ANNUAL FINANCIAL STATEMENTS 2022

Powering growth ... sustainably

CONTENTS

The annual financial statements were prepared under the supervision of the chief financial officer (CFO), C Cassim CA(SA). The financial statements have been audited in compliance with section 30 of the Companies Act and approved by the board of directors (board) on 16 December 2022.

The audited financial statements of the group and Eskom as at and for the year ended 31 March 2022 are available for inspection at the company's registered office and were published on 23 December 2022. The full suite of the group's externally published reports, including the financial statements and integrated report, are available at www.eskom.co.za.

DIRECTORS' REPORT
for the year ended 31 March 2022

The directors are pleased to present their report for the year ended 31 March 2022.

Nature of the business
Eskom Holdings SOC Ltd (Eskom) is South Africa's primary electricity supplier that generates, transmits and distributes electricity to local industrial, mining, commercial, agricultural, redistributor (metropolitan and other municipalities) and residential customers and to international customers in southern Africa. Eskom also purchases electricity from independent power producers (IPPs) and international suppliers in southern Africa.

Eskom is a state-owned company, with the Minister of the Department of Public Enterprises (DPE) as the shareholder representative. The state is the only shareholder in Eskom.

Eskom's head office is in Johannesburg. The nature of the business of the significant operating subsidiaries is set out in note 12 in the annual financial statements. The business objective of these subsidiaries is mainly for the sole benefit of Eskom.

Overview of the year
The information in this report covers the group performance of Eskom and its major operating subsidiaries, unless otherwise stated. A high-level summary of the pertinent issues that characterised the year under review, as well as any material developments after year end, is presented in this report. Additional information, where relevant, is contained in relevant sections of the directors' report, annual financial statements and integrated report.

The board comprised of eight directors at year end, including six independent non-executive directors and two executive directors. The board concluded that it was insufficiently constituted and lacked critical skills and experience based on the size and nature of Eskom, as well as the complexity of the operational and financial challenges that the organisation is facing. The board also identified that its audit and risk committee lacked appropriate finance skills and experience and that the investment and finance committee was not adequately capacitated. Furthermore, the chairperson of investment and finance committee resigned in August 2021. The board had requested the shareholder to appoint additional independent non-executive directors to address its skills and capacity challenges on several occasions.

The Minister of Public Enterprises announced the appointment of a new board on 30 September 2022. The board has a broad range of experience and the necessary expertise and skills to provide stability and strategic direction to Eskom and is tasked with repositioning Eskom to play a key role in the evolving energy landscape and to deal with Eskom's immediate loadshedding issues, procurement challenges, the elimination of corruption and ensuring that there is reliability of electricity supply in the medium to long term.

The new board commenced its tenure on 1 October 2022 and is fully constituted with 15 directors, including 13 independent non-executive directors and two executive directors, thereby enhancing oversight of and strategic direction to Eskom. It has recommended the establishment of a business operations performance committee to provide oversight of technical performance, operational challenges and risks relating to the production of electricity, in particular, performance against shareholder compact targets such as the energy availability factor (EAF). The mandate of the board strategy committee has been expanded to include governance matters and the committee has been renamed the governance and strategy committee. The people and governance committee has changed to the human capital and remuneration committee.

The board considered the delayed publication of the annual financial statements. Delays were experienced as a consequence of several factors, including:
- the delay in the appointment of the new external auditors
- the new auditors' extensive process of evaluating the prior period areas of significant judgement and estimates
- the need for management to appoint external experts to address complex areas such as derivatives
- resolving the numerous findings and control deficiencies emanating from the lack of compliance with well-documented policies and procedures in areas such as consumables management, contract management, and general financial record-keeping and reporting controls

The 2020 and 2021 statements of financial position as well as the 2021 income statements and statements of comprehensive income have been restated as a result of prior period errors identified during the external audit. Refer to note 48 in the annual financial statements for further detail regarding the nature of the prior period restatements. All financial information presented in this report reflects the restated results where applicable.

Operational performance remains a significant challenge, with loadshedding set to continue at least in the short to medium term. This is largely due to the unreliable and ageing generating plant and the need to operate coal-fired power stations at very high utilisation factors, outside of acceptable norms, to mitigate the capacity shortfall and avoid or minimise loadshedding. Funding constraints, capital expenditure delays, environmental non-compliance, criminal acts and the loss of core, critical and scarce skills have further contributed to these challenges. Eskom's generation plant availability reached the lowest reported levels, largely due to unprecedented levels of unplanned unavailability, which resulted in loadshedding being required for a total of 65 days during the year. Remedying the need for debilitating loadshedding remains a top priority, and Eskom remains resolute to improve generation plant performance and reliability.

The generation recovery plan aims to improve the performance of Eskom's coal-fired power stations and address major design and construction defects at new build power stations; however, the extensive maintenance that is needed to stabilise the plant requires lengthy planned outages. Many power stations are also reaching the end of their useful lives between now and 2035 and performance will continue to deteriorate as the power stations approach their shutdown dates. The generation capacity constraints cannot be resolved without the support of all key stakeholders. Additional dispatchable capacity of 4 000MW to 6 000MW is required immediately to support the stability of the power system, create space for maintenance and reduce the need for loadshedding. The delay in bringing capacity online under the Department of Mineral Resources and Energy (DMRE) Risk Mitigation Independent Power Producer Procurement Programme exacerbates the problem.

Policy shifts to enable Eskom to operate efficiently remain fundamental given the evolution of the industry, specifically around issues such as Eskom's debt, non-payment by municipal customers and fair tariff determinations by the National Energy Regulator of South Africa (NERSA).

Eskom welcomes the announcement by President Cyril Ramaphosa in July 2022 of reforms to address the long-running electricity crisis, including the formation of a national energy crisis committee. Eskom is in full support of these reforms as they will accelerate the end of loadshedding and will expand and grow the electricity generation industry in South Africa through structural changes. Although this will not happen overnight, the measures announced by the President will bring much-needed capacity online and enable Eskom to intensify its maintenance efforts to deliver improvements in plant availability. Eskom is collaborating with the relevant government departments, agencies and other stakeholders in the implementation of these reforms.

The group recorded a net loss after tax of R12.3 billion for the year (2021: R25 billion) and earnings before interest, tax, depreciation and amortisation (EBITDA) of R52.4 billion (2021: R32.6 billion). The EBITDA margin increased to 21.25% (2021: 15.96%) largely due to a regulatory tariff increase of 15.06% for customers supplied directly by Eskom. This increase was awarded by NERSA based on the original Multi-Year Price Determination (MYPD) 4 decision as well as a High Court order, allowing Eskom to recover an additional R10 billion in revenue based on NERSA's incorrect treatment of the R69 billion government support in its original decision. Further contributing to improved EBITDA performance was a partial recovery in sales volumes resulting from higher electricity demand from many sectors due to the phased easing of COVID-19 lockdown restrictions and higher commodity prices. The improvement in revenue was offset by extensive use of both Eskom- and IPP-owned open-cycle gas turbines (OCGTs) to alleviate generation supply constraints and avoid or minimise loadshedding, combined with growth in other operating expenditure.

Eskom's liquidity in the short term and financial sustainability in the medium to long term are at risk due to poor operational performance, non-payment by municipal customers, high levels of borrowings and debt servicing requirements, unacceptable levels of fraud and corruption as well as regulatory uncertainty because of the lack of a clear, cost-reflective tariff path. Eskom is also experiencing an overall declining trend in sales volumes of approximately 1% per year over the long term, despite the partial recovery in 2022.

The key focus areas to manage liquidity include successful execution of Eskom's financial turnaround objectives, which focuses on pursuing a cost-reflective tariff path, achieving cost savings, obtaining government support, reducing reliance on debt, managing the recovery of overdue municipal debt and disposing of non-core assets.

The Minister of Finance announced a prospective debt relief solution for Eskom in his Medium-Term Budget Policy Statement (MTBPS) on 26 October 2022, with government considering relief of between one-third and two-thirds of Eskom's debt balance. Following this announcement, Moody's revised its outlook for Eskom from negative to positive, for the first time since 2007. Despite this positive sentiment, credit rating agencies remain concerned about poor operational performance and loadshedding, the inadequate progress in addressing non-payment by municipal customers, as well as regulatory uncertainty associated with the lack of a clear, cost-reflective tariff path. Credit ratings remain at a sub-investment grade level and are unlikely to improve until these challenges are addressed and Eskom is placed on a more financially sustainable footing.

Eskom is embarking on a just energy transition (JET) strategy to leverage opportunities presented by the transition to a cleaner and greener energy future, while creating job opportunities for those displaced by the replacement of coal with cleaner technologies. The JET strategy entails a phased transition towards a low-carbon, climate-resilient economy and society in a manner that does not impede socio-economic development, but results in an increase in sustainable jobs.

Eskom's current investment in renewable generating capacity remains modest, with one wind facility and six hydroelectric stations. However, the aim of the JET strategy is to introduce more renewable capacity, mainly through repowering and repurposing of end-of-life coal-fired power stations, to reach the long-term objective of attaining net zero emissions by 2050. Komati power station reached the end of its operating life on 31 October 2022 and will serve as a pilot for the repowering and repurposing of a power station on Eskom land using existing infrastructure. A total of 370MW of renewable energy, including wind and solar supported by battery storage, is planned.

The board made an assessment of the ability of the group to continue as a going concern in the foreseeable future. The board considered the risks relating to the group's going-concern status and acknowledges the challenges it faces and the various dependencies and uncertainties that exist both from a timing of intervention perspective as well as whether the plans will materialise as anticipated. The events, conditions and assumptions described in note 3.2 in the annual financial statements inherently include material uncertainties that may cast significant doubt on the going concern.

The board has a reasonable expectation that the risks will be satisfactorily addressed with the mitigation strategies in place. The board has assessed the current cash flow projections and the continued financial support from the government, including the finalisation of the debt relief package announced, and concluded that there is a reasonable expectation that the group has access to adequate resources and facilities to be able to continue its operations for the foreseeable future as a going concern.

Turnaround plan
Eskom continues to focus on the priorities outlined in the turnaround plan to reposition the organisation in pursuit of its long-term strategic objectives. The progress against the five key areas of the turnaround plan includes:

- *Operations recovery*

  The aim of the generation recovery plan is to improve predictability and reliability of generation plant while fixing new build defects at the Ingula, Medupi and Kusile power stations. The initiatives are however not yet bearing sufficient fruit, with deteriorating generation plant performance creating insufficient available capacity to meet the country's electricity demand, resulting in the need to implement loadshedding.

  The transmission infrastructure has deteriorated to an extent that it may pose a risk to energy availability, with high energy losses being a key concern. The transmission network development plan is critical to strengthen and extend the network and reduce energy losses. Financial constraints are hampering the distribution division from executing its mandate of building and maintaining distribution assets and servicing customers. Initiatives have been identified to optimise distribution asset management and asset service, reduce non-technical electricity losses and sustain revenue.

Turnaround plan (continued)

- *Improve the income statement*

  Improving Eskom's income statement through revenue growth by migrating towards cost-reflective tariffs, remains a key priority. Despite applying for revenue based on prudent and efficient costs in accordance with the MYPD methodology, the revenue and regulatory clearing account (RCA) determinations made by NERSA over recent years have not enabled the migration towards cost-reflectivity.

  A tariff increase of 15.06% was granted for the 2022 financial year, which had a positive impact on Eskom's profitability and liquidity. However, future revenue recovery is at risk given NERSA's decision to allow a tariff increase of only 9.61% for 2023, compared to the 20.5% that Eskom applied for. The tariff increase excluding the RCA amounts to only 3.49%, which is well below inflation and will be consumed by the expected increase in IPP purchases in 2023, leaving insufficient revenue to address Eskom's controllable costs and provide a fair return on capital.

  Eskom lodged several review applications with the courts to challenge recent NERSA determinations. Eskom has received positive outcomes in a number of cases concluded by the courts. Developments on the various matters are discussed below:

  – *Revenue decision for 2023 to 2025 (MYPD 5)*

    Eskom submitted the MYPD 5 revenue application to NERSA in June 2021. NERSA rejected the application on the basis that the MYPD methodology was no longer valid and that it intended to develop a revised pricing methodology. Eskom submitted an urgent High Court review application, requiring NERSA to urgently process the revenue application for at least one year, as required by law. The High Court ordered NERSA to process the revenue application for 2023 in terms of the existing MYPD methodology.

    NERSA announced its decision in February 2022, resulting in a standard tariff increase (including the RCA) of 9.61% for 2023. The reasons for the decision were published in June 2022. Eskom analysed the decision and submitted a court review application in July 2022, based on NERSA's incorrect treatment of the regulatory asset base (RAB). The High Court set aside NERSA's decision on 24 October 2022, although no retrospective adjustment to 2023 was granted. NERSA has been ordered to apply its MYPD methodology for redetermination of the valuation of the RAB, which will form the basis for NERSA's decision for 2024 and 2025.

    The High Court also issued an order in July 2022 requiring NERSA to assess the revenue application for 2024, based on the existing MYPD methodology by 24 December 2022. NERSA published Eskom's revenue application for both 2024 and 2025, with public hearings held in September 2022. The revenue application equates to an average tariff increase of 32.02% for 2024 and 9.74% for 2025. Eskom is now awaiting NERSA's decision on 2024 and 2025, which will be dependent on the RAB valuation mentioned above.

  – *Revenue decisions for 2020 to 2022 (MYPD 4)*

    The High Court delivered a judgement in February 2021, allowing Eskom to recover R10 billion in 2022, relating to the R69 billion government support incorrectly deducted by NERSA in its MYPD 4 decision. NERSA lodged its appeal with the Supreme Court of Appeal (SCA). The SCA issued an order in June 2022 on the timing of the recovery of the remaining R59 billion, which requires NERSA to include an additional R15 billion in allowable revenue per year in 2024 to 2026, and R14 billion in 2027.

  – *RCA decision for 2019, together with the supplementary revenue decision*

    NERSA awarded Eskom R1.3 billion out of the R5.4 billion supplementary tariff application in January 2021. In response, Eskom submitted a review application in April 2021 which also covers NERSA's decision on the supplementary application. NERSA opposed this review and the legal process is under way.

  – *RCA decision for 2018 (MYPD 3)*

    Eskom submitted a review application in April 2020, challenging NERSA's decision of R3.9 billion, which NERSA opposed in October 2020. A court date is awaited.

  – *RCA decisions for 2015 to 2017 (MYPD 3)*

    NERSA awarded R4.7 billion in January 2021 in response to the court judgement to reconsider its original RCA decision. Eskom submitted a review application for the remitted decision in May 2021. During February 2022, the Court granted NERSA an opportunity to provide further records of its decision. The legal process is under way.

  The status of other pending decisions by NERSA is as follows:

  – *RCA decision for 2022 (MYPD 4)*

    The RCA application will be submitted to NERSA after the publication of the 2022 annual financial statements in accordance with the MYPD methodology and associated rules. It is imperative that decisions are made timeously to allow for the recovery of efficient and prudent costs.

  – *RCA decision for 2021 (MYPD 4)*

    Eskom submitted an RCA application of R10.7 billion to NERSA in November 2021. NERSA has not yet issued its decision.

  – *RCA decision for 2020 (MYPD 4)*

    Eskom submitted an RCA application of R8.4 billion for 2020. NERSA approved R3.5 billion in December 2021 to be recovered from standard tariff customers, local special pricing arrangement customers and international customers. The reasons for the decision were published in February 2022. A decision on the timing of the implementation of the RCA is awaited.

  Eskom has achieved a combined cost savings of R50.7 billion over the last three years, exceeding the cumulative target of R40.4 billion. Savings of R20 billion (2021: R14.4 billion) were achieved in 2022 against a target of R20.1 billion, with the majority attributable to primary energy cost optimisation and, to a lesser extent, a reduction in targeted employee benefit costs and other sundry expenses. Regrettably, savings have been partially offset by an overspend in fuel oil and OCGTs. Expenditure on Eskom- and IPP-owned OCGTs exceeded budget by a combined R12.8 billion during the year.

- *Strengthen the balance sheet*

  Government support of R31.7 billion (2021: R56 billion) was received during the year. The funds may only be used to settle debt and interest payments in terms of the equity conditions attached to the support. The Minister of Finance announced a total of R87.9 billion support to be made available until 2026, with R21.9 billion committed for 2023.

  Addressing Eskom's high debt burden, to ensure the long-term financial sustainability of the group, is a key component of the turnaround plan. As mentioned, the Minister of Finance announced a prospective debt relief solution for Eskom in the MTBPS on 26 October 2022. Government is considering relief of between one-third and two-thirds of Eskom's debt balance, which will lead to a direct improvement in Eskom's liquidity by reducing debt servicing requirements. The Minister of Finance indicated that government is working to finalise the details of the proposed solution, including the quantum of proposed relief, the relevant debt instruments, and the method for effecting the transaction. Further details will be communicated in the National Budget Speech in February 2023, together with the conditions attached to the relief, which are expected to deal with cost management, municipal and household overdue debt, and tariff pricing.

  Unfortunately, limited success has been achieved in managing gross overdue municipal debt, which continues to escalate to unacceptably high levels, increasing to R44.8 billion (2021: R35.3 billion) at year end. Eskom pursued a multipronged strategy aimed at recovering the gross overdue municipal debt owed, although progress has been slow. Interventions include negotiation of payment arrangements and active partnering agreements with defaulting municipalities, pursuing Eskom's legal rights, as well as participation in the multi-disciplinary revenue committee of the Eskom Political Task Team. In March 2022 the SCA affirmed the legal right of Eskom to receive payment from municipalities in its judgement against Letsemeng Local Municipality, which is a positive precedent for Eskom's revenue collection efforts. The National Treasury proposal to assist municipalities in crisis and deal with the arrear debt challenges is still being reviewed and influenced due to the complexity of the issues. As indicated, it is anticipated that the Minister of Finance will announce further measures regarding Eskom's municipal and household arrear debt challenges in February 2023.

  The sale of Eskom Finance Company SOC Ltd (EFC) was put on hold in April 2021 on the instruction of the shareholder as market conditions were not considered favourable at the time. The shareholder requested Eskom to commence with the disposal process once again in July 2022. The investment and finance committee approved the disposal strategy in August 2022. A request for proposal was issued in September 2022 and expressions of interest were received from various parties. The bidding process closed in November 2022 and a preferred bidder was approved by the investment and finance committee in December 2022. The next steps include price negotiation and requesting Public Finance Management Act (PFMA) approval for the sale transaction. Eskom will only be able to conclude the disposal process after obtaining PFMA approval.

  A capital efficiency programme has also been established to make optimal use of scarce capital to ensure delivery against Eskom's mandate despite significant financial constraints. Key optimisation levers have been defined and divisions are developing and implementing capital efficiency roadmaps.

- *Drive business separation*

  The need to restructure Eskom is driven by an evolving South African energy market and policy landscape. The implementation of DPE's roadmap for Eskom in a reformed electricity supply industry will result in the formation of new transmission, generation and distribution subsidiaries that are wholly owned by Eskom.

  Eskom is applying a phased approach to the legal separation to allow for the implementation and optimisation of governance, operations and processes before final legal separation. Divisionalisation and functional separation have been completed.

  To complete the structural reform and legal separation, Eskom requires support from government and regulators in the form of policy, legislative and regulatory amendments, such as:

  – dealing with implications to lenders and loan covenants given current debt challenges
  – staff transfers and consultation with organised labour
  – the need for unbundled tariffs prior to separation, as well as policy and government-approved market rules
  – a legal framework for the restructuring process and a regulatory framework and licensing requirements
  – solving Eskom's financial viability

  The identification of the Eskom cash generating unit (CGU) (currently seen as a single cash generating unit for the vertically integrated regulated business) may be impacted by the future legal separation of transmission, generation and distribution. The accounting assessment of impairment will be considered based on the finalisation of the above matters.

  Transmission progress

  The National Transmission Company South Africa SOC Ltd (NTCSA) was established to house the transmission business that will fulfil the roles of system operator and market operator.

  The legal separation of transmission was delayed by several critical external decisions and key dependencies, including protracted lender consent processes and delays in obtaining a transmission licence for NTCSA.

  DMRE started the process to amend both the Electricity Regulation Act and the Electricity Pricing Policy. Current timelines suggest that the amended legislation will be promulgated in 2023. DPE is leading discussions on the possibility of introducing transitional arrangements to facilitate an earlier separation of transmission.

  Where critical decisions are pending and delayed, Eskom continues to work with DPE, DMRE, National Treasury and NERSA to put transitional arrangements in place for the operationalisation of NTCSA and the implementation of the asset transfer agreement towards commencement of trade around April 2023.

  Distribution and generation progress

  Both the distribution and generation divisions started the journey towards legal separation, with the establishment of project management offices, development of roadmaps and the commencement of a legal due diligence.

  The PFMA application for the establishment of a new distribution entity has been approved by DPE and National Treasury. The way forward for a preferred corporate structure depends on changes to existing legislation or new founding legislation, which affects the legal separation of the generation business.

  Similar to the separation of the transmission business, the separation of the distribution and generation businesses depends on lender consent, as well as numerous other legislative, regulatory and policy changes. It has become apparent that, given these dependencies, the timelines proposed in the roadmap were optimistic.

  Eskom's revised plans target distribution operationalisation readiness by December 2023 and commencement of trade by April 2024. Legal separation of generation is targeted for 2025. These dates are however subject to external dependencies which may affect the timelines.

Turnaround plan (continued)

- *Transform Eskom's people and culture*
  The people and culture objectives of the turnaround plan were established to implement change management and support the overarching goal of three separate subsidiaries under Eskom. Eskom aims to achieve fit-for-purpose organisational structures to ensure optimal business models that are responsive to the evolving energy landscape. Mechanisms to drive a high-performance ethical culture and improved productivity are fundamental to the programme.

  Eskom launched its 1:1:6:10 culture transformation programme in February 2022, which is a key enabler for delivering a high-performance ethical culture for the turnaround plan.

  Refer to page 126 of the integrated report for more information on the culture transformation programme.

Operational performance

Generation performance remains poor, resulting in a shortfall in generation capacity, with loadshedding and load curtailment being required to protect the system. Regrettably, generation plant availability remains constrained because of a significant increase in unplanned losses due to breakdowns or partial unavailability of power stations.

Loadshedding was required on 65 days (2021: 47 days), comprising eight days up to stage 1, 43 days up to stage 2, four days up to stage 3 and 10 days up to stage 4. Loadshedding and load curtailment were implemented for 1 011 hours (2021: 670 hours) over the year, reducing supply by an estimated 1 605GWh (2021: 1 034GWh).

Eskom OCGTs had to be utilised extensively during the year due to the deteriorating performance of the coal-fired generation fleet, with production increasing 25% year-on-year. The OCGT load factor for the year was 8.7% (2021: 6.9%) against a target of 1%.

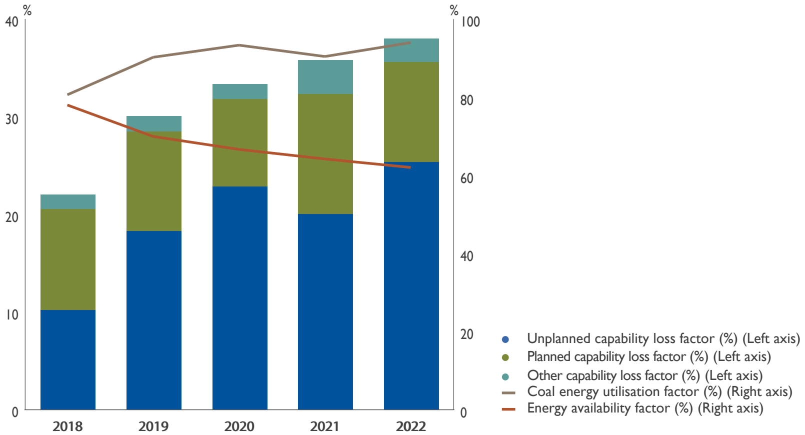
Technical performance

Generation performance

The EAF of the generating plant deteriorated to 62.02% (2021: 64.19%), mainly due to a significant increase in unplanned losses due to breakdowns or partial availability of stations.

Eskom continues to operate the plant far outside acceptable norms to avoid or minimise loadshedding. The energy utilisation factor (EUF) for the entire generation fleet has increased to 79.78% (2021: 76.34%). Persistent high EUF levels continue to place stress on units, thereby affecting reliability and leading to elevated levels of unplanned capability loss factor (UCLF). The high average fleet EUF was largely due to coal-fired stations running at an average EUF of 93.98% (2021: 90.42%), with 14 of 15 coal-fired stations recording EUF above 90%. Given the age of the fleet, coal EUF levels remain substantially above the international norm of around 75% over the long term, which will have negative long-term technical consequences.

The graph below reflects the inter-relationship of unplanned, planned and other capability loss factors with the EAF and coal EUF.



Generation recovery plan

The generation recovery plan aims to address critical pain points and fast track improvement in generation performance and plant availability. Full and partial load losses, as well as outage performance, are areas of concern. Progress on the implementation of the plan includes:

- *Address major design and construction defects at new stations*
  The rollout of the major boiler plant defect solutions agreed for the Medupi and Kusile units has been completed. The corrections to the Medupi mills during normal mill rebuilds is projected to be completed by October 2023. Further corrections are forecast for completion after December 2027, depending on the type of solutions and outage availability of units.

  Gas air heater, pulse jet fabric filter and boiler plant modifications have been implemented on all six units at Medupi power station, except for the long-lead milling modifications on all units and the duct erosion modifications on unit 6. Rollout of the mill long-lead items commenced during standard planned rebuild outages in February 2022.

  A commercial agreement was recently concluded for the low-load and transient operations solution at Medupi power station, and the detail design and procurement of components are progressing well. Rollout of the low-load and transient solution will commence during available planned outages after March 2023 to December 2024, depending on outage availability.

  Boiler plant modifications have been completed on units 1 to 4 at Kusile power station. Modifications to units 5 and 6 will be completed before commercial operation. The focus is to reduce the flue gas volume and temperature since the low-load and transient instability is not as prevalent as at Medupi and to assist the flue gas desulphurisation plant.

  The latest total estimated cost for the defects correction of all Medupi and Kusile units ranges between R5.6 billion and R7.2 billion. A contractual consultation process is under way with the boiler contractor to determine the liability for the necessary modifications to correct the defects.

- *Reduce the incidence of trips and full load losses to improve reliability of coal-fired power stations*
  While there is continued focus on improving the reliability of coal-fired power stations, regrettably, the generation fleet recorded 697 unplanned automatic grid separations trips (2021: 527) for the year, at an average of 58 trips per month. The main contributors to unplanned trips were turbine, boiler and feedwater areas of plant.

  Full load losses for commercial units showed an increase to an average of 6 718MW per month (2021: 4 811MW, restated). UCLF on official units remains high with UCLF due to outage slips increasing to 3.99% (2021: 2.43%).

- *Accelerate the return to service of units on long-term forced outages*
  An explosion at Medupi unit 4 on 8 August 2021 resulted in damage to the generator. The incident was caused by procedural non-compliance and management failures and nine employees were suspended as a result. The duration of the repairs will depend on the extent of the damage and the long-lead time of the components to be replaced. The unit is expected to return to service in August 2024.

  A flue gas duct failure was experienced at Kusile unit 1 on 23 October 2022 while the unit was offline for repairs. Investigations are under way into the cause of the incident, the extent of the damage as well as the scope of work for recovery. Units 2 and 3 have also been affected and it is expected that all three units will be offline for up to six months.

- *Decrease partial load losses and boiler tube leaks that prevent units from operating at full capacity*
  UCLF related to partial load losses deteriorated significantly, with partial load losses on average 742MW higher than the prior year. Partial load losses contributed approximately 42% to total UCLF for the year, with losses at Kendal, Tutuka, Majuba, Arnot and Kriel being the major contributors. Plans to improve permanent partial load losses remain dependent on outages. Power stations are aligning outage opportunities to execution of the required scope. The increase in post-outage partial load losses is being monitored. Frequent but sporadic partial load losses across the fleet continue to offset advances in some areas.

  The boiler tube failure rate on a 12-month moving average increased slightly to 2.44 (2021: 2.31) in 2022 for units in commercial operation. Boiler tube failures contributed 2.45% (2021: 2.29%) UCLF for the year.

- *Reduce maintenance outage due to date slips and duration*
  The reliability maintenance recovery programme seeks to empower power station teams to achieve outage excellence as the single greatest opportunity to improve plant performance at the best possible cost. Continued efforts are directed towards improving outage readiness, with central reliability maintenance recovery teams providing direction on best practice and assisting in enhancing outage planning and overall readiness at stations.

  The availability of outage funding had a significant impact on the readiness of planned outages in 2022 as most outages take 18 to 24 months to plan. There is focus on prioritisation of outages and budget reduction exercises. There were 84 planned maintenance outages scheduled for the year of which 47 outages were completed, seven were in execution, one was cancelled and 29 were deferred. An additional 47 outages which were not originally scheduled were completed. Consideration is given to system capacity constraints, plant risks and availability of spares and resources in the scheduling of outages.

  Only 50.94% (2021: 40.38%) of outage due dates were met, significantly below the target of 80%.

  Post-outage UCLF deteriorated to 29.74% (2021: 21.23%), contributing 1.39% to overall UCLF. Approaches to improve the quality and accuracy of outage scopes are being considered as part of the reliability maintenance recovery programme.

- *Maintain sufficient diesel stocks to enable the OCGTs to perform for extended periods*
  Diesel tank levels remain healthy overall and were maintained above the target of 60% during the year, although constraints occasionally developed during periods of persistent high demand. However, diesel usage remained far too high given Eskom's financial constraints.

  Generation performance has continued to deteriorate in 2023, with increased reliance on OCGTs to avoid or minimise loadshedding. Eskom has placed a limit on diesel use for 2023 to preserve liquidity. In November 2022, Eskom was forced to strictly conserve its remaining diesel fuel reserves due to the depletion of the OCGT budget. Government assisted Eskom with the acquisition of diesel from PetroSA SOC Ltd to minimise the loadshedding required.

- *Maintain coal stockpiles at power stations*
  Two power stations had stock below the individual minimum stockholding level at year end (2021: nil). Coal stock days (excluding Medupi) reduced to 42 days (2021: 50 days) based on the budgeted standard daily burn rate, but remain higher than target.

  Coal-related load losses contributed to capacity constraints with coal-related other capability loss factors (OCLF) of 0.64% (2021: 0.66%) for the year. Matla and Kriel power stations remained the biggest contributors, accounting for around 90% of coal-related OCLF. Eskom continues to collaborate with the relevant mines to address the coal supply challenges.

- *Improve emissions performance*
  There were eight units (2021: five units) that operated in non-compliance with average monthly emission limits at year end, placing 4 766MW at risk of being shut down by the authorities (2021: 2 949MW).

  An emission recovery plan was implemented at Kendal power station which has led to a significant reduction in emissions and units operating in compliance, although emissions remain worse than target.

Operational performance (continued)

Technical performance (continued)

Network performance

System minutes lost <1 minute performance improved to 2.9 minutes (2021: 3.5 minutes) due to a reduction in interruption of supply incidents. However, two large interruptions affected customers in areas in KwaZulu-Natal and Gauteng, both of which were caused by plant failures. The focus remains on enhancing servitude management and addressing the root causes of poor performing lines. The increased capital budget allocation for transmission for the next five years will advance the implementation of the transmission development plan and asset renewal under the transmission sustainability improvement initiatives. The emphasis is on project development and expanding supplier capacity to enable the delivery of asset creation objectives.

Distribution network technical performance, measured by the duration and frequency of customer interruptions, continues to perform within target. Distribution energy losses have reduced to 9.62% (2021: 10.11%), amounting to 19.8TWh (2021: 20.2TWh) for the year, signifying a reduction in non-technical losses. The cost of non-technical losses for the year is estimated at R2.3 billion (2021: R2.3 billion). Concerns remain around breakdown of networks due to overloading caused by illegal connections, theft and vandalism of electrical equipment and challenges in restoring supply to unsafe areas.

Ongoing theft of tower members and substation equipment continues to pose risks for asset failures and network availability, as well as a safety risk to employees and contractors. The focus remains on proactive and effective risk management, intelligence gathering, stakeholder engagements, arrests and successful prosecution as well as the deployment of new technologies to combat these incidents.

Environmental performance

Relative particulate emissions performance improved to 0.34kg/MWh sent out (2021: 0.38kg/MWh sent out) due to focused maintenance of generating plant under the generation recovery plan, particularly an improvement in the performance at Kendal power station. Regrettably, emission performance remains worse than target.

Specific water usage remains disappointing and worsened to 1.45ℓ/kWh sent out (2021: 1.42ℓ/kWh sent out). The deterioration is attributed to poor water management practices at power stations. Plans are in place to improve water performance across the power stations and to stop continuous discharge at both Kendal and Tutuka power stations.

Eskom submitted postponement applications in terms of the Minimum Emission Standards (MES) to the Department of Forestry, Fisheries and the Environment (DFFE) in August 2020. DFFE responded in November 2021 and approved the postponement for seven power stations which are planned to be shut down by 2030. The postponement for Majuba, Tutuka, Kendal and Kriel power stations were partially approved and the postponement for Matla, Duvha, Matimba, Medupi and Lethabo power stations were rejected.

Eskom submitted an appeal for those stations with unfavourable decisions in December 2021. The appeal process is on hold while a consultative process is under way. Full compliance with the MES would necessitate expenditure of about R330 billion or the loss of around 30 000MW by April 2025. This is unaffordable to Eskom and the South African economy, both financially and in terms of generation capacity. Eskom is committed to the reduction of its impact on the environment, but it is clear that an affordable path to a greener future is critical.

A reduction in emissions through a retrofit programme would take approximately 15 years to be implemented at coal-fired power stations. Eskom's proposal is to reduce emissions by shutting down old coal-fired power stations and focusing on retrofitting projects to reduce particulate and nitrogen oxide emissions. The funding could instead be spent on adding urgently needed generation capacity through renewables, low carbon technology and strengthening the national electricity grid through Eskom's JET strategy.

Refer to page 112 of the integrated report for more information on Eskom's compliance with the MES.

Safety

Regrettably, Eskom recorded four employee fatalities (2021: three, restated), two contractor fatalities (2021: eight) and 21 public fatalities (2021: 20) during the year, despite the commitment to safety and Zero Harm. Physical threats to employees and contractors remain a concern, particularly due to community unrest during removal of illegal connections and when implementing load reduction.

Capacity expansion programme

The capacity expansion programme, which commenced in 2005 and is expected to be completed by 2028, aimed to build new power stations and reinstate mothballed power stations to increase installed generation capacity by 17 384MW, as well as increase high-voltage transmission power lines by 9 756km and transmission substation capacity by 42 470MVA. The programme has increased installed generation capacity by 14 730MW, transmission lines by 8 222km and transmission substation capacity by 39 505MVA from inception to 31 March 2022.

Commercial operation of Medupi unit 1 was achieved on 31 July 2021, adding 794MW capacity to the grid. This milestone signified the completion of construction activities on the 4 764MW Medupi project which commenced in May 2007. The focus is on completion of the remaining scope of the balance of plant, including the ash dump facility, coal stockyards and related structures. Project completion is targeted for November 2023.

Kusile unit 4 was connected to the national grid on 23 December 2021 and the unit achieved full load of 800MW on 11 January 2022. Commercial operation of the unit was achieved on 31 May 2022, which was earlier than the scheduled date of January 2023.

The first fires on oil and first coal fires milestones were completed at Kusile unit 5 in August and September 2022 respectively. The gas air heater caught fire on 17 September 2022, resulting in a discontinuation of all commissioning activities. The extent of the damage has not yet been determined and it is likely that the incident will cause a delay to the commissioning schedule.

The commercial operation of Kusile unit 6 is planned for May 2024.

High-voltage transmission lines of 180.5km and substation capacity of 1 065MVA were installed and commissioned during the year. Progress was also made on the electrification programme, with 97 947 households connected during the year.

A total of 91 IPP projects with a capacity of 6 490MW have been connected to the grid since inception of the DMRE renewable energy independent power producer (RE-IPP) programme in 2011, although only 5 826MW (2021: 5 078MW) is in operation. A total of 8 500MW of renewable energy is expected to come online before 2025 through existing and expected bid windows.

Refer to page 90 of the integrated report for more information.

Financial performance

Performance

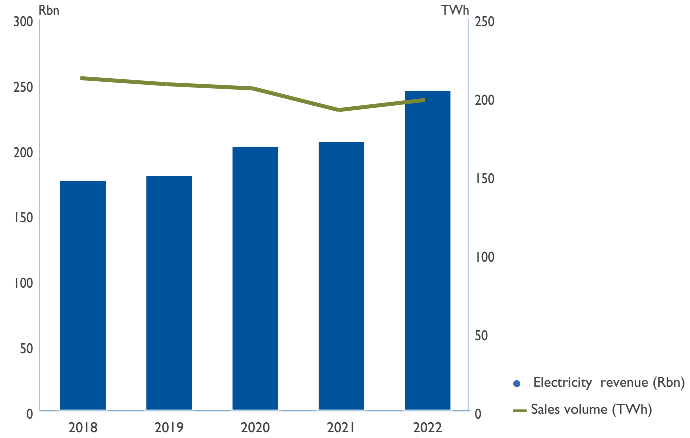
Eskom recorded a net loss after tax of R12.3 billion for the year, reflecting an improvement of R12.7 billion compared to the previous year (2021: R25 billion net loss after tax). EBITDA performance increased by R19.8 billion to R52.4 billion (2021: R32.6 billion). Most financial performance ratios performed better than target and improved compared to the previous year, although they remain below acceptable norms.

Much of the improvement relates to Eskom beginning the year on an abnormally low base, as financial performance in the previous financial year was significantly hampered by COVID-19. Eskom experienced an unprecedented reduction in energy demand in 2021 during the national lockdown, which negatively affected sales volumes and revenue in the prior year.

The financial results for the year ended 31 March 2021 were subject to various restatements. The most significant restatement affecting profitability related to net fair value losses on hedging instruments due to a correction of the valuation curve methodology, which resulted in the hedges no longer meeting the hedge effectiveness criteria in terms of International Financial Reporting Standards (IFRS). This restatement resulted in the accounting of the losses on these instruments in profit or loss and not through other comprehensive income. The net loss after tax for 2021 increased from R18.9 billion to R25 billion as a result of the restatements. The restatements are discussed in more detail in note 48 of the annual financial statements.

Revenue increased by R42.2 billion to R246.5 billion, mainly due to the standard tariff increase of 15.06% allowed by NERSA, together with a 3.4% recovery in sales volumes to 198 281GWh (2021: 191 852GWh). Sales improved across almost every sector, with the industrial, mining and rail sectors in particular benefiting from the recovery of global commodity markets. Revenue was negatively impacted by revenue not recognised of R14.2 billion (2021: R12.1 billion) where collectability criteria were not met, offset by R6.5 billion (2021: R5.9 billion) revenue recognised from customers on the cash basis. Eskom's average electricity price amounted to 127.32c/kWh (2021: 111.04c/kWh) for the year.

The graph below reflects the comparison between sales volumes and electricity revenue over the last few years.



Primary energy expenses increased by R16.9 billion to R132.4 billion, largely due to increased production from Eskom- and IPP-owned OCGTs as well as coal-fired power stations, combined with price escalations, particularly in diesel and fuel oil. Production volumes increased by 6.4TWh to meet the higher electricity demand experienced during the year. The South African Revenue Services (SARS) disallowed certain rebates relating to diesel use over several years. Eskom's appeal was denied by SARS in October 2022 and a receivable of R3.6 billion was written off due to uncertainty around its recovery, resulting in a corresponding increase in primary energy expenses in 2022. Eskom is considering the appropriate action regarding this matter, including following a litigation process.

Eskom own generation costs increased to R84.4 billion (2021: R72.5 billion), excluding the environmental levy. Expenditure on Eskom-owned OCGTs increased to R10 billion (2021: R4.1 billion) due to higher diesel prices and the writeoff of the diesel rebate receivable, as well as an increase in OCGT production to 1 826GWh (2021: 1 457GWh). IPP expenditure increased to R35.2 billion (2021: R30.8 billion) due to more extensive use of IPP OCGTs and higher production from renewable IPPs, together with higher diesel prices.

Employee costs have remained relatively stable at R33 billion, despite a reduction in headcount of 5.4% to 40 421 by year end. This is largely as a result of salary increases to bargaining unit employees, together with lower capitalisation.

Other expenses increased by R4.6 billion to R28.8 billion mainly due to growth in repairs and maintenance. Extensive planned maintenance was required on generating plant to address performance challenges and defects in line with the generation recovery plan, while significantly higher levels of unplanned maintenance were needed to address several critical plant issues. In addition, the availability of resources to conduct maintenance improved due to the easing of COVID-19 lockdown restrictions. Other items include writeoffs due to damage from an explosion at Medupi unit 4, damage from a fire at Kendal unit 1 and asset register clean up, as well as provisions raised for compensation events at Koeberg power station.

The impairment of financial assets amounted to R589 million (2021: R91 million reversal) relating mainly to trade and other receivables. The writedown of other assets amounted to R0.8 billion (2021: R1.9 billion) due to a continuation of the inventory clean-up exercise to address shortcomings in the internal controls relating to consumables management.

Depreciation increased by R5.4 billion to R32 billion mainly due to the commissioning of new generation units.

The group recorded a net fair value and foreign exchange loss on financial instruments, excluding embedded derivatives, of R4.7 billion (2021: R7.7 billion net fair value loss). Financial instruments are largely impacted by credit risk adjustments as well as interest rate and exchange rate movements. A net fair value gain of R1.6 billion was recorded on embedded derivatives (2021: R0.4 billion net fair value loss), linked mostly to the increase in aluminium prices during the year.

Financial performance (continued)

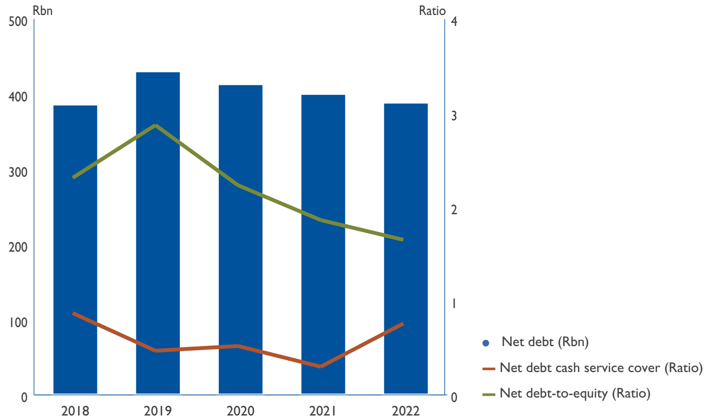
Performance (continued)

Net finance costs increased to R33.1 billion (2021: R31.1 billion) largely due to lower capitalisation of interest. Fewer borrowing costs are capitalised to the related asset base as the capacity expansion programme nears completion and new units are transferred to commercial operation. In addition, Eskom experienced a higher average cost of borrowing for the year.

The most significant restatement affecting the 2020 and 2021 statements of financial position related to the reclassification of a portion of coal inventory from current to non-current following a review of the quantity and usage of coal at power stations. This primarily affected the working capital ratio which was restated from 1.27 to 0.95 in 2021. The working capital ratio declined to 0.90 in 2022. The restatements are discussed in more detail in note 48 of the annual financial statements.

Eskom's financial solvency ratios have improved, with a net debt-to-equity ratio of 1.65 at year end (2021: 1.86). Net debt decreased by R11.7 billion to R389.1 billion. The net debt cash service cover ratio improved significantly to 0.76 (2021: 0.30), but remains well below investment-grade levels. Eskom's liquidity remains under pressure given the financial and operational challenges it faces. The cash and cash equivalents balance improved to R15.9 billion (2021: R4 billion) and will be applied towards settling Eskom's obligations. The improvement in revenue during the year, together with government equity support of R31.7 billion which was used to service debt, led to the higher cash and cash equivalents at year end.

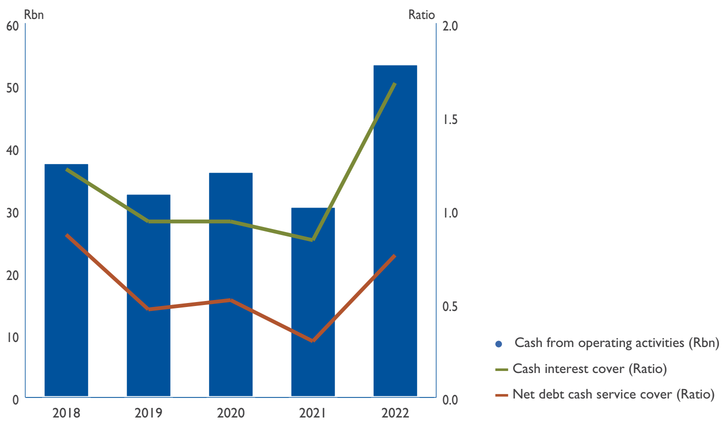
The graph below reflects the movement in net debt as well as the improvement in the debt-to-equity ratio and net debt cash service cover ratio over the last few years.



Gross debt securities and borrowings decreased by R5.5 billion to R396.3 billion. Eskom repaid R38.9 billion and raised R33 billion of debt during the year.

Total debt servicing of debt securities and borrowings amounted to R71.4 billion for the year. Net cash from operating activities of R53.4 billion (2021: R31 billion) remains inadequate to meet debt servicing requirements and fund general capital expenditure requirements.

The graph below shows the movement in cash from operating activities, as well as the cash interest cover and net debt service cover ratios over the last few years.



The total gross overdue debt increased by R6.8 billion to R52.2 billion, of which municipalities account for 85.7% and Soweto accounts for 8.7%. The total gross municipal overdue debt increased to R44.8 billion (2021: R35.3 billion) at year end, of which Free State municipalities owed 35.2%, Mpumalanga municipalities owed 29.6% and Gauteng municipalities owed 12.9%.

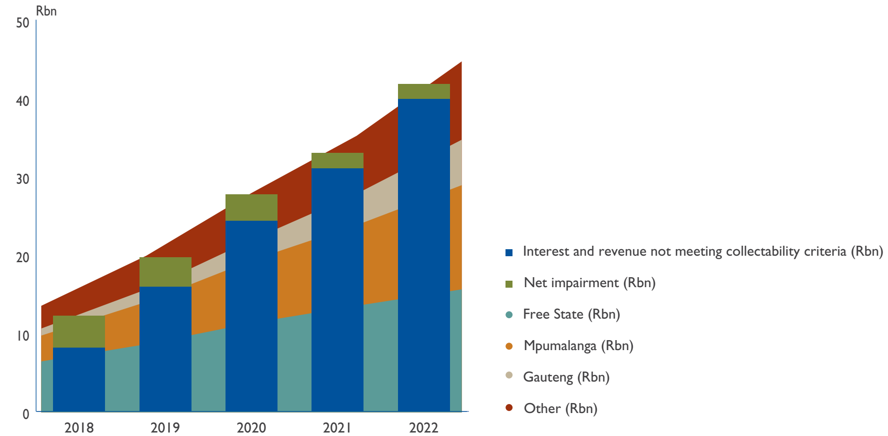
Eskom continues to execute its municipal debt management strategy by enhancing existing revenue and debt management processes, enforcing its rights through legal action and expediting government interventions. Eskom is focusing on the top 20 defaulting municipalities as a priority as they constitute 80% of total gross municipal overdue debt.

A total of 34 active payment agreements were in place with defaulting municipalities at year end, with only 10 agreements being fully honoured.

Eskom established a project management office to drive the implementation of the active partnering model which aims to assist defaulting municipalities in their revenue collection efforts and improve municipal service delivery. Despite efforts to engage with municipalities, only two active partnering agreements are in place with Phumelela and Msunduzi Local Municipalities. Active partnering agreements with Raymond Mhlaba and Maluti-a-Phofung Local Municipality are being negotiated.

The total gross overdue debt for Soweto decreased by R2.9 billion to R4.5 billion. The reduction is mainly due to prescribed debt written off and reversal of in duplum interest. The average payment levels for Soweto remain low at 25.1% (2021: 20.6%), despite some improvement.

The graph below reflects the increase in the gross overdue municipal debt per province and the breakdown between the net impairment, interest and revenue not meeting collectability criteria over the last few years.



Funding

Eskom has successfully executed its borrowing programme by securing funding of R35.8 billion (2021: R18.9 billion), thereby exceeding the funding target of R25.5 billion in the 2022 Corporate Plan. The borrowing programme for 2022 was revised to an aspirational funding level of R42.9 billion to accommodate the postponement of the private placement and syndicated loan from 2021.

The primary focus of the borrowing programme over the next five years is to continue to secure cost-effective funding, while not exceeding a gross debt balance of R400 billion, by borrowing less than is repaid annually. The borrowing programme for 2023 amounts to R58.1 billion.

The debt repayment profile of existing debt remains pressured over both the short and long term. Interest payments of R118.9 billion and debt repayments of R176.9 billion are required over the next five years.

Mr R Vaughan, the group treasurer, is Eskom's debt officer and has the relevant experience and expertise for this role.

Refer to page 75 of the integrated report for more information.

Governance and compliance

Eskom has experienced corporate governance breaches in the past, most notably relating to allegations of state capture surrounding state-owned companies.

The Judicial Commission of Inquiry into Allegations of State Capture (Zondo Commission), led by Deputy Chief Justice Raymond Zondo, commenced in August 2018. The Zondo Commission published the first parts of its report in early 2022 and concluded its work in June 2022. Part IV Volumes 3 and 4 of the report were dedicated to allegations of state capture at Eskom, while Part I Volume 2 of the report contained a limited number of recommendations related to Eskom. The Commission found serious cases of fraud and corruption perpetrated by former executives, former board members, suppliers and their associates.

Recommendations to address these findings include instituting criminal charges, ensuring appropriate consequence management against employees and suppliers, pursuing director delinquency proceedings and civil recovery of financial losses suffered by Eskom, among others.

These recommendations are consistent with the board's plan to root out fraud and corruption, promote an ethical culture and address issues related to past corporate governance breaches, with the aim of restoring Eskom's reputation as a trusted corporate citizen and improving its financial and operational sustainability.

Governance and compliance (continued)

Eskom's response to these governance challenges centres on the following key areas:

- *Establishing a task team to address the recommendations of the Zondo Commission*
  Eskom has established a dedicated state capture task team to review the Zondo Commission report to address the recommendations and ensure appropriate legal remedies are pursued. An implementation plan has been developed, with the latest version submitted to the Presidency in October 2022. Key focus areas of the implementation plan include civil recoveries, consequence management related to suppliers, former employees and former directors, conducting an in-depth risk assessment, as well as the review of policies and procedures specifically related to procurement and human resources, to support the eradication of fraud and corruption.

  The Zondo Commission acknowledged the proactive steps taken by Eskom to eradicate state capture within the organisation with significant matters dealt with by both Eskom and the Special Investigating Unit (SIU) to date, which have resulted in the recovery of more than R2 billion.

  Eskom is working with DPE, other state-owned companies and law enforcement agencies to ensure that the recommendations are adequately addressed. Where the recommendations are not within Eskom's control, as in the case of criminal prosecution, Eskom will continue to provide the necessary support to law enforcement authorities, including the SIU, the National Prosecuting Authority (NPA), the Directorate of Priority Crime Investigations (the Hawks) and the South African Police Service (SAPS) to ensure the successful prosecution of implicated suppliers, former employees, former directors and associated perpetrators.

  Eskom's state capture task team is monitoring progress against the implementation plan, which includes:

  – *Consequence management of delinquent employees*
    Employees implicated in state capture were dismissed or resigned in early 2018. There are currently no outstanding disciplinary actions against individuals highlighted in the Zondo Commission report and no implicated individuals are currently employed by Eskom. Eskom is reviewing its disciplinary procedures to ensure consequence management is dealt with more timeously and appropriately.

  – *Criminal proceedings*
    Eskom is monitoring all criminal matters arising from the Zondo Commission report and has engaged with the NPA regarding progress on these matters. As mentioned, Eskom is working with law enforcement agencies to bring these matters to court as soon as possible.

  – *Civil recoveries*
    Several civil recovery proceedings have been launched by Eskom and the SIU. The SIU has sought to extend its mandate to include all matters raised in the Zondo Commission report. Eskom's state capture task team is monitoring civil recovery proceedings where legal progress remains slow.

  – *Director delinquency proceedings*
    The most effective avenue from a legal perspective to charge former directors and officials is through delinquency proceedings under the Companies Act. DPE is coordinating this process across all state-owned companies. Eskom has compiled detailed evidence regarding all implicated former directors to aid in the delinquency proceedings.

  – *Reporting of former delinquent directors and officials to the relevant professional body*
    The South African Institute of Chartered Accountants instituted disciplinary proceedings against Eskom's former chief financial officer, A Singh, and revoked his professional membership in August 2020. Similar proceedings are being considered for other implicated individuals. Eskom is working with DPE and the Department of Justice on these matters.

  – *Blacklisting of suppliers*
    Eskom is investigating the option of placing a provisional block on new contracts for all implicated suppliers while awaiting the governance processes to blacklist these suppliers. Eskom is reviewing its supplier disciplinary procedures and processes to allow supplier sanctions to take place more effectively going forward.

  – *Crime landscape risk assessment*
    Eskom is conducting a full assessment of its crime risk management landscape together with an independent service provider, which will consider risks related to bribery and corruption, financial crime, physical asset crime, cybercrime and money laundering. Once this assessment is concluded, a crime risk management programme will be embedded as part of Eskom's standard operating procedures.

  – *Review of policies and procedures*
    Eskom reviewed and considered improvements to key procurement and human resource policies and procedures to improve the implementation of consequence management. These policies and procedures will be amended within the parameters of the law. Eskom is also in the process of implementing automated systems, including price check tools, digitisation of materials management and e-auction systems, to proactively address fraud- and corruption-related risks in the procurement of goods and services.

- *Fraud risk management and ethics*
  The implementation of a fraud prevention plan, with the aim of maximising fraud prevention and enhancing good corporate governance practices, is progressing well. Eskom's anti-fraud and corruption integration committee is monitoring implementation of the plan and ensuring integration between forensic, legal, ethics, industrial relations and supplier review functions. Progress is reported to the executive management committee (Exco) and audit and risk committee on a regular basis.

  The assurance and forensic department has been tasked with visiting each power station to identify possible fraud risks and opportunities for improved fraud detection and response activities. Visits have been conducted at 16 power stations by 30 September 2022 and four forensic cases relating to findings at Kendal and Tutuka power stations have been registered for internal investigation following these visits. Investigations on these matters are ongoing.

  Eskom has revised its reference flagging procedures to include employees who resigned before disciplinary processes or investigations could be concluded. Individuals who have been flagged cannot be employed in Eskom for 10 years and cannot serve as an employee of a contractor on Eskom sites. The withholding of pension benefits and the recovery of losses or damages to Eskom from flagged employees are also outlined in the revised procedure.

  Eskom commissioned The Ethics Institute to perform an independent ethics risk assessment to determine potential ethics opportunities, as well as unethical behaviours and practices that place Eskom at risk. The results will be used to better manage ethics-related risks and inform the review of Eskom's ethics management strategy. High-risk areas will be subject to greater focus for ethics training and consequence management.

- *Forensic investigations and disciplinary action*
  A total of 128 new cases (2021: 105) involving employees and suppliers were registered for internal investigation during the year and 113 forensic investigations (2021: 46) were concluded. A total of 253 cases (2021: 238) were under investigation at year end.

  Disciplinary action was recommended against 192 employees during the year. A total of 69 suppliers were recommended to Eskom's supplier review committee for sanctions relating to non-compliance with procurement and supply chain management procedures. In addition, 104 confirmed cases of fraud and corruption were registered with SAPS, with five cases before the criminal courts.

  Unfortunately, investigations revealed similar themes to previous years, with instances of undeclared conflicts of interest, failure to obtain permission to perform private work, improper contract management as well as general procurement irregularities being evidenced. Non-compliance with Eskom's policies and procedures remains the most prevalent root cause of these issues and requires control enhancements in affected areas to prevent recurrence.

  Regrettably, instituting appropriate disciplinary proceedings against employees and suppliers remains slow, resulting in a backlog of cases. The functions responsible for investigations and implementation of sanctions are collaborating to improve consequence management processes, including reporting of outstanding cases. The number of long outstanding disciplinary actions are being monitored, with quarterly feedback to Exco and the board. A disciplinary tribunal consisting of internal and external experts has been established to expedite the application of disciplinary action. Policies and procedures are also being reviewed to ensure consistent application of sanctions.

  Where cases involve criminal conduct, they are reported to law enforcement agencies to continue their investigations even if implicated individuals have resigned from Eskom. Where appropriate, civil proceedings are instituted to recover losses incurred by Eskom.

  An executive security steering committee has been established to address security risks relating to criminal acts, including the theft of copper, vandalism of infrastructure and sabotage incidents. Improved security measures are being implemented to manage these risks and reduce the number of incidents and associated losses through appropriate use of technology and the deployment of additional security.

  Initiatives to improve the prevention of coal, diesel and fuel oil theft at Eskom's power stations are also under way. These are critical commodities for Eskom and are frequently targeted by known criminal syndicates. Coal deliveries by road are particularly at risk of theft and coal-swapping for inferior quality coal. Eskom has implemented operational control mechanisms, such as tamper proof seals, and phased out its free carrier agreement transporter contracts since December 2021. All coal supply agreements require the supplier to retain responsibility for and ownership of the coal until it is weighed at the power station. Coal supplies are also pre-certified by laboratories to ensure they adhere to contractual quality before being delivered.

  Despite these interventions, investigations have discovered that in some cases these processes are deliberately bypassed through collusion by criminal elements. The focus is on gathering intelligence on key role players within and external to Eskom, as well as the syndicated operations of the criminal networks. Eskom is collaborating with law enforcement and other criminal justice agencies to address possible shortcomings that prevent successful investigations and prosecutions on these matters.

  Limited progress has been achieved to date with regards to the civil action against seven former executives and directors, including the recovery of approximately R3.8 billion relating to a prepayment to Tegeta Exploration and Resources (Pty) Ltd. A number of defendants in this matter, including Mr B Molefe, Mr A Singh and Mr MM Koko, have since been arrested on fraud, corruption and money laundering charges relating to other cases.

  The NPA announced in December 2022 that a settlement agreement was concluded with ABB Ltd to pay over R2.5 billion in punitive reparations to South Africa as restitution for fraud and corruption relating to its contracts with Eskom. The settlement will be paid into the South Africa Criminal Asset Recovery Account. Eskom does not have any further details regarding the settlement, including any potential restitution to Eskom.

