



**Reviewed condensed group and  
company interim financial statements**  
for the six months ended 30 September 2011

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### Currency of financial statements

The condensed group and company interim financial statements are expressed in South African rand (R).

The following are approximate values of R1.00 to the selected currencies and one unit of the selected currencies to the rand:

	R1.00 to the selected currencies			one unit of the selected currencies to the rand		
	30 September 2011	31 March 2011	30 September 2010	30 September 2011	31 March 2011	30 September 2010
Euro	<b>0.09</b>	0.10	0.11	<b>10.88</b>	9.61	9.52
United States dollar	<b>0.12</b>	0.15	0.14	<b>8.10</b>	6.78	6.98
Pound sterling (United Kingdom)	<b>0.08</b>	0.09	0.09	<b>12.61</b>	10.87	11.01
Swiss franc	<b>0.11</b>	0.13	0.14	<b>8.95</b>	7.41	6.99
Japanese yen	<b>9.09</b>	12.50	11.96	<b>0.11</b>	0.08	0.08

# Group business overview

Securing energy supply	<ul style="list-style-type: none"> <li>• No load shedding</li> </ul>
Driving generating capacity	<ul style="list-style-type: none"> <li>• Commissioned <b>160MW</b> of generation capacity, <b>263km</b> of high-voltage transmission lines and <b>250MVA</b> of new transformer capacity</li> <li>• Medupi: First unit expected <b>2013</b>. Eskom is doing a detailed assessment of the schedule to ensure that contractors meet timelines, as the schedule is at risk</li> <li>• <b>R25.7 billion</b> of capital expenditure (excluding interest capitalised)</li> </ul>
Improving financial health	<ul style="list-style-type: none"> <li>• Discussions with relevant stakeholders to find a solution to the last remaining commodity-linked power agreement continue</li> <li>• <b>R300 billion</b> funding plan well advanced and more than <b>74%</b> of sources of funds secured</li> <li>• 2 AfDB loans (<b>USD365 million</b>) were signed on 25 September 2011 and a World Bank loan (<b>USD250 million</b>) was signed on 14 November 2011 in respect of renewable projects</li> </ul>
Safety	<ul style="list-style-type: none"> <li>• Six employees, seven contractors and nine public fatalities during the six months</li> <li>• The safety of people remains fundamental to Eskom's business</li> </ul>
Regulatory changes	<ul style="list-style-type: none"> <li>• The <b>Independent System and Market Operator (ISMO) Bill</b> was tabled in Parliament on 13 May 2011</li> <li>• A phased approach to be taken</li> </ul>
New growth path	<ul style="list-style-type: none"> <li>• <b>78%</b> local content in new build contracts placed in current period</li> <li>• Learner pipeline of <b>5 173</b> learners and bursars</li> <li>• More than <b>R31.8 billion</b> (65,8% of attributable spend) sourced from B-BBEE compliant companies in current period</li> </ul>



# Group business overview continued

## Financial performance overview

Key ratios – group	Measure	Six months to and as at 30 September 2011	Six months to and as at 30 September 2010	Six months to and as at 30 September 2009
Electricity revenue per kWh	cents/kWh	<b>55.33</b>	44.57	33.96
Electricity operating costs per kWh (including depreciation and amortisation)	cents/kWh	<b>38.25</b>	30.57	26.60
Arrear debts as percentage of revenue	%	<b>0.89</b>	0.85	0.72
Interest cover	Ratio	<b>3.49</b>	3.88	1.68
Free funds from operations (FFO)	Rm	<b>22 755</b>	14 635	8 241
FFO/gross debt	%	<b>11.4</b>	10.1	8.1
Gross debt/EBITDA	Ratio	<b>8.3</b>	7.5	20.8
Working capital ratio	Ratio	<b>0.97</b>	1.12	1.14
Debt: equity including long-term provisions	Ratio	<b>1.40</b>	1.46	1.52
Return on average total assets	%	<b>3.66</b>	3.57	0.53
Return on average equity	%	<b>13.39</b>	12.44	1.82
Average debtors days: Transmission	Days	<b>15.49</b>	16.20	18.50
Average debtors days: Distribution large power users	Days	<b>21.04</b>	20.30	19.40
Average debtors days: Distribution small power users	Days	<b>40.54</b>	40.00	39.30
Average days coal stock	Days	<b>41</b>	46	45



## Results of operations

Eskom achieved a group net profit for the six months to 30 September 2011 of R12.8 billion (2010: R9.5 billion). The seasonality of Eskom's business should be considered when reviewing the half-year results. Due to higher winter tariffs, higher energy demands and therefore less maintenance activities, Eskom achieves higher profits in the first six months of the year. The operating profit for the six months, before fair value gains and losses on embedded derivatives and net finance costs for the Eskom group was R19.8 billion (2010: R17.2 billion).

Eskom's electricity revenue per kWh sold improved on average by 24.1% (from 44.6 cents to 55.3 cents per kWh period-on-period), while Eskom's electricity-related operational costs per kWh sold increased by 25.1% (from 30.6 c/kWh to 38.3 c/kWh period-on-period).

## Revenue

Group revenue for the six months to 30 September 2011 was R63.9 billion (2010: R51.1 billion). Included in revenue is the environmental levy (2 c/kWh) charged to customers of R2.2 billion (2010: R2.3 billion).

The sale of electricity for the period amounted to 114 043 GWh (2010: 113 072 GWh), representing an increase of 0.9% when compared to the prior comparative period. The slower than anticipated recovery of the economy, downscaling of certain mines and smelters during winter, good rainfalls, and international customers able to source alternative electricity supplies contributed to the lower growth rate. The lower growth rate is projected to continue for the rest of the year.

## Primary energy costs

Primary energy costs for the six months amounted to R21.9 billion (2010: R17.2 billion). The costs include the environmental levy (2011: 2.5 c/kWh; 2010: 2 c/kWh) of R3.2 billion (2010: R2.4 billion). Primary energy as a percentage of electricity revenue was 34.6% (2010: 34.1%).

Primary energy costs increased by 26.0% from 15.21 c/kWh in 2010 to 19.17 c/kWh for the six months to 30 September 2011. The 3.96 c/kWh increase was due to: cost of coal burnt increases of 1.94 c/kWh, the environmental levy increase contributed 0.66 c/kWh while the cost of IPPs contributed a 1.35 c/kWh increase.

The coal stock days at 30 September 2011 was 41 days (2010: 46 days) maintaining the 31 March 2011 level. The projected coal stock days for 31 March 2012 is 48 days.

Eskom is committed to facilitating the entry of independent power producers (IPPs) and will continue to sign agreements with IPPs within the framework of the integrated resource plan and the tariff determination for the multi-year pricing determination. During the period, Eskom purchased 1 044 GWh and 1 089 GWh respectively from independent power

producers and municipalities. Power producer agreements were signed for 373 MW with Sasol, Sappi Saiccor, Sappi Ngodwana, IPSA and Tangent Mining. They are all operational except Tangent Mining.

## Independent System and Market Operator (ISMO) Bill

The Independent System and Market Operator (ISMO) Bill was tabled in Parliament on 13 May 2011. A phased approach towards the end-state is being followed.

## Operating costs

Operating costs consisted of the following:

### Employee benefits:

Group employee numbers were 41 756 (2010: 40 165) as at 30 September 2011.

Group gross employee costs for the six months to 30 September 2011 amounted to R11.4 billion (2010: R10.0 billion). Employee costs of R2.0 billion (2010: R1.9 billion) were capitalised to capital projects during the period.

## Arrear debt

Arrear bad debt as a percentage of external revenue was 0.89% for the six months to September 2011 (2010: 0.85%). Arrear debt is an area that will receive continuous focus over the forthcoming years as the tariff increases and an increasing defaulting municipality debt trend is emerging.

## Repairs and maintenance

Other operating expenses for the period, which amounted to R7.5 billion (2010: R4.4 billion), consist primarily of repairs and maintenance and are monitored closely. The increase from the prior period was as a result of limited maintenance being conducted during the 2010 FIFA World Cup™. Ensuring that the outage plan is executed timeously remains a challenge, given the tight electricity demand and supply situation.

## Net fair value loss on financial instruments, excluding embedded derivatives

The net fair value loss on financial instruments, excluding embedded derivatives, was R1.1 billion for the period (2010: R0.6 billion). These losses consist primarily of the costs attributable to the rolling over of forward exchange contracts (FECs).

## Profit on embedded derivatives

The net impact on the income statement of changes in the fair value of the embedded derivatives (relating to the one remaining special pricing agreement) was a fair value profit for the six months to 30 September 2011 of R0.3 billion (2010: loss of R1.5 billion). The embedded derivative liabilities amounted to R5.6 billion (2010: R6.1 billion). Discussions continue with relevant stakeholders to find a solution regarding the remaining commodity-linked supply agreement.

# Group business overview continued

## Net finance cost

The net finance charges for the six months to 30 September 2011, after the capitalisation of borrowing costs and including unwinding of interest, was R2.1 billion (2010: R2.4 billion). Finance income for the period was R1.8 billion (2010: R1.0 billion).

Gross finance costs for the period were R7.8 billion (2010: R6.4 billion). The amount of borrowing costs capitalised was R4.9 billion (2010: R3.0 billion). The unwinding of interest (not included in gross finance cost) amounted to R1.0 billion (2010: R0.9 billion).

The weighted annualised average cost of borrowings pre-tax for the six months was 9.84%, compared to 9.24% in the comparative period.

## Taxation

The effective tax rate for the period was 28.6% (2010: 28.9%), which is in line with the current statutory tax rate of 28%.

