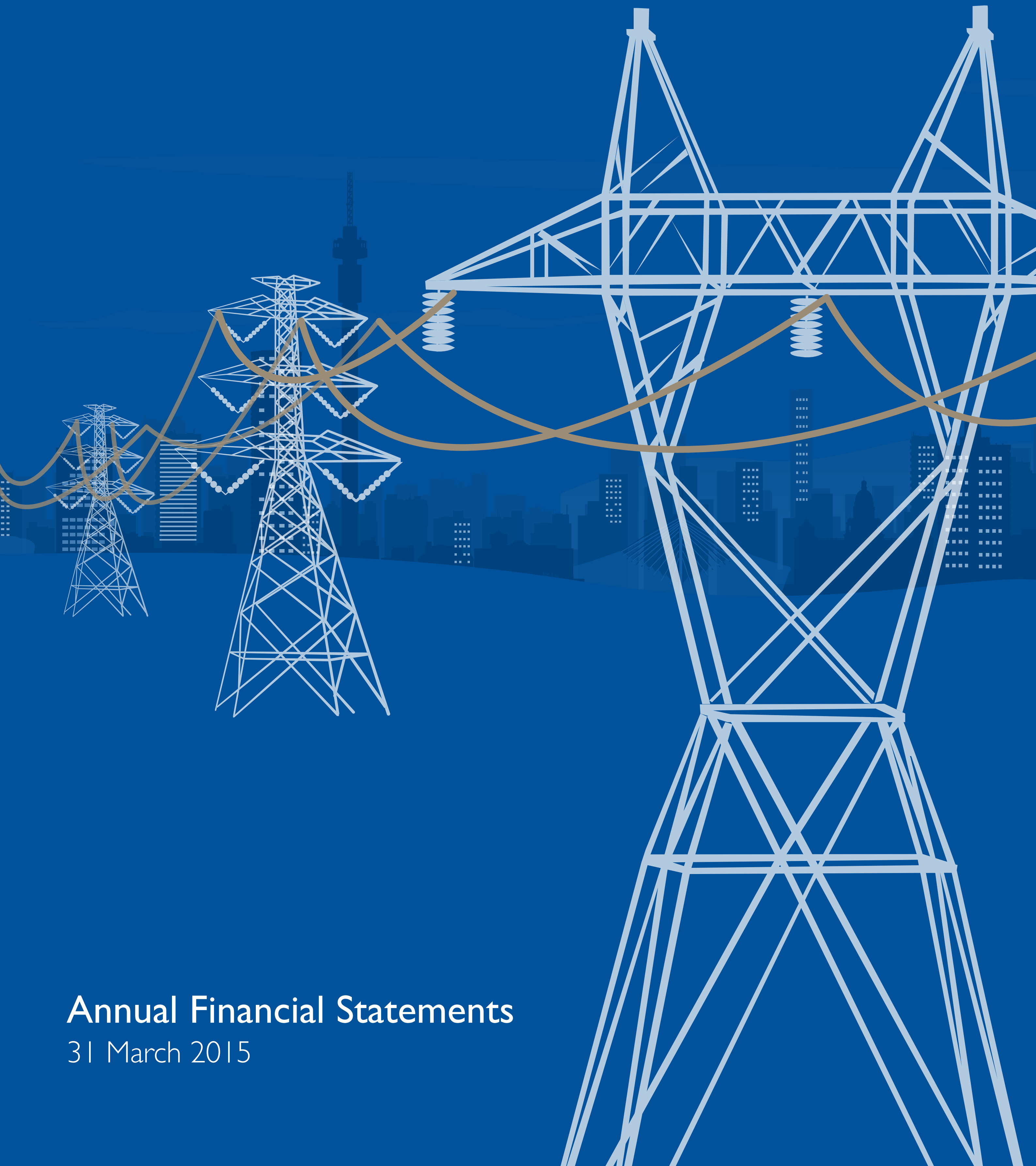

Annual Financial Statements

31 March 2015

Contents

The annual financial statements have been prepared under the supervision of the acting chief financial officer, NS Veleti CA(SA). The financial statements have been audited in compliance with section 30 of the Companies Act.

The audited financial statements of the group and Eskom as at and for the year ended 31 March 2015 are available for inspection at the company's registered office and on the Eskom website at www.eskom.co.za and were published on 16 July 2015.

Statements of directors' responsibility and approval

The directors are responsible for the maintenance of adequate accounting records and appropriate systems of internal control as well as the preparation, integrity and fair presentation of the annual consolidated financial statements which includes financial results, performance against predetermined objectives and the financial position at the end of the year of Eskom Holdings SOC Ltd (Eskom), its subsidiaries, joint ventures, associates and structured entities (together, the group). The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Public Finance Management Act and the Companies Act.

In preparing the annual financial statements, the directors are required to consistently apply appropriate accounting policies, make reasonable and prudent judgements and estimates, state whether applicable accounting standards have been followed and whether the annual financial statements for Eskom and the group will continue to be prepared on the going-concern basis in the foreseeable future.

To enable the Eskom board of directors to meet the above mentioned responsibilities, the board sets standards and management implements systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed. Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout Eskom and the group focus on those critical risk areas identified by operational management and confirmed by executive management. Both management and the internal audit department closely monitor the controls and actions are taken to correct deficiencies as they are identified.

Eskom's audit and risk committee plays an integral role in risk management as well as in overseeing Eskom's internal audit function (audit and forensic). The group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group's audit and risk committee, assesses and, when necessary, recommends improvements to the system of internal control and accounting policies, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

Eskom's audit and risk committee has reviewed the going-concern basis and the effectiveness of Eskom and the group's internal controls. The committee has evaluated Eskom and the group's annual financial statements and has recommended their approval to the board. The audit and risk committee's approval is set out on page 3.

Based on the information and explanations given by management, the internal audit function and discussions held with the independent external auditors, the directors are of the opinion that the internal accounting controls of Eskom and the group are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained.

The directors have made an assessment of the ability of Eskom and the group to continue as a going concern in the foreseeable future. The directors reviewed Eskom's and the group's performance for the year ended 31 March 2015 and the cash flow forecast for the Multi-Year Price Determination (MYPD) 3 period ending 31 March 2018.

NERSA decided in Eskom's favour regarding an Regulatory Clearing Account (RCA) adjustment application of a R7.8 billion variance between assumed and actual costs and revenues for year 3 of MYPD 2 (2013 financial year). This variance will be recovered in the 2016 financial year through an adjustment to the electricity price increase from 8% to 12.69%.

Eskom submitted an RCA adjustment application for a R38 billion variance for year 1 of MYPD 3 (2014 financial year) in February 2015. NERSA will decide on the application after following their governance processes.

Based on Eskom's submission for a selective reopener relating to the Open-Cycle Gas Turbines and Short-Term Power Purchase Programme, NERSA announced in May 2015 their intention to conduct a public consultation process upon this application. A decision in this regard is expected on 29 June 2015.

Eskom is calculating the RCA adjustment variance for year 2 of MYPD 3 (2015 financial year). Eskom will also initiate a reopening for the remainder of the MYPD period.

The board continues to critically examine activities and costs in order to balance the group's cash flow requirements through the Business Productivity Programme to identify and achieve cost savings and efficiency opportunities to reduce the revenue shortfall.

The board is pursuing alternative funding options, including potential government support. The board will not commit Eskom beyond its means and has not approved any capital expenditure beyond the Kusile project. In assessing the ability to raise funds, the current economic climate as well as Eskom's and the sovereign's credit ratings have been taken into account.

Based on the above, the directors are satisfied that Eskom and the group have access to adequate resources and facilities to be able to continue its operations for the foreseeable future. Accordingly the board continued to adopt the going-concern basis in preparing the financial statements. The annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

In the opinion of the directors, based on the information available to date, the annual financial statements fairly present the financial position of Eskom and the group at 31 March 2015 and the results of its operations and cash flow information for the year then ended.

The independent external auditors are responsible for independently auditing the financial statements in accordance with International Standards of Auditing (ISA) and the Public Audit Act (PAA). The independent external auditors audited the Eskom and group annual financial statements in accordance with ISA and the PAA and their unqualified audit report is presented on page 13. The independent external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the board of directors and committees of the board. The directors believe that all representations made to the independent external auditors during their audit are valid and appropriate.

The Eskom and group annual financial statements for the year ended 31 March 2015 have been prepared under the supervision of the acting chief financial officer NS Veleti CA(SA), and approved by the board of directors and signed on its behalf on 28 May 2015 by:

B Ngubane
Acting chairman
28 May 2015

MV Pamensky
Non-executive director
28 May 2015

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 Public Finance Management Act (PFMA), the Companies Act (section 94(7)(f)) and in accordance with the King Code of Governance Principles for South Africa for the financial year ended 31 March 2015.

The role of the committee is defined in its mandate. It covers, amongst others, its statutory duties and the assistance to the board of directors (board) with the oversight of financial and non-financial reporting and disclosure, internal control system, risk management, internal and external audit functions and combined assurance, including information technology governance. Information on the membership and composition of the committee is set out in the 2015 integrated report and related information on the Eskom website.

The committee fulfilled all its statutory duties as required by section 94(7) of the Companies Act. The committee reports that it has adopted an 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 of its responsibilities contained therein.

Eskom 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 Eskom's financial and non-financial objectives are achieved and that the preparation of financial statements for external purposes is in accordance with International Financial Reporting Standards (IFRS).

Execution of functions

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

Going-concern assumption

The committee considered the following:

- robustness of budgets and business results
- cash flow projections for the 15 months ending 30 June 2016
- regulatory clearing account mechanism (MYPD 3)
- cost saving opportunities to reduce the revenue shortfall
- the cost of the capital projects, including the capacity expansion programme
- funding plan to finance the capacity expansion programme up to the Kusile project
- going-concern as the basis of preparation of the annual financial statements

Oversight of financial and non-financial reporting and disclosure

The committee considered the following:

- annual financial statements for fair presentation with the relevant requirements of the PFMA, Companies Act and IFRS
- adequacy, reliability and accuracy of financial and non-financial information provided by management and risks that may impact the integrity of the integrated report
- the integrated report is presented in accordance with the International Integrated Reporting Framework
- disclosure of sustainability information in the integrated report to ensure that it is reliable and it does not conflict with the financial information
- the expertise, resources and experience of the finance function

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

The committee considered the following:

- effectiveness of internal control systems and governance processes
- reviewed legal matters that could have a material impact on the group
- 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
  - the effectiveness of the entity's compliance with legal and regulatory requirements

Internal and external audit

The committee considered the following:

- charter, annual audit plan, independence, effectiveness, coordination with external auditors and performance of the assurance and forensic department (internal audit)
- appointment of the external auditors in terms of the Companies Act and other applicable requirements
- external audit plan, audit budget, actual fee and terms of engagement of the external auditors
- the independence and objectivity of the external auditors
- accounting, sustainability and auditing concerns identified as a result of the internal and external audits, including reportable irregularities

Opinion

The committee is of the opinion, based on the information and explanations given by management and the assurance and forensic department during the year and at year-end as well as discussions with the independent external auditors that:

- the expertise, resources and experience of the finance function are adequate
- the system and process of risk management and compliance processes are adequate
- the internal accounting controls 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
- the internal audit charter was approved by the committee
- the expertise, resources and experience of the assurance and forensic department are adequate
- the assurance and forensic department operated effectively
- the information contained in the integrated report and related information on the Eskom website is reliable and does not contradict the financial information of the integrated report or the annual financial statements
- Eskom and the group have access to adequate resources and facilities to be able to continue its operations for the foreseeable future, supporting the going-concern assumption
- is satisfied with the independence and objectivity of the external auditors having considered the matters set out in section 94(8) of the Companies Act

Nothing significant has come to the attention of the committee to indicate that any material breakdown in the functioning of the controls, procedures and systems has occurred during the year under review.

Recommendation of the annual financial statements

The committee has evaluated the financial statements of Eskom and the group for the year ended 31 March 2015 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 International Financial Reporting Standards. The committee concurs with the board and management that the adoption of the going-concern premise in the preparation of the financial statements is appropriate.

The committee has therefore, at its meeting held on 27 May 2015, recommended the adoption of the financial statements by the board of directors.

C Mabude
Chairman

28 May 2015

Statement by company secretary

In terms of section 88(2)(e) of the Companies Act, 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 Phukubje
Company secretary

28 May 2015

The directors are pleased to present their report for the year ended 31 March 2015.

Nature of the business

Eskom is South Africa's primary electricity supplier and generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and to redistributors (metros and municipalities), who in turn distribute electricity to businesses and households within their areas. The company's head office is in Johannesburg. Eskom also purchases electricity from Independent Power Producers (IPPs), as well as buys and sells electricity in the Southern African Development Community region.

The company has several subsidiaries. The nature of the business of the significant operating subsidiaries is set out in note 9 in the annual financial statements.

Business performance

Eskom managed to deliver some good results in its business performance for the year despite the many challenges that the organisation is currently facing.

The group achieved a net profit after tax for the year of R3.6 billion (2014: R7.1 billion), while revenue for the group for the year was R147.7 billion (2014: R138.3 billion). The cost containment initiatives that were implemented delivered results with a marginal increase in employee benefit cost for the year to R25.9 billion from R25.6 billion in 2014, and other operating cost reducing to R15.8 billion in 2015 from R19.2 billion in 2014. This good performance was offset by the increase in primary energy cost to R83.4 billion (2014: R69.8 billion). Despite the pressure on the primary energy cost, the earnings before interest, tax, depreciation and amortisation was R25.2 billion (2014: R25.1 billion).

The savings achieved in 2015 through the Business Productivity Programme (BPP) were R9 billion (2014: R2.7 billion) comprising savings in operational and capital expenditure as well as savings through reduced working capital.

Eskom issued a USD1.25 billion (R14.8 billion) 10-year bond in February 2015 despite a further downgrade by the rating agencies. This demonstrates the ability of Eskom to raise additional funding even though the funding costs are higher and more stringent conditions apply.

Good transmission network performance was achieved with system minutes lost for events (less than one minute) measured at 2.85 against the target of not more than 3.80. The distribution network performed well and all the targets were exceeded. Electricity customers indicated their positive satisfaction with Eskom's performance, despite load shedding. There was a substantial increase in particular in Enhanced Maxi Care which measures the satisfaction of smaller customers.

Eskom's fixed asset base increased by R54.5 billion during the year to R458.9 billion (2014: R404.4 billion). The first synchronisation of Medupi power station unit 6 was achieved on 2 March 2015. The Sere wind farm with a generating capacity of 100MW was placed into commercial operation on 31 March 2015.

Some of the major challenges facing the organisation are financial and operational sustainability. NERSA's third Multi-Year Price Determination (MYPD) of an 8% tariff increase in response to Eskom's request of 16% resulted in significant pressure on the liquidity and going-concern status of Eskom. Eskom was successful with its revenue adjustment application for the MYPD 2 where NERSA allowed an additional 4.69% price increase effective 1 April 2015.

Eskom experienced a major challenge in managing the supply and demand of electricity which was exacerbated by the decline in the generation plant performance. Regrettably, Eskom had to implement rotational load curtailment and load shedding to manage the power supply system. A total of 548GWh was lost due to load shedding which accounted for 0.3% of total sales.

It was necessary to shut down the Majuba power station on 30 November 2014 as a result of the collapse of one of the coal silos. A temporary plan was implemented to get the power station back into commercial operation and the power station is currently operating near full capacity. It will take a while to implement a permanent solution to restore the power station back to full capacity.

Turnaround strategy

Eskom developed a turnaround strategy during November 2014 to address the decline in performance and stabilise the business. The government of South Africa also constituted an inter-governmental team to assist Eskom. The turnaround strategy incorporated the initiatives from the inter-governmental task team and the Eskom executive committee and focuses on four key areas: financial sustainability, operational sustainability, revenue and customer sustainability as well as asset creation sustainability.

Certain key milestones that have been achieved by the inter-governmental task team include a request for proposal for a coal IPP that has been issued by the Department of Energy. A request for information for demand management interventions was also issued. A memorandum of understanding has been signed regarding the supply of diesel. The IPP contracts that expired at the end of March 2015 were renewed for another year. There will be focus on accelerating the conversion of the Open-Cycle Gas Turbines (OCGTs) from diesel fuel to gas and diesel as fuel source.

Eskom needs space to execute philosophy-based preventative maintenance to improve plant performance while avoiding load shedding. The immediate focus will be on sustained maintenance and operational efficiency to reduce the unpredictable breakdowns in plant and in the medium- to long-term to commission new generation capacity to alleviate the constrained power supply system.

Performance in terms of the shareholder compact

The government, represented by the Minister of Public Enterprises, is Eskom's sole shareholder. Eskom agrees on its performance objectives, measures, indicators and targets each year in consultation with the shareholder and in line with the Public Finance Management Act (PFMA). Quarterly performance reports are provided to the shareholder.

Eskom prepares a corporate plan annually to comply with the requirements of the PFMA and the National Treasury Regulations. The consolidated corporate plan is submitted to the Department of Public Enterprises and National Treasury annually. The latest plan covers the five-year period from 1 April 2015 to 31 March 2020 and focuses on Eskom's response plan to its changing environment.

Business performance (continued)

Performance in terms of the shareholder compact (continued)

The table sets out Eskom's performance in terms of key performance indicators (KPIs) in the shareholder compact that was reviewed by the external auditors.

Shareholder compact performance 2014/15

Key performance areas	Key performance indicator	Unit	Company Target 2014/15	Target met	Actual 2014/15	Actual 2013/14	Actual 2012/13
Focus on safety	Employee lost-time injury rate	index	0.35	🟢	**0.33**	0.31	0.40
Sustainable asset base whilst ensuring security of supply	Outstanding maintenance backlog[1]	number	1	🔴	**2**	5	n/a
	Demand savings	MW	246.0	🔴	**171.5**	409.6	595.0
	Internal energy efficiency: Energy savings non-essential consumption	GWh	10.0	🟢	**10.4**	19.4	28.9
Put customer at the centre	Eskom KeyCare[2]	%	102.0	🟢	**108.7**	108.7	105.8
	Enhanced MaxiCare[2]	%	96.0	🟢	**99.8**	92.7	93.2
Improve operations	Unplanned capability loss factor	%	≤10.00	🔴	**14.22**	10.98	8.71
	Energy availability factor	%	80.00	🔴	**73.73**	75.13	77.65
	System average interruption frequency index[2]	number	22.0	🟢	**19.7**	20.2	22.2
	System average interruption duration index	hours	43.0	🟢	**36.2**	37.0	41.9
	System minutes <1	minutes	3.8	🟢	**2.85**	3.05	3.52
Deliver capital expansion	Generation capacity installed: first synchronisation	units	1	🟢	**1**	n/a	n/a
	Generation capacity installed and commissioned	MW	433	🔴	**100**	120	261
	Transmission lines installed	km	315.1	🟢	**318.6**	810.9	787.1
	Transmission transformers installed and commissioned	MVA	2 090	🟢	**2 090**	3 790	3 580
Reduce environmental footprint in existing fleet	Relative particulate emissions (kg/MWh sent out)	kg/MWh	0.35	🔴	**0.37**	0.35	0.35
	Specific water consumption (litres per kWh sent out)	L/kWh	1.39	🟢	**1.38**	1.35	1.42
Implement coal haulage and the road-to-rail migration plan	Migration of coal delivery volume from road-to-rail (additional tonnage transported by rail)	Mt	11.50	🟢	**12.59**	11.60	10.10
Ensure financial sustainability	Cost of electricity (excluding depreciation)	R/MWh	532.63	🔴	**610.43**	541.92	496.24
	Interest cover[3]	ratio	0.69	🔴	**0.44**	0.65	0.27
	Debt/equity (including long-term provisions)	ratio	2.48	🔴	**2.70**	2.21	1.96
	Free funds from operations as % of gross debt[3]	%	7.63	🔴	**2.37**	9.21	8.55

Key:

🟢 *Actual performance met or better than target*
🔴 *Actual performance did not meet the target*
🟠 *Actual performance almost met the target*

1. *The comparative for this indicator was restated.*
2. *The comparative for the indicator was not reviewed by the external auditors.*
3. *These indicators have been calculated in line with the shareholder compact definitions that could differ from the definitions applied in note 4.4 due to the changes and reclassifications made as outlined in note 48.*

Key performance areas	Key performance indicator	Unit	Target 2014/15	Target met	Company Actual 2014/15	Actual 2013/14	Actual 2012/13
Maximise socio-economic contribution: procurement equity	Local content contracted (Eskom-wide)[2]	%	65.00	●	**25.13**	40.80	n/a
	Local content contracted (new build)	%	65.00	●	**33.62**	54.60	80.20
	Percentage of broad-based black economic empowerment spend against total measured procurement spend (TMPS)	%	75.00	●	**88.89**	93.90	86.30
	Procurement spend with black-owned suppliers as % of TMPS[2]	%	12.50	●	**34.91**	32.70	22.10
	Procurement spend with black women-owned suppliers as % of TMPS[2]	%	6.00	●	**6.61**	7.20	4.70
	Procurement spend with black youth-owned spend against TMPS	%	2.00	●	**0.64**	1.00	1.00
	Procurement spend with suppliers owned by black people living with disabilities as % of TMPS[2]	%	1.00	●	**0.00**	0.00	n/a
	Procurement spend with qualifying small enterprises and exempted micro enterprises as % of TMPS[2]	%	12.50	●	**11.86**	11.90	n/a
Maximise socio-economic contribution: employment equity	Disability equity in total workforce	%	2.50	●	**3.12**	2.99	2.59
	Racial equity in senior management, % black employees	%	60.00	●	**61.58**	59.50	58.30
	Racial equity in professionals and middle management, % black employees	%	70.00	●	**72.28**	71.20	69.60
	Gender equity in senior management, % female employees	%	31.00	●	**29.83**	28.90	28.20
	Gender equity in professionals and middle management, % female employees	%	37.00	●	**36.10**	35.80	34.60
Build strong skills	Training spend as % of gross employee benefit costs	%	5.00	●	**6.18**	7.87	n/a
	Learner throughput or qualifying	number	1 200	●	**424**	n/a	n/a

The reasons for the variances between the actual compared to the targeted KPI performance for the year are as follows:

Focus on safety

- Employee lost-time injury rate (LTIR) (actual better than target by 0.02)
  - the improvement in employee LTIR can be attributed to the safety improvement initiatives implemented, and the significant efforts undertaken to manage the safety of employees and contractors more effectively, including the continued focus on compliance with occupational health and safety requirements. Motor vehicle accidents, slips, trips and falls are the major causes of lost-time injuries for both employees and contractors

Sustainable asset base whilst ensuring security of supply

- Outstanding maintenance backlog number (actual worse than target by 1)
  - Eskom rigorously pursued the execution of outages, but due to the need to balance supply with demand in a constrained environment, Eskom was unable to execute all the outages within the planned timeframe
- Demand savings (actual worse than target by 74.5MW)
  - the verified demand savings are significantly below target due to lack of funding
- Internal energy efficiency (actual better than target by 0.4GWh)
  - the internal energy efficiency programme yielded results better than target

Put customer at the centre

- Eskom KeyCare (actual better than target by 6.7%)
  - the good score in KeyCare can be attributed to the fact that Eskom continuously informs customers of the system status which assists top customers in planning their operational activities
- Enhanced MaxiCare (actual better than target by 3.8%)
  - the good result in enhanced MaxiCare is mainly because of the implementation of the customer service improvement plan

Business performance (continued)

Performance in terms of the shareholder compact (continued)

Shareholder compact performance 2014/15 (continued)

Improve operations

- Unplanned capability loss factor (UCLF) (actual worse than target by 4.22%)
  - UCLF deteriorated due to the increase in partial load losses (5.65%), boiler tube failures (2.08%), unit trips and the three major incidents (2.58%) that occurred during the year (Duvha unit 3 incident, Majuba coal silo collapse and Kendal unit 2 outage slip)
- Energy availability factor (EAF) (actual worse than target by 6.27%)
  - the EAF reduced due to increases in the UCLF and the ageing plant that requires increased maintenance
  - the EAF was also impacted by the Duvha unit 3 incident, Kendal unit 2 outage slip and Majuba coal silo incident
- System average interruption frequency index (SAIFI) and system average interruption duration index (SAIDI) both better than target
  - the good performance in these indicators is as a result of previous investments in refurbishment and strengthening of the transmission and distribution networks
- System minutes lost for events <1 minute (actual better than target by 0.95 minutes)
  - the good performance in system minutes lost smaller than one is a result of a reduction in line faults and plant failures

Deliver capital expansion

- Generation capacity installed: first synchronisation (actual equals target)
  - the first synchronisation of Medupi power station unit 6 was achieved on 2 March 2015
- Generation capacity installed and commissioned (actual below target by 333MW)
  - the Sere wind farm (100MW) was placed into commercial operation on 31 March 2015. The commissioning of Ingula power station unit 3 (333MW) was delayed as work was suspended by the Mine Health and Safety Inspectorate investigation after the Ingula accident in 2013
- Transmission lines installed (actual exceeded target by 3.5km)
  - the target of 315.1km transmission lines installed was marginally exceeded
- Transmission transformers installed and commissioned (actual equals target)
  - the Kusile high voltage yard transformers (90MVA) and the Sterrekus substation (2 000MVA) were commissioned

Reduce environmental footprint in existing fleet

- Relative particulate emissions (actual worse than target by 0.02kg/MWh)
  - slow progress was made on the installation or maintenance of the necessary emission control equipment at high emitting power stations because the power stations could not be shut down for the installation or maintenance due to supply constraints
- Specific water consumption (actual better than target by 0.01L/kWh sent out)
  - the water performance target was met

Implement coal haulage and the road-to-rail migration plan

- Migration of coal delivery volume from road to rail, additional tonnage transported by rail (exceeded target by 1.09Mt)
  - the target for migration of coal delivery was exceeded through a collaborative effort by all relevant stakeholders

Ensure financial sustainability

- Cost of electricity, excluding depreciation (actual worse than target by R77.80/MWh)
  - the cost of electricity was higher than target as a result of overspending in primary energy cost (mainly OCGT and IPP costs and the delay in commissioning the Medupi power station) and sales volumes that were 2.4TWh lower than target
- Interest cover ratio (actual worse than target by 0.25)
  - the weak interest cover ratio was as a result of an increase in net finance costs due to higher levels of debt as well as a decline in profit before interest and tax
- Debt/equity including long-term provisions (actual worse than target by 0.22)
  - Eskom's debt increased and the profit decreased as a result of lower sales volumes and over expenditure in primary energy. Debt has increased more than equity
- Free funds from operations (FFO) as % of gross debt (worse than target by 5.26%)
  - free funds from operations were lower than target as a result of lower sales volumes and over expenditure in primary energy

Maximise socio-economic contribution: procurement equity

- Local content contracted, Eskom-wide (actual below target by 39.87%) and local content contracted, new build (actual below target by 31.38%)
  - the below target performance for these indicators was as a result of the decrease in the number of new build contracts awarded with supplier development and localisation obligations and the decline in larger contracts relating to the capital expansion programme where larger contracts were awarded in the early stages of the build programme
- Percentage of broad-based black economic empowerment spend (actual exceeded target by 13.89%), procurement with black-owned suppliers (actual exceeded target by 22.41%) and black women-owned suppliers (actual exceeded target by 0.61%)
  - the above target performance for these indicators was as a result of the increase in the number of black-owned vendors that have obtained high value contracts
- Procurement spend with black youth-owned suppliers (actual worse than target by 1.36%), with qualifying small enterprises and exempted micro enterprises (actual worse than target by 0.64%) and black people living with disabilities (actual worse than target by 1%)
  - targets were not met for these measures due to the implementation of the Preferential Procurement Policy Framework Act which places restrictions on the awarding of contracts and therefore limits the ability to reserve contracts for low value contractors

Maximise socio-economic contribution: employment equity

- Disability equity in total workforce (actual better than target by 0.62%)
  - the increased performance for this measure was as a result of the disability drive that Eskom launched to move towards a more disability-friendly environment
- Racial equity in senior management (actual better than target by 1.58%) and in professionals and middle management (actual exceeded target by 2.28%)
  - the targets in both categories were met because of continued management attention
- Gender equity in senior management (actual worse than target by 1.17%) and in professionals and middle management (actual worse than target by 0.9%)
  - the gender targets were not met as a result of the limit placed on headcount numbers, the lack of opportunities to appoint because of financial constraints and the impact of natural attrition

Build strong skills

- Training spend as a % of gross employee benefit costs (actual exceeded target by 1.18%)
  - training spend was marginally above target
- Learner throughput or qualifying (actual below target by 776 learners)
  - the learner target was not achieved as a result of financial constraints

Financial sustainability

Eskom's financial health has been influenced by its profit margins that have been declining mainly due to the electricity price which is not cost reflective. While Eskom's asset base increased with the capacity expansion plan, the profit margin declined. This resulted in Eskom experiencing a liquidity constraint that directly impacts on its financial sustainability. Obtaining parity between the price of electricity and the associated costs plus a margin will form a fundamental part of the shift towards financial sustainability.

This is exacerbated by the funding required for the construction of the Medupi, Kusile and Ingula power stations and the transmission network. In addition, compliance with the new atmospheric emission legislation will significantly increase financial obligations.

Eskom spent R265.1 billion since 2005 on the capital expansion programme that was mostly funded by borrowings. The capital expenditure in terms of the latest corporate plan over the next five years amounted to R293 billion, while the borrowing plan for the next five years is only R237 billion. Eskom has to raise an additional estimated R50 billion to prevent delays in some of the capital projects.

Going concern and liquidity

Eskom is taking several steps to address the current financial position and the future financial sustainability of Eskom. It is critical that Eskom's rate of return on assets should not be less than its cost of capital. Migration to a cost-reflective price of electricity therefore remains of critical importance. Eskom's rate of return (pre-tax, real) on its assets has been too low for too long, resulting in the weakening of Eskom's financial position.

Some of the actions taken to address the financial position include:

- NERSA announced its decision on 30 July 2014 to allow Eskom to recoup R7.8 billion in respect of the under recoveries for the MYPD 2 period. The R38 billion revenue adjustment application for the first year of MYPD 3 is currently under review by NERSA. Eskom also submitted further revenue adjustment applications for the liquidation of the R8.1 billion equity return postponed during MYPD 2, and the selective reopener to increase the OCGT usage, the potential increase in the environmental levy by 2c/kWh as well as to extend the short-term IPPs until the end of MYPD 3
- Eskom implemented the BPP which successfully contributed towards a reduction in certain cost categories during the year. Savings of R9 billion were achieved to date
- the government will inject equity of about R23 billion into Eskom during the 2016 and 2017 financial years. The first R10 billion is expected in June 2015
- Eskom had reasonable success in managing both the current liquidity and the longer-term funding requirements, and is methodically implementing the approved borrowing programme of R237 billion for 2016 to 2020. Debt securities and borrowings increased by R43 billion during the year to R297 billion for the group. The government support is critical to ensure continued operational activity without further constraints. The current borrowing programme does not incorporate any allocations of capital projects from the government's Integrated Resource Plan 2010 after Kusile
- two of the three credit rating agencies downgraded Eskom to sub-investment grade during the year which will increase the cost of funding and reduce availability of funding. Future downgrades could also trigger certain loan covenants. It is critical for Eskom to regain its investment grade credit rating. Eskom is meeting with the rating agencies to re-establish what is needed to regain their confidence and improve the credit grading
- Eskom reached a point where it can no longer continue to provide power without receiving payment in return. Eskom approved the application of various load management interventions in March 2015 for the top defaulting municipalities to limit its financial risk exposure. Eskom issued a media statement on 10 April 2015 of its intention to interrupt supply to 20 defaulting municipalities. Subsequently 10 municipalities have made payment arrangements with Eskom and their supply will not be interrupted as long as they adhere to the agreed repayment plan
- the residential revenue management strategy implemented in Soweto focuses on energy protection and energy loss programmes through the installation of split metering and the conversion of the meters of non-paying credit metering customers to prepaid meters

Business performance (continued)

Financial sustainability (continued)

Going concern and liquidity (continued)

Eskom's cash flow performance for the year was as follows:

- cash and cash equivalents at 31 March 2015, together with liquid investment in securities, amounted to R17.4 billion (2014: R30.6 billion). The liquidity reserves consist of R4.8 billion of South African government bonds and the balance in money market assets and call deposits
- the net cash inflow from operating activities for 2015 was R27.3 billion (2014: R23.6 billion)
- cash flows used for investing during the year amounted to R56.4 billion (2014: R56.5 billion) of which the majority relates to property, plant and equipment as well as intangible assets
- the net cash inflows from financing activities for the year were R18.0 billion (2014: R41.5 billion). The raising of borrowings and the issuing of securities have been managed to match the capital expenditure. Gross debt increased by R49.5 billion (2014: R44.1 billion) during the year while R14.4 billion (2014: R8.0 billion) was repaid during the year and interest repaid during the year amounted to R17.1 billion (2014: R13.1 billion)
- the forward liquidity outlook indicates that cash and cash equivalents will be below the R20 billion liquidity buffer within the next 12 months, but will not reach zero

Funding and borrowing programme

The downgrade of Eskom's credit ratings to sub-investment grade by both Moody's and Standard & Poor's during the year could lead to increased cost of debt and reduced funding available for future borrowings or a decrease in the breadth of the investor base because of investor and trustee mandates. Investors may also request stricter loan covenants in future. Discussions have been held with development financing institutions for loans without guarantees to ensure that Eskom meets its obligations as per the loan covenants.

Eskom issued a USD1.25 billion (R14.8 billion) 10-year bond in February 2015. Eskom also raised R17.2 billion from the domestic bond markets during the year through the issuance of bonds listed under the R150 billion domestic multi-term note programme. The market holdings of Eskom company commercial paper (issued for a period up to one year) decreased from R15 billion at 31 March 2014 to R7.2 billion at 31 March 2015. Eskom signed a loan agreement with Kreditanstalt für Wiederaufbau for an amount of R3.9 billion on 31 March 2015.

Financial results

The net profit after tax for the group for the year was R3.6 billion (2014: R7.1 billion).

Revenue for the group for the year was R147.7 billion (2014: R138.3 billion). Electricity revenue of R597 million, mostly for municipalities and Soweto, was not recognised as it was assessed that there is a high probability that the related economic benefits will not materialise. Despite this, Eskom continues to actively pursue recovery of these amounts.

Electricity sales of 216 274GWh declined by 1 629GWh or 0.7% from the previous year (2014: 217 903GWh). Downscaling of operations of some mines and industries and the prolonged labour unrest resulted in a negative impact on sales numbers.

Primary energy costs (including coal, water and liquid fuels) increased to R83.4 billion (2014: R69.8 billion). Due to the generation demand-supply constraints, Eskom incurred additional costs to balance the demand-supply equation by using the expensive OCGT stations and more renewable and short-term IPPs to address the supply shortfall. The cost of OCGTs was R9.5 billion (2014: R10.6 billion) while the cost of IPPs was R9.5 billion (2014: R3.3 billion). OCGTs added 3 709GWh (2014: 3 621GWh) and IPPs 6 022GWh (2014: 3 671GWh) to the energy mix. Eskom also provided for the Medupi take or pay agreement as per the contractual obligation.

The number of employees in the group (inclusive of fixed-term contractors) decreased from 46 919 in 2014 to 46 490 this year.

The net fair value gain on embedded derivatives for the year amounted to R1.3 billion (2014: R2.1 billion). The fair value gain on financial instruments contributed R630 million to the profit in 2015 compared to a loss of R620 million in 2014.

Gross finance costs for the year were R26.5 billion (2014: R20.5 billion), mainly due to an increase in interest on debt securities and borrowings. During the year R17.4 billion (2014: R13.3 billion) of interest cost was capitalised. Gross finance costs include the interest cost in respect of the unwinding of the environmental, employee and other provisions amounting to R4.3 billion (2014: R2.7 billion).

Operational sustainability

Good transmission network performance was achieved with system minutes (less than one) measured at 2.85 against the target of 3.80.

Investments made in the distribution network continue to yield good network performance, with the SAIDI and SAIFI technical measures exceeding the targets for the year. The SAIDI performance measure improved over the last five years by 33.4% whilst the SAIFI measure improved by 20%.

Capacity of 5 701MW has been contracted with IPPs at 31 March 2015. Eskom signed contracts for a total of 3 887MW under the IPP procurement programme since inception. A total of 1 795MW of renewable IPP generation capacity has been connected and is providing power to the grid. Renewable projects with signed power purchase agreements are at various stages in the construction phase.

Over 60% of Eskom's coal-fired power stations have reached or are past their mid-life cycle and they require more regular and intense plant maintenance. Eskom experienced a significant increase in planned and unplanned outages, including the Duvha unit 3 boiler pressurisation event and the Majuba coal silo incident.

Plant availability (EAF) decreased from 85.2% to 74.7% (target 80%) over the last five years. The UCLF was 14.2% against a target of 10%. Partial load losses, boiler tube failures and significant incidents were the main contributors to the total system unplanned losses.

Sustainable asset creation

A total of 6 237MW of generating capacity, 5 816km of transmission network and 29 655MVA of transmission sub-station capacity have been completed at a cost of R265.1 billion from inception of the build programme to 31 March 2015.

The first synchronisation of Medupi unit 6 was achieved on 2 March 2015. The completion and optimisation of unit 6 is proceeding to plan, with full load expected to be achieved during the end of the second quarter of 2015 and commercial operation in the third quarter of 2015. The Sere wind farm with a generating capacity of 100MW was placed into commercial operation on 31 March 2015.

The first unit of Kusile power station will be synchronised in the first half of 2017. Limited progress was made at Ingula power station during the last year due to the section 54 work stoppage imposed in November 2013, following the fatal accident in October 2013. The date of the first synchronisation of unit 3 of Ingula has been revised to the second half of 2016.

Revenue and customer sustainability

Debt collection of outstanding electricity receivables, especially from municipalities, remains a challenge with arrear debt increasing significantly compared to the previous year. Municipal arrear debt increased from R2.6 billion in 2014 to R5 billion in 2015 and the municipal debtors' days were 47.6 against a target of 25.