Governance and compliance (continued)

- *Conflicts of interest and lifestyle audits*
  Directors and employees across all occupational levels are required to complete an annual declaration of interest. Eskom enhanced its conflict of interest declaration system to link directly to the Companies and Intellectual Property Commission database. The upgrade was implemented from 1 April 2021 to verify declarations made during 2022. Exceptions of potential non-compliance with Eskom's conflict of interest policy are investigated.

  Disciplinary processes continue to be conducted on approximately 3 800 employees below executive and senior management level who had not declared business-related interests or had performed private work without prior approval. These exceptions were identified in November 2020, prior to the enhancements to Eskom's conflict of interest declaration system. Around 94% of these matters were resolved by year end.

  Lifestyle audits on executives and senior management were concluded in 2019 and 2020. A total of 34 high-risk cases were identified from 383 lifestyle audits and were handed over to the SIU for further investigation, with some cases still ongoing. One official was dismissed on unrelated charges, 17 cases were closed as a result of no adverse findings identified or resignations during the process, and five cases are still under investigation. The remaining 11 cases were referred to Eskom for disciplinary action, with seven employees found guilty and subject to sanctions ranging from written warnings to suspensions.

It is important to note that the impact of ongoing investigations is not quantifiable until the related investigations are concluded. The outcomes of investigations are assessed once finalised and, if required, an adjustment is made to the carrying value of the related assets. These investigations are complex and determining the correct accounting implications for matters that cover an extended period of time presents a key judgement. Refer to note 2.4 in the annual financial statements for further information on the accounting policy relating to investigations into possible corruption and the related impact on capital projects.

Eskom's overall implementation of the King IV™ principles and practices remains partially effective based on the 2022 assessment. Although many of the required practices have been in place for many years, the board acknowledges that not all the King IV™ principles have been effectively adhered to.

Refer to page 68 of the integrated report for more information on the King IV™ assessment.

PFMA compliance

Eskom has once again received a qualified audit opinion relating to the completeness and accuracy of PFMA information disclosed in note 51 of the annual financial statements as associated financial records were not complete or accurately maintained in line with legislative requirements.

The board is not satisfied that prior year qualification issues have been adequately addressed and considers this a significant focus area. Systems, controls, resources, policies and procedures as well as reporting structures will need to be enhanced to address this challenge.

Irregular expenditure

New instances of irregularities have been detected as Eskom continues with its governance clean-up exercise. The closing balance of irregular expenditure amounted to R67.1 billion on 31 March 2022, the majority of which relates to prior year transgressions. The opening balance was restated from R37.2 billion to R59.2 billion. The process of collecting information and reporting on irregular expenditure continues to be a focus area to reduce the occurrence of restatements in the future.

Regrettably, the process of obtaining condonations from National Treasury has shown little progress for several years. Notice of condonation of 18 transactions valued at R527 million was received during the year. Eskom is working with DPE and National Treasury to ring-fence historical irregular expenditure to minimise the continued impact on the annual financial statements.

Eskom established a centralised loss control department as required in terms of National Treasury Instructions, which became fully operational from 1 April 2021. This function is responsible for conducting assessments and determinations into all occurrences of irregular as well as fruitless and wasteful expenditure, including oversight of consequence management, such as disciplinary action, condonations and recovery of losses, although consequence management remains a challenge. Training and awareness on revised PFMA reporting procedures and guidelines have been implemented and are mandatory for managerial and executive employees.

The procurement and supply chain management department has embarked on an audit recovery programme to address the challenges with PFMA reporting which includes assessing the effectiveness of the procurement compliance monitoring systems and other internal controls. A detailed procurement audit recovery plan was developed in February 2022 and will be enhanced to address findings arising from the external audit.

In addition, the procurement and supply chain management department has implemented several initiatives to reduce the occurrence of irregular expenditure and improve commercial governance processes through its procurement roadmap. Progress on the procurement roadmap is reported to National Treasury and DPE on a regular basis in terms of the conditions of the Special Appropriation Act. The procurement roadmap aims to:
- reduce the number of cancellations of published tenders
- improve compliance with procurement plans
- reduce the number of contract modifications, expansions and deviations
- enhance contract management and performance monitoring

Eskom is implementing continuous reviews and monitoring to limit the use of low-value procurement mechanisms and identify contracting opportunities in accordance with revised procurement procedures.

Fruitless and wasteful expenditure and criminal conduct

The closing balance of fruitless and wasteful expenditure amounted to R5 billion on 31 March 2022, of which only R26 million relates to the year under review. The 2021 closing balance was restated from R4.5 billion to R5 billion. Fruitless and wasteful expenditure cannot be condoned, only recovered or removed. Losses due to criminal conduct of R2.8 billion (2021: R2.5 billion) were reported during the year, of which the majority related to non-technical energy losses including electricity theft.

Board and executive committee changes

The board should consist of a minimum of three and maximum of 15 directors, with the majority being non-executive directors, in terms of the memorandum of incorporation. Requests to appoint additional non-executive directors to strengthen the board were submitted to the shareholder for consideration on several occasions.

The following changes to the board occurred during the year and subsequent to year end:

Non-executive directors	Comment
NVB Magubane	Resigned on 15 August 2021
B Mavuso	Resigned on 27 September 2022
MW Makgoba	Term ended on 30 September 2022
BCE Makhubela	Term ended on 30 September 2022
PE Molokwane	Term ended on 30 September 2022
TH Mongalo	Term ended on 30 September 2022
PM Makwana (chairman)	Appointed on 1 October 2022
FBB Abdhul Gany	Appointed on 1 October 2022
LL Goqwana	Appointed on 1 October 2022
CR le Roux	Appointed on 1 October 2022
APZ Mafuleka	Appointed on 1 October 2022
L Mkhabela	Appointed on 1 October 2022
TL Mthombeni	Appointed on 1 October 2022
B Ntshalintshali	Appointed on 1 October 2022
M Nyati	Appointed on 1 October 2022
T Ramano	Appointed on 1 October 2022
B Vilakazi	Appointed on 1 October 2022
C von Eck	Appointed on 1 October 2022

Dr RDB Crompton, Mr AM de Ruyter and Mr C Cassim remain appointed from the previous board.

Mr AM de Ruyter tendered his resignation as group chief executive on 14 December 2022. He has agreed to stay for an additional period beyond the stipulated 30-day notice period to ensure continuity while the recruitment process for a successor is under way. His last day at Eskom will be 31 March 2023.

The following changes to Exco occurred during the year:

Executive committee members	Comment
M Govender	Appointed as group executive: legal and compliance on 1 October 2021
J Sankar	Appointed as chief procurement officer on 1 March 2022

Refer to page 50 of the integrated report for more information.

Human resources

Eskom seeks to recruit and retain a skilled workforce, as well as develop and source leadership and other critical and scarce skills, by identifying skills gaps, training, maintaining a diversified learner pipeline and enabling talent development opportunities.

Eskom adopted a hybrid work model in January 2022 to take advantage of the benefits of remote working. Qualifying employees may apply to work remotely, with approval subject to operational requirements and the type of work performed. The hybrid work model aims to contribute to creating a high-performing workforce by enabling agility, innovation and efficiency.

Workforce

Eskom's headcount reduced by 2 328 (2021: 2 023) to 40 421 (2021: 42 749) at year end, mainly through natural attrition as well as a net reduction of 1 103 fixed-term contractors in Eskom Rotek Industries SOC Ltd (Rotek) due to contracts coming to an end. Headcount is expected to remain mostly stable over the next five years, with a target of 40 381 by 2027.

Eskom implemented a third round of voluntary separation packages during the year, limited to bargaining unit employees. The process excluded positions classified as core, critical or scarce skills to minimise the impact on operations. A total of 252 applications were received, of which 161 were approved. Of those, 143 offers were accepted, at a cost of R0.1 billion. The separations are not reflected in the headcount at year end, as employees exited Eskom on 30 April 2022.

Human resources (continued)

Industrial relations

Eskom could not reach an agreement with organised labour during the 2021 central bargaining forum (CBF) negotiations and the matter was referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) for arbitration. While awaiting the outcome of the arbitration, Eskom implemented its final offer of a 1.5% basic increase for bargaining unit employees from 1 July 2021. The CCMA issued its arbitration award in September 2022, ordering Eskom to provide an additional 1.5% increase, backdated to 1 July 2021.

Similarly, Eskom and organised labour could not reach an agreement during the 2022 CBF negotiations. The wage dispute resulted in unlawful and unprotected industrial action at many power stations, leading to severe generation supply constraints and the implementation of stage 6 loadshedding from 28 June 2022.

Eskom and organised labour returned to negotiations on 1 July 2022, and concluded an agreement for a 7% basic increase for bargaining unit employees, along with reinstatement of previous conditions of service, bringing an end to the wage dispute.

Refer to page 122 of the integrated report for more information.

Building and retaining strong skills

The Eskom skills development programme supports the national objectives of poverty reduction, economic transformation and job creation in terms of the National Skills Development Plan 2030. The recruitment of learners and the management of the learner pipeline aims to address the critical skills requirements of Eskom and the government.

Retention and development of skills through a targeted employee value proposition is essential to ensure that Eskom has the required skills to meet the organisation's needs, especially considering the operational challenges and financial constraints that Eskom is faced with. The learner pipeline represented 3.6% (2021: 4.1%) of the company's workforce, with 1 238 learners at year end.

The changing world of work, JET and evolving energy industry require the reskilling and upskilling of the workforce. A skills audit commenced in July 2021 to determine skills requirements, assess the current skills base and identify training and development needs. The skills audit covers all technical roles across generation, transmission and distribution. Unfortunately, progress has been slow due to low participation by employees and the audit has been extended into 2023 and is ongoing. The results of the skills audit will aid the development of a fit-for-purpose skills strategy that drives the development of future-fit career paths, redeployment strategies and training interventions.

Eskom implemented a crowdsourcing digital platform in November 2022 to attract a talent pool of highly skilled and experienced candidates to assist in the operational recovery of generation performance. As part of the first intake 25 individuals have been selected. In total, Eskom has shortlisted 153 candidates of the 238 in the database.

Training spend of R0.9 billion (2021: R0.8 billion) was incurred in 2022. Training expenditure was curtailed due to Eskom's financial challenges. Many training interventions have transitioned to online platforms due to the COVID-19 lockdown, which has also led to some cost savings.

Eskom supported further study programmes where employees seek to obtain qualifications related to their line of work, thereby building skills and expanding the leadership potential within the workforce. A total of 843 employees (2021: 303) were enrolled in further studies in 2022.

Two new talent development programmes are being implemented to enhance the employee value proposition, build and retain leadership skills and improve succession planning for general manager and group executive positions as well as middle and senior management positions. A total of 39 participants were selected based on nominations from divisional talent boards. These talent programmes will run from October 2022 to March 2024, whereafter the next cohort will be selected.

Improving internal transformation

Eskom is making progress in building a more diverse and inclusive workforce that reflects the demographics of the country. In the medium term, Eskom plans to develop a diversity and inclusivity policy to expand diversity goals beyond race, gender and disability to cultural, generational and other diversity needs.

Racial and gender equity at senior management and middle management/professionally qualified levels have shown improvement over the past year, although gender equity requires more focus to meet the targets. The achievement of transformation targets in some areas are hindered by attrition, limited recruitment opportunities and ongoing financial challenges.

Proportional representation of persons living with disabilities remains a concern, as they are well represented at lower occupational levels, but not across all levels. Group disability equity improved to 2.94% (2021: 2.93%), but remains below the target of 3.3% outlined in the White Paper on the Rights of Persons with Disabilities.

Eskom's overall gender ratio has improved to 66% male and 34% female employees (2021: 67% and 33%), although the aim is to achieve 50:50 representation by 2030. Gender equity in Exco has improved significantly, with five out of the nine Exco members being female.

Refer to page 127 of the integrated report for more information on employment equity.

Shareholder compact performance

The table below sets out Eskom's performance measured against the shareholder compact that was subject to audit by the external auditors. The external audit opinion relating to this audit is detailed on page 32. All the key performance indicators (KPIs) in the compact refer to the Eskom company, except for the lost-time injury rate and the finance measures which reflects the group.

Actual performance against the year-end target is indicated as follows:
🟢 Actual performance for the year met or exceeded the target
🔴 Actual performance for the year did not meet the target

Key performance indicator	Ref	Unit	Target 2022		Actual 2022	Actual 2021
Focus on safety						
Lost-time injury rate (employee)[1]		rate	**0.30**	🟢	**0.24**	0.22
Improve plant operations						
Energy availability factor	(a)	%	**74.00**	🔴	**62.02**	64.19
Planned capability loss factor	(b)	%	**10.50**	🔴	**10.23**	12.26
Unplanned partial load losses	(c)	average MW	**3 969**	🔴	**4 851**	4 109
Unplanned automatic grid separations trips	(d)	number of trips	**392**	🔴	**697**	527
Post-philosophy outage unplanned capability loss factor	(e)	%	**15.00**	🔴	**29.74**	21.23
System minutes lost		minutes	**3.53**	🟢	**2.88**	3.48
Payment levels excluding Soweto interest		%	**95.70**	🟢	**95.97**	96.82
Distribution total energy losses	(f)	%	**9.45**	🔴	**9.62**	10.11
Total electrification connections	(g)	number	**99 724**	🔴	**97 947**	106 669
System average interruption duration index (SAIDI)		hours	**38.00**	🟢	**35.46**	35.36
Primary energy optimisation						
Migration of coal delivery volume from road to rail	(h)	Mt	**5.50**	🔴	**2.49**	3.57
Coal purchase rand/ton		% increase	**10.00**	🟢	**2.08**	3.04[2]
Deliver capital expansion						
Generation capacity installed and commissioned (commercial operation)		MW	**794**	🟢	**794**	1 598
Transmission lines installed		km	**140.00**	🟢	**180.54**	65.61
Transmission transformers capacity installed and commissioned		MVA	**500**	🟢	**1 065**	750
Legal separation						
Business separation key milestones – transmission, distribution and generation are functionally separated (functionally unbundled)		date	**30 June 2021**	🟢	**Yes**	No
Business separation key milestones – transmission is a legal operating subsidiary of Eskom	(i)	date	**31 Dec 2021**	🔴	**No**	n/a
Ensure financial sustainability						
EBITDA		R million	**45 113**	🟢	**52 374**	32 608[2]
Cash interest cover	(j)	ratio	**1.79**	🔴	**1.68**	0.85
Debt service cover		ratio	**0.74**	🟢	**0.76**	0.30
Savings from turnaround initiatives	(k)	R million	**20 070**	🔴	**20 047**	14 352
Socio-economic impact: human capital						
Learner intake: artisans		number	**105**	🟢	**106**	–
Learner intake: engineers		number	**50**	🟢	**58**	–
Learner intake: technicians		number	**45**	🟢	**51**	–
Training spend as % of gross manpower costs	(l)	%	**3.75**	🔴	**2.70**	2.58
Reduce environmental footprint in existing fleet						
Relative particulate emissions	(m)	kg/MWh sent out	**0.31**	🔴	**0.34**	0.38
Specific water usage	(n)	ℓ/kWh sent out	**1.33**	🔴	**1.45**	1.42
Atmospheric emission licences compliance[3]		KPI in place by 1 September 2021	**Yes**	🟢	**Yes**	n/a
Corporate social investment (CSI)						
CSI committed/spend	(o)	R million	**125.30**	🔴	**75.10**	67.40
Industrialisation and localisation						
Preferential procurement	(p)	% of total measurable procurement spend (TMPS)	**75.00**	🔴	**73.35**	62.34
Local content	(q)	%	**80.00**	🔴	**36.63**	65.99[4]
B-BBEE score		number	**6**	🟢	**4**	8
Enterprise and supplier development		R billion	**5.00**	🟢	**7.21**	6.76
National industrial participation programme		%	**30.00**	🟢	**100.00**	n/a
Research and development		% of NERSA-allocated spend	**80.00**	🟢	**123.40**	52.10

1. Includes occupational disease.
2. Prior year information has been restated. Refer to note 48 in the annual financial statements.
3. DPE required Eskom to develop and pilot a new KPI during 2022 to measure compliance by power stations with atmospheric emission limits. This process was completed by September 2021 as required. Since then, Eskom has been measuring performance for internal benchmarking purposes. The newly developed KPI is included in the shareholder compact for reporting from 2023.
4. The comparative is based on the old definition of local content. The comparative would have been 2.17% based on the new definition.

Shareholder compact performance (continued)

The reasons for the targets that were not achieved are discussed below:

Ref	Key performance indicator	Target 2022	Actual 2022	Reason
Improve plant operations				
(a)	Energy availability factor	**74.00**	**62.02**	The energy availability factor was negatively affected by an increase in unplanned maintenance due to high levels of both full and partial unplanned load losses, offset by lower planned maintenance and losses outside of management control.
(b)	Planned capability loss factor	**10.50**	**10.23**	Planned maintenance declined due to delays in the release of funding and to compensate for the high levels of unplanned maintenance experienced during the year.
(c)	Unplanned partial load losses	**3 969**	**4 851**	Unplanned partial load losses resulted from delays in procuring critical spares, slippage in planned target dates to clear the maintenance backlog to restore plant redundancy, and post-outage load losses which had to be gradually cleared over time.
(d)	Unplanned automatic grid separations trips	**392**	**697**	Unplanned trips were mainly experienced in the turbine, boiler and feedwater areas of the plant. Performance was affected by a backlog of capability testing at several power stations due to unit load restrictions, maintenance defects and units operating outside their design specifications. Slow progress in addressing design deficiencies also contributed to the number of trips.
(e)	Post-philosophy outage unplanned capability loss factor	**15.00**	**29.74**	The main contributor to unplanned losses that occurred within 60 days after a unit returned from an outage include boiler, turbine, electrical and draught plant related losses.
(f)	Distribution total energy losses	**9.45**	**9.62**	Non-technical losses largely resulted from electricity theft, while technical losses were impacted by ageing distribution networks which are constrained, overloaded and exposed to equipment theft.
(g)	Total electrification connections	**99 724**	**97 947**	Electrification connections were impacted by the time taken to conclude contracts, lengthy procurement and material delivery processes and community unrest.
Primary energy optimisation				
(h)	Migration of coal delivery volume from road to rail	**5.50**	**2.49**	Less coal was transported by rail mainly due to the unavailability of the rail offloading facility at Majuba power station following a fire incident in December 2019. Rail operations at Majuba resumed in October 2021, but remain limited. Rail operations were negatively affected by cable theft, vandalism of rail infrastructure and availability of operational resources, including locomotives.
Legal separation				
(i)	Business separation key milestones – transmission is a legal operating subsidiary of Eskom	**Yes**	**No**	The legal separation of the transmission division was delayed by a number of critical external decisions and key dependencies, including protracted lender consent processes and delays in obtaining a transmission licence for the NTCSA.
Ensure financial sustainability				
(j)	Cash interest cover	**1.79**	**1.68**	Cash interest cover was negatively impacted by high finance costs, relating mostly to debt securities and borrowings, and insufficient operating cash flows due to poor generation plant performance, non-payment by some customer categories and a lack of cost-reflective tariffs.
(k)	Savings from turnaround initiatives	**20 070**	**20 047**	Savings were slightly below target primarily due to limited capital expenditure savings achieved.
Socio-economic impact: human capital				
(l)	Training spend as % of gross manpower costs	**3.75**	**2.70**	Training spend has declined largely due to the impact of COVID-19. Many of the training measures at the Eskom Academy of Learning have been discontinued as a result of the COVID-19 lockdown restrictions and have not yet been reinstated.

Ref	Key performance indicator	Target 2022	Actual 2022	Reason
Reduce environmental footprint in existing fleet				
(m)	Relative particulate emissions	**0.31**	**0.34**	Relative particulate emission performance has improved since 2021 largely due to an improvement in performance at Kendal power station. However, emissions continue to exceed the target due to poor performance, mostly at Kendal, Tutuka, Lethabo, Matimba, Matla and Duvha power stations because of ash plant challenges, electrostatic precipitator performance and sulphur trioxide (SO_3) plant failures.
(n)	Specific water usage	**1.33**	**1.45**	Water usage has deteriorated due to inadequate water management practices at power stations, including leaks and overflows at units, less recovery from on-site dams for reuse due to poor water quality from contamination with ash and oil, ashing with cooling water to control cooling water chemistry, as well as dam overflows. Kendal and Tutuka power stations discharged water into the environment for the entire year, resulting in increased raw water usage.
Corporate social investment (CSI)				
(o)	CSI committed/spend	**125.30**	**75.10**	Less expenditure was incurred on CSI initiatives due to delays in the implementation of national flagship projects by the Eskom Development Foundation because of the COVID-19 lockdown restrictions as well as other factors.
Industrialisation and localisation				
(p)	Preferential procurement	**75.00**	**73.35**	Preferential procurement was negatively affected by spend on IPP contracts which are not B-BBEE compliant. The calculation of TMPS includes spend on IPP contracts of which Eskom has no control as they were concluded in terms of the DMRE RE-IPP programme.
(q)	Local content	**80.00**	**36.63**	Local content was impacted by a reduction in the number of contracts with local content obligations. A new definition has been applied that measures local content as a percentage of the total contracts awarded for all Eskom company procurement. Previously, local content contracted was measured as a percentage of TMPS.

Reportable irregularities

Progress has been made in clearing some of the reportable irregularities raised in previous years. Given the complex nature of some of these matters they will remain open until all related aspects are concluded. Several reportable irregularities were reported by the external auditors in respect of the audit for 2022. Detailed progress on reportable irregularities can be found in note 52 of the annual financial statements.

Events after the reporting date

Events after the reporting date are discussed in note 47 of the annual financial statements.

Approval

The group annual financial statements for the year ended 31 March 2022 were prepared under the supervision of the CFO, C Cassim CA(SA), and approved by the board and signed on its behalf by:

PM Makwana
Chairman

16 December 2022

AM de Ruyter
Group chief executive

16 December 2022

C Cassim
Chief financial officer

16 December 2022

REPORT OF THE AUDIT AND RISK COMMITTEE

Mandate and terms of reference

The audit and risk committee (the committee) presents its report in terms of the requirements of the PFMA, the Companies Act (section 94(7)(f)) and other applicable regulatory requirements as well as in accordance with the King IV™ Report on Corporate Governance for South Africa for the financial year ended 31 March 2022.

The role of the committee is defined in its mandate. It covers, among others, its statutory duties and assistance to the board with the oversight of financial and non-financial reporting and disclosure, internal control systems, risk management, internal and external audit functions and combined assurance, including technology and information governance. The committee also performs the functions required by the Companies Act on behalf of the wholly-owned subsidiaries of the group, with the exception of Escap SOC Ltd, Nqaba Finance 1 (RF) Ltd and Eskom Uganda Ltd which have independent audit committees. Information about the mandate, membership composition and attendance of meetings of the committee is set out in the 2022 integrated report under the governance, leadership and ethics as well as supplementary information sections.

The committee has adopted appropriate formal terms of reference as its audit and risk committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities contained therein.

We draw attention to the users that the committee with three members ceased to operate on 30 September 2022 and a new committee comprising six members (includes one continuing member from the previous committee) with appropriate skills took over from 1 October 2022. The decision making and execution of oversight for the year under review was the responsibility of the previous committee. The new committee oversaw activities from the date of their appointment to the sign-off of the annual financial statements.

The group is applying a combined assurance model to ensure coordinated assurance activities. The committee oversees the assurance activities and the establishment of effective systems of internal control to provide reasonable assurance that the group's financial and non-financial objectives are achieved and that the preparation of the group's suite of externally published reports (as detailed in the integrated report) are in accordance with the frameworks and standards set out within those reports.

Execution of functions

Oversight of financial and non-financial reporting and disclosure

In the conduct of its duties the committee has, *inter alia*:

- considered whether the annual financial statements met the fair presentation requirements of the PFMA, Companies Act and IFRS
- considered the appropriateness of key judgements, estimates and the accounting treatment applied to significant transactions in the annual financial statements
- sought the input and views of the assurance and forensic department and the external auditors and encouraged rigorous challenging of control, accounting and disclosure matters
- considered matters relating to liquidity, cost savings, budgeting and forecasting, future funding and taxation
- overseen the risk management function, including the process of identifying significant risks and opportunities and the resulting mitigation strategies
- considered the expertise, resources and experience of the finance function under the leadership of the chief financial officer

The following significant matters were considered:

Significant matter	Committee review and conclusion
Going-concern assessment	The committee continued to monitor the group and company's liquidity and solvency closely because of the financial position and related challenges and concluded that it was not trading recklessly at any time during the year. The committee acknowledged the ongoing and continued support from government and the respective responsibilities of Eskom and the shareholder to address the current challenges. The committee considered the key aspects as well as the material uncertainties that might impact the going-concern assessment as discussed in note 3.2. The going-concern assessment evaluated the liquidity of Eskom based on the latest cash flow forecasts, including servicing of debt in the 12 months after the sign-off of the annual financial statements and included stress-tested scenarios using lower electricity prices, changes to capital activities and reducing costs. The committee considered that there has been an improvement in most of the group's financial indicators compared to the prior year, in particular the improvement in EBITDA and EBITDA margin, but noted the forecast decline in financial performance for 2023 as a result of poor operational performance. The committee concluded, after examining the forecast and stress-tested scenarios and considering Eskom's ability to raise funding in the current market conditions, that the going-concern basis of accounting was appropriate with support from government to address the related material uncertainties. The committee recommended the adoption of the going-concern basis of preparation by the group and company to the board based on the critical factors as disclosed in note 3.2. The committee acknowledge that there are various dependencies and uncertainties that exist both from a timing of intervention perspective as well as whether the plans to address the risks to manage the going concern will materialise as anticipated. The events, conditions and assumptions to manage the going concern inherently include material uncertainties that may cast significant doubt on the going-concern status.
Governance	The committee considered the progress made in improving key governance challenges, including Eskom's action plan to address and prevent cases of corruption and fraud. The shareholder appointed a new board with a broad range of experience and the necessary expertise and skills to provide stability and strategic direction to Eskom, effective from 1 October 2022. The appointment of the new board also addressed the challenge that the audit and risk committee composition was not adequate in terms of the appropriate financial skills and experience for the size and risks associated with Eskom. Additional permanent appointments were made, specifically the general manager for assurance and forensic, group executive for legal and compliance, chief information officer and chief procurement officer during the year to strengthen Eskom's leadership. The priority of the current leadership remains to turn Eskom around. Progress has been made towards restoring Eskom's ethical culture and governance practices. The committee notes Eskom's response to the governance challenges including the progress of the task team that was established to address the recommendations of the Zondo Commission. The committee continued its focus on monitoring the status and action taken on addressing key matters arising from investigations, reportable irregularities and past corporate governance breaches. Refer to the directors' report for further information. The committee acknowledged that there could be adjustments to the carrying value of property, plant and equipment in the future if the outcome of internal and external investigations into fraud and corruption indicates any overcapitalisation of past expenditure incurred. The committee considered the reportable irregularities that were raised by the external auditors and the action taken to address these matters and preventative measures taken to prevent any re-occurrence thereof. The committee acknowledged that some irregularities would remain open until all related aspects have been concluded. Refer to note 52 for further information on reportable irregularities.

Execution of functions (continued)

Oversight of financial and non-financial reporting and disclosure (continued)

Significant matter	Committee review and conclusion
Completeness and accuracy of certain financial records in terms of the requirements of the PFMA and Companies Act and the impact thereof on the audit opinion	The committee acknowledged that there are significant internal control deficiencies in the PFMA reporting process. The committee continued to place significant focus on addressing the shortcomings in the accuracy and completeness of information required by the PFMA, specifically the reporting of irregular expenditure, fruitless and wasteful expenditure and losses due to criminal conduct. The committee is not satisfied that the prior year qualification issues have been adequately addressed as the audit qualification continued in 2022 as the PFMA records were not complete or accurately maintained in line with legislative requirements. Systems, controls, resources, policies and procedures as well as reporting structures will need to be enhanced to address this challenge. A loss control department has been established in terms of the National Treasury instructions. Assessments and determinations of PFMA incidents are conducted by this department from 1 April 2021 in line with revised PFMA reporting procedures. The execution of the mandate of the loss control function however needs improvement. Refer to the directors' report for further information on addressing the PFMA reporting challenges. The committee considered the restatements of the comparative information in the annual financial statements that was necessary to ensure accurate reporting in terms of IFRS requirements. The committee considered the reasons for the adjustments to confirm that matters were appropriately addressed and that controls are in place to prevent any reoccurrence thereof. The committee will continue to monitor the progress of addressing non-compliance matters, including the preparation and execution of the 2023 financial reporting processes.
Recovery of overdue trade receivables (arrear debt)	The committee considered the actions taken by Eskom to address municipal, Soweto and international arrear debt, including enhancing existing revenue and debt management processes, enforcing Eskom's rights through legal action and the implementation of the active partnering solution for municipalities. The committee, however, recognises that the challenges regarding the recovery of outstanding receivables cannot be solved by Eskom alone. The continued support and cooperation from government and other stakeholders are crucial to address the root causes of the problem. It is critical that these challenges are addressed through the political task team. The committee acknowledges that government plans to announce further measures to address the outstanding receivables in the National Budget Speech in February 2023.
Valuation of property, plant and equipment and assessment for possible impairment	The committee considered management's feedback regarding the nature and quantum of costs capitalised to property, plant and equipment and that the costs were necessary in bringing the asset to the condition to operate in the manner intended by management. The committee also considered management's feedback that an appropriate methodology has been applied to determine the useful lives of assets based on Eskom's experience of the performance of the assets taking into account Eskom's operating and maintenance regimes as well as the physical conditions and circumstances under which the assets operate. The committee considered the appropriateness of the CGU for the group and is satisfied that management contemplated impairment indicators such as damaged plant and the impact of electricity tariffs on future cash flows, which have been appropriately taken into account in the impairment assessment. The committee considered management's underlying assumptions and estimates used in the calculation of the recoverable amount of the CGUs which confirmed that there is no impairment required on property, plant and equipment. Refer to note 9 for further information on the impairment assessment. The committee acknowledge that there could be further writeoffs of the carrying value of property, plant and equipment once the ongoing internal and external investigations into allegations of contract corruption have been finalised. Refer to note 2.4.
Valuation and adequacy of provisions	The committee considered the briefings on the decommissioning and rehabilitation provisions, including the governance framework applied, the movement in provisions over time and the key assumptions and discount rates used. The committee considered management's underlying assumptions used in determining the decommissioning provisions to assess the adequacy thereof. Detailed annual reviews are done by external experts on a rotation basis to re-assess the relevant decommissioning and rehabilitation liabilities against the latest international practices and benchmarks as well as compliance to legislation. Where recent assessments were not available, the committee is satisfied that management ensured that the information represents the best available estimate at the reporting date. The committee is satisfied that management has adequately considered the provision for compensation events as assessed by experts and legal advisors that it is based on the latest available information. The committee acknowledged that the provision is based on Eskom's past experience regarding the finalisation and outcome of compensation events and that the outcome of open compensation events, which are subject to a contractual adjudication process, could be different to management's assessment thereof.

Significant matter	Committee review and conclusion
Valuation of financial instruments	The committee is satisfied that management has adequately considered the valuation of financial instruments, in particular the derivatives held for risk management. Management made use of independent experts to assist with the valuation of these financial instruments to ensure alignment of the valuation curve methodology in determining the fair values of the financial instruments to market practice. The committee acknowledges that the valuation of these instruments is complex and that there is a need to ensure that Eskom has access to valuation professionals with the required specialised skills and knowledge. The committee requested that the hedging strategy be reviewed for economic effectiveness.
Internal control over financial reporting, including information technology general controls	The committee monitored the effectiveness of the control environment through feedback on the results of the combined assurance activities from management, assurance and forensics (internal audit) and the external auditors. The committee scrutinised the significant risk areas and their associated remediation plans and mitigating controls implemented, including those relating to segregation of duties, access management, security of confidential data, cyber risk, information technology infrastructure, application issues and third-party supplier management. The committee concluded that the design of internal controls is adequate, although application and the monitoring thereof require improvement in certain areas. The committee noted significant control deficiencies identified relating to compliance with contract management, supply chain management, inventory management, plant management and operational technology procedures, among others. The committee considered the independent auditors' report and the qualified opinion relating to the accuracy and completeness of information disclosed in terms of the PFMA and that, except for this qualification, the consolidated annual financial statements are fairly presented in terms of IFRS. The committee is satisfied that the system of internal financial controls and compensating measures to combat a breakdown in these controls provide a reasonable basis for the preparation of Eskom's financial statements. The committee considered the delayed publication of the annual financial statements, arising from the late appointment of the external auditors as well as the extensive procedures required at the commencement of a new audit engagement. The committee also considered the time taken to resolve several key audit matters such as the valuation of complex financial instruments and the engagement of management experts in this area, the restatement of prior period errors as well as findings and control deficiencies emanating from the lack of compliance with well-documented policies, process control manuals and procedures.

The matters listed above are considered to be key focus areas for the committee and will be monitored and reported on in future. The committee will also monitor the relevant aspects of the legal separation that could have an impact on the role of the committee.

Internal control, management of risks and compliance with legal and regulatory requirements

The committee considered the following:

- effectiveness of internal control systems and governance processes
- legal matters that could have a material impact on the group
- reportable irregularities raised by the external auditors
- effectiveness of the system and process of risk management including the following specific risks:
  - financial reporting
  - internal financial controls
  - fraud risks relating to financial reporting
  - information technology risks relating to financial reporting and internal control
  - the effectiveness of the entity's compliance with legal and regulatory requirements

Internal and external audit

The committee considered the following:

- audit charter, annual audit plan, independence, effectiveness, coordination with external auditors and performance of the assurance and forensic department that reports functionally into the audit and risk committee
- appointment of the external auditors in terms of the Companies Act, Johannesburg Stock Exchange Listings' Requirements and all other applicable legal and regulatory requirements
- decision letters, findings and remedial explanations issued by Independent Regulatory Board for Auditors (IRBA) as well as any summaries and explanations as made available by the external auditors to the committee
- the quality of the external audit as well as the independence and objectivity of the external auditors including the tenure of the audit firm and the rotation of the engagement partner
- external audit plan, audit budget, actual fees and terms of engagement of the external auditors including adherence to the policy of not allowing the external auditors to provide any non-audit services
- accounting, sustainability and auditing concerns identified as a result of the internal and external audits, including reportable irregularities

Conclusion

The committee concluded, based on the information and explanations provided by management and the assurance and forensic department and discussions with the independent external auditors, that:

- the expertise, resources and experience of the finance function under the leadership of the chief financial officer are adequate, but recognised that there is a need for expert technical skills and finance business partnering
- the system and process of risk management is adequate even though the effectiveness thereof needs to be improved
- the compliance framework requires continued focus to ensure application thereof, especially in terms of PFMA requirements and contract management
- the internal accounting controls with compensating measures are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained. Improvements are required to ensure the controls operate effectively. The monitoring of the implementation and continuous adherence to policies, process control manuals and procedures will be a focus area of the process, control and assurance function
- consequence management needs to be improved to address instances of non-compliance with well-documented policies, process control manuals and procedures
- the internal audit charter approved by the committee was adhered to
- the expertise, resources and experience of the assurance and forensic department was considered and, although the resources have been enhanced during the year, there is still a need for additional resources and skills
- the assurance and forensic department, under the leadership of a general manager, is operating effectively, even though improvement is needed in the execution of its mandate and proactive addressing of control deficiencies by the business to prevent any re-occurrence of findings
- the combined assurance model is adequate. However, the monitoring and assessment of the execution of controls at levels lower than the external auditors of the combined assurance model need to be enhanced
- the information contained in the integrated and sustainability reports is reliable and does not contradict the information in the annual financial statements
- Eskom and the group have access to adequate resources, facilities and support from government to be able to continue their operations for the foreseeable future, supporting the going-concern assumption
- it is satisfied with the audit quality of the external audit as well as the independence and objectivity of the external auditors having considered the matters set out in section 94(8) of the Companies Act. Deloitte & Touche was appointed as external auditors for the 2022 financial year with Mr AJ Dennis as the lead engagement partner after the contract with the previous auditors came to an end

The committee is satisfied, notwithstanding the aspects considered in relation to the annual financial statements including the PFMA reporting challenges and control deficiencies identified, that nothing significant has come to the attention of the committee to indicate any material breakdown in the functioning of the controls, procedures and systems during the year under review and that the controls are appropriate with compensating measures to ensure compliance with the requirements of the Companies Act, the PFMA and IFRS.

Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Eskom and the group for the year ended 31 March 2022 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the Companies Act, the PFMA and IFRS. The committee concurs that the adoption of the going-concern premise in the preparation of the annual financial statements is appropriate.

The committee has therefore, at its meeting held on 14 December 2022, recommended the adoption of the financial statements by the board.

FBB Abdul Gany
Chairperson

16 December 2022

STATEMENT BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act of South Africa, I certify that the company has filed with the Companies and Intellectual Property Commission all such returns and notices in terms of this Act, and all such returns appear to be true, correct and up to date.

M Manjingolo
Company secretary

16 December 2022

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON ESKOM HOLDINGS SOC LTD AND ITS SUBSIDIARIES

Report on the audit of the consolidated and separate financial statements

Qualified opinion

We have audited the consolidated and separate financial statements of Eskom Holdings SOC Ltd and its subsidiaries (the group) set out on pages 38 to 146 which comprise the consolidated and separate statements of financial position as at 31 March 2022, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2022, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act, 2008 (Act No. 71 of 2008).

Basis for qualified opinion

Irregular expenditure

The public entity did not fully and accurately record irregular expenditure in note 51.1 to the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems of internal control to timeously detect and record this expenditure in the consolidated and separate financial statements, as well as inadequate controls to ensure appropriate assessment of potential irregular expenditure arising from supply chain management processes, various investigations, and tracking of internal audit and forensic report findings. Certain items of possible irregular expenditure that were previously logged for assessment tests were removed without the tests being adequately conducted and concluded upon. Certain items were adjusted from the balance at the beginning of the year which were not substantiated by supporting evidence.

In addition, the primary source registers tracking case numbers contained missing numbers in the sequence for which no explanations could be obtained, and the value of irregular expenditure did not always agree to underlying supporting documentation.

As a result of the weaknesses identified and described above, we were unable to determine the full extent of the misstatement of irregular expenditure disclosed in terms of section 55(2)(b)(i) of the PFMA stated at R67 101 million (2021: R59 177 million) and R63 337 million (2021: R56 104 million) in note 51.1 to the consolidated and separate financial statements respectively, as it was impracticable to do so.

Fruitless and wasteful expenditure

The public entity did not fully record fruitless and wasteful expenditure in the note 51.2 to the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems of internal control to timeously detect and record this expenditure in the financial statements including the inappropriate assessment of possible fruitless and wasteful expenditure logged. Items of possible fruitless and wasteful expenditure previously logged for assessment tests, were removed without the tests being adequately conducted and concluded. In addition, the primary source registers tracking case numbers, contained missing numbers in the sequence, for which no explanations could be obtained.

As a result of the weaknesses identified and described above, we were unable to determine the full extent of the misstatement of fruitless and wasteful expenditure disclosed in the financial statements stated at R4 994 million (2021: R4 968 million) and R4 983 million (2021: R4 966 million) disclosed in note 51.2 to the consolidated and separate financial statements respectively, as it was impracticable to do so.

Losses due to criminal conduct

We were unable to obtain sufficient appropriate audit evidence for the estimated non-technical revenue losses disclosed in note 51.3 to the consolidated and separate financial statements due to the lack of evidence to support the continued relevance of the model applied to determine the value of estimated non-technical revenue losses. The model, developed in 2016, contains estimates and judgements which have not been updated for changes to the key assumptions. We were not able to confirm estimated non-technical revenue losses by alternative means.

In addition, we were unable to obtain sufficient and appropriate evidence that the theft of conductors, cabling and related equipment and other crimes included in the losses due to criminal conduct note were completely and accurately recorded due to inadequate systems of internal control to detect and record these losses. Potential losses associated with fuel oil usage and losses arising from poor coal quality were not assessed due to inadequate systems of internal control to evaluate, investigate and monitor unusual fluctuations in fuel oil and coal usage. Consequently, we were not able to determine whether any adjustment was necessary to the estimated losses due to criminal conduct stated at R2 795 million and R2 744 million disclosed in note 51.3 to the consolidated and separate the financial statements respectively, as required by section 55(2)(b)(i) of the PFMA.

Context for the opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We are independent of the group in accordance with Independent Regulatory Board for Auditors' *Code of Professional Conduct for Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Basis for qualified opinion and the Material uncertainty related to going concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters identified are applicable to the consolidated and separate financial statements.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Opening balances and prior period restatements</td></tr>
<tr><td>
ISA 510 Initial Audit Engagements – Opening Balances (ISA 510), requires the auditor to evaluate the risk of material misstatement in relation to the opening balances and to adopt audit procedures to reduce this risk to an acceptably low level.
ISA 510 outlines the auditor's responsibility to obtain sufficient appropriate audit evidence about whether:

Opening balances contain misstatements that materially affect the current period's financial statements; and
Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

Due to the size and complexity of the group, we engaged in an extensive exercise (Phase Zero) to fulfill the requirements of ISA 510. These procedures were further necessitated by the material breakdown in internal controls over financial reporting discussed below.
In understanding and executing Phase Zero, we identified several prior period misstatements, that would materially affect the current period's financial statements. The pervasive nature of these misstatements, coupled with the magnitude of the misstatements resulted in prior period restatements to the consolidated and separate financial statements, that have been disclosed in note 48.
These have a significant impact on the consolidated and separate financial statements, and we consider Phase Zero and the resultant prior period restatements to be a key audit matter.
</td><td>
Our audit procedures included the following:

Interactions with, and reviews of, the predecessor auditors' engagement files.
Understanding key business cycles including the IT landscape.
Assessing the directors' position papers on key judgements and selected accounting transactions.
Evaluating evidence (data, models and assumptions) supporting significant estimates and selected disclosures.
In instances where, based on audit evidence evaluated, we identified possible misstatements, and resultant restatements, we performed the following:

Evaluated the revised accounting treatment of the different transactions against the relevant IFRS.
Involved our internal technical audit and accounting specialists to review the accounting implications and the audit procedures performed.
Evaluated data, challenged methods and assumptions and timing of cash flows.
Involved our specialists where necessary to assist with the evaluation of data, models, assumptions and calculations.
Evaluated and challenged the directors' calculations of the restated amounts.
Evaluated the appropriateness of the disclosures in the financial statements.

We found that the restatements were performed in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and are based on relevant IFRSs. We evaluated the disclosures in note 48 to the financial statements which contain the key explanations and impact of the adjustment on the prior year financial position and results of operations, and we consider these to be appropriate.
</td></tr>
<tr><td colspan="2">Valuation of complex financial instruments and hedge accounting</td></tr>
<tr><td>
The group and company accounts for complex financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments, which prescribes the principles for recognition and measurement of the financial instruments and hedge accounting. The derivatives held for risk management are not managed on a held-to-collect and/or for sale business model and the default classification and measurement is therefore at fair value through profit or loss unless they meet the criteria for and have been designated as cash flow hedges.
Significant judgment is exercised by the group in the recognition and valuation of the derivatives financial instruments and cash flow hedges. As per note 6.2, the group's valuations of cross-currency swaps include the credit risk of Eskom (known as debit value adjustment DVA) and counterparties (known as credit value adjustment CVA) where appropriate. A stochastic modelling approach is followed where the expected future exposure to credit risk for Eskom and its counterparties (considering default probabilities and recovery rates derived from market data) is modelled at inception and on subsequent valuation dates.
The recognition and measurement of these financial instruments significantly affects the measurement of the consolidated and separate profit or loss for the year and disclosures of financial risks in the consolidated financial statements. Given the combination of inherent subjectivity and judgement involved in estimating the values of these financial instruments and the material nature of the balance as well as the audit effort which involved the use of professionals with specialised skill and knowledge, the valuation of the derivative financial instruments and application of hedge accounting was considered to be a matter of significance to the current year audit of the consolidated and separate financial statements.
</td><td>

Evaluated the design and tested the operating effectiveness of certain internal controls over the group and company's valuation of derivative financial instruments and hedging accounting process.
Involved valuation professionals with specialised skills and knowledge, who assisted in the evaluation of the group and company's hedge documentation for certain contracts, for the purposes of determining whether the related accounting treatment was in accordance with the requirements of the prevailing accounting standards.
Assessed the competence, qualifications, and objectivity of group directors' external specialists used in the valuation of the derivative financial instruments.
For a sample of instruments, with the assistance of our valuation specialists we:

Challenged the appropriateness of the valuation methodology and technique used by the directors in the valuation of the instruments.
Reperformed the valuation using an independent model and compared the fair value results to directors' valuation to assess the reasonableness of directors' model methodology and the output of model calculations.

The design of the derivative financial instruments and hedge accounting models as well as certain asumptions used by management were inappropriate. The impact of these inaccuracies resulted in material misstatements in the day-one gain/loss on initial recognition of cross-currency swaps and the resultant impact on the evaluation of the hedge effectiveness of such instruments at subsequent reporting dates. This was further impacted by the lack of consideration of CVA/DVA pertaining to such instruments in determining hedge effectiveness. As a result, based on our audit procedures, the directors engaged external valuation experts and adjustments were made to mitigate the above risks identified in the models. The impact of this resulted in current and prior year misstatements which have been included in the restatements disclosure in note 48. We considered the related disclosures to be appropriately adjusted in the financial statements.
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<tr><td colspan="2">Primary energy costs and inventory management</td></tr>
<tr><td>
Our external audit has confirmed that significant control deficiencies exist over the management of the coal supply chain, fuel oil, consumables and spares and primary energy costs. We also identified deficiencies in the directors' own control processes. These identified deficiencies included:

Weighbridge controls at certain sites.
Quality assessment of the coal and fuel oil delivered.
The performance of inventory cycle counts.
Investigation and reconciliation of inventory losses.
The audit of cost-plus mines to ensure the group's rights are protected and
The maintenance of accurate and complete inventory valuation reports.

In light of the above observed control deficiencies and the existence of fraud and corruption being widely reported both internally and externally of Eskom, we have concluded that there has been a significant breakdown in the controls over the management of coal, fuel oil, consumables and spares. This is considered to be a key audit matter due to the significant and pervasive impact this has had on the overall timing, level of expertise and effort associated with the current audit of the financial statements.
</td><td>
Our overall audit approach was designed to take into account the results of these risks and the impact of a higher fraud risk on our audit.
Our procedures to address this key audit matter included:

Involvement of our internal forensics specialists to assess risk in the potential fraud areas, identify the fraud schemes and assist in designing appropriate procedures.
Interactions with the group's internal forensics experts – Assurance and Forensics.
Assessment of weighbridge controls and systems by our forensic and IT specialists.
Attendance of the year end inventory counts by senior audit personel.
Requesting the directors to reperform their inventory count processes four times at Majuba, Arnot, Kriel, Tutuka, Camden and Hendrina power stations as reliance could not be placed on the accuracy of managements' previous inventory counts and cycle counts due to the high percentage of count inaccuracies.
Performing analytical review procedures and benchmarking analysis to identify significant fluctuations/anomalies/outliers with respect to fuel oil.
Performing data analytic procedures, with the assistance of our IT audit function in order to identify transactions with the parties identified in media articles, Zondo Commission reports, and Assurance and Forensics reports.
Selecting a sample of the purchases made and inspecting supporting documents such as the service level agreements, proof of delivery, proof of payments and the invoices, in order to determine the validity and existence thereof.

Based on the above procedures, we have concluded on the existence of coal, fuel oil and consumables and spares as reflected on the balance sheet following certain adjustments.
Our procedures confirm the existence of significant control deficiencies in coal inventory management at certain sites, as well as in the monitoring and measurement of fuel oil usage at certain power stations namely Majuba, Tutuka, Camden and Grootvlei in the generation division.
</td></tr>
</table>

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matters (continued)

Key audit matter	How the matter was addressed in the audit

Valuation of the compensation events provisions relating to mega-build projects

Key audit matter

As disclosed in note 2.18, note 29 and note 44 to the consolidated and separate financial statements, the group recognises provisions for compensation events.

These provisions are recognised based on contractual obligations and measured based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The amount of the provisions is based on directors’ assessment of the most likely amounts due based on the current information available. The group expects to settle the majority of these provisions within 12 months.

The finalisation of the obligation depends on factors outside the control of the group, for example, arbitration and dispute resolution processes, which could impact the timing and quantum of the settlement of these claims. Each claim is assessed individually to determine culpability and to conclude on the strength of the claim.

The group relies on its contract managers, internal and external engineers and quantity surveyors and where necessary, other experts, in the determination of the provision for compensation events.

The estimation of the amount required to settle claims arising from compensation events requires significant judgement. Due to the high level of judgement and estimation required in determining the provision for compensation events, it is considered to be a key audit matter.

How the matter was addressed in the audit

Our audit procedures included the following:

- We assessed the design and implementation of controls operating to ensure that compensation events settled are valid and that appropriate provision is raised for outstanding claims.
- We considered the appropriateness of the oversight performed by the compensation events committee, the responsible contract managers and Eskom executives.
- For a sample of claims submitted by contractors we performed the following:
  - Obtained an understanding of the status of the contract through discussion with contract managers and internal experts including engineers and quantity surveyors.
  - Assessed the validity of each claim with reference to contract documentation.
  - Held discussions with directors’ internal experts and, where applicable, external experts, to obtain an understanding of the significant assumptions, judgements and methods used in determining the estimates, the outcome of their estimates and the basis of their conclusions.
  - Considered the reasonableness of estimates made in recognising the provision for compensation events, through inspection of claim submissions, quantity surveyor reports, and correspondence between the contractor and Eskom.
- Assessed the competence, capabilities and objectivity of directors internal and where applicable, external experts, through inspection of their qualifications and their membership of professional organisations.
- Considered the historical accuracy of previous provisions raised and settlements ultimately made.
- For material claims and those currently in dispute resolution and arbitration processes, we held discussions with the group’s internal legal counsel, obtained confirmations from the group’s external legal advisors and inspected correspondence in respect of these matters.
- We updated our understanding of claims in progress to the date of signing the financial statements and updated our understanding of subsequent rulings and whether these should be adjusted as at 31 March 2022.

We assessed the adequacy of the disclosures made in the financial statements with reference to the disclosure requirements of IAS 37 *Provisions, Contingent liabilities and Contingent assets*.

We did not identify material discrepancies in directors’ judgements and conclusions.

Impairment of property, plant and equipment and indefinite useful life intangible assets

Key audit matter

As disclosed in note 2.6, note 8 and note 9 of the consolidated and separate financial statements, the directors assessed the property, plant and equipment and intangible asset balances for impairment in line with IAS 36 *Impairment of Assets*.

The recoverable amount of a group of assets, or CGU, is to be measured whenever there is an indication that the value of the group of assets or the CGU may be impaired. Significant judgement is required by the directors in assessing the impairment of the group of assets or the CGU, which is determined with reference to fair value less cost to sell or the value in use, based on the cash flow forecast for the CGU.

Impairment indicators were identified as a result of the continuing losses of the group and company, worse than expected financial performance as a result of increased generation costs and lower than expected energy availability factor being achieved.

How the matter was addressed in the audit

In evaluating the impairment model of property, plant and equipment and intangible asset balances within the CGU, we reviewed the value in use calculation prepared by the directors, with a particular focus on the assumptions with the most significant impact. This included the forecasted sales price, the forecasted available generation capacity, discount rates, the long term growth rate and consistent implementation of the pricing methodology as identified by the directors.

Key audit matter	How the matter was addressed in the audit

Key audit matter

The key assumptions with the most significant impact on the cash flow forecasts were:

- Revenue growth which is dependent on electricity sales volumes and generation capacity as well as the forecasted price of electricity, which path is based on tariff increases to be determined by the National Electricity Regulator of South Africa (NERSA).
- The discount rate which is based on the regulatory electricity pricing methodology where the rate of return on the entity’s assets should equate to its weighted average cost of capital. The determination of the weighted average cost of capital is highly complex.
- Long term growth rates and EBITDA margins.
- Adoption of a consistent pricing methodology by NERSA in line with the prevelant pricing methodology.

The complexity of the above results in complex accounting considerations, and this was determined as a key audit matter.

How the matter was addressed in the audit

Our procedures included the following:

- Testing of the key controls relating to the preparation and review of the group’s cash flow forecasts and the impairment model.
- Testing of inputs into the cash flow forecast.
- Given that the assumptions with the most significant impact is the forecasted sales price and the forecasted available generation capacity identified by the directors, we
  - Challenged the expectation as to the electricity price path which clarity has now been attained through the most recent Court rulings both on methodology inputs and on the adjustments required to correct the prior year assumptions applied by NERSA.
  - Challenged the model assessing the generation capacity, specifically the energy wheel.
- Considered the directors’ ability to accurately forecast, based on a comparison of historical actual performance against previous respective forecasts.
- We engaged our internal valuation and engineering specialists to perform the following:
  - Critically evaluate whether the directors’ assertion regarding a single CGU and the value in use calculation complies with the requirements of IAS 36 *Impairment of assets*.
  - Benchmark the growth rates and forecasted sustainable EBITDA margin.
  - Assess the weighted average cost of capital (discount rate) and the determination of this rate.
  - Assess the forecasted available generation capacity and evaluated this against the 2035 Just Energy Programme.
  - Stress-tested the future projected cash flows specifically in relation to the key assumptions of price and energy availability factor inputs.
  - Analysed the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU, against external market data, historical performance and forecasts.
  - Recalculated the value in use of the CGU.
  - Considered the appropriateness of the disclosures and sensitivity analyses presented.

The discount rate and other assumptions were within independently determined acceptable ranges.

For the determination of an appropriate recoverable amount for the CGU, the model is dependent on NERSA approving the tariffs in line with the regulatory electricity pricing methodology which is consistently applied. This is a significant assumption, as the group has resorted to lodging court applications to oppose certain assumptions NERSA applied in the revenue determination where the directors believe NERSA has not complied with the published multi-year price determination methodology. Note 47 discloses the outcome of Eskom’s court review applications against NERSA revenue determination decisions.

We considered the related disclosures of the key dependencies and the sensitivities in the impairment model to be appropriate.

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matters (continued)

Key audit matter | **How the matter was addressed in the audit**

Valuation of the power station-related environmental restoration and mine-related closure, pollution control and rehabilitation provisions

Key audit matter

As disclosed in note 28 to the consolidated financial statements, the group and company recorded R49.8 billion (2021: R47.3 billion) in closure and rehabilitation provisions as at 31 March 2022. Provisions for closure and rehabilitation are recognised by the group when there is a present legal or constructive obligation, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Auditing the group's rehabilitation and decommissioning provisions was complex due to the significance, as well as the high estimation uncertainty, of the provisions. The determination of the provisions is based on, among other assumptions, judgements and estimates of the current damage caused, nature, timing and amount of future costs to be incurred to rehabilitate the power stations and mine sites, and discount rates. These assumptions are inherently judgmental and subject to change due to continued power generation and mining activity and rehabilitation, legislation and environmental changes, which cannot be predicted with certainty and thus requires specific focus and the involvement of specialists on our team.

How the matter was addressed in the audit

- Obtained the group's environmental models which are used to determine the value of the environmental remediation provisions.
- Assessed the design and implementation of controls over the model preparation, the inputs and the review.
- The nuclear related closure and related provisions, we involved an international nuclear specialist to assess the appropriateness of the model and provisions against latest international standards to ensure all areas of exposure have been considered, quantified and recorded appropriately. The specialist assessed the nature and timing of the costs included within the cash flow forecasts.
- For the other power generating plants and mine related closure and rehabilitation provisions, engaged our environmental specialists, who performed the following procedures:
  - Obtained the latest external directors' environmental specialist reports prepared for the rehabilitation and decommissioning provision of each power station and cost-plus mine, as well as the models prepared by the directors.
  - Reviewed the methodology, including significant key technical judgements and estimates, applied by the environmental specialists with respect to the closure and rehabilitation provisions.
  - Engaged our valuation specialists to review the discount rates used by the directors in the closure and rehabilitation models.
  - Tested the mathematical accuracy of the closure and rehabilitation provisions calculations.
  - Assessed the competence, qualifications, and objectivity of directors' external specialists.
  - Assessed the adequacy of the disclosures within note 28 to the consolidated financial statements.

We identified significant internal control deficiencies in the determination and valuations of provisions for closure and rehabilitation costs, which resulted in numeric misstatements and restatements.

Furthemore, with respect to the nuclear plant decommissioning and spent fuel provisions, there was no evaluation of the continued relevance and appropriateness of the decommissioning model and the inputs into the model were not updated resulting in the estimates and assumptions for labour, foreign currency and inflation rates requiring adjustment to be aligned to current market information and align to industry guidance and accounting standards.

We identified misstatements resulting from incorrect discount rates, double discounting of water treatment costs and spent fuel costs in the power station and nuclear station respective decommissioning models, and inappropriate treatment of the water management costs with respect to a cost-plus mine.

The directors processed the relevant adjustments to correct the above misstatements identified and this is appropriately disclosed in note 28 as well as the restatement note 48.

Material breakdowns in internal controls over financial reporting and the impact on the audit of the financial statements

Key audit matter

Strong internal controls over the financial reporting process are key to ensuring that financial statements are reliable and fairly presented.

Internal control is defined as the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Eskom's challenges are well understood by every South African and so in accepting the audit engagement Deloitte planned to use and deploy senior audit personnel, international and internal specialists with skill in areas of complexity and judgement.

Informed by our Phase Zero work discussed above, we adopted a fully substantive audit approach to the audit of the consolidated and separate financial statements.

The completeness and accuracy of the consolidated and separate financial statements, is dependent on, in part:

- Designing and maintaining an effective control environment, that includes day to day controls, as well as reconciliation controls,
- Maintaining a sufficient complement of resources with an appropriate level of controls knowledge, expertise and training commensurate with financial reporting requirements,
- Designing and maintaining effective information technology general controls for significant applications used in the preparation of the financial statements, including access and monitoring changes within those significant applications, and
- Designing and maintaining effective controls to timely detect and independently review instances where individuals with access to post a journal may also have edited or created the journal entry.

Our audit confirmed that the group had developed policies and procedures, to ensure a sound control environment, however, these are not always adhered to nor are there monitoring procedures and controls to assess and enforce the implementation of the policies and procedures.

