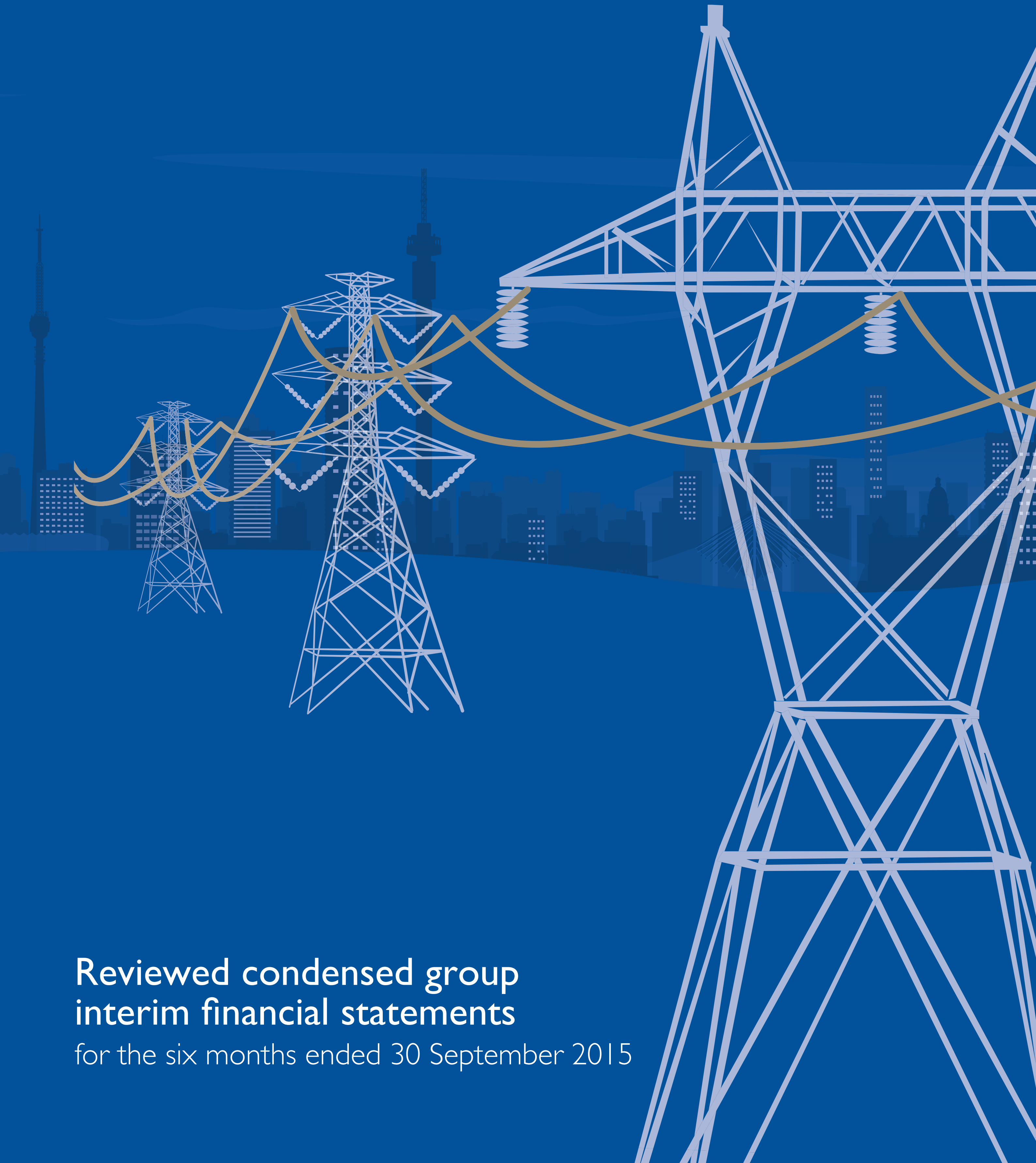
Eskom



Reviewed condensed group interim financial statements

for the six months ended 30 September 2015

Contents

The reviewed condensed group interim financial statements for the six months ended 30 September 2015 have been prepared under the supervision of the chief financial officer, A Singh CA(SA). These condensed group interim financial statements have been independently reviewed by the group's external auditors and were published on 24 November 2015.

Currency of financial statements

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

The following are approximate values of the rand to one unit of the selected currencies:

	Average			Reporting date mid-spot rate		
	30 September 2015	31 March 2015	30 September 2014	**30 September 2015**	31 March 2015	30 September 2014
EUR	**13.93**	13.98	14.35	**15.52**	13.07	14.28
USD	**12.55**	11.07	10.65	**13.87**	12.18	11.32
GBP	**19.36**	17.81	17.86	**21.05**	18.01	18.36
CHF	**13.17**	11.91	11.81	**14.23**	12.51	11.84
JPY	**0.10**	0.10	0.10	**0.12**	0.10	0.10

Currency	Abbreviation
Euro	EUR
United States dollar	USD
Pound sterling (United Kingdom)	GBP
Swiss franc	CHF
Japanese yen	JPY

Approval of the condensed group interim financial statements

Basis of preparation

The condensed group interim financial statements from page 4 to page 23 for the six months ended 30 September 2015 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of International Accounting Standards (IAS) 34 *Interim Financial Reporting*, and in the manner required by the Companies Act.

Going concern assumption

The board of directors (board) has made an assessment of the ability of Eskom Holdings SOC Ltd (Eskom) and the group to continue as a going concern in the foreseeable future.

The board reviewed the group's performance for the period ended 30 September 2015 and the cash flow forecast for the Multi-Year Price Determination (MYPD) 3 period ending 31 March 2018.

Eskom submitted the Regulatory Clearing Account (RCA) adjustment application for year 1 of MYPD 3 (2014 financial year) and is preparing for the application for year 2 of MYPD 3 (2015 financial year).

The board continues to critically examine the group's activities and costs in order to balance its cash flow requirements. There is a focus through the Business Productivity Programme (BPP) to identify cost saving and efficiency opportunities together with a pursuit of alternative funding options.

