staff will be women and 0,5% will be people with a disability by 2004. Gender and disability equity is treated as a focus area under Eskom's employment equity policy. At the end of 2000, 18,4% (1999: 15,7%) of Eskom's management, professional and supervisory staff and 41% of people recruited were women. In addition, 16,4% (1999: 14,9%) of staff on all levels and 28% of all promotions awarded, were women.

Eskom is currently in the process of identifying people with disabilities in the workforce. Active steps are being taken to ensure that Eskom facilities are disabled friendly by, inter alia, installing wheelchair access ramps where necessary.

6. Tariff increases

Reducing the real price of electricity

In accordance with its 1994 commitment, Eskom undertook to reduce the real price of electricity by 15% between 1 January 1995 and the end of 2000 for the benefit of its consumers. Over the period 1995 to 2000 Eskom reduced the real price of electricity, using the consumer price index (CPI) as criterion, by 14,1%. However, during this period, an NER-approved electrification incentive discount of R300 million per annum was introduced, effective from 1997, increasing in line with the tariff increases. This incentive discount, if expressed in percentage points, reduced the real price over the period by another 1,58 percentage points, bringing the total real reduction to 15,68%. This real reduction is a major achievement for Eskom, and has contributed significantly to reducing the average rate of inflation of the country.

Price changes

The 2000 general price increase, as approved by the NER, was 5,5% (1999: 4,5%) compared with the rate of inflation as measured by the average CPI of 5,3% (1999: 5,2%).

7. Electrification

Having achieved its commitment of electrifying 1 750 000 homes one year earlier than originally planned, in 1999 Eskom undertook to electrify an additional 600 000 homes between 2000 and 2002. During the year 256 023 homes, including those of farm workers, were electrified. Since the inception of Eskom's electrification programme in 1991, a total of 2 391 684 homes have been electrified.

Eskom granted an additional R347 million to local authorities as an electrification incentive discount against electricity revenue to facilitate the electrification programme. This fund is administered and distributed by the NER, in conjunction with the Development Bank of Southern Africa.

lectrification	Target 2000	Actual 2000	Actual 1999
lumber of direct connections, excluding farm workers	244 600	250 801	293 006
apital expenditure, Rm	689	664	850
apital cost per connection, R	2 817	2 647	2 899
verage monthly sales per prepayment customer, kWh	105	92	95
verage monthly revenue per prepayment customer, R	32	29	27
lumber of farm worker connections	5 400	5 222	6 241
arm worker connection incentives paid, Rm	5	5	6

The reduction in the capital cost per connection during 2000 is attributable to a reduction of the infrastructure cost per connection.

The average monthly sales to prepayment customers measured in kilowatt-hours (kWh) decreased during 2000, compared with 1999, and remains significantly lower than the amount required to generate positive returns or to break even in terms of total operating and capital expenditure. The electrification of more rural areas where consumption is low because of lower disposable income contributed towards the lower prepaid sales per customer. The replacement of faulty meters that commenced in 1999, continued in 2000. Efforts continue to reduce further the capital expenditure and monthly operating costs.

Government initiative

The National Electrification Co-ordinating Committee (NECC), formed in March 1999 to advise the Minister of Minerals and Energy on the future electrification process, is finalising its brief. The NECC has recommended to the Minister that Eskom be appointed as an agent for business planning and implementation functions of the future National Electrification Programme (NEP), pending the EDI restructuring. In December 2000, the Department of Minerals and Energy (DME) informed the NECC that its budget committee, in conjunction with the National Treasury, had approved that the DME will fund the NEP. The NEP will subsidise a portion of the capital cost of connections made towards meeting electrification targets. Allocation of funds will be made in terms of government's criteria, and will not be an additional mechanism for obtaining finances for electrification.

School electrification

	Budget 2000		Actual 2000		Actual 1999	
Funds applied for the electrification of schools	Number	Rm	Number	Rm	Number	Rm
Grid schools						
Eskom Development Foundation	396	15	411	13,6	483	14,1
Non-grid schools						
Eskom Development Foundation	-	-	3	0,3	3	0,3
European Union	1 000[1]	98[1]	475	47,8[2]	36	3,4

1. *Totals over the period 1999 - 2001.*
2. *Includes work in progress.*

The amount managed by the Eskom Development Foundation for the electrification of schools was used for spe projects on requests from government and Eskom.

During 2000, the Eskom Development Foundation managed the electrification of six clinics (1999: seven clinics and community centres). In addition, Eskom managed projects for the Department of Health and certain transitional lc councils, whereby one clinic (1999: six) and three schools (1999: 11) were electrified.

Since June 2000, the European Union project has again been delayed and is awaiting DME approval to continue af the review process of the first 500 schools electrified, since inception of the project, has been completed.

8. Maintain financial independence

Except for the funding received from external sources for the electrification of schools noted above, all otl commitments for the funding of Eskom's activities were funded from South African and overseas debt and from Eskor own resources.

9. Technical performance

Sustainability index

The sustainability index combines 19 (1999: 24) weighted indicators into a composite index. The reason for the reducti in the number of measures in 2000 is the omission of five Distribution interruption performance indicators due to probler with the Network Equipment Performance System (NEPS) reporting system. (See last paragraph in this subsection c page 51.) The 19 measures include the key indicators discussed below as well as specific refined measures. The purpos of the index is to reflect overall technical performance, and is used to balance low-cost production against long-ter reliability. The sustainability index, through its monitoring and alarm system, ensures the sustainable long-term technic smooth running of Eskom. Senior management performance is evaluated against this index.

The score achieved for the year to 31 December 2000 was 80,9% (1999: 76,7%) against a minimum threshold of 80% Although there was a concern during the year that the achieved sustainability index was below this level, it focuse management's attention on the specific areas of concern.

Good progress was made in improving performance in specific areas of the quality of supply. A comprehensive programme was also initiated in the middle of the year to address all negative aspects of customer perception. Most customer segments appear to have reached a turning point and are now showing signs of improvement. Senior management intervention also resulted in continued significant year-on-year improvement in safety.

In the Generation group, where availability, reliability, long-term plant health and nuclear safety are measured, a score of 94% (1999: 100%) was achieved. Action has been taken to address unplanned maintenance and chemistry performance that caused a drop in the overall index score. In the Transmission group, the score was 94% (1999: 88%) for measures that included system stability, plant health, interruption performance and quality of supply. The Distribution group measures

quality of supply and customer perception and achieved a score of 57% (1999: 45%). The safety and environmental measures, which are the responsibility of all groups, scored 50% and 100% (1999: 33% and 100%) respectively.

Interruption performance indicators for Distribution could not be measured in 2000, as was originally planned, due to delays in commissioning the new NEPS. (Also see second paragraph under Distribution system performance, page 52.) This matter is also further discussed later in this section. As a result, the weighting attributable to the interruption performance measures was equally redistributed onto the remaining Distribution measures for the year.

Safety

The continued emphasis on the implementation of risk control strategies and interventions instituted by the Operations Committee of the Management Board to address Eskom's unsatisfactory health and safety performance, maintained momentum during the year and was instrumental in the further reduction of work-related fatalities to 10 (1999: 11), down from the all-time high of 22 in 1996. The frequency of loss events in the high-risk area of vehicle accidents reflects a similar progressive reduction. However, in the high-risk area of electrical contacts, an increase in injuries to 15 (1999: 10) was recorded. The disabling injury incidence rate (DIIR) for 2000 reduced to 0,41 (1999: 0,44) against a target of 0,40. Vehicle accidents accounted for five fatalities (1999: six) and electrical contact for two (1999: three).

Several strategies and campaigns were introduced during the course of the year to address the continued unacceptably high incidence of vehicle accidents and electrical contacts. The most significant of these are the installing of on-board computers in regularly used fleet vehicles to monitor vehicle movements, and a compulsory job observation programme for all identified high-risk jobs. The positive effect of these interventions is reflected in Eskom's improved safety performance indicators in pursuance of its strategic objective of zero fatalities.

There were 29 public electrical fatalities reported, excluding the 19 fatalities related to vandalism and copper theft. Eskom's extended power network, due to electrification, together with the occurrence of illegal connections and energy theft, increased the potential for electrical contacts. The majority of public electrical fatalities were due to low-hanging conductors, mobile equipment and objects making contact with lines. Awareness campaigns and public electrical education for communities in identified high-risk areas have been intensified to reduce further the incidence of electrical contacts.

High-level Eskom occupational health and safety audits have been conducted at the business units within the Generation, Transmission and Distribution groups, and strategies to address identified risk exposures have been tabled with the relevant business units for implementation.

Nuclear performance

As part of Eskom's ongoing commitment to operate its nuclear plant within the requirements of the World Association of Nuclear Operators (WANO), an executive self-evaluation of operations was performed during the year at the nuclear power plant at Koeberg. This review, by an international team of experts from WANO, USA utilities, Eskom's own Generation Safety and Assurance functions and the Koeberg management team, concluded that operations of Koeberg were in accordance with world best practice norms.

Generation plant performance

Generation plant unit capability factor (UCF)

The Generation group continued to maintain exceptional plant performance in 2000 by achieving a UCF of 92,8% (1999: 92,50%) against a target of 91%, the best ever.

Energy availability factor (EAF)

Energy availability factor is similar to UCF but also takes into account energy losses due to causes not under control of plant management as well as internal non-engineering constraints. During 2000, a performance of 92,1% (1999: 91,0%) was achieved against a target of 90%.

Unplanned automatic grid separations (UAGS)

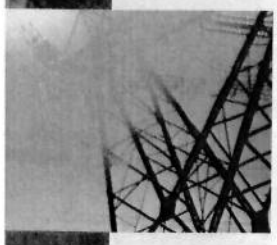
UAGS, a UNIPEDE fossil-fired plant indicator, is a measure of the reliability of service provided to the electrical grid, and measures the number of supply interruptions per operating period (7 000 hours). During 2000, the reliability of the Eskom generating units was maintained at 1,4 (1999: 1,4) interruptions against a target of 2,3.

Distribution system performance

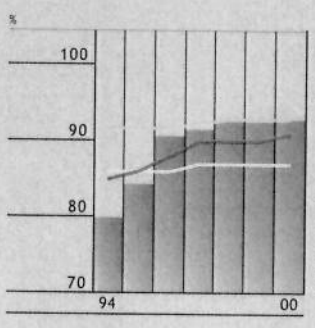
Distribution has historically reported the reliability and availability of the electrical network against nationally calculated statistical key performance indicators such as the supply loss index and the system average interruption duration index. These indicators were calculated using a database system that had to be decommissioned towards the end of 1999 due to year 2000 compliance related limitations.

Distribution simultaneously commenced the introduction of a new database system called Network Equipment Performance System (NEPS). The NEPS has been designed to enable Distribution to become a world leader in the field of network performance management and reporting, since it automatically links events causing electrical interruptions with the electrical plant and the connected customers affected. The NEPS will be operational in 2001, and will be used for reporting purposes in 2002.

There are other national network performance indicators in place that have not been reported previously. These power quality indicators include voltage waveform indicators (regulation, unbalance, harmonics) and voltage disturbance indicators (dips).



Generation plant unit capability factor (UCF)



UCF, a UNIPEDE/WANO generation plant performance indicator, gives the true energy capability of the plant, whereby loss due to constraints not under plant management control is excluded from its calculation.

The performance for 2000 for these power quality indicators was:

Indicator	Target 2000 %	Actual 2000 %	Actual 1999 %
Regulation[1]	95	95,8	81,0
Unbalance[2]	95	99,1	95,0
Harmonics[3]	95	100,0	95,7
Type X dips[4]	95	86,8	91,7
Type S dips[4]	95	92,6	95,2
Type T dips[4]	95	97,1	97,4
Type Z dips[4]	95	94,1	94,4

The targets for these indicators are based on regulatory requirements introduced in 1996 by the NER. However, data collated by Eskom indicates that it is not always possible to meet these targets. This is due to the seasonal and cyclic variances of the external factors influencing these indicators. These include, but are not limited to, weather conditions, lightning intensity, veld fires, contingencies and vandalism. Although action plans have been implemented to manage these factors, the success depends on the intensity and frequency of occurrence, which is seasonal and cyclic of nature.

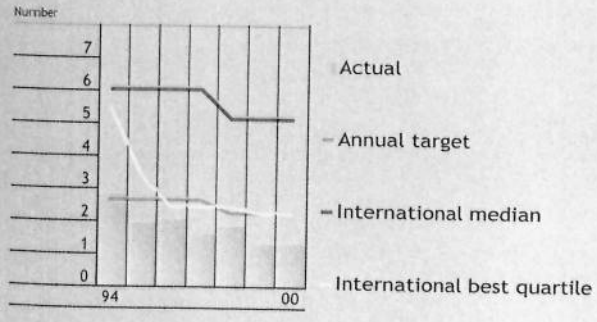
Maintaining transmission system performance

The performance of the transmission system in terms of continuity of supply is measured by the number of system minutes that were lost over a 12-month period. In 2000 there were no incidents with a severity greater than one system minute (1999: nil). The overall transmission system performance is reflected in the graph set out below. This is an important measure, as it impacts directly on the continuity of supply to consumers. During 2000, the business registered 4,1 system (1999: 3,08) minutes lost against a target of 6,2 and recorded 48 interruptions (1999: 55) for the year against a target of 50 interruptions. During 2000, the performance in respect of the quality of supply also improved.

1. *Reflects the ability to control deviations from the nominal supply voltage contracted with customers.*
2. *Reflects the ability to keep the three phases of the supply voltage electrically balanced, ie displaced by 120 degrees relative to each other and the same magnitude.*
3. *Reflects the ability to avoid higher order frequencies in the 50 Hz supply voltage.*
4. *Reflects the ability to minimise faults and breaker operations at various voltage levels.*

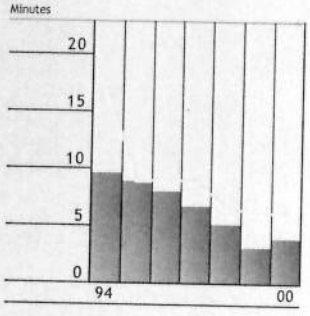
Unplanned automatic grid separations per 7 000 operating hours

Generating systems



Total transmission system interruption time

System minutes lost per annum



As from 1996, system minutes reflect all transmission voltages. Before 1996, system minutes reflect only voltages of 132 kV and above.

Satisfying customers' electricity needs

Eskom developed a statistical measurement tool that identifies customer needs and measures customer satisfaction with the service delivered. MaxiCare[1] and PreCare[2] surveys are conducted on a monthly basis by an independent organisation, and results are analysed and reported to Eskom.

During 2000, the results indicated a positive trend from April onward, in all sectors except townships (billed). This exception has been attributed primarily to the aggressive disconnect programmes for non-payment in these areas. Customers rated Eskom's overall service quality at 8,19 (1999: 8,08) for MaxiCare and 8,90 (1999: 8,51) for PreCare. This positive trend was most noticeable in the industrial, commercial and township (prepaid) segments. Results in the agricultural and townships (billed) segments, however, were rated below the target.

The positive results in customer perception can be attributed to system stability and staff gaining experience in the new processes introduced in 1999. Other factors that contributed towards the positive results include the huge strides made in logging customer interactions (up to 170 000 per month) with over 230 000 customer calls a month received at the seven call centres. This indicates that the new architecture of handling routine customer interactions by phone is working. Service levels in the call centres have risen to an average of 60%, with two centres exceeding the target of 70%. Customer forums have been revitalised and five national and many regional newsletters were sent out. An executive action team was established at Megawatt Park for service recovery to address complaints directed to the executive office.