## Liquidity and capital resources

The cash and cash equivalents increased from R12.1 billion at 31 March 2011 to R14.4 billion at 30 September 2011. Liquid assets, which include cash and cash equivalents and investments in securities, amounted to R54.2 billion at 30 September 2011 (2010: R38.0 billion). Investments in securities consist mainly of RSA Government bonds and money market assets.

## Cash flows from operating activities

The net cash inflow from operating activities for the six months was R21.3 billion (2010: 17.1 billion). The cash generated from an increase in profitability was offset by an increase in working capital since 31 March 2011. The working capital ratio was 0.97 (2010: 1.12).

## Cash flows utilised in investing activities

Cash flows utilised in investing activities for the six months were R25.5 billion (2010: R20.2 billion). The capital expenditure cash flows included in this line item, excluding capitalised interest, amounted to R24.6 billion (2010: R18.8 billion) due primarily to the progress of the capacity expansion programme.

## Cash flows from financing activities

The net cash inflows from financing activities were R6.6 billion (2010: R16.1 billion). The raising of borrowings and the issuing of securities have been slowed down to match the reduced capital expenditure spend.

The debt : equity ratio (including long-term provisions) improved from 1.46 as at 30 September 2010 to 1.40 at 30 September 2011. The free funds from operations (FFO) as a percentage of gross debt for the six months ended 30 September 2011 improved to 11.43% (2010: 10.13%).

## Capital expenditure (excluding interest capitalised)

Eskom has spent a total of R141.5 billion (2010: R105.1 billion) on the capacity expansion programme since its inception in 2005. In terms of the programme, Eskom has installed 160 MW of generation capacity, 263 km of transmission lines and 250 MVA of transformers in the six months ended 30 September 2011.

Both Medupi and Kusile are working hard to make up for lost time and plans are in place to mitigate the risk. The commissioning date for Medupi's first unit has been revised to 2013, while Kusile's first unit is still expected to go live at the end of 2014. It is expected that the completion of all the units of Medupi will meet the IRP 2010 planned dates.

## Funding update

Eskom remains well placed from a funding view-point, with healthy liquidity reserves at 30 September 2011. The major focus during the period has been negotiating access to the Clean Technology Fund, supported and co-financed with other development finance institutions in order to finance the Sere wind farm and the Upington concentrating solar plant.

During November 2011, Moody's revised the outlook of South Africa's Sovereign as well as Eskom's credit rating from stable to negative.

## Technical performance

### Generation

Generation's overall availability performance (EAF) for the six months to 30 September 2011 is slightly worse when compared to the previous comparative period. In general the quality of coal supplied to the power stations have improved but requires dedicated attention.



### Technical performance

Measure	Description	Year-end target Mar 2012	Year to date actual Sept 2011	Year to date actual Sept 2010	Actual year-end Mar 2011
Unit capability factor (UCF)	UCF measures the plant availability and indicates how well the plant is operated and maintained	85.10%	87.19%	87.95%	85.87%
Energy availability factor (EAF)	EAF measures plant availability (UCF above), plus energy losses not under the control of plant management (external) and internal non-engineering constraints	84.10%	86.28%	86.68%	84.59%
Unplanned capability loss factor (UCLF)	UCLF measures the lost energy due to unplanned production interruptions resulting from equipment failures and other plant conditions	6.50%	6.76%	5.41%	6.14%
Generation load factor (GLF)	GLF indicates the extent to which the generation fleet was loaded on average over the year to produce the energy demanded	66.90%	66.86%	67.24%	66.39%
Planned capability loss factor (PCLF)	PCLF-planned energy loss is energy that was not produced during the period because of planned shutdowns or load reductions due to causes under plant management control	8.40%	6.05%	6.64%	7.98%
Unplanned automatic grid separations/ 7000 hours	UAGS/7000 indicates the amount of unplanned unit trips per 7000 operating hours	2.80	2.80	3.72	3.62

The reserve margin for the 2011 calendar year of 16.9% (2010 calendar year of 14.9%) is based on the peak winter demand of 36 543 MW during May 2011.

The higher than target unplanned plant unavailability (UCLF) is mainly attributed to the Duvha Unit 4 turbine incident and boiler tube failures. Tube failures occur as a result of fly ash and soot blower erosion and thermal, mechanical and vibration-induced fatigue.

Planned maintenance (PCLF) is lower than target. Generation requires a planned capability loss factor (PCLF) of approximately 10% per annum in order to complete the required maintenance (including backlog). The opportunity to shut down power station units to perform planned

maintenance activities is currently limited due to the imbalance between the demand for electricity versus the electricity supply capacity and the reserve margin, as well as contingency requirements imposed by security of supply considerations. This contributes to an increase in the maintenance backlog. A strategy to deal with the reduction of maintenance backlog is being formulated.

#### Duvha Unit 4 (return to service)

The process is underway to engage the original equipment manufacturer for the rebuild and commissioning of the turbine, which is expected during the winter of 2012. Generation have made use of the opportunity to conduct necessary maintenance on other areas of Unit 4 not damaged by the turbine incident.

## Group business overview continued

### Transmission and Distribution

#### Technical performance

Description	Unit of measure	Year-end target Mar 2012	Year to date actual Sept 2011	Year to date actual Sept 2010	Actual year-end Mar 2011
SAIFI	Number per annum	≤ 22.00	26.30	24.07	25.31
SAIDI	Hours per annum	≤ 49.00	53.82	53.51	52.61
Number of major incidents	Records number of incidents with a severity greater than one system minute	2	1	0	0

Slower than anticipated benefit realisation for Distribution's network performance improvement initiatives, resource constraints as well as the impact of conductor/equipment theft on resources and network performance, have affected Distribution's performance, which has deteriorated compared to the prior period. Eskom has put in place five key strategies to address the performance.

#### Energy losses

	NERSA target Mar 2012 %	Actual year to date Sept 2011 %	Actual year to date Sept 2010 %	Actual year-end Mar 2011 %
Distribution loss	≤ 6.00	5.94	5.76	5.68
Transmission loss	≤ 3.40	3.14	3.30	3.27
<b>Total Eskom loss</b>	<b>≤ 8.75</b>	8.52	8.46	8.25

The reduction of energy losses continues to be a key focus area in the business.

#### Safety performance

Eskom is committed to provide and maintain a safe and healthy working environment for all employees and contractors and members of the public and has invested R5.2 million in public safety campaigns in the six months to 30 September 2011. Despite significant efforts, Eskom's occupational health and safety performance remains unacceptable. Accidents still occur, which not only affect Eskom's employees, but also contractors and members of the public.

Eskom safety performance as at September 2011 compared to the same period last year was as follows:

- six employee fatalities (two due to electrical contact, two due to vehicle accidents and two other) compared to two employees in the six months to September 2010
- seven contractor fatalities (four vehicle, three other) compared to six in the six months to September 2010

#### Electrification

Since the inception of the electrification programme in 1991, a total of 4 092 027 (2010: 3 940 252) homes and 12 654 (2010: 12 393) grid schools and clinics have been electrified. Year to date 41 059 (2010: 39 198) homes were electrified.

- nine public fatalities (two vehicle, six electrical contact, one other) compared to 12 in the six months to September 2010

The actual lost-time incident rate (LTIR) performance was 0.45 compared with a target of 0.40 (2010: 0.52).

Eskom's strategy to shift safety performance is based on visible, felt leadership and behavioural culture change.

The new build construction environment continues to be a challenge with over 25 000 contractor employees on the various sites across the country. Safety forums are held with contractors to ensure that safety is a top priority.

#### Environmental performance

Eskom continues to ensure it operates as a responsible corporate citizen in South Africa and therefore has an overall commitment to environmental duty of care.



The following highlights are mentioned:

- water use, as part of the process to generate electricity, has improved from 1.32 (end September 2010) to 1.29 litres/kWh in 2011
- relative particulate emissions performance has stabilised from 0.31 kg/MWh (end September 2010) to 0.30 kg/MWh sent out in 2011
- sulphur dioxide (SO<sub>2</sub>) emissions decreased to 911.1 kt for the six months ended 30 September 2011 (2010: 929.3 kt)
- carbon dioxide (CO<sub>2</sub>) emissions of 117.6 Mt during the six months ended 30 September 2011 (2010: 117.7 Mt)

#### **Climate change**

South Africa will host the COP17/CMP7 climate change negotiations in Durban from 28 November 2011 to 9 December 2011. During the past six months Eskom has engaged with relevant stakeholders, including business, NGOs and government, on both logistical arrangements and policy related issues to prepare for the event.

#### **Integrated demand management and internal energy efficiency**

The integrated demand management strategy resulted in 26 MW demand savings and 116 GWh energy savings. Measured and verified savings for all internal projects implemented from inception to date amount to 61.9 GWh.

#### **Supplier development and localisation**

At the end of September 2011, the Group achieved a localisation spend of 66% (R31.8 billion) towards B-BBEE compliant suppliers (2010: 42.6%, (R14.8 billion)) against the annual target of 60%. The local content portion for new build contracts placed in this period (R4.0 billion) have a committed local content portion of 78% (R3.15 billion) against a target of 52%.

A total of 25 437 individuals have worked on the different new build project sites since the inception of new build projects, of which 10 664 are employed from local districts.

#### **Outlook**

The South African electricity supply-demand balance will remain tight in the near future. While it will take substantial effort from many stakeholders to overcome South Africa's current electricity challenges, we resolve to prevent load shedding through playing a leading role and actively partnering with all key stakeholders, including the people of South Africa. A major focus will be on creating an enabling environment for other players to participate. However, there are still significant risks which need to be managed.