The board resolved that Eskom's financial sustainability, liquidity and status as a going concern will not be compromised in support of operational sustainability and balancing supply and demand and has not approved any generating 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 board is satisfied that Eskom and the group have access to adequate resources and facilities to be able to continue operations for the foreseeable future. Accordingly the board has continued to adopt the going-concern basis in preparing the interim financial statements.

In the opinion of the board, based on the information available to date, the condensed group interim financial statements fairly present the financial position of the group at 30 September 2015 and the results of the operations and cash flow information for the six months then ended. The condensed group interim financial statements have been approved by the board and signed on its behalf by:

B Ngubane	**B Molefe**	**A Singh**
Chairman	*Group chief executive*	*Chief financial officer*
18 November 2015	18 November 2015	18 November 2015

Independent auditors' review report on the condensed group interim financial statements to the Minister of Public Enterprises

Introduction

We have reviewed the accompanying condensed group interim financial statements of Eskom Holdings SOC Ltd set out on pages 4 to 23, which comprise the condensed group statement of financial position as at 30 September 2015, the condensed group income statement, statements of comprehensive income, changes in equity and cash flows for the six months then ended and selected explanatory notes.

The board's responsibility for the financial statements

The board is responsible for the preparation and presentation of these condensed group interim financial statements in accordance with the recognition and measurement requirements of IFRS, the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the requirements of the Companies Act and for such internal control as the directors determine is necessary to enable the preparation of interim 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 a conclusion on these condensed group interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the condensed group interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters which might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed group interim financial statements of Eskom for the six months ended 30 September 2015, are not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRS, the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act.

SizweNtsalubaGobodo Inc

SizweNtsalubaGobodo Inc.

Per A Mthimunye
Chartered Accountant (SA)
Registered auditor
Director

18 November 2015

20A Morris Street East
Woodmead
2191

Condensed group statement of financial position

at 30 September 2015

	Reviewed 30 September 2015 Rm	Audited 31 March 2015 Rm	Reviewed 30 September 2014 Rm
Assets			
Non-current assets	542 301	505 198	469 172
Property, plant and equipment and intangible assets	486 730	458 881	432 375
Future fuel supplies	8 940	9 079	9 459
Investment in securities	2 527	2 481	2 499
Payments made in advance	3 266	3 004	2 504
Derivatives held for risk management	31 048	19 242	12 753
Trade, finance lease, loan and other receivables	9 285	11 933	9 157
Other assets	505	578	425
Current assets	75 820	57 686	65 150
Inventories	17 329	16 033	15 252
Taxation	152	94	68
Investment in securities and financial trading assets	14 246	12 337	13 981
Payments made in advance	3 342	2 505	3 278
Derivatives held for risk management	4 705	709	910
Trade, finance lease, loan and other receivables	23 200	17 145	18 708
Cash and cash equivalents	12 846	8 863	12 953
Non-current assets held-for-sale	–	–	12
Total assets	618 121	562 884	534 334
Equity			
Capital and reserves	175 717	122 247	128 412
Liabilities			
Non-current liabilities	372 651	366 002	322 235
Debt securities and borrowings	281 616	277 458	236 973
Embedded derivatives	5 590	6 647	6 508
Derivatives held for risk management	840	520	277
Deferred tax	24 164	20 131	22 529
Deferred income and payments received in advance	16 727	16 719	16 907
Employee benefit obligations	12 277	11 960	11 765
Provisions	30 194	31 078	25 617
Trade, finance lease and other payables	1 243	1 489	1 659
Current liabilities	69 753	74 635	83 687
Debt securities and borrowings	15 833	19 976	27 942
Embedded derivatives	1 499	1 375	1 203
Derivatives held for risk management	515	2 845	1 730
Deferred income and payments received in advance	4 942	3 020	3 661
Employee benefit obligations	4 126	3 926	3 918
Provisions	10 356	9 972	12 000
Trade, finance lease and other payables	30 820	27 998	25 770
Financial trading liabilities	1 662	5 499	7 463
Taxation	–	24	–
Total liabilities	442 404	440 637	405 922
Total equity and liabilities	618 121	562 884	534 334

Condensed group income statement

for the six months ended 30 September 2015

	Note	Reviewed six months ended 30 September 2015 Rm	Reviewed[1] six months ended 30 September 2014 Rm	Audited year ended 31 March 2015 Rm
Continuing operations				
Revenue	10	87 876	81 318	147 691
Other income		1 369	642	4 444
Primary energy	11	(40 999)	(38 065)	(83 425)
Employee benefit expense	12	(13 806)	(13 176)	(25 912)
Depreciation and amortisation expense		(7 609)	(6 672)	(14 115)
Net impairment loss		(122)	(855)	(3 766)
Other expenses		(8 723)	(7 841)	(15 771)
Profit before net fair value (loss)/gain and net finance cost		17 986	15 351	9 146
Net fair value (loss)/gain on financial instruments		(668)	761	1 940
Profit before net finance cost		17 318	16 112	11 086
Net finance cost		(3 498)	(3 149)	(6 109)
Finance income		1 542	1 547	2 996
Finance cost		(5 040)	(4 696)	(9 105)
Share of profit of equity-accounted investees, net of tax		28	33	49
Profit before tax		13 848	12 996	5 026
Income tax	14	(2 539)	(3 675)	(1 366)
Profit for the period from continuing operations		11 309	9 321	3 660
Discontinued operations				
Loss for the period from discontinued operations		–	(34)	(42)
Profit for the period		11 309	9 287	3 618
Attributable to:				
Owner of the company		11 309	9 287	3 618