A new project tracking system for customer connections was implemented, and the information is available on the intranet to enable the answering of customer queries.

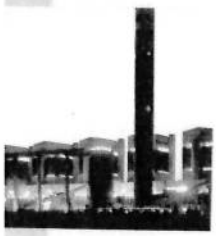
Accuracy of accounts and payment allocations have improved. The number of payment options has increased considerably with EasyPay as a third-party collector.

In order to ensure that the customer satisfaction measurement tool remains valid, it is regularly revised. An enhancement survey was launched during 2000 and the results will be available during 2001.

No PreCare surveys were conducted for industry, agriculture and commercial customers for the period January to April 2000 as suitable sampling reports were not available due to the implementation of the Customer Receipts and Payments System in Eskom. The graph therefore only reflects the period May to December 2000. A report with the necessary details from the customer database has been developed and is now being used for sampling purposes.

Limiting environmental impact

Eskom continues to strive towards integrating environmental considerations into its business planning and decision-making processes. A policy decision was made that the individual groups in Eskom are to be ISO 14001 compliant by the end of 2002. The individual groups have prepared action plans, setting out group-specific goals and objectives towards achieving the 2002 target. An internal audit will be conducted on action plans in 2001 to assess the extent of compliance, and an external audit will also be conducted during 2003 to evaluate Eskom's commitment.



1. Customers that have been receiving electricity for longer than six months.
2. New customers or customers with revised contracts.

During 2000, the environmental accounting procedure and process was further revised and the line groups developed specific procedures for implementation. Approximately R116 million (1999: R108 million) was spent on capital and approximately R217 million (1999: R211 million) on operational environmental activities, primarily in the Generation group. These costs relate mostly to the installation of flue gas conditioning, water treatment, asbestos and coal discard disposal, and rehabilitation of land. Included in the total research and development costs for 2000 was an amount of R15 million (1999: R11 million) spent on environment-related research. Eskom remains committed to researching and managing its negative environmental impacts, and optimising its positive benefits.

The environmental audit function continues to monitor environmental performance as well as compliance with legislation and Eskom's environmental policies and standards. During 2000, an audit was performed on the environmental management system in the Distribution group, which indicated progress in the development and implementation of the system.

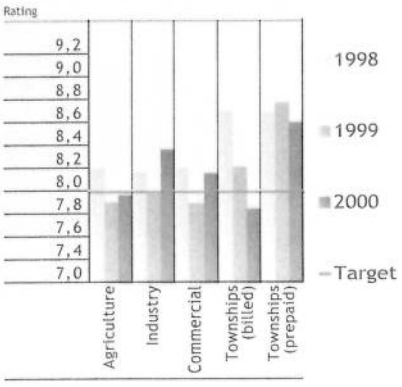
Audits were conducted on aspects of waste management at five power stations, with four of the stations operating waste-handling sites and one still awaiting approval from the Department of Water Affairs and Forestry (DWAF). The audit also included three Transmission regions. It was observed that some of the municipal sites used were not registered, and action has been taken by Transmission to identify these sites and suggest alternative sites. Five other environment-related audits were completed in 2000 by the Environmental Audit department.

Significant attention has been given to environmental impacts on the quality of supply of the transmission and distribution network. This has resulted in R18 million being spent on bird guards that are effective in protecting birds from sensitive structures, thus preventing bird streamers and interactions causing power outages.

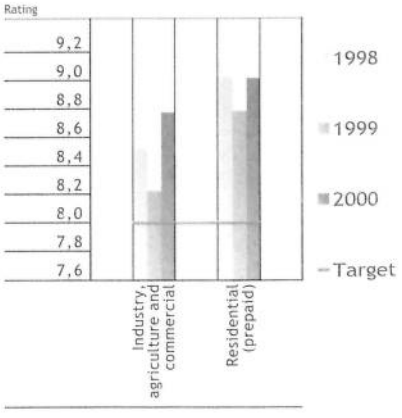
During 2000, Eskom's power stations used 228 759 Mℓ (1999: 227 306 Mℓ) of water to produce 189 307 GWh (1999: 181 818 GWh) of electricity, resulting in specific water consumption of 1,21 ℓ/kWh sent out (1999: 1,25 ℓ/kWh). This reduction in the specific water consumption can be largely attributed to the power stations, which have continued to focus extensively on good water management throughout the year.

The overall particulate emissions performance of 66,08 kt is well within the permitted allowance of the Department of Environmental Affairs and Tourism (DEAT) of 131,76 kt. Relative particulate emissions are lower at 0,35 kg/MWh sent out than the previous year of 0,37 kg/MWh sent out. This improved performance is mainly due to improved operating and maintenance procedures as well as the installation of flue gas conditioning plant at Duvha. Arnot, in particular, had a major reduction in particulate emissions by realigning the internals of the electrostatic precipitators and improving upstream conditions. The 2000 performance is within the targets of the five-year plan for further particulate emissions reductions.

MaxiCare overall service quality 12-month moving average ratings



PreCare overall service quality 12-month moving average ratings



Ambient air quality monitoring is continuing in the eastern Highveld and the Vaal Triangle. Ozone levels, sulphur dioxide (SO_2) and oxides of nitrogen (NO_x) and particulate concentrations, are monitored on a continuous basis. The ambient air contains contaminants from all sources. Results indicate that the annual concentrations at all sites are within the guideline limits set by the DEAT, with one exception, namely the annual particulate concentration at Leandra.

Eskom conducted two internal regional environmental conferences during 2000, and initiated many other educational initiatives. Technical environmental training of Eskom's environmental practitioners and technical staff on waste management was held in conjunction with the United States Electric Power Research Institute.

Eskom's policy is to comply with legislation and, where appropriate in the interest of the sustainability of the business, set standards where no legislation exists. A review of the environmental component of the sustainability index was undertaken to ensure performance tracking of the key areas of the business. This resulted in the revision of the parameters of the definition of legal incidents, which has led to a significant improvement in the process to report legal contraventions. During 2000, 21 (1999: nine) contraventions were reported. This increase reflects improved communication on environmental issues within the organisation. Three of these legal contraventions were counted in the sustainability index. Areas of non-conformance with legislation included waste management, sewage spillage and the removal of protected vegetation without a permit. Reported incidents have been investigated, and appropriate preventative actions to lessen the potential for recurrence have been implemented.

Eskom produces a separate annual environmental report with more detail on environmental performance.

Environmental performance indicators	Target 2000	Actual 2000	Actual 1999
Total particulate emissions, kt	N/A[1]	66,08	67,08
Relative particulate emissions, kg/MWh sent out	0,36[2]	0,35	0,37
Radiation exposure, less than, mSv per annum	0,25[3]	0,0005	0,0006
Net water consumption, Mℓ	N/A[1]	228 759	227 306
Specific water consumption, ℓ/kWh sent out	1,41[2]	1,21	1,25
Reported legal contraventions counted in sustainability index	-	3	3

1. *No targets set for these indicators.*
2. *Target based on alarm levels contained in the sustainability index. These reflect megawatt-hours and kilowatt-hours sent out by Generation.*
3. *Regulatory limit set.*

Capacity planning and management

Eskom's Integrated Strategic Electricity Planning (ISEP) process is intended to provide strategic projections of supply-side and demand-side options that will need to be implemented to meet long-term load forecasts. It provides the framework for Eskom to investigate a wide range of new supply-side and demand-side technologies.

The plan provides many economically and environmentally acceptable options for flexible and timely decision making. The focus is to provide as robust a plan as possible, taking into account Eskom's and the shareholder's objectives. Specific attention was given to those uncertainties that would influence decisions on the timing and mix of new capacity.

The uncertainty in long-term planning is illustrated in the graph below by the differences in the timing for implementing new demand-side or new supply-side options over the scenario range. This can be placed in context by noting that the recorded maximum demand during 2000 was 29 188 MW.

With moderate growth in demand for electricity and a moderate reserve margin, new demand-side or supply-side options are required for commercial service from the second half of 2005. Eskom is continuing to use this planning window of opportunity to research and generate data on a variety of new options such as pebble bed modular reactors (PBMRs), fluidised bed combustion, bulk solar, wind and energy efficiency.

The higher energy demand experienced during 2000 has resulted in a decrease in the system operating reserve margin from 24% in 1999 to 22% in 2000, against a desired level of 13%.

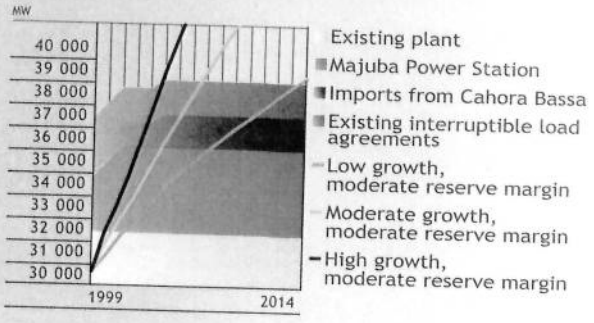
Energy purchases

Eskom continued to review its fuel supply options and plant operating methodology with a view to reducing costs and improving efficiency and flexibility.

Coal

Growth in total electricity demand, coupled with Cahora Bassa not generating electricity for a period of 16 weeks in the first half of 2000, required an increase in generation at the coal-fired power stations. As a result, 92,3 million tons of coal was burnt in comparison with a budget of 88,7 million tons. Coal stock at year-end was 19,8 million tons (1999: 20,2 million tons) representing 61 days of burn (1999: 64 days).

Timeframe for new supply-side and demand-side options



During 2000 Eskom purchased 91,9 million tons of coal (1999: 92 million tons) against a budget of 87 million tons. Of this, 1,3 million tons (1999: 1,3 million tons) was purchased from black economic empowerment (BEE) suppliers. The total value of BEE coal purchases during 2000 amounted to R42,5 million (1999: R45 million). During the year the Matla and Arnot collieries were sold to Eyesizwe as part of an empowerment initiative. The effective date of this agreement is 1 July 2000; however, certain administrative issues need to be finalised before the agreement is fully processed. When the administrative issues are resolved, the sale will increase the BEE supplies for 2000 by 8,8 million tons at a total value of R422,3 million.

The average cost of coal burnt during 2000 was R44,40 per ton (1999: R42,79 per ton) compared to the budget of R45,66 per ton, before taking into account the effect of the adjustments relating to the repayable advances to coal suppliers and the provision for mine closure, pollution control and rehabilitation. The figures, after taking into account these adjustments, are R45,01 (1999: R43,50).

Water

Eskom continually assesses the management of water resources and the impact of water-related legislation on its business. Eskom has taken the lead in developing the benchmarking of water use for the power generation sector in co-operation with the DWAF. Eskom complies with all water legislation that affects its operations, and takes an active role in the development of the various strategies and institutions, such as catchment management agencies, that may affect its water use in the future.

Hydro and pumped storage schemes

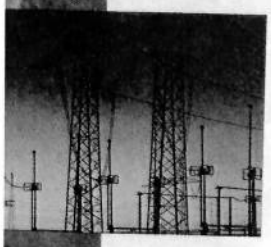
Eskom continues to use hydro and pumped storage schemes as supply-side options to meet peak electricity demand. Feasibility studies for two additional possible future pumped storage schemes have been completed. A Record of Decision, a precondition for continuation with the project, has been obtained from the relevant authorities for one of the sites, and another is awaited. More detailed planning and design will be undertaken at the preferred site once a Record of Decision has been obtained for both sites. A pre-feasibility study for a third scheme is currently under way, and is planned for completion in September 2001.

Nuclear

The international sourcing of nuclear fuel has improved the price competitiveness of Koeberg. The weakening of the rand during 1999 and 2000 has however increased the rand cost of nuclear fuel for Koeberg. Exchange rate fluctuations are however hedged annually for all known commitments in foreign currencies.

The 2000 primary energy cost for Koeberg, inclusive of the provision for spent fuel management, was R22,06/MWh (1999: R20,16/MWh), which represents an increase of 9,42%. The main reason for the increase is the weakening of the rand.

Following the promulgation of the new Nuclear Energy Act, Act 46 of 1999, the governmental nuclear control approval process has been streamlined. Regular information sharing and focused discussions with DME continue in order to further enhance the approval process.



Majuba Colliery

As previously reported, the Majuba Colliery was permanently closed during 1993 due to geological problems and the resultant high coal costs. Negotiations with Ingwe continued during the year and it is expected that resolution will be reached by early 2001. Included in the future fuel account are significant amounts relating to the Majuba fuel supplies, which will be finally dealt with once these procurement arrangements have been finalised. It has become evident during the negotiations that a provision for impairment is required. At year-end a provision of R229 million for impairment has been raised, and is included under operating expenditure in the income statement. Refer to note 22, Operating expenditure, page 109.

Research and development

Investment in technical research and development projects amounted to R184 million (1999: R189 million), which is 0,8% (1999: 0,9 %) of total revenue, and a further R7 million (1999: R8 million) was spent on marketing results of research and development projects. Research and development activities resulted in 15 major outputs, including a fluidised bed combustion and gasification facility that was completed and commissioned early in 2000. Another major project was the Masakhane Combined Services Communication Project that is a pilot project being undertaken in Hermanus. This is a joint research study between the DWAF, Water Research Commission, Eskom, Telkom, local government and the local community. The socio-economic implications of integrated service delivery on consumers and providers alike will be studied. In addition, an environmental decision support model has been developed that addresses the management of multi-criteria environmental issues that cannot readily be monetised.

There is substantial confidence in the technical, commercial and export potential of the PBMR, a small nuclear power station. The technology adopted for the base-line design has been demonstrated as technically reliable. The project is currently in the detailed feasibility study and environmental impact assessment (EIA) phase, which was given the go-ahead by government in April 2000. The first draft of the detailed feasibility report should be submitted to the government for review in April 2001, and the EIA should be completed by November 2001.

A milestone was the forming of PBMR (Pty) Limited, a joint venture between Eskom, the Industrial Development Corporation, British Nuclear Fuel and the US utility, Exelon. The participation of two overseas partners is a clear indication of the confidence in the PBMR's technical, commercial and export potential.

Assuming a favourable outcome of the EIA, the issuing of a construction licence by the National Nuclear Regulator, shareholder approval and government consent, construction of a demonstration module could commence in the first half of 2002. Commercial operation is projected about four years later.

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10. Financial performance

Business efficiency

The productivity results for the year are as follows:

	Budget 2000 Rm	Actual 2000 Rm	Actual 1999 Rm
Productivity - resource view	(173)	20	75
Primary energy	45	30	(32)
Manpower	239	302	189
Other operating expenses	(465)	(366)	(21)
Capital	8	54	(61)
Productivity - business view	(173)	20	75
Core business	(215)	45	97
Electrification and takeovers	42	(45)	(54)
Other	-	20	32
Productivity - capacity and efficiency view	(173)	20	75
Capacity utilisation	238	339	140
Efficiency	(411)	(319)	(65)

The 2000 budget and 1999 and 2000 actuals exclude the impact of separation costs.