The progress of the project initiated to accelerate the return to service of Duvha power station Unit 4, in Mpumalanga, had been substantial with completion expected by winter next year. Plans to mitigate the effect of the expected delays in the commissioning of the first unit of Medupi to 2013 are being put in place.

The tracking of safety performance is fundamental to Eskom's business, to monitor and minimise the impact of safety incidents, both in terms of the health and safety of those involved, as well as the impact on Eskom's operations and production. Eskom deeply regrets the tragic loss of lives and has escalated its efforts in making safety a priority within the organisation.

Further energy efficiency and renewable energy projects are in the process of being implemented in the run up to COP17. Additional security measures are also being implemented, especially at key Eskom facilities.

*If we all save as much as we can, we'll all have as much as we need*

# Board of directors

The directors as at 16 November 2011:

**ZA Tsotsi**

(Chairman) – appointed 28 June 2011

**BA Dames**

(Chief executive)

**PS O' Flaherty**

(Executive director responsible for finance)

**Dr BL Fanaroff**

(Non-executive director)

**RMQ Gungubele**

(Non-executive director) – appointed 24 August 2011

**N Lesela**

(Non-executive director) – appointed 28 June 2011

**B Luthuli**

(Non-executive director) – appointed 24 August 2011

**C Mabude**

(Non-executive director) – appointed 28 June 2011

**Y Masithela**

(Non-executive director) – appointed 28 June 2011

**MC Matjila**

(Non-executive director) – appointed 28 June 2011

**Dr B Mehlomakulu**

(Non-executive director)

**ME Mkhwanazi**

(Non-executive director) – appointed 28 June 2011

**PQ Sedibe**

(Non-executive director) – appointed 28 June 2011

**DEL Zondo**

(Non-executive director) – appointed 1 October 2011

The following board members retired on 27 June 2011:

**PM Makwana**

(Chairman)

**LCZ Cele**

(Non-executive director)

**SD Dube**

(Non-executive director)

**LG Josefsson**

(Non-executive director)

**HB Lee**

(Non-executive director)

**WE Lucas-Bull**

(Non-executive director)

**J Mirenge**

(Non-executive director)

**JRD Modise**

(Non-executive director)

**U Zikalala**

(Non-executive director)

# Approval of the condensed group and company interim financial statements

The condensed group and company interim financial statements from page 10 to page 27 for the six months ended 30 September 2011 have been prepared in accordance with International Financial Reporting Standards International Accounting Standard 34 *Interim Financial Reporting*. The condensed group and company interim financial statements have been prepared under the supervision of the finance director, PS O'Flaherty CA(SA), and approved by the board of directors and signed on its behalf by:



**ZA Tsotsi**  
*Chairman*  
16 November 2011



**BA Dames**  
*Chief executive*  
16 November 2011



**PS O'Flaherty**  
*Finance director*  
16 November 2011

## Auditor's review report

The condensed group and company statements of financial position at 30 September 2011 and the related condensed group and company income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months then ended and selected notes were reviewed by KPMG Inc and SizweNtsaluba vSP. Their unmodified review report is available for inspection at the registered office of the company.

# Condensed group and company statements of financial position

at 30 September 2011

	Group			Company		
	Reviewed 30 September 2011 Rm	Audited 31 March <sup>1</sup> 2011 Rm	Reviewed 30 September <sup>1</sup> 2010 Rm	Reviewed 30 September 2011 Rm	Audited 31 March <sup>1</sup> 2011 Rm	Reviewed 30 September <sup>1</sup> 2010 Rm
<b>Assets</b>						
<b>Non-current assets</b>	<b>288 737</b>	265 183	223 414	<b>282 864</b>	260 277	219 459
Property, plant and equipment	<b>263 081</b>	236 724	207 733	<b>262 675</b>	236 217	206 919
Intangible assets	<b>1 430</b>	1 377	1 231	<b>1 315</b>	1 303	1 114
Investment in equity-accounted investees	<b>236</b>	220	204	<b>95</b>	95	95
Investment in subsidiaries	<b>–</b>	–	–	<b>2 337</b>	2 337	2 337
Future fuel supplies	<b>4 313</b>	4 089	3 616	<b>4 313</b>	4 089	3 616
Deferred tax assets	<b>68</b>	59	76	<b>–</b>	–	–
Investment in securities	<b>7 621</b>	13 259	2 108	<b>7 621</b>	13 259	2 108
Loans receivable	<b>6 681</b>	5 958	5 164	<b>–</b>	–	–
Derivatives held for risk management	<b>1 231</b>	6	3	<b>1 232</b>	6	3
Finance lease receivables	<b>566</b>	570	521	<b>566</b>	570	521
Payments made in advance	<b>2 681</b>	2 396	2 731	<b>2 691</b>	2 387	2 731
Trade and other receivables	<b>829</b>	525	27	<b>19</b>	14	15
<b>Current assets</b>	<b>82 152</b>	62 258	64 441	<b>81 289</b>	60 914	62 201
Financial instruments with group companies	<b>–</b>	–	–	<b>4 553</b>	3 806	2 969
Inventories	<b>9 659</b>	8 904	8 957	<b>9 550</b>	8 809	8 798
Taxation	<b>89</b>	59	85	<b>–</b>	–	–
Investment in securities	<b>32 103</b>	24 546	7 336	<b>29 075</b>	22 310	5 093
Loans receivable	<b>95</b>	100	107	<b>–</b>	–	–
Derivatives held for risk management	<b>4 340</b>	116	180	<b>4 330</b>	116	180
Finance lease receivables	<b>16</b>	15	13	<b>16</b>	15	13
Payments made in advance	<b>1 101</b>	1 651	1 830	<b>1 577</b>	1 627	1 655
Trade and other receivables	<b>15 109</b>	10 953	12 902	<b>13 691</b>	9 568	11 767
Financial trading assets	<b>5 202</b>	3 827	4 454	<b>4 616</b>	3 197	3 868
Cash and cash equivalents	<b>14 438</b>	12 087	28 577	<b>13 881</b>	11 466	27 858
Non-current assets held-for-sale	<b>832</b>	704	18	<b>–</b>	–	–
<b>Total assets</b>	<b>371 721</b>	328 145	287 873	<b>364 153</b>	321 191	281 660

	Group			Company		
	Reviewed 30 September 2011 Rm	Audited 31 March <sup>1</sup> 2011 Rm	Reviewed 30 September <sup>1</sup> 2010 Rm	Reviewed 30 September 2011 Rm	Audited 31 March <sup>1</sup> 2011 Rm	Reviewed 30 September <sup>1</sup> 2010 Rm
<b>Equity</b>						
Capital and reserves attributable to owner of the company	<b>104 132</b>	87 259	83 084	<b>100 445</b>	83 787	79 226
<b>Liabilities</b>						
<b>Non-current liabilities</b>	<b>220 938</b>	196 270	162 186	<b>218 575</b>	194 470	159 766
Debt securities issued	<b>90 222</b>	84 396	68 481	<b>89 992</b>	84 031	67 718
Borrowings	<b>77 354</b>	63 380	45 926	<b>76 918</b>	62 940	45 378
Embedded derivative liabilities	<b>4 702</b>	5 357	5 553	<b>4 702</b>	5 357	5 553
Derivatives held for risk management	<b>69</b>	4 576	4 292	<b>69</b>	4 576	4 292
Deferred tax liabilities	<b>14 588</b>	7 931	8 522	<b>14 145</b>	7 503	7 865
Deferred income	<b>9 200</b>	8 395	7 624	<b>9 200</b>	8 395	7 624
Retirement benefit obligations	<b>7 800</b>	7 317	7 517	<b>7 619</b>	7 140	7 343
Provisions	<b>12 345</b>	11 203	10 508	<b>12 237</b>	11 118	10 191
Finance lease liabilities	<b>516</b>	521	627	<b>846</b>	865	974
Trade and other payables	<b>2 251</b>	1 508	1 325	<b>973</b>	859	1 018
Payments received in advance	<b>1 891</b>	1 686	1 811	<b>1 874</b>	1 686	1 810
<b>Current liabilities</b>	<b>45 675</b>	43 756	42 603	<b>45 133</b>	42 934	42 668
Financial instruments with group companies	<b>–</b>	–	–	<b>1 492</b>	1 462	1 577
Debt securities issued	<b>3 221</b>	2 880	2 281	<b>1 778</b>	1 574	1 392
Borrowings	<b>7 690</b>	9 654	10 519	<b>7 654</b>	9 571	10 463
Embedded derivative liabilities	<b>908</b>	516	530	<b>907</b>	515	529
Derivatives held for risk management	<b>599</b>	1 404	3 548	<b>599</b>	1 404	3 548
Deferred income	<b>591</b>	638	454	<b>591</b>	638	454
Retirement benefit obligations	<b>234</b>	234	205	<b>234</b>	234	205
Provisions	<b>4 441</b>	4 021	1 942	<b>3 992</b>	3 503	1 427
Finance lease liabilities	<b>9</b>	8	53	<b>40</b>	37	78
Trade and other payables	<b>20 328</b>	18 876	17 517	<b>20 177</b>	18 480	17 547
Payments received in advance	<b>1 324</b>	1 221	1 078	<b>1 354</b>	1 212	994
Taxation	<b>15</b>	–	22	<b>–</b>	–	–
Financial trading liabilities	<b>6 315</b>	4 304	4 454	<b>6 315</b>	4 304	4 454
Non-current liabilities held-for-sale	<b>976</b>	860	–	<b>–</b>	–	–
<b>Total liabilities</b>	<b>267 589</b>	240 886	204 789	<b>263 708</b>	237 404	202 434
<b>Total equity and liabilities</b>	<b>371 721</b>	328 145	287 873	<b>364 153</b>	321 191	281 660