A number of the controls breakdowns had been identified by the group's assurance and forensics department, however monitoring of the remediation of these deficiencies were not deemed adequate.

The decentralised nature of the group's operations has resulted in ineffective lines of communication and authority in executing the group's directives. No clear lines of responsibility exist, resulting in an inability to assign accountability.

The directors' controls with respect to the review of the underlying financial information of the group and its components, including reconciliations performed in the financial reporting close process, appropriate application of IFRS and consideration of accounting positions relating to significant estimates and judgements, in respect of key account balances and classes of transactions, are not operating effectively.

The breakdowns in controls are contributory factors to the restatements disclosed in note 48.

The impact of the above material breakdown of internal controls and the extent to which these significant deficiencies are linked to a likelihood of material misstatement including the risk of fraud and error, had an impact on the overall timing, level of expertise and effort associated with the current year audit of the financial statements and thus is a key audit matter.

How the matter was addressed in the audit

While the audit procedures we have performed have provided us with sufficient and appropriate audit evidence for our opinion and our opinion is not modified in respect of these significant deficiencies except to the extent outlined in the basis for qualified opinion above, the significant control deficiencies resulted in significant management effort to appropriately address the matters identified and delayed the audit process and the resultant reporting on the financial statements.

The following are the primary procedures we performed to address this key audit matter:

- We applied auditor judgement to plan the nature, timing, and extent of our audit procedures to be performed over financial statement account balances.
- We altered the timing of the audit procedures and completed these closer to the balance sheet date.
- The audit process was delayed to allow management, the directors and the auditors sufficient time to close out on the key areas of judgement.
- We re-assessed certain critical judgements and reviewed critical decisions taken on certain estimates and judgements in the prior year.
- We evaluated our scoping thresholds and control risk assessments considering the material breakdowns in controls.
- We increased the number of sample selections compared to what we would have otherwise made had the public entity's controls been properly designed and operated effectively.
- We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of the nature and extent of such evidence.
- We brought an element of unpredictability to areas highlighted through our risk assessment processes by scoping and subscoping to address specific risks in particular sites or over certain account balances, by changing the timing of our procedures, by revisiting sites to assess the adherence to the policy and procedure manual, by obtaining external confirmation in areas where the internal processes were not providing the required audit evidence and by reperformance of processes to evaluate the results internal processes yielded.

Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the impact of the material breakdown in financial controls.

Material uncertainty related to going concern

We draw attention to the matter below.

We draw attention to note 3.2 in the consolidated and separate financial statements which indicates that the group incurred a net loss of R12 330 million (2021: R25 016 million), and the company incurred a net loss of R14 312 million (2021: R26 696 million) for the year ended 31 March 2022. In addition, the current liabilities exceed current assets at year end.

As disclosed in note 3.2, the group is faced by significant challenges that is evidenced by:

- the continued losses experienced by the group and company,
- the declining generation capacity on the back of plant performance challenges resulting in increased fuel spend on OCGT generating capacity,
- above inflation cost increases,
- the continuous increase in overdue electricity receivables,
- the court proceedings against NERSA to regularise the tariff determination methodology, and
- the negotiation of significant new and renewed funding and the need for Government support.

The mitigating strategies and actions as disclosed in note 3.2 are numerous but various dependencies and uncertainties both internal and external to the company will impact the ability to deliver against these strategies, which indicates the existence of a material uncertainty that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on the audit of the consolidated and separate financial statements (continued)

Emphasis of matter

We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Restatement of corresponding figures

As disclosed in note 48 to the consolidated and separate financial statements, the corresponding figures for March 2021 and March 2020 were restated as a result of errors in the financial statements at and for the year ended 31 March 2022.

Events after the reporting period

We draw attention to note 47 in the consolidated and separate financial statements, which discloses several material non-adjusting and adjusting subsequent events. This includes the court rulings relating to NERSA applications, the diesel rebate ruling from SARS as well as several plant incidents subsequent to year end.

Significant new accounting policy – Investigations into possible corruption and related impact on capital projects

We draw attention to note 2.4 in the consolidated and separate financial statements, which describes the new accounting policy related to the investigations into possible corruption at the group and the potential impact on the valuation of capital projects, once the investigations are completed.

Other matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Previous period audited by a predecessor auditor

The consolidated and separate financial statements of the group for the year ended 31 March 2021 were audited by another auditor in terms of section 4(3) of the Public Audit Act of South Africa, Act 25 of 2004 (PAA). A qualified opinion on those statements was issued on 26 August 2021 as the group did not fully and accurately record irregular expenditure in terms of section 55(2)(b)(i) of the PFMA.

Responsibilities of the accounting authority for the consolidated and separate financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act and PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the IRBA. The matters pertaining to the reportable irregularities have been described in note 52.1 to the consolidated and separate financial statements.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance areas presented in the shareholders compact performance section of the directors' report. We performed procedures to identify material findings but not to gather evidence to express assurance.

Our procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the entity enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in the shareholders compact performance section of the directors' report for the year ended 31 March 2022 (pages 17 to 19):

- Improve plant operations
- Deliver capital expansion
- Ensure financial sustainability
- Reduce environmental footprint in existing fleet

We performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for these key performance areas.

Other matter

We draw attention to the matter below.

Achievement of planned targets

Refer to shareholders compact performance section of the directors' report pages 17 to 19 for information on the achievement of planned targets.

Adjustment of material misstatements

We identified material misstatements in the financial sustainability section of the annual performance report submitted for audit resulting from corrections to the underlying financial statements submitted for audit. As management subsequently corrected the misstatements, we did not raise material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework (IFRS) as required by section 55(1)(b) of the PFMA. The submitted financial statements contained material misstatements on primary energy, impairments and write down of assets, other expenses, net fair value and foreign exchange gains and losses, depreciation and amortisation expense, net fair value and foreign exchange (loss)/gain, other expenses, finance cost, income tax, deferred tax, property, plant and equipment, inventories, derivatives, trade and other receivables, capital reserves and provisions, identified by the auditors which were subsequently corrected. Furthermore, the note disclosure relating to going concern, business impairments, and complex financial instruments was not provided and subsequently updated. In addition, significant number of restatements to the prior year comparative information were identified and corrected. The details of the restatements have been described in note 48 to the consolidated and separate financial statements.

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the amount of irregular expenditure disclosed in note 51.1 of the company financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with section 51(1)(a)(iii) of the PFMA. Similar non-compliance was reported in the prior year.

Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the amount of fruitless and wasteful expenditure disclosed in note 51.2 of the company financial statements does not reflect the full extent of the fruitless and wasteful expenditure incurred. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by poor procurement and project management. Similar non-compliance was reported in the prior year.

Revenue management

Effective and appropriate steps were not taken to collect all revenue due from local small power users, as required by section 51(1)(b)(i) of the PFMA. Furthermore, the steps taken to collect revenue due from local large power users (municipalities) were not effective in recovering all revenue due as required by the PFMA. Similar non-compliance was reported in the prior year.

Procurement and contract management

We were unable to obtain sufficient appropriate audit evidence that, in all instances, quotations were awarded in accordance with the legislative requirements as due proper record keeping was not maintained. Similar limitations were also reported in the prior year.

In some instances, goods, works, or services were not procured through a procurement process which is fair, equitable, transparent, and competitive, as required by section 51(1)(a)(iii) of the PFMA. Limitations were also reported in the prior year.

In some instances, tenders and quotations were awarded to bidders based on preference points that were not awarded in accordance with the requirements of the Preferential Procurement Policy Framework Act (PPPFA) and Preferential Procurement Regulation. Similar non-compliance was also reported in the prior year.

In some instances, tenders and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and section 11 of the 2017 Preferential Procurement Regulation.

In some instances, tenders and quotations were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, as required by the 2017 Preferential Procurement Regulation 5(1) and (3).

In some instances, tenders and quotations were awarded to bidders based on pre-qualification criteria that were not stipulated and/or differed from those stipulated in the original invitation for bidding and quotations, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2).

In some instances, tenders which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable in accordance with the 2017 Preferential Procurement Regulation 5(6).

In some instances, tenders which achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with the 2017 Preferential Procurement Regulation 5(7).

Report on the audit of compliance with legislation (continued)

Introduction and scope (continued)

Procurement and contract management (continued)

Some of the bid documentation for procurement of commodities designated for local content and production, did not always stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).

Consequence management

We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to some investigations into irregular and fruitless and wasteful expenditure not being performed. A similar limitation was reported in the prior year. This limitation resulted in a reportable irregularity as reported on the report on other legal and regulatory requirements above.

Where investigations were performed, disciplinary steps were not taken against some of the officials who had permitted irregular and fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Allegations of financial misconduct against some members of the accounting authority were not properly investigated in accordance with the requirements of treasury regulation 33.1.3.

Investigations were not conducted into all allegations of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

In some instances, disciplinary hearings were not held for confirmed cases of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

Due to inadequate processes of management of cases and investigations, we are unable to obtain sufficient evidence that allegations of corruption or theft, fraud, extortion, forgery, uttering a forged document which exceeded R100 000 were reported to the SAPS, as required by section 34(1) of the Prevention and Combatting of Corrupt Activities of South Africa. A similar limitation was also reported in the prior year. This limitation resulted in a reportable irregularity as reported in the report on other legal and regulatory requirements above.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the document titled "Eskom Annual financial statements 31 March 2022" which includes the directors' report, the report of the audit and risk committee and statement by the company secretary as required by the Companies Act which were obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements, our auditor's report and those selected key performance areas presented in the shareholder compact performance section of the directors' report that have been specifically reported on in this auditor's report.

Our opinion on the financial statements and findings on the compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected key performance areas presented in the shareholder compact performance section of the directors' report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the restatements, and the findings on compliance with legislation included in this report.

As previously reported, the accounting authority has embarked on an action plan to address the internal control deficiencies as part of exercising its oversight responsibility regarding compliance with applicable legislation and internal control. Although policies and procedures exist and are communicated, there is a lack of discipline in the business to adhere to these policies and procedures. This, together with the lack of adequate monitoring and effective consequence management procedures, resulted in a lack of accountability at the operational level and a less than satisfactory control environment.

Furthermore, in the prior year, the accounting authority introduced a loss control function in an effort to reduce the occurrence of irregular and fruitless and wasteful expenditure as described in the prior year directors' report. However, management did not adequately implement the continuous review and monitoring controls relating to self-assessment for supply chain management, irregular, fruitless and wasteful expenditure, nor did they implement the mechanism of effective collaboration between the assurance, and forensic, and loss control functions to identify PFMA related issues. This resulted in not all PFMA related matters being identified and investigated timeously to act as a deterrent for future perpetrators. This further results in an ineffective assurance process.

The accounting authority did not exercise adequate oversight over those responsible for compliance and the implementation of effective action plans to ensure that all significant prior year audit findings are remediated appropriately and that the backlogs of transgressions were investigated and concluded timeously.

Management did not address the backlog relating to alleged possible irregular and fruitless and wasteful expenditure within the specified timeframe as required by the National Treasury frameworks and instruction notes.

Leadership did not ensure that adequate entity and process level controls were designed, implemented and monitored to prevent, identify and correct non-compliances within the supply chain environment and quantify the full extent of irregular expenditure, thereby addressing the repeat qualification. There was no comprehensive process to address the repeat findings related to irregular expenditure.

Leadership did not adequately exercise oversight responsibility regarding compliance and related internal controls to ensure that compliance requirements were met in order to prevent irregular expenditure, fruitless and wasteful expenditure, and reporting on losses due to criminal conduct.

The accounting authority did not ensure that there were adequate controls in place to ensure that amounts included in the annual financial statements and PFMA disclosure notes are supported by registers which are complete and accurate. Some underlying information supporting registers were not always recorded, values were not always accurate, and information was not always sufficient and appropriate and format of underlying registers at times made it impracticable to allow for efficient audit process.

Management has continued the journey of implementing proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support the reporting of irregular expenditure. While there is some progress made, we identified instances where proper record keeping ensuring complete, relevant and accurate information to support reporting on irregular expenditure was not yet implemented. In some instances, fictitious documents were created for audit purposes. Documents were also intentionally destroyed by Eskom employees.

Leadership and management developed forward looking action plans as part of addressing prior year issues related to consequence management for irregular, fruitless and wasteful expenditure and the prior year qualification. The implementation of these actions plans is still in progress and therefore the public entity has not completely implemented consequences for historic transgressions as well as non-compliance in the current period.

Management did not in all instances adequately implement review and monitoring controls to prevent non-compliance with applicable laws and regulations relating to supply chain management. In addition, the lack of related internal controls on certain of these items were also highlighted to management as potential fraud risk indicators. Where controls did not prevent non-compliance with supply chain management legislation, detection controls were also deficient as not all irregular expenditure and fruitless and wasteful expenditure were identified and disclosed.

Management regularly reports on splitting of orders but did not design and implement adequate controls to investigate and where necessary take the appropriate action against both delinquent suppliers and employees to prevent the splitting of orders to avoid the competitive bidding process for goods and services as we still identified instances of splitting of orders.

Management has developed categories for various compliance requirements on the Enterprise Resource Planning (ERP) system, however, the discipline to complete system inputs adequately, highlighting the nature of procurement process being followed, was not reviewed and monitored. This results in compliance related matters not being supported by complete and accurate registers.

Leadership did not act on a timely basis on various assurance and forensic report findings, thus contributing to the lack of compliance with the company's internal policies and procedures and resulting in a less than satisfactory control environment.

Leadership did not provide adequate oversight to address the significant backlogs in forensic matters not timeously investigated and ensuring disciplinary processes are timeously effected on matters that were investigated. This results in non-adherence of legislation.

Although there is a project underway, management did not timeously implement adequate controls to evaluate and confirm the continued relevance of the non-technical revenue losses model and update the key assumptions used.

The accounting authority did not exercise adequate oversight over the financial statements before submitting them for audit. We identified material misstatements to the financial statements submitted for audit, as well as restatements to the prior year financial results. The group's financial reporting controls were not adhered to by component financial management to ensure the reporting of IFRS compliant financial information that is based on accurate and complete financial records. This has highlighted the lack of ownership and accountability for accurate and complete financial records and financial reporting at a component level and further indicates a lack of financial oversight, monitoring and review of component financial information.

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support credible financial reporting. This resulted in delays in submission of information impacting the audit process and ultimately the audit outcome.

The consistent performance by management of routine key financial controls such as inventory cycle counts, review of stock obsolescence, asset verification and supplier creditor reconciliations were not always adequately performed during the year. In addition, the controls around the accounting positions relating to significant estimates and judgements, in respect of key account balances and classes of transactions, are not operating effectively.

Management did not implement appropriate weighbridge controls which is critical for inventory management at certain sites. Although identified by management, the control procedures to adequately assess coal quality in terms of the contractual arrangements, were not implemented effectively at all sites. Management did not implement appropriate controls over monitoring and measurement of fuel oil usage at certain sites. These significant control deficiencies result in ineffective inventory management, the inability to respond to inventory losses and excessive usage variances and the inability to take action against delinquent employees and or suppliers where proven. The controls over inventory and primary energy at certain sites are lacking and this could result in loss to the company.

The treasury function within the group manages a large portfolio of debt and financial instruments. The valuation of such instruments is complex and there was a lack of technical skillset to appropriately evaluate and critique the key inputs and assumptions in the models. There is a lack of technical expertise to robustly review and evaluate these complex models and the impact on the hedge accounting process in line with relevant accounting standards.

Internal control deficiencies (continued)

The executive authority did not fill vacant board positions and some of the vacancies were for individuals with the requisite financial skills resulting the audit and risk committee functioning without a member with financial skill. This has only recently been addressed through the appointment of the new board members.

Other reports

We draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the consolidated and separate financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

Matters under investigation

The Zondo Commission of Enquiry dedicated a whole report to the alleged contract maladministration and corruption within the Eskom Holdings SOC Ltd environment in the context of state capture. As disclosed in note 52.2 and note 2.4 to the financial statements, various matters are reported to be under investigation. During the financial year under review the regulatory authorities and the accounting authority conducted investigations into alleged irregularities, fraud and corruption within the procurement environment and other areas of the entity. In addition, there were findings of maladministration regarding supply chain management and other improper conduct associated with state capture that have been brought to the attention of the accounting authority. As at the reporting date, investigations remain ongoing, and we could not determine the extent of the impact of the outcomes of these investigations to the consolidated and separate financial statements. We refer you to the accounting policies note 2.4 where the policies regarding recognition, measurement and disclosure of investigations have been discussed.

Limited assurance and agreed upon procedures engagements

At the date of this report, we have commenced/completed the following engagements:

- Agreed upon procedures on net sent out power megawatt hours, gross sent out power megawatt hours and actual sent out power production figures to NERSA for the year ended 31 December 2021. The report was issued to the accounting authority on 21 April 2022.
- Agreed upon procedures on compliance with the requirements of the Financial Markets Act No. 19 of 2012, including the Financial Services Board Notices 96 and 100 of 2013 and the Strate Central Securities Depository (Strate) Rules, Circular 15p/2022 for the period 1 April 2021 to 8 September 2022. The report was issued to the accounting authority on 30 November 2022.
- Agreed upon procedures on the group's generation, transmission and distribution activities regulatory financial report as issued to NERSA. This engagement is in progress at the date of our audit report.
- Agreed upon procedures on the National Treasury consolidation template that covered the period from 1 April 2021 to 31 March 2022. This engagement is in progress at the date of our audit report.
- Limited assurance reports on the compliance of the issue of the Domestic Multi-Term Note with the relevant provisions of the commercial paper exemption notice (the "notice"). The reports were issued on 3 and 10 March 2022.

Auditor tenure

In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Eskom Holdings SOC Ltd and its subsidiaries for one year with the appointment being affected on 2 November 2021.

DocuSigned by:

Deloitte & Touche

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Deloitte & Touche
Registered Auditor

Per: André J. Dennis
Partner

16 December 2022

5 Magwa Crescent
Waterfall City
Waterfall
2090

Annexure – Auditor's responsibility for the audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on the reported performance information for selected key performance areas and on the group's compliance with respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of Eskom Holdings SOC Ltd and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore key audit matters. We describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

STATEMENTS OF FINANCIAL POSITION

at 31 March 2022

	Note	Group 2022 Rm	Group Restated[1] 2021 Rm	Group Restated[1] 2020 Rm	Company 2022 Rm	Company Restated[1] 2021 Rm	Company Restated[1] 2020 Rm
Assets							
Non-current		**718 412**	710 419	708 263	**719 602**	710 860	715 968
Property, plant and equipment	8	**665 070**	661 694	652 314	**667 105**	663 654	653 919
Intangible assets	9	**3 624**	3 656	3 830	**3 355**	3 358	3 558
Future fuel supplies	10	**6 304**	4 390	4 389	**6 304**	4 390	4 389
Investment in equity-accounted investees	11	**418**	420	397	**95**	95	95
Investment in subsidiaries	12	**–**	–	–	**380**	380	384
Inventories	13	**11 516**	11 001	9 921	**11 516**	11 001	9 921
Deferred tax	14	**9 971**	6 280	96	**10 906**	6 651	–
Loans receivable	15	**7 830**	8 007	49	**5 650**	5 758	5 937
Embedded derivatives	16	**822**	–	–	**822**	–	–
Derivatives held for risk management	17	**8 046**	11 185	33 918	**8 046**	11 185	33 918
Finance lease receivables	18	**258**	292	338	**258**	292	338
Payments made in advance	19	**2 064**	1 800	1 676	**2 063**	1 799	1 675
Trade and other receivables	20	**2 489**	1 694	1 335	**3 102**	2 297	1 834
Current		**83 173**	66 839	102 621	**64 966**	52 052	90 735
Inventories	13	**23 086**	22 481	21 132	**22 850**	22 229	20 889
Taxation		**38**	120	136	**–**	–	–
Loans receivable	15	**319**	310	27	**–**	–	–
Embedded derivatives	16	**117**	–	–	**117**	–	–
Derivatives held for risk management	17	**463**	1 358	23 718	**464**	1 360	23 718
Finance lease receivables	18	**35**	35	34	**35**	35	34
Payments made in advance	19	**749**	1 377	1 398	**748**	1 351	1 395
Trade and other receivables	20	**25 163**	22 716	21 053	**26 534**	24 574	22 233
Insurance investments	21	**17 318**	14 401	11 981	**–**	–	–
Financial trading assets	21	**–**	–	152	**–**	–	152
Cash and cash equivalents	22	**15 885**	4 041	22 990	**14 218**	2 503	22 314
Assets held-for-sale		**–**	–	8 642	**–**	–	–
Total assets		**801 585**	777 258	819 526	**784 568**	762 912	806 703
Equity							
Capital and reserves		**235 314**	215 304	185 524	**215 191**	197 180	169 090
Liabilities							
Non-current		**453 876**	460 416	499 495	**452 545**	458 705	498 855
Debt securities and borrowings	25	**345 490**	357 411	408 151	**344 568**	356 486	408 107
Embedded derivatives	16	**–**	208	5	**–**	208	5
Derivatives held for risk management	17	**5 415**	3 736	74	**5 415**	3 736	74
Deferred tax	14	**348**	388	3 855	**–**	–	2 972
Payments received in advance	26	**2 576**	2 867	2 355	**2 589**	2 867	2 355
Contract liabilities and deferred income	26	**25 525**	23 943	22 577	**25 525**	23 943	22 577
Employee benefit obligations	27	**16 404**	15 414	13 530	**16 067**	15 089	13 232
Provisions	28	**49 257**	47 335	39 662	**49 250**	47 264	39 640
Lease liabilities	29	**8 032**	8 447	8 875	**8 031**	8 445	8 873
Trade and other payables	30	**829**	667	411	**1 100**	667	1 020
Current		**112 395**	101 538	133 034	**116 832**	107 027	138 758
Debt securities and borrowings	25	**50 804**	44 415	75 531	**53 498**	47 556	80 107
Embedded derivatives	16	**–**	1 283	1 131	**–**	1 283	1 131
Derivatives held for risk management	17	**4 563**	4 538	1 139	**4 563**	4 538	1 143
Payments received in advance	26	**3 880**	2 796	3 430	**3 879**	2 809	3 437
Contract liabilities and deferred income	26	**1 921**	1 729	1 540	**1 921**	1 729	1 540
Employee benefit obligations	27	**3 450**	3 732	3 293	**3 129**	3 403	3 018
Provisions	28	**8 944**	5 307	5 991	**8 801**	5 234	5 933
Lease liabilities	29	**571**	522	475	**571**	522	474
Trade and other payables	30	**37 994**	37 082	40 175	**40 468**	39 951	41 761
Taxation		**266**	132	115	**–**	–	–
Financial trading liabilities	21	**2**	2	214	**2**	2	214
Liabilities held-for-sale		**–**	–	1 473	**–**	–	–
Total liabilities		**566 271**	561 954	634 002	**569 377**	565 732	637 613
Total equity and liabilities		**801 585**	777 258	819 526	**784 568**	762 912	806 703

1. Refer to note 48.

INCOME STATEMENTS

for the year ended 31 March 2022

	Note	Group 2022 Rm	Group Restated[1] 2021 Rm	Company 2022 Rm	Company Restated[1] 2021 Rm
Revenue	31	**246 520**	204 326	**246 520**	204 326
Other income	32	**1 494**	2 662	**2 013**	4 331
Primary energy	33	**(132 439)**	(115 492)	**(132 439)**	(115 492)
Employee benefit expense	34	**(32 985)**	(32 887)	**(27 858)**	(27 319)
(Impairment)/reversal of impairment of financial assets	35	**(589)**	91	**(544)**	146
Impairment and writedown of other assets	35	**(847)**	(1 886)	**(833)**	(1 890)
Other expenses	36	**(28 780)**	(24 206)	**(36 261)**	(32 469)
Profit before depreciation and amortisation expense and net fair value and foreign exchange loss (EBITDA)		**52 374**	32 608	**50 598**	31 633
Depreciation and amortisation expense	37	**(32 009)**	(26 585)	**(31 933)**	(26 579)
Net fair value and foreign exchange loss	38	**(3 126)**	(8 049)	**(3 281)**	(8 648)
Profit/(loss) before net finance cost and share of profit of equity-accounted investees		**17 239**	(2 026)	**15 384**	(3 594)
Net finance cost		**(33 063)**	(31 142)	**(34 089)**	(32 252)
Finance income	39	**2 364**	2 400	**1 360**	1 409
Finance cost	40	**(35 427)**	(33 542)	**(35 449)**	(33 661)
Share of profit of equity-accounted investees after tax	11	**52**	71	**–**	–
Loss before tax		**(15 772)**	(33 097)	**(18 705)**	(35 846)
Income tax	41	**3 442**	8 081	**4 393**	9 150
Loss for the year[2]		**(12 330)**	(25 016)	**(14 312)**	**(26 696)**

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Note	Group 2022 Rm	Group Restated[1] 2021 Rm	Company 2022 Rm	Company Restated[1] 2021 Rm
Loss for the year[2]		**(12 330)**	(25 016)	**(14 312)**	(26 696)
Other comprehensive income/(loss)		**647**	(1 204)	**630**	(1 214)
Items that may be reclassified subsequently to profit or loss		**(690)**	(564)	**(695)**	(576)
Cash flow hedges					
Changes in fair value	17	**(328)**	(878)	**(328)**	(878)
Net amount transferred to profit or loss					
Ineffective portion of cash flow hedges	38	**(477)**	478	**(477)**	478
Net amount transferred to initial carrying amount of hedged items		**(145)**	(400)	**(145)**	(400)
Foreign currency translation differences on foreign operations		**5**	12	**–**	–
Income tax thereon	41	**255**	224	**255**	224
Items that may not be reclassified subsequently to profit or loss		**1 337**	(640)	**1 325**	(638)
Re-measurement of benefits	27	**1 737**	(890)	**1 718**	(887)
Income tax thereon	41	**(400)**	250	**(393)**	249
Total comprehensive loss for the year[2]		**(11 683)**	(26 220)	**(13 682)**	(27 910)

1. Refer to note 48.
2. A nominal amount is attributable to the non-controlling interest in the group. The remainder is attributable to the owner of the company.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2022

	Share capital Rm	Cash flow hedge reserve Rm	Unrealised fair value reserve Rm	Foreign currency translation reserve Rm	Accumulated profit Rm	Total equity Rm
Group						
Balance at 31 March 2020 as restated	132 000	413	(10 248)	(3)	63 362	185 524
Previously reported	132 000	6 825	(17 612)	(3)	64 858	186 068
Prior year restatements, net of tax[1]	–	(6 412)	7 364	–	(1 496)	(544)
Loss for the year	–	–	–	–	(25 016)	(25 016)
Other comprehensive (loss)/income, net of tax	–	(576)	–	12	(640)	(1 204)
Share capital issued	56 000	–	–	–	–	56 000
Transfers between reserves	–	–	(607)	–	607	–
Balance at 31 March 2021	**188 000**	**(163)**	**(10 855)**	**9**	**38 313**	**215 304**
Loss for the year	**–**	**–**	**–**	**–**	**(12 330)**	**(12 330)**
Other comprehensive (loss)/income, net of tax	**–**	**(695)**	**–**	**5**	**1 337**	**647**
Share capital issued	**31 693**	**–**	**–**	**–**	**–**	**31 693**
Transfers between reserves	**–**	**–**	**1 184**	**–**	**(1 184)**	**–**
Balance at 31 March 2022	**219 693**	**(858)**	**(9 671)**	**14**	**26 136**	**235 314**
Company						
Balance at 31 March 2020 as restated	132 000	413	(10 248)	–	46 925	169 090
Previously reported	132 000	6 825	(17 612)	–	48 413	169 626
Prior year restatements, net of tax[1]	–	(6 412)	7 364	–	(1 488)	(536)
Loss for the year	–	–	–	–	(26 696)	(26 696)
Other comprehensive loss, net of tax	–	(576)	–	–	(638)	(1 214)
Share capital issued	56 000	–	–	–	–	56 000
Transfers between reserves	–	–	(607)	–	607	–
Balance at 31 March 2021	**188 000**	**(163)**	**(10 855)**	**–**	**20 198**	**197 180**
Loss for the year	**–**	**–**	**–**	**–**	**(14 312)**	**(14 312)**
Other comprehensive (loss)/income, net of tax	**–**	**(695)**	**–**	**–**	**1 325**	**630**
Share capital issued	**31 693**	**–**	**–**	**–**	**–**	**31 693**
Transfers between reserves	**–**	**–**	**1 184**	**–**	**(1 184)**	**–**
Balance at 31 March 2022	**219 693**	**(858)**	**(9 671)**	**–**	**6 027**	**215 191**

Share capital
Refer to note 24 for details regarding share capital.

Cash flow hedge reserve
The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (forward exchange contracts and cross-currency swaps) related to hedged transactions that have not yet occurred. The cross-currency swap hedges foreign exchange rate and interest rate risk of the future interest payments and the principal repayment on bonds and loans (denominated in US dollar, euro and yen).

Unrealised fair value reserve
The cumulative net change in the fair value of financial instruments that have not been designated as cash flow hedging instruments is recognised in profit or loss. The unrealised portion of the net change in fair value is not distributable and has been reallocated from a distributable reserve (accumulated profit) to a non-distributable reserve.

Foreign currency translation reserve
The foreign currency translation reserve comprises exchange differences resulting from the translation of the results and financial position of foreign operations.

Accumulated profit
Accumulated profit is the amount of cumulative profit retained in the business after tax. No dividend has been proposed in the current or prior year. There are no restrictions on the distribution of dividends.

Non-controlling interest
The non-controlling interest in the group is a nominal amount.

1. *Refer to note 48.*

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2022

	Note	Group 2022 Rm	Group Restated[1] 2021 Rm	Company 2022 Rm	Company Restated[1] 2021 Rm
Cash flows from operating activities					
Cash generated from operations	42	**54 145**	30 417	**52 140**	28 151
Net cash (used in)/from derivatives held for risk management		**(899)**	1 402	**(896)**	1 398
Finance income received		**441**	278	**441**	278
Finance cost paid		**(25)**	(42)	**(25)**	(42)
Income taxes paid		**(218)**	(1 046)	**–**	–
		53 444	31 009	**51 660**	29 785
Cash flows used in investing activities					
Disposals of property, plant and equipment		**331**	182	**328**	183
Disposals of intangible assets		**–**	26	**–**	26
Acquisitions of property, plant and equipment		**(28 093)**	(22 891)	**(28 271)**	(23 327)
Acquisitions of intangible assets		**(343)**	(166)	**(149)**	(55)
Acquisitions of future fuel supplies		**(2 468)**	(1 559)	**(2 468)**	(1 559)
Disposals of insurance investments		**18 543**	12 966	**–**	–
Acquisitions of insurance investments		**(21 144)**	(14 955)	**–**	–
Payments made in advance		**–**	(139)	**–**	(139)
Cash used in provisions		**(318)**	(885)	**(318)**	(885)
Net cash from/(used in) derivatives held for risk management		**178**	(1 049)	**178**	(1 049)
Net cash from loans receivable		**176**	264	**136**	94
Cash from finance lease receivables		**36**	35	**36**	35
Dividends received		**75**	47	**655**	1 086
Dividends received – investment in equity-accounted investees	11	**54**	48	**–**	–
Finance income received		**1 150**	1 400	**260**	398
		(31 823)	(26 676)	**(29 613)**	(25 192)
Cash flows used in financing activities					
Debt securities and borrowings raised	43	**33 036**	15 756	**35 029**	16 285
Payments made in advance	43	**(471)**	(132)	**(471)**	(132)
Debt securities and borrowings repaid	43	**(38 854)**	(65 586)	**(41 267)**	(67 016)
Share capital issued	24	**31 693**	56 000	**31 693**	56 000
Net cash (used in)/from derivatives held for risk management	43	**(2 769)**	7 859	**(2 769)**	7 859
Cash used in lease liabilities	43	**(417)**	(497)	**(416)**	(496)
Net cash from financial trading assets	43	**–**	152	**–**	152
Net cash used in financial trading liabilities	43	**–**	(213)	**–**	(213)
Finance income received		**656**	791	**618**	775
Finance cost paid		**(32 547)**	(37 267)	**(32 640)**	(37 381)
Taxes paid		**(66)**	(78)	**(66)**	(78)
		(9 739)	(23 215)	**(10 289)**	(24 245)
Net increase/(decrease) in cash and cash equivalents		**11 882**	(18 882)	**11 758**	(19 652)
Cash and cash equivalents at beginning of the year		**4 041**	22 990	**2 503**	22 314
Foreign currency translation		**5**	12	**–**	–
Effect of movements in exchange rates on cash held		**(43)**	(159)	**(43)**	(159)
Assets and liabilities held-for-sale		**–**	80	**–**	–
Cash and cash equivalents at end of the year	22	**15 885**	4 041	**14 218**	2 503

Cash flow allocation
Cash flows that form part of the changes in the line items of the statement of financial position are classified into operating, investing and financing activities in a manner that is most appropriate to the group. As a result, the cash flows associated with some line items in the statement of financial position may be split into multiple cash flow activities in the statement of cash flows. These line items are:

Derivatives held for risk management
Derivatives held for risk management are classified as operating, investing or financing activities based on the allocation of the cash flows of the underlying hedged item. Refer to note 17.

Payments made in advance
Payments made in advance that relate to the raising of debt securities and borrowings are classified as financing activities. Payments related to the acquisition of property, plant and equipment and intangible assets are allocated to investing activities. All other payments made in advance are deemed operational in nature and are therefore included within operating activities. Refer to note 19.

Provisions
Cash flows related to provisions for compensation events where the cost of property, plant and equipment includes these costs are classified as investing activities. All other provisions are operational in nature and are classified as operating activities. Refer to note 28.

Finance income and costs
Finance income and costs are allocated in line with the allocation of the related balances on which the income or cost arose. The interest income classified as financing activities was earned incidental to the financing activities and has thus been classified as such in the statement of cash flows.

1. *Refer to note 48.*

1. General information

Eskom Holdings SOC Ltd (Eskom), a state-owned company and holding company of the group, is incorporated and domiciled in the Republic of South Africa. Eskom is a vertically integrated operation that generates, transmits and distributes electricity to local industrial, mining, commercial, agricultural, redistributor (metropolitan and other municipalities) and residential customers, and to international customers in southern Africa. Eskom also purchases electricity from IPPs and international suppliers in southern Africa. These represent the significant activities of the group. The business focus of the subsidiaries is primarily to support the electricity business. The nature of the businesses of the significant operating subsidiaries is set out in note 12.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below.

2.1 Basis of preparation and measurement

Statement of compliance

The consolidated financial statements of Eskom Holdings SOC Ltd at and for the year ended 31 March 2022 comprise the company, its subsidiaries, joint ventures, associates and structured entities (together the group). The separate and consolidated financial statements have been prepared in accordance with IFRS and in the manner required by the PFMA and the Companies Act. The financial statements have been prepared on the going-concern basis and were approved for issue by the board on 16 December 2022.

Basis of measurement

The separate and consolidated financial statements are prepared on the historical-cost basis except for the following items which are measured at fair value:

- derivatives held for risk management
- embedded derivatives
- certain investments and financial trading instruments

Functional and presentation currency

The consolidated financial statements are presented in South African Rand (rounded to the nearest million unless otherwise stated), which is the company's functional currency and the presentation currency of the group.

Changes in accounting policies

The group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the group until the date that control ceases. Investments in subsidiaries are accounted for at cost less impairment losses in the separate financial statements of the company. When the group ceases to have control of an entity, it derecognises the assets and liabilities of the subsidiary and any components of equity. Any resulting gain or loss is recognised in profit or loss.

The accounting policies of the subsidiaries have been adjusted, where necessary, to ensure consistency with the policies adopted by the group.

Investment in equity-accounted investees

Investments in equity-accounted investees (associates and joint ventures) are accounted for at cost less impairment losses in the separate financial statements of the company and on the equity method of accounting in the financial statements of the group. The group's share of post-acquisition profits or losses of these investments is recognised in profit or loss within share of profit of equity-accounted investees. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Accounting policies of associates and joint ventures have been adjusted where necessary to ensure consistency with the policies adopted by the group. If the financial statements of the associate or joint venture were prepared as of a different date to that of the group (maximum of three months difference), adjustments were made to the group financial statements for significant transactions and events that occurred between the date of the financial statements of the associate or joint venture and the date of the financial statements of the group.

2.3 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when recognised in other comprehensive income for qualifying cash flow hedges.

Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in the carrying amount are recognised within fair value through other comprehensive income.

Non-monetary items are measured at historical cost.

Foreign loans are initially recognised at the exchange rate prevailing at transaction date and are translated at spot rate at every reporting date. Foreign exchange gains and losses that relate to financial assets and liabilities at amortised cost are presented in profit or loss within net fair value and foreign exchange gain/loss.

Foreign operations

The assets and liabilities of foreign operations (including fair value adjustments arising on acquisition) are translated to rand at the prevailing exchange rates at the reporting date. The income and expenses of foreign operations are translated to rand at the average exchange rate. Foreign currency differences arising as a result of these transactions are recognised in other comprehensive income within the foreign currency translation reserve.

2.4 Property, plant and equipment

Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes environmental rehabilitation costs, borrowing costs and transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency transactions. Work under construction includes the cost of materials and direct labour and any other directly attributable costs incurred in bringing an item of property, plant and equipment to its present location and condition. Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items (major components). Spare parts classified as strategic and critical spares are recognised as property, plant and equipment and are only capable of operating in the manner intended by management when they are installed. Items of property, plant and equipment transferred from customers are initially recognised at fair value in accordance with IAS 16 *Property, plant and equipment* and any related revenue is recognised in accordance with IFRS 15 *Revenue from contracts with customers*, within revenue.

Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. When part of an asset is being replaced, the carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the financial period incurred.

Owned land and spare parts are not depreciated. Depreciation on other owned assets is calculated using the straight-line method to allocate cost over the estimated useful lives (limited to residual values). Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets. The useful lives of owned and right-of-use assets are as follows:

	Owned Years	Right-of-use Years
Buildings and facilities	8 to 40	2 to 5
Plant		
• Generating	3 to 80	2 to 15
• Transmitting	3 to 50	n/a
• Distributing	5 to 55	n/a
• Other	3 to 40	40
Equipment and vehicles	2 to 15	2 to 5

The depreciation method, residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The estimation of the useful lives and residual values of property, plant and equipment is an area of judgement. The estimation is based on professional judgement and independent expert opinion, where available, considering historical performance, the circumstances and operating environment in which the assets operate, alignment to industry benchmarks as well as expectations about the future.

Gains or losses on the disposal or writeoff of an item of property, plant and equipment are recognised in profit or loss within other income or other expenses. Projects in works under construction that have been discontinued are written off and included in other expenses.

Investigations into possible corruption and related impact on capital projects

Eskom acknowledges that there is evidence that its control environment to ensure that capital contracts were awarded appropriately, subsequent changes and amendments to such contracts were valid, and that value was received, has not operated effectively. This was further confirmed by the Zondo Commission, which focused on corruption and maladministration at state-owned entities and institutions.

Several contracts are under investigation by the SIU. The Zondo Commission identified and highlighted further matters that will be internally investigated or handed over to the SIU, specifically regarding:

- contracts being irregularly awarded
- non-compliance with contractual terms in submitting claims
- modifications to contracts where the value added to Eskom is questionable

Eskom is reliant on the SIU who has the requisite knowledge and access to systems and data to evaluate and investigate these complex transactions and the consequential effects thereof. Eskom does not have access to the SIU investigations and related progress as the details are only made available to Eskom once an investigation is finalised.

The investigations are complex and determining the correct accounting implications for these irregularities that cover an extended period of time presents a key judgement. At such time that the outcome of these investigatons provides sufficient evidence to conclude that there were corruption and/or other irregularities resulting in over-capitalisation of costs, an adjustment is made to the carrying value of the related assets and recorded in profit or loss. In the case of a claim made against these suppliers, a receivable is only recognised at such time where a recovery of an overpayment is virtually certain.

Internal investigations into corruption and maladministration are completed from time-to-time and where wasteful, fruitless and fraudulent expenditure is identified, these are expensed and the carrying value of the related asset reduced. These writeoffs will have an impact on the EBITDA at the time of recognition but are non-cash in nature.

2. Summary of significant accounting policies (continued)

2.5 Intangible assets

Research and development

Research expenditure is recognised as an expense as incurred.

Development expenditure (relating to the design and testing of new or improved products) is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss within other expenses. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs previously capitalised that have been discontinued are written off and included in other expenses.

Capitalised development costs are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Subsequent to initial recognition, the capitalised development costs are measured at cost less accumulated amortisation and impairment losses.

Rights

Rights consist mainly of servitudes and rights of way under power lines. A servitude right is granted to Eskom for an indefinite period (useful life) and is therefore not amortised.

Computer software

Computer software and licences acquired have a finite useful life and are measured at cost less accumulated amortisation and any accumulated impairment losses. If software is integral to the functionality of related equipment, it is capitalised as part of the equipment. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortisation is calculated using the straight-line method to allocate costs over the estimated useful lives of software of between 3 and 10 years. Amortisation methods and useful lives of assets are reviewed at each reporting date and adjusted if appropriate.

Concession assets

Concession assets consist of the right to charge for the usage of the infrastructure under service concession arrangements. The capital expenditure incurred in respect of the service concession arrangements (fair value at initial recognition), including borrowing costs on qualifying capital expenditures, is capitalised (refer to note 2.7) and amortised over the estimated useful life of the concession asset, which is the concession period during which it is available for use (refer to note 23). Subsequent to initial recognition, the concession assets are measured at cost less accumulated amortisation and impairment losses.

2.6 Impairment of non-financial assets

The carrying amounts of non-financial assets within the scope of IAS 36 *Impairment of assets* are assessed at each reporting date to determine whether there is any indication of impairment. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or if there are indicators of impairment. Assets that have an indefinite useful life (rights) are tested annually for impairment.

The group's assets are grouped at the smallest identifiable group of assets (cash-generating units (CGUs)), that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The identification of CGUs involves some judgement. Eskom (company) has been identified as a single CGU as it is a vertically integrated regulated business, and the segments do not generate largely independent cash flows. Eskom's core operating assets (generation, transmission, and distribution) function together to deliver and earn revenue from the sale of electricity to customers in South Africa. The end product is the sale of electricity generated, transmitted, and distributed through the vertically integrated value chain at a single price as determined by NERSA. Some of the excess capacity in the grid is sold by the transmission segment to international customers. The identification of the Eskom CGU may be impacted by the future legal separation of transmission, generation and distribution into separate entities.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that were subject to impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses or reversals are recognised in profit or loss within impairment and writedown of other assets.

2.7 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, until the asset is substantially ready for its intended use. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs for qualifying assets financed by specific borrowings are capitalised using the actual interest expense incurred. Borrowing costs for qualifying assets not financed by specific borrowings are capitalised at the weighted average of the borrowing costs (capitalisation rate) using the borrowings applicable to the entity in the group.

2.8 Leases

The group assesses at contract inception whether a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee accounting

The group recognises right-of-use assets relating to the right to use the underlying assets and lease liabilities for the lease payments except for short-term leases and leases of low-value assets, where the recognition exemption is applied.

Right-of-use assets

The group recognises a right-of-use asset at lease commencement (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date. Refer to note 2.4 for details regarding the depreciation of right-of-use assets and to note 2.6 regarding assessment for impairment of right-of-use assets.

Lease liabilities

The group recognises a lease liability at the commencement of a lease at the present value of the lease payments that have to be made over the lease term. The lease payments include fixed payments and variable payments dependent on an index or rate.

The group uses the incremental borrowing rate at lease commencement to calculate the present value of lease payments if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate requires a degree of judgement regarding the determination of an appropriate discount rate for the lease term and is based on borrowings of a similar term which takes into account current market conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change of the in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to leases with a term of less than 12 months. The group also applies the lease of low-value assets recognition exception to leases with a value of less than R75 000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Lessor accounting

Finance leases

Finance lease receivables mainly comprise premium power supply equipment contracts.

The present value of the lease payments is recognised as a receivable when property, plant and equipment are leased out under a finance lease. The difference between the gross receivable and the present value of the receivable is disclosed as unearned finance income within finance lease receivables. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance lease receivables are assessed for impairment and derecognised in accordance with the requirements for financial assets.

Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred are classified as operating leases. Payments received under operating leases are recognised in profit or loss within other income on a straight-line basis over the period of the lease.

2.9 Payments made in advance

Securing debt raised

Payments are made in advance to lenders for the commitment and issuing fees incurred in raising debt.

Environmental rehabilitation trust fund

Contributions were made by Eskom to environmental rehabilitation trust funds that were established to fund the financial obligation in respect of the rehabilitation of certain coal mines from which Eskom sources its coal for the generation of electricity. The trust funds are controlled by third parties and will be used solely for the environmental rehabilitation of the relevant coal mines. The contributions made to the trust funds are recognised separately from the environmental rehabilitation provision in accordance with the requirements of IFRIC 5 *Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds.* Fair value adjustments on the trust funds are recognised in profit or loss within net fair value and foreign exchange gain/loss.

Other

Other payments made in advance comprise mainly of payments made to suppliers to reserve manufacturing capacity and resources for the future construction of assets as well as for support and maintenance of IT infrastructure. These amounts will be used as partial settlement towards the future amounts payable to the suppliers. In the event of default or non-performance, there are various remedies in place, including performance bonds, early cancellation penalties and guarantees that can be used to recover outstanding payments in advance.

2.10 Financial instruments

2.10.1 Financial assets (excluding derivatives)

Classification

The appropriate classification of a financial asset is determined on acquisition of the financial asset and is based on:

- whether the contractual terms of the financial asset gives rise to contractual cash flows that are solely payments of principal and interest
- the objective of the business model in which the financial asset is held at a portfolio level that best reflects the way the business is managed

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

2.10.1 Financial assets (excluding derivatives) (continued)

Classification (continued)

The group may irrevocably designate a financial asset on initial recognition that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise. The group may also irrevocably elect on initial recognition of an equity investment that is not held for trading to present subsequent changes in the investment's fair value, in other comprehensive income. This election is made on an investment-by-investment basis.

The group did not designate any financial assets at fair value through profit or loss and has not elected to present equity investments at fair value through other comprehensive income.

Financial assets are classified into the following categories:

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- it is held within a business model whose objective is to hold assets to collect contractual cash flows

Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

Fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Measurement

Initial recognition

Financial assets are initially measured at fair value on the date of commitment to purchase (trade date). The transaction price is generally the best indicator of fair value. If a contract with a customer has a significant financing component, the related financial asset is initially measured at the transaction price excluding the time value of money.

Where the fair value of a financial asset is different to the transaction price, a day-one gain or loss may arise. If the fair value has been determined based on market-observable data the whole day-one gain or loss is recognised immediately in profit or loss. If the fair value has not been based on market-observable data the day-one gain or loss is deferred in the statement of financial position and amortised over the term of the instrument in profit or loss.

Any directly attributable transaction costs are included in the initial measurement of financial assets except for financial assets at fair value through profit or loss where directly attributable transaction costs are recognised in profit or loss.

After initial recognition

Amortised cost

Financial assets at amortised cost are measured at amortised cost after initial recognition using the effective interest rate method less any accumulated impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value after initial recognition. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income.

Fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value after initial recognition. Changes in the fair value after initial recognition (including any interest or dividend income) are recognised in profit or loss.

Impairment

Loss allowances are recognised for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income. Loss allowances are calculated using the general or simplified approach.

The general approach requires impairment to be measured using a 12-month or lifetime expected credit loss. The lifetime expected credit loss method will be used if, after initial recognition, there is a significant increase in the credit risk of a financial asset or if it becomes credit-impaired. The simplified approach requires impairment to be measured using a lifetime expected credit loss. The simplified approach is applied to trade and other receivables.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the group is exposed to credit risk. The 12-month expected credit losses are the portion of the expected credit loss resulting from default events that are possible within 12 months after reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured as the difference between the cash flows due in accordance with the contract and the cash flows expected to be received, discounted at the effective interest rate of the financial asset.

All financial assets subject to impairment based on the general approach are monitored to assess whether they have been subject to a significant increase in credit risk after initial recognition. There will be a significant increase in credit risk when:
- payments are more than 30 days past due
- a significant qualitative event has occurred

Where it is assessed that a counterparty's credit risk has increased significantly from its initial low risk designation, the related asset is moved from stage 1 to stage 2.

An assessment is performed at each reporting date to determine whether financial assets subject to impairment are credit-impaired. A financial asset is credit-impaired when there is observable evidence that one or more event has occurred that has had a detrimental impact on the estimated future cash flows expected to flow from the asset such as:
- significant financial difficulty of the borrower, issuer or customer
- a breach of contract such as a default (where the counterparty is unlikely to pay its obligations) or being more than 90 days past due
- restructuring of a loan or advance on terms that the group would not otherwise consider
- it is probable that the borrower or customer will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for a security because of financial difficulties

Where the counterparty is assessed to be credit-impaired, the related asset is disclosed in stage 3.

Summary of staging

Instrument	Criteria used for assessment of expected credit loss measurement		
	12-month expected credit loss	Lifetime expected credit loss	
	Stage 1 Low credit risk	Stage 2 Not credit-impaired or significant increase in credit risk	Stage 3 Credit-impaired or default
Trade and other receivables	Not applicable (simplified approach applied and therefore use lifetime expected credit loss)	Elected to measure loss allowances at an amount equal to the lifetime expected credit losses	Financial asset more than 90 days past due
Finance leases, loans receivable (other than home loans) and financial guarantees	Credit risk is assessed as low (where the credit risk rating assigned is equivalent to the globally understood definition of investment grade)	Financial asset more than 30 days past due	Financial asset more than 90 days past due
Loans receivable (home loans)	Financial asset is not past due	Financial asset more than 30 days past due	Financial asset more than 90 days past due
Investments and cash and cash equivalents	Credit risk is assessed as low (where the credit risk rating assigned is equivalent to the globally understood definition of investment grade)	Significant increase in credit risk since initial recognition but there is no objective evidence of loss (ie the counterparty is still considered likely to pay its obligations)	There is objective evidence that the counterparty is unlikely to pay its obligations

Derecognition

Financial assets are derecognised when the right to receive cash flows from the assets has expired or substantially all the risks and rewards of ownership have transferred from the group. Realised gains or losses on derecognition are determined using the last-in-first-out method. Gains and losses, including those accumulated in other comprehensive income, are recognised in profit or loss.

The gross carrying amount of a financial asset is written off when the group has no reasonable expectation of recovering a financial asset.

2.10.2 Financial liabilities (excluding derivatives)

Classification

Financial liability balances have been classified as either amortised cost or other liabilities.

Measurement

Initial recognition

Financial liabilities are measured at fair value on the date of commitment (trade date). Where financial liabilities are carried at amortised cost, transaction costs are included in the value of the financial liability. Where financial liabilities are carried at fair value through profit or loss, transaction costs are recognised in profit or loss. Fees paid on the establishment of loan facilities are recorded as a payment made in advance where it is probable that some or all of the facility will be drawn down. Refer to note 2.9. The fees paid are recognised as transaction costs upon drawdown and then amortised to profit or loss within finance costs from the date of first drawdown to final maturity of each facility.

2. Summary of significant accounting policies (continued)
2.10 Financial instruments (continued)
2.10.2 Financial liabilities (excluding derivatives) (continued)
Measurement (continued)

After initial recognition

Financial liabilities at amortised cost are measured at amortised cost using the effective interest method. Financial liabilities classified as at fair value through profit or loss are measured at fair value. The group did not designate any financial liabilities at fair value through profit or loss.

Derecognition

Financial liabilities are derecognised when the obligation expires, is discharged or cancelled, or there is a substantial modification to the terms of the liability. Realised gains and losses are determined using the last-in-first-out method.

2.10.3 Derivatives held for risk management
Classification and measurement

Derivatives held for risk management are not managed on a held-to-collect and/or for sale business model and the default classification and measurement is therefore at fair value through profit or loss unless they meet the criteria for and have been designated as cash flow hedges.

Economic hedges

Certain derivative instruments do not qualify for cash flow hedge accounting but are used for economic hedging. Changes in the fair value of these derivative instruments (realised and unrealised gains or losses) are recognised in profit or loss within net fair value and foreign exchange gain/loss.

Cash flow hedges

The relationship between hedging instruments and hedged items as well as risk management objectives and the strategy for undertaking various hedging transactions are documented at the inception of a transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

It is expected that the values of the hedging instrument and hedged item will move in opposite directions as a result of the hedged risks (foreign exchange and interest rate risks).

The hedge ratio is based on a hedging instrument with the same notional amount in currency terms as the hedged item or portion thereof designated for hedge accounting. This results in a hedge ratio of 1:1 or 100%.

Day-one gains and losses are deferred in the statement of financial position (in derivatives held for risk management) and amortised on a straight-line basis over the term of the hedging instrument to profit or loss. Unamortised day-one gains and losses are written off to profit or loss if the related financial instrument is derecognised (extinguished) before maturity date. Day-one gains and losses on hedging instruments are predominantly a function of the inclusion of credit, liquidity and other risks in the terms of the trading instrument. These risks are not included in the determination of a hypothetical derivative used to measure fair value movements in a hedged item and are therefore excluded from any hedge accounting relationships.

The effective realised and unrealised portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income within the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within net fair value and foreign exchange gain/loss.

Cumulative gains or losses existing in other comprehensive income where the hedged item is a non-financial asset are included in the initial carrying amount of the asset when the forecast transaction results in the recognition of a non-financial asset. Gains and losses recognised in the cash flow hedge reserve in other comprehensive income will affect profit or loss in the periods during which the relevant non-financial assets are expensed to profit or loss.

Cumulative gains or losses existing in other comprehensive income where the hedged item is a financial liability are taken to profit or loss within finance cost or net fair value and foreign exchange gain/loss when the cash flows occur on the hedged financial liability.

When a hedging instrument expires, is sold or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in other comprehensive income until the forecast transaction occurs. If a forecast transaction is still expected to occur, the cumulative gains or losses in other comprehensive income are reclassified from equity to profit or loss in the same periods during which the hedged forecast cash flows affect profit or loss. If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss within net fair value and foreign exchange gain/loss.

Sources of ineffectiveness include the following:
- period mismatches between the hedging instrument and hedged item
- the fair value of the hedging instrument at the hedge relationship designation date (if not zero)
- the fair value or cash flow of the hedged item and hedging instrument are dependent on different variables

2.10.4 Embedded derivatives
Embedded derivatives that are closely related to the host contract are not separated and are effectively accounted for as part of the hybrid instrument.

Derivatives that are separated are accounted for on terms that result in a fair value of zero at the date of inception. Option-based derivatives are separated on the terms stated in the contracts and will not necessarily have a fair value equal to zero at the initial recognition of the embedded derivative resulting in day-one gains or losses. These day-one gains or losses are recognised in deferred income and amortised over the period of the agreement to profit or loss.

The changes in fair value of embedded derivatives are recognised in profit or loss within net fair value and foreign exchange gain/loss. The impact of the fair value gains or losses is taken into account in the calculation of current and deferred tax.

2.10.5 Repurchase and resale agreements
Repurchase agreements are included in financial trading liabilities or financial trading assets dependent on whether securities are bought or sold. Agreements to resell securities are recorded as repurchase agreements and included in financial trading assets when the securities are bought for market-making activities. The difference between the sale and repurchase price or purchase and resale price is treated as interest accrued over the life of the repurchase or resale agreement using the effective-yield method.

2.10.6 Financial guarantees
Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and subsequently at the loss allowance calculated in accordance with IFRS 9 *Financial instruments*.

2.11 Future fuel supplies
Coal

The right to future coal supplies from coal mines is measured at cost. Cost includes payments made to coal suppliers for mine establishment and related equipment in terms of cost-plus agreements. The cost also includes the initial estimate of environmental rehabilitation of the mine as well as changes in the estimated timing or amount of outflow of resources or changes in the discount rate. The cost is amortised to coal inventory over the lesser of the life of the agreement or the underlying assets.

Nuclear

Expenditure incurred to obtain, convert, enrich and fabricate fuel assemblies is stated at cost in future fuel supplies. The fuel assemblies are transferred to inventory when they are received. Costs include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials, fabrication and enrichment.

2.12 Inventories
Coal, liquid fuel, maintenance spares and consumables

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes expenditure incurred in acquiring inventories and other costs in bringing inventory to its present location and condition as well as the cost of ongoing programmes to rehabilitate the environment and other closure costs for active mines that are charged to profit or loss within primary energy as the coal is consumed.

The Eskom Grid Code specifies the minimum coal inventory level to be on stockpile at the coal-fired power stations (either 10 or 20 days). All coal inventory up to the grid code level (except for Medupi, Matimba and Lethabo power stations) is classified as non-current as it is not anticipated that it will be used within 12 months from the reporting date. All of the coal inventory at Medupi and Matimba power stations and 50 days at Lethabo power station is classified as non-current as it is not expected that the coal will be used within 12 months from the reporting date as it is foreseen that the planned production requirements of these stations will be met from the minimum contractual offtake of the underlying coal supply agreements.

Nuclear fuel

Nuclear fuel consists of enriched and fabricated fuel assemblies and fuel in reactors. Nuclear fuel is stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and includes cost for the management of fuel assemblies that are recognised to profit or loss on a straight-line basis within primary energy over the estimated useful life of the fuel in the reactor (average 46 months). Nuclear fuel is classified as current as it is expected to be realised within the normal operating cycle.

2.13 Share capital
Ordinary shares are classified as equity.

2.14 Income tax
Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised on that basis.

2.15 Deferred tax
Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are reviewed at each reporting date and derecognised if it is no longer probable that the related tax benefits will be realised. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss
- temporary differences relating to investments in subsidiaries and associates to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is also recognised in respect of temporary differences arising on the assets and provisions created in respect of decommissioning and nuclear waste management and closure, pollution control and rehabilitation. Future taxable profits are determined based on business plans for legal entities in the group.

2. Summary of significant accounting policies (continued)

2.16 Payments received in advance, contract liabilities and deferred income

Customer connections

Customer connections arise when customers make a contribution to Eskom to construct regular distribution and transmission assets or when the constructed assets are transferred to Eskom to connect customers to the electricity network. Contributions are made in advance in terms of a financing agreement or the completed assets are transferred to Eskom.

Customer connections received in advance are initially recognised as payments received in advance.

The related customer connections that arise when customers transferred distribution and transmission assets to Eskom to connect to the electricity network are accounted for when the customer hands over the completed assets to Eskom.