Eskom recorded a bottom-line productivity improvement of 2,1% (R428 million) during 2000 compared with 1999. Before the impact of separations, the business recorded a small productivity improvement of 0,1% or R20 million (1999: R75 million). Although the improvement is small, it is significantly better than the performance level set in the budget. The improvement against budget was the result of actual sales volumes being greater than the levels budgeted, the deferment of maintenance-related expenditure together with a continuous focus on improving the efficient management of resource usage during the year. The focus on efficiency improvement is reflected in a reduction of R92 million in the negative effects of actual efficiency levels compared to the level budgeted (R411 million less R319 million).

The above results also indicate that there were productivity savings achieved in the core business of 0,3% or R45 million, through the responsible management of controllable costs during the period. A significant positive contribution came about due to the reduction in employee numbers relative to that planned for over the period.

Through a continuous focus on effective capital expenditure the business also ensured that capital productivity was ositive when compared to the previous year and the budget. The reason for this performance can mainly be attributed o external sales growth of 2,8% and an improvement in the approval process for capital-related expenditure. The lectrification initiative did not meet the budgeted performance levels due to the actual sales growth in this category eing significantly lower than the level budgeted. The actual sales growth in this category was 8,9% against a budgeted rowth in sales volumes of 25%. The business also increased its generating capacity during the year despite a period of elatively low sales growth. Both these investments should result in benefits in the long term.

Employee productivity made a significant contribution to the overall performance of the business during the year of 302 million. The main reason for this improvement was the reduction in employee numbers, together with the benefits f the past investment in the training and development of staff.

ligh-level performance

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

	Budget 2000	Actual 2000	Actual 1999
ales, GWh			
otal external sales	175 994	177 924	173 113
International	3 584	4 549	4 099
Commodity-linked pricing agreements	20 895	20 785	20 443
Other distribution	151 515	152 590	148 571
xternal sales growth, %	1,7	2,8	1,1
evenue, Rm			
International	326	400	395
Commodity-linked pricing agreements	2 142	2 260	1 666
Other distribution	20 925	20 872	19 462
xternal revenue	23 393	23 532	21 523
ıternal revenue	52	37	45
otal revenue	23 445	23 569	21 568
ther results			
perating expenditure, Rm	18 399	17 441	16 511
ıterest income, Rm	N/A[1]	1 310	1 261
ıterest expenditure, Rm	N/A[1]	4 225	4 256
verage total cost of electricity, R/MWh[2]	119,24	114,41	112,68
et profit before tax on historical cost basis for the year, Rm	2 459	3 213	2 062
et profit after tax on historical cost basis for the year, Rm	N/A[3]	1 759	2 062
et (loss)/profit on inflation-adjusted basis, Rm	N/A[3]	(1 494)	(1 421)
eal (inflation-adjusted) rate of return, %	N/A[3]	2,47	1,42
ebt-equity ratio	Between 0,73 and 0,80	0,68	0,89
mployees, number	33 408	32 832	34 027

1. *Net interest income and expenditure budget: R2 588 million.*
2. *Based on external sales.*
3. *No targets set.*

Transmission sales were higher than budgeted, largely as a result of the increased sales to the Mozal smelter via Motraco, and to Electricidade de Moçambique as a result of the flood damage. Distribution sales were higher, mainly as a result of a colder winter, sales initiatives and increased production by gold mines.

The favourable variance on finance charges, compared to the previous year, arose mainly as result of the lower cost of cover due to change in strategy, profits realised on trading activities and savings on the cross-border lease.

The favourable variance on operating expenditure is mainly due to the saving on depreciation of R641 million in respect of the change of generation asset lives from 25 to 35 years at the beginning of the year, after providing for an impairment loss of R229 million on Majuba Colliery and the fair value upward adjustment for financial instruments of R133 million.

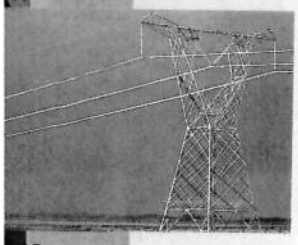
Valuation of assets

Although cross-subsidisation exists between certain customer categories depending on customers' electricity consumption levels, geographical location and voltage supply levels, Eskom fully recovers all costs of supplying electricity to its customer base as a whole and earns a positive return on assets. On this basis, the directors believe that no adjustment is required to the value of assets relating to any particular customer category.

Future restructuring of the EDI

Although the directors believe that there is no need to raise a provision for impairment of certain classes of property, plant and equipment in the current year, the future restructuring of the EDI might require that Eskom raise a provision for impairment in future years. Factors that may influence the need for a provision are listed below:

- The transfer of assets from Eskom to different companies. There will be an increased risk of impairment as the assets are split into more companies.
- Eskom might be required to sell all or part of its assets to independent operators at arm's length, at which time losses may be realised on the sale.
- A change in the cross-subsidisation policy.
- A change in Eskom's obligation to supply.



Revenue management

The trade debtors at year-end are summarised as follows:

	Actual 2000 Rm	Actual 1999 Rm
Trade debtors	2 667	2 398
Local debtors	4 687	4 197
Customers identified as problem accounts[1]	1 573	1 434
Other	3 114	2 763
International debtors	180	151
Provision for doubtful debts, including interest	(2 200)	(1 950)
Bad and doubtful debts	234	287
Local trade debtors	203	159
International trade debtors	(10)	126
Other debtors	41	2

To assist local authorities with bulk debt accumulated prior to 30 June 1995, Eskom in the previous years offered local authorities 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 those local authorities that have not met their commitments.

Included in the provision for doubtful debts is an amount owed by the Zimbabwe Electricity Supply Authority (ZESA) for energy exported to it as a result of the difficult economic conditions experienced by ZESA and the Zimbabwean economy.

Management of credit risk

Credit risk is minimised through obtaining deposits and guarantees from customers and a process of moving towards cash upfront for prepaid vendors. The book debts for large and small power customers are reviewed regularly for overdue accounts. Written warnings are issued on overdue accounts. All customers who are overdue and for which no payment is forthcoming are highlighted systematically for disconnection. Failure to settle the overdue debt results in the customer being disconnected. Eskom follows a cost-effective legal process to recover all long outstanding debt.

Performance of subsidiary companies

The discussion below covers 90% of the value of the assets of all subsidiaries.

Eskom Enterprises (Pty) Limited

Eskom Enterprises was registered in 1999 to accommodate all the non-regulated energy-related activities of Eskom in South Africa and all its other energy-related activities outside South Africa. Included in the transfer of shares and assets of the non-core businesses of Eskom to Eskom Enterprises was the investment in Rotek Industries (Pty) Limited.

1. Problem accounts are defined as amounts owed by local authorities where the networks were leased, suspense account debtors, as well as Soweto. All other customers are now classified as normal accounts.

The operating results of Eskom Enterprises for the year are summarised as follows:

	Budget 2000 Rm	Actual 2000 Rm	Actual 1999 Rm
Revenue	1 772	2 068	-
Eskom	1 220	1 501	-
Non-Eskom	552	567	-
Profit before interest	142	32	-
Interest	12	(2)	(21)
Profit/(loss) after interest before taxation	130	30	(21)
Taxation	(39)	(13)	-
Profit/(loss) after taxation	91	17	(21)

The costs for 1999 represent set-up costs only.

The variance between the budgeted and actual profit after tax was mainly due to the impairment of R35 million on a subsidiary's property and employee benefit costs incurred during 2000, which were previously budgeted for by Eskom. In addition, the delay in the capitalisation of Eskom Enterprises resulted in the postponement of expansion activities into Africa.

The performance during the year on the predetermined objectives is shown below:

	Objectives	Key performance indicators	Targets[1]	Performance results[1]
1.	Complete formation of Eskom Enterprises	• Shareholder compact in place, business plan approved, appropriate capital, structures, staff and existing Eskom activities, which meet the business case criteria, transferred	During 2000	Achieved
2.	Expand into external markets and increase revenue from these new sources	• External sales as percentage of total sales, %	24,3%	Achieved - 27,4%
3.	Achieve an acceptable return on equity	• Return per audited annual financial statements, %	9,1%	Adjusted pre-exceptional return of 8,1%[2]
4.	Achieve sales growth in excess of 15% per annum	• Sales growth year on year, %	15%	Growth on average 28%[3]
5.	Implementing employment equity by changing the staff profile so that, by the end of 2000, at least 40% of management, supervisory and professional staff will be black and 18% of all staff will be women	• Black management, professional and supervisory staff at 31 December, % • Women employed at 31 December, %	40%[4] 18%[4]	Good progress made - 41% Good progress made -18%
6.	Encourage black economic empowerment development	• Procurement expenditure and supply of services, both capital and operating, R million	R83 million	Spent - R91 million[5]

1. Targets and performance results are based on proportionate consolidated information.

2. Calculated on net profit after interest but before tax and excluding exceptional items, as a percentage of capital and reserves.

3. Compared to results as achieved for operations previously within the Eskom structure.

4. Target and actual results inclusive of Information Technology Division that was managed by Eskom Enterprises during 2000.

5. This includes R25 million spent on promoting black economic empowerment development that did not fully meet Eskom's criteria.

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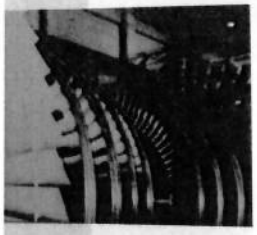
Eskom Finance Company (Pty) Limited

Eskom is committed to enabling all Eskom employees to have access to accommodation. Eskom Finance Company (Pty) Limited grants home loans to Eskom employees at favourable interest rates.

The operating results for the year are summarised as follows:

	Budget 2000 Rm	Actual 2000 Rm	Actual 1999 Rm
Financing income	335	337	378
Financing costs	320	315	(362)
Net financing income	15	22	16
Sundry income less administration costs	(4)	(1)	4
Profit for the year	11	21	20
Taxation	-	(2)	-
Profit after taxation	11	19	20

During 2000, the total value added to Eskom and its employees was R41 million (1999: R53 million). The value added represents the total cost savings and the benefits enjoyed by Eskom and its employees due to engaging Eskom Finance Company (Pty) Limited in homeownership administration and the granting of home loans to Eskom employees.



Escap Limited

Escap Limited was created in 1993 to reduce Eskom's overall cost of risk management and insurance. It formed part of Eskom's risk financing strategy to formalise the insurance function and act as a vehicle within which formal reserves and additional insurance capacity could be created.

	Budget 2000 Rm	Actual 2000 Rm	Actual 1999 Rm
Premium income	357	363	298
Reinsurance premium expenditure	(26)	(25)	(104)
Net premium income	331	338	194
Insurance expenditure	(384)	(376)	(211)
Underwriting loss	(53)	(38)	(17)
Investment income	66	65	57
Taxation	-	(3)	(24)
Profit for the year	13	24	16
Solvency margin	43%	46%	47%

Escap has negotiated a stop-loss agreement with Gallium Insurance Company Limited, a wholly owned reinsurance subsidiary of Eskom, to limit the value of claims that Escap will retain. This stop-loss limit has ensured that Escap is able to limit the claims expense to an acceptable level.

In terms of the Insurance Act of 1998, short-term insurers are required to maintain a solvency ratio of at least 15%. The Financial Services Board investigates short-term insurers whose solvency ratio is lower than 25%.

The Eskom Development Foundation

Eskom's social investment initiatives are carried out through the Eskom Development Foundation. The Foundation has full delegated authority to manage the Fund and the day-to-day activities of the Foundation.

Eskom's social investment initiatives are carried out through the vehicles of community development; small business development; electrification of schools and clinics; education portfolio and donations. Particular emphasis was given to development of rural communities, women and disabled people. Job creation initiatives were undertaken through small business development support.

The following amounts were spent during 2000:

	Budget 2000 Rm	Actual 2000 Rm	Actual 1999 Rm
Electrification of schools and clinics	15	13,9	20,7
Community development	27	22,7	19,0
Small business development	10	8,7	2,0
Eskom Maths and Science College Education Programme	6	4,0	4,0
Donations	6	5,9	5,0
South African AIDS Vaccine Initiative (SAAVI)	15	15,0	-
	79	70,2	50,7

In addition to the normal programmes, the Foundation has supported the SAAVI in its search for an AIDS vaccine. An amount of R15 million was made available to SAAVI as a special project during the year.

Corporate governance and ethics

Eskom continues to comply with the major recommendations of the King Report. The behaviour of employees and management is monitored in terms of the Business Conduct Policy. Additional information on corporate governance and ethics appears on pages 31 to 33 of this report.

Public Finance Management Act (PFMA)

The PFMA came into effect on 1 April 2000 and replaced the Reporting by Public Entities Act, 1992. Application has been made to the Department of Finance for exemption from certain provisions as allowed for in the Act. Approval has also been sought from the Department of Finance with regard to certain other issues. Eskom is currently awaiting a response.

Accountable bodies and structures

The Electricity Council (Council) is regarded (until such time as Eskom is converted into a company) as the accounting authority of Eskom. The Council is responsible for determining policy and objectives and for exercising control. The Act prescribes various fiduciary and general responsibilities of the Council in its capacity as the designated accounting authority for Eskom.

Implementation

The PFMA will be implemented in a five-step process. Eskom is currently busy with the first step, awareness, which involves an ongoing process of communication, education, instruction and advice. All responsible parties have been made aware of and educated on their responsibilities in terms of the Act. The final implementation of the Act is expected towards the end of 2001, and some aspects in 2002.

A policy and procedure document on the prevention and reporting of losses through criminal conduct and through irregular, fruitless and wasteful expenditure has been developed and issued to responsible officials to assist in meeting the reporting requirements of the Act. In addition, guides on selected topics have been issued to clarify issues in the Act as well as to guide the implementation process.

Application of future requirements
An evaluation of the compliance status with regard to sections of the Act that will become effective from 1 April 2001, as well as the draft regulations issued by the Department of Finance that may become law, is currently under way. No material areas of non-compliance have been identified at this stage.

Losses through criminal conduct and through irregular, fruitless and wasteful expenditure
Processes have been put in place to report on material losses caused by criminal conduct and through irregular, fruitless and wasteful expenditure as indicated above. However, no opinion can be expressed on the completeness of the information, as feedback has been limited. The processes will be further refined to address this issue.

Losses of prepaid electricity revenue have occurred primarily due to theft by vendors and theft of electricity by the public. Eskom is actively engaged in pursuing criminal charges against certain vendors and the public. There is an ongoing process of improving processes and controls over the prepaid electricity sales.

Risk management

Eskom has embraced pure risk management in the past and has achieved world-class status in both the pure risk financing and risk control aspects. Treasury risk management specialists continue to provide assurance that this risk area is satisfactorily controlled. Treasury-related risks are discussed in note 25 to the financial statements, page 111.

In support of the continuing need for excellence in corporate governance, Eskom has embarked on a new area of risk management, namely Integrated Risk Management (IRM). This will seek to identify all risk areas affecting the organisation, and will address the need for risk integration, ie the impact of one risk on another.

Knowledge of all risks that may affect a project or a process will allow for better decision taking and will enhance shareholder value. Proactive risk assessment principles will provide for contingency planning measures in the event of an identified risk event occurring.

A separate corporate area has been set up to guide the organisation on this new enterprise-wide risk discipline, which falls under the auspices of the executive director of Finance.

Deliverables for 2000 included the setting up of a Management Board committee referred to as the Integrated Risk Management Committee. An approved directive supporting Eskom's drive towards IRM has been put in place. The risk culture and understanding of risk within Eskom has been assessed through a questionnaire. Initiatives for 2001 have been aligned to the information gained from the survey results to ensure Eskom's future compliance with legislation related to risk issues.