1. Restated – refer note 18.

# Condensed group and company income statements

for the six months ended 30 September 2011

Note	Group			Company		
	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm
<b>Continuing operations</b>						
	<b>63 882</b>	51 114	91 447	<b>63 362</b>	50 609	90 873
Revenue						
Primary energy <sup>2</sup>	<b>(21 858)</b>	(17 199)	(35 795)	<b>(21 858)</b>	(17 199)	(35 795)
Employee benefit expense	<b>(9 367)</b>	(8 121)	(16 695)	<b>(8 567)</b>	(7 398)	(15 360)
Depreciation and amortisation expense	<b>(4 071)</b>	(3 418)	(7 219)	<b>(4 015)</b>	(3 305)	(7 059)
Net impairment loss	<b>(565)</b>	(468)	(788)	<b>(559)</b>	(398)	(734)
Other operating expenses	<b>(7 531)</b>	(4 393)	(12 070)	<b>(8 618)</b>	(6 262)	(14 628)
Operating profit before net fair value loss and net finance cost	<b>20 490</b>	17 515	18 880	<b>19 745</b>	16 047	17 297
Other income	<b>395</b>	351	587	<b>859</b>	739	1 688
Net fair value loss on financial instruments, excluding embedded derivatives	<b>(1 126)</b>	(625)	(1 816)	<b>(1 106)</b>	(632)	(1 887)
Net fair value gain/(loss) on embedded derivatives	<b>263</b>	(1 471)	(1 261)	<b>263</b>	(1 471)	(1 261)
Operating profit before net finance cost	<b>20 022</b>	15 770	16 390	<b>19 761</b>	14 683	15 837
Net finance cost	<b>(2 106)</b>	(2 366)	(4 741)	<b>(2 098)</b>	(2 380)	(4 770)
Finance income	<b>1 812</b>	1 030	2 436	<b>1 810</b>	1 016	2 425
Finance cost	<b>(3 918)</b>	(3 396)	(7 177)	<b>(3 908)</b>	(3 396)	(7 195)
Share of profit of equity-accounted investees, net of tax	<b>16</b>	8	24	<b>-</b>	-	-
<b>Profit before tax</b>	<b>17 932</b>	13 412	11 673	<b>17 663</b>	12 303	11 067
Income tax	<b>(5 129)</b>	(3 879)	(3 261)	<b>(5 064)</b>	(3 568)	(3 116)
<b>Profit for the period from continuing operations</b>	<b>12 803</b>	9 533	8 412	<b>12 599</b>	8 735	7 951
<b>Discontinued operations</b>						
Profit/(loss) for the period from discontinued operations	<b>7</b>	-	(56)	<b>-</b>	-	-
<b>Profit for the period</b>	<b>12 810</b>	9 533	8 356	<b>12 599</b>	8 735	7 951
<b>Attributable to:</b>						
Owner of the company	<b>12 810</b>	9 533	8 356	<b>12 599</b>	8 735	7 951

# Condensed group and company statements of comprehensive income

for the six months ended 30 September 2011

	Group			Company		
	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm
<b>Profit for the period</b>	<b>12 810</b>	9 533	8 356	<b>12 599</b>	8 735	7 951
<b>Other comprehensive income</b>	<b>4 063</b>	(1 421)	(2)	<b>4 059</b>	(1 378)	34
Available-for-sale financial assets – net change in fair value	166	200	(40)	168	198	(36)
Cash flow hedges						
Effective portion of changes in fair value	5 439	(1 912)	(1 031)	5 439	(1 912)	(1 031)
Changes in fair value	5 439	(1 912)	(1 025)	5 439	(1 912)	(1 025)
Ineffective portion of changes in fair value reclassified to profit or loss	–	–	(6)	–	–	(6)
Net amount transferred to initial carrying amount of hedged items	108	(41)	246	108	(41)	246
Foreign currency translation differences for foreign operations	6	(45)	(33)	–	–	–
Net actuarial (loss)/gain on post-retirement medical aid benefits	(78)	(160)	408	(78)	(160)	408
Income tax on other comprehensive income	(1 578)	537	448	(1 578)	537	447
<b>Total comprehensive income for the period</b>	<b>16 873</b>	8 112	8 354	<b>16 658</b>	7 357	7 985
<b>Attributable to:</b>						
Owner of the company	16 873	8 112	8 354	16 658	7 357	7 985

1. Restated – refer note 18.

2. Primary energy relates to the acquisition of coal, uranium, water, gas and diesel that are used in the generation of electricity.



# Condensed group and company statements of changes in equity

for the six months ended 30 September 2011

	Attributable to owner of the company								
	Share capital <sup>1</sup>	Equity reserve <sup>2</sup>	Cash flow hedge reserve <sup>3</sup>	Available-for-sale reserve <sup>4</sup>	Un-realised fair value reserve <sup>5</sup>	Insurance reserve <sup>6</sup>	Foreign currency translation reserve <sup>7</sup>	Accumulated profit <sup>8</sup>	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
<b>Group</b>									
<b>Balance at 31 March 2010 (audited)</b>	–	21 837	(750)	(153)	(1 084)	55	25	50 292	70 222
Prior year restatement	–	–	494	–	–	–	–	(494)	–
<b>Restated balance at 31 March 2010</b>	–	21 837	(256)	(153)	(1 084)	55	25	49 798	70 222
Profit for the period	–	–	–	–	–	–	–	9 533	9 533
Other comprehensive (loss)/income, net of tax	–	–	(1 406)	145	–	–	(45)	(115)	(1 421)
Available-for-sale financial assets									
Net change in fair value	–	–	–	145	–	–	–	–	145
Cash flow hedges									
Effective portion of changes in fair value	–	–	(1 377)	–	–	–	–	–	(1 377)
Net amount transferred to initial carrying amount of hedged items	–	–	(29)	–	–	–	–	–	(29)
Foreign currency translation differences on foreign operations	–	–	–	–	–	–	(45)	–	(45)
Net actuarial loss on post-retirement medical aid benefits	–	–	–	–	–	–	–	(115)	(115)
Subordinated loan from shareholder	–	4 750	–	–	–	–	–	–	4 750
Transfer between reserves	–	–	–	–	404	18	–	(422)	–
<b>Balance at 30 September 2010 (reviewed)</b>	–	26 587	(1 662)	(8)	(680)	73	(20)	58 794	83 084
Profit for the period	–	–	–	–	–	–	–	(1 177)	(1 177)
Other comprehensive income/(loss), net of tax	–	–	1 173	(174)	–	–	12	408	1 419
Available-for-sale financial assets									
Net change in fair value	–	–	–	(174)	–	–	–	–	(174)
Cash flow hedges									
Effective portion of changes in fair value	–	–	967	–	–	–	–	–	967
Net amount transferred to initial carrying amounts of hedged items	–	–	206	–	–	–	–	–	206
Foreign currency translation differences on foreign operations	–	–	–	–	–	–	12	–	12
Net actuarial gain on post-retirement medical aid benefits	–	–	–	–	–	–	–	408	408
Subordinated loan from shareholder	–	3 933	–	–	–	–	–	–	3 933
Transfer between reserves	–	–	2	364	(597)	37	–	194	–
<b>Balance at 31 March 2011 (audited)</b>	–	<b>30 520</b>	<b>(487)</b>	<b>182</b>	<b>(1 277)</b>	<b>110</b>	<b>(8)</b>	<b>58 219</b>	<b>87 259</b>
Profit for the period	–	–	–	–	–	–	–	<b>12 810</b>	<b>12 810</b>
Other comprehensive income/(loss), net of tax	–	–	<b>3 994</b>	<b>119</b>	–	–	<b>6</b>	<b>(56)</b>	<b>4 063</b>
Available-for-sale financial assets									
Net change in fair value	–	–	–	<b>119</b>	–	–	–	–	<b>119</b>
Cash flow hedges									
Effective portion of changes in fair value	–	–	<b>3 916</b>	–	–	–	–	–	<b>3 916</b>
Net amount transferred to initial carrying amount of hedged items	–	–	<b>78</b>	–	–	–	–	–	<b>78</b>
Foreign currency translation differences on foreign operations	–	–	–	–	–	–	<b>6</b>	–	<b>6</b>
Net actuarial loss on post-retirement medical aid benefits	–	–	–	–	–	–	–	<b>(56)</b>	<b>(56)</b>
Transfer between reserves	–	–	–	–	<b>2 427</b>	<b>41</b>	–	<b>(2 468)</b>	–
<b>Balance at 30 September 2011 (reviewed)</b>	–	<b>30 520</b>	<b>3 507</b>	<b>301</b>	<b>1 150</b>	<b>151</b>	<b>(2)</b>	<b>68 505</b>	<b>104 132</b>