Connections for electricity customers that were connected after 1 April 2018 (transition date to IFRS 15)

When the connection provides the customer with a material right, the connection is allocated to deferred income (contract liabilities) when the customer is connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the estimated customer relationship period as the connection provides the customer with a material right of renewal that extends the revenue recognition period beyond the initial contractual period.

When the connection does not provide the electricity customer with a material right, the connection is recognised in full in profit or loss within revenue when the customer is connected to the electricity network.

Connections for electricity customers that were connected after 30 June 2009 but before 1 April 2018

Connections were recognised in profit or loss when the customer was connected to the electricity network in terms of IFRIC 18 *Transfers of assets from customers.*

Connections for electricity customers that were connected before 30 June 2009

Connections were allocated to deferred income when the customer was connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the expected useful lives of the related assets.

Refer to note 2.19 for revenue recognition of connections.

Grants

Government grants for electrification are initially recognised in payments received in advance and allocated to deferred income when the related asset has been connected to the electricity network. The deferred income is recognised in profit or loss within depreciation and amortisation expense on a straight-line basis over the expected useful lives of the related assets.

2.17 Employee benefit obligations

Post-employment medical benefits

All permanent employees qualify for post-employment medical benefits, except for new employees appointed on or after 1 June 2003 at a managerial level. The entitlement to post-employment medical benefits is conditional on the employee remaining in service up to retirement when the employee qualifies for the full benefit. Retirement includes any early retirement from age 55 up to normal retirement at age 65.

The group accounts for its post-employment medical benefits obligation as a defined benefit plan in line with IAS 19 *Employee benefits*. The post-employment medical benefits plan is unfunded. The cost to the employer, in the form of employer contributions, is actuarially determined. Provision is made for the estimated cost over the period until the date of early retirement at age 55 when further service by the employee will lead to no material amount of further benefits to the employee. Actuarial gains or losses are recognised in other comprehensive income within re-measurement of benefits. Interest and other expenses related to these benefits are recognised in profit or loss.

Pension benefits

All permanent employees of the group are members of the Eskom Pension and Provident Fund (EPPF) in terms of its rules and conditions.

The EPPF is registered as a defined benefit fund in terms of the requirements of the Pension Funds Act.

The assets and pension benefits are administered by the EPPF which is a separate legal entity to the group. The board of trustees of the EPPF consists of an equal number of employer (includes appointing of a non-executive chair and an expert) and member (includes managerial, labour and pensioners) representatives. The board of trustees is required by law to act in the best interest of the plan participants in terms of the rules of the fund and the provisions of the Pension Funds Act and are responsible for setting policies including those governing investments and ensuring that there are sufficient assets to meet the plan obligations as they become due.

The board of trustees generally targets to have a portfolio mix of a combined 70% in equity and property and 30% in debt instruments. The board of trustees aims to keep fund assets at a level such that no plan deficits (based on actuarial valuations performed) will arise.

Eskom, Rotek and the EPPF itself are the employers in the EPPF. The fund is measured as a whole and there is no policy in place for proportionate allocation of net assets to individual entities of the group.

The fund is accounted for in terms of IAS 19 as a defined benefit plan however, the terms of the fund do not automatically require the employer to make good any deficit should it arise.

The contributions to the EPPF comprise 19.55% of pensionable emoluments of which 12.25% is contributed by the employer and 7.30% by members. Contributions are made by each employer in the fund.

Pension benefits are provided by the EPPF to all pensioners of the fund in terms of the rules of the fund. The annual pension benefit on retirement is based on a defined formula of 1.085/600 of the final average emoluments over the last year of service multiplied by the pensionable service period in months. The formula does not limit the benefits payable to the assets and contributions made to the fund. However, the rules of the fund state that any deficit on the valuation of the fund will be funded by increases in future contributions (if consented to by the employer) or reductions in member benefits (as agreed by the members). The obligation on Eskom as the employer to contribute towards the deficit is an area of judgement.

Management noted when applying the requirements in IAS 19 that the benefit formula does not limit the payments to the assets in existence in the fund at the payment date. As a result, management concluded that the actuarial and investment risk fall on Eskom when considering the requirements of IAS 19 and therefore classified the fund as a defined benefit fund.

If there is a substantial surplus on the valuation of the fund, future contributions may be decreased or pensioner benefits may be improved as determined and appropriated by the trustees of the fund. The surplus is not controlled by Eskom, but by the trustees of the fund in terms of the Pension Fund Act and rules of the EPPF. An asset ceiling is therefore applied in the case of a surplus that limits the net benefit asset to zero.

The pension benefits plan is funded. The cost to the employer, in the form of employer contributions, is actuarially determined.

Return on plan assets in excess of interest, adjustments to the asset ceiling and actuarial gains or losses on the obligation are recognised in other comprehensive income within re-measurement of benefits. The expense or income recognised in profit or loss includes the current service cost, interest income on plan assets and interest expense on the defined benefit obligation and the irrecoverable surplus (effect of asset ceiling).

Occasional and service leave

The liability for occasional and service leave is of a long-term nature in terms of IAS 19 as it is not expected to be settled wholly within 12 months after the reporting period but there is no unconditional right to defer settlement for at least 12 months after the reporting period. The full provision is therefore presented as a current liability in the statement of financial position.

An actuarial valuation of the occasional and service leave liability is performed at the reporting date. All actuarial gains or losses and past service costs are recognised in profit or loss within employee benefit expense. The present value of the benefit is determined by using government bonds which have maturities similar to the liability.

Bonus

Annual and production bonuses are short-term employee benefits which are expensed as the related services are provided. A liability for annual bonuses is accrued on a proportionate basis as services are rendered. A liability for production bonus is raised on the estimated amount payable in terms of the scheme.

2.18 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The valuation of long-term provisions requires a degree of judgement regarding the future cash flows and the timing thereof. Provisions are determined by discounting the expected future cash flows using pre-tax discount rates that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs.

The initial cost of a provision is capitalised against the cost of the related asset if it meets the requirements for capitalisation. Changes in the liability for capitalised provisions are added to, or deducted from, the cost of the related asset. Any amount exceeding the cost of the related asset is allocated to profit or loss.

The main categories of provisions include the following:

Power station-related environmental restoration – nuclear plant and other generating plant

The provision includes the estimated decommissioning cost of nuclear and other generating plant. The estimated cost of decommissioning at the end of the productive life of plant is based on engineering and technical estimates and reports from independent experts. The initial cost of the provision is capitalised against property, plant and equipment.

A provision is also raised for the management of fuel assemblies and radioactive waste, which is recognised and measured based on a report from independent experts that is periodically assessed by specialists. The costing and methodologies are revised on a regular basis to ensure alignment with the requirements of the National Nuclear Regulator of South Africa. The cost for the fuel assemblies is included in the cost of inventory while the fuel is in the reactor. The cost relating to radioactive waste is charged to profit or loss within primary energy.

Mine-related closure, pollution control and rehabilitation

The provision includes the estimated cost of physical, biophysical and social closure and environmental rehabilitation of the mine where a legal or constructive obligation exists. The initial cost of the provision is capitalised against future fuel. The cost of ongoing closure and rehabilitation programmes for active mines is charged to inventory and subsequently to profit or loss within primary energy as the coal is consumed, while the cost relating to defunct mines is charged directly to profit or loss.

Compensation events

Compensation events and claims are a normal part of construction agreements, and are triggered by changes in scope of work or time needed to complete the work. A dispute resolution process, as outlined in the contractual agreements, is followed as and when a compensation event or claim arises, and are dealt with through a structured process involving notification, consulation, assessment and agreement or adjudication.

2. Summary of significant accounting policies (continued)

2.18 Provisions (continued)

Compensation events (continued)

All open compensation events and claims are assessed at the reporting date by management's experts and legal advisors based on the latest available information to determine the probability of an outflow of resources and the best estimate of the expenditure that would be required to settle the present obligation and are charged to profit or loss within other expenses. There is significant judgement applied by management and the board, based on past experience regarding the finalisation and outcome of compensation events, in determining the appropriate provision for these matters.

Other

Other provisions include provisions made for contractual obligations relating to onerous contracts, litigation matters, guarantees, and maintenance and restoration of the infrastructure under service concession arrangements. These provisions are recognised based on contractual obligations and measured based on the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period and are charged to profit or loss within other expenses.

The amount of the provisions is based on management's assessment of the most likely amounts due based on the current information available. The group expects to settle the majority of these provisions within 12 months. The finalisation of an obligation depends on factors outside the control of the group, for example, arbitration and dispute resolution processes, which could impact the timing. It is not expected that any additional liability in excess of the amounts provided would have a material adverse effect on the group's financial position, liquidity or cash flow.

2.19 Revenue from contracts with customers

Eskom's main revenue activity is the sale of electricity which is recognised when electricity is consumed by the user. The subsidiaries support this main activity but are not considered to be part of the main revenue activity as their operations include providing home loans to Eskom employees, insurance, maintenance and construction services.

Revenue is recognised when a customer obtains control of the goods or services supplied. The amount of revenue recognised is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Customers that fail the collectability criterion are accounted for on a cash basis and revenue is only recognised when cash is received (refer to note 4.6).

An invoice is still raised for sales to customers accounted for on a cash basis. Eskom has a statutory obligation to charge value added tax (VAT) for local customers, payable to the SARS, when an invoice is created which gives rise to a receivable that is accounted for as a statutory receivable within other receivables. A portion of the VAT on revenue recognised on a cash basis (for municipalities recorded on a cash basis) are not expected to be realised within 12 months after the reporting period because of the low payment levels of the municipalities which are accounted for on the cash basis and are therefore classified as non-current.

An impairment is raised based on the discounted cash flows at a market related interest rate. The expected recovery period is based on current information and past experience limited to a maximum recovery period of 5 years to provide for a recovery from SARS through a writeoff.

When cash is received from the customer, the transaction price is recognised in profit or loss within revenue, and the related payment for VAT is allocated against the trade and other receivables balance.

The group's principal revenue-generating activities are as follows:

Revenue activity	Nature and timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition
Electricity sales	Performance obligation is settled when electricity is supplied to the customer. Most customers pay for electricity after consumption and have terms ranging between 15 and 45 days. Some customers prepay for electricity.	Revenue is recognised over time as electricity is consumed by the customer (ie when control is transferred) and is billed for on a monthly basis. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.
Connections	Connections arise when customers make a contribution to Eskom to construct regular distribution and transmission assets or when the constructed assets are transferred to Eskom to connect customers to the electricity network.	Connections that were completed before 30 June 2009 were allocated to deferred income when the customer was connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the expected useful life of the related assets. Connections that were completed after 30 June 2009 were recognised as revenue when the customer was connected to the electricity network in terms of IFRIC 18.
Connections	Connections arise from contracts with customers who will also become electricity purchasing customers once they are connected and those who will not purchase electricity (eg property developers).	Connections that were completed from 1 April 2018 are recognised as follows: • connections relating to electricity purchasing customers where there is a material right are allocated to deferred income when the customer is connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the estimated customer relationship period of 25 years. Refer to note 26 for the contract liabilities of connections recognised on a straight-line basis • connections relating to electricity purchasing customers where there is not a material right are recognised as revenue over the initial contract term • connections relating to non-electricity purchasing customers are recognised as revenue at a point in time when the customer is connected to the electricity network
Other	*Ad hoc* requests for electricity-related services that are distinct from the sale of electricity or the connection of customers to the grid.	Revenue is recognised at a point in time when the service is completed.

The assessment to defer revenue for connection charges from electricity customers required judgement because of divergent international treatments based on contract and operational differences. Changes to the recognition of customer connections is not expected based on the current information available.

The assessment of whether or not a connection charge is a material right or not in terms of IFRS 15 requires judgement of what constitutes a material right from the perspective of the customer and results in different accounting treatments as discussed above.

2.20 Finance income

Finance income comprises interest receivable on loans, trade receivables, finance lease receivables and income from financial market investments.

Finance income is calculated by applying the effective interest rate method to the gross carrying amount of non-credit-impaired financial assets (ie at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). Finance income on credit-impaired financial assets is calculated by applying the effective interest rate to the amortised cost of the credit-impaired financial assets (ie the gross carrying amount less the allowance for expected credit losses). Interest income is recognised in profit or loss.

2.21 Finance cost

Finance cost comprises interest and fees payable on debt securities and borrowings and lease liabilities, interest resulting from derivatives held for risk management and interest from the unwinding of discount on liabilities. Borrowing costs which are not capitalised are recognised in profit or loss. Refer to note 2.7.

2.22 Net debt

Gross debt is the aggregate of debt securities and borrowings and lease liabilities.

Net debt is calculated by adjusting gross debt for related payments made in advance, derivatives held for risk management, financial trading instruments and cash and cash equivalents.

3. Capital management and going concern

3.1 Capital management

The objective of capital management is to ensure that the group is sustainable over the long term. The government, as the sole shareholder, and the board have the responsibility to ensure that the group is adequately capitalised and that the business is attractive to investors and lenders.

The group's funding consists of equity investments by the shareholder, funds generated from operations and funds borrowed on local and foreign debt markets with strong government support. There were no changes to the group's approach to capital management during the financial year. The following capital reserves are managed by the group:

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Share capital	24	**219 693**	188 000	**219 693**	188 000
Accumulated profit		**26 136**	38 313	**6 027**	20 198
Net debt	43	**389 139**	400 751	**392 577**	404 503
		634 968	627 064	**618 297**	612 701
Facilities available – debt securities and borrowings[1]		**22 285**	38 565	**22 285**	38 565

1. Facilities in foreign currency are converted to rand at mid-spot rate at reporting date. Refer to note 5.2.1.

3. Capital management and going concern (continued)

3.1 Capital management (continued)

3.1.1 Share capital

An additional R31 693 million (2021: R56 000 million) of shares was issued during the year.

3.1.2 Accumulated profit

Revenue

Eskom analyses the Integrated Resource Plan (which forecasts the growth in long-term electricity demand) and evaluates the alternative options to meet and manage forecast demand. This information impacts the planning process and informs the revenue applications made to NERSA for tariff increases that will allow Eskom to be financially sustainable.

Operating cost

The group continues to pursue cost-saving opportunities to assist in ensuring financial sustainability.

The following non-GAAP income statement measures are monitored by management:

	Group		Company	
		Restated		Restated
	2022 %	2021 %	2022 %	2021 %
EBITDA margin	**21.25**	15.96	**20.52**	15.48
Net loss margin	**(5.00)**	(12.24)	**(5.81)**	(13.07)

3.1.3 Net debt

	Group		Company	
		Restated		Restated
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Funding spent	**102 568**	128 738	**102 902**	128 814
Debt repayment and net finance costs	**70 745**	102 062	**73 289**	103 622
Investment funding requirements	**31 823**	26 676	**29 613**	25 192
Funding raised	**102 568**	128 738	**102 902**	128 814
Cash from operations	**53 444**	31 009	**51 660**	29 785
Financing activities	**61 006**	78 847	**63 000**	79 377
Utilisation of cash	**(11 882)**	18 882	**(11 758)**	19 652

The following ratios play an important role in the credit ratings given to Eskom, which in turn influences the cost of funding. Eskom's credit rating is affected by its own financial position as well as the credit rating of the sovereign:

		Group		Company	
			Restated		Restated
	Unit	2022	2021	2022	2021
Net debt: equity	Ratio	**1.65**	1.86	**1.82**	2.05
Net debt: EBITDA	Ratio	**7.43**	12.29	**7.76**	12.79
Net debt service cover	Ratio	**0.76**	0.30	**0.70**	0.29
Free funds from operations: net debt	%	**16.24**	10.72	**15.41**	10.25

Eskom's credit ratings at 31 March were as follows:

	Rating		Outlook	
	2022	2021	2022	2021
Standard & Poor's				
Foreign currency	**CCC+**	CCC+	**Negative**	Negative
Local currency	**CCC+**	CCC+	**Negative**	Negative
Moody's				
Foreign currency	**Caa1**	Caa1	**Negative**	Negative
Local currency	**Caa1**	Caa1	**Negative**	Negative
Fitch Ratings				
Foreign currency	**–**	–	**Negative**	Negative
Local currency	**B**	B	**Negative**	Negative

Net debt is sourced globally to ensure the lowest cost of funding. Where funds are received and have not yet been spent, they are invested to provide the maximum possible return while ensuring minimal capital risk and matching the maturity term requirements of the spending of the amount.

Net debt is managed via the continuous monitoring of current and potential debt funding arrangements to achieve the most favourable terms possible. These terms and costs are heavily dependent on Eskom's credit rating. Eskom is focusing on alleviating the rating agencies' concerns regarding the high leveraged financial profile, inadequate electricity price path and funding requirements of Eskom.

Refer to note 43 for a reconciliation of the movements and analysis of the composition of net debt.

3.2 Going concern

The board made an assessment of the ability of the group to continue as a going concern in the foreseeable future. The board:

- Reviewed the performance of the group for the period ended 31 March 2022 including the net loss after tax of R12 330 million and the net current liabilities of R29 222 million.
- Noted the improvement in the majority of the group's financial indicators compared to the prior year, in particular the improvement in EBITDA and EBITDA margin.
- Noted the improvement in the cash and cash equivalents balance of R15.9 billion (2021: R4 billion) that will be applied towards settling Eskom's debt obligations.
- Considered the impact of the deteriorating generation plant performance and the continuous increase in overdue electricity receivables (including the impact of non-recoverability of long outstanding electricity receivables). It is uncertain when the ongoing corrective action to address these challenges will be effective.
- Considered the impact of the cash flow forecast for the 24 months ending 31 March 2024 and the projected net loss pre-tax for 2023, estimated at R23 132 million (unaudited).
- Considered that Eskom is in a debt reliant liquidity situation that resulted from low tariffs, stagnant and contracting sales volumes, above inflation cost increases, constrainted generating plant performance and the capital programme to increase and replace generating and transmitting capacity.
- Noted that there is a need to secure funding of R58 billion in 2023 (39% of the funding for 2023 has been secured by November 2022). Funding of R15 billion is in an advanced stage of negotiation. The balance will be funded through a private placement and a syndicated loan and is expected to be finalised during the fourth quarter of the 2023 financial year. A substantial portion of the required funding of R63 billion for the 2024 financial year is in an advanced stage of negotiation. The negotiation of new and renewed funding is inherently uncertain in terms of timing, pricing and the group's ability to secure additional funds in the short term.
- Considered the impact of the current economic climate and the sovereign's credit ratings on Eskom's ability to raise funds, including that the rating agencies have recently expressed a more optimistic outlook on Eskom.
- Recognised that Eskom continues to face various challenges that resulted from mismanagement and corruption. Progress has been made in cleaning-up irregularities and improving processes, but it is taking time to identify all issues and take appropriate corrective action and implement consequence management. Refer to the Governance and compliance section of the directors' report for information regarding Eskom's action plan to address the findings from the Zondo Commission.
- Considered the possible impact if key risks materialise and acknowledged that the positive outcome of undecided court proceedings lodged against NERSA and the liquidation of the RCA balances continues to be an important consideration. The timing of rulings and the liquidation of the RCA balances in the case of positive outcomes remains uncertain.
- Acknowledges that an acceptable price increase, the ability to raise funding and improved plant performance are critical factors in the going-concern assessment.
- Considered the resignation of the group chief executive and the possible impact thereof. The board is comfortable that there is sufficient continuity and there will be no adverse impact on Eskom's funding activities.

The challenges that the group is facing are being addressed by the following mitigation strategies and actions:

- Continuous engagement is taking place with the shareholder and National Treasury to ensure that the challenges that impact the group's going-concern status are addressed satisfactorily within a reasonable timeframe. Government believes that it is critical that a credible, comprehensive, and long-term strategy (which incorporates addressing municipal receivables, providing greater clarity and transparency in tariff pricing, addressing operational efficiencies, and unbundling) is developed to fully optimise Eskom's balance sheet, primarily to reduce the need for further government bailouts while also putting Eskom on a path to long term financial stability.
- Government continues to support Eskom to operate as a going concern given the strategic role that Eskom plays in pursuit of government objectives, with committed support of R21.9 billion in 2023 and R21 billion in 2024 to alleviate pressure largely relating to debt redemption and interest payments. The board is managing and regularly reporting on the conditions relating to the support that was allocated through the Special Appropriation Act in November 2019. The unallocated amount of the government guarantee facility of R350 billion is available until 31 March 2023. The expiry of the guarantee facility does not impact the existing guarantee issued which will remain in place until settlement of guaranteed debt.
- Funding options, with the support of National Treasury, are being pursued to implement the group's borrowing programme. The Minister of Finance announced in his MTBPS in October 2022 that National Treasury is leading a process to finalise a debt-relief package designed to restore Eskom to a profitable, transparent, and efficient company. The specifics of the debt relief package are being finalised, and further details are expected to be announced in the 2023 Budget review.
- The Eskom roadmap released by the DPE on 20 October 2019 provides a degree of clarity on the role that Eskom will play in the unfolding future of the country's electricity supply industry.
- Progress has been made to prepare the business for the legal unbundling. The implications and requirements of the implementation including legislative and regulatory changes, legal structure and ownership, ultimate industry structure as well as addressing Eskom's financial viability including the debt challenge are being addressed and followed up with government. The full financial and cash flow impact of the unbundling remains uncertain.
- Court proceedings were lodged against NERSA regarding tariff and RCA decisions with positive outcomes on concluded cases. As the outcomes of such decisions are required to be implemented by NERSA in future revenue tariff decisions, the timing and extent of the impact of revenue has not been considered in the cash flow forecast for the next 24 months.
- The group's cost structures and capital programme are continuously reviewed to extract cost savings and improve cash flows. It is envisaged that the group's costs savings for 2023 will be R19.8 billion (unaudited), and that the cumulative target of R61.8 billion by 2023 set by the shareholder will be exceeded. Although positive results are expected from continued cost savings initiatives, there is a risk that these savings may not materialise as expected due to above inflationary cost increases and deteriorating generating plant performance.
- The group's generation capacity is managed as a critical focus area to ensure appropriate steps are being taken to manage the performance challenges. A further worsening of generating plant performance could negatively impact cash flow due to lost revenue and increase in costs, in particular the level of OCGT spend required.

3. Capital management and going concern (continued)

3.2 Going concern (continued)

- There is continued focus on implementing various strategies in an effort to recover overdue trade receivables, including participation with the multi-disciplinary revenue committee of the Eskom political task team. The successful outcome of these strategies are uncertain.
- The group is aware of the impact of large capital projects on its statement of financial position and will only engage on such projects with full disclosure and support of the shareholder.
- There is continued focus to address the shortcomings relating to the completeness of the irregular as well as fruitless and wasteful expenditure reporting process in terms of the PFMA (resulted in the qualified audit opinion in current and previous years) and the clean-up of the related challenges in the commercial environment.

The board considered the risks relating to the group's going-concern status and acknowledges the challenges it faces and the various dependencies and uncertainties that exist both from a timing of intervention perspective as well as whether the plans materialised as anticipated. The events, conditions and assumptions described above inherently include material uncertainties that may cast significant doubt on the going concern.

The board has a reasonable expectation that the risks will be satisfactorily addressed with the mitigation strategies in place. The board continues to manage these strategies as a priority as it is important that they materialise as envisaged. The board has assessed the current cash flow projections, and, after carefully considering the progress of the initiatives above and the continued financial support from the government including the finalisation of the debt relief package announced, concluded that there is a reasonable expectation that the group has access to adequate resources and facilities to be able to continue its operations for the foreseeable future as a going-concern. The consolidated and separate financial statements have therefore been prepared on a going-concern basis.

4. Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in this note.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period. Sensitivity analyses are calculated based on a change in a single key assumption keeping all other assumptions constant. In practice it is unlikely that changes in assumptions would occur in isolation from one another. All relevant inputs are listed and sensitivities have then been provided for the key sources of estimation uncertainty.

4.1 Embedded derivatives

Eskom entered into a new agreement during the year to supply electricity to an electricity-intensive business where the revenue from the contract is based on an approved tariff with a possible upside charge that is applicable only if both the aluminium and foreign exchange rate simultaneously exceed predefined thresholds. The agreement gave rise to an option based embedded derivative. The valuation of the embedded derivative reflects the benefit to Eskom attributable to the upside charge when both the thresholds are simultaneously breached.

The previous agreements with the electricity-intensive business that gave rise to embedded derivatives where the revenue from these contracts was linked to commodity prices and foreign currency rates or foreign producer price indices ended during the year.

Valuation

Valuation techniques are used to determine the fair value as there is no active market for embedded derivatives.

The embedded derivative is valued independently from the host contract. A Monte Carlo valuation method was used which uses random paths to model the price of aluminium and the USD/ZAR exchange rate. The simulation paths allow for varying prices depending on the underlying simulations being above or below the threshold levels. The fair value of the embedded derivative reflects a probability-weighted estimate of the upside benefit to Eskom in terms of the Monte Carlo method.

Input and valuation assumptions

The aluminium price and USD/ZAR exchange rate are modelled on a correlation-weighted stochastic basis, while economic forecasts of purchase price indices (PPI) are used. Projected cash flows are weighted with the survival probability of the counterparty and discounted at the appropriate risk-free rate approximated by the USD overnight index swap curve.

The United States and South African PPI with the aluminium price and USD/ZAR exchange rate correlation are significant unobservable inputs used in the model. Other inputs were obtained from appropriate market data providers or were otherwise modelled using market standard modelling procedures which do not attract significant uncertainty or judgement.

The following valuation assumptions were used for the valuation and are regarded as the best estimates by management:

		Year ended 31 March 2022					
Input	Unit	2021	2022	2023	2024	2025	2026
Aluminium price	USD per ton	**3 537**	**3 483**	**3 354**	**3 220**	**3 093**	**2 976**
Aluminium volatility	Year-on-year (%)	**27**	**27**	**27**	**27**	**27**	**27**
Rand/USD	Rand per USD	**14.60**	**15.24**	**15.89**	**16.57**	**17.27**	**18.01**
USD/Rand volatility	Year-on-year (%)	**18.00**	**18.00**	**18.00**	**18.00**	**18.00**	**18.00**
Rand interest rates	Continuous actual/365 days (%)	**5.62**	**6.96**	**6.38**	**6.63**	**6.83**	**7.04**
Dollar interest rates	Annual actual/365 days (%)	**0.75**	**1.75**	**2.34**	**2.42**	**2.35**	**2.26**
South African PPI	Year-on-year (%)	**8.75**	**4.85**	**5.35**	**5.50**	**5.50**	**5.50**
United States PPI	Year-on-year (%)	**8.41**	**1.95**	**2.00**	**2.00**	**2.00**	**2.00**
Electricity usage	Electricity usage per maximum capacity (%)	**97.46**	**97.46**	**97.46**	**97.46**	**97.46**	**97.46**
Aluminium/exchange rate	Correlation coefficient (%)	**13.40**	**13.40**	**13.40**	**13.40**	**13.40**	**13.40**
Counterparty default probability	Cumulative probability of default (%)	**0.56**	**1.08**	**2.52**	**4.37**	**6.87**	**9.73**

Sensitivity analysis

The effect on profit/loss before tax of an increase or decrease in the assumptions is:

Input	Unit	Change in assumption	Group and company increase Rm	Group and company decrease Rm
2022				
Aluminium price	USD per ton	1%	**153**	**(170)**
Rand/USD	Rand per USD	1%	**450**	**(341)**
Rand interest rates	Continuous actual/365 days (%)	100 basis points	**63**	**(65)**
Dollar interest rates	Annual actual/365 days (%)	100 basis points	**(99)**	**107**
South African PPI	Index	1%	**(72)**	**62**
United States PPI	Index	1%	**32**	**(48)**
Correlation (ALU/USD/ZAR)	Correlation coefficient	100 basis points	**(51)**	**51**

4.2 Post-employment medical benefits

Valuation

The estimated present value of the anticipated expenditure for both in-service and retired members is calculated by independent actuaries using the projected unit credit method annually. This method accounts for the accrued service liability separately from the current cost liability. The accrued service liability is based on the completed service to the valuation date for the in-service members and the full liability in respect of retired members. The current cost liability is the cost of providing the benefit over the next year. The present value of the obligation is determined by using government bonds which have maturities similar to the liability.

The fund is exposed to inflation risk, interest rate risks and changes in the life expectancy for beneficiaries.

Valuation assumptions

The principal actuarial assumptions used were:

		Group		Company	
	Unit	2022	2021	2022	2021
Discount rate	%	**12.0**	13.8	**12.0**	13.8
Medical aid inflation	%	**8.6**	10.2	**8.6**	10.2
Male longevity	years	**14.42**	14.42	**14.42**	14.42
Female longevity	years	**20.82**	20.82	**20.82**	20.82
Weighted average duration	years	**18.00**	18.10	**18.10**	18.20

Assumptions regarding future mortality have been based on published mortality tables and statistics derived from experience.

4. Critical accounting estimates and assumptions (continued)

4.2 Post-employment medical benefits (continued)

Valuation (continued)

Sensitivity analysis

The effect of an increase or decrease in the assumptions is:

		Group				Company			
		2022		2021		2022		2021	
	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm	increase Rm	decrease Rm	increase Rm	decrease Rm
Effect on aggregate current service cost and finance cost									
Discount rate	1%	**(185)**	**228**	(203)	249	**(184)**	**227**	(201)	247
Medical aid inflation	1%	**429**	**(342)**	439	(351)	**424**	**(337)**	433	(346)
Future mortality	1 year	**58**	**(58)**	60	(61)	**57**	**(57)**	60	(59)
Effect on post-employment medical benefits obligation									
Discount rate	1%	**(2 072)**	**2 587**	(1 904)	2 365	**(2 037)**	**2 544**	(1 870)	2 324
Medical aid inflation	1%	**2 598**	**(2 108)**	2 379	(1 939)	**2 556**	**(2 073)**	2 339	(1 905)
Future mortality	1 year	**411**	**(414)**	380	(383)	**402**	**(405)**	372	(375)

4.3 Pension benefits

Valuation

The estimated present value of the anticipated expenditure for both in-service and retired members is calculated by independent actuaries using the projected unit credit method annually. This method accounts for the accrued service liability separately from the current cost. The accrued service liability is based on the completed years service to the valuation date in respect of current in-service members and the full liability in respect of pensioners. The current cost liability is the cost of providing the benefit over the next year. The present value of the obligation is determined by using government bonds which have maturities similar to the liability.

The liability is compared to the fair value of the plan assets to determine a resultant deficit or surplus (which would be subject to an asset ceiling). The fair value of the plan assets represents the market value of the assets.

The fund is exposed to inflation, interest rate risks, changes in the life expectancy for pensioners, changes in the age profile of members, equity and debt market risk, and foreign exchange risk.

Valuation assumptions

The principal actuarial assumptions used were:

		Group and company	
	Unit	2022	2021
Discount rate	%	**12.0**	13.8
Long-term price inflation rate	%	**6.6**	8.2
Future salary inflation	%	**8.1**	9.7
Future pension increases	%	**6.6**	8.2
Male longevity	years	**13.5**	13.5
Female longevity	years	**19.7**	19.7
Weighted average duration	years	**14.9**	16.3

Assumptions regarding future mortality have been based on published mortality tables and statistics derived from experience.

Sensitivity analysis

The effect on fund obligations of an increase or decrease in the assumptions is:

		Group and company			
		2022		2021	
	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
Discount rate	1%	**(7 311)**	**11 764**	(6 760)	7 873
Inflation rate	1%	**11 849**	**(7 687)**	8 232	(7 144)
Future mortality	1 year	**(1 524)**	**1 493**	(1 543)	1 506

4.4 Occasional and service leave

Valuation

An actuarial valuation is done on an annual basis for occasional and service leave. The accrued liability is determined by valuing all future leave expected to be taken and payments to be made in respect of benefits up to the valuation date. Allowance is made for the assumed benefit options employees will exercise and salary increases up to the date the benefit is estimated to be paid. The present value of the obligation is determined by using government bonds which have maturities similar to the liability.

Valuation assumptions

The principal actuarial assumptions used were:

	Group and company	
	2022 %	2021 %
Discount rate	**12.0**	13.8
General price inflation	**6.6**	8.2
Salary increases	**8.1**	9.7
Leave usage	**8.0**	8.0

Assumptions regarding future mortality have been based on published mortality tables and statistics derived from experience. For details regarding current longevities underlying the values of the occasional and service leave obligation at the reporting date refer to note 4.2.

Sensitivity analysis

Based on current experience, 8% (2021: 8%) of the leave is utilised. If the rate at which leave is taken is 16% (2021: 16%), then the liability will increase by R98 million (2021: R108 million) for the group and R92 million (2021: R103 million) for the company. If the rate at which leave is taken is 4% (2021: 4%), then the liability will decrease by R55 million (2021: R61 million) for the group and R52 million (2021: R58 million) for the company.

The carrying amount of the occasional and service leave liability for the group is R1 284 million (2021: R1 426 million) and R1 147 million (2021: R1 311 million) for the company.

4.5 Power station-related environmental restoration and mine-related closure, pollution control and rehabilitation

Valuation

These provisions are determined by discounting the current estimated future decommissioning and rehabilitation costs. The present value of the obligation is determined by using government bonds which have maturities similar to the liability.

Valuation assumptions and estimated payment dates

The real discount rates used for these provisions and estimated payment dates of the costs are:

	Group and company			
	2022		Restated 2021	
	%	Year	%	Year
Nuclear plant	**2.6 – 4.1**	**2026 – 2041**	2.6 – 4.3	2026 – 2041
Coal, pump storage, open cycle gas turbine and renewable stations	**1.3 – 4.1**	**2023 – 2099**	1.5 – 4.1	2023 – 2099
Spent nuclear fuel	**1.3 – 4.2**	**2023 – 2125**	1.5 – 4.1	2022 – 2125
Mine-related closure, pollution control and rehabilitation	**1.3 – 4.2**	**2023 – 2150**	1.5 – 4.0	2022 – 2150

4. Critical accounting estimates and assumptions (continued)

4.5 Power station-related environmental restoration and mine-related closure, pollution control and rehabilitation (continued)

Valuation (continued)

Sensitivity analysis

The effect on the provisions of an increase or decrease in the assumptions is:

		Group and company			
	Change in assumption	2022 increase Rm	2022 decrease Rm	Restated 2021 increase Rm	Restated 2021 decrease Rm
Nuclear plant	1%	**(823)**	**924**	(825)	933
Coal, pump storage, open cycle gas turbine and renewable stations	1%	**(2 304)**	**2 962**	(2 314)	2 994
Spent nuclear fuel	1%	**(1 641)**	**2 478**	(1 463)	2 228
Mine-related closure, pollution control and rehabilitation	1%	**(1 719)**	**2 652**	(1 673)	2 301

4.6 Revenue from contracts with customers

Customer connections

Connection charges are charged to customers in exchange for connection to Eskom's electricity network. This connection enables Eskom to sell electricity to these customers over the estimated customer relationship period. The customer relationship period refers to the period the customer remains a purchaser of electricity from Eskom at a given point of supply. A period of 25 years was determined after considering, *inter alia*, assumptions about the life-cycle of the distribution network used to supply electricity to customers.

Collectability of amounts receivable

Revenue may only be recognised if it is believed at the time of sale that the revenue is likely to be recovered from the customer. This recoverability requirement is not considered to have been met in contracts with customers who have a poor payments history and for which Eskom does not have the ability to manage the credit risk due to external facts and circumstances (for example socio-economic or political reasons). Eskom accounts for revenue from these contracts on a cash (rather than accrual) basis.

Where the recoverability requirement is met, revenue is recognised on an accrual basis. The risk of non-collection is reflected in the expected credit loss as an impairment expense rather than an adjustment to the revenue recognised.

4.7 Expected credit loss on financial assets

The expected credit loss on financial assets is calculated using the following formula:

Expected credit loss = Exposure x Probability of default x Loss given default

The exposure is the amount outstanding less any collateral. The probability of default measures the likelihood that the amount outstanding will become more than 90 days past due. The loss given default measures the expected credit loss in the event that the outstanding amount becomes more than 90 days past due. Cash flows are discounted at the original effective interest rate over the expected recovery period.

The financial assets that are subject to IFRS 9 impairment are stratified using factors such as the balance type, credit risk rating, existence and type of collateral, remaining term to maturity, delinquency status and geographical location.

The potential ongoing impact of COVID-19 restrictions on the economy has been factored into the expected credit loss calculations at 31 March 2022 in a manner consistent with that applied in the comparative financial year. The group applied judgement in determining whether a significant increase in credit risk had occurred as a result of COVID-19 and no indicators of a significant increase were identified at the reporting date.

The impact of COVID-19 on expected credit losses at 31 March 2022 was calculated based on the group's best estimates using information available at the time of preparation of the financial statements and includes forward-looking assumptions. The probability of default was increased in a manner similar to the default rate levels observed by Standard & Poor's in 2016 (31 March 2021: increased in a manner similar to the default rate levels observed by Standard & Poor's during the 2008 financial crisis) to account for the forward-looking stress scenario impact of COVID-19 as this was determined to be the most appropriate stress scenario. The probability of defaults of the municipality and small power user portfolios were not increased as the models for these portfolios are considered to be sensitive to the economic environment and are representative of the stress scenario impact of COVID-19.

The probability of default of the expected credit loss models was adjusted despite the acyclical probability of default behaviour observed historically due to the severity of the COVID-19 impact and the global point-in-time probability of default reported by external rating agencies.

The impairment estimation technique applied to the municipality customer portfolio was changed in the current reporting period due to the unavailability of certain external inputs required by the previous model. The municipality portfolio was previously impaired using a scorecard approach and is now impaired using a provision matrix approach. The change in estimation technique did not have a material impact on the impairment values calculated.

The change in the impairment model for the municipality portfolio was accounted for as a change in estimate in terms of IAS 8 and applied prospectively. The comparative information and disclosures were not amended.

The following details are applicable to the models used for the various financial asset balances:

Financial asset	Model details
International electricity receivables	Expected credit losses were calculated using a benchmark approach that assigns a probability of default to a client based on the size and country in which the client operates. The benchmark levels are based on a study performed by the Bank of International Settlements and external agency benchmark data. Credit ratings were assigned to these categories which were then used to determine the probability of default. These probabilities of default are considered to represent a long-run average over an economic cycle. The through-the-cycle probability of default was used to estimate the expected credit loss due to the lack of data showing a relationship between the probability of default and macro-economic factors across the various jurisdictions. It is expected that international electricity receivables will behave in an acyclical manner similar to local electricity receivables and therefore no forward-looking adjustments were made. The loss given default was aligned to the corporate loss given default based on the South African Reserve Bank (SARB) requirements.
Local large and small power user electricity receivables	Expected credit losses were calculated using a provision matrix which utilises a transition approach. The probability of default relevant to balances with similar characteristics was determined by analysing their most recent historical loss rates. Default probabilities are not thought to be sensitive to changes in South African macro-economic factors such as gross domestic product (GDP) and unemployment rates due to their short-term nature and therefore no forward-looking adjustment was made. The loss given default was calculated using the long-run average recovery rates.
Intercompany loans receivable	The expected credit losses were calculated using a dual rating approach, which relies on key financial ratios to determine a through-the-cycle probability of default. The through-the-cycle probability of default was updated with economic information to produce a point-in-time probability of default, which is consistent with the current and future forecasted economic conditions. The loss given default was aligned to the corporate loss given default based on the SARB requirements.
Intercompany trade and other receivables	The estimates of the probability of default were based on the external rating of Eskom mapped to an internal rating scale. These probabilities of default are considered to represent a long-run average over an economic cycle. Probability of default data for listed corporates shows that default rates are sensitive to changes in South African GDP and therefore a forward-looking adjustment factor was calculated using a macro-economic forecast. The probability of default was not adjusted as the forward-looking adjustment factor was not material. The loss given default was aligned to the corporate loss given default based on the SARB requirements.
Other receivables, finance lease receivables and loans receivable (excluding home loans)	Expected credit losses were calculated using a benchmark approach that assigns a probability of default to a client based on the size and country in which the client operates. The benchmark levels are based on a study performed by the Bank of International Settlements and external agency benchmark data. Credit ratings were assigned to these categories which were then used to determine the probability of default. These probabilities of default are considered to represent a long-run average over an economic cycle. Probability of default data for listed corporates shows that default rates are sensitive to changes in South African GDP and therefore a forward-looking adjustment factor was calculated using a macro-economic forecast. The probability of default was not adjusted as the forward-looking adjustment factor was not material. The loss given default was aligned to the corporate loss given default based on the SARB requirements.
Loans receivable (home loans)	The estimates of the probability of default are influenced by factors including whether a client is still employed by Eskom and whether they are in arrears. Performing loans are assigned a medium risk rating, under-performing loans a medium-high risk rating and non-performing loans a high risk rating. There is a reduced risk of default relating to clients still employed by Eskom as payments are received via payroll deductions. The probability of default is determined based on the likelihood that current employees become ex-employees and default on their loans. Forward looking information is based on reasonable and supportable forecasts of future economic conditions, including experience judgement. The loss in the event of default is determined as the difference between the outstanding loan amount and the amount that can be recovered through the legal collection process (ie the sales price of the property less the costs of disposal). The historical loss experience is adjusted for current observable data to determine the loss given default.
Investments, financial trading assets and financial guarantees	The estimates of the probability of default were based on the external credit ratings of the counterparts using an external rating scale mapped to an internal rating scale. These probabilities of default are considered to represent a long-run average over an economic cycle. Probability of default data for listed corporates shows that default rates are sensitive to changes in South African GDP and therefore a forward-looking adjustment factor was calculated using a macro-economic forecast. The probability of default was not adjusted as the forward-looking adjustment factor was not material. The loss given default was aligned to the corporate loss given default based on the SARB requirements.

5. Financial risk management

The group's integrated risk and resilience management process enables management to assess and respond to all material risks that may affect the achievement of organisational objectives.

The group maintains an integrated risk and resilience management framework comprising governance structures, management policies and guidance standards with a focus on risk and resilience assessments, treatment plans, monitoring and reporting. The management of financial risks, as defined by IFRS 7 *Financial instruments: disclosures*, falls within these overarching structures, policies and standards.

The management of financial risks is delegated by the board to the audit and risk committee. Day-to-day management of financial risks is carried out in the area in which the risks arise. Risk assessments, treatment plans and monitoring measures are reported to the audit and risk committee on a quarterly basis.

The group's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented.

The group has exposure to the following risks as a result of its financial instruments:

- credit risk – the risk of financial loss to the group if a customer or other counterparty to a financial instrument fails to meet its contractual obligations
- market risk – the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices, interest rates or equity prices
- liquidity risk – the risk that the group will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost

5.1 Credit risk

The carrying amounts of financial assets represent the maximum credit exposure. The group's maximum exposure as a result of financial guarantees issued is disclosed in note 44.1.

5.1.1 Trade and other receivables

Impairment analysis

	2022								
	Stage 2			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Trade receivables									
Group and company									
International	**1 193**	**(14)**	**1 179**	**432**	**(351)**	**81**	**1 625**	**(365)**	**1 260**
B- to BB+	**1 113**	**(10)**	**1 103**	**432**	**(351)**	**81**	**1 545**	**(361)**	**1 184**
Below B-	**80**	**(4)**	**76**	**–**	**–**	**–**	**80**	**(4)**	**76**
Local large power users – municipalities	**9 131**	**(290)**	**8 841**	**1 808**	**(1 653)**	**155**	**10 939**	**(1 943)**	**8 996**
0–30 days	**8 526**	**(157)**	**8 369**	**–**	**–**	**–**	**8 526**	**(157)**	**8 369**
30–90 days	**605**	**(133)**	**472**	**–**	**–**	**–**	**605**	**(133)**	**472**
More than 90 days or credit impaired	**–**	**–**	**–**	**1 808**	**(1 653)**	**155**	**1 808**	**(1 653)**	**155**
Local large power users – other	**10 454**	**(20)**	**10 434**	**449**	**(359)**	**90**	**10 903**	**(379)**	**10 524**
0–30 days	**10 264**	**(6)**	**10 258**	**–**	**–**	**–**	**10 264**	**(6)**	**10 258**
30–90 days	**190**	**(14)**	**176**	**–**	**–**	**–**	**190**	**(14)**	**176**
More than 90 days or credit impaired	**–**	**–**	**–**	**449**	**(359)**	**90**	**449**	**(359)**	**90**
Local small power users – Soweto More than 90 days or credit impaired	**–**	**–**	**–**	**6**	**(6)**	**–**	**6**	**(6)**	**–**
Local small power users – other	**2 363**	**(132)**	**2 231**	**1 222**	**(875)**	**347**	**3 585**	**(1 007)**	**2 578**
0–30 days	**2 008**	**(53)**	**1 955**	**–**	**–**	**–**	**2 008**	**(53)**	**1 955**
30–90 days	**355**	**(79)**	**276**	**–**	**–**	**–**	**355**	**(79)**	**276**
More than 90 days or credit impaired	**–**	**–**	**–**	**1 222**	**(875)**	**347**	**1 222**	**(875)**	**347**
	23 141	**(456)**	**22 685**	**3 917**	**(3 244)**	**673**	**27 058**	**(3 700)**	**23 358**
Trade and other receivables									
Group	**24 150**	**(480)**	**23 670**	**4 262**	**(3 547)**	**715**	**28 412**	**(4 027)**	**24 385**
Trade receivables	**23 141**	**(456)**	**22 685**	**3 917**	**(3 244)**	**673**	**27 058**	**(3 700)**	**23 358**
Other receivables (B- to BB+)	**1 009**	**(24)**	**985**	**345**	**(303)**	**42**	**1 354**	**(327)**	**1 027**
Company	**26 238**	**(519)**	**25 719**	**4 163**	**(3 482)**	**681**	**30 401**	**(4 001)**	**26 400**
Trade receivables	**23 141**	**(456)**	**22 685**	**3 917**	**(3 244)**	**673**	**27 058**	**(3 700)**	**23 358**
Other receivables (B- to BB+)	**3 097**	**(63)**	**3 034**	**246**	**(238)**	**8**	**3 343**	**(301)**	**3 042**

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.1 Trade and other receivables (continued)

Impairment analysis (continued)

	Restated 2021								
	Stage 2			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Trade receivables									
Group and company									
International	1 196	(28)	1 168	350	(315)	35	1 546	(343)	1 203
B- to BB+	1 057	(18)	1 039	350	(315)	35	1 407	(333)	1 074
Below B-	139	(10)	129	–	–	–	139	(10)	129
Local large power users – municipalities	7 737	(354)	7 383	1 791	(1 617)	174	9 528	(1 971)	7 557
BBB- to AAA	5 801	(9)	5 792	–	–	–	5 801	(9)	5 792
B- to BB+	966	(14)	952	2	–	2	968	(14)	954
Below B-	970	(331)	639	1 789	(1 617)	172	2 759	(1 948)	811
Local large power users – other	7 935	(54)	7 881	499	(392)	107	8 434	(446)	7 988
0–30 days	7 773	(13)	7 760	–	–	–	7 773	(13)	7 760
30–90 days	162	(41)	121	–	–	–	162	(41)	121
More than 90 days or credit impaired	–	–	–	499	(392)	107	499	(392)	107
Local small power users – Soweto More than 90 days or credit impaired	–	–	–	95	(95)	–	95	(95)	–
Local small power users – other	2 074	(139)	1 935	1 285	(956)	329	3 359	(1 095)	2 264
0–30 days	1 752	(59)	1 693	–	–	–	1 752	(59)	1 693
30–90 days	322	(80)	242	–	–	–	322	(80)	242
More than 90 days or credit impaired	–	–	–	1 285	(956)	329	1 285	(956)	329
	18 942	(575)	18 367	4 020	(3 375)	645	22 962	(3 950)	19 012
Trade and other receivables									
Group	19 744	(619)	19 125	4 331	(3 671)	660	24 075	(4 290)	19 785
Trade receivables	18 942	(575)	18 367	4 020	(3 375)	645	22 962	(3 950)	19 012
Other receivables (B- to BB+)	802	(44)	758	311	(296)	15	1 113	(340)	773
Company	22 359	(728)	21 631	4 277	(3 632)	645	26 636	(4 360)	22 276
Trade receivables	18 942	(575)	18 367	4 020	(3 375)	645	22 962	(3 950)	19 012
Other receivables (B- to BB+)	3 417	(153)	3 264	257	(257)	–	3 674	(410)	3 264

ECL percentages used

	2022			Restated 2021		
	Stage 2 %	Stage 3 %	Total %	Stage 2 %	Stage 3 %	Total %
Trade receivables						
Group and company						
International	**1**	**81**	**22**	2	90	22
B- to BB+	**1**	**81**	**23**	2	90	24
Below B-	**5**	**–**	**5**	7	–	7
Local large power users – municipalities[1]	**3**	**91**	**18**	5	90	21
0–30 days (2021: BBB- to AAA)	**2**	**–**	**2**	–	–	–
30–90 days (2021: B- to BB+)	**22**	**–**	**22**	1	–	1
More than 90 days or credit impaired (2021: Below B-)	**–**	**91**	**91**	34	90	71
Local large power users – other	**–**	**80**	**3**	1	79	5
30–90 days	**7**	**–**	**7**	25	–	25
More than 90 days or credit impaired	**–**	**80**	**80**	–	79	79
Local small power users – Soweto More than 90 days or credit impaired	**–**	**100**	**100**	–	100	100
Local small power users – other	**6**	**72**	**28**	7	74	33
0–30 days	**3**	**–**	**3**	3	–	3
30–90 days	**22**	**–**	**22**	25	–	25
More than 90 days or credit impaired	**–**	**72**	**72**	–	74	74
	2	**83**	**14**	3	84	17
Other receivables						
Group	2	88	24	5	95	31
Company	2	97	9	4	100	11

Age analysis of trade receivables balances

	2022				Restated 2021			
	<1 year %	>1 year %	>2 years %	>3 years %	<1 year %	>1 year %	>2 years %	>3 years %
International	**84**	**13**	**3**	**–**	86	14	–	–
Local large power users – municipalities	**96**	**1**	**2**	**1**	91	4	1	4
Local large power users – other	**100**	**–**	**–**	**–**	99	1	–	–
Local small power users – Soweto	**100**	**–**	**–**	**–**	72	13	8	7
Local small power users – other	**83**	**8**	**5**	**4**	76	10	6	8

1. *The methodology used to calculate allowance for impairment changed in 2022. Reference to days is applicable to the 2022 determination where reference to credit ratings is applicable to the 2021 calculation.*

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.1 Trade and other receivables (continued)

Reconciliation of movements in allowance for impairment

	Note	2022 Stage 2 Rm	2022 Stage 3 Rm	2022 Total Rm	Restated 2021 Stage 2 Rm	Restated 2021 Stage 3 Rm	Restated 2021 Total Rm
Group							
Balance at beginning of the year		**619**	**3 671**	**4 290**	823	5 595	6 418
Raised/(reversed) to the income statement	35	**179**	**502**	**681**	182	(353)	(171)
Reversed on payment of opening balance		**(256)**	**(2 079)**	**(2 335)**	(453)	(2 045)	(2 498)
Remeasurement of opening balances held at year end		**(51)**	**46**	**(5)**	12	(111)	(99)
Raised on new balances		**486**	**2 535**	**3 021**	623	1 803	2 426
Transfer of balances between stage 2 and 3		**(252)**	**252**	**–**	(383)	383	–
Finance income on stage 3 balances		**–**	**144**	**144**	–	133	133
Writeoffs		**(66)**	**(1 022)**	**(1 088)**	(3)	(2 087)	(2 090)
Balance at end of the year	20	**480**	**3 547**	**4 027**	619	3 671	4 290
Company							
Balance at beginning of the year		**728**	**3 632**	**4 360**	898	5 567	6 465
Raised/(reversed) to the income statement	35	**76**	**497**	**573**	215	(363)	(148)
Reversed on payment of opening balance		**(368)**	**(1 988)**	**(2 356)**	(453)	(2 045)	(2 498)
Remeasurement of opening balances held at year end		**(49)**	**80**	**31**	12	(111)	(99)
Raised on new balances		**493**	**2 405**	**2 898**	656	1 793	2 449
Transfer of balances between stage 2 and 3		**(252)**	**252**	**–**	(383)	383	–
Finance income on stage 3 balances		**–**	**144**	**144**	–	133	133
Writeoffs		**(33)**	**(1 043)**	**(1 076)**	(2)	(2 088)	(2 090)
Balance at end of the year	20	**519**	**3 482**	**4 001**	728	3 632	4 360

Security held for trade receivables (guarantees and deposits)

Group and company

	2022 Fair value of security held: Credit-impaired receivables Rm	2022 Fair value of security held: Not credit-impaired receivables Rm	2022 Total Rm	2022 Security called upon Rm	2022 Renegotiated balances Rm	2021 Fair value of security held: Credit-impaired receivables Rm	2021 Fair value of security held: Not credit-impaired receivables Rm	2021 Total Rm	2021 Security called upon Rm	2021 Renegotiated balances Rm
International	**–**	**6**	**6**	**–**	**–**	–	6	6	–	–
Local large power users	**319**	**13 567**	**13 886**	**43**	**2 572**	361	11 996	12 357	52	3 215
Municipalities	**278**	**628**	**906**	**2**	**2 553**	247	530	777	3	3 174
Other	**41**	**12 939**	**12 980**	**41**	**19**	114	11 466	11 580	49	41
Local small power users	**177**	**2 485**	**2 662**	**90**	**72**	165	2 316	2 481	92	50
Soweto	**13**	**–**	**13**	**1**	**–**	13	–	13	2	2
Other	**164**	**2 485**	**2 649**	**89**	**72**	152	2 316	2 468	90	48
	496	**16 058**	**16 554**	**133**	**2 644**	526	14 318	14 844	144	3 265

Additional information

Trade receivables

Credit risk attributable to trade receivables is assessed taking into account the following counterparty characteristics:

- geographic location of the customer (both internationally and within South Africa)
- size of demand (large or small power user)
- receivable ageing profile
- security held (deposits and guarantees)
- payment history

A large number of residential customers are on a prepaid basis thereby eliminating credit risk relating to these customers. Eskom has well-established credit control measures for conventional customers that include:

- increased security deposits and guarantees
- conversion of customers to prepayment
- early identification of and engagement with non-paying customers
- negotiation of mutually acceptable payment arrangements
- disconnection of supply
- use of debt collectors
- taking legal measures such as issuing letters of demand and pursuing adverse listing of defaulting customers

All billed customers must provide security and this requirement can only be deviated from based on sound business decisions. The granting of deviations for a customer must be approved according to the revenue security policy.

Progress on the collection process is regularly reviewed. Strict procedures are in place governing the writeoff of trade receivables. Where balances are assessed to not be collectable (for example deceased customers and businesses in liquidation after completion of business rescue), writeoffs are considered. Outstanding amounts after recovery from the security held are written off once the relevant governance and legal collection processes have been followed. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived.

The main classes of trade receivables are:

International customers

Electricity supply agreements are entered into with key international customers who comprise utility companies, governments of neighbouring countries and sundry large power users. Their payment terms are between 10 and 45 days. Impairment is assessed based on the country-specific risk.

International customers are not required to provide upfront security. If they default, new payment arrangements are negotiated, or supply is curtailed. Certain international customers may be required to pay upfront when their credit risk profile has changed.

There were no material changes to the expected credit loss percentages compared to the prior year.

Local large power users

Local large power users comprise South African redistributors (metropolitan and municipal) and commercial, industrial and mining customers usually with supplies above 100kVA. Payment terms are individually negotiated and are normally a maximum of 15 days, except for certain bulk redistributing municipalities which are at a maximum of 30 days.

Municipalities are required to provide security for all new supplies or where they request an upgrade of existing supply points. Where a large power user has an acceptable credit rating from an approved rating agency, the provision of security is amended based on the type of risk as defined in the revenue security policy.

Eskom continues to execute its municipal debt management strategy to ensure maximum collections from non-paying municipalities. Unfortunately, Eskom's attempts to enforce contractual credit control is hampered by drawn out litigation and interdicts granted by the courts in the interest of municipal end-consumers. Eskom is advocating an active partnering solution whereby Eskom supports municipalities with distribution, reticulation and revenue collection services.

Interventions include:

- entering into special payment arrangements
- promoting and implementing an active partnering solution for municipalities
- following the Promotion of Administrative Justice Act processes to restrict, interrupt or terminate supply
- restricting electricity supply if the set maximum demand levels are exceeded
- terminating supply where no other option is available
- issuing of summonses
- pursuing the attachment of assets

Eskom continues to work closely with the Department of Co-operative Governance and Traditional Affairs, National Treasury and other government departments as well as relevant stakeholders to resolve the systemic challenges which have given rise to municipal arrear debt.

There were no material changes to the expected credit loss percentages compared to the prior year.

Local small power users

Local small power users comprise local customers that have a supply of 100kVA or less in size. Payment terms for small power customers is 30 days.

New customers are required to provide security equivalent to between one and three months' consumption at the commencement of the supply agreement. The level of security is reviewed if a customer defaults on their payment obligation or requires additional electricity supply capacity. In these instances, additional security is required to cover between one and three months of recent consumption before supply will commence. All new customers will preferably be on prepayment terms.

5. Financial risk management (continued)
5.1 Credit risk (continued)
5.1.1 Trade and other receivables (continued)
Additional information (continued)

Trade receivables (continued)

Local small power users (continued)

The residential revenue management strategy, which includes Soweto, continues to be implemented. Soweto receivables are an identified high credit risk area subject to specific credit risk management as the collection of revenue from customers in Soweto remains a challenge. The payment levels expressed as a percentage of billed revenue (excluding interest) for the year was 25% (2021: 21%).

There were no material changes to the expected credit loss percentages for small power users (other than Soweto) compared to the prior year.

Other receivables

Other receivables comprise of various sundry receivables. There are no significant balances with specific repayment terms. No security is held in respect of these balances and no interest has been charged on overdue balances.

There were no material changes to the expected credit loss percentages compared to the prior year.