ESKOM

11. Information systems

Information Systems Strategy

In 1999, the Management Board approved the implementation of the Information Systems Strategy, which was implemented during 2000, consisting of the following key components:

Creation of ringfenced Information Technology Services

During the first quarter of 2000, the Electricity Council, the Eskom Management Board and the Eskom Enterprises Board gave approval to ringfence the Information Technology (IT) Department. Eskom Enterprises took management control over IT from March 2000 and participated in the government IT synergy studies during the latter part of 2000.

Overarching contract and service level agreements

The overarching enabling contract for IT Services was developed during 2000 between Eskom and Eskom Enterprises, which allows groups to contract for required services within a well-defined and commercially sound relationship with IT Services and achieve Eskom-wide optimisation. This agreement will serve as the basis for the contracts between Eskom and Ariviakom (Pty) Limited (trading as arivia.kom), the new government-initiated IT synergy company, in 2001. Groups have negotiated and concluded individual service level agreements for 2000.

Information systems governance process established

The Corporate Information Systems function has been established in the new Resources and Strategy Group. Each group in the core business, and some of the supporting groups, have their own core information management functions. Governance structures in the form of the Information Strategy Board and Information Management Forum, with its appropriate subforums, have been created to ensure synergy and co-operation.

Information management

Eskom has identified the management of information as a strategic issue. The information technology initiatives have included:

Year 2000

The success reported in the 1999 report was confirmed not only for the period January to February 2000, but also for the associated leap-year switch between February and March 2000. No significant related defects were identified in any of Eskom's systems that could have stemmed from the remedial projects over the three years preceding the year 2000. This confirmed that the year 2000 programme was a total success.

Customer Receipts and Payments System (CRP)

Good progress has been made on the shortcomings reported last year regarding the in-house developed customer service system. Policies and procedures have been implemented to address the shortcomings on financial reporting and the reconciliation process between the financial system (SAP/R3) and CRP.

A decision has been taken to replace the in-house developed receipts and payments system with an off-the-shelf product. The evaluation process has started and the product selection will be made in early 2001, with envisaged implementation starting during 2002.

12. Other

Regulation

The need for a regulatory framework for the electricity industry is necessary to ensure a predictable environment in the electricity sector. This has been recognised by government. A Regulatory Bill is being developed under the auspices of the DME, and the NER is also looking at the aspect of an appropriate regulatory framework for South Africa as a priority. It is important to note that an amendment of the Competition Act has removed the previous exemption of the application of the Competition Act to the electricity sector.

Tariff restructuring

Tariff restructuring is primarily driven by Eskom's objective of making tariffs more cost-reflective. This is also a key requirement of government, as documented in the Energy White Paper. The cost of supply study performed during 1998 has given a good preliminary indication of the extent to which tariffs need to be adjusted to become more cost-reflective. A degree of cross-subsidisation will, however, probably always be required in South Africa in order to deliver affordable electricity to certain sectors of the customer base. Restructuring of tariffs have therefore continued during 2000, resulting in reduced rates for high-voltage customers and increased rates for subsidised rural and residential customers.

The design and development of the wholesale electricity pricing system has been completed. The NER held a number of information sessions for large customers with a view to piloting implementation for selected customers in 2001.

Information on Eskom as 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, equipment and intangible assets of R3 010 million (1999: R3 940 million) included expenditure of R297 million (1999: R621 million) on Majuba Power Station and R664 million (1999: R850 million) on electrification.

Subsidiaries, associates, joint ventures and investments

Details of Eskom's principal subsidiaries, significant associates and joint ventures are set out in schedule 1 and schedule 2 on page 119 and page 120 respectively.

Directorate and secretariat

The names of the directors and the address of Eskom's Secretariat appear on pages 6 to 9 of this report.

Changes in the composition of the Electricity Council and the Management Board appear on pages 6 to 9 of this report.

Events occurring after the balance sheet date

The Eskom Information Technology Services division was sold to Ariviakom (Pty) Limited with effect from 1 January 2001 for R297 million. The Minister of Public Enterprises resolved to merge the information technology divisions of Eskom, Denel and Transnet into Ariviakom (Pty) Limited (trading as arivia.kom) during December 2000. The purchase price will be settled by the issue of 45% of the share capital in Ariviakom (Pty) Limited, to Eskom.

Audit Committee information

The names of Audit Committee members are reflected on pages 6 to 7. Four meetings were held during 2000.

Balance sheets

ESKOM

at 31 December

	Notes	Group 2000 Rm	Group 1999 Rm	Eskom 2000 Rm	Eskom 1999 Rm
ASSETS					
Non-current assets		**61 691**	60 483	**61 773**	60 562
Property, plant and equipment	3	**50 293**	50 482	**49 553**	50 257
Negative goodwill	4	**(288)**	(358)	**(288)**	(358)
Intangible assets	5	**328**	307	**328**	307
Future fuel supplies	6	**2 656**	3 022	**2 656**	3 022
Long-term financial market investments	7	**5 584**	4 548	**5 584**	4 677
Advances	8	**2 397**	2 239	**-**	-
Investment in associate and joint venture companies	9	**240**	72	**229**	62
Investment in subsidiaries	10			**3 388**	2 452
Other investments	11	**228**	171	**105**	143
Deferred tax assets	12	**253**	-	**218**	-
Current assets		**12 337**	11 451	**11 429**	10 821
Inventories	13	**2 409**	2 279	**2 344**	2 233
Trade and other receivables	14	**3 479**	3 615	**3 832**	3 823
Short-term financial market investments	7	**6 449**	5 557	**5 253**	4 765
Total assets		**74 028**	71 934	**73 202**	71 383
EQUITY AND LIABILITIES					
Capital and reserves		**30 989**	27 496	**30 582**	27 198
Non-distributable reserve		**562**	503	**553**	492
Distributable reserves		**30 427**	26 993	**30 029**	26 706
Non-current liabilities		**28 771**	31 389	**28 604**	31 292
Long-term financial market liabilities	7	**22 373**	25 639	**22 349**	25 616
Long-term provisions	15	**6 080**	5 410	**5 937**	5 336
Deferred income	16	**318**	340	**318**	340
Current liabilities		**14 268**	13 049	**14 016**	12 893
Trade and other payables	17	**3 842**	4 300	**3 852**	4 210
Taxation		**30**	34	**-**	-
Short-term financial market liabilities	7	**9 099**	7 807	**9 312**	7 968
Short-term provisions	15	**1 297**	908	**852**	715
Total equity and liabilities		**74 028**	71 934	**73 202**	71 383

Income statements

for the year ended 31 December

	Notes	Group 2000 Rm	Group 1999 Rm	Eskom 2000 Rm	Eskom 1999 Rm
Revenue	21	**24 459**	22 245	**23 569**	21 568
Operating expenditure	22	**(17 979)**	(16 758)	**(17 441)**	(16 511)
Net operating income		**6 480**	5 487	**6 128**	5 057
Interest income	23	**1 057**	971	**1 310**	1 261
Interest expenditure	24	**(4 203)**	(4 255)	**(4 225)**	(4 256)
Profit before tax		**3 334**	2 203	**3 213**	2 062
Income tax expense	26	**(1 466)**	(24)	**(1 454)**	-
Net profit for the year after tax		**1 868**	2 179	**1 759**	2 062

Cash flow statements

for the year ended 31 December

	Notes	Group 2000 Rm	Group 1999 Rm	Eskom 2000 Rm	Eskom 1999 Rm
Cash flows from operations		**7 763**	6 378	**7 140**	6 040
Cash generated by trading operations	27	**10 758**	9 463	**9 874**	8 821
Interest received	28	**1 648**	1 777	**1 912**	1 979
Interest paid	29	**(4 613)**	(4 847)	**(4 646)**	(4 760)
Income tax paid	30	**(30)**	(15)	**-**	-
Cash utilised in investing activities	31	**(3 377)**	(4 479)	**(3 301)**	(4 397)
Cash effects of financing activities	32	**(2 939)**	(4 601)	**(2 949)**	(4 285)
Net increase/(decrease) in cash and cash equivalents for the year	33	**1 447**	(2 702)	**890**	(2 642)

Statements of changes in equity

ESKOM

for the year ended 31 December

	Non-distributable reserve		Distributable reserves		
	Foreign revaluation Rm	Total Rm	Insurance Rm	Accumulated profit Rm	Total Rm
Group					
Balance 1 January 1999					
Previously reported	1 398	1 398	178	26 165	26 343
Effect of changes in accounting policies (refer note 2)	-	-	-	(1 313)	(1 313)
Restated balance	1 398	1 398	178	24 852	25 030
Net revaluation losses relating to hedges of future anticipated transactions	(1 111)	(1 111)	-	-	-
Net profit for the year	-	-	-	2 179	2 179
Transfer of net unrealised revaluation gains from distributable reserves to non-distributable reserve	216	216	-	(216)	(216)
Transfer of insurance reserve to accumulated profit	-	-	4	(4)	-
Balance at 31 December 1999	503	503	182	26 811	26 993
Effect of deferred taxation - opening balance creation	-	-	-	1 693	1 693
Net revaluation losses relating to hedges of future anticipated transactions	(68)	(68)	-	-	-
Net profit for the year	-	-	-	1 868	1 868
Transfer of net unrealised revaluation gains from distributable reserves to non-distributable reserve	127	127	-	(127)	(127)
Transfer of insurance reserve to accumulated profit	-	-	(109)	109	-
Balance at 31 December 2000	**562**	**562**	**73**	**30 354**	**30 427**

The foreign revaluation reserve includes gains and losses on the fair value revaluation of foreign exchange contracts and similar instruments, designated as cash flow hedges for future anticipated foreign currency denominated transactions.

The variable revaluation exists until maturity of these instruments which coincides with the maturity of the underlying obligation, thereby resulting in the actual contracted cost of cover being taken to the income statement.

The insurance reserve was held to cover potential, abnormal self-insured losses not covered externally. From 2000 self-insurance is no longer done in Eskom. All insurance losses are covered through Escap Limited and Gallium Insurance Company Limited. As there are no longer any need for the reserve, it has been transferred to accumulated profit.

	Non-distributable reserve		Distributable reserves		
	Foreign revaluation Rm	Total Rm	Insurance Rm	Accumulated profit Rm	Total Rm
Eskom					
Balance at 1 January 1999					
Previously reported	1 393	1 393	150	26 017	26 167
Effect of changes in accounting policies (refer note 2)	-	-	-	(1 313)	(1 313)
Restated balance	1 393	1 393	150	24 704	24 854
Net revaluation losses relating to hedges of future anticipated transactions	(1 111)	(1 111)	-	-	-
Net profit for the year	-	-	-	2 062	2 062
Transfer of net unrealised revaluation gains from distributable reserves to non-distributable reserve	210	210	-	(210)	(210)
Balance at 31 December 1999	492	492	150	26 556	26 706
Effect of deferred taxation - opening balance creation	-	-	-	1 693	1 693
Net revaluation losses relating to hedges of future anticipated transactions	(68)	(68)	-	-	-
Net profit for the year	-	-	-	1 759	1 759
Transfer of net unrealised revaluation gains from distributable reserves to non-distributable reserve	129	129	-	(129)	(129)
Transfer of insurance reserve to accumulated profit	-	-	(150)	150	-
Balance at 31 December 2000	553	553	-	30 029	30 029

ESKOM

for the year ended 31 December

1. Accounting policies

Basis of preparation

In terms of the Eskom Act of 1987, and as determined by the Electricity Council, the group annual financial statements are prepared in accordance with the applicable requirements of the Companies Act of 1973 and conform with South African Statements of Generally Accepted Accounting Practice and with International Accounting Standards (IAS).

The group annual financial statements are prepared on the historical cost basis except for certain financial instruments. Foreign loans, foreign derivatives and trading assets and liabilities are stated at fair value at balance sheet date at closing market rates.

The following principal accounting policies, except for the changes stated in note 2, are consistent, in all material respects, with those applied during the previous year.

Where necessary, comparative figures have been reclassified and restated for disclosure purposes.

Basis of consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of Eskom and its subsidiaries. Subsidiaries are those entities in which the group has an interest of more than one half of the voting rights or the power to exercise control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The results of subsidiaries are included for the duration in which the group exercises control over the subsidiary. All significant intercompany transactions and resulting profits and losses between the group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the group. Separate disclosure is made of minority interests if material.

Investments

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the investors' financial statements.

Investments in associates and joint ventures

An associate is an entity over which the group is in a position to exercise significant influence over the financial and operating policies, but which it does not control. A joint venture is an entity jointly controlled by the group and one or more other venturers in terms of a contractual arrangement.

Investments in associates and joint ventures are accounted for in the group and Eskom financial statements using the equity method for the duration that the group has the ability to exercise significant influence or joint control established by contractual agreement. Equity accounted income represents the group's proportionate share of profits of these entities and the share of taxation thereon. All material unrealised intergroup profits and losses are eliminated.

Carrying amounts of investments in associates and joint ventures are reduced to their recoverable amount where this is lower than their carrying amount.

Other investments
Unlisted investments are stated at cost less accumulated impairment losses.

Property, plant and equipment
Property, plant and equipment is stated at cost of acquisition or construction, less accumulated depreciation thereon.

Land is not depreciated. Mothballed power stations are plant that is out of commission and is not being depreciated.

Other property, plant and equipment in commission is depreciated on the straight-line basis over estimated useful lives, which are as follows:

Class	Years
Buildings and facilities	10 to 40
Plant - Generation	35
- Transmission	25
- Distribution	
Electrification	15
Other	25
- Test and telecommunication	3 to 10
Equipment and vehicles	1 to 10

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 borrowing costs where applicable.

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.

Construction materials are stated at weighted average cost.

Goodwill and negative goodwill
Any excess of the value of the net assets acquired over the cost of the takeover is described as negative goodwill. Any excess of the cost of the takeover, compared with the value of the net assets acquired, is described as goodwill.

Goodwill is amortised to the income statement and negative goodwill is recognised as income in the income statement over the life of the assets, on a straight-line basis, over a period not exceeding 20 years.

Intangible assets
Computer software is depreciated on the straight-line basis over its estimated useful life of three to five years.

1. Accounting policies (continued)

Capitalisation of borrowing costs

Borrowing costs attributable to the construction of qualifying assets are capitalised as part of the cost of these assets over the period of construction to the extent that the assets are financed by financial instruments. The capitalisation rate applied is the weighted average of the net borrowing costs applicable to the net borrowings of the group.

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 the shorter of their estimated useful lives, as indicated in the property, plant and equipment accounting policy, or the lease term. Lease finance charges are included in interest expenditure as they become due.

Lease and leaseback transactions in terms of which the group assumes substantially all the risks and rewards of ownership, are classified as finance leases. The lease and leaseback assets are kept at their carrying amount and depreciated over their remaining useful lives.

Impairment of assets

The carrying amounts of assets stated in the balance sheet, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated as the higher of the net selling price and its value in use. An impairment loss is recognised in the income statement whenever the carrying amount exceeds the recoverable amount.

In assessing value in use, the expected future cash flows are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount; however, not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in previous years.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in the recoverable amount relates clearly to the reversal of the effect of that special event.

Future fuel supplies

Nuclear fuel

Fuel assemblies in the process of fabrication are valued at cost and include borrowing costs, which are capitalised during the fabrication period. Advance payments in terms of agreements are capitalised.

Coal

Non-refundable advances to suppliers, together with related borrowing costs thereon, are deferred and amortised against the cost of coal supplied on the basis of quantities of coal burnt.