Environmental sustainability

The Department of Environmental Affairs issued its decisions on Eskom's Minimum Emission Standards postponement applications in February 2015. The decisions allowed power stations to continue operating from 1 April 2015 when the new standards became effective. Several power stations are reaching the end of their current ash storage capacity which may impact on electricity production if extensions to storage facilities are not done. These challenges are being addressed, including obtaining of the relevant funding.

The particulate emission performance for the year was 0.37kg/MWhSO, worse than the year-end target of 0.35kg/MWhSO. Water performance for the year was slightly better than target at 1.38L/kWhSO, but worse than the 1.35L/kWhSO reported in the previous year.

Transformation and social sustainability

Eskom committed R115.5 million for its corporate social investment initiatives for the year. Financial constraints resulted in a lower budget than in prior years, leading to the reprioritisation and deferring of certain initiatives. A total of 159 853 (2014: 201 788) electrification connections were achieved during the year.

Safety and security

Eskom's aspiration to achieve Zero Harm goes beyond compliance. Zero Harm means sustaining a work environment which supports the health and safety of its people. It also means building strong relationships with contractors, the community, the supply chain and enhancing the organisation in a sustainable way.

Eskom sadly experienced three employee fatalities, seven contractor fatalities and 28 public fatalities during 2015.

Governance and risk

Directors

Eskom's board of directors is responsible for governing the company. The non-executive directors, including the chairman of the board and the chief executive, are appointed by the shareholder. The finance director is appointed by the board after approval of the candidate by the shareholder. The chairman cannot hold an executive position in the company and therefore cannot also be the chief executive.

Mr TJ Matona was appointed as the chief executive of Eskom with effect from 1 October 2014. Mr MC Matjila, who acted as interim chief executive since 1 April 2014, resumed his position as a member of the board from that date.

The cabinet approved the new board on 11 December 2014, which included four directors who were retained from the previous board – Mr ZA Tsotsi (chairman), Ms C Mabude, Mr TJ Matona (chief executive), Ms TBL Molefe (finance director).

The chairman announced the suspension of two executive directors and two group executives following a board resolution to commission an independent enquiry on the current status of the business and its challenges. The independent enquiry will focus on the following:

- poor performance of the generation plant assets
- delay in bringing new generation capacity online
- escalating costs of primary energy
- cash flow challenges

The suspension is for three months and is to ensure that the enquiry process is as transparent and uninhibited as possible. The suspended executives are the chief executive (Mr TJ Matona), the finance director (Ms TBL Molefe), the group executive: Group capital (Mr DL Marokane) and the group executive: Technology and commercial (Mr M Koko).

A non-executive board member, Mr ZW Khoza, was appointed as interim chief executive. Ms NS Veleti was appointed as acting chief financial officer, Mr AA Masango as acting group executive: Group capital and Mr ET Mabelane as acting group executive: Commercial and technology.

Mr ZA Tsotsi resigned on 30 March 2015 from his position as director and chairman of the board and on the same day Dr B Ngubane was appointed acting chairman of Eskom.

Mr B Molefe was appointed as acting chief executive on 20 April 2015.

Governance and risk (continued)

Directors (continued)

Mr NT Baloyi was removed as a non-executive director on 22 April 2015 by the Minister of Public Enterprises due to a breach of fiduciary duties in terms of section 76 of the Companies Act. The auditors have, in accordance with the requirements of section 44 of the Auditing Profession Act, reported this matter to the Independent Regulatory Board for Auditors as a reportable irregularity.

Ms M Cassim and Mr G Leonardi have been appointed as non-executive directors with effect from 25 May 2015.

Eskom and Mr TJ Matona reached a mutual agreement to separate amicably effective 31 May 2015. The enquiry initiated by the board into the state of affairs at Eskom will continue. Mr Matona's suspension falls away and the separation is in no way an anticipation of the outcomes of the enquiry.

The board of directors at 28 May 2015 was as follows:

Non-executive directors

- Dr B Ngubane (acting chairman)
- Ms N Carrim
- Ms M Cassim
- Mr ZW Khoza
- Ms VJ Klein
- Mr R Kumalo
- Mr G Leonardi
- Ms C Mabude
- Ms DV Naidoo
- Dr P Naidoo
- Mr MV Pamensky

Executive directors

- Mr TJ Matona (chief executive)
- Ms TBL Molefe (finance director)

The following directors retired or resigned:

- Mr NT Baloyi
- Dr BL Fanaroff
- Ms Q Gungubele
- Ms N Lesela
- Ms B Luthuli
- Ms Y Masithela
- Mr MC Matjila
- Dr B Mehlomakulu
- Mr ME Mkwanazi
- Mr SPQ Sedibe
- Mr ZA Tsotsi
- Ms L Zondo

Directors' remuneration

The remuneration of directors and the executives who were members of Exco during the financial year is disclosed in note 49 to the annual financial statements.

Internal control and combined assurance

The board, through the audit and risk committee, ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. In line with King Code of Governance Principles for South Africa, Eskom applies a combined assurance model to ensure coordinated assurance activities. This model gives the audit and risk committee an overview of significant risks, as well as the effectiveness of critical controls to mitigate these risks. The principles for the combined assurance model are embedded in the combined assurance framework. Eskom's internal audit function is managed by the assurance and forensics department which reports directly to the audit and risk committee.

For more information, refer to the audit and risk committee report on page 3.

Risks facing Eskom

The risk profile of Eskom changed significantly during the year, driven by challenges associated with the shortage of electricity supply which has led to the need to implement load shedding and load curtailment across the country and the continued financial constraints affecting the ability to sustain operations.

Auditors

The shareholder appointed the SizweNtsalubaGobodo Inc consortium as external auditors for the Eskom group at the annual general meeting held on 11 July 2014.

Independent auditors' report to Parliament and the shareholder – Minister of Public Enterprises

Report on the financial statements

Introduction

We have audited the financial statements of the group and of Eskom Holdings SOC Ltd (Eskom) set out on pages 16 to 109, which comprise the statements of financial position as at 31 March 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information to the financial statements.

Directors' responsibility for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act (PFMA) and the Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility for the financial statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group and Eskom as at 31 March 2015 and their financial performance and cash flows for the year then ended, in accordance with IFRS and the requirements of the PFMA and the Companies Act.

Emphasis of matter

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

Going concern

Without qualifying our opinion, we draw attention to note 4.4 of these financial statements regarding the directors' assumptions made in preparing these financial statements on the going-concern basis.

Additional matter

Independent enquiry

The directors' report on page 11 indicates that the board of directors of Eskom commissioned an independent enquiry on the status of its business and the challenges it faces. To ensure that the process is transparent and uninhibited the board of directors suspended four executives on 12 March 2015 for a period of three months for the envisaged duration of the enquiry.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2015, we have read the report of the audit and risk committee, the statement by the company secretary and the directors' report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. We have not audited these reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

Reportable irregularities

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act (APA), we report that we have identified certain unlawful acts committed by persons responsible for the management of Eskom which may be breaches of material fiduciary duties to the company which constitute reportable irregularities in terms of the APA and have reported these matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described under the *Governance and risk* section in the directors' report and in note 51 of the financial statements. The conduct as described is to the best of our knowledge, no longer occuring.

Public Audit Act Requirements

In accordance with the PAA and the *General Notice* issued in terms thereof, we report the following findings relevant to the reported performance against predetermined objectives, compliance with laws and regulations as well as internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the *Performance in terms of the shareholder compact* section included in the directors' report as set out on pages 5 to 9 of the financial statements and reported thereon to the directors. The procedures performed were limited to the following selected objectives:

- focus on safety
- sustainable asset base whilst ensuring security of supply
- put the customer at the centre
- improve operations
- implementing coal haulage and the road-to-rail migration plan
- maximise socio-economic contribution: procurement equity
- maximise socio-economic contribution: employment equity

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets are well defined, verifiable, specific, measurable and time bound and relevant as required by the National Treasury's *Framework for Managing Programme Performance Information*.

We 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 the selected objectives as reported in the *Performance in terms of the shareholder compact* section included in the directors' report.

Additional matter

Although we raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

Achievement of planned targets

Refer to the information in the *Performance in terms of the shareholder compact* section included in the directors' report as set out on pages 5 to 9 for information on the achievement of planned targets for the year.

Compliance with laws and regulations

We performed procedures to obtain evidence that the public entity had complied with laws and regulations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation, as set out in the *general notice* issued in terms of the PAA, are as follows:

Expenditure management

The accounting authority did not take effective steps to prevent irregular expenditure as required by section 51(1)(b)(ii) of the Public Finance Management Act.

Internal control

We considered internal control relevant to our audit of the financial statements, the *Performance in terms of the shareholder compact* included in the directors' report and compliance with laws and regulations, but not for expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant internal control deficiencies that resulted in our opinion and the findings on non-compliance with laws and regulations included in this report.

Leadership

The public entity did not exercise adequate oversight responsibility regarding compliance with applicable laws and regulations which resulted in instances of irregular expenditure. The public entity's executive management did not provide adequate and effective leadership based on a culture of honesty and ethical business practices protecting and enhancing the best interests of the entity.

Other reports

Investigations

During the financial year under review the group conducted investigations into alleged irregularities, fraud and corruption within the procurement environment. No material findings were identified relating to the investigations completed during the year. At the reporting date, certain investigations are still ongoing.

Audit related services

As requested by Eskom Holdings SOC Ltd, the following engagement was conducted for the period 1 April 2014 to 31 March 2015:

- National Treasury Public Entity Consolidation Template

SizweNtsalubaGobodo Inc
Registered auditor

SizweNtsalubaGobodo Inc.

Per A Mthimunye
Chartered Accountant (SA)
Director

28 May 2015

20A Morris Street East
Woodmead
2191

Statements of financial position

at 31 March 2015

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Assets					
Non-current assets		505 198	439 869	498 326	433 440
Property, plant and equipment	6	455 977	401 373	457 468	402 207
Intangible assets	7	2 904	3 016	2 746	2 810
Investment in equity-accounted investees	8	348	318	95	95
Investment in subsidiaries	9	–	–	455	2 337
Future fuel supplies	10	9 079	8 744	9 079	8 744
Deferred tax	11	230	339	–	–
Investment in securities	12	2 481	4 841	2 481	4 841
Loans receivable	13	8 646	8 654	–	–
Derivatives held for risk management	14	19 242	9 361	19 242	9 361
Finance lease receivables	15	500	520	500	520
Payments made in advance	16	3 004	2 676	3 003	2 509
Trade and other receivables	17	2 787	27	3 257	16
Current assets		57 686	64 977	59 442	66 862
Inventories	18	16 033	12 422	15 896	12 135
Taxation		94	47	–	–
Investment in securities	12	6 015	6 066	2 321	3 319
Loans receivable[1]	13	269	329	6 553	6 665
Derivatives held for risk management	14	709	2 812	709	2 812
Finance lease receivables	15	20	18	20	18
Payments made in advance	16	2 505	2 764	2 261	2 761
Trade and other receivables	17	16 856	16 578	18 553	16 882
Financial trading assets	19	6 322	4 265	5 143	3 226
Cash and cash equivalents	20	8 863	19 676	7 986	19 044
Non-current assets held-for-sale	21	–	147	–	–
Total assets		562 884	504 993	557 768	500 302
Equity					
Capital and reserves attributable to owner of the company		122 247	119 784	116 040	114 671
Liabilities					
Non-current liabilities		366 002	310 915	364 020	308 716
Debt securities and borrowings	24	277 458	234 562	275 954	233 042
Embedded derivatives	25	6 647	7 871	6 646	7 870
Derivatives held for risk management	14	520	310	520	310
Deferred tax	11	20 131	19 461	19 825	18 842
Deferred income	26	14 055	12 518	14 055	12 518
Employee benefit obligations	27	11 960	9 922	11 665	9 674
Provisions	28	31 078	21 157	31 039	21 093
Finance lease payables	29	474	488	637	705
Trade and other payables	30	1 015	1 037	1 015	1 073
Payments received in advance	31	2 664	3 589	2 664	3 589
Current liabilities		74 635	74 181	77 708	76 915
Debt securities and borrowings[2]	24	19 976	20 258	22 176	22 227
Embedded derivatives	25	1 375	1 461	1 375	1 461
Derivatives held for risk management	14	2 845	1 197	2 845	1 197
Deferred income	26	863	774	863	774
Employee benefit obligations	27	3 926	4 561	3 661	4 256
Provisions	28	9 972	9 601	9 807	9 102
Finance lease payables	29	14	12	70	64
Trade and other payables	30	27 984	28 531	29 267	30 062
Payments received in advance	31	2 157	2 127	2 145	2 114
Taxation		24	1	–	–
Financial trading liabilities	19	5 499	5 658	5 499	5 658
Non-current liabilities held-for-sale	21	–	113	–	–
Total liabilities		440 637	385 209	441 728	385 631
Total equity and liabilities		562 884	504 993	557 768	500 302

1. *Loans to subsidiaries of R6 553 million (2014: R6 665 million) that were previously disclosed separately are now included in loans receivable as the nature is considered to be the same.*
2. *Loans from subsidiaries of R2 559 million (2014: R2 453 million) that were previously disclosed separately are now included in debt securities and borrowings as the nature is considered to be the same.*

Income statements

for the year ended 31 March 2015

		Group		Company	
	Note	2015 Rm	Restated[1] 2014 Rm	2015 Rm	Restated[1] 2014 Rm
Continuing operations					
Revenue	32	147 691	138 313	147 691	138 313
Other income	33	4 444	1 441	6 645	1 873
Primary energy	34	(83 425)	(69 812)	(83 425)	(69 812)
Net employee benefit expense	35	(25 912)	(25 622)	(22 187)	(22 384)
Depreciation and amortisation expense	36	(14 115)	(11 937)	(14 001)	(11 934)
Net impairment loss	37	(3 766)	(1 557)	(3 755)	(1 549)
Other expenses	38	(15 771)	(19 177)	(22 083)	(24 340)
Profit before net fair value gain/(loss) and net finance cost		9 146	11 649	8 885	10 167
Net fair value gain/(loss) on financial instruments, excluding embedded derivatives	39	630	(620)	539	(753)
Net fair value gain on embedded derivatives		1 310	2 149	1 310	2 149
Profit before net finance cost		11 086	13 178	10 734	11 563
Net finance cost		(6 109)	(4 058)	(6 769)	(4 619)
Finance income	40	2 996	3 189	2 360	2 622
Finance cost	41	(9 105)	(7 247)	(9 129)	(7 241)
Share of profit of equity-accounted investees after tax	8	49	43	–	–
Profit before tax		5 026	9 163	3 965	6 944
Income tax	42	(1 366)	(2 137)	(1 169)	(1 520)
Profit for the year from continuing operations		3 660	7 026	2 796	5 424
Discontinued operations					
(Loss)/profit for the year from discontinued operations	21	(42)	63	–	–
Profit for the year		3 618	7 089	2 796	5 424
Attributable to:					
Owner of the company		3 618	7 089	2 796	5 424
Non-controlling interest[2]		–	–	–	–
		3 618	7 089	2 796	5 424

Statements of comprehensive income

for the year ended 31 March 2015

		Group		Company	
	Note	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Profit for the year		3 618	7 089	2 796	5 424
Other comprehensive (loss)/income		(1 155)	3 556	(1 162)	3 605
Items that may be reclassified subsequently to profit or loss		(501)	2 925	(525)	2 948
Available-for-sale financial assets – net change in fair value		(63)	(377)	(64)	(376)
Cash flow hedges					
Effective portion of changes in fair value		471	5 697	471	5 697
Changes in fair value		528	5 951	528	5 951
Ineffective portion of changes in fair value reclassified to profit or loss		(57)	(254)	(57)	(254)
Net amount transferred to initial carrying amount of hedged items		(1 136)	(1 226)	(1 136)	(1 226)
Foreign currency translation differences on foreign operations		24	(23)	–	–
Income tax thereon	42	203	(1 146)	204	(1 147)
Items that may not be reclassified subsequently to profit or loss		(654)	631	(637)	657
Re-measurement of post-employment medical benefits	27.1	(909)	882	(884)	912
Income tax thereon	42	255	(251)	247	(255)
Total comprehensive income for the year		2 463	10 645	1 634	9 029
Total comprehensive income for the year attributable to:					
Owner of the company		2 463	10 645	1 634	9 029
Non-controlling interest[2]		–	–	–	–
		2 463	10 645	1 634	9 029

1. *Refer to note 48.*
2. *Nominal amount.*

Statements of changes in equity

for the year ended 31 March 2015

	Attributable to owner of the company									
	Share capital[1]	Equity reserve[2]	Cash flow hedge reserve[3]	Available-for-sale reserve[4]	Unrealised fair value reserve[5]	Foreign currency translation reserve[6]	Accumulated profit[7]	Total	Non-controlling interest[1]	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Group										
Balance at 31 March 2013	–	30 520	2 959	321	(3 648)	17	78 970	109 139	–	109 139
Profit for the year	–	–	–	–	–	–	7 089	7 089	–	7 089
Other comprehensive income/(loss), net of tax	–	–	3 219	(271)	–	(23)	631	3 556	–	3 556
Transfer between reserves	–	–	–	–	(4 096)	–	4 096	–	–	–
Balance at 31 March 2014	–	30 520	6 178	50	(7 744)	(6)	90 786	119 784	–	119 784
Profit for the year	–	–	–	–	–	–	3 618	3 618	–	3 618
Other comprehensive (loss)/income, net of tax	–	–	(479)	(46)	–	24	(654)	(1 155)	–	(1 155)
Transfer between reserves	–	–	–	–	3 973	–	(3 973)	–	–	–
Balance at 31 March 2015	–	30 520	5 699	4	(3 771)	18	89 777	122 247	–	122 247
Company										
Balance at 31 March 2013	–	30 520	2 959	322	(3 648)	–	75 489	105 642	–	105 642
Profit for the year	–	–	–	–	–	–	5 424	5 424	–	5 424
Other comprehensive income/(loss), net of tax	–	–	3 219	(271)	–	–	657	3 605	–	3 605
Transfer between reserves	–	–	–	–	(4 096)	–	4 096	–	–	–
Balance at 31 March 2014	–	30 520	6 178	51	(7 744)	–	85 666	114 671	–	114 671
Profit for the year	–	–	–	–	–	–	2 796	2 796	–	2 796
Other comprehensive loss, net of tax	–	–	(479)	(46)	–	–	(637)	(1 162)	–	(1 162)
Transfer between reserves	–	–	–	–	3 973	–	(3 973)	–	–	–
Common control transfer[8]	–	–	–	–	–	–	(265)	(265)	–	(265)
Balance at 31 March 2015	–	30 520	5 699	5	(3 771)	–	83 587	116 040	–	116 040

Dividends proposed

No dividend has been proposed in the current or prior year.

There are no restrictions on the distribution of dividends.

1. *Nominal amount.*
2. *The equity reserve comprises the day-one gain on initial recognition of the subordinated loan from the shareholder. Refer to note 24.*
3. *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 risk of the future interest payments and the principal repayment on 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 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.*
6. *The foreign currency translation reserve comprises exchange differences resulting from the translation of the results and financial position of foreign operations.*
7. *Accumulated profit is the amount of cumulative profit retained in the business after tax.*
8. *Refer to note 9.*

Statements of cash flows

for the year ended 31 March 2015

	Note	Group 2015 Rm	Group Restated[1] 2014 Rm	Company 2015 Rm	Company Restated[1] 2014 Rm
Cash flows from operating activities					
Cash generated from operations	43	**27 528**	22 841	**25 450**	22 733
Net cash flows (used in)/from derivatives held for risk management		**(751)**	676	**(751)**	676
Interest received		**697**	445	**696**	443
Interest paid		**(10)**	(136)	**(10)**	(136)
Income taxes paid		**(153)**	(184)	**–**	–
Net cash from operating activities		**27 311**	23 642	**25 385**	23 716
Cash flows used in investing activities					
Proceeds from disposal of property, plant and equipment		**139**	28	**136**	23
Proceeds from disposal of intangible assets		**19**	–	**19**	–
Acquisitions of property, plant and equipment		**(51 578)**	(52 137)	**(50 409)**	(52 658)
Acquisitions of intangible assets		**(846)**	(1 023)	**(795)**	(953)
Expenditure on future fuel supplies		**(1 999)**	(2 675)	**(1 999)**	(2 675)
Increase in payments made in advance		**(966)**	(2 088)	**(966)**	(2 088)
Expenditure incurred on provisions		**(1 670)**	(1 349)	**(1 670)**	(1 349)
Net cash flows from derivatives held for risk management		**253**	2 747	**253**	2 747
Decrease in investment in securities		**(946)**	(310)	**–**	–
Net cash flows used in financial trading assets		**(20)**	(221)	**–**	–
Decrease/(increase) in loans receivable		**77**	(459)	**135**	(442)
Decrease in finance lease receivables		**20**	17	**20**	17
Net cash flows from non-current assets and liabilities held-for-sale	21	**1**	7	**–**	–
Proceeds from disposal of subsidiaries	21	**14**	–	**–**	–
Dividends received		**29**	27	**19**	21
Dividends received – investment in equity-accounted investees	8	**19**	21	**–**	–
Interest received		**1 068**	954	**465**	394
Net cash used in investing activities		**(56 386)**	(56 461)	**(54 792)**	(56 963)
Cash flows from financing activities					
Debt securities and borrowings raised		**49 500**	44 142	**50 559**	44 155
Payments made in advance to secure balances raised		**(187)**	(521)	**(187)**	(521)
Debt securities and borrowings repaid		**(14 429)**	(8 014)	**(15 251)**	(7 488)
Net cash flows (used in)/from derivatives held for risk management		**(1 982)**	7 751	**(1 982)**	7 751
Decrease in investment in securities		**3 071**	6 058	**3 071**	6 058
Decrease in finance lease payables		**(111)**	(11)	**(163)**	(58)
Net cash flows used in financial trading assets		**(2 534)**	(1 250)	**(2 534)**	(1 250)
Net cash flows from financial trading liabilities		**241**	4 383	**241**	4 383
Interest received		**1 449**	2 083	**1 417**	2 047
Interest paid		**(17 064)**	(13 102)	**(17 106)**	(13 120)
Net cash from financing activities		**17 954**	41 519	**18 065**	41 957
Net (decrease)/increase in cash and cash equivalents		**(11 121)**	8 700	**(11 342)**	8 710
Cash and cash equivalents at beginning of the year		**19 676**	10 620	**19 044**	9 830
Foreign currency translation		**24**	(23)	**–**	–
Effect of movements in exchange rates on cash held		**284**	504	**284**	504
Cash and cash equivalents at beginning of the year attributable to non-current assets and liabilities held-for-sale		**–**	(125)	**–**	–
Cash and cash equivalents at end of the year	20	**8 863**	19 676	**7 986**	19 044

1. *Refer to note 48.*

	Note	Group 2015 Rm	Group Restated[1] 2014 Rm	Company 2015 Rm	Company Restated[1] 2014 Rm
Reconciliation of net cash flow to movement in net debt					
Net increase in debt securities and borrowings		35 071	36 128	35 308	36 667
Net cash flows used in financial trading assets		(2 534)	(1 250)	(2 534)	(1 250)
Net cash flows from financial trading liabilities		241	4 383	241	4 383
Decrease in finance lease payables		(111)	(11)	(163)	(58)
Net cash flows (used in)/from derivatives held for risk management		(2 480)	11 174	(2 480)	11 174
Decrease in investment in securities		3 071	6 058	3 071	6 058
Decrease/(increase) in loans receivable		77	(459)	135	(442)
Net debt raised		33 335	56 023	33 578	56 532
Non-cash flow movements		4 696	503	4 695	464
Foreign currency translation		(24)	23	–	–
Effect of movements in exchange rates on cash held		(284)	(504)	(284)	(504)
Cash and cash equivalents at beginning of the year attributable to non-current assets and liabilities held-for-sale		–	125	–	–
Net decrease/(increase) in cash and cash equivalents		11 121	(8 700)	11 342	(8 710)
Movement in net debt for the year		48 844	47 470	49 331	47 782
Net debt at beginning of the year		210 267	162 797	213 935	166 153
Net debt at end of the year		259 111	210 267	263 266	213 935
Analysis of net debt					
Debt securities and borrowings	24	297 434	254 820	298 130	255 269
Financial trading assets		(5 143)	(3 226)	(5 143)	(3 226)
Financial trading liabilities	19	5 499	5 658	5 499	5 658
Finance lease payables	29	488	500	707	769
Derivatives held for risk management	14	(16 586)	(10 666)	(16 586)	(10 666)
		281 692	247 086	282 607	247 804
Cash and cash equivalents	20	(8 863)	(19 676)	(7 986)	(19 044)
Investment in securities		(4 802)	(8 160)	(4 802)	(8 160)
Loans receivable	13	(8 915)	(8 983)	(6 553)	(6 665)
Net debt at end of the year		259 112	210 267	263 266	213 935

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 industrial, mining, commercial, agricultural, redistributors (ie municipalities), and residential customers and to international customers in southern Africa. These represent the significant activities of the group. The business focus of the subsidiaries is to primarily support the electricity business. The nature of the businesses of the significant operating subsidiaries is set out in note 9.

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 at and for the year ended 31 March 2015 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 International Financial Reporting Standards (IFRS) and in the manner required by the Public Finance Management Act (PFMA), and the Companies Act. The financial statements have been prepared on the going-concern basis.

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:

- investment in securities
- derivatives held for risk management
- financial trading assets
- financial trading liabilities
- embedded derivatives
- non-current assets and liabilities held-for-sale

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional 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 and comparability

The group has consistently applied the accounting policies to all periods presented in these consolidated financial statements except for the new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in note 50.2.

2.2 Consolidation

Investment in subsidiaries

Subsidiaries are entities (including structured entities) controlled by the group. The group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity's relevant activities. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment losses in the separate financial statements of the company.

Disposal of subsidiaries

When the group ceases to have control in an entity, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

Business combinations (continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been adjusted where necessary, to ensure consistency with the policies adopted by the group.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with International Accounting Standard (IAS) 39 *Financial instruments: recognition and measurement* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Transactions with non-controlling interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. For such purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Joint arrangements

A joint venture is an arrangement in which the group has joint control whereby the group has rights to the net assets of the arrangement, rather than direct rights to its assets and direct obligations for its liabilities.

A joint operation is an arrangement in which the group has joint control whereby the group has direct rights to the assets and obligations for the liabilities relating to the arrangement. The group entity that is a joint operator of a joint operation accounts for its portion of the following in its separate financial statements:
- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly
- revenue from the sale of its share of the output arising from the joint operation
- share of the revenue from the sale of the output by the joint operation
- expenses, including its share of any expenses incurred jointly

Common control transactions

The group accounts for common control transactions in the consolidated financial statements using the book value (predecessor) method of accounting. In applying the book value method, the acquirer in a common control transaction recognises the assets and liabilities acquired using the book values in the financial statements of the relevant entity. Any difference between the consideration paid and the book values of the assets and liabilities acquired is recognised directly in equity. Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value in the company's annual financial statements with no gain or loss recognised in profit or loss.

The company also accounts for common control transactions in the separate financial statements using the book value method of accounting. In applying the book value method, the acquirer recognises the cost of its investment at the carrying amount of the investment recognised in the separate financial statements of the transferring entity. Any difference between the consideration paid and the cost of investment acquired is recognised directly in equity.

Investment in equity-accounted investees

Associates are all entities over which the group has significant influence but not control or joint control over the financial and operating policies, generally linked to a shareholding of 20% or more of the voting rights.

Investments in associates and joint ventures are accounted for at cost less impairment losses in the separate financial statements of the company. These investments are accounted for using the equity method of accounting in the financial statements of the group.

The group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in profit or loss within *share of profit of equity-accounted investees*, and its share of post-acquisition movements in other comprehensive income is recognised directly in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in the associates or joint ventures. Unrealised losses are also eliminated, but are considered an impairment indicator of the asset transferred. Accounting policies of associates or 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 are prepared as of a different date to that of the group, adjustments are made to the financial statements of the associate or joint venture for significant transactions and events that occur between the date of the financial statements of the associate or joint venture and the date of the financial statements of the group to enable the financial statements of the associate or joint venture to be used for the equity accounting of the associate or joint venture. The maximum time period between the date of the financial statements of the associate or joint venture and the date of financial statements of the group is three months.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group's executive management committee (Exco).

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. An operating segment's results are reviewed regularly by Exco to make decisions about resources to be allocated to the segment and assess performance, and for which discrete financial information is available.

2.4 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income within *available-for-sale financial assets*.

Non-monetary items are measured at historical cost. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are recognised in other comprehensive income within *available-for-sale financial assets*.

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 loans and receivables, debt securities and borrowings are presented in profit or loss within *net fair value gain/loss on financial instruments, excluding embedded derivatives*.

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, excluding foreign operations in hyperinflationary economies, are translated to rands at the average exchange rate. The group does not have any foreign operations in hyperinflationary economies.

Foreign currency differences arising as a result of the above are recognised in other comprehensive income within the *foreign currency translation reserve*.

2.5 Property, plant and equipment

Land and buildings comprise mainly office, power station, substation, workshop and related buildings.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes:

- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period
- borrowing costs (refer to note 2.8)
- transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 in which they are incurred.

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Works under construction are stated at cost which includes cost of materials and direct labour and any other directly attributable costs incurred in bringing it to its present location and condition.

Spare parts classified as strategic and critical spares are recognised as property, plant and equipment.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings and facilities	10 to 40
Plant	
• Generation	6 to 80
• Transmission	5 to 40
• Distribution	10 to 35
• Test, telecommunication and other plant	3 to 20
Equipment and vehicles	1 to 10

The depreciation method, residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included 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*.

2.6 Intangible assets

Licences

Licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over a period of two to five years in order to allocate the cost of licences over their estimated useful life.

Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method over a period of two to five years in order to allocate the cost of computer software over their estimated useful life. If software is integral to the functionality of related equipment, then it is capitalised as part of the equipment.

Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised as above. Costs include employee costs incurred as a result of developing software, borrowing costs if relevant (refer to note 2.8) and other directly attributable costs. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Rights

Rights consist mainly of servitudes and rights of way under power lines. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to Eskom for an indefinite period. The life of the servitude will remain in force as long as the transmission or distribution line is used to transmit electricity. Normally a servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice, a derecognised line will be refurbished or replaced by a new line and therefore the likelihood of an impairment of a servitude right is remote.

Concession assets

Concession assets consists of rights to charge for the usage of the infrastructure under service concession arrangements. Concession assets are capitalised on the basis of the cost of capital expenditure incurred in respect of service concession arrangements (which is the fair value at initial recognition), including borrowing costs on qualifying capital expenditures (refer to note 2.8). Subsequent to initial recognition, the concession assets are measured at cost less accumulated amortisation and impairment losses. Concession assets are amortised over their estimated useful life, which is the concession period during which they are available for use (refer to note 2.9 and 22). Intangible assets arising from a service concession arrangement are included within *intangible assets* under *concession assets*.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset
- it can be demonstrated how the intangible asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available
- the expenditure attributable to the intangible asset during its development can be measured reliably

Other development expenditure that does not meet these criteria is recognised in profit or loss within *other expenses*. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development costs previously capitalised that have been discontinued are written off and included in *other expenses*.

2.7 Impairment of non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories, deferred tax assets and tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. These assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life (servitude rights) are not subject to amortisation or depreciation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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 *net impairment loss*.

2.8 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, to the extent that the assets are financed by borrowings. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings of the entities in the group unless an asset is financed by a specific loan, in which case the specific rate is used.

2.9 Service concession arrangements

A service concession arrangement is an arrangement involving an operator constructing and/or upgrading, operating and maintaining infrastructure used to provide a public service for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes. The grantor (the party that grants the service arrangement) controls the infrastructure and the operator is required to return to the grantor the infrastructure at the end of the arrangement.

Financial asset

The group recognises a financial asset arising from a service concession arrangement to the extent that it has an unconditional right to receive cash or another financial asset from or at the direction of the grantor, for the construction, upgrade or operation services of concession assets. Financial assets recognised as a result of the service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is accounted for in accordance with IAS 39 *Financial instruments: recognition and measurement* (refer to note 2.11). Financial assets arising from a service concession arrangement are included within trade and other receivables under other receivables (refer to note 17).

Operation services

The group accounts for revenue relating to operation services in accordance with IAS 18 *Revenue* whereby it is recognised in profit or loss within *other income*.

Contractual obligations to maintain and restore the infrastructure

The group accounts for the contractual obligations to maintain or restore the infrastructure in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*. The provision to restore the infrastructure is included within *provisions*.

2.10 Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time. An assessment in terms of International Financial Reporting Interpretation Committee (IFRIC) 4 *Determining whether an arrangement contains a lease* is made, as to whether the arrangement is dependent on the use of a specific asset and the arrangement conveys the right to use an asset to determine if an arrangement contains a lease (refer to note 6, 15 and 29).

Finance leases – where the group is the lessee

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to profit or loss within *finance cost* over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated or amortised over the shorter of the useful life of the asset and the lease term.

Finance lease payables are derecognised in accordance with the derecognition requirements for financial liabilities. Derivatives embedded in leases are accounted for in accordance with the requirements for embedded derivatives. Refer to note 2.11.

2. Summary of significant accounting policies (continued)

2.10 Leases (continued)

Finance leases – where the group is the lessor

When property, plant and equipment are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. 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. Derivatives embedded in leases are accounted for in accordance with the requirements for embedded derivatives. Refer to note 2.11.

Fair value

The fair value of finance lease receivables and finance lease payables is determined by discounting the future cash flows with respect to the finance lease at the interest rate implicit in the lease.

Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the group are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss within *other expenses* on a straight-line basis over the period of the lease.

Leases where substantially all of the risks and rewards of ownership are not transferred to the lessee (ie the group is the lessor) 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.

2.11 Financial instruments

2.11.1 Non-derivative financial instruments

Recognition, measurement and derecognition of financial assets

Non-derivative financial assets comprise *investment in securities, financial trading assets, loans receivable, trade and other receivables, finance lease receivables* and *cash and cash equivalents*.

Cash and cash equivalents comprise balances with local and international banks, monies in call accounts, unsettled deals, short-term assets and money market assets with an original maturity of less than 90 days. Bank overdrafts are included within debt securities and borrowings in current liabilities on the statement of financial position.

All non-derivative financial assets are recognised on the date of commitment to purchase (trade date). Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the group has transferred substantially all the risks and rewards of ownership. Realised gains or losses on derecognition are determined using the last-in-first-out (LIFO) method.

Non-derivative financial assets net of any directly attributable transaction costs are recognised initially at fair value. Directly attributable transaction costs related to financial assets at fair value through profit or loss are recognised in profit or loss on initial recognition when incurred. Subsequent to initial recognition, non-derivative financial assets are measured per asset category (as stated below). The appropriate classification of the financial asset is determined at the time of commitment to acquire the financial asset.

When entering into a transaction, the financial instrument is recognised initially at the transaction price which is generally the best indicator of fair value. Where fair value of the financial instrument is different from the transaction price a day-one gain or loss may arise. The day-one gain or loss is immediately recognised in profit or loss (except for embedded derivatives and the subordinated loan from shareholder) within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*, provided that the fair value has been determined based on market-observable data. If the fair value has not been determined solely 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.

Financial assets at fair value through profit or loss (held-for-trading)

Held-for-trading assets comprises financial trading assets. An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. An instrument may only be designated at fair value through profit or loss when certain criteria are met. The group has elected not to designate financial assets at fair value through profit or loss.

A financial asset is classified as held-for-trading if it is:
- acquired for the purpose of selling it in the short term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking
- a derivative instrument

Subsequent to initial recognition, changes in the fair value of these financial assets are recognised in profit or loss within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*.

Loans and receivables

Loans and receivables comprises trade and other receivables, loans receivable and cash and cash equivalents. The trade and other receivables of the group are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that management intends to sell immediately or in the short term, which are classified as held-for-trading
- those that upon initial recognition are designated as available-for-sale
- those for which the group may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Impairment

A review for impairment indicators is carried out at each financial year end to determine whether there is any objective evidence that a financial asset not carried at fair value through profit or loss is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost or adverse changes in the technological, market or economic environment in which the entity operates are considered to be indicators that the securities are impaired.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss within *net impairment loss*.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss within *net impairment (loss)/reversal*.

Where an asset has been impaired, the carrying amount of the asset is reduced through an allowance account.

Loans and receivables that would otherwise have been impaired but have been renegotiated are initially accounted for as impaired debt immediately after having been renegotiated. Once a payment history in terms of the renegotiated agreement is established, the same impairment assessment as applicable to debt that has not been renegotiated is applied to assess whether the debt then should be impaired or not.

Available-for-sale financial assets

Available-for-sale assets comprises investment in securities. Available-for-sale financial assets are those assets that are designated as such or do not qualify to be classified as fair value through profit or loss, held-to-maturity or loans and receivables.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses (for monetary items), are recognised in other comprehensive income within *available-for-sale financial assets*. When the asset is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Impairment

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Fair value

The fair values of trading assets and available-for-sale assets are based on quoted bid prices if available. For assets that are not quoted in an active market, valuation techniques are used. Where pricing models are used, inputs are based on market-related measures at the reporting date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a financial asset with similar terms and conditions at the reporting date.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

2.11.1 Non-derivative financial instruments (continued)

Recognition, measurement and derecognition of financial liabilities

Non-derivative financial liabilities comprise *debt securities and borrowings, financial trading liabilities, finance lease payables and trade and other payables*.

Non-derivative financial liabilities are recognised initially at fair value net of any directly attributable transaction costs except for financial liabilities at fair value through profit or loss. Directly attributable transaction costs related to liabilities recognised at fair value through profit or loss are recognised in profit or loss on initial recognition when incurred. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortised cost or fair value as per the relevant liability category.