	Attributable to owner of the company						Total
	Share capital <sup>1</sup>	Equity reserve <sup>2</sup>	Cash flow hedge reserve <sup>3</sup>	Available-for-sale reserve <sup>4</sup>	Unrealised fair value reserve <sup>5</sup>	Accumulated profit <sup>8</sup>	
	Rm	Rm	Rm	Rm	Rm	Rm	
<b>Company</b>							
<b>Balance at 31 March 2010 (audited)</b>	–	21 837	(748)	(159)	(1 083)	47 272	67 119
Prior year restatement	–	–	494	–	–	(494)	–
<b>Restated balance at 31 March 2010</b>	–	21 837	(254)	(159)	(1 083)	46 778	67 119
Profit for the period	–	–	–	–	–	8 735	8 735
Other comprehensive (loss)/income, net of tax	–	–	(1 406)	143	–	(115)	(1 378)
Available-for-sale financial assets							
Net change in fair value	–	–	–	143	–	–	143
Cash flow hedges							
Effective portion of changes in fair value	–	–	(1 377)	–	–	–	(1 377)
Net amount transferred to initial carrying amount of hedged items	–	–	(29)	–	–	–	(29)
Net actuarial loss on post-retirement medical aid benefits	–	–	–	–	–	(115)	(115)
Subordinated loan from shareholder	–	4 750	–	–	–	–	4 750
Transfer between reserves	–	–	–	–	404	(404)	–
<b>Balance at 30 September 2010 (reviewed)</b>	–	26 587	(1 660)	(16)	(679)	54 994	79 226
Profit for the period	–	–	–	–	–	(784)	(784)
Other comprehensive income/(loss), net of tax	–	–	1 173	(169)	–	408	1 412
Available-for-sale financial assets							
Net change in fair value	–	–	–	(169)	–	–	(169)
Cash flow hedges							
Effective portion of changes in fair value	–	–	967	–	–	–	967
Net amount transferred to initial carrying amount of hedged item	–	–	206	–	–	–	206
Net actuarial gain on post-retirement medical aid benefits	–	–	–	–	–	408	408
Subordinated loan from shareholder	–	3 933	–	–	–	–	3 933
Transfer between reserves	–	–	–	366	(598)	232	–
<b>Balance at 31 March 2011 (audited)</b>	–	<b>30 520</b>	<b>(487)</b>	<b>181</b>	<b>(1 277)</b>	<b>54 850</b>	<b>83 787</b>
Profit for the period	–	–	–	–	–	<b>12 599</b>	<b>12 599</b>
Other comprehensive income/(loss), net of tax	–	–	<b>3 994</b>	<b>121</b>	–	<b>(56)</b>	<b>4 059</b>
Available-for-sale financial assets							
Net change in fair value	–	–	–	<b>121</b>	–	–	<b>121</b>
Cash flow hedges							
Effective portion of changes in fair value	–	–	<b>3 916</b>	–	–	–	<b>3 916</b>
Net amount transferred to initial carrying amount of hedged items	–	–	<b>78</b>	–	–	–	<b>78</b>
Net actuarial loss on post-retirement medical aid benefits	–	–	–	–	–	<b>(56)</b>	<b>(56)</b>
Transfer between reserves	–	–	–	–	<b>2 427</b>	<b>(2 427)</b>	–
<b>Balance at 30 September 2011 (reviewed)</b>	–	<b>30 520</b>	<b>3 507</b>	<b>302</b>	<b>1 150</b>	<b>64 966</b>	<b>100 445</b>

1. Nominal amount.

2. The equity reserve comprises the day-one gain on initial recognition of the subordinated loan from the shareholder.

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

4. The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised.

5. The cumulative net change in the fair value of derivatives 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.

6. The insurance reserve is a contingency reserve created in terms of the Short-term Insurance Act, 1998.

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

8. Accumulated profit is the amount of cumulative profit retained in the business after tax.

# Condensed group and company statements of cash flows

for the six months ended 30 September 2011

	Note	Group			Company		
		Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm
<b>Cash flows from operating activities</b>							
Cash generated from operations	17	22 122	18 131	28 738	21 738	16 632	27 847
Net cash flows (invested in)/from financial trading assets		(1 505)	1 975	2 925	(1 511)	1 997	2 929
Net cash flows from/(invested in) financial trading liabilities		1 929	(1 437)	(1 456)	1 929	(1 437)	(1 456)
Net cash flows invested in current derivatives held for risk management		(1 213)	(1 429)	(7 212)	(1 217)	(1 423)	(7 212)
Net cash flows invested in non-current assets held-for-sale		–	–	(97)	–	–	–
Income taxes paid		(73)	(110)	(151)	–	–	–
Net cash from operating activities		21 260	17 130	22 747	20 939	15 769	22 108
<b>Cash flows from investing activities</b>							
Proceeds from disposal of property, plant and equipment		45	78	135	39	63	144
Acquisitions of property, plant and equipment		(24 333)	(18 704)	(43 975)	(24 355)	(18 651)	(44 098)
Acquisitions of intangible assets		(219)	(52)	(350)	(165)	(51)	(374)
Expenditure on future fuel supplies		(708)	(467)	(1 079)	(708)	(467)	(1 079)
Proceeds from disposal of investment in subsidiary companies		–	4	–	–	4	4
(Increase)/decrease in non-current trade and other receivables		(301)	(8)	(509)	(3)	8	6
Increase in non-current loans receivable		(1 077)	(1 242)	(1 469)	–	–	–
Decrease/(increase) in finance lease receivables		14	11	(20)	14	11	(20)
Net cash flows from non-current assets and liabilities held-for-sale		–	–	(10)	–	–	–
Dividends received – non-current assets held-for-sale		–	5	–	–	–	–
Dividends received – other		21	8	26	13	5	15
Increase in non-current trade and other payables		1 032	191	793	404	221	481
Net cash applied to investing activities		(25 526)	(20 176)	(46 458)	(24 761)	(18 857)	(44 921)

Note	Group			Company		
	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm
	<b>Cash flows from financing activities</b>					
Debt raised	<b>14 419</b>	27 431	69 191	<b>13 679</b>	27 222	61 534
Debt securities	<b>3 857</b>	9 475	26 144	<b>3 857</b>	9 346	26 144
Subordinated loan from shareholder	<b>–</b>	10 000	20 000	<b>–</b>	10 000	20 000
Borrowings	<b>10 562</b>	7 956	23 047	<b>9 822</b>	7 876	15 390
Debt repaid	<b>(4 554)</b>	(834)	(9 189)	<b>(3 807)</b>	(834)	(1 648)
Debt securities	<b>(1 125)</b>	(787)	(641)	<b>(1 125)</b>	(787)	(778)
Borrowings	<b>(3 429)</b>	(47)	(8 548)	<b>(2 682)</b>	(47)	(870)
Net cash flows from financial instruments with group companies	<b>–</b>	–	–	<b>(710)</b>	(1 362)	(1 771)
Net cash flows from non-current assets held-for-sale	<b>–</b>	–	43	<b>–</b>	–	–
Increase in investment in securities	<b>(782)</b>	(4 479)	(33 693)	<b>(433)</b>	(3 452)	(32 564)
Decrease in finance lease liabilities	<b>(24)</b>	(31)	(17)	<b>(38)</b>	(14)	(41)
Net cash flows from/(invested in) non-current derivatives held for risk management	<b>133</b>	(2 112)	(89)	<b>132</b>	(2 112)	(89)
Interest received	<b>1 275</b>	980	2 353	<b>1 266</b>	959	2 331
Interest paid	<b>(3 850)</b>	(4 873)	(8 269)	<b>(3 852)</b>	(4 332)	(8 344)
Net cash from financing activities	<b>6 617</b>	16 082	20 330	<b>6 237</b>	16 075	19 408
Net increase/(decrease) in cash and cash equivalents	<b>2 351</b>	13 036	(3 381)	<b>2 415</b>	12 987	(3 405)
Cash and cash equivalents at beginning of the period	<b>12 087</b>	15 541	15 541	<b>11 466</b>	14 871	14 871
Cash and cash equivalents transferred from non-current assets held-for-sale	<b>–</b>	–	(73)	<b>–</b>	–	–
Cash and cash equivalents at end of the period	<b>14 438</b>	28 577	12 087	<b>13 881</b>	27 858	11 466

1. Restated – refer note 18.

# Selected notes to the condensed group and company financial statements

for the six months ended 30 September 2011

## 1. General information

Eskom Holdings Limited changed its name to Eskom Holdings SOC Limited (Eskom) in terms of the Companies Act, 71 of 2008, which came into operation on 1 May 2011. Eskom, a public 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 industrial, mining, commercial, agricultural, redistributors, and residential customers and to international customers in southern Africa.

## 2. Basis of preparation and measurement

The condensed group and company interim financial statements of Eskom as at and for the six months ended 30 September 2011 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures. The condensed group and company interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Eskom Holdings SOC Limited 31 March 2011 financial statements. The annual financial statements of the group and company as at and for the year ended 31 March 2011 are available on the Eskom website at [www.eskom.co.za](http://www.eskom.co.za). These condensed group and company interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting, and in the manner required by the Companies Act, 71 of 2008.

## 3. Significant accounting policies

The accounting policies applied by the group and company in these condensed group and company interim financial statements are consistent with those applied by the group and company in the audited financial statements as at and for the year ended 31 March 2011.

With the exception of the revised IAS 24 *Related Parties*, there were no new and revised standards and interpretations effective during the six months ended 30 September 2011 that were relevant to the group. The revised IAS 24 *Related Parties* provides a partial exemption for government-related entities. The revised standard still requires disclosures that are important to users of financial statements, but eliminates requirements to disclose information that is costly to gather and of less value to users. The amendment will be considered for the 31 March 2012 year-end results.

## 4. Income tax expense

Income tax expense for the interim periods is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year, which is applied to the pre-tax income of the interim period.