Repayable advances to suppliers are capitalised, and the interest earned thereon is credited to interest income and repaid in terms of the agreements.

Financial instruments

Derivative financial instruments

The premiums received or paid on derivative financial instruments designated as hedges are amortised over the lives of the instruments except for forward exchange contracts. Gains or 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 gains and losses are included in interest expenditure.

Financial market investments

Financial market investments are stated at cost, which is adjusted for amortised discount or premium using the yield to redemption method, where applicable. Gains and losses are recognised on realisation.

Trading assets are stated at fair value and resultant gains and losses are included in interest. The fair value is determined by marking to market these positions using independently sourced market rates.

Financial market liabilities

Locally issued bonds and other local debt issued for non-trading purposes are recorded at the consideration received. Locally issued bonds and other local loans are adjusted for amortised discounts or premiums. The discounts or premiums are amortised over the period of the relevant loan using the yield to redemption method.

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

Foreign currency financial instruments

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction date.

Foreign loans issued for non-trading are recorded at the exchange rates ruling at the date of the transaction. At balance sheet date, foreign loans are restated at the closing rates and the gains or losses are recognised in the net profit or loss for the period. Foreign loans are adjusted for amortised discounts or premiums. The discounts or premiums are amortised over the period of the relevant loan using the yield to redemption method.

Other monetary assets, liabilities and commitments in foreign currencies are translated at the exchange rates ruling at the balance sheet date.

Forward exchange contracts and similar instruments, designated as cash flow hedges for future anticipated foreign currency denominated transactions, are measured to fair value with the resultant gains or losses being recognised in equity. Forward exchange contracts and similar instruments, designated as fair value hedges for recognised foreign denominated transactions, are measured to fair value with the resultant gains or losses being charged to net profit or loss for the period.

for the year ended 31 December

1. Accounting policies (continued)

If the hedged firm commitment of forecasted transactions results in the recognition of an asset or liability, then the cumulative amount recognised in equity is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecasted transaction effects profits or losses.

Trade and other receivables

Trade and other receivables are stated at cost less provision for doubtful debts. Debts considered to be irrecoverable are written off.

Trade and other payables

Local trade and other payables are stated at nominal value, which approximates fair value.

Advances

Advances consist of finance provided to employees of the group for the purchase of immovable property and are stated after a provision for doubtful advances. Specific provisions are made against identified doubtful advances. A provision is also raised based on periodic evaluations of advances and taking into account past experience, economic conditions, changes in the nature and levels of risk exposure.

Inventories

Coal, maintenance and consumables

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

Nuclear fuel

Nuclear fuel is valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis and includes borrowing costs. Nuclear fuel consists of raw materials, fabricated fuel assemblies and fuel in reactors.

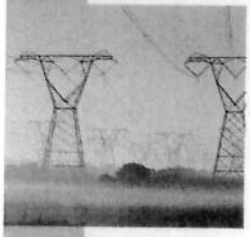
Insurance reserve

A full contingency reserve is created in Escap Limited and Gallium Insurance Company Limited in terms of the Short-term Insurance Act, 1998.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

An onerous contract is a contract under which the unavoidable cost of meeting the obligation exceeds the economic benefit expected to be received under it. When a contract becomes onerous, the present obligation under a contract is recognised and measured as a provision.



If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning and nuclear waste management

Nuclear and other generation plant

A provision is raised for the estimated decommissioning cost of nuclear or other generation plant and capitalised to the cost of nuclear or other generation plant when it is commissioned. The estimated cost of decommissioning at the end of the producing life of plant is based on engineering estimates and reports from independent experts. Decommissioning cost capitalised to the cost of nuclear or other generation plant is written off on a straight-line basis over the estimated useful lives of the plant.

Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money and, where appropriate, the risk specific to the liability.

Any subsequent change to the provision regarding a change in the estimate of the decommissioning cost is charged to the income statement.

The provisions are restated on an annual basis to reflect the changes in time value of money. The impact of the change in time value on the provision is reflected in the income statement.

Spent fuel

A provision is made, over the life of the plant, for the management of spent nuclear fuel assemblies and radioactive waste. The annual charge to the income statement is based on the latest available cost information and is included in operating expenditure.

Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money and, where appropriate, the risk specific to the liability.

The provisions are restated on an annual basis to reflect the changes in time value of money. The impact of the change in time value on the provision is reflected in the income statement.

Environment and rehabilitation

Expenditure on property, plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets. The cost of current ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged to the income statement as incurred, unless a present constructive or legal obligation exists to recognise such expenditure. In such cases, a provision is created based on the best estimates available.

Provision is made for the estimated cost of closure, pollution control and rehabilitation during, and at the end of, the life of mines where a constructive obligation exists to pay coal creditors. Closure, pollution control and rehabilitation costs capitalised to future fuel, are written off over the estimated useful life of the power station.

Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money and, where appropriate, the risk specific to the liability.

Any subsequent change to the provision regarding a change in the estimate of the environment and rehabilitation cost is charged to the income statement.

1. Accounting policies (continued)

Deferred income

Gains realised on cross-border lease transactions are deferred. These gains are amortised over the period that Eskom is exposed to risk, and are allocated to the income statement on the same basis as the risk exposure profile.

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 pensionable emoluments, and are expensed in the period in which they are incurred.

The net benefit liability or asset at the balance sheet date is not accounted for in the financial statements. The rules of the Eskom Pension and Provident Fund state that any deficit on the valuation of the Fund will be funded by increases in future contributions or reductions in benefits. If there is a substantial surplus on the valuation of the Fund, future contributions may be decreased or benefits may be improved as determined by the Trustees of the Fund.

The estimated cost of gratuities is accounted for over the potential working life of the employees based on the assessment of independent actuaries which takes into account the probability of employees staying until retirement.

Provision is made for post-retirement medical contributions by accounting through the income statement for the estimated cost over the expected period to retirement of the employees. The cost to the employer, in the form of employer contributions, is determined by using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10% of the present value of the post-retirement medical aid obligation are amortised to the income statement over the lesser of 10 years or the expected remaining working lives of the participating employees. The amount recognised in the balance sheet represents the present value of the post-retirement medical aid benefit as adjusted for unrecognised actuarial gains and losses.

Discontinuing operations

A discontinuing operation is a significant distinguishable component of the group's business that is abandoned or terminated pursuant to a single formal plan and which represents a separate major line of business or geographical area of operations.

The profit or loss on the sale or abandonment of a discontinuing operation is determined from the formalised discontinuance date.

Exceptional items

Exceptional items are material items that derive from events or transactions that fall within the ordinary activities of the group and that individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence.

Revenue
Revenue, which excludes value-added tax, represents the gross value of goods or services invoiced and accrued at the end of the year.

Electricity revenue
Electricity revenue is recognised when electricity is consumed by the customer.

Other revenue
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Interest income
Interest income comprises interest receivable on loans, advances, trade receivables and income from financial market investments. Interest income is recognised on a time proportionate basis that takes into account the effective yield on assets.

Research and development
Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditures are recognised as expenditure as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised by the group on a straight-line basis over the expected benefit from the commencement of the commercial production of the product or when the new product is used. The amortisation period adopted does not exceed five years.

Taxation
Income tax on the net profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

The charge for current tax is based on the results for the year as adjusted for items that are non-assessable or disallowed using tax rates that have been enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of a previous year.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill and negative goodwill not deductible for taxation purposes and the initial recognition of assets or liabilities that affect neither accounting nor computed taxable profits or losses.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and is charged to the income statement.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

2. Changes in accounting policies

2.1 New statements of IAS

IAS published a number of new statements that became effective during 2000. Eskom adopted these statements, which has resulted in a number of accounting policy changes.

During the year, Eskom adopted IAS 37, Provisions, contingent liabilities and contingent assets. The decommissioning provision for nuclear plant is no longer raised over the life of the nuclear plant and the decommissioning provision for other generation plant is no longer raised over the remaining life of the other generation plant. In terms of the amended policy, a provision is raised for the estimated decommissioning cost of nuclear or other generation plant and capitalised to the cost of nuclear or other generation plant when it is commissioned.

The closure, pollution control and rehabilitation provision for the supply of coal is no longer raised over the life of the generation plant. In terms of the amended policy, a provision is raised for the estimated costs of closure, pollution control and rehabilitation where a constructive liability exists.

Onerous contracts are no longer accounted for in the year in which the costs are incurred. In terms of the new policy, a provision is raised for an onerous contract in the income statement in the year in which it becomes onerous.

The adoption of IAS 38, Intangible assets, has resulted in certain development costs previously capitalised in terms of IAS 9 that do not meet the recognition criteria. In terms of IAS 38, it is appropriate to discount the future economic benefits in terms of the new impairment statement.

The above new policies have been adopted retrospectively and the comparatives have been restated.

Eskom also adopted IAS 36, Impairment of assets, during the year. The carrying amount of assets stated in the balance sheet was reviewed at balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised in the income statement whenever the carrying amount exceeds the recoverable amount. During the year, certain assets were identified that are impaired, and an impairment loss has been recognised in the income statement. This policy has been adopted on a prospective basis.

2.2 Income tax

Previously, Eskom was exempted from paying income tax. It has become liable for income tax from 1 January 2000. Eskom has therefore adopted IAS 12, Income taxes.

2.3 Other

In anticipation of the consolidation of Eskom's financial statements in terms of IAS 27, the wholly owned subsidiaries have aligned their accounting policies with those of Eskom. This change has resulted in prior year adjustments being made in the financial statements of certain subsidiaries.

Eskom also applied IAS 28, Accounting for investments in associates, as well as IAS 31, Financial reporting of interests in joint ventures. Investments in associates and joint ventures are accounted for in the group and Eskom financial statements using the equity method for the duration that the group has the ability to exercise significant influence or joint control established by contractual agreement.

Repayable advances to suppliers, together with related borrowing cost thereon, are no longer deferred and amortised against the cost of coal supplied on the basis of quantities of coal burnt. In terms of the new policy, repayable advances to suppliers are capitalised and the interest earned thereon is credited to interest income and repaid in terms of the agreement.

The above new policies have been adopted retrospectively and the comparatives have been restated.

Impact of changes in accounting policy

The effect of the changes in accounting policy on distributable reserves is as follows:

	Group		Eskom	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
Restatement of the opening balance of accumulated profit				
Impact of adopting:				
IAS 37 - Provisions, contingent liabilities and contingent assets	-	(1 527)	-	(1 527)
IAS 38 - Intangible assets	-	-	-	-
IAS 36 - Impairment of assets	-	-	-	-
Deferred tax	**1 693**	-	**1 693**	-
Aligning accounting policies of subsidiaries	-	(69)	-	(69)
Treatment of future fuel	-	283	-	283
	1 693	(1 313)	**1 693**	(1 313)
(Decrease)/increase in profit before tax				
IAS 37 - Provisions, contingent liabilities and contingent assets	**(5)**	(14)	**(5)**	(14)
IAS 38 - Intangible assets	**(44)**	(87)	**(44)**	(87)
IAS 36 - Impairment of assets	**(429)**	-	**(394)**	-
Aligning accounting policies of subsidiaries	-	(6)	-	(6)
Treatment of future fuel	**(2)**	1	**(2)**	1
	(480)	(106)	**(445)**	(106)
2.4 Change in estimate The useful lives of generation plant were changed from 25 years to 35 years from 1 January 2000, which resulted in a reduction in depreciation for the year of	**641**	-	**641**	-

for the year ended 31 December

3. Property, plant and equipment

	Group			Eskom		
	Cost Rm	Accumulated depreciation Rm	Book value Rm	Cost Rm	Accumulated depreciation Rm	Book value Rm
2000						
Land	246	-	246	242	-	242
Buildings and facilities	3 074	1 468	1 606	2 783	1 429	1 354
Plant - Generation	41 737	16 844	24 893	41 737	16 844	24 893
- Transmission	9 009	3 602	5 407	9 009	3 602	5 407
- Distribution	20 593	6 724	13 869	20 593	6 724	13 869
Electrification	8 187	2 515	5 672	8 187	2 515	5 672
Other	12 406	4 209	8 197	12 406	4 209	8 197
- Test and telecommunication	1 033	555	478	508	403	105
Equipment and vehicles	2 642	1 817	825	2 527	1 813	714
Leased equipment	39	19	20	39	19	20
Total in commission	78 373	31 029	47 344	77 438	30 834	46 604
Plant at mothballed power stations	663	448	215	663	448	215
Works under construction	2 671	-	2 671	2 671	-	2 671
Construction materials	63	-	63	63	-	63
	81 770	31 477	50 293	80 835	31 282	49 553

	Group			Eskom		
	Cost Rm	Accumulated depreciation Rm	Book value Rm	Cost Rm	Accumulated depreciation Rm	Book value Rm
1999						
Land	244	-	244	244	-	244
Buildings and facilities	2 558	1 177	1 381	2 445	1 173	1 272
Plant - Generation	39 818	15 774	24 044	39 818	15 774	24 044
- Transmission	8 676	3 177	5 499	8 676	3 177	5 499
- Distribution	19 198	5 747	13 451	19 198	5 747	13 451
Electrification	7 494	2 002	5 492	7 494	2 002	5 492
Other	11 704	3 745	7 959	11 704	3 745	7 959
- Test and telecommunication	1 462	1 012	450	1 355	953	402
Equipment and vehicles	2 891	1 956	935	2 754	1 887	867
Leased equipment	32	8	24	32	8	24
Total in commission	74 879	28 851	46 028	74 522	28 719	45 803
Plant at mothballed power stations	747	532	215	747	532	215
Works under construction	4 179	-	4 179	4 179	-	4 179
Construction materials	60	-	60	60	-	60
	79 865	29 383	50 482	79 508	29 251	50 257

for the year ended 31 December

	Book value beginning of year Rm	Additions Rm	Disposals Rm	Impairment losses Rm	Transfers[1] Rm	Depre-ciation Rm	Book value end of year Rm
3. Property, plant and equipment (continued)							
Reconciliation of movements							
Group							
2000							
Land	244	10	8	-	-	-	246
Buildings and facilities	1 381	453	28	98	-	102	1 606
Plant	43 444	4 013	202	-	-	2 608	44 647
Equipment and vehicles	935	277	45	-	-	342	825
Leased equipment	24	4	-	-	-	8	20
Plant at mothballed power stations	215	-	-	-	-	-	215
Works under construction	4 179	1 014	11	-	2 511	-	2 671
Construction materials	60	3	-	-	-	-	63
	50 482	5 774	294	98	2 511	3 060	50 293
Eskom							
2000							
Land	244	10	12	-	-	-	242
Buildings and facilities	1 272	525	282	63	-	98	1 354
Plant	43 396	3 868	528	-	-	2 462	44 274
Equipment and vehicles	867	270	84	-	-	339	714
Leased equipment	24	4	-	-	-	8	20
Plant at mothballed power stations	215	-	-	-	-	-	215
Works under construction	4 179	1 014	11	-	2 511	-	2 671
Construction materials	60	3	-	-	-	-	63
	50 257	5 694	917	63	2 511	2 907	49 553

1 Transfers relate to assets under contruction transferred into commercial operation.

	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
Borrowing costs are capitalised at a capitalisation rate of 12,78% (1999: 14,38%).				
Details of land and buildings are available for examination at the respective businesses.				
The asset lives of the generation plant have been changed from 25 years to 35 years during the year which resulted in a reduction in depreciation of R641 million.				
Included in generation plant are assets leased to an international lessor and leased back under cross-border lease agreements with a book value of	**7 301**	7 610	**7 301**	7 610
The cross-border lease transactions comprise primary lease terms of 18,8 and 22 years as well as renewal lease terms of 15,8 and 13 years respectively. The renewal leases will be at specified rentals on terms similar to the primary leases. Options at the end of the primary lease terms are either to purchase the rights of the lessor over the assets at a predetermined fixed price or to return the assets to the lessor at no cost but on condition that the lessor may require that the renewal lease be exercised. At the end of the renewal leases, the leases will expire and the assets will return to Eskom.				
The present value of the lease and leaseback obligation was settled in full at commencement of the transactions.				

for the year ended 31 December

	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
4. Negative goodwill				
Balance at beginning of the year	358	245	358	245
Addition during the year	-	147	-	147
	358	392	358	392
Amortised during the year	34	34	34	34
Reversal during the year	36	-	36	-
Balance at end of the year	288	358	288	358

	Cost Rm	Accumulated depreciation Rm	Book value Rm	Cost Rm	Accumulated depreciation Rm	Book value Rm
5. Intangible assets						
2000						
Total	728	400	328	728	400	328
1999						
Total	556	249	307	556	249	307

	Book value beginning of year Rm	Additions Rm	Disposals Rm	Impairment losses Rm	Depreciation Rm	Book value end of year Rm
Reconciliation of movements						
Group						
2000						
Total	307	102	-	-	81	328
Eskom						
2000						
Total	307	102	-	-	81	328

	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
Future fuel supplies				
Coal	**2 587**	2 856	**2 587**	2 856
Nuclear	**69**	166	**69**	166
	2 656	3 022	**2 656**	3 022

An amount of R34 million (1999: R196 million) relating to nuclear fuel was charged to the foreign valuation reserve in terms of the accounting policy on foreign currency and financial instruments in respect of cash flow hedges.