All non-derivative financial liabilities are recognised on the date of commitment (trade date) and 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 LIFO method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services. The capitalised fees are amortised from the date of first drawdown to final maturity of each facility.

Financial liabilities at fair value through profit or loss (held-for-trading)

Held-for-trading liabilities comprise financial trading liabilities. An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. An instrument may only be designated at fair value through profit or loss when certain criteria are met. The group has not elected to designate financial liabilities at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is:
- incurred principally for the purpose of selling or repurchasing it in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking
- a derivative instrument

Subsequent to initial recognition, financial liabilities at fair value through profit or loss continue to be measured at fair value.

Financial liabilities at amortised cost

Financial liabilities that are not held-for-trading are classified as financial liabilities at amortised cost. Debt securities and borrowings, including foreign loans, that are not held-for-trading are classified as held at amortised cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The trade and other payables of the group are classified as financial liabilities at amortised cost.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Fair value

The fair value of financial trading liabilities is based on quoted offer prices if available. For liabilities that are not quoted in an active market, valuation techniques are used. Where pricing models are used, inputs are based on market-related measures at the reporting date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a financial liability with similar terms and conditions at the reporting date.

Market-making

Eskom partakes in market-making activities in a bid to reduce the funding cost of the company. Most investors place a premium on the liquidity of bonds and are therefore prepared to accept a lower yield (relative to alternative bonds) to invest in bonds where the issue sizes are large and deemed to be liquid. Eskom bonds used for market-making are accounted for as financial liabilities at amortised cost.

The risks of market-making include the anticipated loss on turnover, typically the bid/offer spread thereon, which is partially mitigated through repurchase agreement opportunities. In addition there is the potential negative impact on liquidity which Eskom believes is limited due to the strategy of holding sufficient liquidity buffers as well as a portfolio of liquid government bonds.

2.11.2 Financial guarantees

Recognition

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss that may occur because a specified counterparty fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised cost and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

Fair value

Financial guarantees are valued initially by taking into account discounted future cash flows adjusted according to the probability of occurrence of the trigger event. The resultant guarantee is raised as a liability, with the costs being charged to profit or loss.

The unprovided portion is disclosed as a contingent liability. As a result of using discounted cash flows, interest rate risk may arise due to the possibility of the actual yields on assets being different from the rates assumed in the discounting process.

2.11.3 Derivative financial instruments and hedging activities

Recognition

A derivative is a financial instrument whose value changes in response to an underlying variable, requires little or no initial investment and is settled at a future date. All derivatives are classified as held-for-trading instruments, unless they meet the criteria for hedge accounting and have been designated for purposes of applying hedge accounting. Derivatives are initially recognised at fair value and re-measured subsequently at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models which consider current market and contractual prices for the underlying instruments as well as the time value of money.

All derivative instruments of the group are included in the statement of financial position as derivatives held for risk management. Realised and unrealised gains or losses for derivatives used for economic hedging are recognised in profit or loss within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*. Realised and unrealised gains or losses for derivatives used for cash flow hedging are recognised in other comprehensive income within cash flow hedges.

Hedge accounting

The method of recognising the resulting gain or loss on the derivative depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Derivatives can be designated as:

- hedges of the fair value of recognised liabilities and assets (fair value hedge)
- hedges of a particular risk associated with a recognised liability, asset or a highly probable forecast transaction (cash flow hedge)
- hedges of a net investment in a foreign operation (net investment hedge)

The group applies only cash flow hedge accounting.

Cash flow hedges

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. 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.

Movements on the hedging reserve are shown in other comprehensive income within *cash flow hedges*. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining period of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining period of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Insignificant day-one gains and losses are expensed in profit or loss while significant day-one gains and losses are deferred in the statement of financial position (derivatives held for risk management) and then amortised over the term of the hedging instrument in profit or loss. Day-one gains and losses on hedging instruments are predominantly a function of the inclusion of credit, liquidity and basis risk 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 portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income within *cash flow hedges*. The gain or loss relating to the ineffective portion and the forward points portion which is not designated (as part of the hedge) is recognised immediately in profit or loss within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*.

When the forecast transaction occurs, any cumulative gain or loss existing in other comprehensive income at that time is included in the initial cost or other carrying amount of the asset or 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. When 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 gain/(loss) on financial instruments, excluding embedded derivatives*.

Economic hedging

Certain derivative instruments do not qualify for hedge accounting and are used for economic hedging. Changes in the fair value of these derivative instruments are recognised in profit or loss within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*.

2.11.4 Repurchase and resale agreements

Securities sold subject to repurchase agreements are disclosed in the financial statements as *financial trading assets*. The liability to the counterparty is recorded as repurchase agreements and is included in *financial trading liabilities*.

Securities purchased under agreements to resell are recorded as repurchase agreements and are included in *financial trading assets* or in *investments in securities*.

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. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

2.11.5 Embedded derivatives

Recognition

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to those of a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, or other variable. The hybrid contract is the entire contract and the host contract is the main body of the contract excluding the embedded derivative.

An embedded derivative is separated from the host contract and accounted for as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative
- the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss

The determination of the host contract of an electricity contract (which includes an embedded derivative) is based on the standard electricity tariff specified in the contract and where no standard tariff is specified, the tariff that would best fit the profile of such a customer.

Fair value

Embedded derivatives are disclosed separately from derivatives held for risk management. The changes in fair value are included in *net fair value gain/(loss) on embedded derivatives* in profit or loss. The impact of the fair value gains or losses is taken into account in the calculation of current and deferred taxation.

Embedded derivatives that are not separated are effectively accounted for as part of the hybrid instrument.

Non-option based derivatives are separated on terms that result in a fair value at the date of inception of zero. 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 a day-one gain/(loss). These day-one gains or losses are spread equally over the period of the agreement. The fair value will depend on the strike price at inception.

The valuation at initial recognition is adjusted for cash flows since inception. The value of the embedded derivatives which involve a foreign currency is first determined by calculating the future cash flows and then discounting the cash flows by using the relevant interest rate curve and only then is the net present value of the cash flows converted at the relevant rand/foreign currency spot rate to the reporting currency.

The fair value of the embedded derivative is determined on the basis of its terms and conditions. If this is not possible, then the value of the embedded derivative is determined by fair valuing the whole contract and deducting from it the fair value of the host contract.

Where there is no active market for the embedded derivatives, valuation techniques are used to ascertain their fair values. Financial models are developed incorporating valuation methods, formulae and assumptions. The valuation methods include:

- swaps: electricity tariff is swapped for a commodity in a foreign currency
- forwards: electricity tariff or other revenue or expenditure is based on a foreign currency
- options: electricity tariff or other revenue is based on an embedded derivative floor or cap on foreign consumer or production price indices or interest rates. A closed form analytic solution is used to produce various cap and floor strike prices

The fair value of embedded derivatives is adjusted, where applicable, to take into account the inherent uncertainty relating to the future cash flows of embedded derivatives such as liquidity, model risk and other economic factors.

The more important assumptions are obtained either with reference to the contractual provisions of the relevant contracts or from independent market sources where appropriate (refer to note 3(a)).

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, production and conversion costs and other costs incurred in bringing inventory to present location and condition.

Nuclear fuel

Nuclear fuel is stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) basis. Nuclear fuel consists of raw materials, fabricated fuel assemblies and fuel in reactors.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.13 Future fuel supplies

Coal

Non-refundable advances to suppliers, together with related borrowing costs thereon, are deferred in the statement of financial position within *future fuel supplies* and amortised against the cost of coal supplied on the basis of the estimated life of the asset procured by the suppliers.

Repayable advances to suppliers are capitalised and the related interest earned is credited to profit or loss within *finance income*. Refunds are repaid in terms of the agreements.

Nuclear

Fuel assemblies in the process of fabrication are stated at cost within *future fuel supplies*, which includes the non-refundable advance payments made in terms of the agreement. Hedge accounting is applied to foreign exchange contracts entered into with respect to the purchase of nuclear fuel, with the effective portion being capitalised during the fabrication period. Advance payments in terms of agreements are capitalised.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

2.15 Equity reserve

The subordinated loan from the shareholder is held at amortised cost. The market value of the loan at inception is calculated for each tranche utilising the expected cash flows which are discounted at market rates to determine the effective interest rates. The effective interest rates for each tranche remain constant over the life of the loan tranche. The future cash flows are re-assessed annually and the loans are re-measured at each reporting period. Although the loan is interest bearing, the interest payment terms could potentially be favourable and are dependent on Eskom's meeting of solvency and leverage conditions per the agreement. The change in the loan value with respect to interest amortised and the re-measurement is reflected in the profit or loss in *finance cost* and is eligible for capitalisation as borrowing costs.

2.16 Income tax

Income tax expense comprises current and deferred 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.

Current tax is the expected tax payable on taxable income for the year, using tax rates (and laws) enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Tax on dividends declared after 1 April 2012 is withheld by the company on behalf of its shareholder at a rate of 15%. Amounts withheld are recognised in equity as part of dividends paid.

Dividends received are recognised at the gross amount with the related withholdings tax recognised as part of tax expense. If the withholding tax is reimbursable it is recognised as an asset.

2.17 Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. However, deferred tax is provided in respect of the temporary differences arising on the assets and provisions created in respect of decommissioning and nuclear waste management and closure, pollution control and rehabilitation. 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 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 assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

2.18 Payments received in advance

Payments received in advance consist mainly of capital contributions received from customers for the construction of assets and government grants received for electrification and energy efficiency initiatives. Capital contributions are recognised in profit or loss within *other revenue* from 1 July 2009 when the customer is connected to the electricity network. Government grants for energy efficiency initiatives are recognised in profit or loss within *other expenses* when the related expenses are incurred. Government grants for electrification are recognised in deferred income when the related asset has been connected to the electricity network (refer to note 2.19).

2. Summary of significant accounting policies (continued)

2.19 Deferred income

Grants

Government grants received relating to the creation of electrification assets are included in liabilities as deferred income and are credited to profit or loss within *depreciation and amortisation expense* on a straight-line basis over the expected useful lives of the related assets.

Capital contributions received from customers

Contributions received in advance from electricity customers up to 30 June 2009 for the construction of regular distribution and transmission assets (with a standard supply) are credited to profit or loss within *other revenue* when the customer is connected to the electricity network (refer to note 2.18).

2.20 Employee benefit obligations

Annual and performance bonus

The annual and performance bonus is a short-term employee benefit which is expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. A liability for annual bonuses is accrued on a proportionate basis as services are rendered. A liability for performance bonus is raised on the estimated amount payable in terms of the incentive scheme which is based on the business and employees' performance in the applicable year.

Occasional and service leave

The liability for occasional and service leave is of a long-term nature as it is not expected to be settled wholly after 12 months after the reporting period. An actuarial valuation is performed on an annual basis for occasional and service leave. The accrued liabilities are determined by valuing all future leave expected to be taken and payments expected to be made in respect of benefits up to the valuation date. Allowance has been made in the calculations for the assumed benefit options employees will exercise, as well as salary increases and investment returns up to the date the benefit is received. All actuarial gains or losses and past service costs are recognised immediately in profit or loss within *employee benefit expense*. The present values of the benefit are determined by using the yield of long-dated corporate bonds (or government bonds where high quality corporate bonds are not available). In terms of IAS 1 *Presentation of financial information* there is no unconditional right to defer settlement of occasional and service leave for at least 12 months after the reporting period. The full provision is therefore presented as current in the statement of financial position.

Pension benefits

Pension benefits are provided for employees through the Eskom Pension and Provident Fund. Contributions to the fund are based on a percentage of pensionable emoluments and are expensed in the period in which they are incurred. The group accounts for its pension obligations as a defined contribution plan in line with IAS 19 *Employee benefits*.

Post-employment medical benefits

The liability for post-employment medical benefits is the present value of the obligation determined by using government bonds where high quality corporate bonds are not available (long-dated corporate bonds) which have maturities similar to the liability. Provision is made by accounting for the estimated cost over the expected period to retirement of the employees. The cost to the employer, in the form of employer contributions, is determined by using the projected unit credit method, with actuarial valuations being carried out at reporting date. Actuarial gains or losses are recognised in other comprehensive income within *re-measurements of post-employment medical benefits* immediately. Interest expense and other expenses related to these benefits are recognised in profit or loss.

The entitlement to these benefits is usually conditional on the employee remaining in-service up to retirement. All employees qualify for post-employment medical benefits, except for new employees appointed on or after 1 June 2003 at a managerial level. The group accounts for its post-employment medical benefits obligations as a defined benefit plan in line with IAS 19 *Employee benefits*.

If the benefits are changed or curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The group recognises gains or losses on the settlement of a defined benefit plan when the settlement occurs. A settlement occurs when payments are made to employees to eliminate any further liabilities.

A curtailment will occur when the group significantly reduces the number of employees covered by the termination plan. Curtailment gains and losses are accounted for as past service costs, which are recognised in profit or loss immediately in the period when the termination plan is amended.

Termination benefits

A liability and expense for termination benefits is recognised by the group when the group can no longer withdraw the offer of those benefits.

2.21 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.

Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate 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 cost.

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

A provision is raised for the estimated cost of closure, pollution control and rehabilitation during and at the end of the life of the mines where a legal or constructive obligation exists to reimburse coal suppliers. Closure, pollution control and rehabilitation costs capitalised are written off over the estimated useful life of the related asset. The cost of current ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged to profit or loss within primary energy as incurred, unless a present legal or constructive obligation exists to recognise such expenditure, in which case a provision is created based on the best estimates available.

A provision is raised for the management of spent nuclear fuel assemblies and radioactive waste which is recognised and measured based on the latest available cost information and is charged to profit or loss within primary energy.

A provision is raised for coal-related obligations which arise out of contractual obligations as a result of delays in commissioning of the related power stations which is recognised 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 is charged to profit or loss within primary energy.

Other provisions are raised based on contractual obligations and are recognised 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 operating expenses.

Provisions that are capitalised are restated on an annual basis to reflect changes in measurement that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in discount rate, which shall be accounted for as follows:
- changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period
- the amount deducted from the cost of the asset shall not exceed its carrying amount. The excess shall be recognised in profit or loss
- any additions to the cost of an asset shall be reviewed in terms of the normal impairment principles

2.22 Revenue recognition

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

Revenue is recognised when significant risks and rewards of ownership have passed, the amount of revenue can be reliably measured and, it is probable that future economic benefits will flow to the group.

Where it is assessed that there is a high probability that the economic benefits related to sales will not materialise, such sales are not recognised.

2.23 Other income

Other income compromises, *inter alia*:
- operating lease income recognised on a straight-line basis over the lease term
- dividend income recognised when the shareholders' right to receive payment is established
- insurance proceeds recognised when compensation becomes receivable

2.24 Finance income

Finance income comprises interest receivable on loans, advances, trade receivables, finance lease receivables and income from financial market investments. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

2.25 Finance cost

Finance cost comprises interest payable on borrowings and finance lease payables, 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 2.8).

2.26 Dividend distribution

Dividend distribution to the shareholder is recognised as a liability in the financial statements of the group in the period in which the dividends are approved by the shareholder.

2.27 Non-current assets and liabilities held-for-sale

Non-current assets and liabilities (or disposal groups) which meet the definition of held-for-sale under IFRS 5 *Non-current assets held-for-sale and discontinued operations*, except for items excluded from the scope of IFRS 5 for measurement purposes, are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction.

2. Summary of significant accounting policies (continued)

2.28 Related-party transactions

IAS 24 *Related party disclosures* provides government-related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with government-related entities and local levels of government (refer to note 46).

2.29 Transfers of assets from customers

If an item of property, plant and equipment is received from customers, an assessment is made as to whether that item of property, plant and equipment can be recognised in accordance with IAS 16 *Property, plant and equipment*. Any related revenue is recognised in accordance with IAS 18 *Revenue*.

2.30 Net debt

The group manages its funding on a net basis by pooling funds. *Net debt* as disclosed in the statements of cash flows is calculated by totalling debt securities and borrowings, finance lease payables, derivatives held for risk management and netting off cash and cash equivalents, investments in securities and loans receivable.

3. Critical accounting estimates and judgements

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 judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 below. Revisions to accounting estimates are recognised in the period in which they are revised and future periods they affect.

(a) Embedded derivatives

Eskom has entered into a number of agreements to supply electricity to electricity-intensive businesses where the revenue from these contracts is linked to commodity prices and foreign currency rates or foreign production price indices that give rise to embedded derivatives.

The embedded derivatives have been divided into three categories:

- commodity and/or foreign currency derivatives
- foreign currency or interest rate derivatives
- United States production price and foreign currency derivatives

Valuation

The fair value of embedded derivatives is determined by using a forward electricity price curve to value the host contract and the derivative contract is valued by using market forecasts of future commodity prices, foreign currencies rand exchange rate, interest rate differential, future sales volumes, production price and liquidity, model risk and other economic factors.

The forecast cash flow is determined and then discounted at the relevant interest rate curve. The net present value of the cash flows is then converted at the rand/foreign currency spot rate to the reporting currency. The fair value of the embedded derivative is adjusted, where applicable, to take into account the inherent uncertainty relating to the future cash flows of embedded derivatives such as liquidity, model risk and other economic factors. The important assumptions are obtained either with reference to the contractual provisions of the relevant contracts or from independent market sources where appropriate. These assumptions are:

- spot and forward commodity prices
- spot and forward foreign currency exchange rates
- spot and forward interest rates
- forecasted sales volumes
- spot and foreign production price indices
- liquidity, model risk and other economic factors

Embedded derivatives that are not separated are effectively accounted for as part of the hybrid instrument. Non-option based derivatives are separated on terms that result in a fair value 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 over the period of the agreement. The fair value will depend on the strike price at inception.

The only significant unobservable input is the United States producer price index (PPI).

Valuation assumptions

The forward electricity curve used to value the embedded derivatives at 31 March 2015 is based on the current MYPD 3 approved tariff increase of 12.69% (8% MYPD 3 approved tariff increase and 4.69% relating to RCA adjustment) for 2015/16 and 8% for 2016/17 to 2017/18, whereafter a forecasted return on the regulatory asset base is used until maturity.

The contracted electricity price used to value embedded derivatives is based on a combination of the factors in the table below over the contracted period.

Forecast sales volumes are based on the most likely future sales volumes based on past trends and taking into account future production plans in consultation with industry specific experts and key customer executives.

The fair value of embedded derivatives takes into account the inherent uncertainty relating to the future cash flows of embedded derivatives, such as liquidity, model risk and other economic factors.

The following valuation assumptions for the future electricity price curve discussed above for the valuation of embedded derivatives were used and are regarded as the best estimates by the board:

2015		Year ended 31 March					
Input	Unit	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]
Aluminium	USD per ton	1 792	1 826	1 883	1 940	1 985	2 035
Volatility	Year-on-year (ratio)	0.19	0.19	0.19	0.19	0.19	0.19
Rand interest rates	Continuous actual/365 days (%)	5.61	7.16	6.70	6.93	7.09	7.24
Dollar interest rates	Annual actual/365 days (%)	0.09	0.92	0.81	1.13	1.38	1.57
United States PPI	Year-on-year (%)	(4.98)	2.11	1.87	2.01	1.90	2.33
Rand/USD	Rand per USD	12.50	12.50	14.29	14.29	14.29	16.67
2014							
Input	Unit	2014[1]	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]
Aluminium	USD per ton	1 716	1 865	1 939	2 005	2 068	2 127
Volatility	Year-on-year (ratio)	0.22	0.22	0.22	0.22	0.22	0.22
Rand interest rates	Continuous actual/365 days (%)	5.57	6.74	6.84	7.28	7.55	7.79
Dollar interest rates	Annual actual/365 days (%)	0.09	0.52	0.57	1.03	1.48	1.87
United States PPI	Year-on-year (%)	3.27	2.20	2.33	2.20	2.41	2.32
Rand/USD	Rand per USD	11.11	11.11	12.50	12.50	14.29	14.29

Sensitivity analysis

The approximate change in the value of embedded derivatives if one of the inputs is changed is disclosed in note 4.2 *Financial risk management – market risk* under currency risk (note 4.2.1), *commodity risk* (note 4.2.2), *interest rate risk* (note 4.2.3) and *other price risk* (note 4.2.5).

The carrying amount of the embedded derivative liabilities for the group is R8 022 million (2014: R9 332 million) and R8 021 million (2014: R9 331 million) for the company. Refer to note 25.

(b) Post-employment medical benefits

The group recognises a liability for post-employment medical benefits to qualifying retirees. The post-employment medical benefits plan is unfunded.

Valuation

The estimated present value of the anticipated expenditure for both in-service and retired members is actuarially valued using the projected unit method. This method treats the accrued service liability separately from the current cost liability. The accrued service liability (on the valuation assumptions) is based on the completed service to the valuation date and the current cost liability is the cost of providing the benefit over the next year.

Valuation assumptions

The principal actuarial assumptions used were:

	Group and company	
	2015	2014
Discount rate (%)	8.8	9.7
Medical aid inflation (%)	8.0	8.4
Mortality table	Adjusted PA (90) tables rated down by two years	Adjusted PA (90) tables rated down by two years

1. *Forward curve based on financial years.*

3. Critical accounting estimates and judgements (continued)

(b) Post-employment medical benefits (continued)

Valuation assumptions (continued)

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were:

	Group and company			
	2015		2014	
	Male years	Female years	Male years	Female years
Longevity	14.42	20.82	14.42	20.82

The weighted average duration of the defined benefit obligation for the group was 20.9 years (2014: 20.8 years) and for the company was 21.0 years (2014: 20.9 years).

Sensitivity analysis

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

		Group				Company			
	Change in assumption	2015 increase Rm	2015 decrease Rm	2014 increase Rm	2014 decrease Rm	2015 increase Rm	2015 decrease Rm	2014 increase Rm	2014 decrease Rm
Effect on aggregate current service cost and finance cost									
Discount rate	1%	(177)	226	(154)	199	(174)	223	(152)	196
Medical aid inflation	1%	371	(285)	318	(242)	365	(280)	312	(238)
Future mortality	1 year	48	(48)	40	(40)	47	(47)	39	(39)
Effect on post-employment medical benefit obligation									
Discount rate	1%	(1 780)	2 295	(1 432)	1 834	(1 739)	2 244	(1 398)	1 792
Medical aid inflation	1%	2 252	(1 778)	1 809	(1 436)	2 202	(1 737)	1 767	(1 402)
Future mortality	1 year	361	(361)	285	(284)	353	(352)	278	(277)

The carrying amount of the post-employment medical benefits liability for the group is R12 325 million (2014: R10 234 million) and R12 022 million (2014: R9 981 million) for the company. Refer to note 27.

The above sensitivity analyses are based on a change in an assumption while all other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation is calculated with the projected unit credit method at the end of the reporting period which is recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(c) Occasional and service leave

The group recognises a liability for 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. The present value of the benefits is determined by using the yield of long-dated corporate bonds (or government bonds where high quality corporate bonds are not available).

Valuation assumptions

The principal actuarial assumptions used were:

	Group and company	
	2015 %	2014 %
Discount rate	8.8	9.7
General price inflation	6.0	6.4
Salary increases	7.5	7.9
Leave usage	4.0	4.0

The assumptions made in respect of resignation, death and retirement rates are the same as for the post-retirement medical benefit liability. Refer to note 3(b).

Sensitivity analysis

Based on current experience, only 4% (2014: 4%) of the leave is utilised. If the rate at which leave is taken is 8% (2014: 8%), then the liability will increase by R61 million (2014: R60 million).

The carrying amount of the occasional and service leave liability for the group is R1 237 million (2014: R1 195 million) and R1 175 million (2014: R1 138 million) for the company.

(d) Decommissioning, mine closure and rehabilitation

Provision is made for the estimated decommissioning cost of nuclear and other generation plant and for the management of nuclear fuel assemblies and radioactive waste. Provision is made for the estimated mine-related closure, pollution control and rehabilitation costs at the end of the life of the mines, where a constructive and contractual obligation exists to pay coal suppliers.

Valuation

These provisions are determined by discounting the estimated future decommissioning and rehabilitation costs.

Valuation assumptions

The discount rate used for these provisions was 4.7% (2014: 5.0%) for the group and company.

Estimated payment dates

The estimated payment dates of the costs are:

	Group and company	
	2015	2014
Nuclear plant	**2026 – 2041**	2026 – 2041
Coal and pumped storage plants[1]	**2018 – 2074**	2018 – 2074
Spent nuclear fuel	**2018 – 2105**	2016 – 2105
Mine-related closure, pollution control and rehabilitation	**2016 – 2073**	2014 – 2073

Sensitivity analysis

The carrying amount of the decommissioning, mine closure and rehabilitation provision would be an estimated R3 875 million (2014: R3 465 million) lower had the real discount rate used in the calculation of the provision increased by 1% and R4 885 million (2014: R4 527 million) higher had the real discount rate decreased by 1%.

The carrying amount of the decommissioning, mine closure and rehabilitation liabilities for the group and company is R24 152 million (2014: R20 639 million). Refer to note 28.

(e) Coal-related obligations

Provision is made for coal-related obligations which arises out of contractual obligations as a result of delays in commissioning of the related power stations.

Valuation

These provisions are determined by taking consideration of the anticipated commissioning dates, future coal prices, coal utilisation and coal stock-piles.

Valuation assumptions

The discount rate used for these provisions was 4.7% (2014: 5.0%) for the group and company.

The estimated payment dates of the costs are between 2015 and 2020.

Sensitivity analysis

The carrying amount of the coal-related obligations would be an estimated R268 million (2014: R75 million) lower had the anticipated commissioning dates been one month earlier than estimated and R283 million (2014: R79 million) higher had the anticipated commissioning dates been one month later than estimated.

The carrying amount of coal-related obligations liabilities for the group and company is R7 954 million (2014: R2 215 million). Refer to note 28.

(f) Subordinated loan from shareholder

The government loan was provided in tranches where each tranche has a 30-year term with an early redemption option after 10 years. Interest on the facility is only payable for those financial years where the financial results at the end of the reporting period reflect a leverage ratio, as defined in the agreement, of better than 12.5% and where if, after paying interest on the facility, the interest multiple remains above 2.5 times. A loan remeasurement occurs when the carrying amount of the loan is adjusted where the cash flows (interest and capital repayment) are revised for a given tranche, based on the tranche's original effective rate to reflect the actual and revised estimated cash flows.

The value of the equity portion of the loan from the shareholder is the difference between the amount advanced and the calculated loan value on the day the tranches were drawn down. The loan value was calculated using Eskom's long-term financial plan to forecast the leverage ratio and the interest cover to determine in which years interest will be payable over the period of the loan. These expected interest flows and the capital redemptions are discounted at the effective rate which was calculated at the inception of each tranche received to determine the loan amounts. Once the equity portion of a tranche is recorded it does not change. Refer to the statement of changes in equity.

The interest payments and cash flows are determined based on Eskom's long-term forecasts of the leverage ratio and the interest multiple, adjusted to include the potential interest on the government loan. The future cash flows are discounted using a zero curve constructed from money market and swap rates that reflect the credit worthiness of Eskom.

1. The timing of cash flows relating to water treatment and ground water monitoring have been re-estimated based on the latest studies.

4. Financial risk management

The group has an integrated risk management framework. The group's approach to risk management is based on risk governance structures, risk management policies and standards that provide guidance on risk assessment, treatment, monitoring and reporting.

Two types of risks are reported as part of the risk profile, namely enterprise and business risks. Enterprise risks are significant to the organisation's ability to achieve and realise its core business strategy and objectives while business risks reflect the effect of uncertainty on business unit objectives. The risk assessment of these risks, as well as the treatment plans and monitoring thereof, are reported on a quarterly basis to the audit and risk committee.

The financial risks, as defined by IFRS 7 *Financial instruments: disclosures,* and the management thereof, form part of this process.

The board of directors (the board) has delegated the management of enterprise-wide risk to the audit and risk committee. One of the committee's objectives is to ensure that the group is not unduly exposed to financial risks. Most of the financial risks arising from financial instruments are managed in the centralised treasury function of the group, except for instruments such as trade and finance lease receivables and trade and finance lease payables which are managed by the other divisions and subsidiaries.

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, unless otherwise stated.

The exposure of the centralised treasury function to the major financial risks is unique to its activities and therefore different to those of the divisions and subsidiaries within the Eskom group. A distinction is therefore made between the treasury department and other divisions and subsidiaries in the group in respect of financial risk management where relevant.

The group has exposure to the following risks as a result of its financial instruments:
- credit risk (refer to note 4.1)
- market risk (refer to note 4.2)
- liquidity risk (refer to note 4.3)
- capital management and going concern (refer to note 4.4)

4.1 Credit risk

Credit risk is the risk of financial loss to the group if a customer or other counterparty (including government and financial institutions) to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the sale of electricity and related services in the ordinary course of business and financial instruments managed in the centralised treasury activities. Credit risk includes counterparty risk and delivery or settlement risk.

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that a counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

4.1.1 Management of credit risk

Financial instruments managed by the treasury function

Credit risk arises from cash and cash equivalents, investment in securities, derivatives held for risk management, financial trading assets and deposits made with counterparties. Processes are in place to identify, measure, monitor, control and report credit risk. The objective of Eskom's credit risk management framework is firstly to protect cash and investments and, secondly to project and maximise the rate of return of financial market investments.

Responsibility and governance

The treasury committee manages counterparty credit risk which arises from the treasury activities in the financial markets. This committee is chaired by the finance director and reports on a quarterly basis to Exco and subcommittees of the board. The activities of the committee are guided by the terms of reference that are updated and approved by the finance director.

The terms of reference set out the minimum acceptable standards to be adhered to by those responsible for credit-related transactions within the treasury division. The terms of reference are aligned to the Exco credit risk governance standards and are supplemented by appropriate policies and procedures.

The treasury committee:
- assesses the credit quality of counterparties and types of instruments used
- approves credit limits with such counterparties
- facilitates and manages the issuing of financial guarantees by the group
- ensures that transactions with counterparties are supported by trading agreements, where applicable
- approves methodologies used for the management of counterparty exposure

The portfolio assessment department of treasury provides feedback on all treasury credit risk-related matters to the treasury management, finance director, treasury committee and Exco.

The management of credit risk is governed by the following policies:

- trading in financial instruments is conducted and entered into with selected counterparties after credit limits have been authorised. Individual risk limits are set based on internal and external ratings in line with limits set by the board. All credit limits are approved by the treasury committee. The use of credit limits is regularly monitored
- only financial institutions and/or counterparties with an independent minimum rating of A1 are accepted. 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 mark-to-market. 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.

Credit risk measurement, monitoring and reporting

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

The treasury division'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.

Aggregate credit risk exposure, hold-limit exceptions and risk profile changes are reported to Exco. There is regular detailed reporting of limits utilisation, limit breaches and concentrations to ensure these are appropriately managed and monitored.

Impairment assessments are performed to evaluate the credit risk exposure. The assessments focus on the following areas:

- significant financial difficulty of the issuer or counterparty
- high probability of bankruptcy
- breach of contract

Financial instruments managed by other divisions and subsidiaries

(a) Trade receivables (electricity)

Eskom supplies electricity to customers in its licensed areas of supply. A large number of the residential customers are on a prepaid basis.

Eskom's exposure to credit risk is influenced by the individual characteristics of each customer. In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are large or small power users, geographic location, ageing profile, security (deposits and guarantees) held and payment history.

The main classes of electricity receivables are international, local large and local small power users.

Electricity supply agreements are entered into with key international customers who comprise utility companies and governments of neighbouring countries. These customers are not required to provide any security unless they default on their payment terms.

Key large power users comprise mainly South African redistributors (municipalities), commercial, industrial and mining customers. Redistributors are not required to provide any security and are reassessed based on their payment history to determine if any security is necessary. Where a key large power user has an acceptable credit rating from an approved rating agency the provision of a security is waived.

New customers (other than key large power users) are required to provide security equivalent to between one to three months consumption at the commencement of the supply agreement. The level of security is reviewed when a customer defaults on their payment obligation or requires additional electricity supply capacity. In these instances, additional security is required to cover between one to three months of recent consumption before supply will commence.

Payment terms vary between customer classes as follows:

- key international customers: 10 to 45 days
- key and other large power users: individually negotiated up to a maximum of 15 days
- small power users: 30 days

Interest is charged at market-related rates on balances in arrears.

The group has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include an internal collection process, follow-up with the customer either telephonically or in person, negotiations of mutually acceptable payment arrangements and the issue of a notice of disconnection of supply and letters of demand. Non-payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter.

4. Financial risk management (continued)

4.1 Credit risk (continued)

4.1.1 Management of credit risk (continued)

Financial instruments managed by other divisions and subsidiaries (continued)

(a) Trade receivables (electricity) (continued)

Certain redistributors continue to fall into arrears during the course of the financial year. Monitoring of these redistribution payment levels continue to receive ongoing management attention and remains a high priority focus area. Interventions pursued included entering into special payment arrangements and following the Promotion to Administrative Justice Act of disconnections. Eskom continues to work closely with the Department of Co-operative Governance and Traditional Affairs and other government departments as well as relevant stakeholders to resolve the systemic challenges which have given rise to municipalities' arrear debt. Interventions mandated by the inter-ministerial war room that are currently being investigated include:

- restriction of supply to non-paying municipalities if set maximum demand levels are exceeded
- prioritise load shedding to the non-paying municipalities when emergencies are declared, for stage 1 load shedding and during daily evening peak periods
- limit electricity supply to the non-paying municipalities in line with what they are paying on a monthly basis
- placing non-paying municipalities on a prepayment option

The collection of revenue from small power users in Soweto remains a challenge. The enhancement of credit control strategies and monitoring of payment levels in this area continue to receive management attention. The payment level expressed as a percentage of billed revenue (excluding interest) for the year, was 16% (2014: 16%).

Implementation of the residential revenue management strategy, which includes Soweto, has started and will be rolled out in the next couple of years. The strategy entails implementation of split metering technology and conversion of customers to prepayment.

The following strategies are currently in operation in high risk areas of non-paying customers with varying levels of success. These include:

- disconnections
- conversion to prepayment
- increased internal debt management capacity
- use of debt collectors
- payment arrangements
- focus on early identification and letters of demand
- increased securities
- efficient internal process, for example system automation of credit and collections such as automated notices and letters of demand
- adverse listing of defaulting customers

As a result of the challenges encountered in recovering outstanding debt, especially from municipalities and Soweto, Eskom assessed the probability of cash flows materialising in terms of IAS 18 *Revenue*. As a result, revenue of R597 million (2014: Rnil) relating to these customers was not recognised. Eskom continues to actively pursue the recovery of these amounts through its own internal as well as external inter-ministerial processes.

The decision to impair overdue amounts is assessed on the probability of recovery based on the individual customer's credit risk profile and on the credit profile of the customer portfolio.

The total cumulative allowance for impairment for electricity receivables at 31 March 2015 was R7 430 million (2014: R5 667 million) (refer to note 17). A substantial portion relates to outstanding debt in municipalities and Soweto.

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the group policy and delegation of authority. 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. Amounts written off are determined after taking into account the value of the security held.

(b) Other trade receivables

The group's credit exposure in respect of other trade receivables is considered to be insignificant and originates predominantly from Eskom Enterprises SOC Ltd (Eskom Enterprises).

(c) Other receivables

Other receivables include recoverable work, employee receivables, inter-company balances (company only), reinsurance receivables and sundry receivables.

Recoverable work is mainly project work carried out by Eskom on behalf of external parties. The projects include repairing damaged power lines, moving power lines or underground cables and engineering-related work.

(d) *Finance lease receivables*

Finance lease receivables mainly comprise premium power supply equipment contracts.

The supply of electricity to customers may be in the form of either 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 are 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 credit risk exposure resulting from premium supply contracts is managed in a similar manner as for the standard supply contracts. Security is required from customers for premium supply assets which covers irrecoverable costs in the event of early termination of the supply contract. Premium supply customers have maintained a good payment history with Eskom over the years. The standard payment terms are also applicable to the connection charge relating to the premium supply equipment which is billed monthly to the customer.

(e) *Loans receivable*

Home loans are made available to qualifying employees in the group via the Eskom Finance Company SOC Ltd (EFC) group. Credit risk policies, developed in line with the National Credit Act, are in place which require various criteria to be met prior to the approval of a loan. These criteria include the valuation of property, affordability and credit history of the employee.

The amounts advanced are secured by first mortgages over the property purchased and are repayable over an average period of up to 27 years (2014: 27 years). The risk of default by the employee is reduced as the monthly instalments are deducted from the employee's salary. Employees who are no longer in the employ of the group are required to settle their home loans with EFC within 90 days of leaving the group's service. Loans are not extended where the purchase price of the property exceeds its open market value. The weighted average loan amount as a percentage of the total home loan book at 31 March 2015 was 0.01% (2014: 0.01%).

Impairment assessments are performed to evaluate the credit risk exposure. The assessments focus on the following areas:

- significant financial difficulty of the counterparty
- high probability of bankruptcy
- breach of contract

In the event of default, the debtor is notified verbally and in writing. If payment has not been received for a period exceeding three months, a legal process to foreclose on the loan is initiated and the property is sold by public auction or repossessed. Should the property be sold by public auction, a reserve value is set that takes into account the value of the property, arrear rates and taxes, legal costs and commissions payable. If the reserve value is not achieved, the property is repossessed and is held for resale.

EFC established a residential mortgage-backed securitisation programme that converts eligible loan assets into marketable securities traded on the Johannesburg Stock Exchange (JSE) debt market through the consolidated structured entity, Nqaba Finance 1 (RF) Ltd. The structured entity is consolidated in the annual financial statements of the EFC group. EFC is a preferential shareholder of Nqaba which entitles it to all the residual profits (residual cash after provision for secured creditors and noteholders).

EFC provides a first-loss credit enhancement loan equal to 14.87% (2014: 14.87%) of the notes in issue. At 31 March 2015 the loan was R290 million (2014: R290 million). As the servicer of Nqaba, EFC earns a servicing fee equal to 0.15% (2014: 0.15%) of the quarterly outstanding loan book balance. At the end of the financial year, the net asset value of Nqaba was R42 million (2014: R28 million).

4. Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Credit exposure

The carrying amount of financial assets represents the maximum credit exposure at the reporting date (refer to notes 12, 13, 14, 15, 17, 19 and 20). The following table represents an analysis per credit rating level (as determined by rating agencies) of the credit risk of financial assets, as indicated.

	Investment in securities Rm	Loans receivable Rm	Derivatives held for risk management Rm	Finance lease receivables Rm	Trade and other receivables Rm	Financial trading assets Rm	Cash and cash equivalents Rm
2015							
Group							
AAA	2 562	–	2 443	–	–	–	–
AA	3 694	–	11 506	–	–	–	–
AA-	2 240	–	–	–	–	–	–
A1+	–	–	385	–	2 838	3 913	5 042
A+	–	–	5 304	115	–	–	–
A1	–	–	199	–	3 474	1 225	4 898
A-	–	–	106	–	–	–	–
BBB+	–	–	–	38	–	–	–
A2	–	–	8	–	1 420	–	–
BBB	–	–	–	25	–	–	–
BBB-	–	–	–	3	–	–	–
A3	–	–	–	–	43	–	–
BB+	–	–	–	6	–	–	–
B	–	–	–	–	8	–	–
Unrated	–	8 915	–	333	11 815	5	24
No credit exposure[1]	–	–	–	–	–	1 179	(1 101)
	8 496	8 915	19 951	520	19 598	6 322	8 863
Company							
AAA	2 562	–	2 443	–	–	–	–
AA	–	–	11 506	–	–	–	–
AA-	2 240	–	–	–	–	–	–
A1+	–	6 553	385	–	1 133	3 913	4 234
A+	–	–	5 304	115	–	–	–
A1	–	–	199	–	2 258	1 225	4 850
A-	–	–	106	–	–	–	–
BBB+	–	–	–	38	–	–	–
A2	–	–	8	–	1 338	–	–
BBB	–	–	–	25	–	–	–
BBB-	–	–	–	3	–	–	–
A3	–	–	–	–	43	–	–
BB+	–	–	–	6	–	–	–
B	–	–	–	–	8	–	–
Unrated	–	–	–	333	17 030	5	3
No credit exposure[1]	–	–	–	–	–	–	(1 101)
	4 802	6 553	19 951	520	21 810	5 143	7 986

1. *Instruments that do not expose the group to credit risk.*

	Investment in securities Rm	Loans receivable Rm	Derivatives held for risk management Rm	Finance lease receivables Rm	Trade and other receivables Rm	Financial trading assets Rm	Cash and cash equivalents Rm
2014							
Group							
AAA	8 160	–	465	–	–	–	–
AA+	–	–	–	3	–	–	–
AA	2 747	–	7 110	–	–	–	–
A1+	–	–	2 170	–	2 503	1 798	9 758
A+	–	–	1 611	–	–	–	–
A	–	–	298	–	–	–	–
A1	–	–	519	–	1 170	1 255	8 360
A-	–	–	–	3	–	–	–
A2	–	–	–	–	164	–	–
BBB-	–	–	–	6	–	–	–
A3	–	–	–	–	91	–	67
Unrated	–	8 983	–	526	12 653	173	2
No credit exposure[1]	–	–	–	–	–	1 039	1 489
	10 907	8 983	12 173	538	16 581	4 265	19 676
Company							
AAA	8 160	–	465	–	–	–	–
AA+	–	–	–	3	–	–	–
AA	–	–	7 110	–	–	–	–
A1+	–	6 665	2 170	–	2 482	1 798	9 242
A+	–	–	1 611	–	–	–	–
A	–	–	298	–	–	–	–
A1	–	–	519	–	1 170	1 255	8 311
A-	–	–	–	3	–	–	–
A2	–	–	–	–	219	–	–
BBB-	–	–	–	6	–	–	–
A3	–	–	–	–	156	–	–
Unrated	–	–	–	526	12 871	173	2
No credit exposure[1]	–	–	–	–	–	–	1 489
	8 160	6 665	12 173	538	16 898	3 226	19 044

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
The maximum exposure to credit risk for trade and other receivables per class was:					
Electricity receivables	4.1.2 (a)	15 227	14 602	15 227	14 602
International		826	1 044	826	1 044
Local large power users		12 150	11 489	12 150	11 489
Local small power users		2 224	2 028	2 224	2 028
Service delivery framework[2]		27	41	27	41
Other trade receivables					
Local	4.1.2 (b)	104	381	–	–
Other receivables	4.1.2 (c)	4 267	1 598	6 583	2 296
Recoverable work		149	193	149	124
Employee receivables		49	63	46	58
Inter-company receivables		–	–	5 210	1 040
Reinsurance receivables		2 755	–	–	–
Concession receivables		31	28	–	–
Sundry receivables		1 283	1 314	1 178	1 074
	17	19 598	16 581	21 810	16 898
The maximum exposure to credit risk for loans receivable was (refer to note 4.1.2 (d)):	13	8 915	8 983	6 553	6 665
The maximum exposure to credit risk for non-current assets held-for-sale (trade and other receivables) was (refer to note 4.1.2 (e)):	21	–	9	–	–

1. Instruments that do not expose the group to credit risk.
2. Negotiated agreement with stakeholders in residential areas which is a specific initiative aimed at resolving the non-payment of accounts.

4. Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Credit exposure (continued)

(a) Electricity receivables

Group and company

	Carrying amount	Not impaired[1]					Impaired[2]				
		Not past due	Days past due				Not past due	Days past due			
			0-15	16-45	46-75	>75		0-15	16-45	46-75	>75
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2015											
Individually assessed for impairment											
International	826	764	62	–	–	–	–	–	–	–	–
Gross	841	764	62	–	–	–	–	–	–	–	15
Impairment	(15)	–	–	–	–	–	–	–	–	–	(15)
Local large power users	12 150	9 815	242	87	3	20	936	113	159	179	596
Gross	15 511	9 815	242	87	3	20	941	227	254	375	3 547
Impairment	(3 361)	–	–	–	–	–	(5)	(114)	(95)	(196)	(2 951)
							Not past due	Days past due			
								0-30	31-60	>60	
							Rm	Rm	Rm	Rm	
Collectively assessed for impairment											
Local small power users	2 224						1 414	268	204	338	
Gross	6 150						1 478	337	254	4 081	
Impairment	(3 926)						(64)	(69)	(50)	(3 743)	
Service delivery framework	27						–	–	–	27	
Gross	155						–	–	–	155	
Impairment	(128)						–	–	–	(128)	
	15 227										

	Carrying amount	Not impaired[1]					Impaired[2]				
		Not past due	Days past due				Not past due	Days past due			
			0-15	16-45	46-75	>75		0-15	16-45	46-75	>75
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2014											
Individually assessed for impairment											
International	1 044	657	190	197	–	–	–	–	–	–	–
Gross	1 058	657	190	197	–	–	–	–	–	–	14
Impairment	(14)	–	–	–	–	–	–	–	–	–	(14)
Local large power users	11 489	9 033	255	101	8	34	363	246	254	303	892
Gross	13 527	9 033	255	101	8	34	371	252	265	310	2 898
Impairment	(2 038)	–	–	–	–	–	(8)	(6)	(11)	(7)	(2 006)
							Not past due	Days past due			
								0-30	31-60	>60	
							Rm	Rm	Rm	Rm	
Collectively assessed for impairment											
Local small power users	2 028						1 275	291	290	172	
Gross	5 498						1 361	390	376	3 371	
Impairment	(3 470)						(86)	(99)	(86)	(3 199)	
Service delivery framework	41						7	1	–	33	
Gross	186						8	1	–	177	
Impairment	(145)						(1)	–	–	(144)	
	14 602										

Electricity receivables include an amount of R194 million (2014: R169 million) relating to receivables that were renegotiated[3]. These electricity receivables would have been past due had their terms not been renegotiated.

Interest is accrued on all arrear debts and R700 million (2014: R468 million) was credited to profit or loss within finance income.

1. *Receivables past due but not impaired are receivables where contractual payment terms are past due but the group believes that impairment is not required on the basis of the level of security or collateral available and the stage of collection of amounts owed to the group.*
2. *Impaired receivables are receivables for which the group determines that it is probable that it will be unable to collect all amounts due in accordance with the contractual payment terms.*
3. *Receivables with renegotiated terms are receivables that have been restructured due to the deterioration in the customer's financial position and where the group has made concessions that it would not otherwise consider.*

(b) Other trade receivables

Group

	Carrying amount	Not impaired[1]					Impaired[2]				
		Not past due	Days past due				Not past due	Days past due			
			0-30	31-60	61-90	>90		0-30	31-60	61-90	>90
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Individually assessed for impairment											
2015											
Local	104	86	–	4	3	11	–	–	–	–	–
Gross	114	86	–	4	3	11	1	–	–	–	9
Impairment	(10)	–	–	–	–	–	(1)	–	–	–	(9)
	104										
2014											
Local	381	119	53	48	5	156	–	–	–	–	–
Gross	393	119	53	48	5	156	–	–	–	–	12
Impairment	(12)	–	–	–	–	–	–	–	–	–	(12)
	381										

(c) Other receivables

Other receivables comprise mainly receivables for which there are no specific repayment terms.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Recoverable work	149	193	149	124
Gross	149	194	149	125
Impairment	–	(1)	–	(1)
Employee receivables	49	63	46	58
Gross	49	63	46	58
Impairment	–	–	–	–
Inter-company receivables	–	–	5 210	1 040
Gross	–	–	5 210	1 040
Impairment	–	–	–	–
Reinsurance receivables	2 755	–	–	–
Gross	2 755	–	–	–
Impairment	–	–	–	–
Concession receivables	31	28	–	–
Gross	31	28	–	–
Impairment	–	–	–	–
Sundry receivables	1 283	1 314	1 178	1 074
Gross	1 336	1 359	1 228	1 116
Impairment	(53)	(45)	(50)	(42)
	4 267	1 598	6 583	2 296

Long outstanding debt or amounts handed over to debt collectors were considered for impairment per class of sundry and employee receivables.

1. *Receivables past due but not impaired are receivables where contractual payment terms are past due but the group believes that impairment is not required on the basis of the level of security or collateral available and the stage of collection of amounts owed to the group.*
2. *Impaired receivables are receivables for which the group determines that it is probable that it will be unable to collect all amounts due in accordance with the contractual payment terms.*

4. Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Credit exposure (continued)

(d) Loans receivable

	Group					Company				
	Carrying amount	Not past due	Days past due			Carrying amount	Not past due	Days past due		
			0-30	31-60	>60			0-30	31-60	>60
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Collectively assessed for impairment										
2015										
Home loans	8 684	8 542	43	19	80	–	–	–	–	–
Loan to subsidiary	–	–	–	–	–	6 553	6 553	–	–	–
Other	273	258	–	1	14	–	–	–	–	–
Impairment	(42)	(17)	(1)	(1)	(23)	–	–	–	–	–
	8 915	8 783	42	19	71	6 553	6 553	–	–	–
2014										
Home loans	8 567	8 442	37	18	70	–	–	–	–	–
Loan to subsidiary	–	–	–	–	–	6 665	6 665	–	–	–
Other	451	438	1	1	11	–	–	–	–	–
Impairment	(35)	(18)	(1)	–	(16)	–	–	–	–	–
	8 983	8 862	37	19	65	6 665	6 665	–	–	–

Loans receivable include an amount of R64 million (2014: R65 million) relating to receivables that were renegotiated. These loans receivable would have been past due had their terms not been renegotiated.

(e) Non-current assets held-for-sale

Group	Carrying amount	Not past due	Days past due		
			0-30	31-60	>60
	Rm	Rm	Rm	Rm	Rm
2014					
Trade and other receivables	9	9	–	–	–
Gross	9	9	–	–	–
Impairment	–	–	–	–	–

(f) Security relating to amounts receivable

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Trade and other receivables				
The security held against trade and other receivables for the group comprises guarantees and deposits. The estimate of the fair value of the security held is:				
Electricity receivables	6 052	5 472	6 052	5 472
International	3	–	3	–
Local large power users	4 421	4 028	4 421	4 028
Local small power users	1 626	1 442	1 626	1 442
Service delivery framework	2	2	2	2
The total amount of the security above includes R4 416 million (2014: R4 017 million) relating to electricity receivables (international and large power users) which were not impaired.				
Eskom has called upon security deposits and guarantees from customers who have defaulted on their accounts.				
Carrying amount of the security deposits and guarantees called upon	72	52	69	49
Loans receivable				
Loans receivable (home loans) secured by mortgage bonds	8 659	8 546	–	–

(g) **Allowance for impairment**

Eskom establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and loans receivable. This allowance consists of a specific loss component that relates to individual exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified.

(h) **Financial guarantees issued**

The group's maximum exposure as a result of financial guarantees issued was R158 million (2014: R165 million) and R1 289 million (2014: R1 284 million) for the company (refer to note 44.1 for more information on financial guarantees issued).

4.2 Market risk

Market risk is 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 and equity prices.

A significant part of the market risk encountered arises from financial instruments that are managed centrally within the treasury division of the group or from contracts containing embedded derivatives.

The objective of the group's market risk management policy 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.

Financial instruments managed by the treasury division

The treasury division 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 division is vested in the asset and liability committee (Alco) and the treasury committee. Measurement and reporting occurs on a daily and/or monthly basis and is performed by an independent section within the treasury division. Financial derivatives are used to manage market risk.

Financial instruments managed by other divisions and subsidiaries

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

Embedded derivatives

Eskom entered into a number of agreements to supply electricity to electricity-intensive industries where the revenue from these contracts is based on commodity prices and foreign currency rates (USD) or foreign production price indices. This gives rise to embedded derivatives that require separation as a result of the different characteristics of the embedded derivative and the host contract. The remaining contractual periods are between five and 14 years.

The net impact on profit or loss because of changes in the fair value of the embedded derivatives for the group and company is a fair value gain of R1 310 million (2014: R2 149 million gain). At 31 March 2015, the embedded derivative liabilities were R8 022 million (2014: R9 332 million) for the group and R8 021 million (2014: R9 331 million) for the company.

The valuation methods and inputs are discussed in the accounting policies (refer to note 2.11.5) and the valuation assumptions are disclosed under critical accounting estimates and judgements (refer to note 3(a)). Risks arising from these contracts are discussed under the relevant risk areas as follows:

- currency risk (refer to note 4.2.1, page 47)
- commodity risk (refer to note 4.2.2, page 49)
- interest rate risk (refer to note 4.2.3, page 50)
- other price risk (refer to note 4.2.5, page 52)

Electricity contracts that contain embedded derivatives are considered for economic hedging. Hedging in respect of commodity risk and foreign currency exposure resulting from these embedded derivatives takes place on a short-term basis in terms of the South African Reserve Bank (SARB) regulations.

Loans receivable

Market risk arises in respect of loans receivable from changes in interest rates and market prices. Market risk is monitored and analysed through the treasury division and reported to the EFC finance, assurance and risk committee. A strategy aimed at protecting the EFC group from changes in market risk that may have a negative impact on earnings has been implemented. Funds to finance operations are raised over the short term, usually for periods of three to six months, but not exceeding one year. This enables the pricing of assets to be matched with changes in the pricing of liabilities. The cost of funding is based on prevailing conditions in the South African money market. Rates charged on outstanding loan receivables are based on movements in the SARB repurchase rate.

4.2.1 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 division. Hedging instruments consist principally of forward exchange contracts, most of which have a maturity of less than one year from the reporting date, but which are rolled over at maturity when necessary. The group also uses cross-currency swaps. The hedging instrument is entered into once the exposure is firm and ascertainable.

4. Financial risk management (continued)

4.2 Market risk (continued)

4.2.1 Currency risk (continued)

The major exposure to foreign currency risk at 31 March, based on notional amounts, was (in million):

	EUR	USD	GBP	JPY	SEK	AUD	CHF	CAD	NOK
2015									
Group									
Liabilities									
Debt securities and borrowings	(2 317)	(4 969)	–	(14 930)	–	–	–	(1)	–
Trade and other payables	(230)	(37)	(53)	(15)	(24)	–	–	(1)	(1)
Gross statement of financial position exposure	(2 547)	(5 006)	(53)	(14 945)	(24)	–	–	(2)	(1)
Estimated forecast purchases[1]	(1 183)	(227)	(15)	(860)	(36)	(1)	(14)	(2)	–
Gross exposure	(3 730)	(5 233)	(68)	(15 805)	(60)	(1)	(14)	(4)	(1)
Derivatives held for risk management	3 721	5 226	68	15 805	48	–	14	3	1
Net exposure	(9)	(7)	–	–	(12)	(1)	–	(1)	–
Company									
Liabilities									
Debt securities and borrowings	(2 317)	(4 969)	–	(14 930)	–	–	–	(1)	–
Trade and other payables	(229)	(37)	(52)	(15)	(24)	–	–	(1)	(1)
Gross statement of financial position exposure	(2 546)	(5 006)	(52)	(14 945)	(24)	–	–	(2)	(1)
Estimated forecast purchases[1]	(1 183)	(227)	(15)	(860)	(36)	(1)	(14)	(2)	–
Gross exposure	(3 729)	(5 233)	(67)	(15 805)	(60)	(1)	(14)	(4)	(1)
Derivatives held for risk management	3 721	5 226	67	15 805	48	–	14	3	1
Group exposures covered by company	(1)	–	(1)	–	–	–	–	–	–
Net exposure	(9)	(7)	(1)	–	(12)	(1)	–	(1)	–
Group and company									
Derivatives held for risk management – rand equivalent	48 647	63 659	1 221	1 604	68	4	179	33	1
2014									
Group									
Assets									
Trade and other receivables	1	–	–	–	3	–	–	–	–
Liabilities									
Debt securities and borrowings	(2 309)	(4 226)	–	(16 425)	–	–	–	–	–
Trade and other payables	(232)	(382)	(60)	(92)	(11)	–	–	(1)	(1)
Gross statement of financial position exposure	(2 540)	(4 608)	(60)	(16 517)	(8)	–	–	(1)	(1)
Estimated forecast purchases[1]	(1 359)	(194)	(39)	(998)	(37)	(2)	(2)	(2)	(5)
Gross exposure	(3 899)	(4 802)	(99)	(17 515)	(45)	(2)	(2)	(3)	(6)
Derivatives held for risk management	3 832	4 801	99	17 525	48	2	2	2	3
Net exposure	(67)[2]	(1)	–	10	3	–	–	(1)	(3)
Company									
Assets									
Trade and other receivables	1	–	–	–	3	–	–	–	–
Liabilities									
Debt securities and borrowings	(2 309)	(4 226)	–	(16 425)	–	–	–	–	–
Trade and other payables	(230)	(382)	(60)	(92)	(11)	–	–	(1)	(1)
Gross statement of financial position exposure	(2 538)	(4 608)	(60)	(16 517)	(8)	–	–	(1)	(1)
Estimated forecast purchases[1]	(1 360)	(194)	(39)	(998)	(37)	(2)	(2)	(2)	(5)
Gross exposure	(3 898)	(4 802)	(99)	(17 515)	(45)	(2)	(2)	(3)	(6)
Derivatives held for risk management	3 830	4 801	99	17 525	48	2	2	2	3
Group exposures covered by company	(2)	(1)	–	–	–	–	–	–	–
Net exposure	(70)[2]	(2)	–	10	3	–	–	(1)	(3)
Group and company									
Derivatives held for risk management – rand equivalent	55 828	50 728	1 747	1 793	79	18	26	17	4

1. *Represents future purchases contracted for.*
2. *Certain foreign loans are hedged applying a present value strategy. As these loans are recognised at amortised cost, an exact offset will not occur when compared to the hedging instrument.*

The following significant exchange rates applied for the group and company during the year:

	One unit of the selected currency to the rand				R1.00 to the selected currency			
	Average		Reporting date mid-spot rate		Average		Reporting date mid-spot rate	
	2015	2014	2015	2014	2015	2014	2015	2014
EUR	13.98	13.57	13.07	14.57	0.07	0.07	0.08	0.07
USD	11.07	10.12	12.18	10.57	0.09	0.10	0.08	0.09
GBP	17.81	16.10	18.01	17.58	0.06	0.06	0.06	0.06
CHF	11.91	11.04	12.51	11.95	0.08	0.09	0.08	0.08
JPY	0.10	0.10	0.10	0.10	10.00	10.00	10.00	10.00
SEK	1.52	1.55	1.41	1.63	0.66	0.65	0.71	0.61
CAD	9.73	9.60	9.57	9.58	0.10	0.10	0.10	0.10
AUD	9.65	9.42	9.26	9.77	0.10	0.11	0.11	0.10
NOK	1.66	1.69	1.50	1.76	0.60	0.59	0.67	0.57

Sensitivity analysis

The group is mainly exposed to euros and United States dollars. The sensitivity analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables, in particular interest rates, remain constant and are as follows:

	Group and company			
	2015		2014	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss), excluding embedded derivatives				
Total exposure	335	(335)	369	(369)
Rand/euro exposure	231	(231)	273	(273)
Rand/USD exposure	92	(92)	86	(86)
Rand/other currency	12	(12)	10	(10)
Equity, excluding embedded derivatives				
Total exposure	140	(140)	160	(160)
Rand/euro exposure	125	(125)	142	(142)
Rand/USD exposure	15	(15)	17	(17)
Rand/other currency	–	–	1	(1)
Profit/(loss) – embedded derivatives				
Rand/USD exposure	127	(123)	152	(156)

4.2.2 Commodity risk

The group is exposed to commodity risk where commodities are used either directly (eg coal or liquid fuels) or indirectly as a component of plant, equipment or inventory (eg aluminium, copper or steel). The revenue from certain negotiated pricing arrangements is linked to commodity prices.

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 most optimal economic solution and in compliance with the SARB requirements.

The underlying exposure to commodity price risk could result in embedded derivatives. Where the embedded derivatives are closely related to the host contracts, the embedded derivatives are not accounted for separately. Where the embedded derivatives are not closely related to the host contracts, the contracts have been valued and accounted for separately.

The negotiated pricing arrangements gave rise to commodity-linked (aluminium) embedded derivatives (refer to note 3(a) on page 34).

Commodities used directly

Eskom purchases coal that is used in the generation of electricity from mines and is exposed to price and supply risks. Eskom has entered into long-term supply agreements with mines to ensure continuous supply of coal. In the fixed price contracts the price escalation is linked to an index, whereas Eskom pays for all the operational and other related costs of the collieries where the contracts are on a cost-plus basis. These contracts are monitored closely and managed to ensure costs are maintained within acceptable levels. Coal requirements above those of the fixed price and cost-plus long-term contracts are supplied via short- to medium-term contracts which could have a transport element included in the purchase price.

4. Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Commodity risk (continued)

There is also price risk exposure in the long-term primary energy water supply agreements entered into with the Department of Water Affairs (DWA) where Eskom pays for a portion of the operational costs incurred by DWA on certain of the water schemes.

Eskom is exposed to price risk on the diesel that is used for the generation of electricity at its Open-Cycle gas turbine power stations. The price of diesel is a function of the crude oil and USD exchange rates.

Commodities used indirectly

There was no material exposure where commodities formed a part of plant, equipment or inventory at year end. Eskom currently does not hedge its exposure to steel as no economic viable hedging instruments exist.

Sensitivity analysis

The group is exposed mainly to changes in the aluminium price. The sensitivity analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on profit or loss is:

	Group and company			
	2015		2014	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss), including embedded derivatives[1]				
Aluminium price	104	(104)	130	(130)

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.

4.2.3 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.

The group's interest rate risk arises mainly from debt securities, borrowings and forward exchange contracts. Borrowings and debt securities issued at variable rates expose the group to cash flow interest rate risk. Borrowings and debt securities issued at fixed rates expose the group to fair value interest rate 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 treasury policy and control manual) exposed to an interest rate reset within the next 12-month period to 40%.

Refer to note 24 for the group's quantitative exposure to interest rate risk.

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. For each simulation, the same interest rate shift is used for all currencies.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular spot foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the group's accounting policy. The analysis relates to variable-rate instruments and has been performed on the same basis as the prior year.

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.

The ZAR and the USD interest rates are used in determining the fair value of embedded derivatives. The sensitivity analysis below indicates the impact on profit or loss if these rates change. The sensitivity analysis assumes that all other variables remain constant and has been prepared on the same basis as for the prior year.

1. Impact on profit or loss is before calibration adjustment.

	Group				Company			
	2015		2014		2015		2014	
	+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), excluding embedded derivatives								
Total exposure	**(44)**	**48**	(66)	78	**(53)**	**57**	(66)	78
Rand interest rates	**225**	**(238)**	215	(221)	**216**	**(229)**	215	(221)
EUR interest rates	**(59)**	**60**	(86)	88	**(59)**	**60**	(86)	88
USD interest rates	**(195)**	**212**	(185)	201	**(195)**	**212**	(185)	201
Other currency interest rates	**(15)**	**14**	(10)	10	**(15)**	**14**	(10)	10
Equity, excluding embedded derivatives								
Total exposure	**(1 612)**	**1 951**	(1 176)	1 291	**(1 594)**	**1 933**	(1 168)	1 283
Rand interest rates	**1 742**	**(1 639)**	1 648	(1 768)	**1 760**	**(1 657)**	1 656	(1 776)
EUR interest rates	**(841)**	**889**	(660)	717	**(841)**	**889**	(660)	717
USD interest rates	**(2 478)**	**2 671**	(2 126)	2 302	**(2 478)**	**2 671**	(2 126)	2 302
Other currency interest rates	**(35)**	**30**	(38)	40	**(35)**	**30**	(38)	40
Profit/(loss) – embedded derivatives[1]								
Total exposure	**223**	**(258)**	300	(336)	**223**	**(258)**	300	(336)
Rand interest rates	**659**	**(709)**	886	(950)	**659**	**(709)**	886	(950)
USD interest rates	**(436)**	**451**	(586)	614	**(436)**	**451**	(586)	614

Fixed and floating rate debt

The fixed and floating rate debt at 31 March were:

	Group and company			
	2015		2014	
	fixed %	floating %	fixed %	floating %
Continuing operations	**82**	**18**	78	22

4.2.4 Equity price risk

Equity price risk arises from investments listed on the JSE. 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 mandate is stipulated by the Eskom board and is monitored by the Escap investment committee. Exposure to market risk is limited through diversification and by applying strict investment criteria.

The carrying value of investments made per sector is as follows:

	Group			
	2015		2014	
	Rm	Portfolio %	Rm	Portfolio %
Banks, financial services and insurance	**298**	**25**	234	23
Basic materials and resources	**233**	**20**	246	24
Consumer goods and services	**465**	**39**	317	31
Industrial	**43**	**4**	93	9
Telecommunications	**76**	**6**	104	10
Other	**64**	**6**	45	3
	1 179	**100**	1 039	100

A 1% increase of the share price in the equity portfolio at the reporting date would have increased profit or loss by R12 million (2014: R10 million) after tax. An equal change in the opposite direction would have decreased profit or loss by R12 million (2014: R10 million). There will be no impact on equity. The analysis assumes that all other variables remain constant and is performed on the same basis as for the prior year.

1. Impact on profit or loss is before calibration adjustment.

4. Financial risk management (continued)

4.2 Market risk (continued)

4.2.5 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 3(a). The risk arises from movements in the electricity tariffs and the United States PPI.

Refer to note 25 for the group's quantitative exposure to other price risk.

The following is the sensitivity analysis of the change in the value of the embedded derivatives (relating to customised pricing agreements) as a result of changes in electricity tariffs and the United States PPI. The analysis assumes that all other variables remain constant and the possible impact on profit or loss is:

	Group and company			
	2015		2014	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss) – embedded derivatives[1]				
Total exposure	(416)	400	(612)	590
Electricity tariffs	(568)	553	(790)	765
United States PPI	152	(153)	178	(175)

4.3 Liquidity risk

Liquidity risk is 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. This risk can arise from mismatches in the timing of cash flows from revenue and 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 consolidated liquidity and funding risk is centralised in the treasury department in accordance with practices and limits set by the 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 through the quarterly meetings of the treasury credit committee, and by the Exco and audit and risk committee of the board. 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, if necessary. Risk factors and assumptions affecting probability calculations are re-assessed 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.

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, overdraft facilities (for which there was no requirement to use), undrawn loans, commercial paper facilities and unutilised government guarantees are in place as indicated in the table. All figures are quoted in millions based on national amounts.

1. Impact on profit or loss is before calibration adjustment.

	ZAR		EUR		USD		JPY	
	2015 m	2014 m	2015 m	2014 m	2015 m	2014 m	2015 m	2014 m
Facilities available								
Export credit agencies	–	–	921	1 107	483	499	–	4 133
Japan Bank for International Cooperation	–	–	–	–	–	–	–	4 133
Crédit Agricole Corporate and Investment Bank – Coface	–	–	44	108	–	–	–	–
BNP Paribas – Coface	–	–	231	236	–	–	–	–
BNP Paribas – Servizi Assicuratiri del Commercio Estero	–	–	261	263	–	–	–	–
Kreditanstalt für Wiederaufbau – Hermes	–	–	357	456	–	–	–	–
Deutsche Bank – Hermes	–	–	28	44	–	–	–	–
Export-Import Bank of the United States	–	–	–	–	483	499	–	–
Development financing institutions	7 377	7 049	503	531	2 214	2 980	–	–
World Bank	–	–	–	–	1 572	2 275	–	–
African Development Bank	316	316	331	431	256	261	–	–
Development Bank of South Africa	3 000	6 000	–	–	–	–	–	–
Clean technology fund – African Development Bank	–	–	–	–	65	95	–	–
Clean technology fund – World Bank	–	–	–	–	221	249	–	–
European Investment Bank	–	–	75	–	–	–	–	–
Kreditanstalt für Wiederaufbau	3 935	–	–	–	100	100	–	–
Agence Française de Développement	126	733	97	100	–	–	–	–
Government guarantees[1]	191 189	206 339	–	–	–	–	–	–
Domestic multi-term note programme	49 774	9 950	–	–	–	–	–	–
General guarantees	141 415	196 389	–	–	–	–	–	–
General banking facilities	1 450	250	–	–	–	–	–	–
	200 016	213 638	1 424	1 638	2 697	3 479	–	4 133
Funds received during the year								
Export credit agencies	–	–	100	151	16	301	906	2 587
Japan Bank for International Cooperation	–	–	–	–	–	–	906	2 587
BNP Paribas – Coface	–	–	–	30	–	–	–	–
BNP Paribas – Servizi Assicurativi del Commercio Estero	–	–	–	37	–	–	–	–
Kreditanstalt für Wiederaufbau – Hermes	–	–	85	66	–	–	–	–
Deutsche Bank – Hermes	–	–	15	18	–	–	–	–
Export-Import Bank of the United States	–	–	–	–	16	301	–	–
Development financing institutions	3 607	2 600	103	173	766	341	–	–
World Bank[2]	–	–	–	–	703	331	–	–
African Development Bank[3]	–	382	100	173	5	4	–	–
Development Bank of South Africa[4]	3 000	2 000	–	–	–	–	–	–
Clean technology fund – World Bank[5]	–	–	–	–	28	1	–	–
Clean technology fund – African Development Bank[5]	–	–	–	–	30	5	–	–
Agence Française de Développement	607[5,6]	218[4]	3[5,6]	–	–	–	–	–
	3 607	2 600	203	324	782	642	906	2 587
Government guarantees used during the year	15 151	10 819	–	–	–	–	–	–
Domestic multi-term note programme	10 176	10 819	–	–	–	–	–	–
General guarantees	4 975	–	–	–	–	–	–	–

1. *The domestic multi-term note programme facility increased by R50 billion during 2015 with a corresponding decrease of R50 billion in the uncommitted facility.*
2. *All funds received were reimbursements on payments made by Eskom to various suppliers for goods and services supplied for the construction of the Medupi power station, Sere wind farm and Majuba rail projects.*
3. *All funds received were reimbursements on payments made by Eskom to various suppliers for goods and services supplied for the Medupi boilers and turbines and Sere wind farm.*
4. *Funds received were used as bridging finance for the capacity expansion programme.*
5. *Funds received were used for the Sere wind farm project.*
6. *Funds received were used for concentrated solar power projects.*

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

Key indicators used for liquidity management

Duration

Management has set minimum duration limits to help optimise returns for the group on its debt portfolio. Group policy is to ensure that the external debt portfolio (excluding the trade portfolio) has a minimum duration of five years, should it exceed R10 billion. The duration limits are independently monitored and reported to Alco on a monthly basis and to the Exco and the audit and risk committee on a quarterly basis.

The duration (a weighted average term to maturity measure based on future cash flows) of the debt (including the shareholder loan, cross-currency swaps and interest rate swaps) measured at fair value at 31 March was:

	Group and company	
	2015 years	2014 years
Continuing operations	**6.14**	5.59

Liquid assets

Liquid assets are investments identified as having the potential to be quickly converted into cash. These investments include the instruments as disclosed in investments in securities and cash and cash equivalents (refer to note 12 and 20). The liquid assets were:

	Group		Company	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Continuing operations	**17 359**	30 583	**12 788**	27 204

Capital expenditure ratio

The capital expenditure ratio[1] measures whether there are liquid funds available to invest in capital expenditure. The capital expenditure ratio for the period was:

	Group		Company	
	2015 %	2014 %	**2015 %**	2014 %
Continuing operations	**53**	43	**50**	42

Contractual cash flows

The table indicates the contractual undiscounted cash flows of the group's financial assets and liabilities on the basis of their earliest possible contractual maturity. The undiscounted cash flows in respect of the group's financial assets are presented net of impairment losses and include estimates where there are no contractual repayment terms or the receivable is past due. The cash flows of the group's financial liabilities are indicated on a gross undiscounted basis.

The cash flows for derivatives are presented as gross inflows and outflows even though physically they are settled simultaneously. Contractual cash flows are a function of forward exchange rates and forward interest rates and is a point in time calculation that is impacted by market conditions at that time.

The table contains only cash flows relating to financial instruments and financial guarantees. It does not include future cash flows expected from the normal course of business and related commodity-linked pricing agreements.

1. The ratio is calculated as cash generated from operations divided by cash expenditure (excluding borrowing costs capitalised) on property, plant and equipment and intangible assets.

	Note	Carrying amount Non-current Rm	Current Rm	Total Rm	Nominal inflow or outflow Rm	Cash flows 0-3 months Rm	4-12 months Rm	1-5 years Rm	More than 5 years Rm
2015									
Group									
Financial assets									
Investment in securities	12	2 481	6 015	8 496	8 906	573	5 744	2 589	–
Loans receivable	13	8 646	269	8 915	21 065	264	785	3 790	16 226
Derivatives held for risk management	14	19 242	709	19 951	30 424	484	48	(3 129)	33 021
Finance lease receivables	15	500	20	520	1 078	21	64	339	654
Trade and other receivables	17	2 787	16 811	19 598	19 732	16 284	527	2 920	1
Financial trading assets[1]	19	–	6 322	6 322	6 339	5 065	1 184	18	72
Cash and cash equivalents	20	–	8 863	8 863	8 863	8 863	–	–	–
		33 656	39 009	72 665	96 407	31 554	8 352	6 527	49 974
Financial liabilities									
Debt securities and borrowings	24	250 837	19 976	270 813	559 616	6 232	27 789	112 395	413 200
Subordinated loan from shareholder	24	26 621	–	26 621	146 356	–	–	–	146 356
Derivatives held for risk management	14	520	2 845	3 365	4 323	1 071	3 027	526	(301)
Finance lease payables	29	474	14	488	1 267	25	74	390	778
Trade and other payables	30	1 015	27 404	28 419	28 658	23 744	3 657	901	356
Financial trading liabilities[1]	19	–	5 499	5 499	5 617	4 863	21	215	518
Financial guarantees	44	–	1	1	158	158	–	–	–
		279 467	55 739	335 206	745 995	36 093	34 568	114 427	560 907
Company									
Financial assets									
Investment in securities	12	2 481	2 321	4 802	5 212	14	2 609	2 589	–
Loans receivable	13	–	6 553	6 553	6 684	2 720	3 964	–	–
Derivatives held for risk management	14	19 242	709	19 951	30 424	484	48	(3 129)	33 021
Finance lease receivables	15	500	20	520	1 078	21	64	339	654
Trade and other receivables	17	3 257	18 553	21 810	21 990	17 224	1 329	3 436	1
Financial trading assets[1]	19	–	5 143	5 143	5 160	5 065	5	18	72
Cash and cash equivalents	20	–	7 986	7 986	7 986	7 986	–	–	–
		25 480	41 285	66 765	78 534	33 514	8 019	3 253	33 748
Financial liabilities									
Debt securities and borrowings	24	249 333	22 176	271 509	560 313	12 432	23 790	111 035	413 056
Subordinated loan from shareholder	24	26 621	–	26 621	146 356	–	–	–	146 356
Derivatives held for risk management	14	520	2 845	3 365	4 323	1 071	3 027	526	(301)
Finance lease payables	29	637	70	707	1 526	43	128	574	781
Trade and other payables	30	1 015	28 773	29 788	30 029	26 083	2 689	901	356
Financial trading liabilities[1]	19	–	5 499	5 499	5 617	4 863	21	215	518
Financial guarantees	44	–	2	2	1 289	1 289	–	–	–
		278 126	59 365	337 491	749 453	45 781	29 655	113 251	560 766

1. The contractual cash flows for financial trading assets and liabilities have been disclosed based on the contractual maturity of the instrument. However, as these instruments are held-for-trading they may be sold or settled prior to contractual maturity.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

Contractual cash flows (continued)

		Carrying amount			Cash flows				
	Note	Non-current Rm	Current Rm	Total Rm	Nominal inflow or outflow Rm	0-3 months Rm	4-12 months Rm	1-5 years Rm	More than 5 years Rm
2014									
Group									
Financial assets									
Investment in securities	12	4 841	6 066	10 907	11 646	1 595	5 166	4 885	–
Loans receivable	13	8 654	329	8 983	20 762	275	806	3 819	15 862
Derivatives held for risk management	14	9 361	2 812	12 173	23 902	2 268	591	(1 687)	22 730
Finance lease receivables	15	520	18	538	1 165	22	64	342	737
Trade and other receivables	17	27	16 554	16 581	16 580	16 522	31	27	–
Financial trading assets[1]	19	–	4 265	4 265	5 438	3 478	306	212	1 442
Cash and cash equivalents	20	–	19 676	19 676	19 676	19 676	–	–	–
		23 403	49 720	73 123	99 169	43 836	6 964	7 598	40 771
Financial liabilities									
Debt securities and borrowings	24	210 169	20 258	230 427	467 676	8 282	22 440	103 573	333 381
Subordinated loan from shareholder	24	24 393	–	24 393	146 356	–	–	–	146 356
Derivatives held for risk management	14	310	1 197	1 507	467	280	2 558	2 736	(5 107)
Finance lease payables	29	488	12	500	1 367	25	73	396	873
Trade and other payables	30	1 037	28 229	29 266	29 498	27 294	931	1 268	5
Financial trading liabilities[1]	19	–	5 658	5 658	6 337	4 670	303	387	977
Financial guarantees	44	–	–	–	165	165	–	–	–
		236 397	55 354	291 751	651 866	40 716	26 305	108 360	476 485
Company									
Financial assets									
Investment in securities	12	4 841	3 319	8 160	8 898	36	3 977	4 885	–
Loans receivable	13	–	6 665	6 665	6 790	2 698	4 092	–	–
Derivatives held for risk management	14	9 361	2 812	12 173	23 902	2 268	591	(1 687)	22 730
Finance lease receivables	15	520	18	538	1 165	22	64	342	737
Trade and other receivables	17	16	16 882	16 898	16 897	16 850	31	16	–
Financial trading assets[1]	19	–	3 226	3 226	4 398	2 438	306	212	1 442
Cash and cash equivalents	20	–	19 044	19 044	19 044	19 044	–	–	–
		14 738	51 966	66 704	81 094	43 356	9 061	3 768	24 909
Financial liabilities									
Debt securities and borrowings	24	208 649	22 227	230 876	468 256	9 768	23 496	101 747	333 245
Subordinated loan from shareholder	24	24 393	–	24 393	146 356	–	–	–	146 356
Derivatives held for risk management	14	310	1 197	1 507	467	280	2 558	2 736	(5 107)
Finance lease payables	29	705	64	769	1 698	43	130	642	883
Trade and other payables	30	1 073	29 849	30 922	31 154	28 914	931	1 304	5
Financial trading liabilities[1]	19	–	5 658	5 658	6 337	4 670	303	387	977
Financial guarantees	44	–	1	1	1 284	1 284	–	–	–
		235 130	58 996	294 126	655 552	44 959	27 418	106 816	476 359

1. The contractual cash flows for financial trading assets and liabilities have been disclosed based on the contractual maturity of the instrument. However, as these instruments are held-for-trading they may be sold or settled prior to contractual maturity.