## 5. Seasonality of interim results

The sale of electricity is subject to seasonal fluctuations, where revenue is normally higher in the first six months of the financial year (winter months), as compared to the summer months, both in terms of tariff charged and peak demand.

In addition, repairs and maintenance, which are included under other operating expenses, are carried out primarily in summer months, due to the reduced peak demand.

## 6. Unusual changes impacting the statements of financial position, income, comprehensive income and cash flows

There have not been any unusual changes impacting the condensed interim statements of financial position, income statements, statements of comprehensive income and statements of cash flows during the six months ended 30 September 2011.

## 7. Critical accounting estimates and judgement

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant estimates and judgements made by management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to the financial statements as at and for the year ended 31 March 2011.

## 8. Issuances, repurchases and repayments of debt securities

The nature of the group's issuances, repurchases and repayments of debt securities are consistent with those reported previously. The details of the debt raised and repaid by the group are disclosed in the statements of cash flows.

## 9. Dividend paid

No dividend was paid to the shareholder during the six months ending 30 September 2011 (March 2011: nil, September 2010: nil).

## 10. Segment information

Management has determined the reportable segments based on the reports regularly provided, reviewed and used by the group executive committee (Exco) to make strategic decisions and assess performance of the segments. The group's reportable segments are strategic divisions that offer different services.

The segment information provided to Exco for the reportable segments is as follows:

30 September 2011 (reviewed)	Gener- ation	Trans- mission	Distri- bution	Eskom Enter- prises group	Other operating segments	Corporate and other	Inter- segment trans- actions	Group
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
<b>Continuing operations</b>								
External revenue	–	24 184	39 162	193	343	–	–	63 882
Inter-segment revenue	42 629	7 086	–	2 775	487	–	(52 977)	–
Total revenue	42 629	31 270	39 162	2 968	830	–	(52 977)	63 882
Primary energy	(19 155)	(2 684)	(19)	–	–	–	–	(21 858)
Employee benefit expense	(3 014)	(605)	(3 402)	(784)	(16)	(1 546)	–	(9 367)
Depreciation and amortisation expense	(2 248)	(401)	(1 247)	(111)	–	(119)	55	(4 071)
Net impairment (loss)/reversal	(1)	(148)	(412)	(4)	(2)	2	–	(565)
Inter-segment purchases	(1 296)	(23 877)	(26 542)	(45)	–	(1 217)	52 977	–
Operating expenditure	(3 581)	(588)	(3 486)	(1 993)	(626)	2 215	528	(7 531)
Operating profit/(loss) before net fair value gain/(loss) and net finance cost	13 334	2 967	4 054	31	186	(665)	583	20 490
Other income	176	3	260	53	15	471	(583)	395
Net fair value gain/(loss) on financial instruments, excluding embedded derivatives	1 072	6	4	1	(26)	(2 188)	5	(1 126)
Net fair value gain on embedded derivatives	–	263	–	–	–	–	–	263
Operating profit/(loss) before net finance costs	14 582	3 239	4 318	85	175	(2 382)	5	20 022
Net finance cost	(905)	(141)	(97)	77	(87)	(953)	–	(2 106)
Finance income	9	49	159	101	90	1 596	(192)	1 812
Finance cost	(914)	(190)	(256)	(24)	(177)	(2 549)	192	(3 918)
Share of profit of equity-accounted investees	–	–	–	2	–	14	–	16
Profit/(loss) before tax	13 677	3 098	4 221	164	88	(3 321)	5	17 932
Income tax	(3 917)	(888)	(1 209)	(46)	(20)	952	(1)	(5 129)
Profit/(loss) for the period from continuing operations	9 760	2 210	3 012	118	68	(2 369)	4	12 803
<b>Discontinued operations</b>								
Profit for the period from discontinued operations	–	–	–	7	–	–	–	7
Profit/(loss) for the period	9 760	2 210	3 012	125	68	(2 369)	4	12 810
<b>Other information</b>								
Segment assets	193 139	39 433	57 189	6 427	12 360	75 371	(13 266)	370 653
Investments in equity-accounted investees	–	–	–	21	–	95	120	236
Non-current assets held-for-sale	–	–	–	832	–	–	–	832
Total assets	193 139	39 433	57 189	7 280	12 360	75 466	(13 146)	371 721
Segment liabilities	159 792	31 260	34 424	3 303	10 624	39 260	(11 074)	267 589
Capital expenditure (including borrowing costs capitalised)	21 905	3 441	4 468	162	–	722	(126)	30 572

# Selected notes to the condensed group and company financial statements continued

for the six months ended 30 September 2011

## 10. Segment information (continued)

30 September 2010<sup>1</sup> (reviewed)

	Gener- ation	Trans- mission	Distri- bution	Eskom Enter- prises group Rm	Other operating segments	Corporate and other	Inter- segment trans- actions Rm	Group  Rm
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
<b>Continuing operations</b>								
External revenue	–	19 717	30 892	272	233	–	–	51 114
Inter-segment revenue	35 194	3 035	–	2 717	523	–	(41 469)	–
Total revenue	35 194	22 752	30 892	2 989	756	–	(41 469)	51 114
Primary energy	(15 877)	(1 317)	(5)	–	–	–	–	(17 199)
Employee benefit expense	(2 723)	(549)	(2 830)	(708)	(13)	(1 298)	–	(8 121)
Depreciation and amortisation expense	(1 709)	(349)	(1 132)	(112)	–	(116)	–	(3 418)
Net impairment reversal/(loss)	3	(124)	(278)	(61)	(9)	1	–	(468)
Inter-segment purchases	(1 211)	(17 829)	(21 015)	(15)	–	(1 399)	41 469	–
Other operating expenses	(2 539)	(492)	(2 473)	(2 075)	(489)	2 423	1 252	(4 393)
Operating profit/(loss) before net fair value (loss)/gain and net finance cost	11 138	2 092	3 159	18	245	(389)	1 252	17 515
Other income	111	69	127	31	43	477	(507)	351
Net fair value (loss)/gain on financial instruments, excluding embedded derivatives	(1 222)	45	(11)	(5)	13	555	–	(625)
Net fair value loss on embedded derivatives	–	(1 471)	–	–	–	–	–	(1 471)
Operating profit before net finance costs	10 027	735	3 275	44	301	643	745	15 770
Net finance cost	(2 157)	(125)	(182)	89	(78)	87	–	(2 366)
Finance income	16	39	136	116	87	828	(192)	1 030
Finance cost	(2 173)	(164)	(318)	(27)	(165)	(741)	192	(3 396)
Share of profit of equity-accounted investees	–	–	–	–	–	–	8	8
Profit before tax	7 870	610	3 093	133	223	730	753	13 412
Income tax	(2 533)	(242)	(910)	(39)	(60)	115	(210)	(3 879)
Profit for the period	5 337	368	2 183	94	163	845	543	9 533
<b>Other information</b>								
Segment assets	75 605	20 278	48 744	6 980	9 375	137 044	(10 375)	287 651
Investments in equity-accounted investees	–	–	–	19	–	95	90	204
Non-current assets held-for-sale	–	–	–	18	–	–	–	18
Total assets	75 605	20 278	48 744	7 017	9 375	137 139	(10 285)	287 873
Segment liabilities	123 533	26 671	28 946	3 378	7 694	23 343	(8 776)	204 789
Capital expenditure (including borrowing costs capitalised)	14 363	2 941	3 576	78	–	2 014	(23)	22 949



**31 March 2011<sup>1</sup> (audited)**

	Gener- ation	Trans- mission	Distri- bution	Eskom Enter- prises group Rm	Other operating segments Rm	Corporate and other Rm	Inter- segment trans- actions Rm	Group Rm
<b>Continuing operations</b>								
External revenue	–	35 646	55 137	576	88	–	–	91 447
Inter-segment revenue	63 549	6 744	–	5 638	1 206	–	(77 137)	–
Total revenue	63 549	42 390	55 137	6 214	1 294	–	(77 137)	91 447
Primary energy	(32 530)	(3 254)	(11)	–	–	–	–	(35 795)
Employee benefit expense	(5 564)	(1 129)	(5 993)	(1 303)	(30)	(2 676)	–	(16 695)
Depreciation and amortisation expense	(3 768)	(733)	(2 311)	(206)	–	(247)	46	(7 219)
Net impairment losses	(74)	(184)	(474)	(52)	(2)	(2)	–	(788)
Inter-segment purchases	(2 617)	(33 620)	(38 007)	(134)	–	(2 759)	77 137	–
Other operating expenditure	(5 933)	(1 095)	(5 794)	(4 244)	(1 022)	4 906	1 112	(12 070)
Operating profit/(loss) before net fair value profit/(loss) and net finance cost	13 063	2 375	2 547	275	240	(778)	1 158	18 880
Other income	268	92	270	13	37	1 136	(1 229)	587
Net fair value (loss)/ gain on financial instruments, excluding embedded derivatives	(3 243)	(169)	(20)	(7)	77	1 546	–	(1 816)
Net fair value loss on embedded derivatives	–	(1 261)	–	–	–	–	–	(1 261)
Operating profit before net finance cost	10 088	1 037	2 797	281	354	1 904	(71)	16 390
Net finance (cost)/income	(3 863)	(279)	(350)	174	(149)	(274)	–	(4 741)
Finance income	32	83	292	208	177	2 022	(378)	2 436
Finance cost	(3 895)	(362)	(642)	(34)	(326)	(2 296)	378	(7 177)
Share of profit of equity-accounted investees	–	–	–	–	–	24	–	24
Profit/(loss) before tax	6 225	758	2 447	455	205	1 654	(71)	11 673
Income tax	(2 355)	(612)	(572)	(116)	(48)	423	19	(3 261)
Profit/(loss) for the period from continuing operations	3 870	146	1 875	339	157	2 077	(52)	8 412
<b>Discontinued operations</b>								
Loss for the period from discontinued operations	–	–	–	(56)	–	–	–	(56)
Profit/(loss) for the period	3 870	146	1 875	283	157	2 077	(52)	8 356
<b>Other information</b>								
Segment assets	177 680	40 863	51 535	6 442	10 638	63 501	(23 438)	327 221
Investments in equity-accounted investees	–	–	–	19	–	201	–	220
Non-current assets held-for-sale	–	–	–	704	–	–	–	704
Total assets	177 680	40 863	51 535	7 165	10 638	63 702	(23 438)	328 145
Segment liabilities	154 555	34 899	31 766	3 319	8 969	28 727	(21 349)	240 886
Capital expenditure (including borrowing costs capitalised)	40 595	6 485	8 474	208	–	117	(422)	55 457

Inter-segment purchases and revenue were allocated between the Generation, Transmission and Distribution segments based on cost recovery plus return on assets.