7. Financial instruments

7.1 Financial market investments

Eskom's funding is managed in a single pool of financial market assets and liabilities. Financial market investments are primarily held for liquidity and prefunding purposes.

	Group 2000 Total Rm	Group 1999 Total Rm
Forward exchange contracts - unrealised gains	774	1 021
Forward exchange contracts - unrealised losses	(248)	(209)
Foreign swaps at fair value - unrealised gains	12	-
Cross-border lease investments at fair value	582	-
Liquidity investments	4 320	3 630
Other securities	1 104	472
Trading account assets at fair value	2 920	2 224
Jobbing	862	109
Repurchase agreements	-	1
Market making	2 058	2 114
Cash and bank	699	229
Other deposits	1 870	2 738
	12 033	10 105

7.2 Financial market liabilities

Local debt	25 422	25 251
Issued bonds	14 721	15 660
Other issued securities	4 436	3 507
Issued money market securities	2 308	3 122
Trading account liabilities at fair value		
Jobbing	879	47
Repurchase agreements	979	737
Market making	2 099	2 178
Foreign debt	6 050	8 195
Foreign swaps at fair value - unrealised losses	58	-
US dollar	619	1 448
German mark	317	581
Japanese yen	2 918	4 086
Other	2 138	2 080
	31 472	33 446
Net financial market liabilities and investments		
Total net interest-bearing debt	19 439	23 341

Analysis between long-term and short-term group financial instruments

	Short-term 2000 Rm	Short-term 1999 Rm	Long-term 2000 Rm	Long-term 1999 Rm
Financial market investments	6 449	5 557	5 584	4 548
Financial market liabilities	9 099	7 807	22 373	25 639

Eskom							
2000	1999	2000	2000	2000	2000	1999	2000
Short-term		Long-term					
Total Rm	Total Rm	After 1 year within 5 years Rm	5 to 10 years Rm	After 10 years Rm	Total Rm	Total Rm	Range of yields %
609	632	162	3	-	165	389	
(78)	(82)	(155)	(15)	-	(170)	(127)	
1	-	-	11	-	11	-	
-	-	-	-	582	582	-	
-	-	904	1 728	1 503	4 135	3 554	13,61 - 17,27
1 104	472	-	-	-	-	-	
2 920	2 224	-	-	-	-	-	
862	109	-	-	-	-	-	
-	1	-	-	-	-	-	
2 058	2 114	-	-	-	-	-	
101	86	-	-	-	-	-	5,62
596	1 433	-	-	861	861	861	10,00 - 12,18
5 253	4 765	911	1 727	2 946	5 584	4 677	
7 265	5 537	2 376	10 077	5 893	18 346	19 852	
643	155	1 693	9 559	2 826	14 078	15 633	2,00 - 17,57
138	(702)	677	518	3 067	4 262	4 219	11,90 - 16,52
2 527	3 122	6	-	-	6	-	10,25 - 12,16
879	47	-	-	-	-	-	
979	737	-	-	-	-	-	
2 099	2 178	-	-	-	-	-	
2 047	2 431	3 310	693	-	4 003	5 764	
-	-	10	48	-	58	-	
557	850	62	-	-	62	598	5,48 - 13,00
181	282	124	12	-	136	299	4,06 - 11,00
1 299	1 275	996	623	-	1 619	2 811	3,10 - 4,65
10	24	2 118	10	-	2 128	2 056	4,00 - 8,52
9 312	7 968	5 686	10 770	5 893	22 349	25 616	
4 059	3 203				16 765	20 939	
					20 824	24 142	

for the year ended 31 December

		Eskom 2000	Eskom 1999
7.	**Financial instruments (continued)**		
	The items discussed below apply to both Eskom and the group.		
7.3	Key interest rate risk indicators for non-trading instruments		
	Domestic to foreign interest rate mix, ratio	70:30	67:33
	Fixed to floating interest rate mix, ratio	92:08	85:15
7.4	The average annual rate of interest and finance charges on net financial market instruments, %	11,31	12,56
7.5	The weighted average maturity period of financial market instruments, years	8,24	6,97
	Short-term financial market liabilities including credits and short-term loans of a revolving nature, Rm	5 394	5 822
7.6	Fair value information Integrated fair value information for portfolios where the intention is to hold the instruments to maturity is only prepared on a pool basis for risk assessment and risk management purposes. It is impractical to determine the fair value of all instruments in their respective categories for financial accounting purposes.		
7.7	Nominal value of all locally issued Eskom bonds, Rm		
	Authorised	56 400	56 593
	Issued	18 455	17 866
7.8	Financial market liabilities and interest thereon are secured by a first claim against revenue and assets.		
7.9	Portion of foreign debt guaranteed by the government of the Republic of South Africa, Rm	2 848	1 839

	Eskom	
	2000 Rm	1999 Rm
7.10 Derivatives and forward exchange contracts		
Derivatives and forward exchange contracts are primarily used for risk management purposes. In particular, they are used to hedge Eskom's exposure to domestic and foreign interest rate risk, foreign exchange risk and commodity price risk. In addition, derivatives are transacted to a limited extent for trading purposes. These trading positions are controlled within very tight limits and within the parameters of Eskom's risk management policies. Their use is monitored on a real time basis by an independent compliance function.		
The range of derivative instruments utilised includes domestic and foreign interest rate swap agreements, forward rate agreements, forward exchange contracts, commodity option contracts, bond option contracts and commodity futures contracts.		
The table below details derivative values, which are included in financial market assets and liabilities:		
Derivatives used for risk management purposes at amortised historic cost (assets/(liabilities))		
Interest rate products	3	10
Forward exchange products (fair value)	527	811
Commodity products	(2)	(4)
	528	817
Derivatives used for trading purposes at fair value (assets/(liabilities))		
Interest rate products	-	(5)

	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
8. Advances				
Secured by mortgages	**2 327**	2 185	**-**	-
Other	**98**	67	**-**	-
	2 425	2 252	**-**	-
Provision for doubtful advances	**(28)**	(13)	**-**	-
	2 397	2 239	**-**	-
9. Investment in associate and joint venture companies				
Shares and indebtedness				
Associate companies	**209**	3	**209**	3
Joint venture companies	**101**	71	**90**	61
	310	74	**299**	64
Provision for impairment losses	**(70)**	(2)	**(70)**	(2)
Total investment in associate and joint venture companies (refer schedule 1)	**240**	72	**229**	62
The income from associate and joint venture companies is not material and has been included in revenue for disclosure purposes.				
10. Investment in subsidiaries				
Shares at cost			**34**	34
Indebtedness			**3 390**	2 784
			3 424	2 818
Provision for impairment losses			**(36)**	(366)
Total (refer schedule 2)			**3 388**	2 452
Aggregate attributable after tax profits/(losses) of subsidiaries				
Profits	**109**	174		
Losses	**-**	(57)		
	109	117		

for the year ended 31 December

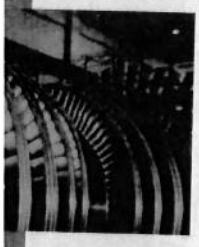
	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
11. Other investments				
Amounts owed by electricity utilities	82	109	82	109
Other	180	62	57	34
	262	171	139	143
Provision for impairment losses	(34)	-	(34)	-
Total	228	171	105	143
12. Deferred tax assets				
Previously reported	-	-	-	-
Opening balance creation (refer note 2)	1 693	-	1 693	-
Sale of business unit to subsidiary	-	-	(21)	-
Income statement credit (refer note 26)	(1 440)	-	(1 454)	-
Balance at the end of the year	253	-	218	-
Comprising:				
Deferred tax assets				
Property, plant and equipment	(1 882)	-	(1 910)	-
Inventories	54	-	54	-
Other	(39)	-	(39)	-
Provisions	1 859	-	1 852	-
Taxation losses	261	-	261	-
	253	-	218	-
Computed taxation losses available for set-off against future taxable income	219	260	-	-

	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
13. Inventories				
Coal	**1 062**	1 062	**1 062**	1 062
Nuclear	**635**	457	**635**	457
Maintenance and consumables	**712**	760	**647**	714
	2 409	2 279	**2 344**	2 233
14. Trade and other receivables				
Trade	**4 587**	4 218	**4 867**	4 348
Interest receivable	**700**	651	**777**	739
Other	**392**	696	**388**	686
	5 679	5 565	**6 032**	5 773
Provision for doubtful debts	**(2 200)**	(1 950)	**(2 200)**	(1 950)
	3 479	3 615	**3 832**	3 823

for the year ended 31 December

15. Provisions

	Nuclear decommissioning and waste management Rm	Other decommissioning Rm	Closure, pollution control, rehabilitation Rm	Employee benefits Rm	Letter of credit facility Rm	Other Rm	Total Rm
Group							
Balance at 1 January 1999							
Previously reported	1 038	439	103	2 766	131	600	5 077
Effect of change in accounting policy	-	87	361	-	-	100	548
Restated balance	1 038	526	464	2 766	131	700	5 625
Provision for the year	33	-	24	138	-	661	856
Interest adjustment	149	79	30	368	-	-	626
Revaluation	-	-	-	-	13	-	13
Forward exchange profit	-	-	-	-	6	-	6
Expenditure incurred	(58)	(5)	(13)	(235)	(15)	(482)	(808)
Balance at 31 December 1999	1 162	600	505	3 037	135	879	6 318
Provision for the year	36	-	30	140	-	836	1 042
Interest adjustment	155	80	32	392	-	-	659
Revaluation	-	-	-	-	(36)	-	(36)
Forward exchange profit	-	-	-	-	26	-	26
Expenditure incurred	(63)	(7)	(18)	(125)	(16)	(403)	(632)
Balance at 31 December 2000	**1 290**	**673**	**549**	**3 444**	**109**	**1 312**	**7 377**
Short-term portion							**(1 297)**
Long-term portion							**6 080**



Nuclear decommissioning and waste management

The payment dates of total expected future decommissioning cost are uncertain, but are currently expected to be between 2021 and 2060.

The provisions for the estimated decommissioning and waste management cost of nuclear plant have been discounted at six percent.

The payment dates of total expected future spent fuel cost are uncertain, but are currently expected to be between 2031 and 2060. The provision for the estimated spent fuel cost has been discounted at six percent.

Other decommissioning

The payment dates of total expected future decommissioning cost are uncertain, but are currently expected to be between 2007 and 2035.

The provision for the estimated decommissioning cost of other plant has been discounted at six percent.

Closure, pollution control and rehabilitation of coal mines

Provision is made for the estimated cost of closure, pollution control and rehabilitation and mine employee benefits at the end of the life of the mines where a constructive obligation exists to pay coal creditors.

The payment dates of total expected closure, pollution control and rehabilitation costs are uncertain, but are currently expected to be between 2008 and 2050. The provision has been discounted at six percent.

Employee benefits

A provision is recognised relating to post-retirement medical benefits for employees. The obligation represents a present value amount of employer contributions to medical aid funds, which is actuarially valued on a yearly basis. The provision is utilised as employees retire.

The cost of gratuities is provided for over the working life of employees based on the assessment of independent actuaries.

Letter of credit facility

The letter of credit facility arises from fees payable to banks that are providing letter of credit facilities to cover any possible cancellation costs in terms of the cross-border lease transactions over the period of the leases. The letter of credit fees are influenced by the rates charged by banking institutions over time. The calculation of the value of the letters of credit is influenced by pledged securities that are marked to market. These US dollar denominated future cash flows have been discounted to arrive at a present value of the total provision required over the lease term.

for the year ended 31 December

	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
18. Commitments (continued)				
18.3 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 primary energy and is included in operating expenditure.				
18.4 Coal Eskom has entered into long-term agreements with suppliers for coal purchases. The annual cost of coal is regarded as part of the cost of primary energy and is included in operating expenditure.				
19. Contingent liabilities				
19.1 Eskom has guaranteed all amounts that may become due and payable by Gallium Insurance Company Limited in terms of its reinsurance agreement.	-	-	120	120
19.2 Guarantees and suretyship, issued on behalf of group companies and third parties, amount to	-	-	92	30
19.3 Eskom has guaranteed the debt raised by Motraco (Mozambique Transmission Company SARL). At 31 December the outstanding commitment was	683	322	683	322
19.4 A guarantee has been issued for the pollution control costs and part of the estimated closure and rehabilitation costs for a colliery. The unprovided portion at 31 December was	24	-	24	-

19.5 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.

19.6 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.

19.7 Eskom has provided collateral security in the form of letters of credit from banks in respect of the cross-border lease transactions. The collateral security has been provided to hedge the beneficiary against its exposure to the loss of its remaining investment in the cross-border leases and the cost of replacing the transactions in the market if the lease and leaseback transactions are cancelled.

Eskom is ultimately responsible for meeting any potential losses that may arise to the banks should a cancellation event occur. A cancellation event will occur if there is an event of default, an event of loss of the asset or economic obsolescence of the asset.

The calculation of the beneficiary's exposure is influenced by pledged securities in the form of US treasury notes that are marked to market semi-annually. The exposure amount is adjusted accordingly.

Eskom has guaranteed the payment and facility-related obligations of a special purpose company, established as part of the cross-border lease structures, in favour of all parties to whom the company has such obligations in terms of the lease and leaseback operative documents.

At 31 December 2000 the amount guaranteed is US$392 million (1999: US$350 million).

20. Retirement benefits

20.1 The Eskom Pension and Provident Fund is registered in terms of the Pension Funds Act, 1956, as amended. All the employees are members of the Fund. Contributions comprise 20,8% of pensionable emoluments of which members pay 7,3%. The assets of the Fund are held separately from those of the group in respect of funds under the control of the trustees.