4.4 Capital management and going concern

Eskom manages accumulated profit and the hedging, fair value and equity reserves as capital. The equity reserve comprises the day-one gains that result from the initial recognition of the subordinated loan tranches received from the shareholder. The day-one gains are included in equity as it is considered to be a contribution from the shareholder. Eskom is obliged to pay interest on the loan when the solvency and leverage conditions per the agreement are satisfied. Future projections result in the day-one gains. Refer to note 24.

The table shows the amounts of the reserves which Eskom manages as capital:

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Accumulated profit	89 777	90 786	83 587	85 666
Cash flow hedge reserve	5 699	6 178	5 699	6 178
Unrealised fair value reserve	(3 771)	(7 744)	(3 771)	(7 744)
Equity reserve	30 520	30 520	30 520	30 520
	122 225	119 740	116 035	114 620

The objective of capital management is to ensure that Eskom is sustainable over the long term. There were no changes to Eskom's approach to capital management during the financial year.

The major items that impact the equity of Eskom include:

- the revenue received from electricity sales (which is a function of price and sales volumes)
- the cost of funding the current business
- the cost of operating the electricity business
- the cost of expanding the business to ensure that capacity growth is in line with electricity sales demand (funding and additional depreciation)
- taxation
- dividends

Eskom uses the Integrated Strategic Electricity Planning process which forecasts the growth in electricity demand for the long term and evaluates the alternative means to meet and manage that demand. This information flows into the planning process. The planning process will determine a forward electricity price curve which will be an indication of the size of the price increases which Eskom requires to be sustainable over the long term.

The tariff increases for the electricity business are subject to the process laid down by the National Energy Regulator of South Africa (NERSA). The current regulatory framework applicable to Eskom is the multi-year five year determination ending on 31 March 2018.

The electricity business is currently in a major expansion phase and the funding related to generating, transmitting and other capacity is envisaged to be obtained from cash generated by the business, shareholder support and funds borrowed on the local and foreign debt markets. The adequacy of price increases allowed by the regulator and the level and timing of shareholder support are key factors in the sustainability of Eskom. The financial sustainability is dependent on reaching cost reflective prices sooner rather than later.

The government as the sole shareholder and the board have the responsibility to ensure that the group is adequately capitalised to ensure continuity of supply and that the business is attractive to investors to enable Eskom to fund the capacity expansion programme.

Eskom did not receive a cost reflective tariff in the NERSA Multi-Year Price Determination (MYPD) 3 decision which created a revenue shortfall of R225 billion over the MYPD 3 period which has placed tremendous strain on the financial and operating sustainability of the group. The board has critically examined its activities and costs in order to balance its cash flow requirements through the Business Productivity Programme to identify cost saving and efficiency opportunities to reduce the revenue shortfall.

NERSA decided in Eskom's favour regarding an RCA adjustment application of a R7.8 billion variance between assumed and actual costs and revenues for year 3 of MYPD 2 (2013 financial year). This variance will be recovered in the 2016 financial year through an adjustment to the electricity price increase from 8% to 12.69%.

Eskom submitted an RCA adjustment application for a R38 billion variance for year 1 of MYPD 3 (2014 financial year) in February 2015. NERSA will decide on the application after following their governance processes.

Based on Eskom's submission for a selective reopener relating to the Open-Cycle Gas Turbines and Short-Term Power Purchase Programme, NERSA announced in May 2015 their intention to conduct a public consultation process upon this application. A decision in this regard is expected on 29 June 2015.

Eskom is calculating the RCA adjustment variance for the year 2 of MYPD 3 (2015 financial year). Eskom will also initiate a reopening for the remainder of the MYPD period.

The board is pursuing alternative funding options, including potential government support.

4. Financial risk management (continued)

4.4 Capital management and going concern (continued)

In response to the financial position resulting from the NERSA MYPD 3 determination, Eskom will trade off its former objective of attaining a standalone investment grade rating and will instead aim to sustain this rating with sovereign uplift and is monitoring the relevant performance ratios as part of its financial policy. The free funds from operations (FFO) to total debt and total debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratios play an important role in the credit ratings given to Eskom which in turn influences the cost of funding.

The board has given particular attention to the assessment of the going concern of the group and is of the view that the group has access to adequate resources to continue in operational existence for the foreseeable future and to complete its current committed capacity expansion programme.

The following are closely managed:

Group	Unit	2015	2014
EBITDA	Rm	25 201	25 115
FFO	Rm	36 179	31 158
Interest cover	ratio	0.49	0.79
Electricity revenue per kWh	c/kWh	68.51	61.83
At standard tariffs	c/kWh	67.91	62.81
Adjusted for impact of embedded derivatives	c/kWh	0.61	(0.99)
Cost per kWh	c/kWh	66.68	60.61
Primary energy	c/kWh	38.57	32.04
Net employee benefit expense	c/kWh	10.26	10.27
Depreciation and amortisation expense	c/kWh	6.47	5.48
Net impairment loss	c/kWh	2.01	0.71
Net other expenses (including other revenue and other income)	c/kWh	6.48	9.65
Net fair value (gain)/loss on financial instruments, excluding embedded derivatives	c/kWh	(0.25)	0.35
Net finance cost	c/kWh	3.13	2.12
FFO as percentage of gross debt	%	11.00	11.22
Gross debt: EBITDA	ratio	13.05	11.06
Debt: equity	ratio	2.37	1.94
Working capital	ratio	0.81	0.71

	Rating		Outlook	
	2015	2014	2015	2014
Standard & Poor's				
Foreign currency	BB+	BBB	Negative	Negative
Local currency	BB+	BBB	Negative	Negative
Moody's				
Foreign currency	Ba1	Baa3	Stable	Negative
Local currency	Ba1	Baa3	Stable	Negative
Fitch Ratings				
National long-term (zaf)	AAA	AAA	Stable	Stable
National short-term (zaf)	F1+	F1+	Stable	Stable

4.5 Accounting classifications and fair values

Valuation processes

The group has established a controlled framework with respect to the measurement of fair values. It includes a valuation team that ultimately reports to the finance director and has overall responsibility for all significant fair value measurements.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support their conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy that the resulting fair value estimate should be classified to.

Principal markets

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

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

	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Total fair value Rm
2015								
Group								
Financial assets								
Investment in securities	12	–	–	8 496	–	–	8 496	8 496
Government bonds		–	–	4 802	–	–	4 802	4 802
Negotiable certificates of deposit		–	–	3 694	–	–	3 694	3 694
Loans receivable[1]	13	–	8 915	–	–	–	8 915	7 474
Secured by mortgages		–	8 659	–	–	–	8 659	7 315
Other		–	256	–	–	–	256	159
Derivatives held for risk management	14	1 541	–	–	–	18 410	19 951	19 951
Foreign exchange derivatives		1 524	–	–	–	18 410	19 934	19 934
Commodity derivatives		8	–	–	–	–	8	8
Credit default swap		9	–	–	–	–	9	9
Finance lease receivables[2]	15	–	–	–	–	520	520	520
Trade and other receivables[2]	17	–	19 598	–	–	–	19 598	19 598
Financial trading assets	19	6 322	–	–	–	–	6 322	6 322
Repurchase agreements		5 084	–	–	–	–	5 084	5 084
Listed shares		1 179	–	–	–	–	1 179	1 179
Government bonds		59	–	–	–	–	59	59
Cash and cash equivalents	20	–	8 863	–	–	–	8 863	8 863
Bank balances		–	5 959	–	–	–	5 959	5 959
Unsettled deals		–	(1 101)	–	–	–	(1 101)	(1 101)
Fixed deposits		–	4 005	–	–	–	4 005	4 005
		7 863	37 376	8 496	–	18 930	72 665	71 224
Financial liabilities								
Debt securities and borrowings	24	–	–	–	297 434	–	297 434	269 195
Eskom bonds		–	–	–	112 103	–	112 103	114 838
Promissory notes		–	–	–	40	–	40	47
Commercial paper		–	–	–	7 531	–	7 531	7 377
Eurorand zero coupon bonds		–	–	–	3 942	–	3 942	3 594
Foreign bonds		–	–	–	48 670	–	48 670	48 585
Development financing institutions		–	–	–	62 447	–	62 447	49 691
Export credit facilities		–	–	–	28 488	–	28 488	27 966
Subordinated loan from shareholder		–	–	–	26 621	–	26 621	12 420
Other loans		–	–	–	7 592	–	7 592	4 677
Embedded derivatives	25	–	–	–	–	8 022	8 022	8 022
Derivatives held for risk management	14	1 330	–	–	–	2 035	3 365	3 365
Foreign exchange derivatives		830	–	–	–	2 035	2 865	2 865
Commodity derivatives		1	–	–	–	–	1	1
Credit default swap		499	–	–	–	–	499	499
Finance lease payables[2]	29	–	–	–	–	488	488	488
Trade and other payables[2]	30	–	–	–	28 419	–	28 419	28 419
Financial trading liabilities	19	5 499	–	–	–	–	5 499	5 499
Short-sold government bonds		493	–	–	–	–	493	493
Repurchase agreements		5 006	–	–	–	–	5 006	5 006
		6 829	–	–	325 853	10 545	343 227	314 988

1. *The fair value of loans receivable is based on what a market participant would be willing to pay to acquire the loans. This participant would not have the ability to garnish salaries, thus increasing the probability of default resulting in a lower fair value than Eskom's carrying value.*
2. *The fair values of these financial instruments approximate their carrying amounts. The effect of discounting is not expected to be material.*

4. Financial risk management (continued)

4.5 Accounting classifications and fair values (continued)

	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Total fair value Rm
2015								
Company								
Financial assets								
Investment in securities								
Government bonds	12	–	–	4 802	–	–	4 802	4 802
Loans receivable								
Loans to subsidiaries[1]	13	–	6 553	–	–	–	6 553	6 553
Derivatives held for risk management	14	1 541	–	–	–	18 410	19 951	19 951
Foreign exchange derivatives		1 524	–	–	–	18 410	19 934	19 934
Commodity derivatives		8	–	–	–	–	8	8
Credit default swap		9	–	–	–	–	9	9
Finance lease receivables[1]	15	–	–	–	–	520	520	520
Trade and other receivables[1]	17	–	21 810	–	–	–	21 810	21 810
Financial trading assets	19	5 143	–	–	–	–	5 143	5 143
Repurchase agreements		5 084	–	–	–	–	5 084	5 084
Government bonds		59	–	–	–	–	59	59
Cash and cash equivalents	20	–	7 986	–	–	–	7 986	7 986
Bank balances		–	5 082	–	–	–	5 082	5 082
Unsettled deals		–	(1 101)	–	–	–	(1 101)	(1 101)
Fixed deposits		–	4 005	–	–	–	4 005	4 005
		6 684	36 349	4 802	–	18 930	66 765	66 765
Financial liabilities								
Debt securities and borrowings	24	–	–	–	298 130	–	298 130	269 890
Eskom bonds		–	–	–	112 103	–	112 103	114 838
Promissory notes		–	–	–	40	–	40	47
Commercial paper		–	–	–	7 027	–	7 027	6 873
Eurorand zero coupon bonds		–	–	–	3 942	–	3 942	3 594
Foreign bonds		–	–	–	48 670	–	48 670	48 585
Development financing institutions		–	–	–	62 447	–	62 447	49 691
Export credit facilities		–	–	–	28 488	–	28 488	27 966
Subordinated loan from shareholder		–	–	–	26 621	–	26 621	12 420
Other loans		–	–	–	8 792	–	8 792	5 876
Embedded derivatives	25	–	–	–	–	8 021	8 021	8 021
Derivatives held for risk management	14	1 330	–	–	–	2 035	3 365	3 365
Foreign exchange derivatives		830	–	–	–	2 035	2 865	2 865
Commodity derivatives		1	–	–	–	–	1	1
Credit default swap		499	–	–	–	–	499	499
Finance lease payables[1]	29	–	–	–	–	707	707	707
Trade and other payables[1]	30	–	–	–	29 788	–	29 788	29 788
Financial trading liabilities	19	5 499	–	–	–	–	5 499	5 499
Short-sold government bonds		493	–	–	–	–	493	493
Repurchase agreements		5 006	–	–	–	–	5 006	5 006
		6 829	–	–	327 918	10 763	345 510	317 270

1. *The fair values of these financial instruments approximate their carrying amounts. The effect of discounting is not expected to be material.*

	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Total fair value Rm
2014								
Group								
Financial assets								
Investment in securities	12	–	–	10 907	–	–	10 907	10 907
Government bonds		–	–	8 160	–	–	8 160	8 160
Negotiable certificates of deposit		–	–	2 747	–	–	2 747	2 747
Loans receivable	13	–	8 983	–	–	–	8 983	7 408
Secured by mortgages		–	8 546	–	–	–	8 546	7 139
Other		–	437	–	–	–	437	269
Derivatives held for risk management	14	2 344	–	–	–	9 829	12 173	12 173
Foreign exchange derivatives		2 289	–	–	–	9 829	12 118	12 118
Commodity derivatives		51	–	–	–	–	51	51
Credit default swap		4	–	–	–	–	4	4
Finance lease receivables[1]	15	–	–	–	–	538	538	538
Trade and other receivables[1]	17	–	16 581	–	–	–	16 581	16 581
Financial trading assets	19	4 265	–	–	–	–	4 265	4 265
Negotiable certificates of deposit		334	–	–	–	–	334	334
Repurchase agreements		2 325	–	–	–	–	2 325	2 325
Listed shares		1 039	–	–	–	–	1 039	1 039
Government bonds		541	–	–	–	–	541	541
Other money market securities		26	–	–	–	–	26	26
Cash and cash equivalents	20	–	19 676	–	–	–	19 676	19 676
Bank balances		–	10 757	–	–	–	10 757	10 757
Unsettled deals		–	1 489	–	–	–	1 489	1 489
Fixed deposits		–	7 361	–	–	–	7 361	7 361
Other		–	69	–	–	–	69	69
		6 609	45 240	10 907	–	10 367	73 123	71 548
Financial liabilities								
Debt securities and borrowings	24	–	–	–	254 820	–	254 820	240 646
Eskom bonds		–	–	–	102 080	–	102 080	102 274
Promissory notes		–	–	–	35	–	35	45
Commercial paper		–	–	–	14 635	–	14 635	14 629
Eurorand zero coupon bonds		–	–	–	3 484	–	3 484	3 711
Foreign bonds		–	–	–	29 100	–	29 100	30 965
Development financing institutions		–	–	–	49 256	–	49 256	41 910
Export credit facilities		–	–	–	31 506	–	31 506	32 751
Subordinated loan from shareholder		–	–	–	24 393	–	24 393	14 030
Other loans		–	–	–	331	–	331	331
Embedded derivatives	25	–	–	–	–	9 332	9 332	9 332
Derivatives held for risk management	14	840	–	–	–	667	1 507	1 507
Foreign exchange derivatives		837	–	–	–	667	1 504	1 504
Credit default swap		3	–	–	–	–	3	3
Finance lease payables[1]	29	–	–	–	–	500	500	500
Trade and other payables[1]	30	–	–	–	29 266	–	29 266	29 266
Financial trading liabilities	19	5 658	–	–	–	–	5 658	5 658
Short-sold government bonds		752	–	–	–	–	752	752
Commercial paper issued		762	–	–	–	–	762	762
Repurchase agreements		4 144	–	–	–	–	4 144	4 144
		6 498	–	–	284 086	10 499	301 083	286 909

1. *The fair values of these financial instruments approximate their carrying amounts. The effect of discounting is not expected to be material.*

4. Financial risk management (continued)

4.5 Accounting classifications and fair values (continued)

	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Total fair value Rm
2014								
Company								
Financial assets								
Investment in securities								
Government bonds	12	–	–	8 160	–	–	8 160	8 160
Loans receivable								
Loans to subsidiaries[1]	13	–	6 665	–	–	–	6 665	6 665
Derivatives held for risk management	14	2 344	–	–	–	9 829	12 173	12 173
Foreign exchange derivatives		2 289	–	–	–	9 829	12 118	12 118
Commodity derivatives		51	–	–	–	–	51	51
Credit default swap		4	–	–	–	–	4	4
Finance lease receivables[1]	15	–	–	–	–	538	538	538
Trade and other receivables[1]	17	–	16 898	–	–	–	16 898	16 898
Financial trading assets	19	3 226	–	–	–	–	3 226	3 226
Negotiable certificates of deposit		334	–	–	–	–	334	334
Repurchase agreements		2 325	–	–	–	–	2 325	2 325
Government bonds		541	–	–	–	–	541	541
Other money market securities		26	–	–	–	–	26	26
Cash and cash equivalents	20	–	19 044	–	–	–	19 044	19 044
Bank balances		–	10 194	–	–	–	10 194	10 194
Unsettled deals		–	1 489	–	–	–	1 489	1 489
Fixed deposits		–	7 361	–	–	–	7 361	7 361
		5 570	42 607	8 160	–	10 367	66 704	66 704
Financial liabilities								
Debt securities and borrowings	24	–	–	–	255 269	–	255 269	241 095
Eskom bonds		–	–	–	102 080	–	102 080	102 274
Promissory notes		–	–	–	35	–	35	45
Commercial paper		–	–	–	13 926	–	13 926	13 920
Eurorand zero coupon bonds		–	–	–	3 484	–	3 484	3 711
Foreign bonds		–	–	–	29 100	–	29 100	30 965
Development financing institutions		–	–	–	49 256	–	49 256	41 910
Export credit facilities		–	–	–	31 506	–	31 506	32 751
Subordinated loan from shareholder		–	–	–	24 393	–	24 393	14 030
Other loans		–	–	–	1 489	–	1 489	1 489
Embedded derivatives	25	–	–	–	–	9 331	9 331	9 331
Derivatives held for risk management	14	840	–	–	–	667	1 507	1 507
Foreign exchange derivatives		837	–	–	–	667	1 504	1 504
Credit default swap		3	–	–	–	–	3	3
Finance lease payables[1]	29	–	–	–	–	769	769	769
Trade and other payables[1]	30	–	–	–	30 922	–	30 922	30 922
Financial trading liabilities	19	5 658	–	–	–	–	5 658	5 658
Short-sold government bonds		752	–	–	–	–	752	752
Commercial paper issued		762	–	–	–	–	762	762
Repurchase agreements		4 144	–	–	–	–	4 144	4 144
		6 498	–	–	286 191	10 767	303 456	289 282

1. *The fair values of these financial instruments approximate their carrying amounts. The effect of discounting is not expected to be material.*

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 has been no change in the valuation technique 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 for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: Inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

Eskom'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)

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The valuation techniques used are as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. 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. The quoted market price used for financial assets held by the group is the current bid price. For financial liabilities included in level 1 the current ask price is used. Instruments included in level 1 comprise listed investments classified as trading securities or available-for-sale.

Level 2: Inputs other than quoted prices included within level 1 that are observable

Level 2 fair values for debt securities are determined using a discounted cash flow technique, which uses expected cash flows and a market-related discount rate. Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. These quotes are tested for reasonableness by discounting expected future cash flows using a market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instruments and include adjustments for the credit risk of the group entity and counterparty when appropriate. The fair values are obtained from listed bond yields or using a discounted cash flow model for unlisted instruments. The future cash flows are discounted using a zero curve, which is adjusted to reflect the credit value adjustment (CVA) and debit value adjustment (DVA) that are constructed from money market and swap rates.

Level 3: Inputs not based on observable market data (unobservable inputs)

Level 3 items are fair valued using unobservable inputs (embedded derivatives for measurement and disclosure and government loan for disclosure). Refer to note 3(a) and 3(f) for information on the valuation techniques and assumptions used.

4. Financial risk management (continued)

4.5 Accounting classifications and fair values (continued)

Fair value hierarchy (continued)

	Note	Group Level 1 Rm	Group Level 2 Rm	Group Level 3 Rm	Group Total Rm	Company Level 1 Rm	Company Level 2 Rm	Company Level 3 Rm	Company Total Rm
2015									
Assets measured at fair value									
Investment in securities	12	4 802	3 694	–	8 496	4 802	–	–	4 802
Government bonds		4 802	–	–	4 802	4 802	–	–	4 802
Negotiable certificates of deposit		–	3 694	–	3 694	–	–	–	–
Derivatives held for risk management	14	–	19 951	–	19 951	–	19 951	–	19 951
Foreign exchange derivatives		–	19 934	–	19 934	–	19 934	–	19 934
Commodity derivatives		–	8	–	8	–	8	–	8
Credit default swap		–	9	–	9	–	9	–	9
Financial trading assets	19	1 238	5 084	–	6 322	59	5 084	–	5 143
Repurchase agreements		–	5 084	–	5 084	–	5 084	–	5 084
Listed shares		1 179	–	–	1 179	–	–	–	–
Government bonds		59	–	–	59	59	–	–	59
Assets not measured at fair value									
Loans receivable		–	7 474	–	7 474	–	6 553	–	6 553
Secured by mortgages		–	7 315	–	7 315	–	–	–	–
Loans to subsidiaries		–	–	–	–	–	6 553	–	6 553
Other		–	159	–	159	–	–	–	–
Finance lease receivables	15	–	520	–	520	–	520	–	520
Trade and other receivables	17	–	19 598	–	19 598	–	21 810	–	21 810
Cash and cash equivalents	20	–	8 863	–	8 863	–	7 986	–	7 986
Bank balances		–	5 959	–	5 959	–	5 082	–	5 082
Unsettled deals		–	(1 101)	–	(1 101)	–	(1 101)	–	(1 101)
Fixed deposits		–	4 005	–	4 005	–	4 005	–	4 005
		6 040	65 184	–	71 224	4 861	61 904	–	66 765
Liabilities measured at fair value									
Embedded derivatives	25	–	–	8 022	8 022	–	–	8 021	8 021
Derivatives held for risk management	14	–	3 365	–	3 365	–	3 365	–	3 365
Foreign exchange derivatives		–	2 865	–	2 865	–	2 865	–	2 865
Commodity derivatives		–	1	–	1	–	1	–	1
Credit default swap		–	499	–	499	–	499	–	499
Financial trading liabilities	19	493	5 006	–	5 499	493	5 006	–	5 499
Short-sold government bonds		493	–	–	493	493	–	–	493
Repurchase agreements		–	5 006	–	5 006	–	5 006	–	5 006
Liabilities not measured at fair value									
Debt securities and borrowings	24	114 838	141 937	12 420	269 195	114 838	142 632	12 420	269 890
Eskom bonds		114 838	–	–	114 838	114 838	–	–	114 838
Promissory notes		–	47	–	47	–	47	–	47
Commercial paper		–	7 377	–	7 377	–	6 873	–	6 873
Eurorand zero coupon bonds		–	3 594	–	3 594	–	3 594	–	3 594
Foreign bonds		–	48 585	–	48 585	–	48 585	–	48 585
Development financing institutions		–	49 691	–	49 691	–	49 691	–	49 691
Export credit facilities		–	27 966	–	27 966	–	27 966	–	27 966
Subordinated loan from shareholder		–	–	12 420	12 420	–	–	12 420	12 420
Other loans		–	4 677	–	4 677	–	5 876	–	5 876
Finance lease payables	29	–	488	–	488	–	707	–	707
Trade and other payables	30	–	28 419	–	28 419	–	29 788	–	29 788
		115 331	179 215	20 442	314 988	115 331	181 498	20 441	317 270

		Group				Company			
	Note	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014									
Assets measured at fair value									
Investment in securities	12	8 160	2 747	–	10 907	8 160	–	–	8 160
Government bonds		8 160	–	–	8 160	8 160	–	–	8 160
Negotiable certificates of deposit		–	2 747	–	2 747	–	–	–	–
Derivatives held for risk management	14	–	12 173	–	12 173	–	12 173	–	12 173
Foreign exchange derivatives		–	12 118	–	12 118	–	12 118	–	12 118
Commodity derivatives		–	51	–	51	–	51	–	51
Credit default swap		–	4	–	4	–	4	–	4
Financial trading assets	19	1 580	2 685	–	4 265	541	2 685	–	3 226
Negotiable certificates of deposit		–	334	–	334	–	334	–	334
Repurchase agreements		–	2 325	–	2 325	–	2 325	–	2 325
Listed shares		1 039	–	–	1 039	–	–	–	–
Government bonds		541	–	–	541	541	–	–	541
Other money market securities		–	26	–	26	–	26	–	26
Assets not measured at fair value									
Loans receivable		–	7 408	–	7 408	–	6 665	–	6 665
Secured by mortgages		–	7 139	–	7 139	–	–	–	–
Loans to subsidiaries		–	–	–	–	–	6 665	–	6 665
Other		–	269	–	269	–	–	–	–
Finance lease receivables	15	–	538	–	538	–	538	–	538
Trade and other receivables	17	–	16 581	–	16 581	–	16 898	–	16 898
Cash and cash equivalents	20	–	19 676	–	19 676	–	19 044	–	19 044
Bank balances		–	10 757	–	10 757	–	10 194	–	10 194
Unsettled deals		–	1 489	–	1 489	–	1 489	–	1 489
Fixed deposits		–	7 361	–	7 361	–	7 361	–	7 361
Other		–	69	–	69	–	–	–	–
		9 740	61 808	–	71 548	8 701	58 003	–	66 704
Liabilities measured at fair value									
Embedded derivatives	25	–	–	9 332	9 332	–	–	9 331	9 331
Derivatives held for risk management	14	–	1 507	–	1 507	–	1 507	–	1 507
Foreign exchange derivatives		–	1 504	–	1 504	–	1 504	–	1 504
Credit default swap		–	3	–	3	–	3	–	3
Financial trading liabilities	19	752	4 906	–	5 658	752	4 906	–	5 658
Short-sold government bonds		752	–	–	752	752	–	–	752
Commercial paper issued		–	762	–	762	–	762	–	762
Repurchase agreements		–	4 144	–	4 144	–	4 144	–	4 144
Liabilities not measured at fair value									
Debt securities and borrowings	24	102 274	124 342	14 030	240 646	102 274	124 791	14 030	241 095
Eskom bonds		102 274	–	–	102 274	102 274	–	–	102 274
Promissory notes		–	45	–	45	–	45	–	45
Commercial paper		–	14 629	–	14 629	–	13 920	–	13 920
Eurorand zero coupon bonds		–	3 711	–	3 711	–	3 711	–	3 711
Foreign bonds		–	30 965	–	30 965	–	30 965	–	30 965
Development financing institutions		–	41 910	–	41 910	–	41 910	–	41 910
Export credit facilities		–	32 751	–	32 751	–	32 751	–	32 751
Subordinated loan from shareholder		–	–	14 030	14 030	–	–	14 030	14 030
Other loans		–	331	–	331	–	1 489	–	1 489
Finance lease payables	29	–	500	–	500	–	769	–	769
Trade and other payables	30	–	29 266	–	29 266	–	30 922	–	30 922
		103 026	160 521	23 362	286 909	103 026	162 895	23 361	289 282

4. Financial risk management (continued)

4.5 Accounting classifications and fair values (continued)

Fair value hierarchy (continued)

The reconciliation for fair value measurements in level 3 of the fair value hierarchy is as follows:

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Embedded derivatives				
Balance at beginning of the year	9 332	11 481	9 331	11 480
Net fair value gain on embedded derivatives	(1 310)	(2 149)	(1 310)	(2 149)
Balance at end of the year	8 022	9 332	8 021	9 331

Refer to note 3(a) and 4.2 for more information on sensitivities and assumptions.

5. 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:

Generation	Consists of the generation and primary energy functions. These functions procure primary energy and generate electricity for sale.
Transmission	Consists of the transmission grids, systems operations and the Southern African Energy unit (international buyer). These functions operate and maintain the transmission network for transmitting electricity and also sell bulk electricity to international customers.
Distribution	Distribution consists of nine provincial operating units. These units provide, operate and maintain the distribution network for distributing electricity.
Group customer services	Group customer services consists of the customer service and integrated demand management functions and sells electricity to local key large, redistributors, large and small customers.
Group capital	Group capital is responsible for the planning, development and monitoring of all capital projects and the execution of capacity expansion projects.
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*. These include the group's subsidiaries.
Corporate and other	Relates to all service and strategic functions which do not qualify as a reportable segment in terms of IFRS 8 *Operating segments*.

Eskom's main activity is the generation, transmission and distribution of electricity. To improve the relevance of information presented, the revenue earned by subsidiaries in the relevant segments has been reallocated to *other income* (excluding EFC) and *finance income* (EFC) in the group results. The revenue earned by subsidiaries is presented in the segment note in line with what has been reported in the respective subsidiary financial statements. Other income has been reallocated as it is more appropriate to present it with the related expenses. The prior year segment report has been restated in line with these changes in presentation. Inter-segment revenue and purchases of electricity are allocated between Generation, Transmission, Distribution and Group customer services segments based on cost recovery plus a uniform return on assets.

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

	Generation Rm	Transmission Rm	Distribution Rm	Group customer services Rm	Group capital Rm	All other segments Rm	Corporate and other Rm	Reallocation and inter-segment transactions Rm	Group Rm
2015									
Continuing operations									
External revenue	–	6 451	1 210	140 030	–	1 112	–	(1 112)	147 691
Inter-segment revenue/ recoveries	101 954	12 522	19 097	(133 573)	–	9 613	–	(9 613)	–
Total revenue	101 954	18 973	20 307	6 457	–	10 725	–	(10 725)	147 691
Other income	5 009	477	670	120	115	290	316	(2 553)	4 444
Primary energy	(69 981)	(13 133)	–	(309)	(2)	–	–	–	(83 425)
Net employee benefit expense	(7 034)	(1 441)	(6 864)	(1 414)	(577)	(3 725)	(4 857)	–	(25 912)
Depreciation and amortisation expense	(8 029)	(1 449)	(2 904)	(8)	(57)	(215)	(1 553)	100	(14 115)
Impairment loss	(88)	(4)	(7)	(2 701)	(23)	(23)	(1 059)	–	(3 905)
Impairment loss reversals and bad debt recovered	7	6	10	101	3	12	–	–	139
Other expenses	(17 365)	(2 076)	(8 675)	(1 930)	197	(6 079)	7 701	12 456	(15 771)
Profit/(loss) before net fair value (loss)/gain and net finance (cost)/income	4 473	1 353	2 537	316	(344)	985	548	(722)	9 146
Net fair value (loss)/gain on financial instruments, excluding embedded derivatives	(54)	59	(31)	(53)	1 073	96	(454)	(6)	630
Net fair value gain on embedded derivatives	–	–	–	1 310	–	–	–	–	1 310
Profit before net finance (cost)/income	4 419	1 412	2 506	1 573	729	1 081	94	(728)	11 086
Net finance (cost)/income	(5 476)	(1 080)	(851)	497	(26)	420	167	240	(6 109)
Finance income	13	9	47	692	–	464	1 598	173	2 996
Finance cost	(5 489)	(1 089)	(898)	(195)	(26)	(44)	(1 431)	67	(9 105)
Share of profit of equity-accounted investees	–	–	–	–	–	4	45	–	49
(Loss)/profit before tax	(1 057)	332	1 655	2 070	703	1 505	306	(488)	5 026
Income tax	–	–	–	–	–	(63)	(1 169)	(134)	(1 366)
(Loss)/profit for the year from continuing operations	(1 057)	332	1 655	2 070	703	1 442	(863)	(622)	3 660
Discontinued operations									
Loss for the year from discontinued operations	–	–	–	–	–	(42)	–	–	(42)
(Loss)/profit for the year	(1 057)	332	1 655	2 070	703	1 400	(863)	(622)	3 618
Other information									
Segment assets	131 558	40 677	69 632	14 488	249 059	25 408	54 050	(22 336)	562 536
Investment in equity-accounted investees	–	–	–	–	–	55	95	198	348
Total assets	131 558	40 677	69 632	14 488	249 059	25 463	54 145	(22 138)	562 884
Total liabilities	44 480	4 090	24 868	16 372	16 121	19 092	337 587	(21 973)	440 637
Capital expenditure (including borrowing costs capitalised)	15 890	7 539	7 072	9	39 055	437	1 687	(1 016)	70 673

5. Segment information (continued)

	Generation	Transmission	Distribution	Group customer services	Group capital	All other segments	Corporate and other	Reallocation and inter-segment transactions	Group
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2014									
Continuing operations									
External revenue	–	6 446	817	131 007	–	1 236	–	(1 193)	138 313
Inter-segment revenue/ recoveries	97 303	6 932	20 623	(124 816)	–	9 184	–	(9 226)	–
Total revenue	97 303	13 378	21 440	6 191	–	10 420	–	(10 419)	138 313
Other income	504	354	317	154	96	401	490	(875)	1 441
Primary energy	(62 716)	(6 577)	–	(350)	(169)	–	–	–	(69 812)
Net employee benefit expense	(6 597)	(1 480)	(6 818)	(1 407)	(784)	(3 271)	(5 300)	35	(25 622)
Depreciation and amortisation expense	(6 436)	(1 205)	(2 809)	(9)	(70)	(260)	(1 402)	254	(11 937)
Impairment loss	(16)	(18)	(9)	(1 508)	(2)	(8)	(29)	–	(1 590)
Impairment loss reversals and bad debt recovered	4	–	2	26	–	1	–	–	33
Other expenses	(16 694)	(2 498)	(8 726)	(2 689)	31	(8 042)	6 195	13 246	(19 177)
Profit/(loss) before net fair value gain/(loss) and net finance income/(cost)	5 352	1 954	3 397	408	(898)	(759)	(46)	2 241	11 649
Net fair value gain/(loss) on financial instrument, excluding embedded derivatives	691	–	206	46	(1 885)	126	190	6	(620)
Net fair value gain on embedded derivatives	–	–	–	2 149	–	–	–	–	2 149
Profit/(loss) before net finance (cost)/income	6 043	1 954	3 603	2 603	(2 783)	(633)	144	2 247	13 178
Net finance (cost)/ income	(3 715)	(744)	(526)	268	(6)	309	106	250	(4 058)
Finance income	15	54	48	439	–	353	2 067	213	3 189
Finance cost	(3 730)	(798)	(574)	(171)	(6)	(44)	(1 961)	37	(7 247)
Share of profit of equity-accounted investees	–	–	–	–	–	16	27	–	43
Profit/(loss) before tax	2 328	1 210	3 077	2 871	(2 789)	(308)	277	2 497	9 163
Income tax	–	–	–	–	–	87	(1 521)	(703)	(2 137)
Profit/(loss) for the year from continuing operations	2 328	1 210	3 077	2 871	(2 789)	(221)	(1 244)	1 794	7 026
Discontinued operations									
Profit for the year from discontinued operations	–	–	–	–	–	63	–	–	63
Profit/(loss) for the year	2 328	1 210	3 077	2 871	(2 789)	(158)	(1 244)	1 794	7 089
Other information									
Segment assets	116 066	34 784	65 070	13 658	210 439	26 009	62 249	(23 747)	504 528
Investment in equity-accounted investees	–	–	–	–	–	51	95	172	318
Non-current assets held-for-sale	–	–	–	–	–	147	–	–	147
Total assets	116 066	34 784	65 070	13 658	210 439	26 207	62 344	(23 575)	504 993
Total segment liabilities	37 297	2 292	23 081	17 598	15 863	19 365	291 555	(21 842)	385 209
Capital expenditure (including borrowing costs capitalised)	14 634	6 440	11 596	–	37 186	455	3 310	(905)	72 716

	Group Revenue 2015 Rm	Revenue 2014 Rm	Non-current assets 2015 Rm	Non-current assets 2014 Rm
Geographical information				
South Africa	141 246	132 302	471 178	416 013
Foreign countries	6 445	6 011	134	114
	147 691	138 313	471 312	416 127

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.