Condensed group statement of comprehensive income

for the six months ended 30 September 2015

	Reviewed six months ended 30 September 2015 Rm	Reviewed six months ended 30 September 2014 Rm	Audited year ended 31 March 2015 Rm
Profit for the period	11 309	9 287	3 618
Other comprehensive income/(loss)	4 332	(659)	(1 155)
Items that may be reclassified subsequently to profit or loss	4 076	(195)	(501)
Available-for-sale financial assets	(15)	(92)	(63)
Cash flow hedges	5 683	(202)	(665)
Foreign currency translation differences on foreign operations	(5)	17	24
Income tax thereon	(1 587)	82	203
Items that may not be reclassified subsequently to profit or loss	256	(464)	(654)
Remeasurement of post-employment medical benefits	351	(645)	(909)
Income tax thereon	(95)	181	255
Total comprehensive income for the period	15 641	8 628	2 463
Attributable to:			
Owner of the company	15 641	8 628	2 463

1. Restated. Refer to note 17.

Condensed group statement of changes in equity

for the six months ended 30 September 2015

	Note	Share capital Rm	Equity reserve Rm	Cash flow hedge reserve Rm	Available-for-sale reserve Rm	Unrealised fair value reserve Rm	Foreign currency translation reserve Rm	Accumulated profit Rm	Total Rm
Balance at 31 March 2014		–	30 520	6 178	50	(7 744)	(6)	90 786	119 784
Profit for the period		–	–	–	–	–	–	9 287	9 287
Other comprehensive (loss)/ income, net of tax		–	–	(145)	(67)	–	17	(464)	(659)
Transfer between reserves		–	–	–	–	85	–	(85)	–
Balance at 30 September 2014		–	30 520	6 033	(17)	(7 659)	11	99 524	128 412
Loss for the period		–	–	–	–	–	–	(5 669)	(5 669)
Other comprehensive (loss)/ income, net of tax		–	–	(334)	21	–	7	(190)	(496)
Transfer between reserves		–	–	–	–	3 888	–	(3 888)	–
Balance at 31 March 2015		–	30 520	5 699	4	(3 771)	18	89 777	122 247
Profit for the period		–	–	–	–	–	–	11 309	11 309
Other comprehensive income/ (loss), net of tax		–	–	4 092	(11)	–	(5)	256	4 332
Share capital issued	6	10 000	–	–	–	–	–	–	10 000
Subordinated loan from shareholder converted to share capital	6	60 000	(30 520)	–	–	–	–	(1 651)	27 829
Transfer between reserves		–	–	–	–	(1 299)	–	1 299	–
Balance at 30 September 2015		70 000	–	9 791	(7)	(5 070)	13	100 990	175 717

Condensed group statement of cash flows

for the six months ended 30 September 2015

	Reviewed six months ended 30 September 2015 Rm	Reviewed[1] six months ended 30 September 2014 Rm	Audited year ended 31 March 2015 Rm
Cash flows from operating activities			
Profit before tax	**13 848**	12 996	5 026
Adjustment for non-cash items	**11 544**	13 733	31 370
Changes in working capital	**(3 488)**	(6 692)	(8 868)
Cash generated from operations	**21 904**	20 037	27 528
Net cash flows from/(used in) derivatives held for risk management	**845**	160	(751)
Interest received	**457**	276	697
Interest paid	**(4)**	(4)	(10)
Income taxes paid	**(162)**	(101)	(153)
Net cash from operating activities	**23 040**	20 368	27 311
Cash flows used in investing activities			
Proceeds from disposal of property, plant and equipment and intangible assets	**320**	50	158
Acquisitions of property, plant and equipment and intangible assets	**(24 149)**	(24 193)	(52 424)
Expenditure on future fuel supplies	**(270)**	(1 256)	(1 999)
Net cash flows used in investment in securities and financial trading assets	**(2 041)**	(1 118)	(966)
Increase in payments made in advance	**(101)**	(579)	(966)
Expenditure incurred on provisions	**(637)**	(447)	(1 670)
Net cash flows (used in)/from derivatives held for risk management	**(158)**	493	253
Interest received	**455**	466	1 068
Other cash flows from investing activities	**63**	86	160
Net cash used in investing activities	**(26 518)**	(26 498)	(56 386)
Cash flows from financing activities			
Debt securities and borrowings raised	**16 519**	13 369	49 500
Payments made in advance to secure balances raised	**(155)**	(88)	(187)
Debt securities and borrowings repaid	**(5 594)**	(8 081)	(14 429)
Share capital issued	**10 000**	–	–
Net cash flows from/(used in) derivatives held for risk management	**377**	54	(1 982)
Decrease in finance lease payables	**(54)**	(6)	(111)
(Increase)/decrease in investment in securities and financial trading assets and liabilities	**(3 710)**	1 497	778
Interest received	**550**	852	1 449
Interest paid	**(10 503)**	(8 222)	(17 064)
Net cash from/(used in) financing activities	**7 430**	(625)	17 954
Net increase/(decrease) in cash and cash equivalents	**3 952**	(6 755)	(11 121)
Cash and cash equivalents at beginning of the period	**8 863**	19 676	19 676
Foreign currency translation	**(5)**	17	24
Effect of movements in exchange rates on cash held	**36**	15	284
Cash and cash equivalents at end of the period	**12 846**	12 953	8 863

1. Restated. Refer to note 17.

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, redistributor (municipalities), and residential customers and to international customers in southern Africa.

2. Basis of preparation

The reviewed condensed group interim financial statements of Eskom as at and for the six months ended 30 September 2015 comprise the company, its subsidiaries, joint ventures, associates and structured entities (together, the group). The reviewed condensed group interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Eskom Holdings SOC Ltd 31 March 2015 group annual financial statements. The annual financial statements of the group 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.

The condensed group interim financial statements are prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*, and in the manner required by the Companies Act.

The condensed group interim 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 board's assessment of the ability of Eskom and the group to continue as a going concern in the foreseeable future included:
- a review of the group's performance for the six months ended 30 September 2015
- a review of the cash flow forecasts for the MYPD 3 period ending 31 March 2018. These forecasts take into account Eskom's regulatory options available, its ability to raise funds, the current and anticipated future economic climate and the credit rating of Eskom and the sovereign.

The board continues to critically examine the group's activities and costs in order to balance its cash flow requirements. There is a focus through the BPP to identify cost saving and efficiency opportunities together with a pursuit of alternative funding options.