Management 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 to segments based on the operation of the segment and the physical location of the assets.

1. Restated – refer note 18.

# Selected notes to the condensed group and company financial statements continued

for the six months ended 30 September 2011

## 10. Segment information (continued)

Geographical information	Group					
	Reviewed 30 September 2011 Rm	Revenues Reviewed 30 September 2010 Rm	Audited 31 March 2011 Rm	Reviewed 30 September 2011 Rm	Non-current assets Audited 31 March 2011 Rm	Reviewed 30 September 2010 Rm
South Africa	61 313	49 077	87 199	271 688	244 755	215 361
Foreign countries	2 569	2 037	4 248	53	51	154
	<b>63 882</b>	51 114	91 447	<b>271 741</b>	244 806	215 515

The group's business 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-company transactions. There are no significant revenues 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.

## 11. Material events subsequent to 30 September 2011

There were no material events after the interim reporting date that may have an impact on the group's financial position at 30 September 2011.

## 12. Material changes in contingent liabilities

There were no significant changes in contingent liabilities during the six months ended 30 September 2011 from those reported in the annual financial statements as at and for the year ended 31 March 2011.

## 13. Material changes in capital commitments

Capital commitments increased by R8 377 million for the group and R8 776 million for the company during the six months ended 30 September 2011 as compared to those disclosed in the annual financial statements as at and for the year ended 31 March 2011. The increase is mainly due to the placing of additional contracts relating to the capacity expansion programme.

## 14. Issued share capital

There was no change in the issued share capital during the six months ended 30 September 2011.

## 15. Related-party transactions

The nature of related-party transactions is consistent with those reported previously.

## 16. Employee benefit expense

	Group			Company		
	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm
Gross employee benefit expense	11 412	9 999	20 380	10 612	9 276	19 045
Employee benefit expense capitalised to property, plant and equipment	(2 045)	(1 878)	(3 685)	(2 045)	(1 878)	(3 685)
	<b>9 367</b>	8 121	16 695	<b>8 567</b>	7 398	15 360

## 17. Cash generated from operations

	Group			Company		
	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm	Reviewed six months ended 30 September 2011 Rm	Reviewed six months ended 30 September <sup>1</sup> 2010 Rm	Audited year ended 31 March <sup>1</sup> 2011 Rm
Profit before tax	17 932	13 412	11 673	17 663	12 303	11 067
Adjustments for:	9 495	9 579	19 424	9 423	9 401	19 283
Depreciation and amortisation expense	4 071	3 418	7 219	4 015	3 305	7 059
Depreciation expense – primary energy	7	7	14	7	7	14
Amortisation and write-off of future fuel	5	5	10	5	5	10
Net impairment loss (excluding bad debts recovered)	571	473	798	564	403	744
Net fair value loss on financial instruments, including embedded derivatives	863	2 096	3 077	843	2 103	3 148
Net deficit/(surplus) on disposal of property, plant and equipment	9	(43)	(52)	(24)	(39)	(68)
Dividend income	(21)	(8)	(26)	(13)	(5)	(15)
Increase in provisions	2 014	1 417	4 294	2 038	1 333	4 176
Decrease in deferred income	(61)	(58)	(108)	(61)	(58)	(108)
Payments made in advance recognised in profit or loss	236	142	296	235	114	296
Payments received in advance recognised in profit or loss	(287)	(228)	(819)	(287)	(147)	(747)
Other non-cash items	3	–	4	3	–	4
Finance income	(1 812)	(1 030)	(2 436)	(1 810)	(1 016)	(2 425)
Finance cost	3 918	3 396	7 177	3 908	3 396	7 195
Share of profit of equity-accounted investees	(16)	(8)	(24)	–	–	–
Non-current assets held-for-sale	(5)	–	–	–	–	–
	27 427	22 991	31 097	27 086	21 704	30 350
Changes in working capital	(5 305)	(4 860)	(2 359)	(5 348)	(5 072)	(2 503)
Increase in payments made in advance	(1 635)	(1 494)	(3 512)	(2 153)	(1 319)	(3 508)
Increase in inventories	(393)	(849)	(721)	(379)	(768)	(694)
Increase in trade and other receivables	(4 731)	(3 883)	(2 871)	(4 693)	(3 817)	(1 981)
(Increase)/decrease in loans receivable	(88)	546	643	–	–	549
Increase in trade and other payables	1 324	1 018	3 256	1 620	1 009	2 172
Expenditure incurred on provisions	(1 389)	(1 358)	(2 108)	(1 371)	(1 252)	(1 995)
Increase in payments received in advance	1 607	1 160	2 954	1 628	1 075	2 954
	22 122	18 131	28 738	21 738	16 632	27 847

1. Restated – refer note 18.

# Selected notes to the condensed group and company financial statements continued

for the six months ended 30 September 2011

## 18. Restatement of interim comparative information

### Voluntary change in accounting policy with respect to the presentation of foreign exchange gains and losses

Previously, the group presented foreign gains and losses that relate to loans and receivables, debt securities issued and borrowings in profit or loss within finance income or finance cost. With effect from 1 April 2011, the group presents foreign gains and losses in profit or loss within net fair value gain/(loss) on financial instruments, excluding embedded derivatives.

This change in accounting policy was considered appropriate to give a fairer presentation of the group's risk management policy of hedging foreign transactions by disclosing the impact on profit or loss of foreign exchange differences in the same line in profit or loss as where gains and losses on derivatives held for risk management are disclosed, which is within net fair value gain/(loss) on financial instruments, excluding embedded derivatives.

### Restatement of comparative information for the statements of cash flows

The comparative cash flow statements have been reclassified to enhance disclosure.

The impact of the restatement of interim comparative information as follows:

	Six months ended 30 September 2010 Previously reported Rm	Six months ended 30 September 2010 Adjustment Rm	Six months ended 30 September 2010 Restated Rm	Year ended 31 March 2011 Previously reported Rm	Year ended 31 March 2011 Adjustment Rm	Year ended 31 March 2011 Restated Rm
<b>Group</b>						
<b>Statements of financial position</b>						
<b>Non-current assets</b>						
Investment in securities	2 514	(406)	2 108	13 259	–	13 259
Loans receivable	4 758	406	5 164	5 958	–	5 958
<b>Current assets</b>						
Investment in securities	7 435	(99)	7 336	24 546	–	24 546
Loans receivable	8	99	107	100	–	100
<b>Income statements</b>						
Operating profit before net fair value loss and net finance cost	17 515	–	17 515	18 880	–	18 880
Other income	351	–	351	587	–	587
Net fair value loss on financial instruments, excluding embedded derivatives	(1 303)	678	(625)	(3 691)	1 875	(1 816)
Net fair value loss on embedded derivatives	(1 471)	–	(1 471)	(1 261)	–	(1 261)
Operating profit before net finance cost	15 092	678	15 770	14 515	1 875	16 390
Net finance cost	(1 688)	(678)	(2 366)	(2 866)	(1 875)	(4 741)
Finance income	1 030	–	1 030	2 436	–	2 436
Finance cost	(2 718)	(678)	(3 396)	(5 302)	(1 875)	(7 177)
Share of profit of equity-accounted investees, net of tax	8	–	8	24	–	24
Profit before tax	13 412	–	13 412	11 673	–	11 673
Income tax	(3 879)	–	(3 879)	(3 261)	–	(3 261)
Profit for the period from continuing operations	9 533	–	9 533	8 412	–	8 412
Profit for the period from discontinued operations	–	–	–	(56)	–	(56)
Profit for the period	9 533	–	9 533	8 356	–	8 356