6. Property, plant and equipment

	2015 Cost Rm	2015 Accumulated depreciation and impairment losses Rm	2015 Carrying value Rm	2014 Cost Rm	2014 Accumulated depreciation and impairment losses Rm	2014 Carrying value Rm
Group						
Owned assets						
Land	1 775	–	1 775	1 698	–	1 698
Buildings and facilities	5 890	(1 428)	4 462	5 645	(1 376)	4 269
Plant – Generation	144 548	(53 789)	90 759	133 722	(47 627)	86 095
– Transmission	42 901	(10 971)	31 930	34 404	(9 420)	24 984
– Distribution	88 688	(32 519)	56 169	78 270	(29 183)	49 087
Regular distribution	65 004	(21 449)	43 555	56 775	(19 133)	37 642
Electrification	23 684	(11 070)	12 614	21 495	(10 050)	11 445
– Test, telecommunication and other plant	2 548	(1 044)	1 504	2 141	(1 112)	1 029
Equipment and vehicles	13 324	(8 134)	5 190	12 524	(7 162)	5 362
Total in commission	299 674	(107 885)	191 789	268 404	(95 880)	172 524
Works under construction	265 135	(1 131)	264 004	228 692	(40)	228 652
	564 809	(109 016)	455 793	497 096	(95 920)	401 176
Leased assets						
Mining assets[1]	573	(389)	184	573	(376)	197
	565 382	(109 405)	455 977	497 669	(96 296)	401 373
Company						
Owned assets						
Land	1 745	–	1 745	1 669	–	1 669
Buildings and facilities	5 731	(1 352)	4 379	5 481	(1 295)	4 186
Plant – Generation	145 801	(54 179)	91 622	134 714	(47 921)	86 793
– Transmission	42 941	(10 975)	31 966	34 459	(9 440)	25 019
– Distribution	88 884	(32 555)	56 329	78 447	(29 327)	49 120
Regular distribution	65 184	(21 482)	43 702	56 941	(19 145)	37 796
Electrification	23 700	(11 073)	12 627	21 506	(10 182)	11 324
– Test, telecommunication and other plant	2 548	(1 044)	1 504	425	(382)	43
Equipment and vehicles	11 547	(7 144)	4 403	10 472	(6 057)	4 415
Total in commission	299 197	(107 249)	191 948	265 667	(94 422)	171 245
Works under construction	266 168	(1 131)	265 037	230 481	(40)	230 441
	565 365	(108 380)	456 985	496 148	(94 462)	401 686
Leased assets	1 035	(552)	483	1 033	(512)	521
Mining assets[1]	573	(389)	184	573	(376)	197
Plant	54	(36)	18	54	(34)	20
Equipment and vehicles	408	(127)	281	406	(102)	304
	566 400	(108 932)	457 468	497 181	(94 974)	402 207

1. Mining assets include various long-term coal contracts whereby Eskom purchases all of the coal from specified mines. Eskom pays a fixed standing charge to cover the capital cost.

6. Property, plant and equipment (continued)

	2015									2014
	Owned assets					Leased assets				
	Land Rm	Buildings and facilities Rm	Plant Rm	Equipment and vehicles Rm	Works under construction Rm	Mining assets Rm	Plant Rm	Equipment and vehicles Rm	Total Rm	Total Rm
Reconciliation of movements										
Group										
Carrying value at beginning of the year	1 698	4 269	161 195	5 362	228 652	197	–	–	401 373	341 429
Additions[1]	78	63	1 636	769	67 281	–	–	–	69 827	71 693
Transfers[2]	–	215	30 227	366	(30 808)	–	–	–	–	–
Transfers to non-current assets held-for-sale	–	–	–	–	–	–	–	–	–	(30)
Change in discount rate of decommissioning provision and cost estimate	–	–	17	–	–	–	–	–	17	181
Disposals and write-offs	(1)	(4)	(165)	(50)	(30)	–	–	–	(250)	(207)
Impairment losses[3]	–	–	(61)	(1)	(1 095)	–	–	–	(1 157)	(46)
Reversal of impairment losses	–	–	3	–	4	–	–	–	7	1
Depreciation	–	(81)	(12 490)	(1 256)	–	(13)	–	–	(13 840)	(11 648)
Carrying value at end of the year	1 775	4 462	180 362	5 190	264 004	184	–	–	455 977	401 373
Company										
Carrying value at beginning of the year	1 669	4 186	160 975	4 415	230 441	197	20	304	402 207	341 772
Additions[1]	77	61	1 913	595	66 021	–	–	2	68 669	72 214
Common control asset transfer[4]	–	6	1 508	196	64	–	–	–	1 774	–
Transfers[2]	–	209	29 805	356	(30 370)	–	–	–	–	–
Change in discount rate of decommissioning provision and cost estimate	–	–	17	–	–	–	–	–	17	181
Disposals and write-offs	(1)	(4)	(159)	(47)	(28)	–	–	–	(239)	(199)
Impairment losses[4]	–	–	(61)	–	(1 095)	–	–	–	(1 156)	(40)
Reversal of impairment losses	–	–	3	–	4	–	–	–	7	1
Depreciation	–	(79)	(12 580)	(1 112)	–	(13)	(2)	(25)	(13 811)	(11 722)
Carrying value at end of the year	1 745	4 379	181 421	4 403	265 037	184	18	281	457 468	402 207

		Group		Company	
	Note	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Borrowing costs on general borrowings are capitalised at an average rate of 9.63% (2014: 9.57%). Borrowing costs on funds borrowed specifically for the purpose of obtaining a qualifying asset are capitalised at the actual rate obtained for the specific funds borrowed. The average specific rate excluding the government loan for the year was 8.40% (2014: 7.75%). The amounts capitalised during the year were:	41	17 389	13 290	17 389	13 290
Details of land and buildings are available for examination at the registered offices of the respective businesses.					
Leased assets include arrangements that contain finance leases in terms of IFRIC 4 *Determining whether an arrangement contains a lease.*					
None of the assets are encumbered or held as security.					
The total depreciation charge for property, plant and equipment is disclosed in profit or loss in the following categories:		13 840	11 648	13 811	11 722
Depreciation and amortisation expense	36	13 827	11 635	13 798	11 709
Primary energy		13	13	13	13

1. *Included in additions are borrowing costs capitalised of R17 389 million (2014: R13 290 million) for the group and company.*
2. *Amounts are transferred from work under construction to the relevant asset class when the asset is available for use.*
3. *The impairment largely relates to the suspension of the underground coal gasification project which is housed within the corporate and other segment of the business. The project has been deferred as a result of the funding re-prioritisation due to funding shortfalls. Eskom is considering alternatives for the project's future, and funding thereof, including an external partnering relationship. The recoverable amount of the asset was determined based on the company's own internal assessment (level 3 fair value hierarchy).*
4. *Refer to note 9.*

7. Intangible assets

	2015 Cost	2015 Accumulated amortisation and impairment losses	2015 Carrying value	2014 Cost	2014 Accumulated amortisation and impairment losses	2014 Carrying value
	Rm	Rm	Rm	Rm	Rm	Rm
Group						
Rights	2 012	(220)	1 792	1 720	(221)	1 499
Computer software[1]	5 857	(4 879)	978	5 395	(3 992)	1 403
Concession assets	215	(81)	134	176	(62)	114
	8 084	(5 180)	2 904	7 291	(4 275)	3 016
Company						
Rights	2 012	(220)	1 792	1 718	(220)	1 498
Computer software[1]	5 527	(4 573)	954	5 030	(3 718)	1 312
	7 539	(4 793)	2 746	6 748	(3 938)	2 810

	2015 Rights	2015 Computer software	2015 Concession assets	2015 Total	2014 Total
	Rm	Rm	Rm	Rm	Rm
Reconciliation of movements					
Group					
Carrying value at beginning of the year	1 499	1 403	114	3 016	2 842
Additions and transfers	293	515	38	846	1 023
Disposals	–	(19)	–	(19)	–
Amortisation	–	(921)	(18)	(939)	(849)
Carrying value at end of the year	1 792	978	134	2 904	3 016
Company					
Carrying value at beginning of the year	1 498	1 312	–	2 810	2 629
Additions and transfers	294	501	–	795	953
Common control asset transfer	–	14	–	14	–
Disposals	–	(19)	–	(19)	–
Amortisation	–	(854)	–	(854)	(772)
Carrying value at end of the year	1 792	954	–	2 746	2 810

Amortisation of intangible assets of R939 million (2014: R849 million) for the group and R854 million (2014: R772 million) for the company is included within *depreciation and amortisation expense* in profit or loss. Refer to note 36.

Rights have been assessed for impairment as they have an indefinite useful life. The recoverable amount of the rights is based on the fair value less costs of disposal. The fair value is based on current prices which have been derived from the most recent comparable market transactions for similar servitude rights (level 2 fair value hierarchy).

There have been no impairments for the year ended 31 March 2015 (2014: Rnil).

1. *Software licences have been included as part of computer software. Internally generated software development cost included in computer software is immaterial.*

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm

8. Investment in equity-accounted investees

Investment in joint ventures	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Balance at beginning of the year	318	296	95	95
Share of profit after tax	49	43	–	–
Dividends received	(19)	(21)	–	–
Balance at end of the year	348	318	95	95

The group's investments in the joint ventures are not considered to be individually material. The group's share of the results of its significant joint ventures, all of which are unlisted, is:

Name	Main business	Country of incorporation	Interest held %	Post-tax profit for the year Rm
Group				
2015				
Directly held				
Motraco – Mozambique Transmission Company SARL[1]	Electricity transmission	Mozambique	33	45
Indirectly held				
Trans Africa Projects (Pty) Ltd	Engineering services	South Africa	50	4
				49
2014				
Directly held				
Motraco – Mozambique Transmission Company SARL[1]	Electricity transmission	Mozambique	33	27
Indirectly held				
Trans Africa Projects (Pty) Ltd	Engineering services	South Africa	50	16
				43

SDR/United Engineers Joint Venture is in the process of being liquidated.

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.

Investment in associates

The carrying value of investment in associates is Rnil (2014: Rnil). The group has an investment in Uitenhage Electricity Supply Company (Pty) Ltd which ceased trading in 2008 and is in the process of being wound up and Western Power Corridor Company (Pty) Ltd is dormant.

1. Year end is 31 December.

	Company 2015 Rm	Company 2014 Rm
9. Investment in subsidiaries		
Shares at cost	384	384
Indebtedness	71	1 953
	455	2 337

Name	Main business	Country of incorporation	Issued/stated share capital R	Interest held %	Investment at cost Rm	Indebtedness Rm
Directly held						
2015						
Escap SOC Ltd	Insurance	South Africa	379 500 000	100	380	–
Eskom Development Foundation NPC	Corporate social investment	South Africa	–	100	–	–
Eskom Enterprises SOC Ltd	Non-regulated electricity supply industry activities in South Africa and electricity supply and related services outside South Africa	South Africa	99 000	100	–[1]	71[2]
Eskom Finance Company SOC Ltd	Finance (employee housing loans)	South Africa	4 000	100	–[1]	–
Natal Navigation Collieries and Estate Company SOC Ltd	Property holding	South Africa	771 425	100	–	–
PN Energy Services SOC Ltd	Not trading	South Africa	1 500 000	100	4	–
					384	71
2014						
Escap SOC Ltd	Insurance	South Africa	379 500 000	100	380	–
Eskom Development Foundation NPC	Corporate social investment	South Africa	–	100	–	–
Eskom Enterprises SOC Ltd	Non-regulated electricity supply industry activities in South Africa and electricity supply and related services outside South Africa	South Africa	99 000	100	–[1]	1 953[2]
Eskom Finance Company SOC Ltd	Finance (employee housing loans)	South Africa	4 000	100	–[1]	–
Natal Navigation Collieries and Estate Company SOC Ltd	Property holding	South Africa	771 425	100	–	–
PN Energy Services SOC Ltd	Not trading	South Africa	1 500 000	100	4	–
					384	1 953

Name	Main business	Country of incorporation	2015 Issued/stated share capital R	2015 Interest held %	2014 Issued/stated share capital R	2014 Interest held %
Indirectly held						
Eskom Energie Manantali s.a[3]	Electricity supply	Mali	–	–	1 000	100
Eskom Uganda Ltd[3]	Operations management	Uganda	100	100	100	100
Golang Coal SOC Ltd[4]	Coal exports	South Africa	1 000	67	1 000	67
Nqaba Finance 1 (RF) Ltd[5]	Residential backed mortgage securities	South Africa	100	100	100	100
Pebble Bed Modular Reactor SOC Ltd	Reactor driven generation project	South Africa	100	100	100	100
Roshcon SOC Ltd[6]	Construction and abnormal load transportation	South Africa	1	100	1	100
Rosherville Properties SOC Ltd	Properties	South Africa	1	100	1	100
Rotek Industries SOC Ltd	Maintenance and services	South Africa	4 000	100	4 000	100
South Dunes Coal Terminal SOC Ltd[4]	Coal exports	South Africa	4 000	50	4 000	50

1. *Nominal.*
2. *The equity loan of Eskom Enterprises SOC Ltd is interest free.*
3. *Issued/stated capital in foreign currency. Year end is 31 December.*
4. *Year end changed from 31 December to 31 March.*
5. *Nqaba is a securitisation vehicle.*
6. *The subsidiaries of Roshcon SOC Ltd have not been disclosed. They are all dormant and in the process of being wound up.*

9. Investment in subsidiaries (continued)

The following subsidiaries are dormant:

- Eskom Enterprises Global West Africa (process of liquidation)
- Nempskom Communications Ltd (process of liquidation)
- Technology Services International SOC Ltd (process of liquidation)

All the subsidiaries continue to be accounted for as previously assessed as there has not been any change in the control assessment.

Eskom Energie Manantali s.a has been liquidated during the year (refer to note 21).

The group does not have any subsidiaries with a material non-controlling interest.

The cash held in Pebble Bed Modular Reactor SOC Ltd (PBMR) is restricted. Refer to note 20 for details regarding this restriction.

Common control transaction

The telecommunication and aviation assets in Eskom Enterprises SOC Ltd were transferred into Eskom Holdings SOC Ltd during the year as a common control transaction. The equity loan was reduced with the amount transferred from assets and the deferred tax liability on the assets transferred has been recognised directly in equity.

	Group and company			
	2015			2014
	Coal Rm	Nuclear Rm	Total Rm	Total Rm
10. Future fuel supplies				
Balance at beginning of the year	7 763	981	8 744	8 121
Net additions	1 260	739	1 999	2 675
Change in discount rate of decommissioning provision and cost estimate	524	–	524	(213)
Transfer from equity	–	(341)	(341)	(300)
Transfer to inventories	(815)	(1 032)	(1 847)	(1 539)
Balance at end of the year	8 732	347	9 079	8 744

		Group		Company	
	Note	2015 Rm	2014 Rm	2015 Rm	2014 Rm
11. Deferred tax					
Deferred tax assets					
Balance at beginning of the year		339	25	–	–
Transfer from profit or loss	42	(109)	314	–	–
Balance at end of the year		230	339	–	–
Comprising		230	339	–	–
Property, plant and equipment		(29)	(16)	–	–
Provisions		90	15	–	–
Tax losses		169	340	–	–
Deferred tax liabilities					
Balance at beginning of the year		19 461	15 806	18 842	15 920
Transfer from profit or loss	42	1 128	2 258	1 169	1 520
Transfer from statement of comprehensive income	42	(458)	1 397	(451)	1 402
Common control transfer of assets		–	–	265	–
Balance at end of the year		20 131	19 461	19 825	18 842
Comprising		20 131	19 461	19 825	18 842
Property, plant and equipment		44 367	37 789	43 936	36 927
Inventories		2 187	1 717	2 187	1 717
Provisions		(14 800)	(11 159)	(14 700)	(10 937)
Tax losses		(6 578)	(3 936)	(6 574)	(3 933)
Embedded derivative liabilities		(2 246)	(2 613)	(2 246)	(2 613)
Available-for-sale financial assets		2	18	2	20
Cash flow hedges		2 264	2 450	2 264	2 450
Payments received in advance		(4 844)	(4 838)	(4 843)	(4 835)
Post-employment medical benefits		(221)	33	(201)	46
Unused tax losses available for offset against future taxable income		24 096	15 413	23 479	14 046
Unused tax losses of a subsidiary not recognised as it is uncertain whether future taxable profits will be available against which the unused tax losses can be used		–	142	–	–

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
12. Investment in securities					
Government bonds		4 802	8 160	4 802	8 160
Negotiable certificates of deposit		3 694	2 747	–	–
		8 496	10 907	4 802	8 160
Maturity analysis		8 496	10 907	4 802	8 160
Non-current		2 481	4 841	2 481	4 841
Current		6 015	6 066	2 321	3 319

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
13. Loans receivable					
Gross receivable		8 957	9 018	6 553	6 665
Secured by mortgages		8 684	8 567	–	–
Loans to subsidiaries		–	–	6 553	6 665
Other		273	451	–	–
Allowance for impairment		(42)	(35)	–	–
Secured by mortgages		(25)	(21)	–	–
Other		(17)	(14)	–	–
		8 915	8 983	6 553	6 665
Maturity analysis		8 915	8 983	6 553	6 665
Non-current		8 646	8 654	–	–
Current		269	329	6 553	6 665
Reconciliation of movements in allowance for impairment					
Balance at beginning of the year		35	28	–	–
Impairment loss	37	15	15	–	–
Reversal of impairment loss	37	(1)	–	–	–
Write-offs		(7)	(8)	–	–
Balance at end of the year		42	35	–	–

Group and company	2015 Assets Rm	2015 Liabilities Rm	2015 Notional amount Rm	2014 Assets Rm	2014 Liabilities Rm	2014 Notional amount Rm
14. Derivatives held for risk management						
Derivatives held for economic hedging	1 541	1 330	50 973	2 344	840	50 959
Foreign exchange derivatives	1 524	830	43 623	2 289	837	48 324
Foreign exchange contracts	500	824	43 623	1 950	833	45 355
Cross-currency swap	1 024	6	–	339	4	2 969
Commodity derivatives	8	1	482	51	–	855
Credit default swap	9	499	6 868	4	3	1 780
Derivatives held for cash flow hedging						
Foreign exchange derivatives	18 410	2 035	15 927	9 829	667	60 969
Foreign exchange contracts	84	1 530	15 927	685	165	15 904
Cross-currency swap	18 326	505	–	9 144	502	45 065
Total derivatives held for risk management	19 951	3 365		12 173	1 507	
Maturity analysis	19 951	3 365		12 173	1 507	
Derivatives held for economic hedging	1 541	1 330		2 344	840	
Non-current	996	500		339	3	
Current	545	830		2 005	837	
Derivatives held for cash flow hedging	18 410	2 035		9 829	667	
Non-current	18 246	20		9 022	307	
Current	164	2 015		807	360	

14. Derivatives held for risk management (continued)

The hedging practices and accounting treatment are disclosed in note 2.11.3 in the accounting policies.

The group uses forward exchange contracts, cross-currency swaps and interest rate swaps for cash flow hedging as follows:

- foreign exchange contracts – used to hedge the changes in the cash flows resulting from the purchase of services and goods denominated mainly in US dollars, euro and yen
- cross-currency swaps – used to hedge the currency and interest rate risk arising from the foreign fixed rate bonds and foreign fixed or floating borrowings (denominated in US dollar, euro and yen) issued by the group
- interest rate swaps – used to hedge the interest expense variability of the issued floating rate notes

During the year a gain of R57 million (2014: R254 million) was recognised in profit or loss as ineffectiveness arising from cash flow hedges (refer to note 39). There were no transactions for which cash flow hedge accounting had to be ceased in the current or comparative financial years as a result of highly probable cash flows no longer being expected to occur.

Credit default swap

The group has entered into credit default swap transactions that could result in the payment by one party to the other party on the occurrence of a credit event or an event of default by Eskom (includes bankruptcy, failure to pay, obligation acceleration, repudiation or moratorium or restructuring of any obligation on Eskom bonds).

Cash flow hedges

Contractual cash flows are a function of forward exchange rates and forward interest rates and is a point in time calculation that is 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.

The periods in which the cash flows of derivatives designated as cash flow hedges are expected to occur are:

	Group and company					
	Carrying amount Rm	Undiscounted cash flows Rm	0 to 3 months Rm	4 to 12 months Rm	1 to 5 years Rm	More than 5 years Rm
2015						
Forward exchange contracts						
Assets	84	91	20	71	–	–
Liabilities	(1 530)	(1 498)	(405)	(1 093)	–	–
Cross-currency swaps						
Assets	18 326	27 929	2	(193)	(3 174)	31 294
Liabilities	(505)	(1 587)	(143)	(1 604)	(289)	449
	16 375	24 935	(526)	(2 819)	(3 463)	31 743
2014						
Forward exchange contracts						
Assets	685	741	378	363	–	–
Liabilities	(165)	(149)	(27)	(122)	–	–
Cross-currency swaps						
Assets	9 144	19 753	(15)	(9)	(1 466)	21 243
Liabilities	(502)	719	(69)	(1 707)	(2 653)	5 148
	9 162	21 064	267	(1 475)	(4 119)	26 391

Gains or losses recognised in the hedging reserve in other comprehensive income are recognised in the initial cost of the carrying amount of the asset or liability when the forecast transaction results in the recognition of a non-financial asset or non-financial liability. Therefore, gains and losses recognised in the hedging reserve in other comprehensive income will affect profit or loss in the periods during which the relevant non-financial assets are depreciated or finance cost is recognised for the relevant financial liability.

The periods in which the cash flows associated with derivatives are expected to impact profit or loss are:

	Group and company					
	Carrying amount Rm	Undiscounted cash flows Rm	0 to 3 months Rm	4 to 12 months Rm	1 to 5 years Rm	More than 5 years Rm
2015						
Forward exchange contracts						
Assets	84	91	20	71	–	–
Liabilities	(1 530)	(5 206)	(405)	(1 093)	(118)	(3 590)
Cross-currency swaps						
Assets	18 326	27 929	2	(193)	(3 174)	31 294
Liabilities	(505)	(1 587)	(143)	(1 604)	(289)	449
	16 375	21 227	(526)	(2 819)	(3 581)	28 153
2014						
Forward exchange contracts						
Assets	685	741	378	363	–	–
Liabilities	(165)	(2 967)	(27)	(122)	(130)	(2 688)
Cross-currency swaps						
Assets	9 144	19 753	(15)	(9)	(1 466)	21 243
Liabilities	(502)	719	(69)	(1 707)	(2 653)	5 148
	9 162	18 246	267	(1 475)	(4 249)	23 703

Day-one gain/loss

The group recognises a day-one gain/loss on initial recognition of cross-currency, credit default and interest rate swaps held as hedging instruments where applicable.

	Group and company	
	2015 Rm	2014 Rm
Gain/(loss) at beginning of the year	168	(252)
Day-one gain recognised	560	329
Amortised to profit or loss	(28)	91
Gain at end of the year	700	168

The remaining balance of the day-one gain/(loss) is included within *derivatives held for risk management* in the statement of financial position.

	Group and company 2015 Rm	2014 Rm
15. Finance lease receivables		
Gross receivables	1 078	1 165
Unearned finance income	(558)	(627)
Present value of minimum lease payments	520	538
Maturity analysis of gross receivables from finance leases		
Within one year	85	86
Between one and five years	339	342
After five years	654	737
	1 078	1 165
Future finance charges	(558)	(627)
	520	538
Maturity analysis of net receivables from finance leases		
Non-current	500	520
Between one and five years	109	99
After five years	391	421
Current		
Within one year	20	18
	520	538
Average implicit rate (%)	13	13

Finance lease receivables mainly comprise premium power supply equipment contracts. Refer to note 4.1.1(d).

	2015 Payments made in advance Rm	2015 Environmental rehabilitation trust fund Rm	2015 Total Rm	2014 Total Rm
16. Payments made in advance				
Group				
Balance at beginning of the year	5 119	321	5 440	4 479
Expense recognised	(533)	–	(533)	(658)
Transferred to the statement of financial position	(1 464)	–	(1 464)	(1 847)
Payments made	1 630	436	2 066	3 466
Balance at end of the year	4 752	757	5 509	5 440
Maturity analysis	4 752	757	5 509	5 440
Non-current	2 247	757	3 004	2 676
Current	2 505	–	2 505	2 764
Company				
Balance at beginning of the year	4 949	321	5 270	4 369
Expense recognised	(530)	–	(530)	(652)
Transfer to the statement of financial position	(1 464)	–	(1 464)	(1 847)
Payments made	1 552	436	1 988	3 400
Balance at end of the year	4 507	757	5 264	5 270
Maturity analysis	4 507	757	5 264	5 270
Non-current	2 246	757	3 003	2 509
Current	2 261	–	2 261	2 761

Payments made in advance

Payments made in advance comprises payments made to suppliers and to issuers of loan facilities. Payments made to suppliers are made to reserve manufacturing capacity for the future construction of assets and for future goods and services. These amounts will be used as partial settlement towards the future amounts payable to the suppliers. There is no contractual right to receive a refund in cash or another financial instrument from the suppliers. In the event of default or non-performance, there are performance bonds in place that can be used to recover outstanding payments in advance. Payments made to loan facility issuers are for commitment and issuing fees. These amounts are transferred to the loan balances when the loan is accessed.

Environmental rehabilitation trust fund

Payments made in advance also include contributions made by Eskom to an environmental rehabilitation trust fund. The fund was 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 fund is controlled by third parties to be solely utilised for the said environmental rehabilitation.

17. Trade and other receivables

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Financial instruments					
Gross receivable		27 091	22 306	29 290	22 608
Trade receivables		22 771	20 662	22 657	20 269
Other receivables		4 320	1 644	6 633	2 339
Allowance for impairment		(7 493)	(5 725)	(7 480)	(5 710)
Trade receivables		(7 440)	(5 679)	(7 430)	(5 667)
Other receivables		(53)	(46)	(50)	(43)
		19 598	16 581	21 810	16 898
Non-financial instruments					
VAT receivable		45	24	–	–
		19 643	16 605	21 810	16 898
Maturity analysis		19 643	16 605	21 810	16 898
Non-current		2 787	27	3 257	16
Current		16 856	16 578	18 553	16 882
Reconciliation of movements in allowance for impairment					
Balance at beginning of the year		5 725	4 278	5 710	4 245
Impairment loss	37	2 728	1 518	2 721	1 531
Reversal of impairment loss	37	(103)	(16)	(99)	(16)
Write-offs		(857)	(55)	(852)	(50)
Balance at end of the year		7 493	5 725	7 480	5 710

Trade receivables of R597 million (2014: Rnil), excluding VAT, were not recognised as it was assessed that there was a high probability that the related economic benefits would not materialise. Despite this, Eskom continues to actively pursue recovery of these amounts. Refer to note 4.1.

18. Inventories

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Coal and liquid fuel	6 492	5 276	6 492	5 276
Nuclear fuel	2 011	1 456	2 011	1 456
Maintenance spares and consumables	7 530	5 690	7 393	5 403
	16 033	12 422	15 896	12 135

The group reversed R21 million (2014: R1 million) and the company reversed R14 million (2014: R1 million) of a previous inventory writedown. The amount reversed has been included in *net impairment loss* in profit and loss (refer to note 37).

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
19. Financial trading assets and liabilities				
Financial trading assets				
Repurchase agreements	5 084	2 325	5 084	2 325
Negotiable certificates of deposit	–	334	–	334
Listed shares	1 179	1 039	–	–
Government bonds	59	541	59	541
Other money market securities	–	26	–	26
	6 322	4 265	5 143	3 226
Financial trading liabilities				
Short-sold government bonds	493	752	493	752
Commercial paper issued	–	762	–	762
Repurchase agreements	5 006	4 144	5 006	4 144
	5 499	5 658	5 499	5 658

Encumbered assets

Eskom has concluded sale and repurchase transactions of commercial paper, comprising Eskom bonds and government bonds, with approved counterparties. The group enters into transactions whereby it transfers assets recognised on 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. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. At year end Eskom has sold and is committed to repurchase commercial paper after year end with a fair value of R5 084 million (2014: R4 144 million). Of this amount, R2 761 million (2014: R4 091 million) relates to government securities and R2 323 million (2014: R53 million) to Eskom bonds.

Collateral held

Eskom has concluded the purchase of commercial paper (Eskom and government bonds) from approved counterparties and has committed to sell this commercial paper back to the counterparties in the following financial year. Although Eskom has legal title to the commercial paper at year end, it has not been recognised on the statement of financial position as a result of the commitment to resell. This has also resulted in the recognition of a receivable with a fair value of R5 006 million (2014: R2 325 million) recorded in financial trading assets and cash and cash equivalents (depending on original maturity) at year end. Of this amount, R3 451 million (2014: R1 714 million) relates to government securities and R1 555 million (2014: R611 million) to Eskom bonds. The total receivable is secured by commercial paper of an equivalent fair value.

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
20. Cash and cash equivalents				
Bank balances[1]	5 959	10 757	5 082	10 194
Unsettled deals[2]	(1 101)	1 489	(1 101)	1 489
Fixed deposits	4 005	7 361	4 005	7 361
Other	–	69	–	–
	8 863	19 676	7 986	19 044

1. Includes an amount of R54 million (2014: R54 million) in PBMR that is subject to a restriction prohibiting the transfer of the cash within the group or to the shareholder.
2. The credit balance relates to unsettled short-term trading assets accounted for in terms of trade date accounting where the cash flow occurs after 31 March.

21. Non-current assets and liabilities held-for-sale

A discontinued operation is a component which has been disposed of or is classified as held-for-sale as it is intended to be sold and it represents a separate major line of business or geographical area of operations.

Indirectly held subsidiary – Eskom Energie Manantali s.a (EEM)

The finalisation of the liquidation of EEM was resolved at an extraordinary meeting held on 12 February 2015. The completion of liquidation was registered at the Tribunal de Commerce de Bamako (in Mali) on 24 February 2015 and the final liquidation distribution was received in March 2015.

A consolidated analysis of the assets and liabilities held-for-sale and operating results thereof are disclosed as follows:

	Group			
	2015			2014
	EEM	Aviation assets	Total	Total
	Rm	Rm	Rm	Rm
Income statements				
Revenue	66	–	66	117
Other income	12	–	12	29
Net employee benefit expense	(76)	–	(76)	(61)
Depreciation and amortisation expense	(13)	–	(13)	(9)
Other expenses	(57)	–	(57)	(40)
(Loss)/profit before finance income	(68)	–	(68)	36
Finance income	26	–	26	28
(Loss)/profit before tax	(42)	–	(42)	64
Income tax	–	–	–	(1)
(Loss)/profit for the year from discontinued operations	(42)	–	(42)	63
Statements of financial position				
Assets				
Non-current assets				
Property, plant and equipment	–	–	–	30
Current assets	–	–	–	117
Inventories	–	–	–	7
Trade and other receivables	–	–	–	9
Cash and cash equivalents	–	–	–	101
	–	–	–	147
Liabilities				
Current liabilities	–	–	–	113
Provisions	–	–	–	10
Trade and other payables	–	–	–	101
Taxation	–	–	–	2
	–	–	–	113
Statements of cash flows				
Net cash from operating activities	(104)	–	(104)	–
Net cash from investing activities	16	1	17	7
Effect of disposal of EEM on the financial position of the group				
Non-current assets held-for-sale	(14)	–	(14)	–
Consideration received, satisfied in cash	14	–	14	–

22. Service concession arrangements

The Eskom group operates service concessions for the generation and/or transmission of electricity, through its operations in Mali and Uganda.

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 substation, land and movable property together constitute the 'energy assets' in terms of the agreement. The concession period is 20 years (ends in December 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 UEGCL and will revert to UEGCL at the end of the concession period. At that point Eskom Uganda will have no further obligations in respect of the plant.

Mali

The investment in EEM has been liquidated on 24 February 2015.

EEM entered into an operation and maintenance agreement with Société de Gestion de l'Energie de Manantali in 2001 to operate and maintain a 200MW hydro-electricity facility in Mali and supply power to the national electrical companies in Mali, Senegal and Mauritania. The dam, hydro-electric generating plant and eastern and western transmission networks together constitute the 'energy assets' in terms of the agreement.

EEM was responsible for the day-to-day maintenance, repairs and replacement of the energy assets.

Management determined in the 2014 financial year that the assets of EEM constitute non-current assets held-for-sale in terms of IFRS 5. The operations were classified as discontinued operations and were disposed of during 2015. Refer to note 21.

	Eskom Uganda		EEM	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Income statements				
Revenue	138	124	66	117
Profit/(loss) for the year before tax	12	29	(42)	64
Taxation	(9)	(10)	–	(1)
Profit/(loss) for the year after tax	3	19	(42)	63
Statements of financial position				
Assets				
Property, plant and equipment	–	–	–	29
Intangible assets	134	114	–	–
Inventories	26	25	–	7
Payments made in advance	6	16	–	–
Trade and other receivables	31	28	–	9
Cash and cash equivalents	22	19	–	101
	219	202	–	146
Liabilities				
Debt securities and borrowings	21	35	–	–
Provisions	9	9	–	10
Trade and other payables	21	15	–	101
Other liabilities	28	5	–	2
	79	64	–	113

The underlying assets are included in the respective asset categories in the statement of financial position.

	Group		Company	
	2015 R	2014 R	2015 R	2014 R
23. Share capital				
Authorised				
1 000 ordinary shares of R1 each	1 000	1 000	1 000	1 000
Issued				
1 ordinary share of R1	1	1	1	1

In terms of the memorandum and articles of association, the unissued share capital is under the control of the government of the Republic of South Africa, represented by the Department of Public Enterprises (DPE), as the sole shareholder.

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
24. Debt securities and borrowings				
Eskom bonds	112 103	102 080	112 103	102 080
Promissory notes	40	35	40	35
Commercial paper	7 531	14 635	7 027	13 926
Eurorand zero coupon bonds	3 942	3 484	3 942	3 484
Foreign bonds	48 670	29 100	48 670	29 100
Development financing institutions	62 447	49 256	62 447	49 256
Export credit facilities	28 488	31 506	28 488	31 506
Subordinated loan from shareholder	26 621	24 393	26 621	24 393
Other loans	7 592	331	8 792	1 489
	297 434	254 820	298 130	255 269
Maturity analysis	297 434	254 820	298 130	255 269
Non-current	277 458	234 562	275 954	233 042
Current	19 976	20 258	22 176	22 227

	Currency	Security number	Interest rate 2015 %	Interest rate 2014 %	Nominal 2015 m	Nominal 2014 m	Maturity date	Group Carrying value 2015 Rm	Group Carrying value 2014 Rm	Company Carrying value 2015 Rm	Company Carrying value 2014 Rm
Eskom bonds								112 103	102 080	112 103	102 080
	ZAR	EL15[1]	2.96	2.87	2 047	5 000	Jun 15	2 741	6 380	2 741	6 380
	ZAR	ES15[1]	7.77	7.79	2 224	4 684	Aug 15	2 239	4 713	2 239	4 713
	ZAR	ES18[1]	9.04	9.18	9 689	9 405	Apr 18	10 146	9 818	10 146	9 818
	ZAR	EI70[2]	10.09	10.07	11 285	11 300	Aug 21[3]	13 029	13 401	13 029	13 401
	ZAR	ES23[1]	9.33	9.41	11 537	11 435	Jan 23	12 172	12 044	12 172	12 044
	ZAR	ES26[1]	8.99	9.03	18 782	17 665	Apr 26	18 036	16 842	18 036	16 842
	ZAR	EL28[1]	2.21	2.24	3 900	3 000	May 28	4 768	3 480	4 768	3 480
	ZAR	EL29[1]	1.80	1.73	3 700	3 000	Nov 29	4 281	3 330	4 281	3 330
	ZAR	EL30[1]	2.29	2.38	3 700	2 455	Jul 30	4 015	2 500	4 015	2 500
	ZAR	EL31[1]	2.16	–	3 700	–	Jun 31	3 824	–	3 824	–
	ZAR	ES33[1]	9.30	8.84	27 211	25 279	Sep 33	23 953	22 253	23 953	22 253
	ZAR	EL36[1]	2.23	–	2 565	–	Jan 36	2 585	–	2 585	–
	ZAR	EL37[1]	2.26	–	2 431	–	Jan 37	2 438	–	2 438	–
	ZAR	ES42[1]	9.96	9.96	8 739	8 127	Apr 42	7 876	7 319	7 876	7 319
Promissory notes[2]								40	35	40	35
	ZAR	PN07	15.34	15.34	20	20	Aug 20	9	8	9	8
	ZAR	PN08	15.08	15.08	20	20	Aug 21	8	7	8	7
	ZAR	PN09	14.80	14.80	35	35	Aug 22	12	11	12	11
	ZAR	PN10	14.61	14.61	35	35	Aug 23	11	9	11	9
Commercial paper								7 531	14 635	7 027	13 926
	ZAR	n/a	–	6.82	–	382	May 14	–	384	–	–
	ZAR	n/a	7.10	6.66	316	316	May 15	319	319	–	–
	ZAR	n/a[3]	6.43	5.69	7 190	14 229	Mar 16[4]	5 857	12 962	7 027	13 926
	ZAR	n/a	7.29	6.86	429	429	May 16	432	432	–	–
	ZAR	n/a	7.16	–	382	–	May 17	385	–	–	–
	ZAR	n/a	7.27	6.84	400	397	May 18	400	400	–	–
	ZAR	n/a	10.58	10.58	131	131	May 20	133	133	–	–
	ZAR	n/a	9.35	8.93	5	5	May 20	5	5	–	–
Eurorand zero coupon bonds[2]								3 942	3 484	3 942	3 484
	ZAR	n/a	13.93	13.93	2 000	2 000	Dec 18	1 226	1 076	1 226	1 076
	ZAR	n/a	13.33	13.33	8 000	8 000	Aug 27	1 697	1 497	1 697	1 497
	ZAR	n/a	11.89	11.89	7 500	7 500	Dec 32	1 019	911	1 019	911
Balance carried forward to the next page								123 616	120 234	123 112	119 525

1. Government guaranteed.
2. Holders have a right to first charge against revenue and assets of Eskom in terms of section 7 of Eskom Conversion Act.
3. Includes, inter alia, instruments issued to subsidiaries.
4. Latest in a range of maturity dates is indicated for these instruments.