The board has resolved that Eskom's financial sustainability, liquidity and status as a going concern will not be compromised in support of operational sustainability and balancing supply and demand and has not approved any generating capital expenditure beyond the Kusile project.

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 operations for the foreseeable future. Accordingly the board has continued to adopt the going-concern basis in preparing the interim financial statements.

3. Significant accounting policies

The accounting policies applied by the group in these condensed group interim financial statements are consistent with those applied in the audited financial statements as at and for the year ended 31 March 2015 except for the new or revised statements and interpretations adopted during the six months ended 30 September 2015. The impact of these changes has been assessed to be immaterial for the group. The nature of these changes is as follows:

Annual improvements 2012 (effective 1 July 2014)

The 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 measurement*, IAS 16 *Property, plant and equipment* and IAS 24 *Related party disclosures.*

Annual improvements 2013 (effective 1 July 2014)

The 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 measurement* 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.

4. 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 estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant estimates and judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were substantially the same as those applied to the financial statements as at and for the year ended 31 March 2015 except for embedded derivatives and coal-related obligations as detailed below.

Embedded derivatives

The forward electricity price used to value the embedded derivatives at 30 September 2015 is based on the NERSA MYPD 3 tariff increase of 8% for the period 2016/17 and 2017/18, whereafter a forecast return on the regulatory asset base is used until maturity. Another key estimate in the valuation of embedded derivatives includes the forecast United States (US) production price index (PPI) which is based on an internal model which simulates US PPI using other observable market prices such as the South African consumer price index and ZAR/USD forward exchange rates.

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 management:

		Period ended 30 September 2015 (reviewed)					
Input	Unit	2015	2016	2017	2018	2019	2020
Aluminium	USD per ton	1 551	1 588	1 655	1 725	1 796	1 864
Volatility	Year-on-year (ratio)	0.19	0.19	0.19	0.19	0.19	0.19
Rand interest rate	Continuous actual/365 days (%)	6.06	7.26	7.06	7.38	7.62	7.83
Dollar interest rate	Annual actual/365 days (%)	0.24	0.97	0.75	0.99	1.21	1.40
United States PPI	Year-on-year (%)	(5.30)	2.18	2.01	1.51	2.23	2.36
Rand/USD	USD per rand	13.87	14.31	15.25	16.26	17.35	19.76

		Period ended 31 March 2015 (audited)					
Input	Unit	2015	2016	2017	2018	2019	2020
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 rate	Continuous actual/365 days (%)	5.61	7.16	6.70	6.93	7.09	7.24
Dollar interest rate	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	USD per rand	12.50	12.50	14.29	14.29	14.29	16.67

		Period ended 30 September 2014 (reviewed)					
Input	Unit	2014	2015	2016	2017	2018	2019
Aluminium	USD per ton	1 930	2 003	2 042	2 086	2 134	2 189
Volatility	Year-on-year (ratio)	0.19	0.19	0.19	0.19	0.19	0.19
Rand interest rate	Continuous actual/365 days (%)	5.79	7.12	6.91	7.20	7.46	7.68
Dollar interest rate	Annual actual/365 days (%)	0.17	0.73	0.82	1.31	1.69	1.96
United States PPI	Year-on-year (%)	2.60	2.31	2.23	2.01	2.61	1.89
Rand/USD	USD per rand	11.11	12.50	12.50	14.29	14.29	14.29

Coal-related obligations

The discount rate used for these provisions was 7.6% (31 March 2015: 4.7%; 30 September 2014: 5.0%) for the group and company. The estimated payment dates of the costs are between 2015 and 2020. The carrying amount of coal related obligation liabilities for the group and company is R6 059 million (31 March 2015: R7 954 million; 30 September 2014: R3 232 million).

5. Segment information

Management has determined the reportable segments based on the reports regularly provided, reviewed and used by the executive management committee (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 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
30 September 2015 (reviewed)									
External revenue	–	3 284	484	84 108	–	568	–	(568)	87 876
Inter-segment revenue/recoveries	58 828	10 308	12 867	(81 847)	–	6 008	–	(6 164)	–
Total revenue	58 828	13 592	13 351	2 261	–	6 576	–	(6 732)	87 876
Profit/(loss) before tax	7 499	1 883	3 700	1 813	(2 502)	753	245	457	13 848
Income tax	–	–	–	–	–	(205)	(2 206)	(128)	(2 539)
Profit/(loss) for the period	7 499	1 883	3 700	1 813	(2 502)	548	(1 961)	329	11 309
Segment assets	177 836	45 758	70 535	17 244	227 822	29 432	75 436	(25 942)	618 121
Segment liabilities	43 595	4 389	26 374	16 504	18 819	22 501	336 359	(26 137)	442 404
30 September 2014 (reviewed)									
Continuing operations									
External revenue	–	2 743	424	78 134	–	597	–	(580)	81 318
Inter-segment revenue/recoveries	55 372	6 914	12 684	(74 953)	–	4 721	–	(4 738)	–
Total revenue	55 372	9 657	13 108	3 181	–	5 318	–	(5 318)	81 318
Profit/(loss) before tax	4 415	1 803	3 939	2 507	(1 082)	771	96	547	12 996
Income tax	–	–	–	–	–	(192)	(3 311)	(172)	(3 675)
Profit/(loss) for the period from continuing operations	4 415	1 803	3 939	2 507	(1 082)	579	(3 215)	375	9 321
Discontinued operations									
Loss for the period from discontinued operations	–	–	–	–	–	(34)	–	–	(34)
Profit/(loss) for the period	4 415	1 803	3 939	2 507	(1 082)	545	(3 215)	375	9 287
Segment assets	118 853	37 018	67 678	16 655	234 313	26 345	55 781	(22 309)	534 334
Segment liabilities	37 713	2 983	23 815	16 743	20 131	20 273	306 569	(22 305)	405 922

	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
31 March 2015 (audited)									
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
(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 period from continuing operations	(1 057)	332	1 655	2 070	703	1 442	(863)	(622)	3 660
Discontinued operations									
Loss for the period from discontinued operations	–	–	–	–	–	(42)	–	–	(42)
(Loss)/profit for the period	(1 057)	332	1 655	2 070	703	1 400	(863)	(622)	3 618
Segment assets	131 558	40 677	69 632	14 488	249 059	25 463	54 145	(22 138)	562 884
Segment liabilities	44 480	4 090	24 868	16 372	16 121	19 092	337 587	(21 973)	440 637

Inter-segment purchases and sales of electricity are allocated between the Generation, Transmission, Distribution and Group customer services segments based on cost recovery plus a uniform return on assets.