5.1.2 Derivatives held for risk management and cash and cash equivalents
Impairment analysis

	2022 Not subject to impairment Rm	2022 Subject to impairment Stage 1 Rm	2022 Total Rm	Restated 2021 Not subject to impairment Rm	Restated 2021 Subject to impairment Stage 1 Rm	Restated 2021 Total Rm
Group						
Derivatives held for risk management	**8 509**	**–**	**8 509**	12 543	–	12 543
BBB- to AAA	**3 493**	**–**	**3 493**	5 505	–	5 505
B- to BB+	**5 016**	**–**	**5 016**	7 038	–	7 038
Cash and cash equivalents	**–**	**15 885**	**15 885**	–	4 041	4 041
BBB- to AAA	**–**	**423**	**423**	–	138	138
B- to BB+	**–**	**15 459**	**15 459**	–	3 901	3 901
Unrated	**–**	**3**	**3**	–	2	2
Company						
Derivatives held for risk management	**8 510**	**–**	**8 510**	12 545	–	12 545
BBB- to AAA	**3 494**	**–**	**3 494**	5 507	–	5 507
B- to BB+	**5 016**	**–**	**5 016**	7 038	–	7 038
Cash and cash equivalents	**–**	**14 218**	**14 218**	–	2 503	2 503
BBB- to AAA	**–**	**424**	**424**	–	75	75
B- to BB+	**–**	**13 791**	**13 791**	–	2 426	2 426
Unrated	**–**	**3**	**3**	–	2	2

The gross values of cash and cash equivalents approximate its carrying value as the impairments calculated are immaterial.

The asset and liability committee (Alco) manages credit risk arising from the treasury department's activities in the financial markets with the objective of maximising the rate of return on investments while not exceeding approved levels of credit risk exposure. It is chaired by the chief financial officer and reports on a quarterly basis to Exco and the audit and risk committee.

The committee's terms of reference are maintained and approved by the chief financial officer. They are aligned to the Exco credit risk governance standards and are supplemented by appropriate policies and procedures.

Specific activities undertaken by the Alco include the following:
- assessing the credit quality of counterparties and approving credit limits based on this assessment
- monitoring the adherence to credit limits
- approving methodologies for the management of counterparty exposure
- ensuring that, where applicable, transactions with counterparties are supported by trading agreements
- facilitating and managing the issuing of financial guarantees by the group

To assist the Alco to discharge its mandate, the portfolio assessment section within the treasury function provides it with regular feedback on all treasury credit risk-related matters.

The management of credit risk is governed by the following policies:
- trading in financial instruments is only conducted with selected counterparties after credit limits have been authorised
- only financial institutions and/or counterparties with an independent minimum rating of A1 are accepted for investments. If there are no independent ratings, the credit quality of the counterparty is assessed, taking into account its financial position, past experience and other factors
- all exposures are based on mark-to-market values. Transaction or close-out netting takes place in accordance with the terms and conditions of the underlying trading agreements
- minimum credit-rating requirements for financial institutions are maintained to assess the risk categories by rating class and to ascertain the probability of default inherent in each rating class
- approved concentration risk parameters and collateral management procedures are in place. Concentration of credit risk is managed by setting credit risk limits at a counterparty-specific level. Concentration credit risk limits are used as second tier limits in relation to counterparty credit limits. Counterparty-specific exposure is monitored against a set concentration of credit risk limits in relation to the total credit risk exposure to all counterparties

Risk is measured by determining a default probability per counterparty using default probabilities assessed by rating agencies for various types of credit ratings. These default probabilities are then applied to the market value of the investment placed to determine the capital at risk.

The treasury department's policies and practices are designed to preserve the independence and integrity of decision-making and ensure credit risks are accurately assessed, properly approved, continually monitored and actively managed.

The following are monitored and reported on:
- aggregate credit risk exposure
- limits utilisation including any breaches
- hold-limit exceptions
- risk profile changes
- risk concentrations

Where the credit risk of a particular counterparty has increased, a reassessment of the valuation of the instrument is made. In making this assessment, the counterparty is assessed for the following factors:
- significance of financial difficulty
- probability of bankruptcy
- probability of breach of contract

5.1.3 Insurance investments
Impairment analysis

	Group: Not subject to impairment Gross Rm	Subject to impairment Stage 1 Gross Rm	Subject to impairment Stage 1 Allowance for impairment Rm	Subject to impairment Stage 1 Carrying value Rm	Total Gross Rm	Total Allowance for impairment Rm	Total Carrying value Rm
2022							
B- to BB+	**–**	**15 183**	**(10)**	**15 173**	**15 183**	**(10)**	**15 173**
Not subject to credit risk	**2 145**	**–**	**–**	**–**	**2 145**	**–**	**2 145**
	2 145	**15 183**	**(10)**	**15 173**	**17 328**	**(10)**	**17 318**
2021							
B- to BB+	–	12 546	(79)	12 467	12 546	(79)	12 467
Not subject to credit risk	1 934	–	–	–	1 934	–	1 934
	1 934	12 546	(79)	12 467	14 480	(79)	14 401

There were no material changes to the expected credit loss (ECL) percentages compared to the prior year. There was a slight improvement in the ECL percentage in 2022 due to investing with counterparties with better credit ratings than in 2021.

Escap invests in listed shares and negotiable certificates of deposit to satisfy its capital adequacy requirements in line with insurance regulations in South Africa. The listed shares do not expose the group to credit risk. Investments in negotiable certificates of deposit are made with banks with an investment-grade credit rating.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.4 Finance lease receivables

Impairment analysis

	Group and company								
	Stage 1			Stage 3			Total		
	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2022									
B- to BB+	**296**	**(3)**	**293**	**2**	**(2)**	**–**	**298**	**(5)**	**293**
2021									
B- to BB+	337	(11)	326	2	(1)	1	339	(12)	327

There were no material changes to the expected credit loss percentages compared to the prior year.

The supply of electricity to customers may be in the form of either a standard or premium power supply. A standard power supply is the least life-cycle cost technically acceptable solution as defined in the South African Grid Code and the Distribution Network Code whereas with a premium supply the customer's connection requirement exceeds the specifications of a standard supply. This is achieved through the installation of premium supply equipment for which the customer is required to pay a connection charge. Connection charges for premium supply contracts were repayable on a monthly basis over a maximum period of 25 years. This payment option is no longer available for new premium supplies as the connection charges are payable upfront.

The standard payment terms for trade receivables are also applied to the premium supply equipment connection charge customers. The credit risk exposure resulting from premium supply contracts is managed by monitoring payment levels of the customer's trade receivable balance. There were no significant overdue or distressed balances relating to finance lease receivables in the current or prior financial year. Security in the form of bank guarantees is required from customers before the asset is constructed and is in place for a maximum period of 14 years to cover irrecoverable costs in the event of early termination of the supply contract. In addition, the premium supply equipment serves as security for the outstanding finance lease receivable balance.

5.1.5 Loans receivable

Impairment analysis

	Stage 1			Stage 2			Stage 3			Total		
	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Group												
2022												
Home loans	**7 435**	**(8)**	**7 427**	**235**	**(3)**	**232**	**285**	**(44)**	**241**	**7 955**	**(55)**	**7 900**
B- to BB+	**7 435**	**(8)**	**7 427**	**235**	**(3)**	**232**	**–**	**–**	**–**	**7 670**	**(11)**	**7 659**
Below B-	**–**	**–**	**–**	**–**	**–**	**–**	**285**	**(44)**	**241**	**285**	**(44)**	**241**
Other loans	**250**	**(2)**	**248**	**1**	**–**	**1**	**1**	**(1)**	**–**	**252**	**(3)**	**249**
B- to BB+	**250**	**(2)**	**248**	**1**	**–**	**1**	**–**	**–**	**–**	**251**	**(2)**	**249**
Below B-	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**1**	**(1)**	**–**
	7 685	**(10)**	**7 675**	**236**	**(3)**	**233**	**286**	**(45)**	**241**	**8 207**	**(58)**	**8 149**
Restated 2021												
Home loans	7 640	(14)	7 626	248	(4)	244	230	(37)	193	8 118	(55)	8 063
B- to BB+	7 640	(14)	7 626	248	(4)	244	–	–	–	7 888	(18)	7 870
Below B-	–	–	–	–	–	–	230	(37)	193	230	(37)	193
Other loans	256	(4)	252	2	–	2	2	(2)	–	260	(6)	254
B- to BB+	256	(4)	252	2	–	2	–	–	–	258	(4)	254
Below B-	–	–	–	–	–	–	2	(2)	–	2	(2)	–
	7 896	(18)	7 878	250	(4)	246	232	(39)	193	8 378	(61)	8 317

	Stage 1			Stage 2			Stage 3			Total		
	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Company												
2022												
Other loans												
B- to BB+	**5 657**	**(7)**	**5 650**	**–**	**–**	**–**	**–**	**–**	**–**	**5 657**	**(7)**	**5 650**
2021												
Other loans												
B- to BB+	5 779	(21)	5 758	–	–	–	–	–	–	5 779	(21)	5 758

Home loans

EFC provides loan facilities mainly for the purchase of immoveable property to the employees of the group. Credit risk policies are in place requiring staff to meet various criteria on valuation, affordability and credit history in compliance with the National Credit Act before they are granted home loans.

Home loans are extended up to a maximum of 112% of the market value of the property being purchased to cater for bond and transfer costs. Credit risk exposure is mitigated by having:

- recourse to the value of the underlying properties through mortgage contracts
- monthly instalments deducted from the salaries of employees

Credit risk is re-assessed when an employee leaves the service of the group. Ex-employees may make arrangements for a monthly debit order or over-the-counter deposits to settle monthly instalments.

EFC closely monitors properties held as collateral where the related loans are considered to be credit-impaired in order to mitigate potential credit losses.

		Group	
	Unit	2022	2021
Carrying value of credit-impaired balances	Rm	**241**	193
Fair value of properties held as security for credit-impaired loans	Rm	**182**	129
Weighted average loan to value ratio	%	**85**	87
Average repayment period	years	**25**	28

Eskom guarantees all losses EFC incurs where the loan granted by EFC exceeded 80% of the market value of the property at the time of origination. Refer to note 44 for details regarding this guarantee.

Other loans

The Alco manages credit risk arising from loans to subsidiaries with the objective of reducing the costs on the group's consolidated liability. Credit risk on loans by Eskom to EFC are mitigated through the same means that EFC mitigates its loans to employees.

There were no material changes to the expected credit loss percentages compared to the prior year.

5.2 Market risk

A significant part of market risk encountered by the group arises from financial instruments that are managed centrally within the group's treasury department.

The objective of the group's market risk management framework is to protect and enhance the statement of financial position and profit or loss by managing and controlling market risk exposures and to optimise the funding of business operations and facilitate capital expansion.

The basis for calculating risk and sensitivity measures are consistent with the prior year. Sensitivity analysis assume that only the input being analysed changes with all other variables remaining constant.

Financial instruments mainly managed by the treasury department

The treasury department is responsible for managing market risk within the risk management framework approved by Exco and the board. The overall authority for the management of market risks within the treasury department is vested in the Alco. Measurement and reporting occurs on a daily and/or monthly basis and is performed by an independent section within the treasury department. Financial derivatives are used to manage market risk.

Financial instruments managed by various divisions and subsidiaries

Market risk arises mainly from changes in foreign exchange rates and, to a limited extent, commodity and equity prices. The divisions and subsidiaries are responsible for identifying the exposure arising from these risks. They liaise with the centralised treasury department to hedge (economic and cash flow hedges) these exposures appropriately on their behalf.

5. Financial risk management (continued)
5.2 Market risk (continued)
5.2.1 Currency risk

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers, foreign sales and foreign borrowings. The group is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the group. All transactions in excess of R150 000 are hedged (ie economic or cash flow hedges). Currency exposure is identified by the business and hedged and managed by the central treasury department. Hedging instruments consist of cross-currency swaps and forward exchange contracts. Most of the forward exchange contracts have a maturity of less than one year from the reporting date and are rolled over at maturity when necessary. Hedging instruments are entered into once the exposure is firm and ascertainable.

	EUR	USD	GBP	JPY	SEK
Foreign currency exposure (notional amounts in millions per currency)					
2022					
Group					
Liabilities					
Debt securities and borrowings	**(1 588)**	**(8 234)**	**–**	**(231)**	**–**
Trade and other payables	**(28)**	**(4)**	**(1)**	**–**	**(10)**
Gross statement of financial position exposure	**(1 616)**	**(8 238)**	**(1)**	**(231)**	**(10)**
Estimated forecast purchases[1]	**(302)**	**(179)**	**(6)**	**(143)**	**(284)**
Gross exposure	**(1 918)**	**(8 417)**	**(7)**	**(374)**	**(294)**
Derivatives held for risk management[2]	**1 918**	**8 419**	**7**	**374**	**294**
Net exposure	**–**	**2**	**–**	**–**	**–**
Company					
Liabilities					
Debt securities and borrowings	**(1 588)**	**(8 234)**	**–**	**(231)**	**–**
Trade and other payables	**(27)**	**(4)**	**(1)**	**–**	**(10)**
Gross statement of financial position exposure	**(1 615)**	**(8 238)**	**(1)**	**(231)**	**(10)**
Estimated forecast purchases[1]	**(302)**	**(179)**	**(6)**	**(143)**	**(284)**
Gross exposure	**(1 917)**	**(8 417)**	**(7)**	**(374)**	**(294)**
Derivatives held for risk management[2]	**1 917**	**8 419**	**7**	**374**	**294**
Net exposure	**–**	**2**	**–**	**–**	**–**
Mid-spot rate for one unit of the currency to the rand	**16.19**	**14.59**	**19.18**	**0.12**	**1.56**
2021					
Group					
Liabilities					
Debt securities and borrowings	(1 896)	(8 550)	–	(693)	–
Trade and other payables	(52)	(3)	(1)	–	(10)
Gross statement of financial position exposure	(1 948)	(8 553)	(1)	(693)	(10)
Estimated forecast purchases[1]	(338)	(185)	(9)	(140)	(2)
Gross exposure	(2 286)	(8 738)	(10)	(833)	(12)
Derivatives held for risk management[2]	2 286	8 736	10	833	12
Net exposure	–	(2)	–	–	–
Company					
Liabilities					
Debt securities and borrowings	(1 896)	(8 550)	–	(693)	–
Trade and other payables	(52)	(3)	(1)	–	(10)
Gross statement of financial position exposure	(1 948)	(8 553)	(1)	(693)	(10)
Estimated forecast purchases[1]	(338)	(185)	(9)	(140)	(2)
Gross exposure	(2 286)	(8 738)	(10)	(833)	(12)
Derivatives held for risk management[2]	2 286	8 736	10	833	12
Net exposure	–	(2)	–	–	–
Mid-spot rate for one unit of the currency to the rand	17.32	14.75	20.34	0.13	1.69

1. *Represents future purchases contracted for.*
2. *Includes notional value and accrued interest.*

Sensitivity analysis

	Group and company			
	2022		Restated 2021	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss) before tax				
Rand/EUR exposure	**36**	**(36)**	49	(49)
Rand/USD exposure	**123**	**(123)**	209	(203)
Rand/other currency	**1**	**(1)**	2	(2)
Equity				
Rand/EUR exposure	**25**	**(25)**	32	(32)
Rand/USD exposure	**12**	**(12)**	15	(15)
Rand/other currency	**6**	**(6)**	–	–

5.2.2 Commodity risk

The group is exposed to commodity risk where commodities are either used directly (liquid fuels) or indirectly as a component of plant, equipment or inventory (eg aluminium, copper or steel).

The exposures are hedged economically by means of futures and/or options. Economic hedging is applied where it is practical (a relevant hedging instrument exists) based on the optimal economic solution and in compliance with the SARB requirements. The periods of the hedging instrument and that of the hedged item are not the same because of SARB regulations that limit the number of years which can be hedged.

5.2.3 Interest rate risk

Interest rate risk is the risk that the group's financial position may be adversely affected as a result of changes in interest rate levels, yield curves and spreads.

Debt securities and borrowings and derivatives held for risk management at variable rates expose the group to cash flow risk and those at fixed rates expose the group to fair value risk. The group's policy is to restrict the maximum effective portion of the external debt (excluding the trading portfolio which is managed within the constraints of the risk management framework) exposed to an interest rate reset within the next 12-month period to 40%.

The group's quantitative exposure to interest rate risk is disclosed in note 25.

Sensitivity analysis

The group analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined interest rate shifts. The same interest rate shift is used for each simulation for all currencies.

The sensitivity analysis for interest rate risk excludes finance costs capitalised.

The simulation is performed on a monthly basis to verify that the maximum loss potential is within the limit set by management. The results of the simulation are included in the table below:

	Group				Company			
	2022		Restated 2021		2022		Restated 2021	
	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm
Profit/(loss) before tax								
Rand interest rates	**1 916**	**(2 016)**	2 392	(2 504)	**1 908**	**(2 008)**	2 366	(2 479)
EUR interest rates	**(294)**	**265**	(423)	402	**(294)**	**265**	(423)	402
USD interest rates	**(2 144)**	**2 263**	(2 858)	2 999	**(2 144)**	**2 263**	(2 858)	2 999
Other currency interest rates	**–**	**–**	(1)	1	**–**	**–**	(1)	1
Equity								
Rand interest rates	**1 840**	**(1 949)**	1 765	(1 877)	**1 840**	**(1 949)**	1 765	(1 877)
EUR interest rates	**(359)**	**382**	(440)	474	**(319)**	**342**	(440)	474
USD interest rates	**(1 786)**	**1 908**	(1 774)	1 907	**(1 786)**	**1 908**	(1 774)	1 907
Other currency interest rates	**(2)**	**3**	–	–	**(2)**	**3**	–	–

5. Financial risk management (continued)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

Fixed and floating rate debt

	Group and company			
	2022		2021	
	fixed %	floating %	fixed %	floating %
Proportion of fixed versus floating rate debt at 31 March[1]	**62**	**38**	63	37

5.2.4 Equity price risk

Equity price risk arises from investments listed on the Johannesburg Stock Exchange. Changes in the fair value of equity securities held by the group will fluctuate because of changes in market prices caused by factors specific to the individual equity issuer or factors affecting all similar equity securities traded on the market.

The investment policy is approved by the Escap board and monitored by the Escap audit and risk committees. Exposure to market risk is limited through diversification and by applying strict investment criteria.

Carrying values of investments per sector

	Group			
	2022		2021	
	Rm	portfolio %	Rm	portfolio %
Banks, financial services and insurance	**746**	**35**	433	22
Basic materials and resources	**554**	**26**	492	25
Consumer goods and services	**677**	**32**	887	46
Other	**168**	**7**	122	7
	2 145	**100**	1 934	100

A 1% increase or decrease in share prices would have increased/decreased profit or loss before tax by R21 million (2021: R19 million).

5.3 Liquidity risk

Liquidity risk can arise from mismatches in the timing of cash flows from revenue with capital and operational outflows. Funding risk arises when the necessary liquidity to fund illiquid asset positions, such as building new electricity capacity, cannot be obtained at the expected terms and when required.

The objective of the group's liquidity and funding management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions. The group has adopted an overall statement of financial position approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations.

The management of group liquidity and funding risk is centralised in the treasury department in accordance with practices and limits set by Exco and the board. The group's liquidity and funding management process includes:

- projecting cash flows and considering the cash required by the group and optimising the short-term liquidity as well as the long-term funding
- monitoring financial position liquidity ratios
- maintaining a diverse range of funding sources with adequate back-up facilities
- managing the concentration and profile of debt maturities
- actively managing the funding risk by evaluating optimal entry points into the various markets per the official borrowing programme
- maintaining liquidity and funding contingency plans

Eskom has an established corporate governance structure and process for managing the risks regarding guarantees and contingent liabilities. All significant guarantees issued by Eskom are approved by the board and are managed on an ongoing basis by the treasury department and by Exco and audit and risk committee. Refer to note 44.

The guarantees are administratively managed by the treasury department. Updated guarantee schedules are compiled every month, taking cognisance of any changed risk factors and are submitted to each of the committees for consideration and action. Risk factors and assumptions affecting probability calculations are reassessed twice a year and presented to the above committees.

Eskom's guarantees are diverse and unlinked, such that a trigger event for any one guarantee is unlikely to precipitate a trigger event in respect of other guarantees.

Given that there would be forewarning of payments required in terms of the other guarantees, and considering the amounts of the guarantees, it is expected that Eskom will be able to raise the required liquidity to effect any required payments.

1. *The methodology for calculating the fixed and floating debt rate was simplified to reflect the rate as per the loan agreement, previously derivatives that would hedge the loans were included in the calculation.*

5.3.1 Key liquidity indicators

		Group		Company	
	Unit	2022	Restated 2021	2022	Restated 2021
Weighted average term to maturity of debt securities and borrowings	years	**6.66**	6.65	**6.60**	6.65
Working capital	ratio	**0.90**	0.95	**0.89**	0.94
Cash interest cover	ratio	**1.68**	0.85	**1.61**	0.81
Net debt service cover	ratio	**0.76**	0.30	**0.70**	0.29
Liquid assets	Rm	**15 885**	4 041	**14 218**	2 503

Management has set a minimum weighted average term to maturity for debt securities and borrowings of five years. The term limits are independently monitored and reported to the Alco on a monthly basis and to Exco and the audit and risk committee on a quarterly basis.

The cash interest cover and debt service cover ratios measure the ability to fund debt costs via cash from operations. Management has targeted 3.5 for cash interest cover and 1.5 for net debt service cover.

Liquid assets are investments identified as having the potential to be quickly converted into cash. These consist of cash and cash equivalents.

5.3.2 Primary sources of funding and unused facilities

The primary sources to meet Eskom's liquidity requirements are cash generated from operations, cash inflows from maturing financial assets purchased, funds committed by government, signed and committed export credit agencies and development funding institution facilities, as well as local and foreign debt issued in the market. To supplement these liquidity sources under stress conditions, undrawn loans, commercial paper facilities and unutilised government guarantees are in place. All figures are quoted in notional amounts.

	ZAR		EUR		USD	
	2022 m	2021 m	2022 m	2021 m	2022 m	2021 m
Group and company						
Facilities available						
Export credit agencies	**–**	–	**20**	286	**–**	1
Crédit Agricole Corporate and Investment Bank – Coface	**–**	–	**–**	44	**–**	–
Banque Nationale de Paris Paribas – Coface	**–**	–	**–**	201	**–**	–
Kreditanstalt für Wiederaufbau – Hermes	**–**	–	**20**	41[1]	**–**	–
Export-Import Bank of the United States	**–**	–	**–**	–	**–**	1
Development financing institutions	**3 446**	4 072	**–**	73	**1 269**	1 899
World Bank	**–**	–	**–**	–	**–**	289
African Development Bank	**2 095**	2 631	**–**	73	**25**	25
Clean technology fund – African Development Bank	**–**	–	**–**	–	**58**	58
Clean technology fund – World Bank	**–**	–	**–**	–	**215**	215
New Development Bank	**–**	–	**–**	–	**140**	155
Kreditanstalt für Wiederaufbau	**–**	–	**–**	–	**94**	100
Agence Française de Développement	**1 351**	1 441	**–**	–	**–**	–
China Development Bank	**–**	–	**–**	–	**737**	1 057
General banking facilities	**–**	250	**–**	–	**–**	–
	3 446	4 322	**20**	359	**1 269**	1 900
Facilities available (Rand equivalent)	**3 446**	4 322	**324**	6 218	**18 515**	28 025
Funds received during the year						
Export credit agencies						
Kreditanstalt für Wiederaufbau – Hermes	**–**	–	**18**	52[1]	**–**	–
Development financing institutions	**626**	255	**12**	3	**359**	527
World Bank[2]	**–**	–	**–**	–	**18**	58
African Development Bank[3]	**536**	255	**12**	3	**–**	–
New Development Bank[4]	**–**	–	**–**	–	**15**	14
Kreditanstalt für Wiederaufbau[5]	**–**	–	**–**	–	**6**	–
Agence Française de Développement[6]	**90**	–	**–**	–	**–**	–
China Development Bank[7]	**–**	–	**–**	–	**320**	455
	626	255	**30**	55	**359**	527
Funds received during the year (Rand equivalent)	**626**	255	**486**	953	**5 238**	7 773

1. *Reporting refinements on unused facilities resulted in the 2021 numbers being restated.*
2. *Funds received were reimbursements on payments made by Eskom to various suppliers for goods and services related to the Medupi power station and Majuba rail projects.*
3. *Funds received were reimbursements on payments made by Eskom to various suppliers for goods and services supplied for the Medupi power station boilers and turbines as well as transmission projects.*
4. *Funds received were for the renewable energy integration and transmission augmentation project.*
5. *Funds received were for the renewable grid integration and strengthening programme.*
6. *Funds received were for phase 2 of the Namaqualand strengthening project.*
7. *Funds received were for the Medupi and Kusile power stations.*

5. Financial risk management (continued)
5.3 Liquidity risk (continued)
5.3.2 Primary sources of funding and unused facilities (continued)
Government guarantees available

	2022 Domestic multi-term note programme Rm	2022 General Rm	2022 Total Rm	2021 Domestic multi-term note programme Rm	2021 General Rm	2021 Total Rm
Group and company						
Opening balance	**5 225**	**40 244**	**45 469**	2 936	22 860	25 796
Guarantee granted	**145 000**	**205 000**	**350 000**	145 000	205 000	350 000
Accumulated amounts used	**(139 775)**	**(164 756)**	**(304 531)**	(142 064)	(182 140)	(324 204)
Facilities withdrawn	**–**	**2 002**	**2 002**	–	2 384	2 384
Facilities repaid	**2 020**	**14 306**	**16 326**	7 625	15 000	22 625
Facilities raised	**(6 333)**	**(21 764)**	**(28 097)**	(5 336)	–	(5 336)
Guarantee swap	**7 000**	**(7 000)**	**–**	–	–	–
Closing balance	**7 912**	**27 788**	**35 700**	5 225	40 244	45 469
Guarantee granted	**152 000**	**198 000**	**350 000**	145 000	205 000	350 000
Accumulated amounts used	**(144 088)**	**(170 212)**	**(314 300)**	(139 775)	(164 756)	(304 531)

Loan covenants

There are various loan covenants, both of a financial and non-financial nature, attached to the loan facilities. The covenants generally fall into the following categories:

- Prepayment events – certain events trigger pre-payment of outstanding amounts before the original maturity date, usually within 30 days of notice.
- Events of default – Eskom must, on occurrence of these events, without delay notify the lender whose loan is triggered and all other lenders that such an event has occurred. If not cured or remedied within specified periods, they trigger acceleration of outstanding amounts (immediately due and payable upon notice) and cancellation of undisbursed funds. Cross default to other loans may be triggered in most instances. Acceleration will lead to calling of government guarantees and event of default of government debt.
- Suspension and cancellation events – occurrence of these events trigger suspension and/or cancellation of undisbursed amounts. Cancellation usually occurs if the event that has triggered suspension is not cured or remedied within a specified period (usually 60 days after suspension).
- Representation and warranties – Eskom makes certain representations about its status and information provided to the lenders by signing the loan agreement. Making false and/or misleading representation and warranties is an event of default in all the agreements.

The covenants are closely monitored for compliance. Eskom proactively notifies and engages with lenders should an event of default be anticipated to remedy the possible event before a default is triggered, including obtaining an extension of a submission deadline or a waiver for a potential breach.

All possible events and possible covenant breaches were successfully remedied before default and there were no loan defaults or breaches during the year. There were also no breaches that resulted in the early repayment of a facility at the reporting date.

5.3.3 Contractual cash flows
The contractual undiscounted cash flows of the group's financial assets and liabilities are indicated on the basis of their earliest possible contractual maturity.

The cash flows for derivatives held for risk management are presented on a net basis in line with the classification in the statement of financial position. Contractual cash flows are a function of forward exchange rates and forward interest rates and are a point-in-time calculation that are impacted by market conditions at that time.

The contractual cash flows of financial trading assets and liabilities are disclosed based on their contractual maturities. Some of these instruments are held for trading and may be sold or settled prior to contractual maturity.

Only cash flows relating to financial instruments and financial guarantees have been presented and do not include future cash flows expected from the normal course of business and related commodity-linked pricing agreements.

	Nominal inflow/outflow Rm	Cash flows 0–3 months Rm	Cash flows 4–12 months Rm	Cash flows 1–5 years Rm	Cash flows >5 years Rm
2022					
Group					
Financial assets					
Loans receivable	**15 061**	**227**	**675**	**3 293**	**10 866**
Derivatives held for risk management	**9 260**	**(52)**	**(98)**	**6 667**	**2 743**
Finance lease receivables	**423**	**17**	**51**	**251**	**104**
Trade and other receivables	**27 805**	**25 365**	**1 581**	**859**	**–**
Insurance investments	**17 328**	**6 129**	**11 199**	**–**	**–**
Cash and cash equivalents	**15 885**	**15 885**	**–**	**–**	**–**
	85 762	**47 571**	**13 408**	**11 070**	**13 713**
Financial liabilities					
Debt securities and borrowings	**670 309**	**7 195**	**64 676**	**215 363**	**383 075**[1]
Derivatives held for risk management	**9 584**	**2 745**	**6 922**	**13 068**	**(13 151)**
Lease liabilities	**15 140**	**455**	**1 356**	**8 581**	**4 748**
Trade and other payables	**36 576**	**27 832**	**7 782**	**962**	**–**
Financial trading liabilities	**2**	**2**	**–**	**–**	**–**
	731 611	**38 229**	**80 736**	**237 974**	**374 672**
Company					
Financial assets					
Loans receivable	**5 730**	**2 666**	**3 064**	**–**	**–**
Derivatives held for risk management	**9 261**	**(52)**	**(97)**	**6 667**	**2 743**
Finance lease receivables	**423**	**17**	**51**	**251**	**104**
Trade and other receivables	**30 177**	**27 785**	**1 540**	**852**	**–**
Cash and cash equivalents	**14 218**	**14 218**	**–**	**–**	**–**
	59 809	**44 634**	**4 558**	**7 770**	**2 847**
Financial liabilities					
Debt securities and borrowings	**671 924**	**7 934**	**66 738**	**214 697**	**382 555**[1]
Derivatives held for risk management	**9 584**	**2 745**	**6 922**	**13 068**	**(13 151)**
Lease liabilities	**15 138**	**456**	**1 355**	**8 580**	**4 747**
Trade and other payables	**38 711**	**29 989**	**7 760**	**962**	**–**
Financial trading liabilities	**2**	**2**	**–**	**–**	**–**
Financial guarantees	**104**	**104**	**–**	**–**	**–**
	735 463	**41 230**	**82 775**	**237 307**	**374 151**

1. The maturity profile of undiscounted contractual payments of debt securities and borrowings due after 5 years comprise of R227 billion (2021: R252 billion) between years 5 and 10 and R156 billion (2021: R181 billion) beyond year 10.

5. Financial risk management (continued)
5.3 Liquidity risk (continued)
5.3.3 Contractual cash flows (continued)

	Restated 2021 Nominal inflow/outflow Rm	Cash flows 0–3 months Rm	Cash flows 4–12 months Rm	Cash flows 1–5 years Rm	Cash flows >5 years Rm
Group					
Financial assets					
Loans receivable	15 072	215	644	3 258	10 955
Derivatives held for risk management	17 627	(69)	570	4 991	12 135
Finance lease receivables	504	19	56	248	181
Trade and other receivables[1]	23 254	22 629	625	–	–
Insurance investments	17 749	5 859	11 890	–	–
Cash and cash equivalents	4 041	4 041	–	–	–
	78 247	32 694	13 785	8 497	23 271
Financial liabilities					
Debt securities and borrowings	715 011	12 349	60 886	208 658	433 118[2]
Derivatives held for risk management	6 070	3 299	4 930	8 352	(10 511)
Lease liabilities	16 911	456	1 364	6 999	8 092
Trade and other payables	38 373	29 577	8 121	675	–
Financial trading liabilities	2	2	–	–	–
	776 367	45 683	75 301	224 684	430 699
Company					
Financial assets					
Loans receivable	5 837	2 654	3 183	–	–
Derivatives held for risk management	17 627	(69)	570	4 991	12 135
Finance lease receivables	504	19	56	248	181
Trade and other receivables[1]	26 637	23 936	2 066	635	–
Cash and cash equivalents	2 503	2 503	–	–	–
	53 108	29 043	5 875	5 874	12 316
Financial liabilities					
Debt securities and borrowings	707 764	9 696	57 319	207 631	433 118[2]
Derivatives held for risk management	6 068	3 299	4 928	8 352	(10 511)
Lease liabilities	16 909	456	1 364	6 997	8 092
Trade and other payables	40 533	31 772	8 086	675	–
Financial trading liabilities	2	2	–	–	–
Financial guarantees	52	52	–	–	–
	771 328	45 277	71 697	223 655	430 699

1. *The contractual cash flows have been restated to remove the cash flows related to sales to customers that are accounted for on the cash basis.*
2. *The maturity profile of undiscounted contractual payments of debt securities and borrowings due after 5 years comprise of R227 billion (2021: R252 billion) between years 5 and 10 and R156 billion (2021: R181 billion) beyond year 10.*

6. Accounting classification and fair value
6.1 Accounting classification

	Note	2022 Fair value through profit or loss Rm	2022 Amortised cost Rm	2022 Other assets and liabilities[1] Rm	2022 Total Rm	Restated 2021 Fair value through profit or loss Rm	Restated 2021 Amortised cost Rm	Restated 2021 Other assets and liabilities[1] Rm	Restated 2021 Total Rm
Group									
Financial assets									
Loans receivable	15	**–**	**8 149**	**–**	**8 149**	–	8 317	–	8 317
Home loans		**–**	**7 900**	**–**	**7 900**	–	8 063	–	8 063
Other loans		**–**	**249**	**–**	**249**	–	254	–	254
Embedded derivatives	16	**939**	**–**	**–**	**939**	–	–	–	–
Derivatives held for risk management	17	**4 710**	**–**	**3 799**	**8 509**	8 205	–	4 338	12 543
Foreign exchange contracts		**24**	**–**	**19**	**43**	24	–	8	32
Cross-currency swaps		**4 494**	**–**	**3 780**	**8 274**	8 032	–	4 330	12 362
Credit default swaps		**5**	**–**	**–**	**5**	5	–	–	5
Inflation-linked swaps		**187**	**–**	**–**	**187**	144	–	–	144
Finance lease receivables	18	**–**	**–**	**293**	**293**	–	–	327	327
Trade and other receivables	20	**–**	**24 385**	**–**	**24 385**	–	19 785	–	19 785
Insurance investments	21	**2 145**	**15 173**	**–**	**17 318**	1 934	12 467	–	14 401
Negotiable certificates of deposit		**–**	**15 173**	**–**	**15 173**	–	12 467	–	12 467
Listed shares		**2 145**	**–**	**–**	**2 145**	1 934	–	–	1 934
Cash and cash equivalents	22	**–**	**15 885**	**–**	**15 885**	–	4 041	–	4 041
Bank balances		**–**	**7 877**	**–**	**7 877**	–	4 041	–	4 041
Fixed deposits		**–**	**8 008**	**–**	**8 008**	–	–	–	–
		7 794	**63 592**	**4 092**	**75 478**	10 139	44 610	4 665	59 414
Financial liabilities									
Debt securities and borrowings	25	**–**	**396 294**	**–**	**396 294**	–	401 826	–	401 826
Eskom bonds		**–**	**161 635**	**–**	**161 635**	–	161 171	–	161 171
Commercial paper		**–**	**1 058**	**–**	**1 058**	–	1 251	–	1 251
Eurorand zero coupon bonds		**–**	**6 318**	**–**	**6 318**	–	5 600	–	5 600
Foreign bonds		**–**	**61 916**	**–**	**61 916**	–	55 553	–	55 553
Development financing institutions		**–**	**124 438**	**–**	**124 438**	–	143 174	–	143 174
Export credit facilities		**–**	**17 735**	**–**	**17 735**	–	23 343	–	23 343
Floating rate notes		**–**	**–**	**–**	**–**	–	2 027	–	2 027
Other loans		**–**	**23 194**	**–**	**23 194**	–	9 707	–	9 707
Embedded derivatives	16	**–**	**–**	**–**	**–**	1 491	–	–	1 491
Derivatives held for risk management	17	**5 015**	**–**	**4 963**	**9 978**	4 379	–	3 895	8 274
Foreign exchange contracts		**3 531**	**–**	**436**	**3 967**	3 827	–	398	4 225
Cross-currency swaps		**1 403**	**–**	**4 527**	**5 930**	450	–	3 497	3 947
Credit default swaps		**81**	**–**	**–**	**81**	102	–	–	102
Lease liabilities	29	**–**	**–**	**8 603**	**8 603**	–	–	8 969	8 969
Trade and other payables	30	**–**	**36 796**	**–**	**36 796**	–	35 892	–	35 892
Financial trading liabilities	21	**2**	**–**	**–**	**2**	2	–	–	2
		5 017	**433 090**	**13 566**	**451 673**	5 872	437 718	12 864	456 454

1. *Other assets and liabilities include derivatives held for risk management designated as hedges measured at fair value through other comprehensive income and finance leases measured at amortised cost. The total assets measured at amortised cost amounts to R46 561 million, the total liabilities measured at amortised costs amounts to R446 219 million.*

6. Accounting classification and fair value (continued)
6.1 Accounting classification (continued)

	Note	2022 Fair value through profit or loss Rm	2022 Amortised cost Rm	2022 Other assets and liabilities[1] Rm	2022 Total Rm	Restated 2021 Fair value through profit or loss Rm	Restated 2021 Amortised cost Rm	Restated 2021 Other assets and liabilities[1] Rm	Restated 2021 Total Rm
Company									
Financial assets									
Loans receivable									
Loans to subsidiaries	15	–	5 650	–	5 650	–	5 758	–	5 758
Embedded derivatives	16	939	–	–	939	–	–	–	–
Derivatives held for risk management	17	4 711	–	3 799	8 510	8 207	–	4 338	12 545
Foreign exchange contracts		25	–	19	44	26	–	8	34
Cross-currency swaps		4 494	–	3 780	8 274	8 032	–	4 330	12 362
Credit default swaps		5	–	–	5	5	–	–	5
Inflation-linked swaps		187	–	–	187	144	–	–	144
Finance lease receivables	18	–	–	293	293	–	–	327	327
Trade and other receivables	20	–	26 400	–	26 400	–	22 276	–	22 276
Cash and cash equivalents	22	–	14 218	–	14 218	–	2 503	–	2 503
Bank balances		–	6 210	–	6 210	–	2 503	–	2 503
Fixed deposits		–	8 008	–	8 008	–	–	–	–
		5 650	46 268	4 092	56 010	8 207	30 537	4 665	43 409
Financial liabilities									
Debt securities and borrowings	25	–	398 066	–	398 066	–	404 042	–	404 042
Eskom bonds		–	163 622	–	163 622	–	161 171	–	161 171
Commercial paper		–	595	–	595	–	3 184	–	3 184
Eurorand zero coupon bonds		–	6 318	–	6 318	–	5 600	–	5 600
Foreign bonds		–	61 916	–	61 916	–	55 553	–	55 553
Development financing institutions		–	124 438	–	124 438	–	143 174	–	143 174
Export credit facilities		–	17 735	–	17 735	–	23 343	–	23 343
Floating rate notes		–	–	–	–	–	2 027	–	2 027
Other loans		–	23 442	–	23 442	–	9 990	–	9 990
Embedded derivatives	16	–	–	–	–	1 491	–	–	1 491
Derivatives held for risk management	17	5 015	–	4 963	9 978	4 379	–	3 895	8 274
Foreign exchange contracts		3 531	–	436	3 967	3 827	–	398	4 225
Cross-currency swaps		1 403	–	4 527	5 930	450	–	3 497	3 947
Credit default swaps		81	–	–	81	102	–	–	102
Lease liabilities	29	–	–	8 602	8 602	–	–	8 967	8 967
Trade and other payables	30	–	39 551	–	39 551	–	38 843	–	38 843
Financial trading liabilities	21	2	–	–	2	2	–	–	2
		5 017	437 617	13 565	456 199	5 872	442 885	12 862	461 619

1. *Other assets and liabilities include derivatives held for risk management designated as hedges measured at fair value through other comprehensive income and finance leases measured at amortised cost. The total assets measured at amortised cost amounts to R46 561 million, the total liabilities measured at amortised costs amounts to R446 219 million.*

6.2 Fair value

Valuation processes

The group has a control framework in place for the measurement of fair values. It includes a valuation team that ultimately reports to the chief financial officer and has overall responsibility for all significant fair value measurements.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. Where third-party information, such as broker quotes or pricing services, is used to measure fair value, this information is assessed as to whether it provides adequate support for the accounting treatment applied including the level of the fair value hierarchy assigned to it.

Principal markets

The group is involved in various principal markets because of the unique funding activities undertaken where the fair value is determined by each participant in the different principal markets. The principal markets include:

- capital and money markets
- development financing institutions
- export credit agencies

Fair value hierarchy

Fair value measurements are categorised into the different levels in the fair value hierarchy based on the inputs to the valuation techniques used. There were no changes in the valuation techniques applied. The hierarchy levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: Unobservable inputs.

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year. The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers have occurred. The group's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (eg significant increases/decreases in activity)
- changes in inputs used in valuation techniques (eg inputs becoming/ceasing to be observable in the market)

Valuation techniques

Financial instrument	Valuation technique
Level 1: Quoted prices (unadjusted) in active markets	
Financial trading assets (government bonds) and insurance investments (listed shares)	Quoted bid price in active markets. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Financial trading liabilities (short-sold government bonds)	Quoted bid price in active markets. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2: Inputs other than quoted prices included within level 1 that are observable	
Loans receivable, insurance investments (negotiable certificates of deposit), debt securities and borrowings and financial trading assets and liabilities (repurchase agreement assets and liabilities) and trade and other receivables	A discounted cash flow technique is used which uses expected cash flows and a market-related discount rate.
Derivatives held for risk management	Valuation determined with reference to broker quotes as well as use of discounted cash flow and option pricing models. Broker quotes are tested for reasonableness by discounting expected future cash flows using a market interest rate for a similar instrument at the measurement date.
	Valuations of cross-currency swaps include the credit risk of Eskom (known as debit value adjustment) and counterparties (known as credit value adjustment) where appropriate. A stochastic modelling approach is followed where the expected future exposure to credit risk for Eskom and its counterparties (considering default probabilities and recovery rates derived from market data) is modelled.
Trade and other payables and cash and cash equivalents	Fair values have not been disclosed for financial instruments where the carrying amounts are a reasonable approximation of fair value.
Level 3: Unobservable inputs	
Embedded derivatives	Fair valued using unobservable inputs. Refer to note 16 for a movement reconciliation and to note 4.1 for information regarding the valuation techniques and assumptions used.

6. Accounting classification and fair value (continued)

6.2 Fair value (continued)

Fair value hierarchy (continued)

The fair value hierarchy of financial instruments is as follows:

	Measured at fair value	2022 Level 1 Rm	2022 Level 2 Rm	2022 Level 3 Rm	Restated 2021 Level 1 Rm	Restated 2021 Level 2 Rm	Restated 2021 Level 3 Rm
Group							
Financial assets							
Loans receivable		–	7 237	–	–	7 388	–
Home loans	No	–	7 119	–	–	7 263	–
Other loans	No	–	118	–	–	125	–
Embedded derivatives	Yes	–	–	939	–	–	–
Derivatives held for risk management		–	8 509	–	–	12 543	–
Foreign exchange contracts	Yes	–	43	–	–	32	–
Cross-currency swaps	Yes	–	8 274	–	–	12 362	–
Credit default swaps	Yes	–	5	–	–	5	–
Inflation-linked swaps	Yes	–	187	–	–	144	–
Trade and other receivables	No	–	24 385	–	–	19 785	–
Insurance investments		2 145	15 175	–	1 934	12 795	–
Negotiable certificates of deposit	No	–	15 175	–	–	12 795	–
Listed shares	Yes	2 145	–	–	1 934	–	–
Financial liabilities							
Debt securities and borrowings		–	387 850	–	–	406 363	–
Eskom bonds	No	–	152 035	–	–	148 291	–
Commercial paper	No	–	759	–	–	1 123	–
Eurorand zero coupon bonds	No	–	5 271	–	–	4 557	–
Foreign bonds	No	–	61 382	–	–	58 588	–
Development financing institutions	No	–	124 807	–	–	153 676	–
Export credit facilities	No	–	19 888	–	–	26 973	–
Floating rate notes	No	–	–	–	–	2 028	–
Other loans	No	–	23 708	–	–	11 127	–
Embedded derivatives	Yes	–	–	–	–	–	1 491
Derivatives held for risk management		–	9 978	–	–	8 274	–
Foreign exchange contracts	Yes	–	3 967	–	–	4 225	–
Cross-currency swaps	Yes	–	5 930	–	–	3 947	–
Credit default swaps	Yes	–	81	–	–	102	–
Financial trading liabilities							
Repurchase agreements	Yes	–	2	–	–	2	–

	Measured at fair value	2022 Level 1 Rm	2022 Level 2 Rm	2022 Level 3 Rm	Restated 2021 Level 1 Rm	Restated 2021 Level 2 Rm	Restated 2021 Level 3 Rm
Company							
Financial assets							
Loans receivable							
Loans to subsidiaries[1]	No	–	5 654	–	–	5 771	–
Embedded derivatives	Yes	–	–	939	–	–	–
Derivatives held for risk management		–	8 510	–	–	12 545	–
Foreign exchange contracts	Yes	–	44	–	–	34	–
Cross-currency swaps	Yes	–	8 274	–	–	12 362	–
Credit default swaps	Yes	–	5	–	–	5	–
Inflation-linked swaps	Yes	–	187	–	–	144	–
Trade and other receivables	No	–	26 400	–	–	22 276	–
Financial liabilities							
Debt securities and borrowings		–	389 924	–	–	408 716	–
Eskom bonds	No	–	154 025	–	–	148 291	–
Commercial paper	No	–	596	–	–	3 192	–
Eurorand zero coupon bonds	No	–	5 271	–	–	4 557	–
Foreign bonds	No	–	61 382	–	–	58 588	–
Development financing institutions	No	–	124 807	–	–	153 676	–
Export credit facilities	No	–	19 888	–	–	26 973	–
Floating rate notes	No	–	–	–	–	2 028	–
Other loans	No	–	23 955	–	–	11 411	–
Embedded derivatives	Yes	–	–	–	–	–	1 491
Derivatives held for risk management		–	9 978	–	–	8 274	–
Foreign exchange contracts	Yes	–	3 967	–	–	4 225	–
Cross-currency swaps	Yes	–	5 930	–	–	3 947	–
Credit default swaps	Yes	–	81	–	–	102	–
Financial trading liabilities							
Repurchase agreements	Yes	–	2	–	–	2	–

7. Segment information

Management has determined the reportable segments based on the reports regularly provided, reviewed and used by Exco to make strategic decisions and assess performance of the segments. Exco assesses the performance of the operating segments based on a measure of profit or loss consistent with that of the financial statements. The amounts provided to Exco with respect to total assets and liabilities are measured in terms of IFRS. These assets and liabilities are allocated based on the operation of the segment and the physical location of the assets.

The operations in each of the group's reportable segments are as follows:

Segment	Operations
Generation	Consists of the following components: • primary energy procurement • electricity generation • planning, development, execution and monitoring of generation-related capital projects
Transmission	Consists of the following components: • transmission grids and the integrated demand management area. These functions operate and maintain the transmission network for transmitting electricity and also sell bulk electricity to international customers • the southern African energy and energy planning and market development areas. Their activities include systems operations, purchase or sale of electricity from or to southern African countries, purchase of electricity from IPPs and wholesale energy for the purposes of energy trading
Distribution	Consists of five operating clusters who provide, operate and maintain the distribution network for distributing electricity as well as a retail function that sells electricity to local large and small power users
All other segments	Relates to operating segments which are below the quantitative thresholds for determining a reportable segment in terms of IFRS 8 *Operating segments* which includes the group's subsidiaries as well as all service and strategic functions which do not qualify as a reportable segment in terms of IFRS 8

1. *The fair value of the loan is calculated based on the assumption that there are no changes in the manner of recovery of the loan. This assumes that the outstanding amount would be recovered based on the collections from the underlying loans and advances in EFC in the normal course of business.*

7. Segment information (continued)

The revenue earned by subsidiaries is presented in the segment note in line with what is reported in the respective subsidiary financial statements. Inter-segment transfer pricing for the flow of electricity from generator to consumer is allocated between the generation, transmission and distribution segments based on cost recovery plus a return on assets informed by the regulatory determination. All direct corporate overhead costs are allocated to the relevant segments and a cost driver apportionment is used to split the remaining overhead costs on an equal basis between segments. Net finance costs, net fair value and foreign exchange gains/(losses) are allocated to segments based on divisional funding requirements.

Inter-segment revenue/recoveries for 2021 have been restated as a profit equalisation entry, that resulted in a consistent return on assets between the generation, transmission and distribution segments to reflect the NERSA return that was made at an Eskom level, was previously presented in the segment report but not reflected in the reports reviewed internally. The impact of the error was a reduction of R2 769 million and R1 318 million in the generation and distribution segments respectively and an increase in the transmission segment of R4 087 million on the inter-segment revenue/recoveries line (net impact of zero); with a resultant impact on EBITDA, (loss)/profit before net finance (cost)/income, (loss)/profit before and after tax.

The 2021 segment information has also been updated in line with the restatements presented in note 48.

The segment information provided to Exco for the reportable segments is as follows:

	2022					
	Generation	Transmission	Distribution	All other segments	Reallocation and inter-segment transactions	Group
	Rm	Rm	Rm	Rm	Rm	Rm
External revenue	–	11 022	235 498	1 252	(1 252)	246 520
Inter-segment revenue/recoveries	157 536	43 624	(201 107)	14 106	(14 159)	–
Total revenue	157 536	54 646	34 391	15 358	(15 411)	246 520
Other income	233	199	566	1 606	(1 110)	1 494
Primary energy	(91 920)	(40 509)	(10)	–	–	(132 439)
Employee benefit expense	(10 921)	(2 422)	(11 323)	(8 319)	–	(32 985)
Reversal of impairment/(impairment) of financial assets	45	(13)	(564)	311	(368)	(589)
Impairment and writedown of other assets	(793)	(3)	(38)	(15)	2	(847)
Impairment of other assets – reversed	–	–	–	5	(5)	–
Other expenses	(28 037)	(2 533)	(9 506)	(6 271)	17 567	(28 780)
Profit before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain (EBITDA)	26 143	9 365	13 516	2 675	675	52 374
Depreciation and amortisation expense	(24 067)	(3 125)	(4 391)	(650)	224	(32 009)
Net fair value and foreign exchange (loss)/gain	(4 360)	(510)	1 598	144	2	(3 126)
(Loss)/profit before net finance (cost)/income and share of profit of equity-accounted investees	(2 284)	5 730	10 723	2 169	901	17 239
Net finance (cost)/income	(26 291)	(4 143)	(2 438)	(452)	261	(33 063)
Finance income	487	104	524	1 055	194	2 364
Finance cost	(26 778)	(4 247)	(2 962)	(1 507)	67	(35 427)
Share of profit of equity-accounted investees	–	–	–	52	–	52
(Loss)/profit before tax	(28 575)	1 587	8 285	1 769	1 162	(15 772)
Income tax	–	–	–	3 917	(475)	3 442
(Loss)/profit for the year	(28 575)	1 587	8 285	5 686	687	(12 330)
Other information						
Segment assets	544 427	79 450	120 496	82 858	(26 064)	801 167
Investment in equity-accounted investees	–	–	–	418	–	418
Total assets	544 427	79 450	120 496	83 276	(26 064)	801 585
Total liabilities	85 499	19 408	50 038	439 858[1]	(28 532)	566 271
Additions and transfers to property, plant and equipment and intangible assets	20 944	2 890	4 531	410	(247)	28 528

1. *Represents the external debt and borrowings that is accounted for in the treasury segment.*

	Restated 2021					
	Generation	Transmission	Distribution	All other segments	Reallocation and inter-segment transactions	Group
	Rm	Rm	Rm	Rm	Rm	Rm
External revenue	–	10 065	194 261	1 607	(1 607)	204 326
Inter-segment revenue/recoveries	136 566	32 910	(169 286)	12 585	(12 775)	–
Total revenue	136 566	42 975	24 975	14 192	(14 382)	204 326
Other income	2 340	277	516	1 609	(2 080)	2 662
Primary energy	(79 662)	(35 818)	(12)	–	–	(115 492)
Employee benefit expense	(10 942)	(2 347)	(11 583)	(8 015)	–	(32 887)
(Impairment)/reversal of impairment of financial assets	(44)	(133)	333	(230)	165	91
Impairment and writedown of other assets	(1 860)	(7)	(19)	(4)	4	(1 886)
Other expenses	(24 232)	(1 824)	(9 566)	(2 834)	14 250	(24 206)
Profit/(loss) before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain (EBITDA)	22 166	3 123	4 644	4 718	(2 043)	32 608
Depreciation and amortisation expense	(18 925)	(3 076)	(3 977)	(847)	240	(26 585)
Net fair value and foreign exchange (loss)/gain	(7 778)	(455)	(616)	796	4	(8 049)
(Loss)/profit before net finance (cost)/income and share of profit of equity-accounted investees	(4 537)	(408)	51	4 667	(1 799)	(2 026)
Net finance (cost)/income	(22 982)	(5 206)	(2 769)	(407)	222	(31 142)
Finance income	710	92	326	1 214	58	2 400
Finance cost	(23 692)	(5 298)	(3 095)	(1 621)	164	(33 542)
Share of profit of equity-accounted investees	–	–	–	71	–	71
(Loss)/profit before tax	(27 519)	(5 614)	(2 718)	4 331	(1 577)	(33 097)
Income tax	–	–	–	7 941	140	8 081
(Loss)/profit for the year	(27 519)	(5 614)	(2 718)	12 272	(1 437)	(25 016)
Other information						
Segment assets	538 481	78 895	115 931	67 402	(23 871)	776 838
Investment in equity-accounted investees	–	–	–	420	–	420
Total assets	538 481	78 895	115 931	67 822	(23 871)	777 258
Total liabilities	79 347	19 116	47 458	440 651[1]	(24 618)	561 954
Additions and transfers to property, plant and equipment and intangible assets	17 076	3 160	6 249	(2 944)	(350)	23 191

	Group			
	Revenue		Non-current assets	
	2022	2021	2022	2021
Geographical information	Rm	Rm	Rm	Rm
South Africa	235 070	193 943	677 212	671 663
Foreign countries	11 450	10 383	268	297
	246 520	204 326	677 480	671 960

The group's reportable segments operate mainly in South Africa, which is Eskom's country of domicile.

Revenue is allocated based on the country in which the customer is located after eliminating inter-segment transactions. There is no significant revenue derived from a single external customer by any of the reportable segments.

Non-current assets disclosed for geographical information comprise non-current assets other than deferred tax assets and financial instruments.

1. *Represents the external debt and borrowings that is accounted for in the treasury segment.*

8. Property, plant and equipment

	Note	Land, buildings and facilities Rm	Plant Gene-rating Rm	Plant Trans-mitting Rm	Plant Distri-buting Rm	Spares and other Rm	Equip-ment and vehicles Rm	Work under con-struction Rm	Total Rm
2022									
Group									
Carrying value at beginning of the year		8 932	344 223	45 472	77 429	14 581	5 087	165 970	661 694
Cost		11 392	474 233	68 001	136 422	16 365	17 660	165 970	890 043
Accumulated depreciation and impairment losses		(2 460)	(130 010)	(22 529)	(58 993)	(1 784)	(12 573)	–	(228 349)
Additions and transfers		83	986	48	317	245	355	26 151	28 185
Transfers of assets from customers		–	–	(36)	1 124	–	–	–	1 088
Commissioning of assets constructed		305	40 579	4 019	4 180	68	236	(49 387)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(142)	(142)
Finance cost capitalised	40	–	–	–	–	–	–	8 184	8 184
Provisions capitalised	28	–	626	–	–	–	–	1 751	2 377
Disposals and writeoffs		(47)	(1 335)	(683)	(300)	(2)	(100)	(636)	(3 103)
Depreciation		(201)	(24 259)	(2 317)	(5 545)	(87)	(804)	–	(33 213)
Carrying value at end of the year		9 072	360 820	46 503	77 205	14 805	4 774	151 891	665 070
Cost		11 683	509 058	71 313	138 558	16 615	17 457	151 891	916 575
Accumulated depreciation and impairment losses		(2 611)	(148 238)	(24 810)	(61 353)	(1 810)	(12 683)	–	(251 505)
Company									
Carrying value at beginning of the year		8 526	346 355	45 686	77 683	14 581	3 896	166 927	663 654
Cost		10 902	477 755	68 266	136 793	16 365	14 386	166 927	891 394
Accumulated depreciation and impairment losses		(2 376)	(131 400)	(22 580)	(59 110)	(1 784)	(10 490)	–	(227 740)
Additions and transfers		79	984	47	316	246	302	26 389	28 363
Transfers of assets from customers		–	–	(36)	1 124	–	–	–	1 088
Commissioning of assets constructed		281	41 361	4 028	4 186	68	200	(50 124)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(142)	(142)
Finance cost capitalised	40	–	–	–	–	–	–	8 184	8 184
Provisions capitalised	28	–	626	–	–	–	–	1 751	2 377
Disposals and writeoffs		(46)	(1 335)	(683)	(300)	(2)	(99)	(594)	(3 059)
Depreciation		(194)	(24 485)	(2 328)	(5 562)	(88)	(703)	–	(33 360)
Carrying value at end of the year		8 646	363 506	46 714	77 447	14 805	3 596	152 391	667 105
Cost		11 166	512 941	71 587	138 929	16 615	14 126	152 391	917 755
Accumulated depreciation and impairment losses		(2 520)	(149 435)	(24 873)	(61 482)	(1 810)	(10 530)	–	(250 650)

	Note	Land, buildings and facilities Rm	Plant Gene-rating Rm	Plant Trans-mitting Rm	Plant Distri-buting Rm	Spares and other Rm	Equip-ment and vehicles Rm	Work under con-struction Rm	Total Rm
2021									
Group									
Carrying value at beginning of the year as restated		8 840	294 295	44 506	75 308	14 524	5 663	209 178	652 314
Cost		11 070	411 575	64 779	129 461	16 251	17 510	210 097	860 743
Accumulated depreciation and impairment losses		(2 230)	(117 280)	(20 273)	(54 153)	(1 727)	(11 847)	(919)	(208 429)
Additions and transfers		131	181	89	340	125	277	21 882	23 025
Transfers of assets from customers		–	–	509	1 106	–	–	–	1 615
Commissioning of assets constructed		200	66 793	2 649	5 752	29	99	(75 522)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(32)	(32)
Finance cost capitalised	40	–	–	–	–	–	–	11 716	11 716
Provisions capitalised	28	–	2 125	–	–	–	–	1 011	3 136
Disposals and writeoffs		(12)	(16)	(3)	(6)	(10)	(44)	(2 263)	(2 354)
Depreciation		(227)	(19 155)	(2 278)	(5 071)	(87)	(908)	–	(27 726)
Carrying value at end of the year		8 932	344 223	45 472	77 429	14 581	5 087	165 970	661 694
Cost		11 392	474 233	68 001	136 422	16 365	17 660	165 970	890 043
Accumulated depreciation and impairment losses		(2 460)	(130 010)	(22 529)	(58 993)	(1 784)	(12 573)	–	(228 349)
Company									
Carrying value at beginning of the year as restated		8 620	296 118	44 710	75 549	14 524	4 365	210 033	653 919
Cost		10 769	414 574	65 023	129 803	16 251	14 290	210 952	861 662
Accumulated depreciation and impairment losses		(2 149)	(118 456)	(20 313)	(54 254)	(1 727)	(9 925)	(919)	(207 743)
Additions and transfers		123	181	88	340	125	241	22 360	23 458
Transfers of assets from customers		–	–	509	1 106	–	–	–	1 615
Commissioning of assets constructed		20	67 315	2 670	5 781	29	83	(75 898)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(32)	(32)
Finance cost capitalised	40	–	–	–	–	–	–	11 716	11 716
Provisions capitalised	28	–	2 125	–	–	–	–	1 011	3 136
Disposals and writeoffs		(12)	(15)	(3)	(6)	(10)	(44)	(2 263)	(2 353)
Depreciation		(225)	(19 369)	(2 288)	(5 087)	(87)	(749)	–	(27 805)
Carrying value at end of the year		8 526	346 355	45 686	77 683	14 581	3 896	166 927	663 654
Cost		10 902	477 755	68 266	136 793	16 365	14 386	166 927	891 394
Accumulated depreciation and impairment losses		(2 376)	(131 400)	(22 580)	(59 110)	(1 784)	(10 490)	–	(227 740)

Writeoffs includes amounts written off as a result of damage to Medupi Unit 4 as well as scrapping and clean up of assets.