24. Debt securities and borrowings (continued)

	Currency	Security number	Interest rate		Nominal		Maturity date	Group Carrying value		Company Carrying value	
			2015 %	2014 %	2015 m	2014 m		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Balance carried forward from previous page								123 616	120 234	123 112	119 525
Foreign bonds								48 670	29 100	48 670	29 100
	USD	n/a	5.75	5.75	1 750	1 750	Jan 21	21 427	18 536	21 427	18 536
	USD	n/a	6.75	6.75	1 000	1 000	Aug 23	12 168	10 564	12 168	10 564
	USD	n/a	7.13	–	1 250	–	Feb 25	15 075	–	15 075	–
Development financing institutions[1]								62 447	49 256	62 447	49 256
	ZAR	n/a[2]	7.45	7.03	1 800	1 933	Aug 28	1 815	1 949	1 815	1 949
	EUR	n/a	2.11	–	3	–	Dec 28	39	–	39	–
	EUR	n/a[2]	0.38	0.67	579	499	Aug 29	7 572	7 278	7 572	7 278
	ZAR	n/a[2]	6.24	5.81	9 970	10 314	Aug 29	10 069	10 408	10 069	10 408
	ZAR	n/a	9.90	9.67	12 000	9 000	Mar 30	12 221	9 200	12 221	9 200
	ZAR	n/a	8.73	8.78	855	248	Jun 31	872	249	872	249
	USD	n/a[2]	1.49	1.46	271	291	Aug 31	3 195	3 077	3 195	3 077
	ZAR	n/a	6.51	6.13	1 568	1 661	Mar 32	1 573	1 666	1 573	1 666
	USD	n/a[2]	0.63	0.62	68	875	May 38	835	9 245	835	9 245
	ZAR	n/a[2]	9.11	9.04	22 688	5 961	May 38	23 360	6 177	23 360	6 177
	USD	n/a[2]	0.25	0.25	29	1	May 51	352	7	352	7
	USD	n/a[2]	0.25	–	35	–	Aug 51	544	–	544	–
Export credit facilities[1]								28 488	31 506	28 488	31 506
	JPY	n/a	1.60	1.65	14 840	16 349	May 22	1 493	1 666	1 493	1 666
	EUR	n/a	1.02	1.02	112	113	Sep 23	1 446	1 627	1 446	1 627
	EUR	n/a	1.04	1.30	15	17	Jul 24	196	242	196	242
	EUR	n/a	5.07	5.07	845	909	Jan 27	10 529	12 685	10 529	12 685
	EUR	n/a	2.61	2.82	753	756	Jul 27	9 220	10 454	9 220	10 454
	ZAR	n/a	8.08	7.73	1 966	1 795	Jul 27	1 778	1 689	1 778	1 689
	USD	n/a	2.32	2.32	317	301	Mar 31	3 826	3 143	3 826	3 143
Subordinated loan from shareholder								26 621	24 393	26 621	24 393
	ZAR	n/a	7.52	7.52	5 000	5 000	Dec 38	2 542	2 364	2 542	2 364
	ZAR	n/a	8.95	8.95	5 000	5 000	Mar 39	2 294	2 106	2 294	2 106
	ZAR	n/a	9.43	9.43	7 500	7 500	Jun 39	3 215	2 938	3 215	2 938
	ZAR	n/a	9.15	9.15	7 500	7 500	Sep 39	3 319	3 041	3 319	3 041
	ZAR	n/a	9.57	9.57	7 500	7 500	Dec 39	3 182	2 904	3 182	2 904
	ZAR	n/a	9.52	9.52	7 500	7 500	Mar 40	3 230	2 949	3 230	2 949
	ZAR	n/a	9.54	9.54	5 000	5 000	Jun 40	2 176	1 986	2 176	1 986
	ZAR	n/a	8.58	8.58	5 000	5 000	Sep 40	2 344	2 159	2 344	2 159
	ZAR	n/a	9.03	9.03	5 000	5 000	Dec 40	2 233	2 048	2 233	2 048
	ZAR	n/a	9.81	9.81	5 000	5 000	Mar 41	2 086	1 898	2 086	1 898
Other loans								7 592	331	8 792	1 489
	ZAR	n/a	8.11	7.13	37	246	Jul 16	37	223	–	–
	ZAR	n/a	10.18	–	2 600	–	Jul 20	2 647	–	2 647	–
	ZAR	n/a	8.18	–	2 150	–	Dec 21	2 154	–	2 154	–
	ZAR	n/a	8.85	–	1 000	–	Aug 23	1 013	–	1 013	–
	ZAR	n/a	12.80	–	1 500	–	Oct 24	1 588	–	1 588	–
	ZAR	n/a[3]	5.61	5.41	1 390	1 489	On demand	–	–	1 390	1 489
	ZAR	n/a	–	–	153	108	On demand	153	108	–	–
								297 434	254 820	298 130	255 269

1. *Latest in a range of maturity dates is indicated for these instruments.*
2. *Government guaranteed.*
3. *Instruments issued to subsidiaries.*

Subordinated loan from shareholder

The subordinated loan from the shareholder of R60 billion has been fully drawn down in 2011. Eskom is obliged to pay interest on the loan when Eskom is solvent and the debt leverage conditions per the agreement are satisfied. The interest on the subordinated loan is not cumulative.

The loan has been classified as a financial liability in accordance with IAS 32 *Financial instruments: presentation* and has been measured at amortised cost. The loan was initially measured at fair value and the difference between the fair valued amount and the advanced amount accounted for under *borrowings* gave rise to a day-one gain. This day-one gain is disclosed in equity, under *equity reserve* (refer to note 2.15).

For details of the valuation of the subordinated loan from shareholder refer to note 3(f).

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
25. Embedded derivatives				
Commodity and/or foreign currency	7 589	8 757	7 589	8 757
Foreign currency or interest rate	1	1	–	–
United States PPI and foreign currency	432	574	432	574
	8 022	9 332	8 021	9 331
Maturity analysis	8 022	9 332	8 021	9 331
Non-current	6 647	7 871	6 646	7 870
Current	1 375	1 461	1 375	1 461
Included in the non-current balances above are the following amounts with maturities of greater than five years:				
Commodity and/or foreign currency	671	1 764	671	1 764
PPI and foreign currency	328	437	328	437
	999	2 201	999	2 201

Refer to note 3(a) and 4.2 for information about sensitivities and assumptions relating to embedded derivatives.

	Group and company			
	2015			2014
	Capital contributions received from customers Rm	Government grant Rm	Total Rm	Total Rm
26. Deferred income				
Balance at beginning of the year	2 837	10 455	13 292	11 569
Income recognised	(143)	(651)	(794)	(690)
Transfers from payments received in advance	78	2 342	2 420	2 413
Balance at end of the year	2 772	12 146	14 918	13 292
Maturity analysis	2 772	12 146	14 918	13 292
Non-current	2 617	11 438	14 055	12 518
Current	155	708	863	774

		Group and company	
	Note	2015 Rm	2014 Rm
The income recognised is disclosed in profit or loss in the following categories:		794	690
Revenue	32	143	143
Depreciation and amortisation expense	36	651	547

Refer to note 31 for information about the government grant and capital contributions received from customers and to note 2.19 for the accounting policy.

	Note	2015 Post-employment medical benefits Rm	2015 Leave Rm	2015 Annual and performance bonus Rm	2015 Other Rm	2015 Total Rm	2014 Total Rm
27. Employee benefit obligations							
Group							
Balance at beginning of the year		10 234	1 822	1 778	649	14 483	13 911
Raised to the income statement		1 497	767	1 383	38	3 685	4 466
Expense raised		473	767	1 383	2	2 625	3 561
Finance cost – unwinding of discount	41	1 024	–	–	36	1 060	905
Raised to other comprehensive income		909	–	–	–	909	(882)
Cash paid		(315)	(646)	(2 228)	(2)	(3 191)	(3 012)
Balance at end of the year		12 325	1 943	933	685	15 886	14 483
Maturity analysis		12 325	1 943	933	685	15 886	14 483
Non-current		11 960	–	–	–	11 960	9 922
Current		365	1 943	933	685	3 926	4 561
Company							
Balance at beginning of the year		9 981	1 713	1 595	641	13 930	13 461
Raised to the income statement		1 463	714	1 256	36	3 469	4 214
Expense raised		465	714	1 256	–	2 435	3 328
Finance cost – unwinding of discount	41	998	–	–	36	1 034	886
Raised to other comprehensive income		884	–	–	–	884	(912)
Cash paid		(306)	(614)	(2 037)	–	(2 957)	(2 833)
Balance at end of the year		12 022	1 813	814	677	15 326	13 930
Maturity analysis		12 022	1 813	814	677	15 326	13 930
Non-current		11 665	–	–	–	11 665	9 674
Current		357	1 813	814	677	3 661	4 256

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
27.1 Post-employment medical benefits					
The group has anticipated expenditure in terms of continued contributions to medical aid subscriptions in respect of qualifying employees who retire.					
The amounts recognised in profit or loss are:					
Net employee benefit expense	35	473	537	465	531
Finance cost		1 024	869	998	850
The amounts recognised in other comprehensive income are:					
Re-measurements of post-employment medical benefits (actuarial (gain)/loss)		909	(882)	884	(912)
Demographic assumptions		(88)	18	(87)	–
Financial assumptions		949	(831)	927	(845)
Experience adjustments		48	(69)	44	(67)

Measurement of post-employment medical benefits and key actuarial assumptions

The estimated present value of the anticipated expenditure for both in-service and retired members was calculated by independent actuaries.

The group expects to pay R365 million and the company R357 million in contributions to this plan in the 2016 financial year.

Expected maturity analysis of undiscounted post-employment medical benefits:

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Within one year	365	312	357	307
Between one and two years	393	346	384	338
Between two and five years	1 496	1 346	1 458	1 314
After five years	112 335	123 920	110 299	121 740
	114 589	125 924	112 498	123 699

Risks

The post-employment obligation is administered by funds that are legally separated from the group. The boards of the funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies including investment, contribution and indexation of the funds.

These funds expose the group to a number of risks, the most significant of which are:

- changes in bond yields: a decrease in corporate bond yields will increase plan liabilities
- inflation risk: the post-employment obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation)
- life expectancy: the majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities

The expected current service cost for the 2016 financial year is estimated at R583 million for the group and R573 million for the company. Refer to note 3(b) for the sensitivity analysis and principal actuarial assumptions used.

		Group		Company	
	Note	2015 Rm	2014 Rm	2015 Rm	2014 Rm
27.2 Leave					
The group recognises a liability for annual, occasional and service leave (refer to note 3(c)).					
The total charge is disclosed in profit or loss in the *net employee benefit expense*	35	767	625	714	609
27.3 Annual and performance bonus					
The annual bonus equals one month's salary for employees on Tuned Assessment of Skills and Knowledge (TASK) grading levels 1 to 13. Employees on TASK grading levels 14 to 26 can choose to spread their bonus amount over the year or take it as a thirteenth cheque. The performance bonus is based on the performance of the company and employees.					
The total charge is disclosed in profit or loss in the *net employee benefit expense*	35	1 383	2 397	1 256	2 188
27.4 Pension benefits					
The total contribution is disclosed in profit or loss in the *net employee benefit expense*	35	1 976	1 888	1 845	1 768
The net benefit asset at the reporting date is not accounted for in the financial statements. The rules of the Eskom Holdings SOC Ltd Pension and Provident Fund (EPPF) state that any deficit on the valuation of the fund will be funded by increases in future contributions or reductions in benefits. If there is a substantial surplus on the valuation of the fund, future contributions may be decreased or benefits may be improved as determined by the trustees of the fund.					

27. Employee benefit obligations (continued)

27.4 Pension benefits (continued)

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
The EPPF is registered in terms of the Pension Funds Act. All employees are members of the fund. Contributions comprise 20.8% of pensionable emoluments of which members pay 7.3%. The assets of the fund are held separately from those of the group in respect of funds under the control of the trustees.				
The fund was valued actuarially on the IAS 19 *Employee benefits* basis on 31 March 2015 (previous valuation at 31 March 2014). The actuarial present value of retirement benefits at 31 March 2015 was R99 820 million (2014: R80 837 million), while the fair value of the fund's assets was R118 174 million (2014: R106 042 million).				
Valuation assumptions				
The principal actuarial assumptions used were:				
Long-term investment return before tax (%)	8.80	9.70	8.80	9.70
Future general salary increases (%)	7.50	7.90	7.50	7.90
Future pension increases (inflation) (%)	6.00	6.40	6.00	6.40

In-service mortality for group and company are the adjusted PA(90) tables rated down by two years.

Pensioner mortality for group and company are the adjusted PA(90) tables rated down by two years.

28. Provisions

	Note	2015 Power station-related environmental restoration: Nuclear plant[1] Rm	2015 Power station-related environmental restoration: Other generating plant[2] Rm	2015 Mine-related closure, pollution control and rehabilitation[3] Rm	2015 Coal-related obligations[4] Rm	2015 Other[5] Rm	2015 Total Rm	2014 Total Rm
Group								
Balance at beginning of the year		9 331	6 942	4 366	2 215	7 904	30 758	26 735
Expense (reversed)/raised to the income statement		–	(42)	(54)	7 802	(256)	7 450	2 369
Capitalised to the statement of financial position		209	(123)	713	–	2 844	3 643	4 703
Property, plant and equipment		172	(123)	140	–	2 844	3 033	5 036
Inventories		37	–	49	–	–	86	(120)
Future fuel		–	–	524	–	–	524	(213)
Finance cost		1 442	928	440	65	2	2 877	1 456
Unwinding of discount	41	1 143	833	396	65	2	2 439	1 885
Change in discount rate applied to provision	41	299	95	44	–	–	438	(429)
Transfer from non-current assets held-for-sale		–	–	–	–	–	–	(10)
Cash paid		–	–	–	(2 128)	(1 550)	(3 678)	(4 495)
Balance at end of the year		10 982	7 705	5 465	7 954	8 944	41 050	30 758
Maturity analysis		10 982	7 705	5 465	7 954	8 944	41 050	30 758
Non-current		10 982	7 575	5 465	7 013	43	31 078	21 157
Current		–	130	–	941	8 901	9 972	9 601

	Note	2015 Power station-related environmental restoration Nuclear plant[1] Rm	2015 Power station-related environmental restoration Other generating plant[2] Rm	2015 Mine-related closure, pollution control and rehabilitation[3] Rm	2015 Coal-related obligations[4] Rm	2015 Other[5] Rm	2015 Total Rm	2014 Total Rm
Company								
Balance at beginning of the year		9 331	6 942	4 366	2 215	7 341	30 195	26 000
Expense (reversed)/raised to the income statement		–	(42)	(54)	7 802	(12)	7 694	2 339
Capitalised to the statement of financial position		209	(123)	713	–	2 844	3 643	4 703
Property, plant and equipment		172	(123)	140	–	2 844	3 033	5 036
Inventories		37	–	49	–	–	86	(120)
Future fuel		–	–	524	–	–	524	(213)
Finance cost		1 442	928	440	65	–	2 875	1 452
Unwinding of discount	41	1 143	833	396	65	–	2 437	1 881
Change in discount rate applied to provision	41	299	95	44	–	–	438	(429)
Cash paid		–	–	–	(2 128)	(1 433)	(3 561)	(4 299)
Balance at end of the year		10 982	7 705	5 465	7 954	8 740	40 846	30 195
Maturity analysis		10 982	7 705	5 465	7 954	8 740	40 846	30 195
Non-current		10 982	7 575	5 465	7 013	4	31 039	21 093
Current		–	130	–	941	8 736	9 807	9 102

29. Finance lease payables

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Gross payables	1 267	1 367	1 526	1 698
Future finance charges	(779)	(867)	(819)	(929)
Present value	488	500	707	769
Maturity analysis of gross payables				
Within one year	99	98	171	173
Between one and five years	390	396	574	642
After five years	778	873	781	883
	1 267	1 367	1 526	1 698
Future finance charges	(779)	(867)	(819)	(929)
	488	500	707	769
Maturity analysis of net payables				
Non-current	474	488	637	705
Between one and five years	83	72	243	280
After five years	391	416	394	425
Current				
Within one year	14	12	70	64
	488	500	707	769
Average implicit rate (%)	18	18	18	18

1. *Provision is made for the estimated decommissioning cost of nuclear plant and for the management of nuclear fuel assemblies and radioactive waste (refer to note 3(d)).*
2. *Provision is made for the estimated decommissioning cost of all other generating plant (refer to note 3(d)).*
3. *Provision is made for the estimated cost of closure, pollution control, rehabilitation and mine employee benefits at the end of the life of the mines, where a constructive and contractual obligation exists to pay coal suppliers (refer to note 3(d)).*
4. *The provision relates to new build-related coal obligations (refer to note 3(e)).*
5. *Includes provision made for contractual obligations to maintain and restore the infrastructure under service concession arrangements, onerous contracts, compensation events and guarantees.*

30. Trade and other payables

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Financial instruments	28 419	29 266	29 788	30 922
Trade and other payables	21 335	20 824	22 146	21 924
Accruals	4 384	6 133	4 942	6 689
Deposits	2 700	2 309	2 700	2 309
Non-financial instruments				
VAT payable	580	302	494	213
	28 999	29 568	30 282	31 135
Maturity analysis	28 999	29 568	30 282	31 135
Non-current	1 015	1 037	1 015	1 073
Current	27 984	28 531	29 267	30 062

Non-current trade and other payables consists mainly of retention payables that are payable after 12 months.

31. Payments received in advance

	2015 Upfront capital contributions Rm	2015 Grant funding Rm	2015 Other Rm	2015 Total Rm	2014 Total Rm
Group					
Balance at beginning of the year	3 880	1 531	305	5 716	5 543
Income recognised	(752)	(191)	(232)	(1 175)	(1 478)
Transfers to the statement of financial position	(78)	(4 102)	–	(4 180)	(2 414)
Deferred income	(78)	(2 342)	–	(2 420)	(2 414)
Trade and other payables	–	(1 760)	–	(1 760)	–
Payments received	1 305	3 064	91	4 460	4 065
Balance at end of the year	4 355	302	164	4 821	5 716
Maturity analysis	4 355	302	164	4 821	5 716
Non-current	2 644	–	20	2 664	3 589
Current	1 711	302	144	2 157	2 127
Company					
Balance at beginning of the year	3 880	1 531	292	5 703	5 531
Income recognised	(752)	(191)	(221)	(1 164)	(1 463)
Transfers to the statement of financial position	(78)	(4 102)	–	(4 180)	(2 414)
Deferred income	(78)	(2 342)	–	(2 420)	(2 414)
Trade and other payables	–	(1 760)	–	(1 760)	–
Payments received	1 305	3 064	81	4 450	4 049
Balance at end of the year	4 355	302	152	4 809	5 703
Maturity analysis	4 355	302	152	4 809	5 703
Non-current	2 644	–	20	2 664	3 589
Current	1 711	302	132	2 145	2 114

Upfront capital contributions

Contributions relating to the construction of electricity network assets were paid in advance by electricity customers. Refer to note 2.18 for the accounting policy.

Grant funding

The government's transitional electrification programmes are managed by Eskom on behalf of the Department of Energy (DoE). The funding for the electrification of homes is provided by the DoE. Eskom retains ownership of and responsibility for the electrification assets created.

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
32. Revenue					
Electricity revenue		146 268	136 869	146 268	136 869
Deferred income recognised	26	143	143	143	143
Other revenue[1]		1 280	1 301	1 280	1 301
		147 691	138 313	147 691	138 313
Electricity revenue of R597 million (2014: Rnil) was not recognised as it was assessed that there is a high probability that the related economic benefits will not materialise. Despite this, Eskom continues to actively pursue recovery of these amounts. Refer to note 4.1.					
33. Other income					
Insurance proceeds		2 732	–	5 111	384
Services income		213	362	–	–
Insurance premium income		116	117	–	–
Management fee income		–	–	261	751
Operating lease income		275	331	219	175
Dividend income		29	27	19	21
Sale of scrap		186	199	186	199
Other income		893	405	849	343
		4 444	1 441	6 645	1 873
34. Primary energy					
Own generation costs		61 630	54 186	61 630	54 186
Environmental levy		8 353	8 530	8 353	8 530
International electricity purchases		3 679	3 311	3 679	3 311
Independent power producers		9 453	3 266	9 453	3 266
Other		310	519	310	519
		83 425	69 812	83 425	69 812
Own generating costs relates to the cost of coal, 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 DWA to reimburse the department for the cost incurred in supplying water to Eskom.					
35. Net employee benefit expense					
Salaries		18 681	17 372	17 446	16 390
Overtime		1 682	1 616	1 446	1 417
Post-employment medical benefits	27.1	473	537	465	531
Leave	27.2	767	625	714	609
Annual and performance bonus	27.3	1 383	2 397	1 256	2 188
Pension benefits	27.4	1 976	1 888	1 845	1 768
Direct costs of employment		24 962	24 435	23 172	22 903
Direct training and development		197	326	176	300
Temporary and contract staff costs		6 141	5 565	4 281	3 906
Other staff costs		1 016	998	962	960
Gross employee benefit expense		32 316	31 324	28 591	28 069
Capitalised to property, plant and equipment		(6 404)	(5 702)	(6 404)	(5 685)
		25 912	25 622	22 187	22 384

1. Includes related electricity revenue such as upfront payments and connection fees.

		Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
36.	**Depreciation and amortisation expense**					
	Depreciation of property, plant and equipment	6	13 827	11 635	13 798	11 709
	Amortisation of intangible assets	7	939	849	854	772
	Deferred income recognised (government grant on electrification)	26	(651)	(547)	(651)	(547)
			14 115	11 937	14 001	11 934
37.	**Net impairment loss**					
	Impairment		3 905	1 590	3 882	1 581
	Property, plant and equipment	6	1 157	46	1 156	40
	Inventories		5	11	5	10
	Loans receivable	13	15	15	–	–
	Trade and other receivables	17	2 728	1 518	2 721	1 531
	Reversal		(132)	(18)	(120)	(18)
	Property, plant and equipment	6	(7)	(1)	(7)	(1)
	Inventories	18	(21)	(1)	(14)	(1)
	Loans receivable	13	(1)	–	–	–
	Trade and other receivables	17	(103)	(16)	(99)	(16)
	Bad debts recovered		(7)	(15)	(7)	(14)
			3 766	1 557	3 755	1 549
38.	**Other expenses**					
	Managerial, technical and other fees		1 197	2 906	1 160	2 826
	Direct research and development		35	35	35	35
	Operating lease expense		1 397	1 272	753	587
	Auditors' remuneration[1]		97	126	84	105
	Net loss on disposal of property, plant and equipment		111	179	103	176
	Government grant		–	(43)	–	(43)
	Income		(209)	(312)	(209)	(312)
	Expenses incurred		209	269	209	269
	Repairs and maintenance, transport and other expenses		12 934	14 702	19 948	20 654
			15 771	19 177	22 083	24 340
39.	**Net fair value gain/(loss) on financial instruments, excluding embedded derivatives**					
	Net (loss)/gain on financial trading assets		(89)	175	(209)	50
	Net loss on financial trading liabilities		(8)	(36)	(8)	(36)
	Net gain on derivatives held for risk management[2]		3 159	10 098	3 159	10 093
	Net gain on trade and other receivables		15	9	13	10
	Net gain on cash and cash equivalents		284	504	284	504
	Net gain/(loss) on trade and other payables		141	(335)	172	(339)
	Net loss on debt securities and borrowings		(2 929)	(11 289)	(2 929)	(11 289)
	Ineffective portion of changes in fair value of cash flow hedges		57	254	57	254
			630	(620)	539	(753)

1. There were no non-audit services rendered by the group's statutory auditors.
2. Includes forward exchange contract premium of R3 602 million (2014: R2 909 million) for the company.

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
40. Finance income					
Investment in securities		739	988	513	823
Loans receivable		799	719	422	353
Finance lease receivables		68	70	68	70
Trade and other receivables		677	468	676	468
Cash and cash equivalents		713	944	681	908
		2 996	3 189	2 360	2 622
41. Finance cost					
Debt securities and borrowings		19 699	16 312	19 731	16 302
Eskom bonds		9 381	8 316	9 381	8 316
Promissory notes		5	–	5	–
Commercial paper		677	697	627	586
Eurorand zero coupon bonds		458	405	458	405
Foreign bonds		2 041	1 507	2 041	1 507
Development financing institutions		3 192	1 865	3 192	1 865
Export credit facilities		1 345	1 304	1 345	1 304
Subordinated loan from shareholder		2 228	2 044	2 228	2 044
Other loans		372	174	454	275
Derivatives held for risk management		2 496	1 523	2 496	1 523
Employee benefit obligations	27	1 060	905	1 034	886
Provisions	28	2 877	1 456	2 875	1 452
Finance lease payables		87	89	107	116
Trade and other payables		275	252	275	252
Gross finance cost		26 494	20 537	26 518	20 531
Capitalised to property, plant and equipment	6	(17 389)	(13 290)	(17 389)	(13 290)
		9 105	7 247	9 129	7 241
42. Income tax					
Current tax		129	193	–	–
Deferred tax	11	1 237	1 944	1 169	1 520
Reversal of temporary differences		3 706	3 999	3 810	3 235
Tax losses		(2 469)	(2 055)	(2 641)	(1 715)
		1 366	2 137	1 169	1 520

42. Income tax (continued)

	2015			2014		
	Before tax Rm	Tax Rm	Net of tax Rm	Before tax Rm	Tax Rm	Net of tax Rm
Income tax recognised in other comprehensive income						
Group						
Available-for-sale financial assets						
Net change in fair value	(63)	17	(46)	(377)	106	(271)
Cash flow hedges	(665)	186	(479)	4 471	(1 252)	3 219
Effective portion of changes in fair value	471	(132)	339	5 697	(1 595)	4 102
Net amount transferred to initial carrying amount of hedged items	(1 136)	318	(818)	(1 226)	343	(883)
Foreign currency translation differences	24	–	24	(23)	–	(23)
Re-measurement of post-employment medical benefits	(909)	255	(654)	882	(251)	631
	(1 613)	458	(1 155)	4 953	(1 397)	3 556
Company						
Available-for-sale financial assets						
Net change in fair value	(64)	18	(46)	(376)	105	(271)
Cash flow hedges	(665)	186	(479)	4 471	(1 252)	3 219
Effective portion of changes in fair value	471	(132)	339	5 697	(1 595)	4 102
Net amount transferred to initial carrying amount of hedged items	(1 136)	318	(818)	(1 226)	343	(883)
Re-measurement of post-employment medical benefits	(884)	247	(637)	912	(255)	657
	(1 613)	451	(1 162)	5 007	(1 402)	3 605

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Reconciliation of the effective tax rate				
Taxation as a percentage of profit before tax	27.18	23.34	29.48	21.89
Taxation effect of:				
Non-taxable income	4.90	4.80	3.32	6.27
Expenses not deductible for tax purposes	(4.08)	(0.14)	(4.80)	(0.16)
Standard tax rate	28.00	28.00	28.00	28.00

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
43. Cash generated from operations				
Profit before tax	5 026	9 163	3 965	6 944
Adjustments for:	31 370	21 194	32 132	21 601
Depreciation and amortisation expense	14 115	11 937	14 001	11 934
Depreciation expense – primary energy	13	13	13	13
Net impairment loss (excluding bad debts recovered)	3 773	1 572	3 762	1 563
Net fair value gain on financial instruments including embedded derivatives	(1 940)	(1 529)	(1 849)	(1 396)
Net loss on disposal of property, plant and equipment	111	179	103	176
Dividend income	(29)	(27)	(19)	(21)
Increase in employee benefit obligations	2 625	3 561	2 435	3 328
Increase in provisions	7 450	2 369	7 694	2 339
Decrease in deferred income	(143)	(143)	(143)	(143)
Payments made in advance recognised in profit or loss	533	658	530	652
Payments received in advance recognised in profit or loss	(1 175)	(1 478)	(1 164)	(1 463)
Finance income	(2 996)	(3 189)	(2 360)	(2 622)
Finance cost	9 105	7 247	9 129	7 241
Share of profit of equity-accounted investees	(49)	(43)	–	–
Non-current assets and liabilities held-for-sale	(23)	67	–	–
	36 396	30 357	36 097	28 545
Changes in working capital:	(8 868)	(7 516)	(10 647)	(5 812)
Increase in payments made in advance	(913)	(857)	(835)	(791)
Decrease in inventories	894	544	831	569
Decrease in trade and other receivables	(5 468)	(2 669)	(7 261)	(3 256)
Decrease in trade and other payables	(2 642)	(2 441)	(2 984)	(600)
Expenditure incurred on employee benefit obligations	(3 191)	(3 012)	(2 957)	(2 833)
Expenditure incurred on provisions	(2 008)	(3 146)	(1 891)	(2 950)
Increase in payments received in advance	4 460	4 065	4 450	4 049
	27 528	22 841	25 450	22 733

	Unit	Group 2015	Group 2014	Company 2015	Company 2014

44. Guarantees and contingent liabilities

Eskom issues guarantees for strategic and business purposes to facilitate other business transactions.

44.1 Financial guarantees

Long-term debt raised by Motraco

Motraco, a private joint venture company between Eskom, Electricidade de Mocambique and Swaziland Electricity Board, owns transmission lines connecting the South African, Mozambican and Swaziland national grids to establish a secure source of electrical power for the Mozal aluminium smelter in Maputo, Mozambique. Motraco has raised debt as part of these operations maturing on 30 April 2019. Eskom has guaranteed a portion of this debt.

The guarantees would be triggered if Motraco was unable to meet its obligations in terms of the long-term debt. The risk of default resulting from the political risk in Mozambique is mitigated through a guarantee arranged with an established international insurance company, which specialises in facilitating investments in high risk, low income countries.

	Unit	Group 2015	Group 2014	Company 2015	Company 2014
Guarantee issued	USDm	13	16	13	16
Default probability	%	0.43	0.20	0.43	0.20
Financial guarantee	Rm	158	165	158	165
Unprovided portion, disclosed as a contingent liability	Rm	157	165	157	165
Provision (refer to note 28)	Rm	1	–	1	–

The default probability trend into the future is seen to be positive, and changes in variables will not have a significant impact on profit or loss.
No payments have been made in terms of these guarantees since their inception in 1999.

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.

Historically EFC has absorbed any losses incurred, and has not called up any guarantee payments. Eskom's guarantee exposure is therefore governed by the default probability of EFC, which is influenced by the risk of significant fluctuations in interest rates that might cause employees to default on their repayments. The risk adjusted credit exposure of EFC is calculated by applying a rating agency's annual default probabilities.

	Unit	Group 2015	Group 2014	Company 2015	Company 2014
Unsecured portion of loan book	%	–	–	2	3
Default probability of secured portion of loan book	%	–	–	27.00	27.00
Secured portion of loan book	%	–	–	98.00	97.00
Default probability of unsecured portion of loan book	%	–	–	0.01	0.01
Financial guarantee	Rm	–	–	1 131	1 119
Unprovided portion, disclosed as a contingent liability	Rm	–	–	1 130	1 118
Provision (refer to note 28)	Rm	–	–	1	1

Changes in variables will not have a significant impact on profit or loss.

Summary of financial guarantees

	Unit	Group 2015	Group 2014	Company 2015	Company 2014
Unprovided portion, disclosed as a contingent liability	Rm	157	165	1 287	1 283
Long-term debt raised by Motraco	Rm	157	165	157	165
EFC loans to group employees	Rm	–	–	1 130	1 118
Amounts provided in other provisions	Rm	1	–	2	1
Long-term debt raised by Motraco	Rm	1	–	1	–
EFC loans to group employees	Rm	–	–	1	1
Total guarantees	Rm	158	165	1 289	1 284

		Unit	Group 2015	Group 2014	Company 2015	Company 2014
44.2	**Other guarantees**					
	Guarantees to South African Revenue Services (SARS) for customs duty					
	Customs duty and import VAT are normally due upon declaration of imported goods at the port of entry (harbour or airport). The SARS allows Eskom up to a maximum of 37 days after declaration date before the customs duty and import VAT must be settled on the deferment account. SARS requires Eskom to provide a bank guarantee to secure the debt when it becomes due.					
	All conditions of the deferral of the customs duty and import VAT have been met. The total amount disclosed as a contingent liability amounted to	Rm	183	183	183	183
	Eskom Pension and Provident Fund					
	Eskom has indemnified the EPPF against any loss resulting from negligence, dishonesty or fraud by the fund's officers or trustees.					
44.3	**Other contingent liabilities**					
	Legal claims					
	Legal claims are in process against Eskom as a result of contractual disputes with various parties. On the basis of the evidence available it appears that no obligation is present. The claims are disclosed as a contingent liability and amounted to	Rm	34	50	34	50

		Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
45.	**Commitments**				
45.1	**Capital expenditure**				
	Estimated capital expenditure	147 831	175 255	143 587	171 089
	Contracted	65 163	59 718	64 507	59 579
	Approved, not yet contracted	82 668	115 537	79 080	111 510
	The expenditure is expected to be incurred as follows:	147 831	175 255	143 587	171 089
	Within one year	57 297	60 855	55 450	58 967
	Between one and five years	79 626	112 161	77 229	109 883
	After five years	10 908	2 239	10 908	2 239
	This expenditure will be financed through debt and internally generated funds.				
	The capital programme will be reviewed and reprioritised by management in line with the funds available.				
45.2	**Operating leases**				
	As lessee				
	The future minimum lease payments payable under non-cancellable operating leases are:	213	261	214	262
	Within one year	131	134	132	134
	Between one and five years	82	127	82	128
	As lessor				
	The future minimum lease payments receivable under non-cancellable operating leases are:	212	356	213	358
	Within one year	50	47	50	49
	Between one and five years	162	309	163	309

46. Related-party transactions

The group is wholly owned by its shareholder, the government, represented by the DPE.

Eskom (and its subsidiaries) are classified as Schedule 2 public entities in terms of the PFMA.

Eskom's government-related parties include national departments (including the shareholder), constitutional institutions, public entities (schedule 1, 2 and 3) and local government (including municipalities).

Eskom's transactions with local government (with the exception of municipalities) are not individually significant when compared to the total value of the transactions between Eskom and other government-related parties and are therefore not disclosed separately. These include, among others, transactions as a result of services provided to government hospitals and libraries.

Related parties also comprise subsidiaries of Eskom, associates and joint ventures of the group and post-retirement benefit plans for the benefit of employees. It also includes key management personnel of Eskom or its shareholder and close family members of these related parties.

The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of public entities.

Key management personnel for Eskom include the group's board of directors and the Exco. Disclosure of related party transactions with key management personnel is included in note 49.

The following transactions were carried out with related parties:

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Transactions					
Sales of goods and services[1]		79 641	72 639	84 769	73 950
National departments		983	608	974	599
Local government		70 344	64 644	70 344	64 644
Public entities		5 509	4 689	5 492	4 623
Eskom subsidiaries		–	–	5 154	1 386
Joint venture in which Eskom is a partner		2 805	2 698	2 805	2 698
Government grant funding received for electrification					
National departments		3 064	2 887	3 064	2 887
Purchases of goods and services[2]		10 573	9 717	18 278	18 676
National departments		1 740	1 331	1 738	1 330
Local government		1 159	1 138	1 148	1 130
Public entities		5 436	5 027	5 372	4 948
Eskom subsidiaries		–	–	7 913	9 167
Joint venture in which Eskom is a partner		262	333	262	333
Other related parties	35	1 976	1 888	1 845	1 768
Finance income		1 243	1 371	1 665	1 724
National departments		472	773	472	773
Local government		585	303	585	303
Public entities		186	295	186	295
Eskom subsidiaries		–	–	422	353
Finance cost[3]		7 095	6 047	7 265	6 168
National departments		2 304	2 046	2 304	2 046
Local government		16	–	16	–
Public entities		4 677	3 923	4 677	3 923
Eskom subsidiaries		–	–	170	121
Other related parties		98	78	98	78
Lease income		55	75	59	78
Public entities		55	75	55	75
Eskom subsidiaries		–	–	4	3
Lease expenses		4	–	3	–
National departments		2	–	2	–
Public entities		2	–	1	–
Finance lease finance cost					
Eskom subsidiaries		–	–	20	26
Environmental levy					
Public entities	34	8 353	8 530	8 353	8 530

1. *Goods and services are sold to related parties on an arm's length basis at market-related prices.*
2. *Goods and services are bought from related parties on an arm's length basis at market-related prices.*
3. *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.*

	Note	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Outstanding balances (due by related parties)					
Receivables and amounts owed by related parties		11 689	8 447	16 754	9 569
National departments		96	21	93	19
Local government		9 974	6 927	9 974	6 927
Public entities		1 367	1 181	1 222	1 132
Eskom subsidiaries		–	–	5 213	1 173
Joint venture in which Eskom is a partner		252	318	252	318
Payments made in advance		34	30	37	35
Public entities		34	30	34	30
Eskom subsidiaries		–	–	3	5
Loans receivable					
Eskom subsidiaries[1]		–	–	6 553	6 665
Indirect transactions – assets at nominal value					
National departments		4 580	8 094	4 580	8 094
Total due by related parties		16 303	16 571	27 924	24 363
Cash and cash equivalents					
Public entities		–	7 835	–	7 835
Outstanding balances (due to related parties)					
Debt securities and borrowings		153 531	144 410	156 090	146 863
National departments		60 152	60 066	60 152	60 066
Subordinated loan from shareholder	24	60 000	60 000	60 000	60 000
Other		152	66	152	66
Local government		27	412	27	412
Public entities		90 675	82 248	90 675	82 248
Eskom subsidiaries[2]		–	–	2 559	2 453
Other related parties		2 677	1 684	2 677	1 684
Payables[3] and amounts owed to related parties		4 074	2 325	6 268	5 529
National departments		1 922	113	1 922	112
Local government		73	80	73	79
Public entities		1 888	1 955	1 751	1 866
Eskom subsidiaries		–	–	2 331	3 295
Joint venture in which Eskom is a partner		50	44	50	44
Other related parties		141	133	141	133
Payments received in advance					
National departments		301	1 531	301	1 531
Indirect transactions – liabilities at nominal value					
National departments		534	805	534	805
Total due to related parties		158 440	149 071	163 193	154 728
Guarantees					
Guarantees received and used					
Guarantees received					
National departments		350 000	350 000	350 000	350 000
Domestic multi-term note programme		150 000	100 000	150 000	100 000
General guarantees		200 000	250 000	200 000	250 000
Guarantees used					
National departments		158 811	143 661	158 811	143 661
Domestic multi-term note programme		100 226	90 050	100 226	90 050
General guarantees		58 585	53 611	58 585	53 611
Guarantees still available	4.3	191 189	206 339	191 189	206 339
Guarantees issued		340	348	1 470	1 466
National departments	44.2	183	183	183	183
Eskom subsidiaries	44.1	–	–	1 130	1 118
Joint venture in which Eskom is a partner	44.1	157	165	157	165

Commitments

Eskom does not have any material commitments with its related parties.