6. Issuances, repurchases and repayments of debt securities and borrowings and share capital

6.1 Debt securities and borrowings

The nature of the group's issuances, repurchases and repayments of debt securities and borrowings are consistent with those reported previously, except for the conversion of the subordinated loan from the shareholder to equity that resulted in the derecognition of the liability portion of the compound instrument. The debt raised and repaid by the group is disclosed in the statement of cash flows.

6.2 Share capital

Eskom converted its existing authorised share capital to no par value shares and increased the number of authorised shares from 1 000 to 100 billion ordinary shares.

During the period the shareholder approved the conversion of the subordinated loan from the shareholder to share capital. The conversion resulted in the derecognition of the equity portion of the compound instrument and the issue of 60 billion shares to the shareholder.

Eskom also received R10 billion of the government equity injection of R23 billion during the period for which 10 billion shares were issued to government. A reconciliation of the number of shores in issue is as follows:

	Reviewed six months ended 30 September 2015 Shares	Reviewed six months ended 30 September 2014 Shares	Audited year ended 31 March 2015 Shares
Balance at beginning of the period	1	1	1
Share capital issued	10 000 000 000	–	–
Conversion of subordinated loan from the shareholder to share capital	60 000 000 000	–	–
Balance at end of the period	70 000 000 001	1	1

7. Dividend paid

No dividend was paid to the shareholder during the six months ended 30 September 2015 nor in the comparative periods presented.

8. Significant events and transactions

8.1 Property, plant and equipment

Property, plant and equipment increased by R28 billion (after depreciation) during the six months ended 30 September 2015. The increase relates mainly to the costs incurred on the capital expansion programme.

8.2 Derivatives held for risk management

Derivatives held for risk management increased by R18 billion during the six months ended 30 September 2015. This increase is largely due to the deterioration of the rand against the euro and United States dollar and new cross currency swaps taken out to hedge foreign debt securities and borrowings.

8.3 Changes in board and executive committee

The acting appointments of the chairman (B Ngubane), group chief executive (B Molefe) and chief financial officer (A Singh) were made permanent effective from 25 September 2015.

9. Seasonality of interim results

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

	Reviewed six months ended 30 September 2015 Rm	Reviewed six months ended 30 September 2014 Rm	Audited year ended 31 March 2015 Rm
10. Revenue			
Electricity revenue	87 484	80 785	146 268
Other revenue	392	533	1 423
	87 876	81 318	147 691
Electricity revenue not recognised	868	–	597
The electricity revenue 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.			
11. Primary energy			
Own generation costs	28 151	28 415	61 630
Environmental levy	4 091	4 276	8 353
International electricity purchases	2 149	1 661	3 679
Independent power producers	6 501	3 534	9 453
Other	107	179	310
	40 999	38 065	83 425
12. Employee benefit expense			
Gross employee benefit expense	15 387	16 330	32 316
Capitalised to property, plant and equipment	(1 581)	(3 154)	(6 404)
	13 806	13 176	25 912
13. Finance cost			
Gross finance cost	15 394	12 980	26 494
Capitalised to property, plant and equipment	(10 354)	(8 284)	(17 389)
	5 040	4 696	9 105

14. Income tax

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

The 9.7% difference between the effective and standard tax rate is mainly due to the reversal of the deferred tax associated with the derecognition of the subordinated loan from the shareholder.

15. Fair value classification and measurement

15.1 Accounting classification and fair value

Valuation processes

The group has a controlled framework with respect to the measurement of fair values. The framework includes a valuation team that reports to the chief financial officer, and has overall responsibility for all significant fair value measurements.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. 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. The fair value is determined by each participant in the different principal markets. The principal markets are:
- capital and money markets
- development financing institutions
- export credit agencies

15. Fair value classification and measurement (continued)

15.1 Accounting classification and fair value (continued)

Principal markets (continued)

The classification of each class of financial assets and liabilities, and their fair values are:

	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	Fair value Rm
30 September 2015 (reviewed)							
Financial assets							
Investment in securities	–	–	11 258	–	–	11 258	11 258
Government bonds	–	–	3 852	–	–	3 852	3 852
Negotiable certificates of deposit	–	–	7 406	–	–	7 406	7 406
Loans receivable[1]	–	8 911	–	–	–	8 911	7 395
Secured by mortgages	–	8 716	–	–	–	8 716	7 266
Other	–	195	–	–	–	195	129
Derivatives held for risk management	4 648	–	–	–	31 105	35 753	35 753
Foreign exchange derivatives	4 629	–	–	–	31 105	35 734	35 734
Commodity derivatives	10	–	–	–	–	10	10
Credit default swap	9	–	–	–	–	9	9
Finance lease receivables[2]	–	–	–	–	500	500	500
Trade and other receivables[2]	–	23 059	–	–	–	23 059	23 059
Financial trading assets	5 515	–	–	–	–	5 515	5 515
Repurchase agreements	3 881	–	–	–	–	3 881	3 881
Listed shares	1 132	–	–	–	–	1 132	1 132
Government bonds	502	–	–	–	–	502	502
Cash and cash equivalents	–	12 846	–	–	–	12 846	12 846
Bank balances	–	8 628	–	–	–	8 628	8 628
Unsettled deals	–	(857)	–	–	–	(857)	(857)
Fixed deposits	–	3 804	–	–	–	3 804	3 804
Gilt carries	–	1 271	–	–	–	1 271	1 271
	10 163	44 816	11 258	–	31 605	97 842	96 326
Financial liabilities							
Debt securities and borrowings	–	–	–	297 449	–	297 449	282 910
Eskom bonds	–	–	–	118 296	–	118 296	115 910
Promissory notes	–	–	–	43	–	43	46
Commercial paper	–	–	–	7 369	–	7 369	8 971
Eurorand zero coupon bonds	–	–	–	4 194	–	4 194	3 322
Foreign bonds	–	–	–	55 454	–	55 454	52 909
Development financing institutions	–	–	–	68 205	–	68 205	52 671
Export credit facilities	–	–	–	36 314	–	36 314	33 828
Other loans	–	–	–	7 574	–	7 574	15 253
Embedded derivatives	–	–	–	–	7 089	7 089	7 089
Derivatives held for risk management	960	–	–	–	395	1 355	1 355
Foreign exchange derivatives	118	–	–	–	395	513	513
Commodity derivatives	2	–	–	–	–	2	2
Credit default swap	840	–	–	–	–	840	840
Finance lease payables[2]	–	–	–	–	482	482	482
Trade and other payables[2]	–	–	–	30 159	–	30 159	30 159
Financial trading liabilities	1 662	–	–	–	–	1 662	1 662
Short-sold government bonds	264	–	–	–	–	264	264
Repurchase agreements	1 398	–	–	–	–	1 398	1 398
	2 622	–	–	327 608	7 966	338 196	323 657