The ongoing internal and external investigations, including by the SIU, into allegations of contract corruption could result in further writeoffs once finalised and after the related accounting impact have been assessed. Refer to note 2.4.

8. Property, plant and equipment (continued)

The total depreciation charge for property, plant and equipment is disclosed in profit or loss in the following categories:

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Depreciation and amortisation expense	37	**33 201**	27 714	**33 348**	27 793
Primary energy		**12**	12	**12**	12
		33 213	27 726	**33 360**	27 805

Average rates of finance cost capitalised to qualifying assets:

	Group and company 2022 %	2021 %
General borrowings	**9.64**	9.15
Specific borrowings	**8.13**	8.62

Property, plant and equipment includes the following right-of-use asset balances:

	Land, buildings and facilities Rm	Plant Generating Rm	Plant Spares and other Rm	Equipment and vehicles Rm	Total Rm
2022					
Group					
Carrying value at beginning of the year	**154**	**6 368**	**98**	**50**	**6 670**
Cost	**281**	**9 768**	**567**	**70**	**10 686**
Accumulated depreciation and impairment losses	**(127)**	**(3 400)**	**(469)**	**(20)**	**(4 016)**
Additions	**51**	**–**	**–**	**–**	**51**
Disposals and writeoffs	**(2)**	**–**	**–**	**–**	**(2)**
Depreciation	**(77)**	**(651)**	**(12)**	**(14)**	**(754)**
Carrying value at end of the year	**126**	**5 717**	**86**	**36**	**5 965**
Cost	**284**	**9 768**	**506**	**70**	**10 628**
Accumulated depreciation and impairment losses	**(158)**	**(4 051)**	**(420)**	**(34)**	**(4 663)**
Company					
Carrying value at beginning of the year	**154**	**6 368**	**98**	**48**	**6 668**
Cost	**280**	**9 768**	**567**	**67**	**10 682**
Accumulated depreciation and impairment losses	**(126)**	**(3 400)**	**(469)**	**(19)**	**(4 014)**
Additions	**51**	**–**	**–**	**–**	**51**
Disposals and writeoffs	**(2)**	**–**	**–**	**–**	**(2)**
Depreciation	**(77)**	**(651)**	**(12)**	**(13)**	**(753)**
Carrying value at end of the year	**126**	**5 717**	**86**	**35**	**5 964**
Cost	**283**	**9 768**	**506**	**67**	**10 624**
Accumulated depreciation and impairment losses	**(157)**	**(4 051)**	**(420)**	**(32)**	**(4 660)**

	Land, buildings and facilities Rm	Plant Generating Rm	Plant Spares and other Rm	Equipment and vehicles Rm	Total Rm
2021					
Group					
Carrying value at beginning of the year as restated	142	7 019	110	64	7 335
Cost	234	9 768	567	70	10 639
Accumulated depreciation and impairment losses	(92)	(2 749)	(457)	(6)	(3 304)
Additions	119	–	–	–	119
Disposals and writeoffs	(8)	–	–	–	(8)
Depreciation	(99)	(651)	(12)	(14)	(776)
Carrying value at end of the year	154	6 368	98	50	6 670
Cost	281	9 768	567	70	10 686
Accumulated depreciation and impairment losses	(127)	(3 400)	(469)	(20)	(4 016)
Company					
Carrying value at beginning of the year as restated	141	7 019	110	61	7 331
Cost	233	9 768	567	67	10 635
Accumulated depreciation and impairment losses	(92)	(2 749)	(457)	(6)	(3 304)
Additions	119	–	–	–	119
Disposals and writeoffs	(8)	–	–	–	(8)
Depreciation	(98)	(651)	(12)	(13)	(774)
Carrying value at end of the year	154	6 368	98	48	6 668
Cost	280	9 768	567	67	10 682
Accumulated depreciation and impairment losses	(126)	(3 400)	(469)	(19)	(4 014)

9. Intangible assets

	Note	Rights Rm	Computer software Rm	Concession assets Rm	Total Rm
2022					
Group					
Carrying value at beginning of the year		**3 177**	**182**	**297**	**3 656**
Cost		**3 393**	**1 555**	**575**	**5 523**
Accumulated amortisation and impairment losses		**(216)**	**(1 373)**	**(278)**	**(1 867)**
Additions and transfers		**122**	**27**	**194**	**343**
Amortisation	37	**–**	**(152)**	**(223)**	**(375)**
Carrying value at end of the year		**3 299**	**57**	**268**	**3 624**
Cost		**3 515**	**1 346**	**821**	**5 682**
Accumulated amortisation and impairment losses		**(216)**	**(1 289)**	**(553)**	**(2 058)**
Company					
Carrying value at beginning of the year		**3 177**	**181**	**–**	**3 358**
Cost		**3 393**	**1 218**	**–**	**4 611**
Accumulated amortisation and impairment losses		**(216)**	**(1 037)**	**–**	**(1 253)**
Additions and transfers		**122**	**27**	**–**	**149**
Amortisation	37	**–**	**(152)**	**–**	**(152)**
Carrying value at end of the year		**3 299**	**56**	**–**	**3 355**
Cost		**3 515**	**1 016**	**–**	**4 531**
Accumulated amortisation and impairment losses		**(216)**	**(960)**	**–**	**(1 176)**

9. Intangible assets (continued)

	Note	Rights Rm	Computer software Rm	Concession assets Rm	Total Rm
2021					
Group					
Carrying value at beginning of the year		3 138	421	271	3 830
Cost		3 358	4 984	465	8 807
Accumulated amortisation and impairment losses		(220)	(4 563)	(194)	(4 977)
Additions and transfers		39	17	110	166
Writeoffs		–	(26)	–	(26)
Amortisation	37	–	(230)	(84)	(314)
Carrying value at end of the year		3 177	182	297	3 656
Cost		3 393	1 555	575	5 523
Accumulated amortisation and impairment losses		(216)	(1 373)	(278)	(1 867)
Company					
Carrying value at beginning of the year		3 138	420	–	3 558
Cost		3 358	4 655	–	8 013
Accumulated amortisation and impairment losses		(220)	(4 235)	–	(4 455)
Additions and transfers		39	16	–	55
Writeoffs		–	(26)	–	(26)
Amortisation	37	–	(229)	–	(229)
Carrying value at end of the year		3 177	181	–	3 358
Cost		3 393	1 218	–	4 611
Accumulated amortisation and impairment losses		(216)	(1 037)	–	(1 253)

Impairment assessment of the Eskom CGU (including property, plant and equipment and indefinite useful life of intangible assets)

The CGU of Eskom was assessed for impairment because of liquidity, financial and operational performances challenges. The recoverable amount of the Eskom CGU was determined based on its value in use and no impairment loss was recognised on the CGU. Rights are part of the Eskom CGU and were tested for impairment as part of the CGU.

The value-in-use calculation is based on the regulatory electricity pricing methodology where the rate of return on Eskom's assets should be equal to its weighted average cost of capital (WACC) to allow for the price of electricity to be cost reflective. The price of electricity can only be cost reflective if the return on assets equals the WACC. In reality, the electricity price is not cost-reflective and Eskom earns a return on assets that is much lower than its pre-tax WACC.

The value-in-use calculation assumed that the electricity price will migrate to cost reflectivity over a period of time in line with the Electricity Pricing Policy. An EBITDA margin of 30% to 35% was assumed as a proxy for return on assets. The price path is aligned to this assumption to ensure an EBITDA margin within the range.

Estimates in the value-in-use calculation include long-term growth rates, electricity sales volumes, price path, available generation capacity and discount rates. Estimates are based on past experience and expectations of future changes in the market, including the prevailing economic climate.

The cash flow projections were based on the Eskom Corporate Plan for 2023 to 2027 and an extrapolation until the electricity price is cost reflective. The projections after the first five years were extrapolated based on the estimated long-term average growth rates, inflation and available existing capacity. The extrapolation beyond the first five years was deemed appropriate as generating plant have long useful lives and it is estimated that it could take longer than five years to achieve a cost-reflective price.

A declining sales trajectory limited to available capacity was assumed. The available capacity depends on new generating units becoming available and decommissioning of old power stations. It was assumed that there will be no new electricity production sources, both from Eskom and IPPs. The usage of the OCGTs was restricted to an average load factor of between 3% and 6%. The EAF of the power stations was aligned to the current performance, with a gradual improvement over time.

The price of electricity is a key input in the value-in-use calculation. The price path is based on the NERSA determination (adjusted for the impact of the court decisions relating to the treatment of the government equity support and the RCA decisions) and a gradual migration towards cost reflectivity. The price path is considered to be conservative, taking into account the recent history of several court decisions in favour of Eskom as well as outstanding court proceedings and RCA applications.

Management concluded that the key assumptions (which includes price path, EAF and OCGT usage) are reasonable.

The price increase used for group and company was:

	Year ended 31 March 2023 %	2024 %	2025 %	2026 %	2027 %	2028 %
2022						
Price increase	**9**	**13**	**13**	**13**	**13**	**10**

	Year ended 31 March 2022 %	2023 %	2024 %	2025 %	2026 %	2027 %
2021						
Price increase	13	15	10	10	10	9

A pre-tax nominal discount rate of 12.46% (2021: 12.46%) was used as derived from the NERSA determination. An average long-term growth rate of 1.9% (2021: 2%) was used to extrapolate cash flow projections after year five. The growth rate was restricted to the available capacity.

It is not expected that a reasonable possible change in any of the key assumptions would cause the carrying value of the CGU to exceed the recoverable amount. This conclusion is based on the value in use exceeding the carrying amount by about 30% and on the results of the following sensitivity analyses:

Price and discount rate sensitivity
As indicated, an EBITDA margin of 30% to 35% is used as a proxy for return on assets in the value-in-use calculation. The discount rate is an input to derive cost reflective tariffs in terms of the principles of the regulatory framework and it is therefore not appropriate to perform a sensitivity with these inputs (price and discount rate) in isolation. A conservative price path has been assumed over a number of years to move Eskom to a fair price. The sensitivity analysis therefore considered the impact on the value in use if the price path to cost reflective tariffs took one year longer than assumed. An increase of one year in the price path results in the overall value in use exceeding the carrying amount by 28%.

Other sensitivities
A 1% cumulative increase in primary energy costs over the 2024 to 2050 periods results in the value in use exceeding the carrying amount by about 28%.

A 1% cumulative increase in total operating expenses over the 2024 to 2050 periods results in the value in use exceeding the carrying amount by about 23%.

10. Future fuel supplies

	Note	Group and company 2022 Coal Rm	2022 Nuclear Rm	2022 Total Rm	Restated 2021 Coal Rm	Restated 2021 Nuclear Rm	Restated 2021 Total Rm
Carrying value at beginning of the year		**4 349**	**41**	**4 390**	4 259	130	4 389
Net additions		**1 914**	**554**	**2 468**	311	1 249	1 560
Provisions capitalised	28	**113**	**–**	**113**	422	–	422
Basis adjustment – cash flow hedge reserve		**–**	**(3)**	**(3)**	–	(368)	(368)
Transfer to inventories	13	**(642)**	**(22)**	**(664)**	(643)	(970)	(1 613)
Carrying value at end of the year		**5 734**	**570**	**6 304**	4 349	41	4 390

11. Investment in equity-accounted investees

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Balance at beginning of the year	**420**	397	**95**	95
Share of profit after tax	**52**	71	**–**	–
Dividends received	**(54)**	(48)	**–**	–
Balance at end of the year	**418**	420	**95**	95

The group's investments in joint ventures and associates are not individually material.

The group's share of the results of its joint ventures and associates, all of which are unlisted, is as follows:

Name	Main business	Country of incorporation	Interest held %	2022 Group Share of profit after tax for the year Rm	2022 Company Investment at cost Rm	2021 Group Share of profit after tax for the year Rm	2021 Company Investment at cost Rm
Directly held							
Motraco – Mozambique Transmission Company SARL[1]	Electricity transmission	Mozambique	33	**70**	**95**	71	95
Indirectly held							
Trans Africa Projects (Pty) Ltd	Engineering services	South Africa	50	**(18)**		–	
				52		71	

The share capital of the group's investment in joint ventures comprises ordinary shares. The joint ventures are structured as separate vehicles and the group has a residual interest in the net assets. The relevant activities are jointly controlled in accordance with the agreements under which the entities are established. The joint arrangements have therefore been classified as joint ventures.

12. Investment in subsidiaries

Name	Main business	2022 Interest held %	2021 Interest held %
Directly held			
Escap SOC Ltd	Insurance	**100**	100
Eskom Development Foundation NPC	Corporate social investment	**100**	100
Eskom Enterprises SOC Ltd	Non-regulated electricity supply industry activities in South Africa and electricity supply and related services outside South Africa	**100**	100
Eskom Finance Company SOC Ltd	Finance (employee housing loans)	**100**	100
National Transmission Company South Africa SOC Ltd	Transmission and trading of electricity – not trading	**100**	n/a
PN Energy Services SOC Ltd	Not trading	**100**	100
Indirectly held			
Eskom Rotek Industries SOC Ltd	Construction and abnormal load transportation	**100**	100
Eskom Uganda Ltd[1]	Operations management	**100**	100
Golang Coal SOC Ltd	Coal exports	**67**	67
Nqaba Finance 1 (RF) Ltd	Residential backed mortgage securities	**100**	100
Pebble Bed Modular Reactor SOC Ltd	Reactor driven generation project – not trading	**100**	100
South Dunes Coal Terminal Company SOC Ltd	Coal exports	**69**	69

1. *Year end is 31 December.*

	2022 Investment at cost Rm	2022 Accumulated impairment Rm	2022 Dividend declared Rm	2021 Investment at cost Rm	2021 Accumulated impairment Rm	2021 Dividend declared Rm
Escap SOC Ltd	**380**	**–**	**600**	380	–	–
Eskom Development Foundation	**–**	**–**	**–**	–	–	–
Eskom Enterprises SOC Ltd	**–[1]**	**–**	**–**	–[1]	–	1 000
Eskom Finance Company SOC Ltd	**–[1]**	**–**	**–**	–[1]	–	–
National Transmission Company South Africa SOC Ltd[2]	**–[1]**	**–**	**–**	–	–	–
PN Energy Services SOC Ltd	**4**	**(4)**	**–**	4	(4)	37
	384	**(4)**	**600**	384	(4)	1 037

All subsidiaries continue to be accounted for as previously assessed as there has not been any change in the outcome of the control assessment. The group does not have any subsidiaries with a material non-controlling interest. All subsidiaries were incorporated in South Africa with the exception of Eskom Uganda Ltd which was incorporated in Uganda.

13. Inventories

	Note	2022 Coal and liquid fuel Rm	2022 Nuclear fuel Rm	2022 Maintenance spares and consumables Rm	2022 Total Rm	Restated 2021 Coal and liquid fuel Rm	Restated 2021 Nuclear fuel Rm	Restated 2021 Maintenance spares and consumables Rm	Restated 2021 Total Rm
Group									
Carrying value at beginning of the year		**17 474**	**2 575**	**13 433**	**33 482**	15 769	2 185	13 099	31 053
Changes in working capital		**(77)**	**(768)**	**2 437**	**1 592**	1 335	(672)	2 220	2 883
Transfer from future fuel supplies	10	**642**	**22**	**–**	**664**	643	970	–	1 613
Provisions capitalised	28	**(380)**	**91**	**–**	**(289)**	(273)	92	–	(181)
Net writedowns and writeoffs	35	**–**	**–**	**(847)**	**(847)**	–	–	(1 886)	(1 886)
		17 659	**1 920**	**15 023**	**34 602**	17 474	2 575	13 433	33 482
Maturity analysis		**17 659**	**1 920**	**15 023**	**34 602**	17 474	2 575	13 433	33 482
Non-current		**11 516**	**–**	**–**	**11 516**	11 001	–	–	11 001
Current		**6 143**	**1 920**	**15 023**	**23 086**	6 473	2 575	13 433	22 481
Company									
Carrying value at beginning of the year		**17 474**	**2 575**	**13 181**	**33 230**	15 769	2 185	12 856	30 810
Changes in working capital		**(77)**	**(768)**	**2 439**	**1 594**	1 335	(672)	2 211	2 874
Transfer from future fuel supplies	10	**642**	**22**	**–**	**664**	643	970	–	1 613
Provisions capitalised	28	**(380)**	**91**	**–**	**(289)**	(273)	92	–	(181)
Net writedowns and writeoffs	35	**–**	**–**	**(833)**	**(833)**	–	–	(1 886)	(1 886)
		17 659	**1 920**	**14 787**	**34 366**	17 474	2 575	13 181	33 230
Maturity analysis		**17 659**	**1 920**	**14 787**	**34 366**	17 474	2 575	13 181	33 230
Non-current		**11 516**	**–**	**–**	**11 516**	11 001	–	–	11 001
Current		**6 143**	**1 920**	**14 787**	**22 850**	6 473	2 575	13 181	22 229

Nuclear fuel of R1 362 million (2021: R1 965 million) will be recovered more than 12 months after the reporting date.

1. *Nominal.*
2. *The National Transmission Company South Africa SOC Ltd was registered in 2022.*

14. Deferred tax

		Group				Company			
		Assets		Liabilities		Assets		Liabilities	
	Note	2022 Rm	Restated 2021 Rm	2022 Rm	Restated 2021 Rm	2022 Rm	Restated 2021 Rm	2022 Rm	Restated 2021 Rm
Reconciliation of movements in balances									
Balance at beginning of the year		**6 280**	96	**388**	3 855	**6 651**	–	**–**	2 972
Recognised in profit or loss	41	**3 828**	8 667	**(48)**	(495)	**4 393**	9 150	**–**	–
Raised/reversal of temporary differences		**4 272**	8 667	**(38)**	(495)	**4 872**	9 150	**–**	–
Change in tax rate		**(444)**	–	**(10)**	–	**(479)**	–	**–**	–
Recognised in other comprehensive income	41	**(137)**	474	**8**	–	**(138)**	473	**–**	–
Raised/reversal of temporary differences		**(213)**	474	**7**	–	**(214)**	473	**–**	–
Change in tax rate		**76**	–	**1**	–	**76**	–	**–**	–
Transfer from liabilities to assets		**–**	(2 972)	**–**	(2 972)	**–**	(2 972)	**–**	(2 972)
Assets and liabilities held-for-sale		**–**	15	**–**	–	**–**	–	**–**	–
Balance at end of the year		**9 971**	6 280	**348**	388	**10 906**	6 651	**–**	–
Comprising		**9 971**	6 280	**348**	388	**10 906**	6 651	**–**	–
Property, plant and equipment		**(94 902)**	(90 412)	**604**	264	**(93 968)**	(90 064)	**–**	–
Tax losses		**70 645**	63 330	**(146)**	–	**70 645**	63 330	**–**	–
Trade and other receivables		**13 468**	12 153	**4**	348	**13 476**	12 174	**–**	–
Payments made in advance		**(159)**	(134)	**–**	–	**(159)**	(134)	**–**	–
Loans receivable		**–**	1	**–**	2	**–**	6	**–**	–
Insurance investments		**–**	–	**79**	51	**–**	–	**–**	–
Derivatives held for risk management		**315**	62	**–**	(1)	**315**	62	**–**	–
Embedded derivatives		**50**	417	**–**	–	**50**	417	**–**	–
Provisions		**11 823**	12 054	**(17)**	(242)	**11 814**	12 056	**–**	–
Employee benefit obligations		**5 183**	5 178	**(176)**	(34)	**5 184**	5 178	**–**	–
Payments received in advance		**3 548**	3 631	**–**	–	**3 549**	3 626	**–**	–

On 23 February 2022, the Minister of Finance announced a 1% decrease in the corporate tax rate for all companies with a tax year ending on or after 31 March 2023. The new tax rate of 27% was substantively enacted by 31 March 2022 and has therefore been applied to all deferred tax balances that are expected to reverse after 1 April 2022.

The group has R262 189 million (2021: R226 179 million) and the company has R261 648 million (2021: R226 179 million) of unused tax losses available for offset against future taxable income.

The tax losses mainly arose from favourable tax incentives claimed on the new build projects in terms of the South African income tax law. The tax incentives resulted in the creation of taxable temporary differences of R348 619 million (2021: R322 135 million). The tax losses are available to use against future income tax liabilities and do not expire. A deferred tax asset of R70 645 million (2021: R63 330 million) has been recognised relating to the tax loss as Eskom has sufficient taxable temporary differences to use against the tax loss. The reversal of the taxable temporary differences will result in Eskom being liable for future income tax payments.

The company has a closing deferred tax asset balance of R10 906 million (2021: R6 651 million) that was recognised as management concluded that it is probable that the business will generate sufficient future taxable profits. Based on the approved five-year corporate business plan, Eskom will return to profitability and be liable for income tax payments which will unwind the deferred tax asset position. The tax losses will be fully utilised based on the current forecasts.

Key factors considered to determine the future profitability and taxable income of Eskom include:
- impact of recent regulatory developments
- generating plant performance
- trend relating to non-payment by municipalities
- any restrictions on the future use of tax losses
- whether any of the tax losses will expire

Government is assisting Eskom with addressing the long outstanding arrear municipal debt challenge and is also actively engaging with Eskom to assist with obtaining cost reflective tariffs which will enhance future profitability.

The Eskom Corporate Plan for 2023 to 2027 assumes a conservative price path and does not include the recent favourable decisions by the courts against NERSA. Eskom has successfully reviewed NERSA's revenue and regulatory clearing account decisions since 2017. The High Court ordered that R59 billion be recovered from 2024 to 2027. This will entail the recovery of R15 billion per year from 2024 to 2026 and R14 billion in 2027. Eskom has also successfully reviewed the RAB valuation approach undertaken by NERSA in the 2023 decision where the High Court ordered NERSA to reverse the significant mistakes made in the 2024 and 2025 determinations.

There was a substantial improvement in EBITDA and cash from operations in 2022 compared to 2021. This resulted from the High Court order against NERSA to allow Eskom an additional R10 billion for 2022, being the first tranche of the R69 billion that was incorrectly deducted by NERSA in its MYPD 4 decision.

A 1% increase in the price represents a R2.6 billion increase in revenue, and therefore, a R15 billion implies a price increase of 5.8% before any other adjustments.

The announcement in October 2022 by the Minister of Finance in the MTBPS that government is working on details of a proposed solution to Eskom's debt position indicated a possible debt take-over of between 33% and 67%. No specific details were given regarding the debt instruments to be taken over as well as the timing and method for effecting the transaction as further details will be provided in the 2023 National budget speech. There is a risk that the debt take-over could have tax implications that will reduce the assessed loss and the deferred tax asset. This was not factored into the deferred tax calculation due to the uncertainty of the transaction. The debt take-over will have a material impact on Eskom's net profit where a R100 billion debt take-over will favourably impact finance cost with at least R7 billion.

15. Loans receivable

	2022 Gross Rm	2022 Allowance for impairment Rm	2022 Carrying value Rm	Restated 2021 Gross Rm	Restated 2021 Allowance for impairment Rm	Restated 2021 Carrying value Rm
Group						
Home loans	**7 955**	**(55)**	**7 900**	8 118	(55)	8 063
Other	**252**	**(3)**	**249**	260	(6)	254
	8 207	**(58)**	**8 149**	8 378	(61)	8 317
Maturity analysis	**8 207**	**(58)**	**8 149**	8 378	(61)	8 317
Non-current	**7 887**	**(57)**	**7 830**	8 066	(59)	8 007
Current	**320**	**(1)**	**319**	312	(2)	310
Company						
Loans to subsidiaries	**5 657**	**(7)**	**5 650**	5 779	(21)	5 758
Maturity analysis	**5 657**	**(7)**	**5 650**	5 779	(21)	5 758
Non-current	**5 657**	**(7)**	**5 650**	5 779	(21)	5 758

The loan to EFC has been classified as non-current as it was not expected that the loan would be settled within 12 months from the reporting date as the intention and practice has been to extend the loan facility to a future date upon maturity.

16. Embedded derivatives

	Note	2022 Asset Rm	2022 Liability Rm	2021 Liability Rm
Group and company				
Balance at beginning of the year		**–**	**(1 491)**	(1 136)
Day 1 fair value recognised in deferred income	26	**808**	**–**	–
Net fair value gain/(loss)	38	**131**	**1 491**	(355)
Balance at end of the year		**939**	**–**	(1 491)
Maturity analysis		**939**	**–**	(1 491)
Non-current		**822**	**–**	(208)
Current		**117**	**–**	(1 283)

17. Derivatives held for risk management

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2022							
Group							
Net (liability)/asset at beginning of the year		(4 193)	8 415	–	(97)	144	4 269
Net fair value (loss)/gain		(4 852)	(4 552)	6	21	(32)	(9 409)
Recognised in profit or loss	38	(4 613)	(4 463)	6	21	(32)	(9 081)
Recognised in other comprehensive income		(239)	(89)	–	–	–	(328)
Finance cost accrued		–	106	–	–	75	181
Cash paid/(received)		5 121	(1 625)	(6)	–	–	3 490
Net (liability)/asset at end of the year		(3 924)	2 344	–	(76)	187	(1 469)
Hedge exposure covered		(3 924)	2 344	–	(76)	187	(1 469)
Debt securities and borrowings		(3 358)	2 344	–	(76)	187	(903)
Other		(566)	–	–	–	–	(566)
Assets							
Economic hedging		24	4 494	–	5	187	4 710
Cash flow hedging		19	3 780	–	–	–	3 799
		43	8 274	–	5	187	8 509
Maturity analysis		43	8 274	–	5	187	8 509
Non-current		–	7 863	–	–	183	8 046
Current		43	411	–	5	4	463
Liabilities							
Economic hedging		3 531	1 403	–	81	–	5 015
Cash flow hedging		436	4 527	–	–	–	4 963
		3 967	5 930	–	81	–	9 978
Maturity analysis		3 967	5 930	–	81	–	9 978
Non-current		–	5 334	–	81	–	5 415
Current		3 967	596	–	–	–	4 563
Notional amount in foreign currency		m	m	m	m	m	m
EUR		989	924	–	–	–	1 913
USD		2 415	5 961	–	–	–	8 376
GBP		7	–	–	–	–	7
JPY		143	230	–	–	–	373
SEK		294	–	–	–	–	294
ZAR		–	–	–	5 088	1 000	6 088

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2022							
Company							
Net (liability)/asset at beginning of the year		(4 191)	8 415	–	(97)	144	4 271
Net fair value (loss)/gain		(4 850)	(4 552)	6	21	(32)	(9 407)
Recognised in profit or loss	38	(4 611)	(4 463)	6	21	(32)	(9 079)
Recognised in other comprehensive income		(239)	(89)	–	–	–	(328)
Finance cost accrued		–	106	–	–	75	181
Cash paid/(received)		5 118	(1 625)	(6)	–	–	3 487
Net (liability)/asset at end of the year		(3 923)	2 344	–	(76)	187	(1 468)
Hedge exposure covered		(3 923)	2 344	–	(76)	187	(1 468)
Debt securities and borrowings		(3 358)	2 344	–	(76)	187	(903)
Other		(565)	–	–	–	–	(565)
Assets							
Economic hedging		25	4 494	–	5	187	4 711
Cash flow hedging		19	3 780	–	–	–	3 799
		44	8 274	–	5	187	8 510
Maturity analysis		44	8 274	–	5	187	8 510
Non-current		–	7 863	–	–	183	8 046
Current		44	411	–	5	4	464
Liabilities							
Economic hedging		3 531	1 403	–	81	–	5 015
Cash flow hedging		436	4 527	–	–	–	4 963
		3 967	5 930	–	81	–	9 978
Maturity analysis		3 967	5 930	–	81	–	9 978
Non-current		–	5 334	–	81	–	5 415
Current		3 967	596	–	–	–	4 563
Notional amount in foreign currency		m	m	m	m	m	m
EUR		988	924	–	–	–	1 912
USD		2 415	5 961	–	–	–	8 376
GBP		7	–	–	–	–	7
JPY		143	230	–	–	–	373
SEK		294	–	–	–	–	294
ZAR		–	–	–	5 088	1 000	6 088

17. Derivatives held for risk management (continued)

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
Restated							
2021							
Group							
Net asset/(liability) at beginning of the year		9 268	47 859	(4)	(701)	1	56 423
Net fair value (loss)/gain		(14 302)	(30 600)	(5)	608	97	(44 202)
Recognised in profit or loss	38	(13 512)	(30 512)	(5)	608	97	(43 324)
Recognised in other comprehensive income		(790)	(88)	–	–	–	(878)
Finance cost accrued		–	216	–	(4)	46	258
Cash paid/(received)		841	(9 060)	9	–	–	(8 210)
Net (liability)/asset at end of the year		(4 193)	8 415	–	(97)	144	4 269
Hedge exposure covered		(4 193)	8 415	–	(97)	144	4 269
Debt securities and borrowings		(3 594)	8 415	–	(97)	144	4 868
Other		(599)	–	–	–	–	(599)
Assets							
Economic hedging		24	8 032	–	5	144	8 205
Cash flow hedging		8	4 330	–	–	–	4 338
		32	12 362	–	5	144	12 543
Maturity analysis		32	12 362	–	5	144	12 543
Non-current		–	11 045	–	–	140	11 185
Current		32	1 317	–	5	4	1 358
Liabilities							
Economic hedging		3 827	450	–	102	–	4 379
Cash flow hedging		398	3 497	–	–	–	3 895
		4 225	3 947	–	102	–	8 274
Maturity analysis		4 225	3 947	–	102	–	8 274
Non-current		–	3 634	–	102	–	3 736
Current		4 225	313	–	–	–	4 538
Notional amount in foreign currency		m	m	m	m	m	m
EUR		1 180	1 101	–	–	–	2 281
USD		2 631	6 063	–	–	–	8 694
GBP		10	–	–	–	–	10
JPY		140	691	–	–	–	831
SEK		12	–	–	–	–	12
ZAR		–	–	–	5 088	1 000	6 088

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
Restated							
2021							
Company							
Net asset/(liability) at beginning of the year		9 264	47 859	(4)	(701)	1	56 419
Net fair value (loss)/gain		(14 300)	(30 600)	(5)	608	97	(44 200)
Recognised in profit or loss	38	(13 510)	(30 512)	(5)	608	97	(43 322)
Recognised in other comprehensive income		(790)	(88)	–	–	–	(878)
Finance cost accrued		–	216	–	(4)	46	258
Cash paid/(received)		845	(9 060)	9	–	–	(8 206)
Net (liability)/asset at end of the year		(4 191)	8 415	–	(97)	144	4 271
Hedge exposure covered		(4 191)	8 415	–	(97)	144	4 271
Debt securities and borrowings		(3 594)	8 415	–	(97)	144	4 868
Other		(597)	–	–	–	–	(597)
Assets							
Economic hedging		26	8 032	–	5	144	8 207
Cash flow hedging		8	4 330	–	–	–	4 338
		34	12 362	–	5	144	12 545
Maturity analysis		34	12 362	–	5	144	12 545
Non-current		–	11 045	–	–	140	11 185
Current		34	1 317	–	5	4	1 360
Liabilities							
Economic hedging		3 827	450	–	102	–	4 379
Cash flow hedging		398	3 497	–	–	–	3 895
		4 225	3 947	–	102	–	8 274
Maturity analysis		4 225	3 947	–	102	–	8 274
Non-current		–	3 634	–	102	–	3 736
Current		4 225	313	–	–	–	4 538
Notional amount in foreign currency		m	m	m	m	m	m
EUR		1 179	1 101	–	–	–	2 280
USD		2 631	6 063	–	–	–	8 694
GBP		10	–	–	–	–	10
JPY		140	691	–	–	–	831
SEK		12	–	–	–	–	12
ZAR		–	–	–	5 088	1 000	6 088

The hedging practices and accounting treatment are disclosed in note 2.10.3 in the accounting policies. The derivative instruments used to hedge the various financial risks are set out as follows:

Derivative	Financial risk hedged	Exposure
Foreign exchange contracts	Market (currency)	Electricity generation, transmission and distribution activity purchases and loans denominated in foreign currencies
Cross-currency swaps	Market (currency and interest rate)	Foreign fixed rate bonds and other foreign fixed or floating borrowings
Commodity forwards	Market (commodity)	Electricity sales in terms of agreements where the sales price is influenced by the market price for aluminium
Credit default swaps	Credit	Event of default by Eskom on debt securities and borrowings
Inflation-linked swaps	Market (interest rate)	Finance cost that are dependent on current interest rates

17. Derivatives held for risk management (continued)

Hedging relationships directly affected by interbank offered rate reform

Eskom created a steering committee to manage the transition from interbank offered rates to alternative risk free rates to assess the impact on valuations, accounting systems, policies and procedures. Refer to note 50.2 for details on the relief provided in phase 1 of the IFRS interest rate benchmark reform.

Eskom has exposure to USD foreign loans and cross-currency transactions that are linked to the USD London interbank offered rate. At 31 March 2022, the nominal value of foreign loans and cross-currency interest rate swaps was USD3.4 billion and USD1.5 billion respectively. All of the loans and USD1.1 billion of the cross-currency interest rate swaps qualify for cash flow hedge accounting.

It is expected that the uncertainty of the transition to a new rate relating to particular elements of a single hedging relationship will end at different times. While Eskom will follow the International Swaps and Derivatives Association (ISDA) fall-back protocol for derivatives (hedging instruments), it is expected that it will come into effect after bilateral negotiations on the new interest protocol have been concluded with loan (hedged item) counterparties. Eskom expects most of its counterparties to convert to the new interest protocol by the end of the 2023 financial year and thereafter transition all its derivatives before the ISDA fall-back protocol deadline of end of June 2023.

Once the bilateral negotiations are concluded, the uncertainty around the timing and amount of the risk free rate-based cash flows of the hedged item will be eliminated, but the hedging instrument will by default continue to be measured with reference to changes in interbank offered rates until the ISDA fall-back protocol is implemented. The consequence of this delay between the modification of the hedged item and the hedging instruments in cash flow hedges will potentially introduce a new source of hedge ineffectiveness, specifically any changes in the basis risk between the risk free interest rate on the hedged item and the interbank offered interest rates on the hedging instrument.

Cash flow hedges

Contractual cash flows are a function of foreign exchange and interest rates and are a point-in-time calculation that are impacted by market conditions at that time. This may result in future contractual cash outflows or inflows even though the fair value of the derivative may be reflected as an asset or liability.

	Group and company					
	Carrying amount Rm	Undiscounted cash flows Rm	0–3 months Rm	4–12 months Rm	1–5 years Rm	>5 years Rm
The periods in which the cash flows of derivatives designated as cash flow hedges are expected to occur are:						
2022						
Foreign exchange contracts						
Assets	**19**	**19**	**17**	**2**	**–**	**–**
Liabilities	**(436)**	**(438)**	**(151)**	**(287)**	**–**	**–**
Cross-currency swaps						
Assets	**3 780**	**3 699**	**4**	**(104)**	**2 861**	**938**
Liabilities	**(4 527)**	**(4 097)**	**(84)**	**(2 910)**	**(8 396)**	**7 293**
	(1 164)	**(817)**	**(214)**	**(3 299)**	**(5 535)**	**8 231**
Restated						
2021						
Foreign exchange contracts						
Assets	8	8	8	–	–	–
Liabilities	(398)	(394)	(133)	(261)	–	–
Cross-currency swaps						
Assets	4 330	5 463	1	(228)	2 434	3 256
Liabilities	(3 497)	(1 719)	(48)	(2 522)	(6 587)	7 438
	443	3 358	(172)	(3 011)	(4 153)	10 694
The periods in which the cash flows associated with derivatives are expected to impact profit or loss are:						
2022						
Foreign exchange contracts						
Assets	**19**	**8 978**	**50**	**103**	**686**	**8 139**
Liabilities	**(436)**	**(438)**	**(151)**	**(287)**	**–**	**–**
Cross-currency swaps						
Assets	**3 780**	**3 699**	**4**	**(104)**	**2 861**	**938**
Liabilities	**(4 527)**	**(4 097)**	**(84)**	**(2 910)**	**(8 396)**	**7 293**
	(1 164)	**8 142**	**(181)**	**(3 198)**	**(4 849)**	**16 370**
Restated						
2021						
Foreign exchange contracts						
Assets	8	8 825	14	18	251	8 542
Liabilities	(398)	(394)	(133)	(261)	–	–
Cross-currency swaps						
Assets	4 330	5 463	1	(228)	2 434	3 256
Liabilities	(3 497)	(1 719)	(48)	(2 522)	(6 587)	7 438
	443	12 175	(166)	(2 993)	(3 902)	19 236

Ineffective cash flow hedges

The change in the fair value of the hedging instrument of R1 509 million (2021: R8 308 million) and for the hedged item (represented by a hypothetical derivative) of R1 910 million (2021: R10 218 million) were used to calculate hedge effectiveness. The cash flow hedge reserve is adjusted to the lower in absolute amounts of the cumulative gain or loss of the hedging instrument and hedged item from inception of each hedge. During the year a gain of R477 million (2021: a loss of R478 million) was recognised in profit or loss as ineffectiveness. Refer to note 38.

Day-one gain/loss

The group recognises a day-one gain/loss on initial recognition of cross-currency swaps held as hedging instruments where applicable.

	Group and company		
	Cross-currency swaps Rm	Inflation-linked swaps Rm	Total Rm
Loss at 31 March 2020 as restated	(1 497)	(22)	(1 519)
Day-one loss recognised	(146)	–	(146)
Amortised to profit or loss	127	3	130
Loss at 31 March 2021	**(1 516)**	**(19)**	**(1 535)**
Day-one loss recognised	**(267)**	**–**	**(267)**
Amortised to profit or loss	**194**	**3**	**197**
Loss at 31 March 2022	**(1 589)**	**(16)**	**(1 605)**

18. Finance lease receivables

	Group and company							
	2022				2021			
	Gross receivables Rm	Unearned finance income Rm	Allowance for impairment Rm	Carrying value Rm	Gross receivables Rm	Unearned finance income Rm	Allowance for impairment Rm	Carrying value Rm
Non-current	**355**	**(93)**	**(4)**	**258**	429	(127)	(10)	292
Between one and five years	**251**	**(89)**	**(2)**	**160**	248	(105)	(5)	138
After five years	**104**	**(4)**	**(2)**	**98**	181	(22)	(5)	154
Current	**68**	**(32)**	**(1)**	**35**	75	(38)	(2)	35
	423	**(125)**	**(5)**	**293**	504	(165)	(12)	327

19. Payments made in advance

	2022 Securing debt raised Rm	2022 Environmental rehabilitation trust fund Rm	2022 Other Rm	2022 Total Rm	Restated 2021 Securing debt raised Rm	Restated 2021 Environmental rehabilitation trust fund Rm	Restated 2021 Other Rm	Restated 2021 Total Rm
Group								
Balance at beginning of the year	**1 137**	**1 361**	**679**	**3 177**	1 371	1 166	537	3 074
Payments made	**471**	**–**	**265**	**736**	132	–	362	494
Expense recognised	**–**	**–**	**(244)**	**(244)**	–	–	(183)	(183)
Net fair value gain	**–**	**109**	**–**	**109**	–	195	–	195
Transfers	**(830)**	**–**	**(135)**	**(965)**	(366)	–	(37)	(403)
Balance at end of the year	**778**	**1 470**	**565**	**2 813**	1 137	1 361	679	3 177
Maturity analysis	**778**	**1 470**	**565**	**2 813**	1 137	1 361	679	3 177
Non-current	**529**	**1 470**	**65**	**2 064**	350	1 361	89	1 800
Current	**249**	**–**	**500**	**749**	787	–	590	1 377
Company								
Balance at beginning of the year	**1 137**	**1 361**	**652**	**3 150**	1 371	1 166	533	3 070
Payments made	**471**	**–**	**265**	**736**	132	–	336	468
Expense recognised	**–**	**–**	**(219)**	**(219)**	–	–	(180)	(180)
Net fair value gain	**–**	**109**	**–**	**109**	–	195	–	195
Transfers	**(830)**	**–**	**(135)**	**(965)**	(366)	–	(37)	(403)
Balance at end of the year	**778**	**1 470**	**563**	**2 811**	1 137	1 361	652	3 150
Maturity analysis	**778**	**1 470**	**563**	**2 811**	1 137	1 361	652	3 150
Non-current	**529**	**1 470**	**64**	**2 063**	350	1 361	88	1 799
Current	**249**	**–**	**499**	**748**	787	–	564	1 351

20. Trade and other receivables

	2022 Receivable before collectability adjustments Rm	2022 Amounts not meeting collectability criteria Rm	2022 Allowance for impairment Rm	2022 Carrying value Rm	Restated 2021 Receivable before collectability adjustments Rm	Restated 2021 Amounts not meeting collectability criteria Rm	Restated 2021 Allowance for impairment Rm	Restated 2021 Carrying value Rm
Group								
Financial instruments								
Trade receivables								
International	**1 625**	**–**	**(365)**	**1 260**	1 546	–	(343)	1 203
Local large power users	**61 772**	**(39 930)**	**(2 322)**	**19 520**	49 008	(31 046)	(2 417)	15 545
Municipalities	**50 869**	**(39 930)**	**(1 943)**	**8 996**	40 574	(31 046)	(1 971)	7 557
Other	**10 903**	**–**	**(379)**	**10 524**	8 434	–	(446)	7 988
Local small power users	**7 805**	**(4 214)**	**(1 013)**	**2 578**	10 212	(6 758)	(1 190)	2 264
Soweto	**4 219**	**(4 213)**	**(6)**	**–**	6 853	(6 758)	(95)	–
Other	**3 586**	**(1)**	**(1 007)**	**2 578**	3 359	–	(1 095)	2 264
	71 202	**(44 144)**	**(3 700)**	**23 358**	60 766	(37 804)	(3 950)	19 012
Other receivables	**1 354**	**–**	**(327)**	**1 027**	1 113	–	(340)	773
	72 556	**(44 144)**	**(4 027)**	**24 385**	61 879	(37 804)	(4 290)	19 785
Non-financial instruments	**3 267**	**–**	**–**	**3 267**	4 625	–	–	4 625
VAT	**31**	**–**	**–**	**31**	30	–	–	30
Diesel rebate	**–**	**–**	**–**	**–**	1 655	–	–	1 655
VAT on cash basis receivables	**3 236**	**–**	**–**	**3 236**	2 940	–	–	2 940
	75 823	**(44 144)**	**(4 027)**	**27 652**	66 504	(37 804)	(4 290)	24 410
Maturity analysis	**75 823**	**(44 144)**	**(4 027)**	**27 652**	66 504	(37 804)	(4 290)	24 410
Non-current	**2 493**	**–**	**(4)**	**2 489**	1 697	–	(3)	1 694
Current	**73 330**	**(44 144)**	**(4 023)**	**25 163**	64 807	(37 804)	(4 287)	22 716
Company								
Financial instruments								
Trade receivables								
International	**1 625**	**–**	**(365)**	**1 260**	1 546	–	(343)	1 203
Local large power users	**61 772**	**(39 930)**	**(2 322)**	**19 520**	49 008	(31 046)	(2 417)	15 545
Municipalities	**50 869**	**(39 930)**	**(1 943)**	**8 996**	40 574	(31 046)	(1 971)	7 557
Other	**10 903**	**–**	**(379)**	**10 524**	8 434	–	(446)	7 988
Local small power users	**7 805**	**(4 214)**	**(1 013)**	**2 578**	10 212	(6 758)	(1 190)	2 264
Soweto	**4 219**	**(4 213)**	**(6)**	**–**	6 853	(6 758)	(95)	–
Other	**3 586**	**(1)**	**(1 007)**	**2 578**	3 359	–	(1 095)	2 264
	71 202	**(44 144)**	**(3 700)**	**23 358**	60 766	(37 804)	(3 950)	19 012
Other receivables	**3 343**	**–**	**(301)**	**3 042**	3 674	–	(410)	3 264
	74 545	**(44 144)**	**(4 001)**	**26 400**	64 440	(37 804)	(4 360)	22 276
Non-financial instruments	**3 236**	**–**	**–**	**3 236**	4 595	–	–	4 595
Diesel rebate	**–**	**–**	**–**	**–**	1 655	–	–	1 655
VAT on cash basis receivables	**3 236**	**–**	**–**	**3 236**	2 940	–	–	2 940
	77 781	**(44 144)**	**(4 001)**	**29 636**	69 035	(37 804)	(4 360)	26 871
Maturity analysis	**77 781**	**(44 144)**	**(4 001)**	**29 636**	69 035	(37 804)	(4 360)	26 871
Non-current	**3 113**	**–**	**(11)**	**3 102**	2 322	–	(25)	2 297
Current	**74 668**	**(44 144)**	**(3 990)**	**26 534**	66 713	(37 804)	(4 335)	24 574

20. Trade and other receivables (continued)

	Note	Group and company 2022 Rm	2021 Rm
Reconciliation of movements in amounts not meeting collectability criteria			
Balance at beginning of the year		**37 804**	34 197
Revenue not meeting collectability criteria	31	**14 215**	12 112
Finance income not meeting collectability criteria	39	**1 644**	1 120
Cash basis revenue recognised	31	**(6 543)**	(5 935)
Writeoffs		**(2 976)**	(3 690)
Balance at end of the year		**44 144**	37 804

Refer to note 5.1.1 for a reconciliation of the movements in allowance for impairment.

21. Investments and financial trading instruments

Portfolio	Managed by	Purpose
Insurance	Escap	To maintain adequate ring-fenced capital reserves to meet the statutory solvency requirements of the Insurance Act
Financial trading	Treasury	To reduce the funding cost of the company

21.1 Insurance investments

	Group 2022 Gross Rm	2022 Allowance for impairment Rm	2022 Carrying value Rm	2021 Gross Rm	2021 Allowance for impairment Rm	2021 Carrying value Rm
Negotiable certificates of deposit	**15 183**	**(10)**	**15 173**	12 546	(79)	12 467
Listed shares	**2 145**	**–**	**2 145**	1 934	–	1 934
	17 328	**(10)**	**17 318**	14 480	(79)	14 401

21.2 Financial trading instruments

	Group and company 2022 Assets Rm	2022 Liabilities Rm	2022 Net liabilities Rm	2021 Assets Rm	2021 Liabilities Rm	2021 Net liabilities Rm
Eskom bonds	**–**	**2**	**(2)**	–	2	(2)

Financial trading liabilities – encumbered assets

Eskom concluded sale and repurchase transactions of both Eskom and government bonds with approved counterparties. The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. The transferred assets are not derecognised if all or substantially all risks and rewards are retained. The difference between the sale and repurchase price is treated as interest accrued over the life of the agreement using the effective-yield method.

22. Cash and cash equivalents

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Bank balances	**7 877**	4 041	**6 210**	2 503
Fixed deposits	**8 008**	–	**8 008**	–
	15 885	4 041	**14 218**	2 503

23. Service concession arrangements

The group operates a service concession for the generation and transmission of electricity through its operations in Uganda.

Eskom Uganda Ltd (Eskom Uganda) entered into an operation and maintenance agreement with Uganda Electricity Generation Company Ltd (UEGCL) in 2002, which is linked to a power purchase agreement concluded with Uganda Electricity Transmission Company Ltd (UETCL). In terms of the agreements, Eskom Uganda operates and maintains two hydro-electric power stations in Uganda, from which it supplies electricity to UETCL. The dams, powerhouses, related switchyard facilities, high voltage substations, land and movable property together constitute the 'energy assets' in terms of the agreement. The concession period is 20 years (ending in March 2023).

Eskom Uganda is entitled to receive revenue from UETCL, based on electricity supplied at tariffs regulated by the Electricity Regulatory Authority of Uganda. It also receives a fee to cover it for investment in additional energy assets where required. This has been recognised as an intangible asset.

The plant remains the property of and will revert to UEGCL at the end of the concession period. At that point Eskom Uganda will have no further obligation in respect of the plant.

In terms of the agreement between the Government of the Republic of Uganda (GOU) and Eskom Uganda, GOU shall pay Eskom Uganda a buyout amount at the end of the contract term to affect the transfer of the operations and all rights over the plant. Eskom Uganda submitted a buyout amount to GOU at the end of October 2022 which is currently being evaluated. It is expected that Eskom Uganda will transfer the approved buyout amount to Eskom Enterprises in instalments. The natural close out of the concession agreement is not impacted by the decision by the Uganda government to nationalise the energy sector.

	Group 2022 Rm	2021 Rm
Summarised statements of financial position[1]		
Assets		
Intangible assets	**268**	297
Taxation	**9**	5
Inventories	**30**	30
Payments made in advance	**2**	22
Trade and other receivables	**81**	61
Cash and cash equivalents	**157**	84
	547	499
Liabilities		
Debt securities and borrowings	**4**	7
Deferred tax	**32**	20
Provisions	**52**	72
Employee benefit obligations	**6**	5
Trade and other payables	**68**	43
	162	147
Summarised income statements		
Revenue	**422**	320
Profit before tax	**41**	58
Taxation	**(13)**	(18)
Profit after tax	**28**	40

The balances and transactions above are included in the respective line items in the statements of financial position and income statements.

24. Share capital

	Group and company 2022 Shares	2021 Shares
Authorised ordinary shares	**300 000 000 000**	300 000 000 000
Issued		
Balance at beginning of the year	**188 000 000 001**	132 000 000 001
Share capital issued	**31 692 945 000**	56 000 000 000
Balance at end of the year	**219 692 945 001**	188 000 000 001
Unissued	**80 307 054 999**	111 999 999 999

The unissued share capital is under the control of the Government of the Republic of South Africa, represented by the DPE, as the sole shareholder.