1. The effective interest rate on the loans to subsidiaries is 6.03% (2014: 5.48%).
2. Refer to note 24 for effective interest rate and maturity date relating to intercompany instruments.
3. Purchase transactions with related parties are on an arm's length basis with payment terms of 30 days from invoice date.

47. Events after the reporting date

There were no significant events after the reporting date.

48. Restatement of comparatives

The following restatements and reclassifications which had an impact on the financial statements, were made:

Reclassification of revenue and other income

The main business activity of the Eskom group is the generation, transmission and distribution of electricity. The business activities of the subsidiaries while different are to support the electricity business. To improve the relevance of information presented the revenue earned by subsidiaries has been presented as *other income* (excluding EFC) and *finance income* (EFC) to only reflect revenue from the main business activity as revenue. *Other income* has been reallocated as it is more appropriate to present it with the related expenses.

Reclassification of statements of cash flows

An overall review of the nature and classification of cash flows in the statements of cash flows was undertaken to better reflect the nature of cash flow items. This was considered relevant as a consequence of the group's changing operational environment and circumstances, including the material increases in debt financing and capital investment. This resulted in revised classifications for some cash flow streams which better reflect their nature. Cash flow classification is dependent upon the specific circumstances of the entity for which they are being presented at a point in time and as such is reviewed where the circumstances of the entity change. The revised classifications provide the user with a better reflection of the source and destination of cash balances acquired and used within the business.

The impact of the restatements are as follows:

	Group			Company		
	Previously reported Rm	Adjustments Rm	Restated Rm	Previously reported Rm	Adjustments Rm	Restated Rm
Income statements for the year ended 31 March 2014						
Continuing operations						
Revenue	139 506	(1 193)	138 313	138 313	–	138 313
Other income	962	479	1 441	1 873	–	1 873
Primary energy	(69 812)	–	(69 812)	(69 812)	–	(69 812)
Net employee benefit expense	(25 622)	–	(25 622)	(22 384)	–	(22 384)
Depreciation and amortisation expense	(11 937)	–	(11 937)	(11 934)	–	(11 934)
Net impairment loss	(1 557)	–	(1 557)	(1 549)	–	(1 549)
Other expenses	(19 177)	–	(19 177)	(24 340)	–	(24 340)
Profit before net fair value loss and net finance income	12 363	(714)	11 649	10 167	–	10 167
Net fair value loss on financial instruments excluding embedded derivatives	(620)	–	(620)	(753)	–	(753)
Net fair value gain on embedded derivatives	2 149	–	2 149	2 149	–	2 149
Profit before net finance cost	13 892	(714)	13 178	11 563	–	11 563
Net finance cost	(4 772)	714	(4 058)	(4 619)	–	(4 619)
Finance income	2 475	714	3 189	2 622	–	2 622
Finance cost	(7 247)	–	(7 247)	(7 241)	–	(7 241)
Share of profit of equity-accounted investees, net of tax	43	–	43	–	–	–
Profit before tax	9 163	–	9 163	6 944	–	6 944
Income tax	(2 137)	–	(2 137)	(1 520)	–	(1 520)
Profit for the year from continuing operations	7 026	–	7 026	5 424	–	5 424
Discontinued operations						
Profit for the year from discontinued operations	63	–	63	–	–	–
Profit for the year	7 089	–	7 089	5 424	–	5 424

	Group			Company		
	Previously reported Rm	Adjustments Rm	Restated Rm	Previously reported Rm	Adjustments Rm	Restated Rm
Statements of cash flows for the year ended 31 March 2014						
Cash flows from operating activities						
Cash generated from operations	20 633	2 208	22 841	19 150	3 583	22 733
Net cash flows used in financial trading assets	(1 471)	1 471	–	(1 250)	1 250	–
Net cash flows from financial trading liabilities	4 383	(4 383)	–	4 383	(4 383)	–
Net cash flows from derivatives held for risk management	10 278	(9 602)	676	10 278	(9 602)	676
Net cash flows used in non-current assets held-for-sale	(23)	23	–	–	–	–
Interest received	–	445	445	–	443	443
Interest paid	–	(136)	(136)	–	(136)	(136)
Income taxes paid	(184)	–	(184)	–	–	–
Net cash from operating activities	33 616	(9 974)	23 642	32 561	(8 845)	23 716
Cash flows used in investing activities						
Proceeds from disposal of property, plant and equipment	28	–	28	23	–	23
Acquisitions of property, plant and equipment	(52 137)	–	(52 137)	(52 658)	–	(52 658)
Acquisitions of intangible assets	(1 023)	–	(1 023)	(953)	–	(953)
Expenditure on future fuel supplies	(2 675)	–	(2 675)	(2 675)	–	(2 675)
Decrease/(increase) in trade and other receivables	434	(434)	–	(6)	6	–
Increase in payments made in advance	–	(2 088)	(2 088)	–	(2 088)	(2 088)
Expenditure incurred on provisions	–	(1 349)	(1 349)	–	(1 349)	(1 349)
Net cash flows from derivatives held for risk management	–	2 747	2 747	–	2 747	2 747
Increase in investment in securities	–	(310)	(310)	–	–	–
Net cash flows used in financial trading assets	–	(221)	(221)	–	–	–
Increase in loans receivable	(229)	(230)	(459)	–	(442)	(442)
Decrease in finance lease receivables	17	–	17	17	–	17
Net cash flows from non-current assets held-for-sale	7	–	7	–	–	–
Dividends received	27	–	27	21	–	21
Dividends received – investment in equity-accounted investees	21	–	21	–	–	–
Interest received	–	954	954	–	394	394
Decrease in trade and other payables	(1 677)	1 677	–	(369)	369	–
Net cash used in investing activities	(57 207)	746	(56 461)	(56 600)	(363)	(56 963)
Cash flows from financing activities						
Debt securities and borrowings raised	44 142	–	44 142	43 681	474	44 155
Payments made in advance to secure balances raised	–	(521)	(521)	–	(521)	(521)
Debt securities and borrowings repaid	(8 014)	–	(8 014)	(7 488)	–	(7 488)
Net cash flows from net loans to subsidiaries	–	–	–	32	(32)	–
Net cash flows from derivatives held for risk management	–	7 751	7 751	–	7 751	7 751
Decrease in investment in securities	5 748	310	6 058	6 058	–	6 058
Decrease in finance lease liabilities	(11)	–	(11)	(58)	–	(58)
Net cash flows used in financial trading assets	–	(1 250)	(1 250)	–	(1 250)	(1 250)
Net cash flows from financial trading liabilities	–	4 383	4 383	–	4 383	4 383
Interest received	2 768	(685)	2 083	2 884	(837)	2 047
Interest paid	(11 838)	(1 264)	(13 102)	(11 856)	(1 264)	(13 120)
Net cash from financing activities	32 795	8 724	41 519	33 253	8 704	41 957
Net increase/(decrease) in cash and cash equivalents	9 204	(504)	8 700	9 214	(504)	8 710
Cash and cash equivalents at beginning of the year	10 620	–	10 620	9 830	–	9 830
Foreign currency translation	(23)	–	(23)	–	–	–
Net gain on cash and cash equivalents arising from exchange rate changes	–	504	504	–	504	504
Cash and cash equivalents at beginning of the year attributable to non-current assets held-for-sale	(125)	–	(125)	–	–	–
Cash and cash equivalents at end of the year	19 676	–	19 676	19 044	–	19 044

49. Directors' remuneration[1]

Remuneration philosophy

Eskom links management remuneration to the performance of the organisation and an individual's contribution. Market factors are also crucial as rewards and remuneration must be kept at levels that will assist Eskom in retaining key leadership skills. Basic salary is augmented by short- and long-term incentives.

International and local benchmarks are considered to ensure executive packages are aligned with those offered by companies of similar stature to Eskom. Eskom aims to remunerate in line with the median of the market to recruit and retain the best management team to lead the business.

The executive remuneration strategy is constantly reviewed to stay aligned with the DPE remuneration guidelines and abreast with best practices.

People and governance committee

The people and governance committee assists the board to apply policy relating to the remuneration of directors and executives as set by Eskom's shareholder. The policy also covers the nomination of executives for senior positions and conditions of service.

The committee enhances business performance by:
- approving, guiding and influencing key human resources policies and strategies
- monitoring compliance with the Employment Equity Act
- guiding strategies to achieve equity in Eskom
- approving the principles governing reward and incentive schemes

Non-executive directors

Remuneration of non-executive directors is benchmarked against the norms for companies of similar size and is in line with guidelines issued by the shareholder. Remuneration proposals from the people and governance committee regarding non-executive directors' remuneration are forwarded to the board. The board then makes recommendations to the shareholder.

Non-executive directors receive a fixed monthly fee and are reimbursed for out-of-pocket expenses incurred in fulfilling their duties.

Executive management committee members

The committee makes recommendations to the board concerning the remuneration of the chief executive, and approves the remuneration of the other Exco members (group executives). The remuneration is considered in accordance with a framework approved by the shareholder. The board recommendation on the remuneration of the chief executive has to be approved by the shareholder.

Factors influencing the remuneration of the Exco members include level of skill, experience, contribution to organisational performance and success of the group. Remuneration includes a basic package and short- and long-term incentives.

Every year, the people and governance committee reviews the structure of these packages to ensure there is an appropriate balance between fixed and variable remuneration and short- and long-term incentives and rewards.

The chief executive, finance director and group executives have permanent employment contracts based on Eskom's standard conditions of service.

Remuneration structure

The remuneration of the Exco members includes the following components:

Guaranteed amount

They receive a guaranteed pay package with remuneration based on cost to company. This comprises a fixed cash portion and compulsory benefits (medical aid, life cover and pension). The guaranteed amount is reviewed annually to keep remuneration in line with the market.

Short-term incentives

These reward the achievement of individual predetermined performance objectives and targets (these are linked to the shareholder compact) as set by the chief executive in performance contracts with each Exco member. The people and governance committee approves the targets set for the chief executive.

The short-term incentive scheme is calculated as a percentage of pensionable earnings.

Long-term incentives

These are designed to attract, retain and reward the Exco members for meeting the organisational objectives set by the shareholder. A market benchmarked long-term incentive scheme has been approved by the shareholder effective from 1 April 2005.

1. Includes remuneration of the chief executive, finance director and Exco members (group executives who are senior executives but not directors of Eskom).

Long-term incentive scheme

A number of performance shares (award performance shares) were awarded to the Exco members on 1 April 2011, 2012 and 2013.

The value of the performance shares is deemed to be R1 at grant date, and is escalated at a money market rate to determine the value at reporting date.

The board has set performance conditions in line with the Eskom corporate plan and shareholder compact over a three-year performance period. Performance covers financial and non-financial targets in areas such as ensuring business sustainability of Eskom, ensuring reliability of supply to all South Africans, ensuring that future power needs for South Africa are adequately provided for and supporting the developmental objectives of South Africa, with an agreed weighting in each category.

Awards only vest if, and to the extent that, these targets are met. Potential vesting percentages range from 0% to 100%. A threshold and a stretch target are set for each measure, with an expected (on target) vesting of 50%.

Performance parameters aligned with the shareholder compact and corporate plan are complemented by a set of gatekeeper conditions. If gatekeeper requirements are not met, the board at its discretion may adjust the vesting percentages even though targets have been met.

The following gatekeeper conditions trigger a review of vesting percentages:

- if the lost-time injury rate is greater than 0.35
- if the sustainability committee gives an unfavourable safety report
- if Eskom's audited financial statements show a financial loss
- if the auditors qualify Eskom's financial statements
- if a significant PFMA contravention occurs

The vesting period for award performance shares is three years from the date of grant. At the end of that period, the people and governance committee decides on the amounts to be paid in line with:

- the percentage of award performance shares that vest, based on the performance conditions achieved
- the value of the award performance shares based on the grant value, escalated at a money market rate

In addition to the performance conditions, vesting of award performance shares is dependent on the scheme participant remaining in Eskom's employment throughout the vesting period. The award lapses if employment ceases during the vesting period (other than for permitted reasons).

Share awards – vested

Award performance shares awarded on 1 April 2012 vested on 31 March 2015 with an expected vesting rate over the three-year period of 47.06% due to the achievement of non-financial performance conditions. The cash value of the vested shares is payable in June 2015 at R1.20 per share based on the money market rate. Shares awarded on 1 April 2011 were redeemed during the year.

Shares vested on 31 March 2015 (with comparative status at 31 March 2014) are:

Name	Award performance shares vested on 31 March 2015 Number	Award performance shares vested on 31 March 2015 at a rate of 47.06% Number	Award performance shares payable at R1.20 per share R'000	Award performance shares vested on 31 March 2014 Number	Award performance shares vested on 31 March 2014 at a rate of 53.48% Number	Award performance shares payable at R1.19 per share R'000
BA Dames	–	–	–	8 972 308	4 486 154	5 201
TBL Molefe	1 829 776	861 093	1 033	1 734 385	927 549	1 104
BE Bulunga	–	–	–	1 871 100	1 000 664	1 191
T Govender	2 185 983	1 028 724	1 234	2 072 022	1 108 117	1 319
EL Johnson	–	–	–	2 662 934	1 424 137	1 695
SJ Lennon	2 109 869	992 904	1 191	1 999 876	1 069 534	1 273
DL Marokane	2 658 316	1 251 004	1 501	2 519 731	1 347 552	1 604
A Noah	2 171 168	1 021 752	1 226	2 057 980	1 100 608	1 310
MM Ntsokolo	2 488 574	1 171 123	1 405	2 358 838	1 261 507	1 501

Share awards – vesting

The current estimated vesting values of the award performance shares are R1.21 per share for the 1 April 2013 awards (vesting 31 March 2016) and R1.22 for the April 2014 awards (vesting 31 March 2017). The value of the performance shares allocated does not take into account the impact of performance conditions over the applicable three-year performance periods. The vesting percentage of 50% for the 1 April 2013 and 50% for the 1 April 2014 awards, are estimates.

49. Directors' remuneration (continued)

Long-term incentive scheme (continued)

Share awards – vesting (continued)

	Shares awarded on 1 April 2014			Shares awarded on 1 April 2013		
Name	Outstanding award performance shares vesting on 31 March 2017 Number	Award performance shares vesting on 31 March 2017 at a rate of 50% Number	Award performance shares payable in June 2017 at R1.22 per share R'000	Outstanding award performance shares vesting on 31 March 2016 Number	Award performance shares vesting on 31 March 2016 at a rate of 50% Number	Award performance shares payable in June 2016 at R1.21 per share R'000
TBL Molefe	–	–	–	1 829 776	914 888	1 107
T Govender	–	–	–	2 185 983	1 092 992	1 323
EL Johnson	–	–	–	2 809 394	1 404 697	1 700
SJ Lennon	–	–	–	2 109 869	1 054 935	1 276
DL Marokane	–	–	–	2 658 316	1 329 158	1 608
A Noah	–	–	–	2 171 168	1 085 584	1 314
MM Ntsokolo	–	–	–	2 488 574	1 244 287	1 506

The details of the schemes are:

	Long-term incentive plan	Long-term incentive plan
Date of grant	1 April 2014	1 April 2013
Number of shares awarded	–	16 253 080
Contractual life	Three years	Three years
Vesting conditions	Variable vesting depending on the achievement of performance conditions	Variable vesting depending on the achievement of performance conditions
Method of settlement	Cash	Cash
Expected attrition of employee (%)	–	–
Expected outcome of performance conditions (%)	50%	50%

	Long-term incentive plan 2015 Number	Long-term incentive plan 2014 Number
Reconciliation of performance share movements		
Outstanding at beginning of the year	58 755 334	70 478 960
Granted during the year	–	16 253 080
Forfeited during the year	(5 618 788)	(9 231 581)
Settled during the year	(26 249 174)	(18 745 125)
Outstanding at end of the year	26 887 372	58 755 334
Carrying amount of liability (R'000)	12 678	26 419
Intrinsic value of liabilities relating to vested rights (R'000)	12 678	26 419

Details of emoluments paid

The following schedule sets out the emoluments due to the directors of Eskom for the current year:

Name	Directors' fees	Salaries[1]	Short-term bonus payment[2]	Long-term bonus payment[3]	Other payments[4]	Total	2014 Total
	2015						2014
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Non-executive directors	9 497	–	–	–	501	9 998	7 077
BS Ngubane[5,6]	180	–	–	–	–	180	–
ZA Tsotsi[7,8]	1 152	–	–	–	438	1 590	1 789
NT Baloyi[5]	172	–	–	–	–	172	–
N Carrim[5]	172	–	–	–	6	178	–
BL Fanaroff[9]	351	–	–	–	–	351	487
RMQ Gungubele[9]	328	–	–	–	–	328	437
ZW Khoza[5,10]	180	–	–	–	–	180	–
VJ Klein[5]	180	–	–	–	3	183	–
R Kumalo[5]	143	–	–	–	–	143	–
N Lesela[9]	370	–	–	–	–	370	437
B Luthuli[9]	407	–	–	–	–	407	551
C Mabude[7]	587	–	–	–	–	587	468
Y Masithela[9]	351	–	–	–	–	351	468
MC Matjila[9,11]	2 989	–	–	–	54	3 043	493
B Mehlomakulu[9]	370	–	–	–	–	370	493
ME Mkwanazi[9]	370	–	–	–	–	370	493
DV Naidoo[5]	172	–	–	–	–	172	–
P Naidoo[5]	180	–	–	–	–	180	–
MV Pamensky[5]	122	–	–	–	–	122	–
SPQ Sedibe[9]	370	–	–	–	–	370	493
DEL Zondo[9]	351	–	–	–	–	351	468
Executive directors	–	6 766	–	1 104	67	7 937	24 428
BA Dames[12]	–	–	–	–	–	–	15 367
TJ Matona[13]	–	3 000	–	–	33	3 033	–
TBL Molefe[14]	–	3 766	–	1 104	34	4 904	3 170
PS O'Flaherty[15]	–	–	–	–	–	–	5 891
Exco members (group executives)	–	21 031	–	9 714	512	31 257	31 060
BE Bulunga[16]	–	–	–	–	–	–	3 294
T Govender	–	2 975	–	1 319	102	4 396	4 152
EL Johnson[17]	–	2 182	–	1 695	22	3 899	4 826
M Koko[18]	–	2 704	–	1 012	45	3 761	2 415
SJ Lennon[19]	–	3 112	–	1 273	83	4 468	3 674
DL Marokane	–	3 716	–	1 604	117	5 437	4 737
A Noah	–	2 955	–	1 310	72	4 337	3 776
MM Ntsokolo	–	3 387	–	1 501	71	4 959	4 186
Total directors and group executives	9 497	27 797	–	10 818	1 080	49 192	62 565
Total acting Exco members[20]	–	1 418	–	–	–	1 418	1 033

1. Includes medical aid and pension fund contributions.
2. Short-term incentive bonus awarded for the 2015 financial year.
3. Long-term incentive bonus scheme – Grant 6, which vested on 31 March 2014, was paid in June 2014.
4. Fees related to security services and operating vehicle expenditure.
5. Appointed on 11 December 2014.
6. Currently acting as the chair of the board from 31 March 2015.
7. Re-appointed to the board on 11 December 2014.
8. Resigned on 30 March 2015.
9. Conclusion of board term on December 2014.
10. Acted as the chief executive from 11 March 2015 to 17 April 2015.
11. Acting interim chief executive from 1 April 2014 to 30 September 2014.
12. Resigned on 31 March 2014. Final termination benefits of R5.2m paid during the year.
13. Appointed as chief executive and executive director on 1 October 2014.
14. Appointed finance director on 14 January 2014. Previously group executive: Group customer services.
15. Resigned on 10 July 2013.
16. Retired on 31 January 2014.
17. Resigned on 31 October 2014.
18. Appointed on 1 December 2014. Previously acting group executive: Commercial and technology.
19. Retired on 31 March 2015.
20. Acting Exco members during the year included the following:
    - ET Mabelane – acting group executive: Commercial and technology from 12 March 2015.
    - AA Masango – acting group executive: Group capital from 12 March 2015.
    - EM Pule – acting group executive: Human resources from 1 November 2014.
    - NS Veleti – acting chief financial officer from 12 March 2015.

49. Directors' remuneration (continued)

Details of emoluments paid (continued)

	2015 R'000	2014 R'000
Housing loans to Exco members at 31 March		
T Govender	1 773	2 906
DL Marokane	–	4 563
	1 773	7 469

The interest rate on the loan from EFC at 31 March 2015 was 7.50% (2014: 7.25%). The loans are repayable over a maximum period of 30 years.[1]

The following board and Exco members were directors of Eskom directly held subsidiary companies. Fees paid for attendance of meetings were all paid to Eskom.

	2015 R'000	2014 R'000
Eskom Enterprises SOC Ltd[2]		
T Govender[3]	–	–
DL Marokane	–	–
TBL Molefe[3]	–	–
MM Ntsokolo	–	–
Escap SOC Ltd[4]		
EL Johnson[5]	–	–
TBL Molefe[6]	36	12
Eskom Finance Company SOC Ltd[4]		
TBL Molefe[6]	5	5
PS O'Flaherty[7]	–	5

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 but have not been adopted early by the group. The group is currently in the process of evaluating the detailed requirements of the following amendments to assess the possible impact on the group's financial statements:

Annual improvements 2012 (effective 1 July 2014)

These improvements amend standards from the 2010-2012 reporting cycle. The changes affect IFRS 2 *Share based payments*, IFRS 3 *Business combinations*, IFRS 8 *Operating segments*, IFRS 13 *Fair value*, IFRS 16 *Property, plant and equipment* and IAS 24 *Related party disclosures*.

Annual improvements 2013 (effective 1 July 2014)

These improvements amend standards from the 2011-2013 reporting cycle. The changes affect IFRS 1 *First time adoptions* of IFRSs, IFRS 3 *Business combinations*, IFRS 13 *Fair value* and IAS 40 *Investment property*.

Amendment to IAS 19 *Employee benefits regarding employee or third party contributions to defined benefit plans* (effective 1 July 2014)

The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service.

Amendment to IFRS 11 *Joint arrangements regarding acquisition of an interest in a joint operation* (effective 1 January 2016)

The amendment provides guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

Amendment to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets regarding depreciation and amortisation* (effective 1 January 2016)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016)

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendment to IAS 1 *Disclosure initiative* (effective 1 January 2016)

The amendment introduces changes to be considered in the disclosure of the annual financial statements.

1. *On resignation the terms and conditions of the loan are renegotiated.*
2. *Paid by Eskom.*
3. *Appointed on 3 July 2014.*
4. *Fees paid to Eskom.*
5. *Resigned on 31 October 2014.*
6. *Appointed on 11 March 2014.*
7. *Resigned on 31 January 2014.*

Amendment to IAS 27 *Separate financial statements* regarding the equity method (effective 1 January 2016)

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IFRS 14 *Regulatory deferral accounts* (effective 1 January 2016)

This standard permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

Annual improvements 2014 (effective 1 January 2016)

The improvements amend standards from the 2012-2014 reporting cycle. The changes affect IFRS 5 *Non-current assets held-for-sale and discontinued operations*, IFRS 7 *Financial instruments: disclosure*, IAS 19 *Employee benefits* and IAS 34 *Interim financial reporting.*

IFRS 15 *Revenue from contracts with customers* (effective 1 January 2017)

IFRS 15 replaces the two main revenue recognition standards, IAS 18 *Revenue* and IAS 11 *Construction contracts* and their related interpretations.

IFRS 15 provides a single control-based revenue recognition model and clarifies the principles for recognising revenue from contracts with customers. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 will be applied retrospectively subject to the application of the transitional provisions.

IFRS 9 *Financial instruments* (effective 1 January 2018)

IFRS 9 replaces IAS 39. It retains, but simplifies, the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income.

IFRS 9 also replaces the rule-based hedge accounting requirements in IAS 39. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually uses for risk management purposes.

IFRS 9 includes an expected credit loss model for calculating impairment on financial assets that replaces the incurred loss model used under IAS 39.

The adoption of IFRS 9 will require a review of the current measurement and classification of financial assets and liabilities. Any changes will be applied retrospectively.

50.2 Standards, interpretations and amendments to published standards that are effective and applicable to the group

The group has adopted the following new standards, interpretation and amendments to existing standards for the first time for the financial year ended 31 March 2015. The nature and effect of the changes are as follows:

Amendments to IAS 32 *Financial instruments: presentation* (effective 1 January 2014)

The amendment clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The effect of this amendment is regarded as being immaterial.

IFRS 7 *Financial instruments: disclosure* (effective 1 January 2014)

The amendments to IFRS 7 require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains, if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments also requires additional disclosure on offsetting financial assets and financial liabilities. The effect of this amendment is regarded as being immaterial.

Amendments to IAS 36 *Impairment of assets* (effective 1 January 2014)

The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The effect of this amendment is regarded as being immaterial.

IFRIC 21 *Levies* (effective 1 January 2014)

IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. The effect of this interpretation is regarded as being immaterial.

51. Information required by the Public Finance Management Act

Losses through criminal conduct and irregular or fruitless and wasteful expenditure

In terms of the significance and materiality framework agreed with the shareholder, any losses due to criminal conduct or irregular or fruitless and wasteful expenditure, that individually (or collectively where items are closely related) exceed R25 million, must be reported.

51.1 Irregular expenditure

	Note	Group and company 2015 Rm	2014 Rm
Balance at beginning of the year		–	–
Current year expenditure		712	83
Back 2 Basics Programme	(a)	310	–
Land purchase	(b)	108	–
Breach of PPPFA[1]	(c)	287	83
The New Age Media	(d)	4	–
Various immaterial instances		3	–
Amounts condoned			
The New Age Media – condoned by board	(d)	(4)	–
		708	83
Amounts recoverable (not condoned)		–	–
Amounts not recoverable (not condoned)		(290)	(83)
Breach of PPPFA	(c)	(287)	(83)
Immaterial/minor incidence – preventive and corrective measures in place		(3)	–
Irregular expenditure awaiting condonation		418	–
Consisting of		418	–
Land purchase – to be condoned by Exco investment and capital assurance committee		108	–
B2B Engineering Tools – to be condoned by shareholder		310	–
Age analysis		418	–
Current year		418	–
Prior years		–	–

(a) **Back 2 Basics Programme engineering tools**

The Back 2 Basics Programme (B2B) is an overarching strategic initiative to simplify, optimise and standardise business operations in order to achieve excellence and become a high-performance organisation. The engineering tools project is one of four major components of the programme.

The board supported the extension of the engineering tools project subject to approval by the shareholder. Subsequent to the board decision, approximately R310 million was spent by extending commitments beyond the initial design phase.

Eskom disclosed the unauthorised expenditure in its application for approval to the shareholder. The shareholder noted the importance of the project; but requested a new application that includes, *inter alia*, updated information and explanations concerning the broader B2B programme. Eskom is in the process of finalising the revised PFMA application. Disciplinary action has not as yet been instituted.

(b) **Purchase of land without investment committee approval**

During the year land was purchased at a market-related value of R108 million by following the procurement process, but without first obtaining the necessary capital expenditure approval. Disciplinary procedures are being instituted. Ratification of the transaction will be considered by the relevant investment committee.

(c) **Preferential Procurement Policy Framework Act (PPPFA)**

Eskom's exemption from the PPPFA expired on 7 December 2012. Eskom paid R287 million (2014: R83 million) for the year ended 31 March 2015 on contracts that were entered into between 8 December 2012 and 31 March 2013 that were inconsistent with the requirements of the PPPFA. These contracts were not recalled or corrected and Eskom will continue to meet its obligations under these contracts until they expire. All these transactions took place in the normal course of business and were subject to Eskom's approved procurement policy in force at that time.

1. The 2014 number was restated as additional payments were identified that were not reported previously.

(d) The New Age Media (TNA)

The external auditors raised a reportable irregularity in November 2014 in respect of the signing of a media sponsorship contract with TNA in April 2014 by the then interim chief executive, who was previously a non-executive director of Eskom prior to his appointment as interim chief executive. The reportable irregularity arose from a forensic review commissioned by Eskom which found that the interim chief executive had acted improperly in signing the TNA contract. The new board appointed on 11 December 2014 considered all documents pertaining to the contract as well as the representations made by the interim chief executive and ratified the TNA contract, thus closing the matter. Expenditure of R4 million was incurred under the contract prior to the board's decision. This amount was paid to TNA after the board ratification.

(e) PN Energy Services SOC Limited (PNES)

PNES is a wholly owned subsidiary of Eskom. The operations of the company were closed down in 2010, and it did not operate from 2011 to 2015. The board of PNES investigated potential irregular and fruitless and wasteful expenditure suffered by the company during the 2009 and 2010 financial years. Eskom is taking further action against all the parties involved into the alleged breach of fiduciary duties and conflict of interests. The matter is currently being heard in the Western Cape High Court.

(f) Incidents of irregular expenditure below the materiality threshold

There were 11 (2014: 6) incidents of irregular expenditure, other than those reported above, totalling R3.4 million (2014: Rnil). Management has instituted preventive and corrective measures, including disciplinary action, as considered appropriate.

(g) Irregular expenditure under investigation

There is currently one incident of alleged irregular expenditure under investigation which, based on current information, does not exceed the materiality threshold of R25 million. It is possible that this matter may not qualify as irregular expenditure once confirmed by the conclusion of the investigation.

51.2 Fruitless and wasteful expenditure

There were no (2014: Rnil) incidents of fruitless and wasteful expenditure incurred by the group during the year that exceeded the materiality threshold of R25 million.

(a) Incidents of fruitless and wasteful expenditure below the materiality threshold

Total fruitless and wasteful expenditure which individually or collectively (where items are closely related) were below the materiality threshold was R51 million (2014: R47 million) comprising 606 (2014: 354) incidents of which 18 incidents accounted for R28 million. In all instances management has instituted preventive and corrective measures, including disciplinary action, as considered appropriate.

(b) Fruitless and wasteful expenditure under investigation

There are currently 53 incidents of alleged fruitless and wasteful expenditure under investigation, of which four incidents may exceed the materiality threshold of R25 million. The nature and extent of potential losses incurred cannot be reasonably ascertained at this stage. It is important to note that these are allegations, and many of these occurrences may not qualify as fruitless and wasteful expenditure upon conclusion of the investigations.

51.3 Criminal conduct

(a) Theft of conductors, cabling and related equipment

Losses due to conductor theft, cabling and related equipment totalled R102 million (2014: R68 million), involving 5 680 incidents (2014: 7 166 incidents). Actions to combat these losses are managed by the Eskom network equipment crime committee in collaboration with affected state owned enterprises and the South African Police Services. The combined effort resulted in 297 (2014: 316) arrests and R11 million (2014: R7 million) worth of stolen material was recovered.

(b) Fraud

Eskom concluded 23 (2014: 4) investigations into fraud during the reporting period involving R40 million (2014: R7 million). The existing internal control measures in the affected areas as well as similar areas have been reviewed and enhanced. Disciplinary, criminal as well as civil proceedings have been instituted against those involved.

52. Pro forma revaluation of property, plant and equipment (unaudited)

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 capitalised 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 our tariff is calculated by NERSA. 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 depreciated replacement cost (DRC) 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 DRC 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 of R206 billion (2014: R190 billion). This shortfall is expected to be eliminated once the electricity price determined in terms of the regulatory methodology, which is based on the depreciated replacement values, is fully phased in by NERSA.

	2015			2014		
	Historical cost Rm	Adjustments Rm	After revaluation Rm	Historical cost Rm	Adjustments Rm	After revaluation Rm
Summarised group statements of financial position at 31 March 2015						
Assets						
Property, plant and equipment	455 977	181 551	637 528	401 373	164 836	566 209
Deferred tax	230	39 962	40 192	339	32 231	32 570
Other assets	106 677	–	106 677	103 281	–	103 281
	562 884	221 513	784 397	504 993	197 067	702 060
Equity and liabilities						
Total equity	122 247	130 717	252 964	119 784	118 682	238 466
Deferred tax liabilities	20 131	90 796	110 927	19 461	78 385	97 846
Other liabilities	420 506	–	420 506	365 748	–	365 748
	562 884	221 513	784 397	504 993	197 067	702 060
Summarised group income statements for the year ended 31 March 2015						
Profit before depreciation and amortisation expense, net impairment loss and other expenses	44 738	–	44 738	45 849	–	45 849
Depreciation and amortisation expense	(14 115)	(10 119)	(24 234)	(11 937)	(13 887)	(25 824)
Net impairment loss	(3 766)	1 149	(2 617)	(1 557)	45	(1 512)
Operating expenses	(15 771)	(102)	(15 873)	(19 177)	(85)	(19 262)
Profit/(loss) before net finance cost	11 086	(9 072)	2 014	13 178	(13 927)	(749)
Net finance cost	(6 109)	(17 389)	(23 498)	(4 058)	(13 290)	(17 348)
Share of profit of equity-accounted investees, net of tax	49	–	49	43	–	43
Profit/(loss) before tax	5 026	(26 461)	(21 435)	9 163	(27 217)	(18 054)
Income tax	(1 366)	7 409	6 043	(2 137)	7 621	5 484
Profit/(loss) for the year from continuing operations	3 660	(19 052)	(15 392)	7 026	(19 596)	(12 570)
Profit for the year from discontinued operations	(42)	–	(42)	63	–	63
Profit/(loss) for the year	3 618	(19 052)	(15 434)	7 089	(19 596)	(12 507)

Appendix – Abbreviations and acronyms

Accounting, audit and other financial terms

CVA	Credit Value Adjustment
DRC	Depreciated Replacement Cost
DVA	Debit Value Adjustment
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FIFO	First-In-First-Out
FFO	Free Funds from Operations
IAS	International Accounting Standard/(s)
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard/(s)
ISA	International Standards of Auditing
LIFO	Last-In-First-Out
PA	Pensioners Amounts
PPI	Producer Price Index
R	Rand
Rm	Rand Millions
VAT	Value Added Tax

Currencies

AUD	Australian Dollar
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	Pound Sterling (United Kingdom)
JPY	Japanese Yen
NOK	Norwegian Krone
SEK	Swedish Krona
USD	United States Dollar
ZAR	South African Rand

Entities

company	Eskom Holdings SOC Ltd
EEM	Eskom Energie Manantali s.a
EFC	Eskom Finance Company SOC Ltd
EPPF	Eskom Pension and Provident Fund
Escap	Escap SOC Ltd
Eskom	Eskom Holdings SOC Ltd
Eskom Enterprises	Eskom Enterprises SOC Ltd
Eskom Uganda	Eskom Uganda Ltd
group	Eskom Holdings SOC Ltd and its subsidiaries
Motraco	Mozambique Transmission Company SARL
Nqaba	Nqaba Finance 1 (RF) Ltd
PBMR	Pebble Bed Modular Reactor SOC Ltd
PNES	PN Energy Services SOC Ltd
Roshcon	Roshcon SOC Ltd
Rosherville	Rosherville Properties SOC Ltd
Rotek	Rotek Industries SOC Ltd
UEGCL	Uganda Electricity Generation Company Ltd
UETCL	Uganda Electricity Transmission Company Ltd

Legislation

PAA	Public Audit Act
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act

Appendix – Abbreviations and acronyms (continued)

Measures

GWh	Gigawatt Hour
kg	Kilogram
km	Kilometre
kWh	Kilowatt Hour
L	Litre
Mt	Million tons
MVA	Mega volt ampere
MW	Megawatt
MWh	Megawatt Hour
TWh	Terawatt Hour

Other

Alco	Asset and Liability Committee
B-BBEE	Broad-Based Black Economic Empowerment
BPP	Business Productivity Programme
DoE	Department of Energy
DPE	Department of Public Enterprises
DWA	Department of Water Affairs
EAF	Energy Availability Factor
EME	Exempted micro enterprises
Exco	Executive Management Committee
ISO	International Standards Organisation
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicator
LTIR	Lost Time Injury Rate
MoU	Memorandum of Understanding
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
RCA	Regulatory Clearing Account
RFP	Request for proposal
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SARB	South African Reserve Bank
SARS	South African Revenue Services
TASK	Tunes Assessment of Skills and Knowledge
TMPS	Total measured procurement spend
UCLF	Unplanned Capability Loss Factor

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