	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	Fair value Rm
31 March 2015 (audited)							
Financial assets							
Investment in securities	–	–	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]	–	8 915	–	–	–	8 915	7 474
Secured by mortgages	–	8 659	–	–	–	8 659	7 315
Other	–	256	–	–	–	256	159
Derivatives held for risk management	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]	–	–	–	–	520	520	520
Trade and other receivables[2]	–	19 598	–	–	–	19 598	19 598
Financial trading assets	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	–	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	–	–	–	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	–	–	–	–	8 022	8 022	8 022
Derivatives held for risk management	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]	–	–	–	–	488	488	488
Trade and other payables[2]	–	–	–	28 419	–	28 419	28 419
Financial trading liabilities	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 the group'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.*

15. Fair value classification and measurement (continued)

15.1 Accounting classification and fair value (continued)

Principal markets (continued)

	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	Fair value Rm
30 September 2014 (reviewed)							
Financial assets							
Investment in securities	–	–	9 656	–	–	9 656	9 656
Government bonds	–	–	5 735	–	–	5 735	5 735
Negotiable certificates of deposit	–	–	3 921	–	–	3 921	3 921
Loans receivable[1]	–	8 929	–	–	–	8 929	7 172
Secured by mortgages	–	8 589	–	–	–	8 589	6 974
Other	–	340	–	–	–	340	198
Derivatives held for risk management	1 239	–	–	–	12 424	13 663	13 663
Foreign exchange derivatives	1 232	–	–	–	12 424	13 656	13 656
Credit default swap	7	–	–	–	–	7	7
Finance lease receivables[2]	–	–	–	–	529	529	529
Trade and other receivables[2]	–	18 377	–	–	–	18 377	18 377
Financial trading assets	6 824	–	–	–	–	6 824	6 824
Repurchase agreements	5 586	–	–	–	–	5 586	5 586
Listed shares	1 087	–	–	–	–	1 087	1 087
Government bonds	151	–	–	–	–	151	151
Cash and cash equivalents	–	12 953	–	–	–	12 953	12 953
Bank balances	–	6 890	–	–	–	6 890	6 890
Unsettled deals	–	283	–	–	–	283	283
Fixed deposits	–	5 711	–	–	–	5 711	5 711
Other	–	69	–	–	–	69	69
	8 063	40 259	9 656	–	12 953	70 931	69 174
Financial liabilities							
Debt securities and borrowings	–	–	–	264 915	–	264 915	249 862
Eskom bonds	–	–	–	106 477	–	106 477	107 175
Promissory notes	–	–	–	37	–	37	48
Commercial paper	–	–	–	10 055	–	10 055	10 053
Eurorand zero coupon bonds	–	–	–	3 707	–	3 707	3 839
Foreign bonds	–	–	–	31 195	–	31 195	33 105
Development financing institutions	–	–	–	53 527	–	53 527	45 575
Export credit facilities	–	–	–	30 820	–	30 820	32 155
Subordinated loan from shareholder	–	–	–	25 486	–	25 486	14 342
Other loans	–	–	–	3 611	–	3 611	3 570
Embedded derivatives	–	–	–	–	7 711	7 711	7 711
Derivatives held for risk management	1 100	–	–	–	907	2 007	2 007
Foreign exchange derivatives	989	–	–	–	907	1 896	1 896
Commodity derivatives	61	–	–	–	–	61	61
Credit default swap	50	–	–	–	–	50	50
Finance lease payables[2]	–	–	–	–	494	494	494
Trade and other payables[2]	–	–	–	25 518	–	25 518	25 518
Financial trading liabilities	7 463	–	–	–	–	7 463	7 463
Short-sold government bonds	1 723	–	–	–	–	1 723	1 723
Repurchase agreements	5 740	–	–	–	–	5 740	5 740
	8 563	–	–	290 433	9 112	308 108	293 055

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 the group'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.*

15.2 Fair value hierarchy

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 (as prices) or indirectly (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 six months ended 30 September 2015 nor in the comparative periods presented.

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 and for financial liabilities 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 and borrowings 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 where 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. Eskom applies a non-contingent bilateral CVA/DVA approach in the valuation of cross-currency swaps.

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

Level 3 items are fair valued using unobservable inputs. For information on the valuation techniques and assumptions of embedded derivatives refer to page 9.