The last valuation was performed at 31 December 2000. The Fund is actuarially valued annually. The actuarial present value of promised retirement benefits at 31 December 2000 was R15 767 million (1999: R14 060 million), while the fair value of the Fund's assets at this date was R15 679 million (1999: R14 660 million), indicating an estimated shortfall of R88 million (1999: R600 million surplus).

for the year ended 31 December

	Group		Eskom	
	2000	1999	2000	1999
20. Retirement benefits (continued)				
The principal actuarial assumptions used for actuarial valuation purposes were:				
Long-term interest rate before tax, %	13,00	13,00	13,00	13,00
Salary inflation rate, %	10,30	10,30	10,30	10,30
Future pension increases, %	8,50	8,50	8,50	8,50
A process is under way to establish a defined contribution fund with the option to existing employees to move to the defined contribution fund or stay on the current fund. All new employees will join the defined contribution fund.				
20.2 The group 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, for both in-service and continuation members, was recalculated by independent actuaries during 2000. An independent actuarial valuation is performed annually.				
The amount provided is as follows:				
Present value of obligation, Rm	2 491	2 194	2 408	2 120
Unrecognised actuarial gain, Rm	6	-	6	-
Total provision	2 497	2 194	2 414	2 120

	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
The principal actuarial assumptions used for actuarial valuation purposes were:				
Long-term interest rate, %	**13,50**	13,50	**13,50**	13,50
Expected rate of salary increases, %	**9,00**	9,00	**9,00**	9,00
Medical aid inflation, %	**11,50**	11,50	**11,50**	11,50
Investigations are currently being undertaken to restructure the medical aid benefit of employees and to allow for the build-up of a personal post-retirement fund.				

21. Revenue

Electricity revenue	**23 569**	21 568	**23 569**	21 568
Other revenue	**890**	677	-	-
	24 459	22 245	**23 569**	21 568

Commodity-linked pricing agreements

Eskom has entered into a number of long-term pricing agreements to supply electricity to electricity-intensive industries. These agreements are intended to increase Eskom's sales base and are targeted at customers in the aluminium, ferrochrome and other industries. These agreements, which constitute approximately 12,7% (1999: 11,6%) of Eskom's sales, are structured to recover the equivalent of a standard tariff over the life of the agreement.

The agreements may be linked to an international commodity price (eg aluminium or ferrochrome) or may be structured on a revenue neutral basis with a variety of revenue recovery mechanisms and/or clawbacks. The revenue risks associated with commodity-linked agreements are typically hedged via a financial institution or by means of floors and caps on the electricity price. The duration of the agreements varies from five to twenty years and, typically, coincide with the business cycles of the industries concerned.

The average revenue achieved from these agreements during 2000 amounted to 92,6% (1999: 91,0%) of the revenue that would have been generated from a standard tariff agreement. The apparent revenue shortfall is more than adequately offset by the benefit which Eskom receives from the various customers in the form of interruptibility of supply and additional sales.

for the year ended 31 December

	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
22. Operating expenditure				
Primary energy	5 021	4 490	5 021	4 490
Materials	1 005	384	509	384
Contracts	2 089	1 442	2 089	1 442
Staff costs	5 385	5 465	5 093	5 415
Salaries and other staff costs	4 699	4 799	4 437	4 765
Pension contributions	371	368	348	353
Post-retirement medical benefits and gratuities	140	138	137	137
Training and development (only manpower-related costs)	175	160	171	160
Depreciation	3 141	3 581	2 988	3 553
Property, plant and equipment	3 060	3 549	2 907	3 521
Intangible assets	81	32	81	32
Amortisation of negative goodwill	(34)	(34)	(34)	(34)
Managerial, technical and other fees	284	100	134	100
Net profit on disposal of property, plant, equipment and intangible assets	(20)	(17)	(20)	(15)
Doubtful and bad debts	235	287	234	287
Research and development	184	189	184	189
Increase in decommissioning and closure provisions	66	57	66	57
Amortisation of deferred income	(22)	(34)	(22)	(34)
Impairment loss	429	-	394	-
Auditors' remuneration	12	12	11	11
Normal recurring	9	7	8	6
Non-recurring	3	5	3	5
Directors' emoluments	27	27	27	27
Other operating expenditure	177	809	767	639
Total operating expenditure	17 979	16 758	17 441	16 511

	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
The large favourable variance in the plant depreciation charge is mainly as a result of the change of the useful lives of generation plant from 25 years to 35 years from 1 January 2000, which resulted in a reduction in depreciation of R641 million.				
The impairment loss consists of the following:	**429**	-	**394**	-
Property, plant and equipment	**98**	-	**63**	-
Future fuel supplies	**229**	-	**229**	-
Investment in associate and joint venture companies		-		-
Other investments	**68**	-	**68**	-
	34	-	**34**	-
Directors' emoluments	**27**	27	**27**	27
Executive directors				
Services as directors	**15**	14	**15**	14
Other benefits	**2**	2	**2**	2
Compensation in respect of retirement from office	**8**	9	**8**	9
	25	25	**25**	25
Non-executive directors				
Services as directors	**2**	2	**2**	2

Included in executive directors' other benefits are Eskom's contributions to the Eskom Pension and Provident Fund, the Executive Group Life Insurance Scheme and medical aid contributions.

All the executive directors have normal employment contracts with Eskom. The continuation of their service is dependent on satisfactory performance on an ongoing basis and notice periods do not exceed one year. There are no service contracts for non-executive directors.

for the year ended 31 December

	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
23. Interest income				
Interest and discount amortised on financial market investments	1 035	950	950	881
Treasury trading net income	22	21	22	21
Interest receivable from subsidiary and associate companies	-	-	338	359
	1 057	971	1 310	1 261
24. Interest expenditure				
Interest and discount amortised	3 722	3 880	3 751	3 885
Locally issued bonds	2 635	2 361	2 635	2 361
Other local debt	123	626	152	631
Foreign debt	964	893	964	893
Other net financial profits and losses				
Exchange differences	(13)	(2)	(13)	(2)
Amounts capitalised	(165)	(249)	(165)	(249)
Unwinding of discount on provisions (refer note 15)	659	626	652	622
	4 203	4 255	4 225	4 256

25. Market risk management

The items discussed below refer to both the group and Eskom.

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 used 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.

Risk management

Based on the information supplied by the risk assessment function, the treasury 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 inputs 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 uses derivative instruments, including options, futures and forward agreements, to manage the exposure to these commodities.

Liquidity risk

Liquidity risk arises primarily from unexpected variations 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.

1. Group of 30 leading international bankers.

for the year ended 31 December

	Group		Eskom	
	2000	1999	2000	1999
25. Market risk management (continued)				
The credit exposures by risk rating as at 31 December were:				
RSA government, %	40	41	40	41
A1+, %	52	53	52	53
Other, %	8	6	8	6
	100	100	100	100

Trade debtors comprise a large, widespread customer base. Credit evaluations are performed for all new customers together with required cash deposit and guarantees. Ongoing credit evaluation is performed on the financial condition of debtors and, where necessary, appropriate steps are taken to minimise risk. Information on trade debtors is contained under revenue management in the Directors' Report on page 63.

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 92:08 (1999: 85:15), indicating limited exposure to interest rate fluctuations. Derivative instruments that are used 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 foreseeable future. However, the restructuring of the electricity industry and its own relationship with its shareholder may influence this position. Eskom was a net investor of cash of R87 million (1999: R1 031 million borrowed) in the domestic and foreign markets during 2000.

	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
26. Income tax expense				
Current tax	26	51	-	
Current year	26	37	-	
Underprovided in prior years	-	14	-	
Deferred tax				
Origination and reversal of temporary differences	1 440	(27)	1 454	
Total income tax expense	1 466	24	1 454	
Computed tax losses	1 089	260	870	
Unused tax losses available for set-off against future income	219	260	-	
	%	%	%	%
Reconciliation of effective tax rate				
Taxation as a percentage of profit before taxation	43,97	1,09	45,25	
Taxation effect of				
Exempt income	3,94	28,91	3,33	
Expenditure not allowed	(8,73)	-	(9,05)	
Wear and tear allowances not granted on lines	(9,18)	-	(9,53)	
Standard tax rate	30,00	30,00	30,00	
	Rm	Rm	Rm	Rm
Deferred tax credit recognised directly in equity				
Opening balance creation	1 693	-	1 693	

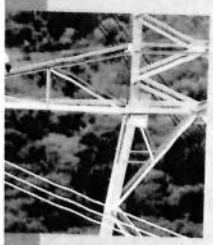
for the year ended 31 December

	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
27. Cash generated by trading operations				
Net operating income	**6 480**	5 487	**6 128**	5 057
Non-cash items	**4 687**	4 486	**4 181**	4 262
Depreciation on property, plant, equipment and intangible assets	**3 141**	3 581	**2 988**	3 553
Net profit on disposal of property, plant, equipment and intangible assets	**(20)**	(17)	**(20)**	(15)
Impairment of assets	**429**	-	**394**	-
Amortisation of future fuel	**152**	150	**152**	150
Net movement in provisions	**1 077**	693	**738**	495
Negative goodwill amortised and reversed	**(70)**	113	**(70)**	113
Net movement on deferred income	**(22)**	(34)	**(22)**	(34)
Other	**-**	-	**21**	-
	11 167	9 973	**10 309**	9 319
Changes in working capital	**(409)**	(510)	**(435)**	(498)
Inventories	**(130)**	(350)	**(111)**	(360)
Receivables	**185**	(150)	**29**	(377)
Payables	**(464)**	(10)	**(353)**	239
	10 758	9 463	**9 874**	8 821
28. Interest received				
Interest income	**1 057**	971	**1 310**	1 261
Non-cash items	**591**	806	**602**	718
Interest receivable	**(49)**	495	**(38)**	407
Discount amortised	**189**	323	**189**	323
Other	**451**	(12)	**451**	(12)
	1 648	1 777	**1 912**	1 979

	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
29. Interest paid				
Interest expenditure	**(4 203)**	(4 255)	**(4 225)**	(4 256)
Non-cash items	**(410)**	(592)	**(421)**	(504)
Interest accrued	**6**	(403)	**(5)**	(315)
Discount amortised	**437**	(36)	**437**	(36)
Other	**(853)**	(153)	**(853)**	(153)
	(4 613)	(4 847)	**(4 646)**	(4 760)
30. Income tax paid				
Amounts unpaid at the beginning of the year	**(34)**	2	**-**	-
Current taxation charged to income statement	**(26)**	(51)	**-**	-
Amounts unpaid at the end of the year	**30**	34	**-**	-
	(30)	(15)	**-**	-
31. Cash utilised in investing activities				
Expenditure on property, plant and equipment	**(3 263)**	(3 951)	**(3 183)**	(3 929)
Expenditure on intangible assets	**(104)**	(94)	**(104)**	(94)
	(3 367)	(4 045)	**(3 287)**	(4 023)
Proceeds from disposals	**277**	87	**277**	83
Net expenditure on property, plant, equipment and intangible assets	**(3 090)**	(3 958)	**(3 010)**	(3 940)
Future fuel supplies - coal	**(114)**	(157)	**(114)**	(157)
- nuclear	**330**	(175)	**330**	(175)
Investment in associate, joint venture and subsidiary companies and other investments	**(327)**	(126)	**(1 424)**	(125)
Advances	**(176)**	(63)		
Transfer of property, plant, equipment, investment in associates, joint ventures and subsidiary companies to Eskom Enterprises (Pty) Limited	**-**	-	**917**	-
	(3 377)	(4 479)	**(3 301)**	(4 397)

for the year ended 31 December

	Group		Eskom	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
31. Cash utilised in investing activities (continued)				
The following assets and liabilities were transferred to Eskom Enterprises (Pty) Limited effective 1 January 2000:				
Property, plant and equipment			660	-
Investment in associate, joint venture and subsidiary companies			257	-
Deferred tax assets			21	-
Current assets			130	-
Non-current liabilities			(173)	-
Current liabilities			(63)	-
			832	-
32. Cash effects of financing activities				
Debt raised	159	1 838	119	1 813
Debt repaid	(2 192)	(5 105)	(2 175)	(4 914)
Increase in long-term financial market investments	(906)	(1 334)	(893)	(1 184)
	(2 939)	(4 601)	(2 949)	(4 285)



	Group		Eskom	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
33. Cash and cash equivalents				
Cash and bank, and money market assets	**4 406**	3 664	**3 606**	3 421
Commercial paper bills	**(5 169)**	(5 874)	**(5 169)**	(5 874)
Total cash and cash equivalents at end of the year	**(763)**	(2 210)	**(1 563)**	(2 453)
Total cash and cash equivalents at beginning of the year	**(2 210)**	492	**(2 453)**	189
Net increase/(decrease) in cash and cash equivalents for the year	**1 447**	(2 702)	**890**	(2 642)

34. Related party information

Associate and joint venture companies

Details of investment in associate and joint venture companies are disclosed in note 9 and schedule 1 while income is disclosed in note 23. Interest income of R21 million (1999: R6 million) is included in note 23.

The group sold goods to the value of R75 million (1999: R16 million) to associate and joint venture companies.

The outstanding balances at the end of the year are as follows:
Included in trade and other receivables (note 14) R76 million (1999: R4 million)

The above transactions were made on commercial terms and conditions at market rates.

Schedule 2:

Investment in subsidiary companies

ESKOM

at 31 December

Name	Nature of operation	Country of incorporation	Issued/ stated capital	Effective holding		Interest of Eskom			
						Investment		Indebtedness	
				2000	1999	**2000**	1999	**2000**	1999
			R	**%**	%	**Rm**	Rm	**Rm**	Rm
Subsidiary companies									
Eskom Finance Company (Pty) Limited	Finance (employee housing loans)	South Africa	4 000	**100**	100	-	-	**2 400**	2 275
Escap Limited	Insurance	South Africa	29 500 000	**100**	100	**30**	30	-	-
Gallium Insurance Company Limited	Insurance	Isle of Man	4 000 000	**100**	100	**4**	4	-	-
Eskom Enterprises (Pty) Limited	Non-regulated electricity supply industry activities and electricity supply and related services outside South Africa	South Africa	83 327	**100**	100	-	-	**990**	26
Rotek Industries (Pty) Limited	Maintenance and service	South Africa	4 000	-	100	-	-	-	483
						34	34	**3 390**	2 784
Total investment in subsidiary companies								**3 424**	2 818
Provision for impairment losses								**(36)**	(366)
								3 388	2 452

Inflation-adjusted financial information

for the year ended 31 December

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 IAS 15, Information reflecting the effect of changing prices.

In reflecting the impact of inflation, Eskom has adjusted the most significant of these effects by revaluing the property, plant and equipment and charging the related additional depreciation to the income statement. To the extent that further adjustment is necessary, especially as regards the effect of inflation on future fuel supplies and maintenance and consumables inventory and the relief provided by funding assets with monetary liabilities, additional adjustments have been made.

The portion of the fair value adjustment of foreign financial market assets and liabilities relating to future anticipated transactions is taken directly to equity. All other adjustments to reflect the fair value of financial market assets and liabilities are included in interest income and interest expenditure.

The following summary shows the fully adjusted performance and financial position of Eskom prepared in terms of the principles contained in IAS 15.