	Six months ended 30 September 2010 Previously reported Rm	Six months ended 30 September 2010 Adjustment Rm	Six months ended 30 September 2010 Restated Rm	Year ended 31 March 2011 Previously reported Rm	Year ended 31 March 2011 Adjustment Rm	Year ended 31 March 2011 Restated Rm
<b>Company</b>						
<b>Statements of financial position</b>						
<b>Non-current assets</b>	2 108	–	2 108	13 259	–	13 259
Investment in securities	2 108	–	2 108	13 259	–	13 259
Loans receivable	–	–	–	–	–	–
<b>Current assets</b>	5 093	–	5 093	22 310	–	22 310
Investment in securities	5 093	–	5 093	22 310	–	22 310
Loans receivable	–	–	–	–	–	–
<b>Income statements</b>						
Operating profit before net fair value loss and net finance cost	16 047	–	16 047	17 297	–	17 297
Other income	739	–	739	1 688	–	1 688
Net fair value loss on financial instruments, excluding embedded derivatives	(1 310)	678	(632)	(3 762)	1 875	(1 887)
Net fair value loss on embedded derivatives	(1 471)	–	(1 471)	(1 261)	–	(1 261)
Operating profit before net finance cost	14 005	678	14 683	13 962	1 875	15 837
Net finance cost	(1 702)	(678)	(2 380)	(2 895)	(1 875)	(4 770)
Finance income	1 016	–	1 016	2 425	–	2 425
Finance cost	(2 718)	(678)	(3 396)	(5 320)	(1 875)	(7 195)
Share of profit of equity-accounted investees, net of tax	–	–	–	–	–	–
Profit before tax	12 303	–	12 303	11 067	–	11 067
Income tax	(3 568)	–	(3 568)	(3 116)	–	(3 116)
Profit for the period from continuing operations	8 735	–	8 735	7 951	–	7 951
Profit for the period from discontinued operations	–	–	–	–	–	–
Profit for the period	8 735	–	8 735	7 951	–	7 951

# Selected notes to the condensed group and company financial statements continued

for the six months ended 30 September 2011

## 18. Restatement of interim comparative information continued

	Six months ended 30 September 2010 Previously reported Rm	Six months ended 30 September 2010 Adjustment Rm	Six months ended 30 September 2010 Restated Rm	Year ended 31 March 2011 Previously reported Rm	Year ended 31 March 2011 Adjustment Rm	Year ended 31 March 2011 Restated Rm
<b>Group</b>						
<b>Cash flow statements</b>						
<b>Cash flows from operating activities</b>						
Cash generated from operations	17 435	696	18 131	28 275	463	28 738
Other net cash flows from operating activities	(1 001)	–	(1 001)	(5 991)	–	(5 991)
Net cash generated from operating activities	16 434	696	17 130	22 284	463	22 747
<b>Cash flows from investing activities</b>						
Acquisitions of property, plant and equipment	(19 477)	773	(18 704)	(43 975)	–	(43 975)
Increase in deferred income	921	(921)	–	463	(463)	–
Increase in non-current loans receivable	(657)	(585)	(1 242)	(1 469)	–	(1 469)
Other net cash flows invested in investing activities	(230)	–	(230)	(1 014)	–	(1 014)
Net cash used in investing activities	(19 443)	(733)	(20 176)	(45 995)	(463)	(46 458)
<b>Cash flows from financing activities</b>						
Debt raised	31 351	(3 920)	27 431	78 758	(9 567)	69 191
Borrowings	11 876	(3 920)	7 956	32 614	(9 567)	23 047
Other debt raised	19 475	–	19 475	46 144	–	46 144
Debt repaid	(4 754)	3 920	(834)	(18 756)	9 567	(9 189)
Borrowings	(3 967)	3 920	(47)	(18 115)	9 567	(8 548)
Other debt raised	(787)	–	(787)	(641)	–	(641)
Decrease in investment in securities	(4 516)	37	(4 479)	(33 693)	–	(33 693)
Other net cash flows from financing activities	(6 036)	–	(6 036)	(5 979)	–	(5 979)
Net cash from financing activities	16 045	37	16 082	20 330	–	20 330
Net decrease in cash and cash equivalents	13 036	–	13 036	(3 381)	–	(3 381)
Cash and cash equivalents at beginning of the period	15 541	–	15 541	15 541	–	15 541
Cash and cash equivalents attributable to non-current assets held-for-sale	–	–	–	(73)	–	(73)
Cash and cash equivalents at end of the period	28 577	–	28 577	12 087	–	12 087

	Six months ended 30 September 2010 Previously reported Rm	Six months ended 30 September 2010 Adjustment Rm	Six months ended 30 September 2010 Restated Rm	Year ended 31 March 2011 Previously reported Rm	Year ended 31 March 2011 Adjustment Rm	Year ended 31 March 2011 Restated Rm
<b>Company</b>						
<b>Cash flow statements</b>						
<b>Cash flows from operating activities</b>						
Cash generated from operations	16 483	149	16 632	27 384	463	27 847
Other net cash flows from operating activities	( 863)	–	( 863)	(5 739)	–	(5 739)
Net cash generated from operating activities	15 620	149	15 769	21 645	463	22 108
<b>Cash flows from investing activities</b>						
Acquisitions of property, plant and equipment	(19 423)	772	(18 651)	(44 098)	–	(44 098)
Increase in deferred income	921	( 921)	–	463	( 463)	–
Increase in non-current loans receivable	–	–	–	–	–	–
Other net cash flows invested in investing activities	( 206)	–	( 206)	( 823)	–	( 823)
Net cash used in investing activities	(18 708)	( 149)	(18 857)	(44 458)	( 463)	(44 921)
<b>Cash flows from financing activities</b>						
Debt raised	31 142	(3 920)	27 222	71 101	(9 567)	61 534
Borrowings	11 796	(3 920)	7 876	24 957	(9 567)	15 390
Other debt raised	19 346	–	19 346	46 144	–	46 144
Debt repaid	(4 754)	3 920	( 834)	(11 215)	9 567	(1 648)
Borrowings	(3 967)	3 920	( 47)	(10 437)	9 567	( 870)
Other debt raised	( 787)	–	( 787)	( 778)	–	( 778)
Decrease in investment in securities	(3 452)	–	(3 452)	(32 564)	–	(32 564)
Other net cash flows from financing activities	(6 861)	–	(6 861)	(7 914)	–	(7 914)
Net cash from financing activities	16 075	–	16 075	19 408	–	19 408
Net decrease in cash and cash equivalents	12 987	–	12 987	(3 405)	–	(3 405)
Cash and cash equivalents at beginning of the period	14 871	–	14 871	14 871	–	14 871
Cash and cash equivalents attributable to non-current assets held-for-sale	–	–	–	–	–	–
Cash and cash equivalents at end of the period	27 858	–	27 858	11 466	–	11 466



# Selected notes to the condensed group and company financial statements continued

for the six months ended 30 September 2011

## 19. Pro-forma revaluation of property, plant and equipment to align with regulatory accounting

The group currently accounts for its property, plant and equipment using the cost model under IAS 16 *Property, plant and equipment*. The cost model requires that property, plant and equipment should be measured at cost (including borrowing cost in respect of qualifying assets), less accumulated depreciation and impairment. However, the cost model does not reflect the true economic value of the group's property, plant and equipment and the basis on which the electricity tariff is calculated by the Regulator. Therefore, a summary has been provided below reflecting what the impact on the financial statements would be if the group's property, plant and equipment was measured using the revaluation model. Borrowing costs were not included in the carrying amount of property, plant and equipment when determining the increase or decrease in the revaluation surplus and have therefore been expensed. The fair values determined using the depreciated replacement cost model were reviewed for possible impairment loss in order to determine whether or not the net future cash inflows related to the use of property, plant and equipment are less than the calculated fair value of property, plant and equipment. The fair values disclosed below are net of the adjustment made for the tariff shortfall in the first few years. This shortfall is expected to disappear once the electricity tariff determined in terms of the regulatory methodology, which is based on the depreciated replacement values, is fully phased in by the National Energy Regulator of South Africa (NERSA).

	Historical cost 2011 Rm	Adjustment 2011 Rm	After revaluation 2011 Rm	Historical cost 2010 Rm	Adjustment 2010 Rm	After revaluation 2010 Rm
<b>Summarised group statements of financial position at 30 September 2011</b>						
<b>Assets</b>	<b>371 721</b>	<b>279 540</b>	<b>651 261</b>	287 873	304 216	592 089
Property, plant and equipment	263 081	258 888	521 969	207 733	294 786	502 519
Deferred tax	68	20 652	20 720	76	9 430	9 506
Other assets	108 572	–	108 572	80 064	–	80 064
<b>Equity and liabilities</b>	<b>371 721</b>	<b>279 540</b>	<b>651 261</b>	287 873	304 216	592 089
Total equity	104 132	186 400	290 532	83 084	212 246	295 330
Deferred tax	14 588	93 140	107 728	8 522	91 970	100 492
Other liabilities	253 001	–	253 001	196 267	–	196 267
<b>Summarised group income statements for the period ended 30 September 2011</b>						
Operating profit before depreciation and amortisation expense, net impairment loss and other operating expenses	32 189	–	32 189	24 049	–	24 049
Depreciation and amortisation expense	(4 071)	(7 308)	(11 379)	(3 418)	(7 298)	(10 716)
Net impairment loss	(565)	–	(565)	(468)	18	(450)
Other operating expenses	(7 531)	(225)	(7 756)	(4 393)	(87)	(4 480)
Operating profit/(loss) before net finance cost	20 022	(7 533)	12 489	15 770	(7 367)	8 403
Net finance cost	(2 106)	(4 855)	(6 961)	(2 366)	(2 985)	(5 351)
Share of profit of equity-accounted investees, net of tax	16	–	16	8	–	8
<b>Profit/(loss) before tax</b>	<b>17 932</b>	<b>(12 388)</b>	<b>5 544</b>	13 412	(10 353)	3 059
Income tax	(5 129)	3 469	(1 660)	(3 879)	2 899	(980)
Profit/(loss) for the period from continuing operations	12 803	(8 919)	3 884	9 533	(7 454)	2 079
Profit for the period from discontinued operations	7	–	7	–	–	–
<b>Profit/(loss) for the period</b>	<b>12 810</b>	<b>(8 919)</b>	<b>3 891</b>	9 533	(7 454)	2 079

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