1. *Financial information as at December year end.*

25. Debt securities and borrowings

	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Eskom bonds	**161 635**	161 171	**163 622**	161 171
Commercial paper	**1 058**	1 251	**595**	3 184
Eurorand zero coupon bonds	**6 318**	5 600	**6 318**	5 600
Foreign bonds	**61 916**	55 553	**61 916**	55 553
Development financing institutions	**124 438**	143 174	**124 438**	143 174
Export credit facilities	**17 735**	23 343	**17 735**	23 343
Floating rate notes	**–**	2 027	**–**	2 027
Other loans	**23 194**	9 707	**23 442**	9 990
	396 294	401 826	**398 066**	404 042
Maturity analysis	**396 294**	401 826	**398 066**	404 042
Non-current	**345 490**	357 411	**344 568**	356 486
Current	**50 804**	44 415	**53 498**	47 556

	Currency	Security number	Interest rate 2022 %	Interest rate 2021 %	Nominal 2022 m	Nominal 2021 m	Maturity date	Group Carrying value 2022 Rm	Group Carrying value 2021 Rm	Company Carrying value 2022 Rm	Company Carrying value 2021 Rm
Eskom bonds								**161 635**	161 171	**163 622**	161 171
	ZAR	E175[1]	**–**	9.97	**–**	2 928	Aug 21	**–**	3 023	**–**	3 023
	ZAR	ECN22	**–**	10.17	**–**	5 000	Mar 22	**–**	5 005	**–**	5 005
	ZAR	ES23[2]	**9.06**	9.31	**21 664**	19 784	Jan 23	**20 230**	20 370	**22 217**	20 370
	ZAR	ECN24	**10.37**	10.37	**5 000**	5 000	Mar 24	**4 988**	4 972	**4 988**	4 972
	ZAR	ES26[2]	**9.29**	9.29	**32 950**	32 904	Apr 26	**32 688**	32 336	**32 688**	32 336
	ZAR	EL28[2]	**2.55**	2.55	**6 278**	6 278	May 28	**10 140**	9 549	**10 140**	9 549
	ZAR	EL29[2]	**1.90**	1.90	**5 370**	4 653	Nov 29	**8 150**	6 715	**8 150**	6 715
	ZAR	EL30[2]	**2.30**	2.30	**5 136**	4 396	Jul 30	**7 446**	6 061	**7 446**	6 061
	ZAR	EL31[2]	**2.10**	2.10	**5 699**	4 843	Jun 31	**7 749**	6 338	**7 749**	6 338
	ZAR	ECN32	**2.95**	2.95	**5 000**	5 000	Mar 32	**6 770**	6 394	**6 770**	6 394
	ZAR	ES33[2]	**9.21**	9.21	**34 542**	34 542	Sep 33	**30 580**	30 389	**30 580**	30 389
	ZAR	EL36[2]	**2.25**	2.25	**5 594**	4 637	Jan 36	**7 130**	5 761	**7 130**	5 761
	ZAR	EL37[2]	**2.25**	2.25	**5 418**	4 443	Jan 37	**6 871**	5 522	**6 871**	5 522
	ZAR	ES42[2]	**10.39**	10.38	**21 437**	21 295	Apr 42	**18 893**	18 736	**18 893**	18 736
Commercial paper								**1 058**	1 251	**595**	3 184
	ZAR	n/a[3]	**5.07**	4.62	**600**	3 269	Jun 22[4]	**–**	–	**595**	3 184
	ZAR	n/a	**5.72**	8.40	**129**	154	May 22[5]	**130**	154	**–**	–
	ZAR	n/a	**5.80**	8.48	**621**	728	May 23[5]	**625**	732	**–**	–
	ZAR	n/a	**5.65**	7.51	**301**	363	May 52[5]	**303**	365	**–**	–
Eurorand zero coupon bonds[1]								**6 318**	5 600	**6 318**	5 600
	ZAR	n/a	**13.33**	13.33	**8 000**	8 000	Aug 27	**4 078**	3 598	**4 078**	3 598
	ZAR	n/a	**11.89**	11.89	**7 500**	7 500	Dec 32	**2 240**	2 002	**2 240**	2 002
Foreign bonds								**61 916**	55 553	**61 916**	55 553
	USD	n/a	**6.90**	6.90	**1 000**	1 000	Aug 23	**14 710**	14 845	**14 710**	14 845
	USD	n/a	**7.39**	7.39	**1 250**	1 250	Feb 25	**18 284**	18 436	**18 284**	18 436
	USD	n/a	**5.42**	–	**500**	–	Jul 27	**6 877**	–	**6 877**	–
	USD	n/a	**8.47**	8.47	**500**	500	Aug 28	**7 363**	7 438	**7 363**	7 438
	USD	n/a[1]	**6.37**	6.37	**1 000**	1 000	Aug 28	**14 682**	14 834	**14 682**	14 834
Balances carried forward to the next page								**230 927**	223 575	**232 451**	225 508

	Currency	Security number	Interest rate 2022 %	Interest rate 2021 %	Nominal 2022 m	Nominal 2021 m	Maturity date	Group Carrying value 2022 Rm	Group Carrying value 2021 Rm	Company Carrying value 2022 Rm	Company Carrying value 2021 Rm
Balances carried forward from the previous page								**230 927**	223 575	**232 451**	225 508
Development financing institutions[4]								**124 438**	143 174	**124 438**	143 174
	USD	n/a[2]	**–**	3.12	**–**	965	Jul 21	**–**	14 282	**–**	14 282
	ZAR	n/a[2]	**5.47**	4.99	**867**	1 000	Aug 28	**874**	1 008	**874**	1 008
	USD	n/a[2]	**1.67**	1.46	**126**	145	Aug 28	**1 840**	2 145	**1 840**	2 145
	EUR	n/a[2]	**–**	–	**471**	521	Aug 29	**7 630**	9 026	**7 630**	9 026
	ZAR	n/a[2]	**4.67**	4.06	**5 356**	6 070	Aug 29	**5 396**	114	**5 396**	114
	ZAR	n/a[2]	**10.10**	10.10	**2 951**	3 344	Sep 29	**2 946**	3 339	**2 946**	3 339
	USD	n/a[2]	**3.47**	–	**6**	–	Sep 30	**81**	–	**81**	–
	ZAR	n/a	**10.47**	10.37	**12 000**	15 000	Jan 31	**12 145**	15 267	**12 145**	15 267
	EUR	n/a[2]	**1.50**	1.50	**403**	448	Feb 31	**5 929**	7 222	**5 929**	7 222
	USD	n/a[2]	**1.19**	0.95	**6**	6	Aug 31	**84**	6 110	**84**	6 110
	ZAR	n/a	**4.68**	4.07	**912**	1 006	Mar 32	**914**	1 008	**914**	1 008
	USD	n/a[2]	**3.33**	2.45	**3 263**	2 943	Sep 33	**46 887**	42 786	**46 887**	42 786
	USD	n/a[2]	**3.42**	3.12	**8**	8	Feb 36	**105**	94	**105**	94
	ZAR	n/a[2]	**8.12**	7.64	**4 116**	4 410	Feb 36	**4 093**	4 382	**4 093**	4 382
	USD	n/a[2]	**–**	0.74	**–**	81	May 38	**–**	1 191	**–**	1 191
	ZAR	n/a[2]	**9.14**	9.17	**29 063**	29 327	May 38	**30 127**	30 437	**30 127**	30 437
	USD	n/a[2]	**1.39**	2.02	**1**	1	Aug 38	**13**	8	**13**	8
	ZAR	n/a[2]	**5.07**	4.45	**791**	255	Nov 38	**798**	256	**798**	256
	USD	n/a[2]	**1.26**	1.36	**40**	25	Mar 39	**589**	369	**589**	369
	ZAR	n/a[2]	**10.24**	10.24	**2 832**	2 917	Nov 43	**2 903**	2 991	**2 903**	2 991
	USD	n/a[2]	**0.25**	0.25	**32**	35	May 51	**473**	515	**473**	515
	USD	n/a[2]	**0.25**	0.25	**42**	42	Aug 51	**611**	624	**611**	624
Export credit facilities[2]								**17 735**	23 343	**17 735**	23 343
	JPY	n/a	**0.88**	0.88	**230**	691	May 22	**28**	92	**28**	92
	EUR	n/a	**1.25**	1.25	**15**	25	Sep 23	**230**	414	**230**	414
	EUR	n/a	**0.38**	0.37	**4**	6	Jul 24	**64**	96	**64**	96
	EUR	n/a	**4.75**	4.74	**374**	489	Jan 27	**5 746**	8 067	**5 746**	8 067
	EUR	n/a	**2.44**	2.46	**314**	398	Jul 27	**4 739**	6 485	**4 739**	6 485
	ZAR	n/a	**6.28**	5.67	**1 147**	1 320	Jul 27	**1 048**	1 210	**1 048**	1 210
	USD	n/a	**2.32**	2.32	**449**	515	Mar 31	**5 880**	6 979	**5 880**	6 979
Floating rate notes[4]	ZAR	n/a[2]	**–**	6.87	**–**	2 000	Apr 21	**–**	2 027	**–**	2 027
Other loans[6]								**23 194**	9 707	**23 442**	9 990
	ZAR	n/a	**6.31**	–	**14 390**	–	Oct 22	**14 445**	–	**14 445**	–
	ZAR	n/a	**6.91**	6.39	**1 000**	1 000	Aug 23	**1 010**	1 009	**1 010**	1 009
	ZAR	n/a	**9.27**	7.45	**1 000**	1 750	Mar 24	**1 002**	1 753	**1 002**	1 753
	ZAR	n/a	**8.82**	8.57	**4 250**	4 250	Feb 25	**4 300**	4 299	**4 300**	4 299
	ZAR	n/a	**11.88**	11.54	**2 300**	2 500	Feb 27	**2 400**	2 602	**2 400**	2 602
	ZAR	n/a[3]	**4.08**	3.52	**285**	326	On demand	**–**	–	**285**	327
	ZAR	n/a	**–**	10.00	**37**	44	On demand	**37**	44	**–**	–
								396 294	401 826	**398 066**	404 042

1. *Holders have a right to first charge against revenue and assets of Eskom in terms of section 7 of the Eskom Conversion Act.*
2. *Government guaranteed.*
3. *Includes, inter alia, instruments issued to subsidiaries.*
4. *Latest in a range of maturity dates is indicated for these instruments.*
5. *Nqaba breached an early amortisation event trigger in June 2020. As a result, the cash flows from the assets in the securitisation structure are applied to repay the capital to all noteholders in a reducing order of rank (pari passu if equal rank) on a quarterly basis on or before the final maturity date, which is 32 years from the scheduled maturity date.*
6. *Comprises of loans with various banking institutions.*

26. Payments received in advance and contract liabilities and deferred income

	Note	Customer connections Rm	Government grant Rm	Other Rm	Total Rm
26.1 Payments received in advance					
2022					
Group					
Balance at beginning of the year		4 125	948	590	5 663
Payments received		1 266	2 456	396	4 118
Transfers to contract liabilities and deferred income	26.2	(455)	(2 071)	–	(2 526)
Income recognised		(432)	(132)	(235)	(799)
Balance at end of the year		4 504	1 201	751	6 456
Maturity analysis		4 504	1 201	751	6 456
Non-current		2 545	–	31	2 576
Current		1 959	1 201	720	3 880
Company					
Balance at beginning of the year		4 125	948	603	5 676
Payments received		1 266	2 456	395	4 117
Transfers to contract liabilities and deferred income	26.2	(455)	(2 071)	–	(2 526)
Income recognised		(432)	(132)	(235)	(799)
Balance at end of the year		4 504	1 201	763	6 468
Maturity analysis		4 504	1 201	763	6 468
Non-current		2 545	–	44	2 589
Current		1 959	1 201	719	3 879
2021					
Group					
Balance at beginning of the year		3 937	1 227	621	5 785
Payments received		962	1 725	257	2 944
Transfers		(311)	(1 909)	2	(2 218)
Transfers to contract liabilities and deferred income	26.2	(309)	(1 906)	–	(2 215)
Other		(2)	(3)	2	(3)
Income recognised		(463)	(95)	(290)	(848)
Balance at end of the year		4 125	948	590	5 663
Maturity analysis		4 125	948	590	5 663
Non-current		2 700	–	167	2 867
Current		1 425	948	423	2 796
Company					
Balance at beginning of the year		3 937	1 227	628	5 792
Payments received		962	1 725	256	2 943
Transfers		(311)	(1 909)	2	(2 218)
Transfers to contract liabilities and deferred income	26.2	(309)	(1 906)	–	(2 215)
Other		(2)	(3)	2	(3)
Income recognised		(463)	(95)	(283)	(841)
Balance at end of the year		4 125	948	603	5 676
Maturity analysis		4 125	948	603	5 676
Non-current		2 700	–	167	2 867
Current		1 425	948	436	2 809

	Note	Customer connections Rm	Government grant Rm	Other Rm	Total Rm
26.2 Contract liabilities and deferred income					
2022					
Group and company					
Balance at beginning of the year		3 994	21 678	–	25 672
Transfers of property, plant and equipment from customers		309	–	–	309
Transfers from payments received in advance	26.1	455	2 071	–	2 526
Day 1 fair value gain	16	–	–	808	808
Income recognised	37	(248)	(1 567)	–	(1 815)
Amortisation of day 1 fair value	38	–	–	(54)	(54)
Balance at end of the year		4 510	22 182	754	27 446
Maturity analysis		4 510	22 182	754	27 446
Non-current		4 249	20 603	673	25 525
Current		261	1 579	81	1 921
2021					
Group and company					
Balance at beginning of the year		2 902	21 215	–	24 117
Transfers of property, plant and equipment from customers		993	–	–	993
Transfers from payments received in advance	26.1	309	1 906	–	2 215
Income recognised	37	(210)	(1 443)	–	(1 653)
Balance at end of the year		3 994	21 678	–	25 672
Maturity analysis		3 994	21 678	–	25 672
Non-current		3 776	20 167	–	23 943
Current		218	1 511	–	1 729

27. Employee benefit obligations

	Note	Post-employment medical benefits Rm	Pension benefits Rm	Bonus Rm	Leave Rm	Total Rm
2022						
Group						
Balance at beginning of the year		16 121	–	446	2 579	19 146
Recognised in profit or loss						
Employee benefit expense – raised		346	3 086	425	836	4 693
Finance cost	40	2 224	259	–	–	2 483
Recognised in other comprehensive income						
Re-measurement of benefits		(822)	(915)	–	–	(1 737)
Cash paid		(716)	(2 430)	(441)	(1 144)	(4 731)
Balance at end of the year		17 153	–	430	2 271	19 854
Maturity analysis		17 153	–	430	2 271	19 854
Non-current		16 404	–	–	–	16 404
Current		749	–	430	2 271	3 450
Company						
Balance at beginning of the year		15 777	–	386	2 329	18 492
Recognised in profit or loss						
Employee benefit expense – raised		344	2 841	375	718	4 278
Finance cost	40	2 177	259	–	–	2 436
Recognised in other comprehensive income						
Re-measurement of benefits		(803)	(915)	–	–	(1 718)
Cash paid		(697)	(2 185)	(386)	(1 024)	(4 292)
Balance at end of the year		16 798	–	375	2 023	19 196
Maturity analysis		16 798	–	375	2 023	19 196
Non-current		16 067	–	–	–	16 067
Current		731	–	375	2 023	3 129

27. Employee benefit obligations (continued)

	Note	Post-employment medical benefits Rm	Pension benefits Rm	Bonus Rm	Leave Rm	Total Rm
2021						
Group						
Balance at beginning of the year		14 200	–	447	2 176	16 823
Recognised in profit or loss						
Employee benefit expense – raised		284	1 889	442	1 235	3 850
Finance cost	40	1 910	89	–	–	1 999
Recognised in other comprehensive income						
Re-measurement of benefits		402	488	–	–	890
Cash paid		(675)	(2 466)	(443)	(832)	(4 416)
Balance at end of the year		16 121	–	446	2 579	19 146
Maturity analysis		16 121	–	446	2 579	19 146
Non-current		15 414	–	–	–	15 414
Current		707	–	446	2 579	3 732
Company						
Balance at beginning of the year		13 885	–	386	1 979	16 250
Recognised in profit or loss						
Employee benefit expense – raised		283	1 652	386	1 109	3 430
Finance cost	40	1 868	89	–	–	1 957
Recognised in other comprehensive income						
Re-measurement of benefits		399	488	–	–	887
Cash paid		(658)	(2 229)	(386)	(759)	(4 032)
Balance at end of the year		15 777	–	386	2 329	18 492
Maturity analysis		15 777	–	386	2 329	18 492
Non-current		15 089	–	–	–	15 089
Current		688	–	386	2 329	3 403

Refer to note 4 for relevant critical accounting estimates and assumptions.

27.1 Post-employment medical benefits

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Actuarial (loss)/gain				
Financial assumptions	**(406)**	(1 407)	**(399)**	(1 382)
Experience adjustments	**1 228**	1 005	**1 202**	983
	822	(402)	**803**	(399)
Expected maturity analysis of undiscounted benefits				
Non-current	**311 603**	551 255	**308 578**	546 433
Between one and two years	**814**	782	**793**	761
Between two and five years	**3 122**	3 120	**3 043**	3 041
After five years	**307 667**	547 353	**304 742**	542 631
Current	**749**	707	**731**	688
	312 352	551 962	**309 309**	547 121

The group expects to pay R749 million and the company R731 million in contributions to this plan in the 2023 financial year. Refer to note 4.2 for the principal actuarial assumptions used and a sensitivity analysis.

27.2 Pension benefits

Movement reconciliation

	2022 Fund assets Rm	2022 Asset ceiling adjustment Rm	2022 Fund obligations Rm	2022 Net asset/(liability) Rm	2021 Fund assets Rm	2021 Asset ceiling adjustment Rm	2021 Fund obligations Rm	2021 Net asset/(liability) Rm
Asset/(liability) at beginning of the year	**162 616**	**(51 417)**	**(111 199)**	**–**	127 236	(35 459)	(91 777)	–
Recognised in profit or loss								
Employee benefit expense	**–**	**–**	**(3 086)**	**(3 086)**	–	–	(1 889)	(1 889)
Finance cost	**22 253**	**(7 096)**	**(15 416)**	**(259)**	16 988	(4 787)	(12 290)	(89)
Recognised in other comprehensive income								
Re-measurement of benefits	**(5 297)**	**(11 536)**	**17 748**	**915**	21 187	(11 171)	(10 504)	(488)
Return on plan assets in excess of finance cost	**(5 297)**	**–**	**–**	**(5 297)**	21 187	–	–	21 187
Adjustment to asset ceiling	**–**	**(11 536)**	**–**	**(11 536)**	–	(11 171)	–	(11 171)
Actuarial gain/(loss)	**–**	**–**	**17 748**	**17 748**	–	–	(10 504)	(10 504)
Payments received by the fund	**3 793**	**–**	**(1 363)**	**2 430**	3 866	–	(1 400)	2 466
Employer funded	**2 430**	**–**	**–**	**2 430**	2 466	–	–	2 466
Member funded	**1 363**	**–**	**(1 363)**	**–**	1 400	–	(1 400)	–
Payments made by the fund	**(6 510)**	**–**	**6 510**	**–**	(6 661)	–	6 661	–
Benefit and pension payments	**(6 236)**	**–**	**6 236**	**–**	(6 027)	–	6 027	–
Fund management costs	**(310)**	**–**	**310**	**–**	(303)	–	303	–
Net transfers to/(from) the fund	**36**	**–**	**(36)**	**–**	(331)	–	331	–
Asset/(liability) at end of the year	**176 855**	**(70 049)**	**(106 806)**	**–**	162 616	(51 417)	(111 199)	–

Fund assets composition

	Group and company 2022 Domestic Rm	2022 International Rm	2022 Total Rm	2021 Domestic Rm	2021 International Rm	2021 Total Rm
Equities	**73 550**	**32 926**	**106 476**	68 527	33 689	102 216
Bonds	**34 931**	**3 113**	**38 044**	34 093	4 347	38 440
Issued by Eskom	**2 707**	**–**	**2 707**	3 008	–	3 008
Other	**32 224**	**3 113**	**35 337**	31 085	4 347	35 432
Property	**11 715**	**–**	**11 715**	117	–	117
Cash	**2 560**	**2 459**	**5 019**	7 149	892	8 041
Hedge funds	**1 400**	**–**	**1 400**	1 321	–	1 321
Collective investment schemes	**–**	**14 201**	**14 201**	–	12 481	12 481
	124 156	**52 699**	**176 855**	111 207	51 409	162 616

27. Employee benefit obligations (continued)

27.2 Pension benefits (continued)

	Group and company 2022 Rm	2021 Rm
Actuarial gain/(loss)		
Financial assumptions	**10 475**	(16 289)
Experience adjustments	**7 273**	5 785
	17 748	(10 504)
Expected maturity analysis of undiscounted benefits		
Non-current	**1 302 616**	2 276 563
Between one and two years	**6 074**	6 059
Between two and five years	**20 816**	21 270
After five years	**1 275 726**	2 249 234
Current	**5 584**	5 463
	1 308 200	2 282 026

The group expects to pay R2 471 million and the company R2 203 million in contributions to this plan in the 2023 financial year. Refer to note 4.3 for the principal actuarial assumptions used and a sensitivity analysis.

27.3 Bonus

The bonus comprises of an accrual for a thirteenth cheque generally paid in November. Managerial employees can choose to spread the payment over the course of the year instead of all being paid in November.

28. Provisions

	Note	Power station-related environmental restoration: Nuclear plant Rm	Power station-related environmental restoration: Other generating plant Rm	Mine-related closure, pollution control and rehabilitation Rm	Compensation events Rm	Other Rm	Total Rm
2022							
Group							
Balance at beginning of the year		**17 317**	**14 811**	**15 259**	**3 119**	**2 136**	**52 642**
Recognised in profit or loss		**(514)**	**(245)**	**(517)**	**2 746**	**(659)**	**811**
Raised		**–**	**1**	**5 326**	**2 746**	**156**	**8 229**
Reversed		**(648)**	**(364)**	**(6 053)**	**–**	**(815)**	**(7 880)**
Change in discount rate		**134**	**118**	**210**	**–**	**–**	**462**
Capitalised to property, plant and equipment	8	**74**	**552**	**–**	**1 751**	**–**	**2 377**
Raised		**–**	**–**	**–**	**5 911**	**–**	**5 911**
Reversed		**–**	**–**	**–**	**(4 160)**	**–**	**(4 160)**
Change in discount rate		**74**	**552**	**–**	**–**	**–**	**626**
Capitalised to future fuel supplies	10	**–**	**–**	**113**	**–**	**–**	**113**
Raised		**–**	**–**	**105**	**–**	**–**	**105**
Reversed		**–**	**–**	**(9)**	**–**	**–**	**(9)**
Change in discount rate		**–**	**–**	**17**	**–**	**–**	**17**
Capitalised to inventories	13	**91**	**–**	**(380)**	**–**	**–**	**(289)**
Raised		**91**	**–**	**42**	**–**	**–**	**133**
Reversed		**–**	**–**	**(422)**	**–**	**–**	**(422)**
Finance cost	40	**1 383**	**1 175**	**1 166**	**–**	**17**	**3 741**
Cash paid		**(82)**	**–**	**(338)**	**(412)**	**(362)**	**(1 194)**
Balance at end of the year		**18 269**	**16 293**	**15 303**	**7 204**	**1 132**	**58 201**
Maturity analysis		**18 269**	**16 293**	**15 303**	**7 204**	**1 132**	**58 201**
Non-current		**18 163**	**16 105**	**14 867**	**–**	**122**	**49 257**
Current		**106**	**188**	**436**	**7 204**	**1 010**	**8 944**

	Note	Power station-related environmental restoration: Nuclear plant Rm	Power station-related environmental restoration: Other generating plant Rm	Mine-related closure, pollution control and rehabilitation Rm	Compensation events Rm	Other Rm	Total Rm
2022							
Company							
Balance at beginning of the year		**17 317**	**14 811**	**15 259**	**3 119**	**1 992**	**52 498**
Recognised in profit or loss		**(514)**	**(245)**	**(517)**	**2 746**	**(704)**	**766**
Raised		**–**	**1**	**5 326**	**2 746**	**101**	**8 174**
Reversed		**(648)**	**(364)**	**(6 053)**	**–**	**(805)**	**(7 870)**
Change in discount rate		**134**	**118**	**210**	**–**	**–**	**462**
Capitalised to property, plant and equipment	8	**74**	**552**	**–**	**1 751**	**–**	**2 377**
Raised		**–**	**–**	**–**	**5 911**	**–**	**5 911**
Reversed		**–**	**–**	**–**	**(4 160)**	**–**	**(4 160)**
Change in discount rate		**74**	**552**	**–**	**–**	**–**	**626**
Capitalised to future fuel supplies	10	**–**	**–**	**113**	**–**	**–**	**113**
Raised		**–**	**–**	**105**	**–**	**–**	**105**
Reversed		**–**	**–**	**(9)**	**–**	**–**	**(9)**
Change in discount rate		**–**	**–**	**17**	**–**	**–**	**17**
Capitalised to inventories	13	**91**	**–**	**(380)**	**–**	**–**	**(289)**
Raised		**91**	**–**	**42**	**–**	**–**	**133**
Reversed		**–**	**–**	**(422)**	**–**	**–**	**(422)**
Finance cost	40	**1 383**	**1 175**	**1 166**	**–**	**17**	**3 741**
Cash paid		**(82)**	**–**	**(338)**	**(412)**	**(323)**	**(1 155)**
Balance at end of the year		**18 269**	**16 293**	**15 303**	**7 204**	**982**	**58 051**
Maturity analysis		**18 269**	**16 293**	**15 303**	**7 204**	**982**	**58 051**
Non-current		**18 163**	**16 105**	**14 867**	**–**	**115**	**49 250**
Current		**106**	**188**	**436**	**7 204**	**867**	**8 801**
2021							
Group							
Balance at beginning of the year as restated		14 818	11 806	14 164	2 429	2 436	45 653
Recognised in profit or loss		186	536	490	159	2 107	3 478
Raised		–	–	2 044	338	2 150	4 532
Reversed		(1 389)	(29)	(2 090)	(179)	(43)	(3 730)
Change in discount rate		1 575	565	536	–	–	2 676
Capitalised to property, plant and equipment	8	831	1 294	–	1 011	–	3 136
Raised		–	–	–	9 252	–	9 252
Reversed		–	–	–	(8 241)	–	(8 241)
Change in discount rate		831	1 294	–	–	–	2 125
Capitalised to future fuel supplies	10	–	–	422	–	–	422
Raised		–	–	211	–	–	211
Reversed		–	–	(501)	–	–	(501)
Change in discount rate		–	–	712	–	–	712
Capitalised to inventories	13	92	–	(273)	–	–	(181)
Raised		92	–	–	–	–	92
Reversed		–	–	(273)	–	–	(273)
Finance cost	40	1 429	1 175	911	–	20	3 535
Cash paid		(39)	–	(455)	(480)	(2 427)	(3 401)
Balance at end of the year		17 317	14 811	15 259	3 119	2 136	52 642
Maturity analysis		17 317	14 811	15 259	3 119	2 136	52 642
Non-current		17 258	14 811	15 004	–	262	47 335
Current		59	–	255	3 119	1 874	5 307

28. Provisions (continued)

	Note	Power station-related environmental restoration: Nuclear plant Rm	Power station-related environmental restoration: Other generating plant Rm	Mine-related closure, pollution control and rehabilitation Rm	Compensation events Rm	Other Rm	Total Rm
2021							
Company							
Balance at beginning of the year as restated		14 818	11 806	14 164	2 429	2 356	45 573
Recognised in profit or loss		186	536	490	159	2 045	3 416
Raised		–	–	2 044	338	2 073	4 455
Reversed		(1 389)	(29)	(2 090)	(179)	(28)	(3 715)
Change in discount rate		1 575	565	536	–	–	2 676
Capitalised to property, plant and equipment	8	831	1 294	–	1 011	–	3 136
Raised		–	–	–	9 252	–	9 252
Reversed		–	–	–	(8 241)	–	(8 241)
Change in discount rate		831	1 294	–	–	–	2 125
Capitalised to future fuel supplies	10	–	–	422	–	–	422
Raised		–	–	211	–	–	211
Reversed		–	–	(501)	–	–	(501)
Change in discount rate		–	–	712	–	–	712
Capitalised to inventories	13	92	–	(273)	–	–	(181)
Raised		92	–	–	–	–	92
Reversed		–	–	(273)	–	–	(273)
Finance cost	40	1 429	1 175	911	–	20	3 535
Cash paid		(39)	–	(455)	(480)	(2 429)	(3 403)
Balance at end of the year		17 317	14 811	15 259	3 119	1 992	52 498
Maturity analysis		17 317	14 811	15 259	3 119	1 992	52 498
Non-current		17 258	14 811	15 004	–	191	47 264
Current		59	–	255	3 119	1 801	5 234

Refer to note 4.4 for relevant critical accounting estimates and assumptions.

29. Lease liabilities

	2022 Gross payables Rm	2022 Future finance charges Rm	2022 Carrying value Rm	2021 Gross payables Rm	2021 Future finance charges Rm	2021 Carrying value Rm
Group						
Non-current	**13 329**	**(5 297)**	**8 032**	15 091	(6 644)	8 447
Between one and five years	**8 581**	**(4 540)**	**4 041**	6 999	(4 319)	2 680
After five years	**4 748**	**(757)**	**3 991**	8 092	(2 325)	5 767
Current	**1 811**	**(1 240)**	**571**	1 820	(1 298)	522
	15 140	**(6 537)**	**8 603**	16 911	(7 942)	8 969
Company						
Non-current	**13 327**	**(5 296)**	**8 031**	15 089	(6 644)	8 445
Between one and five years	**8 580**	**(4 539)**	**4 041**	6 997	(4 319)	2 678
After five years	**4 747**	**(757)**	**3 990**	8 092	(2 325)	5 767
Current	**1 811**	**(1 240)**	**571**	1 820	(1 298)	522
	15 138	**(6 536)**	**8 602**	16 909	(7 942)	8 967

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Movement reconciliation					
Balance at beginning of the year		**8 969**	9 350	**8 967**	9 347
Additions		**51**	119	**51**	119
Disposals		**–**	(8)	**–**	(8)
Finance costs	40	**1 300**	1 365	**1 300**	1 364
Cash paid		**(1 717)**	(1 857)	**(1 716)**	(1 855)
Capital		**(417)**	(497)	**(416)**	(496)
Finance costs		**(1 300)**	(1 360)	**(1 300)**	(1 359)
Balance at end of the year		**8 603**	8 969	**8 602**	8 967

Refer to note 36 for short-term and low-value lease expenses.

30. Trade and other payables

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Financial instruments		**36 796**	35 892	**39 551**	38 843
Trade and other payables		**23 230**	24 386	**23 704**	25 175
Accruals		**7 455**	5 881	**9 736**	8 044
Deposits		**6 111**	5 625	**6 111**	5 624
Non-financial instruments		**2 027**	1 857	**2 017**	1 775
VAT		**1 399**	1 219	**1 389**	1 137
Environmental levy		**628**	638	**628**	638
		38 823	37 749	**41 568**	40 618
Maturity analysis		**38 823**	37 749	**41 568**	40 618
Non-current		**829**	667	**1 100**	667
Current		**37 994**	37 082	**40 468**	39 951

31. Revenue

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Redistributors (metropolitan and municipal customers)		**98 063**	84 436	**98 063**	84 436
Invoiced to customers		**105 369**	90 228	**105 369**	90 228
Amounts not meeting collectability criteria	20	**(13 849)**	(11 727)	**(13 849)**	(11 727)
Recognised on a cash received basis	20	**6 543**	5 935	**6 543**	5 935
Residential		**7 091**	6 366	**7 091**	6 366
Invoiced to customers		**7 457**	6 751	**7 457**	6 751
Amounts not meeting collectability criteria	20	**(366)**	(385)	**(366)**	(385)
Industrial		**48 204**	37 026	**48 204**	37 026
Mining		**36 630**	30 708	**36 630**	30 708
Commercial		**16 723**	14 304	**16 723**	14 304
Agricultural		**11 600**	10 262	**11 600**	10 262
International		**11 450**	10 383	**11 450**	10 383
Rail		**3 477**	2 977	**3 477**	2 977
Public lighting		**257**	232	**257**	232
Post-paid electricity sales		**233 495**	196 694	**233 495**	196 694
Prepaid electricity sales		**10 966**	9 941	**10 966**	9 941
Total electricity sales		**244 461**	206 635	**244 461**	206 635
Connections		**1 459**	1 295	**1 459**	1 295
Other		**1 674**	387	**1 674**	387
Gross revenue		**247 594**	208 317	**247 594**	208 317
Capitalised to property, plant and equipment		**(1 074)**	(3 991)	**(1 074)**	(3 991)
		246 520	204 326	**246 520**	204 326

Sales of electricity to local customers are included in the distribution operating segment. International sales are included in the transmission segment. Other revenue consists of reconnection fees and *ad hoc* sundry revenue. Connections occur mainly within the transmission and distribution operating segments.

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
32. Other income					
Insurance proceeds		**60**	–	**437**	1 194
Insurance premiums		**98**	331	**–**	–
Services income		**439**	349	**–**	–
Management fee income		**–**	–	**151**	131
Operating lease income		**270**	242	**190**	200
Dividend income		**75**	47	**655**	1 086
Other		**552**	1 693[1]	**580**	1 720[1]
		1 494	2 662	**2 013**	4 331

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
33. Primary energy					
Own generation costs		**91 920**	79 662	**91 920**	79 662
Generation costs		**84 408**	72 471	**84 408**	72 471
Environmental levy		**7 512**	7 191	**7 512**	7 191
International electricity purchases		**5 316**	4 998	**5 316**	4 998
Independent power producers		**35 203**	30 832	**35 203**	30 832
		132 439	115 492	**132 439**	115 492

Generation costs relate to the cost of coal (including logistics), uranium, water and liquid fuels that are used in the generation of electricity. Eskom uses a combination of short-, medium- and long-term agreements with suppliers for coal purchases and long-term agreements with the Department of Water Affairs to reimburse the department for the cost incurred in supplying water to Eskom.

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
34. Employee benefit expense					
Salaries		**24 789**	25 001	**22 183**	22 455
Overtime		**2 055**	2 103	**1 588**	1 728
Post-employment medical benefits		**346**	284	**344**	283
Pension benefits		**3 088**	1 889	**2 841**	1 652
Annual bonus[2]		**1 305**	1 362	**1 148**	1 197
Production bonus[3]		**172**	129	**169**	129
Leave		**836**	1 235	**718**	1 109
Direct costs of employment		**32 591**	32 003	**28 991**	28 553
Direct training and development		**68**	50	**54**	37
Temporary and contract staff costs		**1 721**	2 366	**285**	359
Other staff costs		**661**	670	**584**	572
Gross employee benefit expense		**35 041**	35 089	**29 914**	29 521
Capitalised to property, plant and equipment		**(2 056)**	(2 202)	**(2 056)**	(2 202)
		32 985	32 887	**27 858**	27 319

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
35. Impairment and writedown of assets					
35.1 Financial assets					
Loans receivable		**(8)**	21	**(14)**	10
Finance lease receivables		**(6)**	4	**(6)**	4
Trade and other receivables	5	**681**	(171)	**573**	(148)
Insurance investments		**(69)**	67	**–**	–
		598	(79)	**553**	(134)
Bad debts recovered – trade and other receivables		**(9)**	(12)	**(9)**	(12)
		589	(91)	**544**	(146)
35.2 Other assets					
Investment in subsidiaries		**–**	–	**–**	4
Inventories	13	**847**	1 886	**833**	1 886
		847	1 886	**833**	1 890

1. *Includes R1 176 million recovery from a supplier.*
2. *The annual bonus represents a thirteenth cheque. Refer to note 27.3.*
3. *The production bonus is self-funded and rewards employees for improved efficiency, operational productivity and performance in the production environment.*

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
36. Other expenses					
Managerial, technical and other fees		**745**	566	**731**	548
Lease expense		**998**	946	**164**	203
Short term		**943**	890	**109**	145
Low value		**55**	56	**55**	58
Auditors' remuneration[1]		**152**	176	**139**	161
Net loss on disposals and writeoffs of property, plant and equipment and intangible assets		**2 772**	2 169	**2 731**	2 168
Repairs and maintenance, transport and other expenses		**24 113**	20 349	**32 496**	29 389
		28 780	24 206	**36 261**	32 469

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
37. Depreciation and amortisation expense					
Depreciation of property, plant and equipment	8	**33 201**	27 714	**33 348**	27 793
Amortisation of intangible assets	9	**375**	314	**152**	229
Contract liabilities and deferred income recognised (government grant)	26.2	**(1 567)**	(1 443)	**(1 567)**	(1 443)
		32 009	26 585	**31 933**	26 579

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
38. Net fair value and foreign exchange loss					
Loss on items carried at fair value		**(7 139)**	(42 886)	**(7 294)**	(43 483)
Financial trading liabilities		**–**	(1)	**–**	(1)
Insurance investments		**157**	599	**–**	–
Derivatives held for risk management	17	**(9 081)**	(43 324)	**(9 079)**	(43 322)
Embedded derivatives	16	**1 622**	(355)	**1 622**	(355)
Deferred income	26	**54**	–	**54**	–
Payments made in advance		**109**	195	**109**	195
Gain on foreign currency translation of items carried at amortised cost		**3 536**	35 315	**3 536**	35 313
Trade and other receivables		**(8)**	(2)	**(8)**	–
Cash and cash equivalents		**(43)**	(159)	**(43)**	(159)
Trade and other payables		**20**	58	**20**	54
Debt securities and borrowings		**3 567**	35 418	**3 567**	35 418
Amounts recycled from cash flow hedge reserve					
Ineffective portion of cash flow hedges		**477**	(478)	**477**	(478)
		(3 126)	(8 049)	**(3 281)**	(8 648)

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
39. Finance income					
Financial trading assets		**–**	1	**–**	1
Insurance investments		**637**	669	**–**	–
Loans receivable		**566**	587	**237**	280
Finance lease receivables		**37**	43	**37**	43
Trade and other receivables		**468**	310	**468**	311
Invoiced to customers		**2 112**	1 430	**2 112**	1 431
Amounts not meeting collectability criteria	20	**(1 644)**	(1 120)	**(1 644)**	(1 120)
Cash and cash equivalents		**656**	790	**618**	774
		2 364	2 400	**1 360**	1 409

1. *Non-audit services of R0.5 million were rendered by the group's statutory auditors.*

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
40. Finance cost					
Debt securities and borrowings		**29 107**	31 437	**29 176**	31 599
Eskom bonds		**14 562**	13 225	**14 576**	13 225
Commercial paper		**67**	236	**111**	343
Eurorand zero coupon bonds		**718**	636	**718**	636
Foreign bonds		**4 268**	5 728	**4 268**	5 728
Development financing institutions		**7 059**	8 125	**7 059**	8 125
Export credit facilities		**1 204**	1 450	**1 204**	1 450
Floating rate notes		**3**	264	**3**	264
Other loans		**1 226**	1 773	**1 237**	1 828
Derivatives held for risk management		**6 708**	6 583	**6 708**	6 583
Employee benefit obligations	27	**2 483**	1 999	**2 436**	1 957
Provisions	28	**3 741**	3 535	**3 741**	3 535
Lease liabilities	29	**1 300**	1 365	**1 300**	1 364
Trade and other payables		**272**	339	**272**	339
Gross finance cost		**43 611**	45 258	**43 633**	45 377
Capitalised to property, plant and equipment	8	**(8 184)**	(11 716)	**(8 184)**	(11 716)
		35 427	33 542	**35 449**	33 661

	Note	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
41. Income tax					
Recognised in profit or loss					
Current tax		**434**	1 081	**–**	–
Current year		**404**	1 064	**–**	–
Under provided in prior years		**30**	17	**–**	–
Deferred tax	14	**(3 876)**	(9 162)	**(4 393)**	(9 150)
Reversal of temporary differences		**3 585**	79	**2 922**	91
Raised/reversal of temporary differences		**6 395**	(587)	**5 674**	(591)
(Over)/under provided in prior years		**(622)**	666	**(615)**	682
Change in tax rate		**(2 188)**	–	**(2 137)**	–
Tax losses		**(7 461)**	(9 241)	**(7 315)**	(9 241)
Raised/reversal of temporary differences		**(10 683)**	(8 967)	**(10 531)**	(8 967)
Under/(over) provided in prior years		**600**	(274)	**600**	(274)
Change in tax rate		**2 622**	–	**2 616**	–
		(3 442)	(8 081)	**(4 393)**	(9 150)
Reconciliation between standard and effective tax rate:					
R million					
Taxation income at standard rate		**(4 416)**	(9 267)	**(5 237)**	(10 037)
Non-taxable income[1]		**(491)**	(905)	**(455)**	(884)
Expenses not deductible for tax purposes[2]		**1 031**	2 091	**820**	1 771
Change in tax rate		**434**	–	**479**	–
Taxation income per the income statement		**(3 442)**	(8 081)	**(4 393)**	(9 150)
%					
Taxation income at standard rate		**28.00**	28.00	**28.00**	28.00
Non-taxable income		**3.11**	2.73	**2.43**	2.47
Expenses not deductible for tax purposes		**(6.54)**	(6.31)	**(4.38)**	(4.94)
Change in tax rate		**(2.75)**	–	**(2.56)**	–
Taxation income per the income statement		**21.82**	24.42	**23.49**	25.53

1. Eskom received various non-taxable income including dividends, government grants and recoveries from suppliers.
2. Non-deductible expenditure includes fruitless and wasteful expenditure and donations made.

	2022 Before tax Rm	2022 Tax Rm	2022 Net of tax Rm	Restated 2021 Before tax Rm	Restated 2021 Tax Rm	Restated 2021 Net of tax Rm
Recognised in other comprehensive income						
Group						
Cash flow hedges	**(950)**	**255**	**(695)**	(800)	224	(576)
Net change in fair value	**(328)**	**89**	**(239)**	(878)	431	(447)
Net amount transferred to profit or loss	**(477)**	**129**	**(348)**	478	(319)	159
Net amount transferred to initial carrying amount of hedged items	**(145)**	**37**	**(108)**	(400)	112	(288)
Foreign currency translation differences	**5**	**–**	**5**	12	–	12
Re-measurement of benefits	**1 737**	**(400)**	**1 337**	(890)	250	(640)
	792	**(145)**	**647**	(1 678)	474	(1 204)
Company						
Cash flow hedges	**(950)**	**255**	**(695)**	(800)	224	(576)
Net change in fair value	**(328)**	**89**	**(239)**	(878)	431	(447)
Net amount transferred to profit or loss	**(477)**	**129**	**(348)**	478	(319)	159
Net amount transferred to initial carrying amount of hedged items	**(145)**	**37**	**(108)**	(400)	112	(288)
Re-measurement of benefits	**1 718**	**(393)**	**1 325**	(887)	249	(638)
	768	**(138)**	**630**	(1 687)	473	(1 214)

42. Cash generated from operations

	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Loss before tax	**(15 772)**	(33 097)	**(18 705)**	(35 846)
Adjustments for:	**79 688**	75 477	**79 680**	75 682
Depreciation and amortisation expense	**32 009**	26 585	**31 933**	26 579
Depreciation expense – primary energy	**12**	12	**12**	12
Impairment and writedown of assets (excluding bad debts recovered)	**1 445**	1 807	**1 386**	1 756
Net fair value loss on financial instruments	**3 126**	8 049	**3 281**	8 648
Net loss on disposals and writeoffs of property, plant and equipment	**2 772**	2 169	**2 731**	2 168
Transfer of assets from non-electricity purchasing customers	**(779)**	(622)	**(779)**	(622)
Writeoff of diesel rebate	**3 466**	–	**3 466**	–
Dividend income	**(75)**	(47)	**(655)**	(1 086)
Increase in employee benefit obligations	**4 693**	3 850	**4 278**	3 430
Increase in provisions	**811**	3 478	**766**	3 416
Decrease in contract liabilities and deferred income	**(248)**	(210)	**(248)**	(210)
Payments made in advance recognised in profit or loss	**244**	183	**219**	180
Payments received in advance recognised in profit or loss	**(799)**	(848)	**(799)**	(841)
Finance income	**(2 364)**	(2 400)	**(1 360)**	(1 409)
Finance cost	**35 427**	33 542	**35 449**	33 661
Share of profit of equity-accounted investees	**(52)**	(71)	**–**	–
	63 916	42 380	**60 975**	39 836
Changes in working capital:	**(9 771)**	(11 963)	**(8 835)**	(11 685)
Payments made in advance	**(265)**	(223)	**(265)**	(197)
Increase in inventories	**(1 495)**	(2 863)	**(1 497)**	(2 854)
Increase in trade and other receivables	**(7 369)**	(1 783)	**(6 785)**	(2 624)
Increase/(decrease) in trade and other payables	**847**	(3 106)	**724**	(2 403)
Expenditure incurred on employee benefit obligations	**(4 731)**	(4 416)	**(4 292)**	(4 032)
Expenditure incurred on provisions	**(876)**	(2 516)	**(837)**	(2 518)
Payments received in advance	**4 118**	2 944	**4 117**	2 943
	54 145	30 417	**52 140**	28 151

43. Net debt reconciliation

The net debt reconciliation includes the changes arising from financing activities.

	Debt securities and borrowings[1] Rm	Lease liabilities[2] Rm	Financial trading assets[3] Rm	Financial trading liabilities[3] Rm	Derivatives held for risk management[4] Rm	Payments made in advance[5] Rm	Cash and cash equivalents[6] Rm	Net debt Rm
Group								
Balance at 31 March 2020 as restated	483 682	9 350	(152)	214	(55 049)	(1 371)	(22 990)	413 684
Net cash (decrease)/increase	(49 830)	(497)	152	(213)	7 859	(132)	18 882	(23 779)
Net fair value and foreign exchange (gains)/losses	(35 418)	–	–	1	42 579	–	159	7 321
Foreign currency translation	–	–	–	–	–	–	(12)	(12)
Assets and liabilities held-for-sale	1 462	–	–	–	–	–	(80)	1 382
Other movements	1 930	116	–	–	(257)	366	–	2 155
Balance at 31 March 2021	**401 826**	**8 969**	**–**	**2**	**(4 868)**	**(1 137)**	**(4 041)**	**400 751**
Net cash decrease	**(5 818)**	**(417)**	**–**	**–**	**(2 769)**	**(471)**	**(11 882)**	**(21 357)**
Net fair value and foreign exchange (gains)/losses	**(3 567)**	**–**	**–**	**–**	**8 722**	**–**	**43**	**5 198**
Foreign currency translation	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Other movements	**3 853**	**51**	**–**	**–**	**(182)**	**830**	**–**	**4 552**
Balance at 31 March 2022	**396 294**	**8 603**	**–**	**2**	**903**	**(778)**	**(15 885)**	**389 139**
Company								
Balance at 31 March 2020 as restated	488 214	9 347	(152)	214	(55 049)	(1 371)	(22 314)	418 889
Net cash (decrease)/increase	(50 731)	(496)	152	(213)	7 859	(132)	19 652	(23 909)
Net fair value and foreign exchange (gains)/losses	(35 418)	–	–	1	42 579	–	159	7 321
Other movements	1 977	116	–	–	(257)	366	–	2 202
Balance at 31 March 2021	**404 042**	**8 967**	**–**	**2**	**(4 868)**	**(1 137)**	**(2 503)**	**404 503**
Net cash decrease	**(6 238)**	**(416)**	**–**	**–**	**(2 769)**	**(471)**	**(11 758)**	**(21 652)**
Net fair value and foreign exchange (gains)/losses	**(3 567)**	**–**	**–**	**–**	**8 722**	**–**	**43**	**5 198**
Other movements	**3 829**	**51**	**–**	**–**	**(182)**	**830**	**–**	**4 528**
Balance at 31 March 2022	**398 066**	**8 602**	**–**	**2**	**903**	**(778)**	**(14 218)**	**392 577**

Financing activities excludes cash and cash equivalents.

1. *Refer to note 25.*
2. *Refer to note 29.*
3. *Refer to note 21.2.*
4. *Refer to note 17 (hedge exposure covering debt securities and borrowings).*
5. *Refer to note 19 (securing debt raised).*
6. *Refer to note 22.*

44. Guarantees and contingent liabilities

	Unit	Group 2022	Group Restated 2021	Company 2022	Company Restated 2021
44.1 Financial guarantees					
EFC loans to group employees					
Guarantee issued/contract value	Rm	**–**	–	**941**	933
Default probability	%	**–**	–	**11.02**	5.62
Financial guarantee	Rm	**–**	–	**104**	52
44.2 Contingent liabilities					
Legal claims – amounted to	Rm	**525**	595[1]	**523**	585[1]

44.1 Financial guarantees

EFC loans to group employees

EFC has granted loans (secured by mortgage bonds on the properties) to qualifying employees of the group. Eskom has issued guarantees to EFC to the extent to which the loan values of employees exceed the current value of the mortgage security.

Eskom's guarantee exposure is governed by the default probability of EFC, which is influenced by the risk of significant fluctuations in interest rates that might cause default on repayments. The risk-adjusted credit exposure of EFC is calculated by applying a rating agency's annual default probabilities.

Changes in variables will not have a significant impact on profit or loss.

44.2 Contingent liabilities

Legal claims

There are legal claims in process against Eskom as a result of disputes with various parties. Based on the evidence available, there is no present obligation relating to these claims. The claims are disclosed as a contingent liability and amounted to

Compensation events

The final settlement of open compensation claims are generally far below the amount claimed by contractors. The adjudication rulings are mostly in favour of Eskom, resulting in no additional expenditure being incurred. Eskom recognises a provision based on the best estimate of the potential expenditure required to settle open compensation claims.

There are uncertainties relating to the finalisation of open compensation events which are subject to a contractual adjudication process where the outcome could be different to management's assessment of the probability of an outflow of resources and best estimate of the expenditure.

1. *The legal claims for 2021 have been restated by R417 million due to incorrect assessment of claims outstanding.*

	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
45. Commitments				
45.1 Capital expenditure				
Contracted capital expenditure	**25 684**	25 343	**25 612**	25 266
Within one year[1]	**16 260**	13 196	**16 189**	13 120
One to five years[1]	**9 423**	12 129	**9 423**	12 129
After five years	**1**	18	**–**	17

Capital expenditure excludes finance costs capitalised and foreign currency fluctuations.

The capital expenditure will be financed through debt with government support and internally generated funds.

The capital programme will be reviewed and reprioritised by management in line with the funds available.

45.2 Leases

As lessee

The future minimum lease payments payable under non-cancellable leases are:

	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
Within one year	**234**	85	**40**	41
Short-term leases	**192**	41	**–**	–
Low-value leases	**41**	44	**39**	41
Right-of-use leases not yet commenced	**1**	–	**1**	–
One to five years	**52**	77	**49**	72
Low-value leases	**50**	77	**47**	72
Right-of-use leases not yet commenced	**2**	–	**2**	–
Total	**286**	162	**89**	113
Short-term leases	**192**	41	**–**	–
Low-value leases	**91**	121	**86**	113
Right-of-use leases not yet commenced	**3**	–	**3**	–

The lease payments payable under non-cancellable leases are of a similar nature to the right-of-use, short-term and low-value leases recognised in the statement of financial position and income statement.

As lessor

	Group 2022 Rm	Group Restated 2021 Rm	Company 2022 Rm	Company Restated 2021 Rm
The future minimum lease payments receivable under non-cancellable operating leases are:	**267**	145	**182**	69
Within one year	**137**	110	**52**	34
One to five years	**119**	35	**119**	35
After five years	**11**	–	**11**	–

The lease payments receivable under non-cancellable leases are of a similar nature to the right-of-use, short-term and low-value leases recognised in the statement of financial position and income statement.

1. *The contracted capital expenditure for 2021 has been restated to exclude an overstatement due to contingency amounts for compensation events that have been recorded in provisions.*

46. Related-party transactions and balances

The group is wholly owned by the government represented by the DPE. Eskom (and its subsidiaries) are classified as schedule 2 public entities in terms of the PFMA. Eskom is part of the national sphere of government and its related parties in that sphere include national departments (including the shareholder), constitutional institutions and public entities (schedule 1, 2 and 3). A list of related parties is provided by National Treasury on its website www.treasury.gov.za.

Related parties include subsidiaries, associates and joint ventures of the group and post-employment benefit plans for the benefit of employees. It also includes key management personnel of Eskom and close family members of these related parties. Key management personnel for Eskom include the group's board of directors and Exco. Disclosure of related-party transactions with key management personnel is included in note 49. Disclosure on the government guarantees to Eskom are included in note 5.3.2.

	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Transactions					
Sales of goods and services		**13 340**	12 827	**13 859**	13 837
National departments		**1 508**	1 494	**1 508**	1 494
Public entities		**7 639**	7 311	**7 518**	6 938
Subsidiaries, associates and joint ventures		**4 193**	4 022	**4 833**	5 405
Government grant funding received for electrification					
National departments		**2 456**	1 724	**2 456**	1 724
Purchases of goods and services		**18 337**	10 598	**31 396**	21 784
Constitutional institutions		**14**	10	**14**	10
National departments		**1 880**	1 975	**1 880**	1 975
Public entities		**13 713**	5 990	**13 045**	4 593
Subsidiaries, associates and joint ventures		**300**	157	**14 272**	12 977
Eskom Pension and Provident Fund		**2 430**	2 466	**2 185**	2 229
Bad debts expense		**33**	–	**2**	–
National departments		**1**	–	**1**	–
Public entities		**32**	–	**1**	–
Net fair value and foreign exchange gain					
Subsidiaries, associates and joint ventures		**–**	–	**1**	2
Finance income		**64**	148	**301**	428
National departments		**8**	9	**8**	9
Public entities		**56**	139	**56**	139
Subsidiaries, associates and joint ventures		**–**	–	**237**	280
Finance cost[1]		**8 447**	7 460	**8 583**	7 707
National departments		**7**	8	**7**	8
Public entities		**8 215**	7 311	**8 215**	7 311
Subsidiaries, associates and joint ventures		**–**	–	**136**	247
Eskom Pension and Provident Fund		**225**	141	**225**	141
Dividend income					
Subsidiaries, associates and joint ventures		**–**	–	**654**	1 085
Lease income		**5**	7	**8**	11
National departments		**–**	1	**–**	1
Public entities		**5**	6	**5**	6
Subsidiaries, associates and joint ventures		**–**	–	**3**	4
Lease expenses		**7**	8	**11**	11
Public entities		**7**	8	**7**	8
Subsidiaries, associates and joint ventures		**–**	–	**4**	3
Environmental levy					
Public entities	33	**7 512**	7 191	**7 512**	7 191

1. *Bonds are bearer instruments and it is therefore unknown if the initial counterparty still holds the bonds. Transactions in the secondary market where Eskom is not the counterparty are therefore excluded.*

46. Related-party transactions and balances (continued)

	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Outstanding balances (due by related parties)					
Receivables and amounts owed by related parties		**1 708**	3 178	**4 254**	5 812
National departments		**125**	135	**125**	135
Public entities		**1 200**	2 698	**1 131**	2 406
Subsidiaries, associates and joint ventures		**383**	345	**2 998**	3 271
Loans receivable					
Subsidiaries, associates and joint ventures[1]		**–**	–	**5 657**	5 779
Total due by related parties		**1 708**	3 178	**9 911**	11 591
Outstanding balances (due to related parties)					
Debt securities and borrowings		**112 555**	118 967	**115 422**	122 478
National departments		**22**	32	**22**	32
Public entities		**109 826**	115 927	**109 826**	115 927
Subsidiaries, associates and joint ventures[2]		**–**	–	**2 867**	3 511
Eskom Pension and Provident Fund		**2 707**	3 008	**2 707**	3 008
Payables and amounts owed to related parties		**3 592**	3 391	**7 340**	7 156
Constitutional institutions		**6**	–	**6**	–
National departments		**338**	445	**338**	445
Public entities		**2 940**	2 621	**2 710**	2 444
Subsidiaries, associates and joint ventures		**18**	30	**3 996**	3 972
Eskom Pension and Provident Fund		**290**	295	**290**	295
Payments received in advance		**1 196**	942	**1 211**	958
National departments		**1 196**	942	**1 196**	942
Subsidiaries, associates and joint ventures		**–**	–	**15**	16
Derivative liabilities held for risk management					
Subsidiaries, associates and joint ventures		**–**	–	**1**	1
Total due to related parties		**117 343**	123 300	**123 974**	130 593
Guarantees					
Guarantees issued contract value					
Subsidiaries, associates and joint ventures	44.1	**–**	–	**941**	933

Commitments
Eskom does not have any material commitments with its related parties.

47. Events after the reporting date
The following significant events occurred after 31 March 2022:

Changes in board
Ms B Mavuso resigned from the board on 27 September 2022. The term of the remaining independent board members, except Dr RDB Crompton, ended on 30 September 2022. New board members were appointed effective 1 October 2022. Refer to the governance and compliance section in the directors' report for details.

The group chief executive, Mr A de Ruyter tendered his resignation on 14 December 2022. Mr de Ruyter agreed to stay for an additional period beyond the stipulated 30-day notice period to ensure continuity while Eskom embarks on a search for his successor. His last day at Eskom will be 31 March 2023.

Equity support
Eskom received R1 billion on 30 May 2022, R2 billion on 8 June 2022 and R1 billion on 28 June 2022 as part of the ongoing support from government.

Prospective debt relief
The Minister of Finance announced a prospective debt relief solution for Eskom in the MTBPS on 26 October 2022. Government is finalising the details of the proposed solution, including the quantum of the proposed relief, the relevant debt instruments and the method for effecting the transaction. Further detail will be communicated in the National Budget Speech in February 2023, together with the conditions attached to the relief.

1. The effective interest rate on the loans to subsidiaries is 4.75% (2021: 3.67%).
2. Refer to note 25 for effective interest rate and maturity date relating to intercompany instruments.

National energy crisis committee
Government announced measures in July 2022 to address the country's long-running electricity crisis, including the formation of a national energy crisis committee. Some progress has been made on the implementation of these measures in collaboration with the relevant government departments, agencies and other stakeholders.

Court rulings relating to NERSA applications
There were the following developments after 31 March 2022 regarding Eskom's court review applications against NERSA revenue determination decisions:

- *Revenue decision for the 2020 to 2022 financial years (MYPD 4) – R59 billion*
  The SCA issued an order in June 2022 on the timing of the recovery of R59 billion which requires NERSA to include an additional R15 billion in allowable revenue per year in the 2024 to 2026 financial years and R14 billion in the 2027 financial year.
- *Revenue decision for the 2023 to 2025 financial years (MYPD 5)*
  NERSA published the reasons for the revenue decision in June 2022. Eskom submitted a court review application in July 2022 based on NERSA's incorrect treatment of the RAB. The High Court set aside the decision in respect of the valuation of the RAB on 24 October 2022 and ordered NERSA to apply the MYPD methodology to redetermine the valuation of the RAB which will form the basis for the NERSA decision for 2024 and 2025.

EFC disposal
The Minister of Public Enterprises requested Eskom in July 2022 to re-commence with the disposal process of EFC. The investment and finance committee approved the disposal strategy in August 2022. A request for proposal was issued in September 2022 and expressions of interest were received from various parties. The bidding process closed in November 2022 and a preferred bidder has been approved in December 2022 by the investment and finance committee. The next steps include price negotiation and requesting PFMA approval for the sale transaction. There was no accounting impact on the annual financial statements as the classification criteria in terms of IFRS 5 *Non-current assets held for sale and discontinued operations* were only met after the reporting date.

Provision for compensation events
Certain claims relating to compensation events between Eskom and its suppliers were finalised by the Dispute Adjudication Board after 31 March 2022. The provision for compensation events was increased by R984 million to account for the differences between the actual and expected settlements recorded on 31 March 2022. Refer to note 28.

Diesel rebate claimed from SARS
SARS disallowed certain refunds of fuel and road accident levies on diesel used at the Gourikwa and Ankerlig power stations to generate electricity based on its view that Eskom did not maintain certain supporting documentation required to claim the refunds. Eskom submitted an internal administrative appeal to SARS against this decision on 1 June 2020. SARS advised Eskom that its appeal has been disallowed on 25 October 2022. Eskom is considering the appropriate action regarding this matter, including following a litigation process, alternative dispute resolution process or review. Based on the outcome of the appeal and the uncertainty around the recovery of the refunds, trade and other receivables was reduced by R3.6 billion with a corresponding increase in primary energy cost to reverse the refunds receivable recorded on 31 March 2022. Refer to note 20.

Plant incidents
The following material plant events occurred after 31 March 2022:
- The first fires on oil and first coal fires milestones were completed at Kusile unit 5 in August and September 2022 respectively. However, the gas air heater caught fire on 17 September 2022, resulting in a discontinuation of all commissioning activities. The extent of the damage has not yet been determined and it is likely that the incident will cause a delay to the commissioning schedule.
- A flue gas duct failure was experienced at Kusile unit 1 on 23 October 2022 while the unit was offline for repairs. Investigations are under way into the cause of the incident, the extent of the damage as well as the scope of work for recovery. Units 2 and 3 have also been affected and it is expected that all three units will be offline for up to six months.

Closure and repurposing of Komati power station
Komati power station reached the end of its operating life on 31 October 2022. The power station will serve as a pilot for the repowering and repurposing of a power station on Eskom land using existing infrastructure, in line with the Eskom JET strategy. The installation of a microgrid assembly plant as well as an agrivoltaic plant to demonstrate the simultaneous use of land for power generation and agriculture has started. An environmental impact assessment for a solar photovoltaic plant supported by battery storage is in progress.

Settlement agreement by the National Prosecuting Authority
The National Prosecuting Authority announced in December 2022 that a settlement agreement was concluded with ABB Ltd to pay over R2.5 billion in punitive reparations to South Africa as restitution for fraud and corruption relating to its contracts with Eskom. The settlement will be paid into the South Africa Criminal Asset Recovery Account and will be used as restitution for victims and to assist in building capacity and resources in the country's ongoing fight against corruption. Eskom does not have any further details regarding the investigation and settlement, including any potential restitution to Eskom.