Summarised income statement

	Eskom	
	2000	1999
	Rm	Rm
Historic cost net profit for the year after tax	**1 759**	2 062
Inflation adjustments	**(3 253)**	(3 483)
Additional depreciation	**(3 635)**	(4 233)
Cost of sales	**(263)**	(203)
Gearing adjustment	**645**	953
Inflation-adjusted net loss for the year	**(1 494)**	(1 421)

The large favourable variance in the depreciation charge is mainly as a result of the change of the asset lives of generation plant from 25 years to 35 years from 1 January 2000, which resulted in a reduction in historical cost depreciation of R641 million.

Inflation-adjusted financial information

continued

ESKOM

for the year ended 31 December

Summarised balance sheet

Eskom	Historic 2000 Rm	Adjustments 2000 Rm	Current value 2000 Rm	Current value 1999 Rm
Assets				
Property, plant, equipment and intangible assets	49 881	51 673	101 554	97 305
Long and short-term financial market investments	10 837	-	10 837	9 442
Other non-current assets	6 308	3 014	9 322	8 037
Other current assets	6 176	28	6 204	6 076
	73 202	54 715	127 917	120 860
Equity and liabilities				
Capital and reserves	30 582	54 715	85 297	76 675
Long and short-term financial market liabilities	31 661	-	31 661	33 584
Other non-current liabilities	6 255	-	6 255	5 676
Other current liabilities	4 704	-	4 704	4 925
	73 202	54 715	127 917	120 860

A prior year adjustment as well as changes to the comparatives have been made to account for the changes in accounting policies as discussed in note 2.

Ratios[1]

Average production price index, %	9,10	5,71
Real return on total assets (after taking account of financial gearing adjustment), %	2,47	1,42
Debt:equity	0,24	0,31
Interest cover	0,49	0,53
Financial gearing adjustment, %	16,53	21,48

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

1. Power stations in commission at 31 December 2000

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	Other generation Total rating MW[2]
Coal-fired stations							
Arnot[3]	Middelburg, Mpumalanga	6 x 350	2 100	1 980	-	-	-
Camden[4]	Ermelo	8 x 200	1 600	-	8	1 520	-
Duvha[3]	Witbank	6 x 600	3 600	3 450	-	-	-
Grootvlei[4]	Balfour	6 x 200	1 200	-	6	1 130	-
Hendrina[3]	Hendrina	10 x 200	2 000	1 900	-	-	-
Kendal[3, 5]	Witbank	6 x 686	4 116	3 840	-	-	-
Komati[4]	Middelburg, Mpumalanga	5 x 100; 4 x 125	1 000	-	9	891	-
Kriel[3]	Bethal	6 x 500	3 000	2 850	-	-	-
Lethabo[3]	Sasolburg	6 x 618	3 708	3 558	-	-	-
Majuba[6]	Volksrust	3 x 657; 2 x 713	3 397	3 174	-	-	-
Matimba[3, 5]	Ellisras	6 x 665	3 990	3 690	-	-	-
Matla[3]	Bethal	6 x 600	3 600	3 450	-	-	-
Tutuka[3]	Standerton	6 x 609	3 654	3 510	-	-	-
Subtotal coal-fired stations (13)			36 965	31 402	23	3 541	-
Gas turbine stations[7]							
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	Mbashe River	3 x 14	42	-	-	-	42
First Falls	Umtata River	2 x 3	6	-	-	-	6
Gariep[8]	Norvalspont	4 x 90	360	360	-	-	-
Ncora	Ncora River	2 x 0,4; 1 x 1,3	2	-	-	-	2
Second Falls	Umtata River	2 x 5,5	11	-	-	-	11
Vanderkloof[8]	Petrusville	2 x 120	240	240	-	-	-
Subtotal hydroelectric stations (6)			661	600	-	-	61
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 station							
Koeberg[3]	Cape Town	2 x 965	1 930	1 840	-	-	-
Total Eskom stations in commission (24)			41 298	35 584	23	3 541	61

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. *Operational but not included for capacity management purposes.*
3. *Base-load station.*
4. *In long-term reserve storage (mothballed).*
5. *Dry-cooled unit specifications are based on design back-pressure and ambient air temperature.*
6. *Unit 5 commissioned in April 2000 and Unit 6 to be commissioned in April 2001.*
7. *Stations used for peaking or emergency supplies.*
8. *Use restricted to peaking, emergencies and availability of water in Gariep and Vanderkloof dams.*
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.*

ESKOM

continued

2. Statistical overview

	2000	1999	1998
Sales			
Total sold, GWh[1]	178 193[2]	173 422[2]	171 457[2]
Growth in GWh sales, %	2,8[3]	1,1[3]	(0,6)[3]
Electricity output			
Total electricity for Eskom system (Eskom stations and purchased), GWh[4]	194 601	188 475	185 583
Total produced by Eskom stations, GWh (net)	189 307	181 818	183 093
Coal-fired stations, GWh (net)	172 362	165 665	165 473
Hydroelectric stations, GWh (net)	1 343	726	1 595
Pumped storage stations, GWh (net)	2 591	2 590	2 420
Gas turbine stations, GWh (net)	1	-	3
Nuclear power station, GWh (net)	13 010	12 837	13 601
Total purchased for Eskom system, GWh	5 294	6 657	2 490
Total consumed by Eskom, GWh[5]	3 478	3 507	3 299
Total available for distribution, GWh[1]	191 123	184 968	182 284
Plant performance			
Total power station nominal capacity, MW	41 298	40 585	39 872
Total power station net maximum capacity, MW[6]	39 186	38 517	37 848
Peak demand on integrated Eskom system, MW	29 188	27 813	27 803
Average energy availability - UCF (after excess capacity), %[7]	92,1 (92,8)	91,0 (92,5)	91,6 (92,7)
Generation load factor (after excess capacity management), %[8]	55,1 (60,6)	54,9 (61,2)	55,3 (61,6)
Integrated Eskom system load factor, %	74,7	75,9	74,8
Coal burnt, thousands of tons	92 289	88 470	87 225
Overall thermal efficiency, %	34,4	34,4	34,2
Line losses, %	7,4	6,2	5,9
Employees			
Total number at 31 December[9]	32 832	34 027	37 311
GWh sold per employee	5,427	5,097	4,595
Sales to countries in southern Africa, GWh	4 549	4 099	4 093
Botswana	986	934	689
Mozambique	1 330	68	385
Namibia	863	789	602
Zimbabwe	788	1 564	1 521
Lesotho[10]	18	43	209
Swaziland	564	701	687

1. *Difference between electricity available for distribution and electricity sold (includes internal sales) is due to transmission and other losses.*
2. *Includes sales in respect of Department of Water Affairs and Forestry (DWAF) not stated in previous years.*
3. *Own usage is not included in the calculation.*
4. *Includes Eskom electricity produced and delivered to neighbouring countries.*
5. *In respect of pumped storage facilities and synchronous condenser mode of operation. See table 1, note 9. Since 1993, energy consumption for water pumped for DWAF has been excluded from this total.*

1997	1996	1995	1994	1993	1992	1991
172 550[2]	165 370[2]	153 547[2]	149 443	143 800	138 126	138 687
4,3[3]	7,7[3]	2,7	3,9	4,1	(0,4)	1,8
187 850	178 884	165 006	160 351	154 361	148 556	148 934
187 811	178 855	164 834	160 293	154 260	148 207	148 671
170 464	163 541	151 730	148 003	145 514	136 830	135 743
2 092	1 319	529	1 074	146	752	1 980
2 608	2 220	1 274	1 517	1 345	1 333	1 804
-	-	-	2	-	4	-
12 647	11 775	11 301	9 697	7 255	9 288	9 144
39	29	172	58	101	349	263
3 511	3 130	1 866	2 113	1 898	2 295	2 933
184 339	175 754	163 140	158 238	152 463	146 261	146 001
39 154	38 497	37 840	37 840	39 746	39 060	38 396
37 175	36 563	35 951	35 926	37 636	36 846	36 228
28 329	27 967	25 133	24 798	23 169	22 640	22 342
90,4 (91,5)	89,6 (90,6)	81,6 (84,3)	77,1 (79,9)	80,5 (81,7)	76,7	76,1
57,7 (65,0)	55,7 (63,9)	52,3 (59,0)	50,9 (58,3)	46,8 (56,4)	46,9 (54,6)	49,8 (58,5)
74,3	71,5	74,1	72,8	75,1	73,5	74,6
90 169	85 401	79 377	76 883	75 926	71 038	70 523
34,5	34,5	34,4	34,4	34,4	34,2	34,3
6,4	5,9	5,9	5,6	5,7	5,6	5,0
39 241	39 857	39 952	39 760	40 128	42 223	46 637
4,397	4,149	3,843	3,759	3,584	3,271	2,974
6 439	5 554	2 986	2 628	2 590	1 815	1 880
748	685	340	205	121	100	106
680	596	600	559	510	436	383
1 295	1 100	950	813	999	457	823
2 790	2 267	154	164	149	14	6
318	335	324	310	281	241	206
608	571	618	577	530	567	356

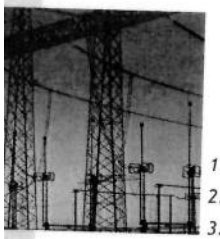
6. *Includes reserve stored and Transkei generators.*
7. *Capacity hours available x 100/total capacity hours in year.*
8. *kWh produced x 100/(average net maximum capacity x hours in year).*
9. *Excludes employees of subsidiary companies.*
10. *Lesotho started its own generation in 1999.*

3. Generating sets on order at 31 December 2000

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 on order MW	Year of completion first (last) set[1]
Majuba, coal fired Volksrust	1 x 713	1 x 669	4 110	3 843	5 (1)	713	669	1996 (2001)
Total generating sets on order						**713**	**669**	

4. Transmission and distribution equipment in service at 31 December 2000

		2000	1999	Change
Main transmission system, km	765 kV	**870**	870	-
	533 kV DC (monopolar)	**1 031**	1 031	-
	400 kV	**15 397**	15 039	358
	275 kV	**7 505**	7 298	207
	220 kV	**1 239**	1 239	-
	132 kV	**984**	984	-
Total transmission lines, km[2]		**27 026**	26 461	565
Distribution lines, km				
	165 - 132 kV	**20 147**	19 884	263
	88 - 33 kV	**20 936**	20 822	114
Total distribution lines, km		**41 083**	40 706	377
Reticulation lines, km	22 kV and lower	**238 015**	227 158	10 857
Total all lines, km		**306 124**	294 325	11 799
Cables, km				
	165 - 132 kV	**52**	48	4
	88 - 33 kV	**243**	243	-
	22 kV and lower	**6 520**	6 172	348
Total all cables, km		**6 815**	6 463	352
Transformers	Transmission, MVA[3]	**126 755**	126 090	665
	Distribution and reticulation, MVA	**78 299**	76 835	1 464
Total transformer capacity, MVA		**205 054**	202 925	2 129
Transformers	Transmission, number	**2 541**	2 539	2
	Distribution and reticulation, number	**262 734**	253 527	9 207
Total transformers, number		**265 275**	256 066	9 209



1. Dates on which sets on order will be put into commercial service may change, depending on growth in electricity demand.
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 2000	1999	Change 99 - 00 %	GWh sold 2000	1999	Change 99 - 00 %
Redistributors	**824**	787	4,7	**71 580**	69 374	3,2
Residential	**2 924 055**	2 668 507	9,6	**6 476**	6 057	6,9
Commercial	**29 992**	32 524	(7,8)	**817**	768	6,4
Industrial	**11 410**	9 610	18,7	**55 953**	54 240	3,2
Mining	**946**	1 121	(15,6)	**31 403**	31 505	(0,3)
Rural	**142 822**	142 958	(0,1)	**3 816**	3 890	(1,9)
Traction	**42**	12	250,0	**3 330**	3 180	4,7
International	**7**	6	16,7	**4 549**	4 099	11,0
Own usage	**307**	319	(3,8)	**268**	309	(13,3)
	3 110 405	2 855 844	8,9	**178 192**	173 422	2,8[1]

6. Net revenue per category of customer

Category	Net revenue Rm 2000	1999	Change 99 - 00 %	Average net price c/kWh sold 2000	1999	Change 99 - 00 %
Redistributors	**8 734**	8 205	6,4	12,20	11,85	3,0
Residential[2]	**1 794**	1 536	16,8	27,70	25,36	9,2
Commercial	**185**	171	8,2	22,64	22,27	1,7
Industrial	**6 679**	5 727	16,6	11,94	10,56	13,0
Mining	**4 053**	3 972	2,0	12,91	12,61	2,4
Rural	**1 102**	1 034	6,6	28,88	26,58	8,6
Traction	**511**	483	5,8	15,35	15,19	1,0
International	**474**	395	20,0	10,42	8,54	22,0
Own usage	**37**	45	(17,8)	13,81	14,56	(5,2)
	23 569	21 568	9,3	13,23	12,44	6,4[3]

7. Analysis of registered holders of Eskom locally issued bonds at 31 December

	% of issued nominal value 2000	1999
Insurance companies, pension and provident funds	**1**	1
Corporate bodies	**1**	1
Nominee companies	**87**	86
Private individuals	**11**	12
	100	100

1. The GWh sold growth from 1999 to 2000 is also 2,8% if own usage is excluded.

2. Prepayments included under Residential.

3. General price increase with effect from 1 January 2000 equal to 5,5%.

International comparisons

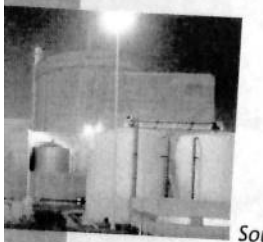
ESKOM

Major electricity utilities in the world - rated by sales

Company	Country	Sales GWh	Rating by sales
RAO-UES	Russia	567 700	1
EDF	France	391 500	2
Tepco Electric Power Co.	Japan	274 226	3
Enel	Italy	229 525	4
Kepco	South Korea	214 215	5
PowerGen	UK	196 007	6
Eskom	**South Africa**	**173 422**	**7**
Hydro-Quebec	Canada	171 723	8
RWE Energie AG	Germany	168 127	9
Southern Company	USA	166 313	10
Tennessee Valley Authority (TVA)	USA	155 955	11
Endesa Group	Spain	148 540	12
TXU	USA	142 481	13
Kansai Electric Power Co.	Japan	140 400	15
Ontario Power Generation	Canada	136 900	14
AEP	USA	128 900	16
Chubu Electric Power Co.	Japan	120 028	17
Preussen Electra Group	Germany	110 309	18
Entergy Corporation	USA	110 263	19

Major electricity utilities - rated by generation capacity

Company	Country	Generation capacity MW	Rating by capacity
RAO-UES	Russia	156 200	1
EDF	France	121 500	2
Electrobrás	Brazil	63 966	3
Tepco Electric Power Co.	Japan	57 841	4
Enel	Italy	55 846	5
Kepco	South Korea	47 980	6
Eskom	**South Africa**	**40 585**	**7**
Kansai Electric Power Co.	Japan	37 796	8
Endesa Group	Spain	37 313	9
Chubu Electric Power Co	Japan	31 769	10
Hydro-Quebec	Canada	31 505	11
Southern Company	USA	31 197	12
RWE Energie AG	Germany	31 000	13
Ontario Power Generation	Canada	30 900	14
Tennessee Valley Authority (TVA)	USA	28 502	15
TXU	USA	27 900	16
AEP	USA	23 759	17
Entergy Corporation	USA	22 230	18
Unicom	USA	20 343	19



Source: Data Monitor UK, 1999 figures