15. Fair value classification and measurement (continued)

15.2 Fair value hierarchy (continued)

The table below analyses fair value measurements which are categorised into the different levels in the fair value hierarchy based on the inputs to the valuation techniques used:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30 September 2015 (reviewed)				
Assets measured at fair value				
Investment in securities	3 852	7 406	–	11 258
Government bonds	3 852	–	–	3 852
Negotiable certificates of deposit	–	7 406	–	7 406
Derivatives held for risk management	–	35 753	–	35 753
Foreign exchange derivatives	–	35 734	–	35 734
Credit default swap	–	9	–	9
Financial trading assets	1 634	3 881	–	5 515
Repurchase agreements	–	3 881	–	3 881
Listed shares	1 132	–	–	1 132
Government bonds	502	–	–	502
	5 486	47 040	–	52 526
Liabilities measured at fair value				
Embedded derivatives	–	–	7 089	7 089
Derivatives held for risk management	–	1 355	–	1 355
Foreign exchange derivatives	–	513	–	513
Commodity derivatives	–	2	–	2
Credit default swap	–	840	–	840
Financial trading liabilities	264	1 398	–	1 662
Short-sold government bonds	264	–	–	264
Repurchase agreements	–	1 398	–	1 398
	264	2 753	7 089	10 106

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
31 March 2015 (audited)				
Assets measured at fair value				
Investment in securities	4 802	3 694	–	8 496
Government bonds	4 802	–	–	4 802
Negotiable certificates of deposit	–	3 694	–	3 694
Derivatives held for risk management	–	19 951	–	19 951
Foreign exchange derivatives	–	19 934	–	19 934
Commodity derivatives	–	8	–	8
Credit default swap	–	9	–	9
Financial trading assets	1 238	5 084	–	6 322
Repurchase agreements	–	5 084	–	5 084
Listed shares	1 179	–	–	1 179
Government bonds	59	–	–	59
	6 040	28 729	–	34 769
Liabilities measured at fair value				
Embedded derivatives	–	–	8 022	8 022
Derivatives held for risk management	–	3 365	–	3 365
Foreign exchange derivatives	–	2 865	–	2 865
Commodity derivatives	–	1	–	1
Credit default swap	–	499	–	499
Financial trading liabilities	493	5 006	–	5 499
Short-sold government bonds	493	–	–	493
Repurchase agreements	–	5 006	–	5 006
	493	8 371	8 022	16 886

15. Fair value classification and measurement (continued)

15.2 Fair value hierarchy (continued)

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30 September 2014 (reviewed)				
Assets measured at fair value				
Investment in securities	5 735	3 921	–	9 656
Government bonds	5 735	–	–	5 735
Negotiable certificates of deposit	–	3 921	–	3 921
Derivatives held for risk management	–	13 663	–	13 663
Foreign exchange derivatives	–	13 656	–	13 656
Credit default swap	–	7	–	7
Financial trading assets	1 238	5 586	–	6 824
Repurchase agreements	–	5 586	–	5 586
Listed shares	1 087	–	–	1 087
Government bonds	151	–	–	151
	6 973	23 170	–	30 143
Liabilities measured at fair value				
Embedded derivatives	–	–	7 711	7 711
Derivatives held for risk management	–	2 007	–	2 007
Foreign exchange derivatives	–	1 896	–	1 896
Commodity derivatives	–	61	–	61
Credit default swap	–	50	–	50
Financial trading liabilities	1 723	5 740	–	7 463
Short-sold government bonds	1 723	–	–	1 723
Repurchase agreements	–	5 740	–	5 740
	1 723	7 747	7 711	17 181

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

	Reviewed six months ended 30 September 2015 Rm	Audited year ended 31 March 2015 Rm	Reviewed six months ended 30 September 2014 Rm
Embedded derivatives			
Balance at beginning of the period	8 022	9 332	9 332
Net fair value gain on embedded derivatives	(933)	(1 310)	(1 621)
Balance at end of the period	7 089	8 022	7 711

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, rand/USD exchange rate, interest rate differential, future sales volumes, production prices 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 to the reporting currency at the spot rand/USD exchange rate. 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 rand/USD exchange rates
- spot and forward interest rates
- forecast sales volumes
- spot and forward consumer and foreign production prices 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 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 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 US PPI.

Sensitivity analysis

The approximate change in the value of embedded derivatives if one of the inputs is changed is disclosed below. The analysis assumes that all other variables remain constant and the possible impact on profit or loss is:

		Reviewed 30 September 2015		Audited 31 March 2015		Reviewed 30 September 2014	
	Unit change	increase Rm	decrease Rm	increase Rm	decrease Rm	increase Rm	decrease Rm
Aluminium price	1%	97	(97)	104	(104)	112	(112)
Rand interest rate	100 basis points	573	(615)	659	(709)	747	(807)
Dollar interest rate	100 basis points	(395)	410	(436)	451	(502)	520
Electricity tariffs	1%	(400)	392	(568)	553	(708)	684
United States PPI	1%	162	(161)	152	(153)	187	(189)
Rand/USD	1%	120	(116)	127	(123)	134	(139)

15.3 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.

The movement relating to the day-one gain from these hedging instruments are as follows:

	Reviewed six months ended 30 September 2015 Rm	Audited year ended 31 March 2015 Rm	Reviewed six months ended 30 September 2014 Rm
Balance at beginning of the period	700	168	168
Day-one gain recognised	1 663	560	82
Amortised to profit or loss	(76)	(28)	(8)
Balance at end of the period	2 287	700	242

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

16. Material events subsequent to 30 September 2015

There were no material events after the reporting date.

17. Restatement of comparatives

At 31 March 2015 the following restatements were made in the financial statements and as a result the September 2014 income statement and cash flows were restated accordingly.