48. Restatement of comparatives

The 2020 and 2021 statements of financial position as well as the 2021 income statements, statements of comprehensive income and statements of cash flows have been restated as a result of the following prior period errors:

		Group			Company		
	Note	Previously reported Rm	Adjust-ments Rm	Restated Rm	Previously reported Rm	Adjust-ments Rm	Restated Rm
Statements of financial position at 31 March 2020							
Assets							
Non-current							
Property, plant and equipment		653 359	(1 045)	652 314	654 395	(476)	653 919
Land, buildings and facilities		8 840	–	8 840	8 620	–	8 620
Generating plant	(a)	295 220	(925)	294 295	296 032	86	296 118
Transmitting plant	(a)	44 548	(42)	44 506	44 710	–	44 710
Distributing plant	(a)	75 327	(19)	75 308	75 549	–	75 549
Spares and other		14 524	–	14 524	14 524	–	14 524
Equipment and vehicles		5 663	–	5 663	4 365	–	4 365
Work under construction	(a)	209 237	(59)	209 178	210 595	(562)	210 033
Future fuel supplies	(k)	4 295	94	4 389	4 295	94	4 389
Inventories	(b)	–	9 921	9 921	–	9 921	9 921
Deferred tax	(d)	115	(19)	96	–	–	–
Loans receivable		27	22	49	–	5 937	5 937
Loans to subsidiaries	(e)	–	–	–	–	5 937	5 937
Home loans	(e)	–	22	22	–	–	–
Other		27	–	27	–	–	–
Payments made in advance	(f)	1 898	(222)	1 676	1 897	(222)	1 675
Trade and other receivables	(h)	–	1 335	1 335	–	1 834	1 834
Current							
Inventories		33 573	(12 441)	21 132	33 330	(12 441)	20 889
Coal and liquid fuel	(b)	17 569	(11 721)	5 848	17 569	(11 721)	5 848
Nuclear fuel		2 185	–	2 185	2 185	–	2 185
Maintenance spares and consumables	(c)	13 819	(720)	13 099	13 576	(720)	12 856
Taxation	(d)	140	(4)	136	–	–	–
Loans receivable		27	–	27	5 937	(5 937)	–
Loans to subsidiaries	(e)	–	–	–	5 937	(5 937)	–
Other		27	–	27	–	–	–
Trade and other receivables		22 391	(1 338)	21 053	24 067	(1 834)	22 233
Trade	(g)	20 780	(2 563)	18 217	20 780	(2 563)	18 217
Other	(h)	1 611	1 225	2 836	3 287	729	4 016
Equity							
Capital and reserves		186 068	(544)	185 524	169 626	(536)	169 090
Share capital		132 000	–	132 000	132 000	–	132 000
Cash flow hedge reserve	(i)	6 825	(6 412)	413	6 825	(6 412)	413
Unrealised fair value reserve	(i)	(17 612)	7 364	(10 248)	(17 612)	7 364	(10 248)
Foreign currency translation reserve		(3)	–	(3)	–	–	–
Accumulated profit		64 858	(1 496)	63 362	48 413	(1 488)	46 925
Liabilities							
Non-current							
Derivatives held for risk management	(i)	1 802	(1 728)	74	1 802	(1 728)	74
Deferred tax	(d)	3 757	98	3 855	2 803	169	2 972
Provisions		41 300	(1 638)	39 662	41 278	(1 638)	39 640
Power station-related environmental rehabilitation – Nuclear plant	(l)	15 406	(1 385)	14 021	15 406	(1 385)	14 021
Power station-related environmental rehabilitation – Other generating plant	(k)	11 932	(126)	11 806	11 932	(126)	11 806
Mine-related closure, pollution control and rehabilitation	(k)	13 686	(127)	13 559	13 686	(127)	13 559
Other		276	–	276	254	–	254
Trade and other payables	(n)	411	–	411	411	609	1 020
Current							
Taxation	(d)	–	115	115	–	–	–

		Group			Company		
	Note	Previously reported Rm	Adjust-ments Rm	Restated Rm	Previously reported Rm	Adjust-ments Rm	Restated Rm
Statements of financial position at 31 March 2021							
Assets							
Non-current							
Property, plant and equipment		662 569	(875)	661 694	663 840	(186)	663 654
Land, buildings and facilities		8 932	–	8 932	8 526	–	8 526
Generating plant	(a)	344 647	(424)	344 223	345 382	973	346 355
Transmitting plant	(a)	45 511	(39)	45 472	45 686	–	45 686
Distributing plant	(a)	77 447	(18)	77 429	77 683	–	77 683
Spares and other	(a)	14 211	370	14 581	14 211	370	14 581
Equipment and vehicles		5 087	–	5 087	3 896	–	3 896
Work under construction	(a)	166 734	(764)	165 970	168 456	(1 529)	166 927
Future fuel supplies	(k)	4 414	(24)	4 390	4 414	(24)	4 390
Inventories	(b)	–	11 001	11 001	–	11 001	11 001
Deferred tax	(d)	6 459	(179)	6 280	6 920	(269)	6 651
Loans receivable		8 017	(10)	8 007	–	5 758	5 758
Loans to subsidiaries	(e)	–	–	–	–	5 758	5 758
Home loans	(e)	7 825	(10)	7 815	–	–	–
Other		192	–	192	–	–	–
Derivatives held for risk management	(i)	9 968	1 217	11 185	9 968	1 217	11 185
Payments made in advance	(f)	1 928	(128)	1 800	1 927	(128)	1 799
Trade and other receivables	(h)	–	1 694	1 694	–	2 297	2 297
Current							
Inventories		37 527	(15 046)	22 481	37 275	(15 046)	22 229
Coal and liquid fuel	(b)	20 054	(13 581)	6 473	20 054	(13 581)	6 473
Nuclear fuel		2 575	–	2 575	2 575	–	2 575
Maintenance spares and consumables	(c)	14 898	(1 465)	13 433	14 646	(1 465)	13 181
Loans receivable		310	–	310	5 758	(5 758)	–
Loans to subsidiaries	(e)	–	–	–	5 758	(5 758)	–
Home loans		248	–	248	–	–	–
Other		62	–	62	–	–	–
Derivatives held for risk management	(i)	1 411	(53)	1 358	1 413	(53)	1 360
Payments made in advance	(f)	1 667	(290)	1 377	1 641	(290)	1 351
Trade and other receivables		24 413	(1 697)	22 716	26 871	(2 297)	24 574
Trade	(g)	21 952	(2 940)	19 012	21 952	(2 940)	19 012
Other	(h)	2 461	1 243	3 704	4 919	643	5 562
Equity							
Capital and reserves		215 836	(532)	215 304	197 716	(536)	197 180
Share capital		188 000	–	188 000	188 000	–	188 000
Cash flow hedge reserve	(i)	155	(318)	(163)	155	(318)	(163)
Unrealised fair value reserve	(i)	(11 986)	1 131	(10 855)	(11 986)	1 131	(10 855)
Foreign currency translation reserve		9	–	9	–	–	–
Accumulated profit		39 658	(1 345)	38 313	21 547	(1 349)	20 198
Liabilities							
Non-current							
Debt securities and borrowings	(o)	356 852	559	357 411	355 927	559	356 486
Derivatives held for risk management	(i)	3 562	174	3 736	3 562	174	3 736
Deferred tax	(d)	347	41	388	–	–	–
Provisions		50 150	(2 815)	47 335	50 079	(2 815)	47 264
Power station-related environmental rehabilitation – Nuclear plant	(l)	19 015	(1 757)	17 258	19 015	(1 757)	17 258
Power station-related environmental rehabilitation – Other generating plant	(k)	15 270	(459)	14 811	15 270	(459)	14 811
Mine-related closure, pollution control and rehabilitation	(k)	15 603	(599)	15 004	15 603	(599)	15 004
Other		262	–	262	191	–	191
Current							
Debt securities and borrowings	(o)	44 974	(559)	44 415	48 115	(559)	47 556
Derivatives held for risk management	(i)	4 808	(270)	4 538	4 808	(270)	4 538
Provisions		6 395	(1 088)	5 307	6 322	(1 088)	5 234
Power station-related environmental rehabilitation – Nuclear plant		59	–	59	59	–	59
Mine-related closure, pollution control and rehabilitation		255	–	255	255	–	255
Compensation events		3 119	–	3 119	3 119	–	3 119
Other	(m)	2 962	(1 088)	1 874	2 889	(1 088)	1 801
Trade and other payables	(n)	37 114	(32)	37 082	39 194	757	39 951
Taxation	(d)	–	132	132	–	–	–

48. Restatement of comparatives (continued)

	Note	Group Previously reported Rm	Group Adjust-ments Rm	Group Restated Rm	Company Previously reported Rm	Company Adjust-ments Rm	Company Restated Rm
Income statements for the year ended 31 March 2021							
Primary energy		(115 903)	411	(115 492)	(115 903)	411	(115 492)
Impairment of financial assets		119	(28)	91	146	–	146
Impairment and writedown of other assets		(1 486)	(400)	(1 886)	(1 490)	(400)	(1 890)
Other expenses		(24 018)	(188)	(24 206)	(32 255)	(214)	(32 469)
Depreciation and amortisation expense		(27 016)	431	(26 585)	(26 983)	404	(26 579)
Net fair value and foreign exchange gain/(loss)		883	(8 932)	(8 049)	284	(8 932)	(8 648)
Finance cost		(33 909)	367	(33 542)	(34 028)	367	(33 661)
Loss before tax		(24 758)	(8 339)	(33 097)	(27 482)	(8 364)	(35 846)
Income tax		5 824	2 257	8 081	6 880	2 270	9 150
Loss for the year		(18 934)	(6 082)	(25 016)	(20 602)	(6 094)	(26 696)
Statements of comprehensive income for the year ended 31 March 2021							
Loss for the year		(18 934)	(6 082)	(25 016)	(20 602)	(6 094)	(26 696)
Items that may be reclassified subsequently to profit or loss		(6 658)	6 094	(564)	(6 670)	6 094	(576)
Cash flow hedges							
Changes in fair value	(j)	(9 249)	8 371	(878)	(9 249)	8 371	(878)
Amortisation of effective portion of terminated cash flow hedges	(j)	(276)	276	–	(276)	276	–
Ineffective portion of cash flow hedges	(j)	661	(183)	478	661	(183)	478
Net amount transferred to initial carrying amount of hedged items		(400)	–	(400)	(400)	–	(400)
Foreign currency translation differences on foreign operations		12	–	12	–	–	–
Income tax thereon		2 594	(2 370)	224	2 594	(2 370)	224
Items that may not be reclassified subsequently to profit or loss		(640)	–	(640)	(638)	–	(638)
Total comprehensive loss for the year		(26 232)	12	(26 220)	(27 910)	–	(27 910)
Statements of cash flows for the year ended 31 March 2021							
Cash flows from operating activities		30 658	351	31 009	29 285	500	29 785
Cash flows used in investing activities		(26 325)	(351)	(26 676)	(24 692)	(500)	(25 192)
Cash flows used in financing activities		(23 215)	–	(23 215)	(24 245)	–	(24 245)
Cash and cash equivalents at beginning of the year		22 990	–	22 990	22 314	–	22 314
Foreign currency translation		12	–	12	–	–	–
Effect of movements in exchange rates on cash held		(159)	–	(159)	(159)	–	(159)
Assets and liabilities held-for-sale		80	–	80	–	–	–
Cash and cash equivalents at end of the year		4 041	–	4 041	2 503	–	2 503

The impacted notes to the annual financial statements have been updated where relevant because of the restatements, including where a movement reconciliation has been presented. The restatements also resulted in various consequential restatements in the capital management, critical accounting estimates and assumptions, financial risk management and fair value disclosures. There was also a restatement in the information reported on segment reporting and directors' remuneration.

The details of the restatements are discussed below.

Property, plant and equipment

(a) Various adjustments were made to property, plant and equipment including assets for which incorrect useful lives have been used, extension of asset useful lives not accounted for, completed assets under construction not timeously transferred to commercial operation, additional insurance expenditure from the group insurance entity (eliminated in group) and writeoff of aged assets under construction where there are no further expected future economic benefits. The description of the nature of the restatements to property, plant and equipment is as follows:

	Group 2020 Rm	Group 2021 Rm	Company 2020 Rm	Company 2021 Rm
Additional insurance expenditure under-charged by Escap in previous years	67	87	597	739
Change in discount rate on provision for environmental rehabilitation	(267)	(490)	(267)	(490)
Under-recording of critical spares reclassified from inventory to property, plant and equipment	–	371	–	371
Scrapping – asset clean up recorded in the incorrect reporting period	(60)	(187)	(60)	(187)
Scrapping – over capitalisation of assets reversed in the incorrect reporting period	(553)	(542)	(553)	(542)
Useful life correction	225	614	225	614
Aged assets under construction written off in the incorrect reporting period	(396)	(654)	(357)	(617)
Other	(61)	(74)	(61)	(74)
	(1 045)	(875)	(476)	(186)

The additional insurance expenditure under-charged by Escap in previous years as well as the reclassification of critical spares from inventory had an impact on the cash flow statement resulting in a movement between changes in working capital under operating activities and acquisitions of property, plant and equipment under investing activities.

Inventories

(b) A portion of coal inventory held at power stations was reclassified from current to non-current (2021: R11 001 million, 2020: R9 921 million) with a related increase in primary energy cost following a review of the quantity and usage of coal at power stations. It was concluded that a portion of the coal inventory is not expected to be used within 12 months as certain inventory are at higher levels than required for compliance with the electricity grid code and emergencies to ensure security of supply.

A significant part of the coal inventory, which is separately stock-piled, resulted from coal purchases in terms of take-or-pay arrangements in excess of required coal levels over a number of years (2021: R2 580 million, 2020: R1 800 million). The weighted average price relating to these stockpiles were separately calculated, resulting in a restatement to correct the overstatement of coal inventory.

(c) Consumable inventory reduced because of an insufficient provision for obsolescence in prior periods (2021: R1 120 million, 2020: R720 million) as well as a decrease in consumable inventory as certain critical spares were reclassified between property, plant and equipment and inventory (2021: R371 million). This resulted in a movement between changes in working capital under operating activities and acquisitions of property, plant and equipment under investing activities in the statements of cash flows.

Deferred and income taxation

(d) Tax impact of the restatements.

Loans receivable

(e) The loan receivable to EFC has been re-classified as non-current as it was not expected that the loan would be settled within 12 months from the reporting date as the intention and practice has been to extend the loan facility to a future date upon maturity.

Payments made in advance

(f) Payments made in advance relating to commitment fees incurred on debt facilities that expired prior to the previous reporting period were written off to the income statement and had an overall impact of zero between payments made in advance and finance costs in the cash flows used in financing activities in the statements of cash flows.

Trade and other receivables

(g) Non-current classification on other receivables: A review of payment levels indicated that certain receivables (VAT portion paid over to SARS for municipalities and Soweto recorded on a cash basis) are not expected to be realised within 12 months after the reporting period because of the low payment levels experienced. The related VAT receivable was also reclassified as a non-financial instrument because the related sales did not meet the collectability criterion and it is expected that the VAT will ultimately be recovered from SARS once the outstanding customer debt is written off.

(h) Non-current classification on other receivables: Certain insurance claims between group entities were re-classified to non-current as the claims are being settled over a period exceeding 12 months (eliminated in group).

Derivatives held for risk management

(i) The derivatives held for risk management was restated to correct the curve methodology and resultant fair values as the valuation curve methodology in determining the fair values of the financial instruments were not aligned to market practice in prior years.

48. Restatement of comparatives (continued)

Derivatives held for risk management (continued)

(j) The cash flow hedge reserve was restated because of the incorrect application of certain requirements of IFRS in previous years. The calculation of the hedge effectiveness and the quantification of the resultant hedging reserve contained errors from the incorrect inclusion of certain limiting rules, not including credit adjustments in measuring hedge effectiveness and the impact of the incorrect curve methodology as noted above. The correction of certain of these errors resulted in certain hedge relationships that were historically considered as effective no longer meeting the hedge effectiveness requirements of IFRS, resulting in the immediate unwinding of the cash flow hedge reserve. The correction of the errors also resulted in changes to the quantification of the cash flow hedge reserve.

Provisions

(k) A single discount rate was previously used in the valuation of power station-related environmental restoration and mine-related closure, pollution control and rehabilitation provisions. These provisions were restated to align the discount rates used in the valuation with the expected timing of the associated cash flows per location, with a related impact in property, plant and equipment, future fuel supplies, finance costs and other expenses.

(l) The nuclear plant decommissioning and spent fuel provisions were adjusted because certain assumptions in the calculation relating to labour, foreign currency and inflation rates were not updated to reflect current market information. A further overstatement resulted from the inclusion of a portion of the spent fuel management cost in both the spent fuel and plant decommissioning provisions.

(m) A coal off-take provision was restated to correct an overprovision as management incorrectly determined the contractual termination date of a coal supply agreement.

Trade and other payables

(n) Additional insurance premium expenditure was charged by Escap in previous years and capitalised to property, plant and equipment.

Debt securities and borrowings

(o) Commitment fees incurred in raising debt and discount/premium on bonds that are estimated to be written off to profit and loss during the next 12 months has been reclassified from non-current to current.

49. Directors' remuneration

The background to directors' remuneration and an overview of the main provisions of the remuneration policy is included in the remuneration and benefits section in the integrated report. The details of the board (governing body) and executive management remuneration are included in this note. The details regarding the appointments, resignations and other changes in roles of directors during the year are included in the directors' report.

49.1 Executive directors and group executives

The remuneration of the group chief executive and the chief financial officer (executive directors) and Exco members (group executives) are disclosed below. Eskom's prescribed officers are the group executives. The group chief executive and the chief financial officer have fixed-term contracts. The group executives have permanent contracts based on Eskom's standard conditions of service.

The emoluments for the executives of the group were as follows:

	2022				Restated 2021			
Name	Salary	Notice payment	Other payments	Total remuneration earned and cash paid	Salary	Notice payment	Other payments	Total remuneration earned and cash paid[1]
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors	11 940	–	222	12 162	11 940	–	211	12 151
AM de Ruyter	7 040	–	71	7 111	7 040	–	101[2]	7 141
C Cassim	4 900	–	151	5 051	4 900	–	110[2]	5 010
Group executives	22 938	169	1 084	24 191	21 592	–	1 410	23 002
JA Oberholzer	5 496	–	161	5 657	5 496	–	130[2]	5 626
FS Burn	3 400	–	80	3 480	2 976[3]	–	639[2]	3 615
M Govender	1 550	–	35	1 585	–	–	–	–
ND Harris	–	–	–	–	263	–	3[2]	266
NB Hewu	–	–	–	–	2 833	–	313[2]	3 146
N Minyuku	3 100	–	92	3 192	1 422[3]	–	41	1 463
N Otto	1 017	–	10	1 027	678	–	54[2]	732
EM Pule	3 339	–	536	3 875	3 339	–	187[2]	3 526
J Sankar	1 795	–	162	1 957	145	–	2[2]	147
MS Tshitangano	380	169	6	555	2 385	–	40[2]	2 425
V Tuku	2 861	–	2	2 863	2 055[4]	–	1[2]	2 056
	34 878	169	1 306	36 353	33 532	–	1 621	35 153

Salaries

Salaries consist of a guaranteed package that includes Eskom's medical and pension fund contributions. No fees were paid to executives who serve on the boards of Eskom subsidiaries.

Notice payments

These consist of payments made in terms of contractual agreements.

Other payments

Other payments include accumulated leave paid out, sign-on bonuses, long service awards and expenditure related to telephone, security services, operating vehicle, professional subscriptions as well as spouse funeral and dreaded disease cover.

Bonuses

Short-term bonus

If applicable, a short-term incentive bonus is paid after year end. No short-term bonuses were awarded in the current or prior financial years.

Long-term bonus

If applicable, a long-term incentive bonus is paid after year end in cash and consists of the vested amount in a reporting period. No new long-term bonus units have been awarded since 1 April 2017 due to Eskom's current financial constraints.

	2022 R'000	2021 R'000
Housing loans		
C Cassim	3 032	3 173
N Otto	–	478
J Sankar	695	727
	3 727	4 378

Home loan balances are disclosed when an individual is in the role of an executive director or group executive. The interest rate on the loans from EFC at 31 March 2022 was 5.75% (2021: 5.25%). The loans are repayable over a maximum period of 30 years. The terms and conditions applicable to ex-employees are applied on resignation.

49.2 Non-executive directors

Non-executive directors receive a fixed fee and are reimbursed for out-of-pocket expenses incurred in fulfilling their duties. Their emoluments were as follows:

	2022 R'000	2021 R'000
MW Makgoba	1 599	1 687
RDB Crompton	717	717
RSN Dabengwa	-	227
NVB Magubane	255	645
BCE Makhubela	682	648
B Mavuso	593	593
PE Molokwane	711	711
TH Mongalo	717	717
	5 274	5 945

1. *The total remuneration earned and cash paid was restated with an increase of R1 million as explained below.*
2. *Other payments have been restated to include spouse funeral and dreaded disease cover, long service awards, sign on bonuses, accumulated leave paid out and payment of professional subscriptions.*
3. *Salary amounts have been restated to reflect a recalculated apportionment where Exco members started during the month.*
4. *Salary amount has been restated to reflect a backdated salary increase.*

50. New standards and interpretations

50.1 Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations and amendments to existing standards have been published that are applicable for future accounting periods that have not been adopted early by the group. These standards and interpretations will be applied in the first year that they are applicable to the group which is the financial period beginning on or after the effective date.

Topic	Summary of requirements	Impact
Onerous contracts: cost of fulfilling a contract – amendments to IAS 37 *Provisions, contingent liabilities and contingent assets* (1 January 2022)	The amendments clarify that the costs of fulfilling a contract comprise both: • the incremental costs – direct labour and materials • an allocation of other direct costs – an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract This clarification is unlikely to affect provisions that are already based on the full cost approach, but will result in the recognition of larger and potentially more provisions for those based on the incremental cost approach. The amendments will apply to open contracts on adoption without the need to restate comparatives.	No material impact. The group already accounts for onerous contracts on the full cost approach.
Property, plant and equipment: proceeds before intended use – amendments to IAS 16 (1 January 2022)	The amendments prohibit entities from deducting any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment. Instead, the proceeds from selling such items and the costs of producing those items are recognised in profit or loss.	The amendments will have a material impact on Eskom's results. It is expected that the amendments will have an impact on the cost of power stations under construction from 1 April 2021 where the proceeds from selling electricity and the cost to produce the electricity is currently allocated to the cost of the power station.
	The amendments are applicable retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the amendments are first applied.	It is expected that the carrying amount of property, plant and equipment will increase by an estimated R2.4 billion (before the impact of depreciation) at 31 March 2022 with a similar accompanying net change in profit and loss (increase in revenue of R3.6 billion offset with an increase in primary energy costs of R1.1 billion) to account for the cumulative impact of this restatement relating to items made available for use on or after 1 April 2021. These amendments will align the accounting and taxation treatments relating to proceeds before intended use with no temporary differences and deferred tax from the effective date.
Annual improvements 2018-2020 cycle – amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (1 January 2022)	The amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS standards later than its parent.	The amendments to IFRS 1 are not applicable as all subsidiaries of the group apply IFRS.
	The amendments to IFRS 9 *Financial instruments* clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments.	The amendments to IFRS 9 are not expected to have a material impact. Fees are normally taken into account in line with the amendment when assessing whether the terms of a new or modified financial liability are substantially different to the original liability.

Topic	Summary of requirements	Impact
Annual improvements 2018-2020 cycle – amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (1 January 2022)	The amendments to IAS 41 *Agriculture* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair value measurement*.	IAS 41 is not applicable as the group does not have any agricultural assets as defined in IAS 41.
	The amendments deleted references to reimbursements relating to leasehold improvements in the illustrative example 13 in IFRS 16. The amendments remove the potential for confusion in identifying lease incentives.	The amendments to IFRS 16 are not expected to have a material impact. Contracts with leasehold improvements have been considered in terms of the measurement guidance of IFRS 16 and the update to the illustrative example will not impact this assessment.
Amendments to IFRS 3 – reference to the *Conceptual framework for financial reporting* (1 January 2022)	Amendments were made to replace older references that referred to the *Framework for the preparation and presentation of financial statements* with *Conceptual framework for financial reporting. The Conceptual framework for financial reporting* is applicable from 1 January 2020 and the references and related details were aligned accordingly.	The amendments are not expected to have a material impact. There are currently no business combinations in the group.
Classification of liabilities as current or non-current – amendments to IAS 1 *Presentation of financial statements* (1 January 2024)	IAS 1 has been amended to clarify the requirements of determining if a liability is current or non-current. The amendments clarify: • what is meant by a right to defer settlement • that a right to defer must exist at the end of the reporting period • that classification is unaffected by the likelihood that an entity will exercise its deferral right • that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification These amendments have to be applied retrospectively.	The group is currently in the process of evaluating the detailed requirements of the standard to assess the impact on the financial statements.
IFRS 17 *Insurance contracts* and amendments to IFRS 17 (1 January 2023)	IFRS 17 introduces one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Once effective, IFRS 17 will replace IFRS 4 *Insurance contracts*. It requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will have to reflect the time value of money of estimated payments required to settle incurred claims. Insurance contracts will be measured only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.	The group is currently in the process of evaluating the detailed requirements of the standard to assess the impact on the financial statements. It is expected that the standard will mainly impact the financial statements of Escap in the group.
Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice statement 2 *Making materiality judgements* (1 January 2023)	The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies.	The group is currently in the process of evaluating the detailed requirements of the amendments to assess the impact on the accounting policy disclosures.
	The practice statement provides guidance and examples on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	It is expected that there could be a reduction in the detail disclosed in the accounting policies.
Definition of accounting estimate – amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors* (1 January 2023)	The amendments to IAS 8 introduces a definition of accounting estimates.	The amendments are not expected to have a material impact on the group.
	The amendments clarify the distinction between changes in an accounting estimate, changes in accounting policies and the correction of errors. The use of measurement techniques and inputs to develop accounting estimates are also clarified.	The group will apply the definitions where applicable.

50. New standards and interpretations (continued)

50.1 Standards, interpretations and amendments to published standards that are not yet effective (continued)

Topic	Summary of requirements	Impact
Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 *Income taxes* (1 January 2023)	Targeted amendments were made to IAS 12 to clarify how companies should account for deferred tax on certain transactions eg leases and decommissioning provisions. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability will have to be recognised for temporary differences arising on the initial recognition of a lease and a decommissioning provision. The amendments apply retrospectively.	The amendments are not expected to have a material impact on the group as the group already comply with these requirements. The group recognises a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning provisions.
Sale or contribution of assets between an investor and its associate or joint venture – amendments to IFRS 10 and IAS 28 (optional adoption, effective date deferred indefinitely)	These amendments address the conflict between the guidance on consolidation and equity accounting when a parent loses control of a subsidiary in a transaction with an associate or joint venture. The parent recognises the full gain on the loss of control under the consolidation standard, but under the standard on associates and joint ventures, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or joint venture. The amendments require the full gain to be recognised when the assets transferred meet the definition of a business under IFRS 3 *Business combinations*.	No material impact. The group is currently not disposing of any of its investments in associates or joint ventures.

50.2 Standards, interpretations and amendments to published standards that are effective and applicable to the group

Amendments to IFRS 16 *Leases* – COVID-19-related rent concessions (1 June 2020) and the further amendments to cater for the period beyond 30 June 2021 (1 April 2021)	The amendments provide relief to lessees from applying IFRS 16 to rent concessions as a direct consequence of the COVID-19 pandemic. A lessee may elect as a practical expedient to not assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for a change in lease payments in terms of IFRS 16 as if the change were not a lease modification. The amendment was extended by 12 months until 30 June 2022.	No material impact. The group has not offered or received any rent concessions in response to the COVID-19 pandemic.
Interest rate benchmark reform phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (1 January 2021)	The amendments address issues that might affect financial reporting as a result of a reform of an interest rate benchmark, including the impact on contractual cash flows and hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: • changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities • hedge accounting The amendments introduce a practical expedient for modifications of financial instruments and leases that result directly from IBOR reform. The amendments also provide specific relief from discontinuing hedging relationships. Once the new benchmark rate is in place, the hedged items and hedging instruments are remeasured based on the new rate and any hedge ineffectiveness will be recognised in profit or loss. The amendments require additional disclosure about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The amendments apply retrospectively.	The group has a number of instruments that are linked to IBOR. The group intends to use the practical expedients where applicable. These amendments had no impact on the group in this financial period as the benchmark interest rates have not yet been replaced.

51. Information required by the Public Finance Management Act

Section 55(2)(b)(i) of the PFMA requires that the particulars of any irregular expenditure, any fruitless and wasteful expenditure as well as material losses due to criminal conduct be disclosed in the annual financial statements. Any losses due to criminal conduct that individually or collectively (where items are closely related) exceed R25 million in terms of the significance and materiality framework, as agreed with the shareholder, have to be reported.

51.1 Irregular expenditure

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope includes transgressions of any laws and regulations regardless of whether or not the expenditure was justified from a business perspective, value was received, the breaches were deliberate or accidental, or the breaches happened unknowingly or in good faith.

Irregular expenditure is incurred when the related transaction is recognised in terms of IFRS. The irregular expenditure is removed from the note through a process of condonation by the relevant authority, recovery or removal.

	Note	Balance at beginning of the year Rm	Expenditure Rm	Condoned Rm	Recovered/ removed Rm	Balance at end of the year Rm
2022						
Group						
PFMA		**23 168**	**2 095**	**(13)**	**–**	**25 250**
Use of sole source	(a)	**3 899**	**929**	**–**	**–**	**4 828**
Incorrect classification as emergency procurement	(b)	**391**	**12**	**(4)**	**–**	**399**
Tender processes not adhered to and insufficient delegation of authority	(c)	**10 218**	**851**	**(9)**	**–**	**11 060**
Modifications exceeding allowed amounts	(d)	**8 660**	**303**	**–**	**–**	**8 963**
PPPFA		**5 592**	**862**	**–**	**–**	**6 454**
Incorrect tender process applied	(e)	**860**	**24**	**–**	**–**	**884**
Tax clearance certificates	(f)	**4 713**	**626**	**–**	**–**	**5 339**
Designated sectors	(g)	**19**	**212**	**–**	**–**	**231**
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	**1 733**	**5**	**(327)**	**–**	**1 411**
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	**497**	**–**	**–**	**–**	**497**
Various commercial requirements						
Breach of more than one legislative requirement	(j)	**28 169**	**5 483**	**(187)**	**–**	**33 465**
Other		**18**	**6**	**–**	**–**	**24**
		59 177	**8 451**	**(527)**	**–**	**67 101**
Company						
PFMA		**20 403**	**1 454**	**(9)**	**–**	**21 848**
Use of sole source	(a)	**1 941**	**601**	**–**	**–**	**2 542**
Incorrect classification as emergency procurement	(b)	**214**	**5**	**–**	**–**	**219**
Tender processes not adhered to and insufficient delegation of authority	(c)	**9 670**	**545**	**(9)**	**–**	**10 206**
Modifications exceeding allowed amounts	(d)	**8 578**	**303**	**–**	**–**	**8 881**
PPPFA		**5 295**	**857**	**–**	**–**	**6 152**
Incorrect tender process applied	(e)	**674**	**19**	**–**	**–**	**693**
Tax clearance certificates	(f)	**4 602**	**626**	**–**	**–**	**5 228**
Designated sectors	(g)	**19**	**212**	**–**	**–**	**231**
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	**1 725**	**2**	**(327)**	**–**	**1 400**
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	**496**	**–**	**–**	**–**	**496**
Various commercial requirements						
Breach of more than one legislative requirement	(j)	**28 169**	**5 437**	**(187)**	**–**	**33 419**
Other		**16**	**6**	**–**	**–**	**22**
		56 104	**7 756**	**(523)**	**–**	**63 337**

51. Information required by the Public Finance Management Act (continued)
51.1 Irregular expenditure (continued)

	Note	Balance at beginning of the year Previously reported Rm	Adjustments Rm	Restated Rm	Expenditure[1] Rm	Condoned Rm	Recovered/ removed Rm	Balance at end of the year Rm
2021								
Group								
PFMA		29 850	(3 011)	26 839	7 034	(9 529)	(1 176)	23 168
Use of sole source	(a)	9 837	–	9 837	2 023	(7 961)	–	3 899
Incorrect classification as emergency procurement	(b)	3 580	(3 247)	333	58	–	–	391
Tender processes not adhered to and insufficient delegation of authority	(c)	8 748	236	8 984	3 978	(1 568)	(1 176)	10 218
Modifications exceeding allowed amounts	(d)	7 685	–	7 685	975	–	–	8 660
PPPFA		4 292	–	4 292	1 300	–	–	5 592
Incorrect tender process applied	(e)	852	–	852	8	–	–	860
Tax clearance certificates	(f)	3 424	–	3 424	1 289	–	–	4 713
Designated sectors	(g)	16	–	16	3	–	–	19
CIDB regulations								
Contracts awarded without following CIDB requirements	(h)	1 533	(18)	1 515	218	–	–	1 733
National Treasury instructions								
Expenditure not in accordance with National Treasury instructions	(i)	497	–	497	–	–	–	497
Various commercial requirements								
Breach of more than one legislative requirement	(j)	69	21 210	21 279	6 890	–	–	28 169
Other		18	(13)	5	16	(3)	–	18
		36 259	18 168	54 427	15 458	(9 532)	(1 176)	59 177

	Note	Balance at beginning of the year Previously reported Rm	Adjustments Rm	Restated Rm	Expenditure[1] Rm	Condoned Rm	Recovered/ removed Rm	Balance at end of the year Rm
2021								
Company								
PFMA		20 523	(3 011)	17 512	5 633	(1 566)	(1 176)	20 403
Use of sole source	(a)	1 209	–	1 209	732	–	–	1 941
Incorrect classification as emergency procurement	(b)	3 458	(3 247)	211	3	–	–	214
Tender processes not adhered to and insufficient delegation of authority	(c)	8 253	236	8 489	3 923	(1 566)	(1 176)	9 670
Modifications exceeding allowed amounts	(d)	7 603	–	7 603	975	–	–	8 578
PPPFA		4 002	–	4 002	1 293	–	–	5 295
Incorrect tender process applied	(e)	673	–	673	1	–	–	674
Tax clearance certificates	(f)	3 313	–	3 313	1 289	–	–	4 602
Designated sectors	(g)	16	–	16	3	–	–	19
CIDB regulations								
Contracts awarded without following CIDB requirements	(h)	1 527	(18)	1 509	216	–	–	1 725
National Treasury instructions								
Expenditure not in accordance with National Treasury instructions	(i)	496	–	496	–	–	–	496
Various commercial requirements								
Breach of more than one legislative requirement	(j)	69	21 210	21 279	6 890	–	–	28 169
Other		16	(13)	3	16	(3)	–	16
		26 633	18 168	44 801	14 048	(1 569)	(1 176)	56 104

1. *Refer to the expenditure analysis for the restatements.*

51. Information required by the Public Finance Management Act (continued)

51.1 Irregular expenditure (continued)

Expenditure analysis

	Note	2022 Current year Rm	2022 Prior years Rm	2022 Total Rm	2021 Previously reported Rm	2021 Adjustments Rm	2021 Restated Rm
Group							
PFMA		**1 682**	**413**	**2 095**	8 285	(1 251)	7 034
Use of sole source	(a)	**859**	**70**	**929**	2 023	–	2 023
Incorrect classification as emergency procurement	(b)	**1**	**11**	**12**	1 309	(1 251)	58
Tender processes not adhered to and insufficient delegation of authority	(c)	**535**	**316**	**851**	3 978	–	3 978
Modifications exceeding allowed amounts	(d)	**287**	**16**	**303**	975	–	975
PPPFA		**752**	**110**	**862**	1 300	–	1 300
Incorrect tender process applied	(e)	**5**	**19**	**24**	8	–	8
Tax clearance certificates	(f)	**612**	**14**	**626**	1 289	–	1 289
Designated sectors	(g)	**135**	**77**	**212**	3	–	3
CIDB regulations							
Contracts awarded without following CIDB requirements	(h)	**3**	**2**	**5**	230	(12)	218
National Treasury instructions							
Expenditure not in accordance with National Treasury instructions	(i)	**–**	**–**	**–**	260	(260)	–
Various commercial requirements							
Breach of more than one legislative requirement	(j)	**5 304**	**179**	**5 483**	1 572	5 318	6 890
Other		**5**	**1**	**6**	16	–	16
		7 746	**705**	**8 451**	11 663	3 795	15 458
Company							
PFMA		**1 181**	**273**	**1 454**	6 884	(1 251)	5 633
Use of sole source	(a)	**531**	**70**	**601**	732	–	732
Incorrect classification as emergency procurement	(b)	**–**	**5**	**5**	1 254	(1 251)	3
Tender processes not adhered to and insufficient delegation of authority	(c)	**363**	**182**	**545**	3 923	–	3 923
Modifications exceeding allowed amounts	(d)	**287**	**16**	**303**	975	–	975
PPPFA		**747**	**110**	**857**	1 293	–	1 293
Incorrect tender process applied	(e)	**–**	**19**	**19**	1	–	1
Tax clearance certificates	(f)	**612**	**14**	**626**	1 289	–	1 289
Designated sectors	(g)	**135**	**77**	**212**	3	–	3
CIDB regulations							
Contracts awarded without following CIDB requirements	(h)	**–**	**2**	**2**	228	(12)	216
National Treasury instructions							
Expenditure not in accordance with National Treasury instructions	(i)	**–**	**–**	**–**	260	(260)	–
Various commercial requirements							
Breach of more than one legislative requirement	(j)	**5 296**	**141**	**5 437**	1 572	5 318	6 890
Other		**5**	**1**	**6**	16	–	16
		7 229	**527**	**7 756**	10 253	3 795	14 048

Restatement and reclassification of prior year information

The opening balances and expenditure for the prior year have been restated where management assessed the adjustment to be quantitatively or qualitatively material to users. The process of collecting and reporting on irregular expenditure continues to be a focus area to reduce the occurrence of restatements in the future.

Reclassification of prior year information has also been made between categories where a different classification grouping has been assessed to be more appropriate.

Details of the material restatements have been included in the notes below where relevant.

(a) Use of sole source

State-owned entities are required to procure goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective. Expenditure was incurred on awards which did not follow proper tender processes where awards were incorrectly allocated to predetermined suppliers.

The irregular expenditure reported for 2022 relates to cost incurred in the current year on non-compliant contracts from prior years. There was only one new incident reported during the year that relates to a transaction that occurred in 2021.

Sole source requests are scrutinised to confirm compliance with criteria before approval through the relevant governance processes. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA Supply chain management (SCM) National Treasury Instruction No. 3 of 2021/22, effective 1 April 2022.

(b) Incorrect classification as emergency procurement

Irregular expenditure was incurred where emergency purchases did not meet the National Treasury requirements for emergency procurement. Seven incidents of irregular expenditure were reported in this category, one of which occurred during the year. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA SCM National Treasury Instruction No. 3 of 2021/22, effective 1 April 2022.

Prior year incidents previously reported totalling R4 498 million (R3 247 million within opening balances and R1 251 million within expenditure) within this category were reclassified as breaches of more than one legislative requirement occurred.

(c) Tender processes not adhered to and insufficient delegation of authority

Irregular expenditure was incurred where incorrect tender processes were followed and/or transactions were executed without the appropriate approvals.

The 2021 opening balance was restated by R236 million due to the identification of additional irregular expenditure following the completion of investigations.

(d) Modifications exceeding allowed amounts

National Treasury required that their approval be obtained for any modification made during 1 May 2016 to 1 April 2022 to an original contract where the value of the modification was more than 20% or R20 million for construction-related goods, works or services and 15% or R15 million for all other goods or services. The group did not initially comply with this requirement predominately due to a misinterpretation of the instruction note. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA SCM National Treasury Instruction No. 3 of 2021/22, effective 1 April 2022.

The disclosure in this category is historically incomplete because it is impractical due to the large volume of transactions and limitations in the previous financial reporting system to ringfence the entire population of panels and task orders that were issued and modified between 2016 and 2018.

(e) Incorrect tender process applied

The PPPFA requires that the preferential points calculation is determined inclusive of VAT. Certain procurement was incorrectly done where the preferential points calculation was determined exclusive of VAT. The controls continue to be effective with two new incidents reported during the year, both of which occurred in prior years.

(f) Tax non-compliance

The PPPFA regulations require that tenders may only be awarded to tenderers whose tax matters have been declared to be in order by SARS. Internal processes require that the tax status of all successful tenderers is confirmed to be compliant prior to concluding a contract. Three new incidents, which occurred in prior years, were reported during the year.

(g) Designated sectors

Where local production and content is of critical importance in the award of tenders in designated sectors, such tenders must be advertised with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods that meet the stipulated minimum threshold for local production and content will be considered. Contracts were awarded to suppliers despite having declared a local content threshold that was below the required stipulated threshold as per the Department of Trade and Industry list of designated materials.

Internal processes make it mandatory for commercial practitioners to indicate whether the transaction has designated elements or not.

51. Information required by the Public Finance Management Act (continued)

51.1 Irregular expenditure (continued)

(h) Contracts awarded without following CIDB requirements

The group did not always comply with the Construction Industry Development Board (CIDB) regulations regarding the advertising of tenders, grading of contractors and publishing of awards. Two new incidents were reported during the year, both of which occurred in prior periods.

Prior period incidents totalling R30 million (R18 million relating to opening balances and R12 million relating to comparative expenditure) were restated due to prior year errors in quantification and disclosure.

(i) Expenditure not in accordance with National Treasury instructions

Eskom instituted legal action to recover the amounts reported in this category. The supplier is currently under liquidation. No new incidents were reported during the year.

Prior year incidents totalling R260 million included within this category were recategorised due to the breach of more than one legislative requirement category.

(j) Breach of more than one legislative requirement

In certain instances, transgression of more than one legislative requirement is identified. All identified breaches have been logged in the central condonation register for investigation. Continuous improvements are made to processes to address breaches.

Prior year incidents totalling R4 758 million (R3 247 million within opening balances and R1 511 million within expenditure) were reclassified as breaches of more than one legislative requirement from other irregular expenditure categories.

Prior year incidents totalling R21 770 million (R17 963 million within opening balances and R3 807 million within expenditure) were restated. The restatement comprises of six major incidents dating back to a number of years. The creation of the loss control function in 2021 led to increased identification and quantification of historical irregular expenditure.

51.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure made in vain that could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is reported in the annual financial statements when it is confirmed.

	Balance at beginning of the year			Expenditure	Recovered	Removed	Balance at end of the year
	Previously reported	Adjustments	Restated				
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2022							
Group							
Project management	**2 615**	**–**	**2 615**	**17**	**–**	**–**	**2 632**
Procurement and contract management	**1 617**	**–**	**1 617**	**1**	**–**	**–**	**1 618**
Interest and penalties	**3**	**–**	**3**	**7**	**–**	**–**	**10**
Other	**733**	**–**	**733**	**1**	**–**	**–**	**734**
	4 968	**–**	**4 968**	**26**	**–**	**–**	**4 994**
Company							
Project management	**2 613**	**–**	**2 613**	**8**	**–**	**–**	**2 621**
Procurement and contract management	**1 617**	**–**	**1 617**	**1**	**–**	**–**	**1 618**
Interest and penalties	**3**	**–**	**3**	**7**	**–**	**–**	**10**
Other	**733**	**–**	**733**	**1**	**–**	**–**	**734**
	4 966	**–**	**4 966**	**17**	**–**	**–**	**4 983**

	Balance at beginning of the year			Expenditure	Recovered	Removed	Balance at end of the year
	Previously reported	Adjustments	Restated				
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2021							
Group							
Project management	2 121	492	2 613	2	–	–	2 615
Procurement and contract management	335	(1)	334	1 283	–	–	1 617
Interest and penalties	3	–	3	2	–	(2)	3
Other	734	–	734	1	–	(2)	733
	3 193	491	3 684	1 288	–	(4)	4 968
Company							
Project management	2 119	492	2 611	2	–	–	2 613
Procurement and contract management	334	–	334	1 283	–	–	1 617
Interest and penalties	3	–	3	2	–	(2)	3
Other	734	–	734	1	–	(2)	733
	3 190	492	3 682	1 288	–	(4)	4 966

Expenditure analysis

	2022			2021
	Current year	Prior years	Total	Total
	Rm	Rm	Rm	Rm
Group				
Project management	**–**	**17**	**17**	2
Procurement and contract management	**–**	**1**	**1**	1 283
Interest and penalties	**–**	**7**	**7**	2
Other	**–**	**1**	**1**	1
	–	**26**	**26**	1 288
Company				
Project management	**–**	**8**	**8**	2
Procurement and contract management	**–**	**1**	**1**	1 283
Interest and penalties	**–**	**7**	**7**	2
Other	**–**	**1**	**1**	1
	–	**17**	**17**	1 288

The group experienced 100 (2021: 45) and the company 71 (2021: 44) incidents of fruitless and wasteful expenditure during the year. The opening balance for fruitless and wasteful expenditure in the group increased with a restatement of R110 million relating to the purchase of unused land for an incident that was not previously disclosed as it was still under investigation. The opening balance increased by a further R381 million relating to an overpayment to a contractor for construction of a power station that took place in 2018. The matter is under investigation.

51. Information required by the Public Finance Management Act (continued)

51.3 Criminal conduct

Material losses caused by criminal conduct and any disciplinary, civil or criminal action taken in respect of such losses are reported in terms of the materiality framework.

	Note	Group 2022	Group 2021	Company 2022	Company 2021
Losses incurred (Rm)					
Theft of conductors, cabling and related equipment	(a)	**316**	139	**315**	139
Estimated non-technical revenue losses	(b)	**2 291**	2 319	**2 291**	2 319
Fraud Immaterial incidents (less than R25 million)	(c)	**14**	12	**10**	4
Other crimes Immaterial incidents (less than R25 million)		**174**	77	**128**	77
		2 795	2 547	**2 744**	2 539
Losses recovered (Rm)					
Theft of conductors, cabling and related equipment	(a)	**18**	5	**18**	5
Estimated non-technical revenue losses	(b)	**447**	563	**447**	563
Fraud Immaterial incidents (less than R25 million)	(c)	**1**	8	**1**	–
Other crimes Immaterial incidents (less than R25 million)		**4**	6	**3**	6
		470	582	**469**	574
Number of incidents					
Theft of conductors, cabling and related equipment	(a)	**3 226**	3 765	**3 220**	3 763
Fraud Immaterial incidents (less than R25 million)	(c)	**65**	17	**20**	9
Other crimes Immaterial incidents (less than R25 million)		**1 568**	1 692	**1 457**	1 680
		4 859	5 474	**4 697**	5 452
Number of arrests					
Theft of conductors, cabling and related equipment	(a)	**244**	111	**243**	111
Estimated non-technical revenue losses	(b)	**16**	–	**16**	–
Fraud Immaterial incidents (less than R25 million)	(c)	**7**	1	**6**	–
Other crimes Immaterial incidents (less than R25 million)		**176**	84	**165**	84
		443	196	**430**	195

(a) Theft of conductors, cabling and related equipment

Actions to combat losses through criminal conduct are managed in collaboration with other affected state-owned companies, industry role players, the NPA and the SAPS, including:

- realignment of security contracts (scope and resources) and optimisation of deployment
- review of the Eskom asset disposal process and strategies
- focus on asset management and protection, including implementation of unique marking and tracking capabilities
- drive policy and legislative changes to address scrap and market regulation
- introduction of integrated, intelligent and smart security technologies and systems to reduce dependence on the human factor such as use of drones, intelligent cameras, alarm systems
- focused strategies and projects on revenue losses – metering, vending, tampering, disruptive operations, etc.

(b) Estimated non-technical revenue losses

Non-technical losses arise mainly from meter tampering and bypasses, illegal connections to the electricity network and illegal vending of electricity. The management of non-technical losses focuses on ensuring that all energy supplied is accounted for. The energy losses management programme focused on minimising the non-technical revenue losses.

Eskom invoiced R752 million (2021: R685 million) of revenue relating to these losses during the year, of which R447 million (2021: R563 million) has been received.

(c) Fraud

Material incidents (greater than R25 million)

There were no individually material incidents that occurred in the year.

Immaterial incidents (less than R25 million)

Eskom concluded 65 (2021: 17) investigations into fraud during the year. The internal control measures in the affected areas have been reviewed and enhancements recommended to the accountable line managers for implementation. This includes controls, disciplinary, criminal and civil proceedings against those involved.

51.4 Matters under assessment and determination

Matters under assessment and determination include the following:

- various non-compliances to PFMA section 51(1)(a)(iii) regarding the principles of fair, equitable, transparent, competitive and cost effective procurement including inappropriate:
  - use of sole sources and emergencies
  - modifications to contracts
  - emergency procurement
  - various non-adherence to tender processes including breaches of delegation of authority
- application of Preferential Procurement Regulations
  - tax non-compliance
  - application of evaluation criteria for measuring functionality
  - designated sectors
- potential losses due to a lack of reasonable care in project and contract management
- interest and penalties being levied against Eskom due to instances of late payment of suppliers

Some of the reviews and assessments are conducted by independent external parties.

Relevant disclosure will be made in a subsequent financial year should any losses or expenditure incurred prove to be irregular, fruitless and wasteful or due to criminal conduct.

52. Reportable irregularities and matters under investigation

52.1 Reportable irregularities

The external auditors raised certain reportable irregularities in terms of section 45 of the Auditing Profession Act. Progress was made in clearing these reportable irregularities.

The table below reflects the status of the reportable irregularities at 31 March 2022. The discussion focused on items that were open at the previous year end and new items identified in the current year.

	Description	Action	Status
	Reportable irregularities – 30 September 2017		
1.	A parliamentary inquiry was held into perceived maladministration, governance and procurement issues at Eskom. Certain representations made by previous and current directors and officials indicated that there could have been a breach of fiduciary duties in terms of the requirements of the Companies Act.	• Action plans have been initiated to deal with the findings of the Zondo Commission. The detail actions are discussed in the directors' report. • Eskom is working with the investigating and prosecuting authorities. • An accounting policy, investigation into possible corruption and related impact on capital projects, was developed to account for any capitalised costs associated with fraud and corruption. • The directors' report presents Eskom's response to the Zondo Commission report.	Closed
	Reportable irregularities – 31 March 2020		
2.	The underlying irregular expenditure register used to disclose irregular expenditure as part of the annual financial statements, per the requirements of PFMA section 55(2)(b)(i), was not complete and accurate.	• Action discussed in reportable irregularity number 6 below.	Encapsulated in finding 6
	Reportable irregularities – 31 March 2021		
3.	Eskom failed to effect corrective action for identified non-compliance to the National Environment Management Act (NEMA) thereby breaching fiduciary duties.	• Action discussed in reportable irregularity number 4 below.	Encapsulated in finding 4

52. Reportable irregularities and matters under investigation (continued)
52.1 Reportable irregularities (continued)

	Description	Action	Status
	Reportable irregularities – 31 March 2022		
4.	Eskom failed to effect corrective action for identified non-compliance to the NEMA thereby breaching fiduciary duties.	• Eskom has initiated several initiatives to comply with the requirements of the act, but unsatisfactory progress has been made. • Eskom's Integrated Particulate Emission Reduction Strategy for the recovery of Kendal emission performance was approved by the DFFE on 12 August 2020. • Eskom completed emission recovery outages at units 1, 2, 5 and 6 of Kendal power station by November 2021. • Outages planned for units 3 and 4 were rescheduled to April and May 2023. • Compliance to emission limits improved in the second half of the year after the outages and unit optimisation was completed. • The criminal case in respect of the non-compliance to the atmospheric emission license is ongoing.	Open, pending implementation of action items
5.	A backdated cross functional team appointment letter was submitted for audit purposes. Management was made aware of the significant internal control deficiency and fraud indicators noted through communication of an audit finding. Based on the management response, management failed to investigate whether there were additional circumstances where documents were falsified and/or re-created to avoid findings and implement consequence management procedure on the official that falsified the signature on cross functional team appointment letter.	• Management recognised the significant control deficiency and the seriousness of the matter. • Management investigated the finding. • A disciplinary hearing was held, and the employee was sanctioned. • It was confirmed that it was the first time that the employee acted in this manner. • A message from top management was sent to all employees regarding the seriousness of the matter and that such behaviour will not be tolerated. • Compulsory ethics training will include a section on falsification of documentation.	Closed
6.	Certain financial records were not complete or accurately maintained in line with legislative requirements of the PFMA and Companies Act. This includes: • Incomplete registers relating to required PFMA disclosure which resulted in scope limitations relating to information not provided by management to the auditors. • Keeping of accurate and complete accounting records for preparing the annual financial statements. • Multiple non-compliances of PFMA (section 40, 51 and 55) and the Companies Act (section 28, 29 and 93). The inaccurate and incomplete financial record keeping is a material breach of the fiduciary duties of management.	• A loss control function was established to manage the PFMA reporting requirements. • Management acknowledged that there are internal control deficiencies in the PFMA reporting process. • All employees are required to attend PFMA training annually. • Eskom is in the process of requesting a temporary reprieve from the PFMA reporting in the annual financial statements to clean-up the past. Eskom may always receive a qualified audit report relating to PFMA reporting requirements unless the history is cleaned-up. • Restatements were necessary to comply with IFRS and accurately record certain balances. • Management was instructed to update all outdated reports and to substantiate outdated balances. • Other non-compliance matters raised by the auditors will be addressed. • A hard close will be implemented before 31 March 2023 to ensure that all identified non-compliance issues are corrected. • Refresher training will be conducted.	Open, pending addressing of PFMA reporting challenges and confirmation that other compliance matters have been addressed
7.	Tender documents were requested for audit purposes. These documents were purposefully destroyed in a fire. Management was made aware of the matter and failed to investigate whether there are additional circumstances around whether the documents were destroyed to avoid audit findings, and to ensure appropriate consequence management.	• A high-level preliminary investigation into the incident was completed. • On further investigation it was established that there are several other alleged misconducts by the individual. • A team led by the Hendrina power station management is reviewing supporting documentation and will draft a charge sheet that will include this misconduct. • Once completed, a disciplinary process will be instituted against the employee. • The Eskom procurement and supply chain management procedure is under review to deal with the retention period of files of unsuccessful bidders as the current procedure does not explicitly provide guidance thereon. • A strong worded message condemning such actions was issued to all employees by the group chief executive. • The ethics training material will be updated to include the destroying of documents. It is compulsory for all employees to attend ethics training annually.	Open, pending finalisation of disciplinary process
8.	Allegations of financial misconduct against the accounting authority was not reported to the executive authority. Thus, the relevant executive authority could not ensure that an appropriate investigation process was followed and that disciplinary proceedings are initiated in terms of National Treasury regulations section 33.1.3.	• The matter is pending as it needs to be evaluated and referred as appropriate. • The board is currently finalising its management response to allow the auditors to conclude their reporting obligations in terms of section 45 of the Auditing Professions Act.	Open, pending evaluation and finalisation of reportable irregularity process
9.	Due to the backlog of forensic cases, management are not meeting the requirements of section 33.1.2 of the National Treasury Regulations and have not met the 30-day investigation deadline as required. In addition, management is not meeting its fiduciary duty requirements as delays in investigations will impact on Eskom's ability to mitigate any possible future exposures to financial losses and to implement effective consequence management. This results in the accounting authority not being in a position to confirm that all relevant matters are reported in terms of section 34(1) of the Prevention and Combatting of Corrupt Activities Act.	• A backlog of 931 incidents have not been assessed. • Additional resources have been allocated to deal with the backlog. • All assessments are targeted to be conducted by 31 March 2023.	Open, pending assessment of the backlog of open incidents

52. Reportable irregularities and matters under investigation (continued)

52.1 Reportable irregularities (continued)

	Description	Action	Status
10.	Management has not complied with sections 51(1)(a)(i), 51(1)(e)(iii) and 55(1)(a) of the PFMA as they failed to: • Conduct investigations of instances of irregular and fruitless and wasteful expenditure reported in previous years to determine if disciplinary steps need to be taken against liable officials. • Take disciplinary actions against any official who made or permitted irregular and fruitless and wasteful expenditure based on the outcome of investigations. • Provide supporting documentation to confirm that disciplinary steps were taken against all the officials who made or permitted irregular and fruitless and wasteful expenditure based on the outcome of investigations and whether the outcome of disciplinary processes was executed.	• Bi-monthly engagements are taking place with divisional people relations practitioners to ensure: – timeous capturing and monitoring of case information on the SAP industrial relations module – management of the prevailing data integrity issues when capturing and attaching information – complete and correct capturing of the people relations cases per division • Quarterly checks are being conducted between the industrial relations, PFMA and assurance and forensic departments to ensure all cases are identified and reported. Quarterly feedback is provided to Exco and relevant board sub committees regarding the number of outstanding cases that has not been actioned. • An internal and external disciplinary tribunal consisting of experts has been put in place to expedite disciplinary processes. • The disciplinary procedures are being reviewed to ensure consistent sanctions. Guidelines for sanctions will be provided to the chairs of disciplinary processes. • A flagging system was introduced to alert the organisation about employees who were dismissed or resigned pending an investigation and/or disciplinary hearing. • Engaged with the EPPF to understand and confirm the process to withhold an employee's pension.	Open, pending finalisation of overdue outstanding cases

52.2 Matters under investigation

There are currently various internal and external investigations being conducted into alleged fraud and malfeasance by current and former Eskom employees as well as external parties. Eskom is working with relevant authorities regarding these matters.

APPENDIX – ABBREVIATIONS, ACRONYMS AND DEFINITIONS

Accounting, audit and other financial terms	
CGU	Cash Generating Unit
EBITDA	Profit before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain
GDP	Gross Domestic Product
IAS	International Accounting Standard/(s)
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard/(s)
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
PPI	Producer Price Index
R	Rand
Rm	Rand millions
VAT	Value Added Tax
WACC	Weighted Average Cost of Capital
Currencies	
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	Pound Sterling (United Kingdom)
JPY	Japanese Yen
SEK	Swedish Krona
USD	United States Dollar
ZAR	South African Rand
Entities	
Company	Eskom Holdings SOC Ltd
EFC	Eskom Finance Company SOC Ltd
EPPF	Eskom Pension and Provident Fund
Escap	Escap SOC Ltd
Eskom Uganda	Eskom Uganda Ltd
Group	Eskom Holdings SOC Ltd and its subsidiaries
Motraco	Mozambique Transmission Company SARL
NTCSA	National Transmission Company South Africa SOC Ltd
Nqaba	Nqaba Finance 1 (RF) Ltd
Rotek	Eskom Rotek Industries SOC Ltd
UEGCL	Uganda Electricity Generation Company Ltd
UETCL	Uganda Electricity Transmission Company Ltd
Legislation	
Companies Act	Companies Act, No. 71 of 2008
Insurance Act	Insurance Act, No. 18 of 2017
NEMA	National Environment Management Act, No. 107 of 1988
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
PPPFA	Preferential Procurement Policy Framework Act, No. 5 of 2000
Measures	
GWh	Gigawatt hour
kg	Kilogram
km	Kilometre
kWh	Kilowatt hour
kWhSO	Kilowatt hour Sent Out
ℓ	Litre
Mt	Million tons
MVA	Mega volt ampere
MW	Megawatt
MWh	Megawatt hour
MWhSO	Megawatt hour Sent Out
TWh	Terawatt hour

APPENDIX – ABBREVIATIONS, ACRONYMS AND DEFINITIONS continued

Other	
Alco	Asset and Liability Committee
Board	Board of Directors
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant of South Africa
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DFFE	Department of Forestry, Fisheries and Environment
DMRE	Department of Mineral Resources and Energy
DPE	Department of Public Enterprises
EAF	Energy Availability Factor
EUF	Energy Utilisation Factor
Exco	Executive Committee
GCE	Group Chief Executive
GE	Group Executive
IPP	Independent Power Producer
JET	Just Energy Transition
KPI	Key Performance Indicator
MTBPS	Medium-term Budget Policy Statement
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
NPA	National Prosecuting Authority
OCGT	Open Cycle Gas Turbine
OCLF	Other Capacity Loss Factor
RAB	Regulatory Asset Base
RCA	Regulatory Clearing Account
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Services
SIU	Special Investigations Unit
TMPS	Total Measured Procurement Spend
UCLF	Unplanned Capacity Loss Factor
Zondo Commission	Judicial Commission of Inquiry into Allegations of State Capture

Definitions	
Cash interest cover ratio	Net cash flows from operating activities divided by the aggregate of interest paid and received from financing activities
EBITDA	Revenue plus other income minus primary energy, employee benefit expense, impairment of financial assets, impairment of other assets and other expenses
EBITDA margin	EBITDA divided by revenue
Free funds from operations	Net cash flows from operating activities minus cash flows from changes in working capital
Liquid assets	Treasury investments plus cash and cash equivalents
Net debt	Debt securities and borrowings plus lease liabilities minus treasury investments minus financial trading assets plus financial trading liabilities plus derivative liabilities held for risk management (used to hedge other items of net debt) minus derivative assets held for risk management (used to hedge other items of net debt) minus payments made in advance (used to secure borrowings raised) minus cash and cash equivalents
Net debt service cover	Net cash flows from operating activities divided by the aggregate of debt repaid and interest paid and received from financing activities
Net profit margin	Net profit divided by revenue
Working capital current assets	Inventories plus payments made in advance (current portion) plus trade and other receivables (current portion) plus taxation asset
Working capital current liabilities	Trade and other payables (current portion) plus payments received in advance (current portion) plus provisions (current portion) plus employee benefit obligations (current portion) plus taxation liability
Working capital ratio	Working capital current assets divided by working capital current liabilities

Refer to the integrated report for definitions relating to the shareholder compact key performance indicators.

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