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 for the period ended 30 September 2014 is as follows:

	Previously reported Rm	Adjustments Rm	Restated Rm
Income statement			
Continuing operations			
Revenue	81 898	(580)	81 318
Other income	452	190	642
Primary energy	(38 065)	–	(38 065)
Employee benefit expense	(13 176)	–	(13 176)
Depreciation and amortisation expense	(6 672)	–	(6 672)
Net impairment loss	(855)	–	(855)
Other expenses	(7 841)	–	(7 841)
Profit before net fair value gain and net finance cost	15 741	(390)	15 351
Net fair value gain on financial instruments	761	–	761
Profit before net finance cost	16 502	(390)	16 112
Net finance cost	(3 539)	390	(3 149)
Finance income	1 157	390	1 547
Finance cost	(4 696)	–	(4 696)
Share of profit of equity-accounted investees after tax	33	–	33
Profit before tax	12 996	–	12 996
Income tax	(3 675)	–	(3 675)
Profit for the period from continuing operations	9 321	–	9 321
Discontinued operations			
Loss for the period from discontinued operations	(34)	–	(34)
Profit for the period	9 287	–	9 287

	Previously reported Rm	Adjustments Rm	Restated Rm
Cash flow statement			
Cash flows from operating activities			
Profit before tax	12 996	–	12 996
Adjustment for non-cash items	14 081	(348)	13 733
Changes in working capital	(7 729)	1 037	(6 692)
Cash generated from operations	19 348	689	20 037
Net cash flows from financial trading assets	2 273	(2 273)	–
Net cash flows used in financial trading liabilities	(3 005)	3 005	–
Net cash flows (used in)/from derivatives held for risk management	(345)	505	160
Net cash flows used in non-current assets held-for-sale	(64)	64	–
Interest received	–	276	276
Interest paid	–	(4)	(4)
Income taxes paid	(101)	–	(101)
Net cash from operating activities	18 106	2 262	20 368
Cash flows used in investing activities			
Proceeds from disposal of property, plant and equipment and intangible assets	50	–	50
Acquisitions of property, plant and equipment and intangible assets	(24 193)	–	(24 193)
Expenditure on future fuel supplies	(1 256)	–	(1 256)
Net cash flows used in investment in securities and financial trading assets	–	(1 118)	(1 118)
Increase in payments made in advance	–	(579)	(579)
Expenditure incurred on provisions	–	(447)	(447)
Net cash flows from derivatives held for risk management	–	493	493
Interest received	–	466	466
Other cash flows from investing activities	115	(29)	86
Net cash used in investing activities	(25 284)	(1 214)	(26 498)
Cash flows from financing activities			
Debt securities and borrowings raised	13 369	–	13 369
Payments made in advance to secure balances raised	–	(88)	(88)
Debt securities and borrowings repaid	(8 445)	364	(8 081)
Net cash flows from/(used in) derivatives held for risk management	–	54	54
Decrease in finance lease payables	(6)	–	(6)
Decrease in investment in securities and financial trading assets and liabilities	1 111	386	1 497
Interest received	1 204	(352)	852
Interest paid	(6 795)	(1 427)	(8 222)
Net cash from/(used in) financing activities	438	(1 063)	(625)
Net decrease in cash and cash equivalents	(6 740)	(15)	(6 755)
Cash and cash equivalents at beginning of the period	19 676	–	19 676
Foreign currency translation	17	–	17
Effect of movements in exchange rates on cash held	–	15	15
Cash and cash equivalents at end of the period	12 953	–	12 953

18. Pro-forma revaluation of property, plant and equipment (not reviewed)

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 Eskom's tariff is calculated by NERSA. Therefore, a summary has been provided below reflecting what the impact on the condensed group interim 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 a 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 of R186 billion (March 2015: R206 billion; September 2014: R219 billion) made for the tariff shortfall. 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.

	30 September 2015			31 March 2015			30 September 2014		
	Historical cost Rm	Adjustments Rm	After revaluation Rm	Historical cost Rm	Adjustments Rm	After revaluation Rm	Historical cost Rm	Adjustments Rm	After revaluation Rm
Condensed group statement of financial position									
Assets	618 121	239 322	857 443	562 884	221 513	784 397	534 334	209 395	743 729
Property, plant and equipment	483 747	195 005	678 752	455 977	181 551	637 528	429 488	173 169	602 657
Deferred tax	129	44 317	44 446	230	39 962	40 192	74	36 226	36 300
Other assets	134 245	–	134 245	106 677	–	106 677	104 772	–	104 772
Equity and liabilities	618 121	239 322	857 443	562 884	221 513	784 397	534 334	209 395	743 729
Total equity	175 717	140 404	316 121	122 247	130 717	252 964	128 412	124 682	253 094
Deferred tax	24 164	98 918	123 082	20 131	90 796	110 927	22 529	84 713	107 242
Other liabilities	418 240	–	418 240	420 506	–	420 506	383 393	–	383 393

	Six months ended 30 September 2015			Year ended 31 March 2015			Six months ended 30 September 2014		
	Historical cost Rm	Adjustments Rm	After revaluation Rm	Historical cost Rm	Adjustments Rm	After revaluation Rm	Historical cost Rm	Adjustments Rm	After revaluation Rm
Condensed group income statement									
Profit before depreciation and amortisation expense, net impairment loss and other expenses	33 772	–	33 772	44 738	–	44 738	31 480	–	31 480
Depreciation and amortisation expense	(7 609)	(5 010)	(12 619)	(14 115)	(10 119)	(24 234)	(6 672)	(5 953)	(12 625)
Net impairment loss	(122)	–	(122)	(3 766)	1 149	(2 617)	(855)	128	(727)
Other expenses	(8 723)	(187)	(8 910)	(15 771)	(102)	(15 873)	(7 841)	(30)	(7 871)
Profit/(loss) before net finance cost	17 318	(5 197)	12 121	11 086	(9 072)	2 014	16 112	(5 855)	10 257
Net finance cost	(3 498)	(10 354)	(13 852)	(6 109)	(17 389)	(23 498)	(3 149)	(8 284)	(11 433)
Share of profit of equity-accounted investees	28	–	28	49	–	49	33	–	33
Profit/(loss) before tax	13 848	(15 551)	(1 703)	5 026	(26 461)	(21 435)	12 996	(14 139)	(1 143)
Income tax	(2 539)	4 354	1 815	(1 366)	7 409	6 043	(3 675)	3 959	284
Profit/(loss) for the period from continuing operations	11 309	(11 197)	112	3 660	(19 052)	(15 392)	9 321	(10 180)	(859)
Loss for the period from discontinued operations	–	–	–	(42)	–	(42)	(34)	–	(34)
Profit/(loss) for the period	11 309	(11 197)	112	3 618	(19 052)	(15 434)	9 287	(10 180)	(893)

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