ANNUAL FINANCIAL STATEMENTS 31 March 2021

TOWARDS A NEW ENERGY FUTURE

ANNUAL FINANCIAL STATEMENTS 2021

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The annual financial statements were prepared under the supervision of the chief financial officer (CFO), C Cassim CA(SA). The financial statements have been audited in compliance with section 30 of the Companies Act and approved by the board of directors (board) on 23 August 2021.

The audited financial statements of the group and Eskom as at and for the year ended 31 March 2021 are available for inspection at the company's registered office and were published on 31 August 2021. The full suite of the group's externally published reports, including the financial statements and integrated report, are available at www.eskom.co.za.

DIRECTORS' REPORT

for the year ended 31 March 2021

The directors are pleased to present their report for the year ended 31 March 2021.

Nature of the business

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

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

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

Overview of the year

The information in this report covers the group performance of Eskom Holdings SOC Ltd and its major operating subsidiaries, unless otherwise stated. A high-level summary of the pertinent issues that characterised the year under review is presented below. Additional information, where relevant, is contained in relevant sections of the directors' report, annual financial statements and integrated report.

The performance for the year was marked by the following key factors that had a negative impact on the business:

- system constraints that lead to loadshedding
- COVID-19 pandemic and the downgrade by credit rating agencies
- lack of cost-reflective tariffs continues to hinder long-term financial sustainability
- liquidity constraints and unsustainable debt levels
- declining sales and an increase in overdue debt

Loadshedding was required on 47 (2020: 46) days during the year mainly due to high levels of unplanned load losses and planned maintenance combined with the need to conserve and replenish emergency reserves. Loadshedding remains the last resort to maintain the supply/demand balance and to avoid a catastrophic event.

Eskom's Emergency Response Command Centre remains activated to coordinate Eskom's response to the COVID-19 pandemic and the related national lockdown. The lockdown badly affected electricity sales with a reduction of 13.8TWh during the year. Eskom's operations were less affected by the lockdown as an essential service and were allowed to operate at full capacity at all levels of lockdown.

The sovereign's credit rating remains at sub-investment grade level across all three internationally recognised credit rating agencies. Moody's and Fitch downgraded the sovereign further in November 2020 due to South Africa's negative economic outlook and limited capacity to mitigate the fiscal impact of COVID-19.

Liquidity and solvency risks continue to threaten Eskom's ability to achieve financial and operational sustainability and to continue as a going concern. The lack of cost-reflective tariffs granted by the National Energy Regulator of South Africa (NERSA) as well as escalating municipal arrear debt contribute to the liquidity constraints. Eskom has restricted organisational cash requirements to improve liquidity through targeted savings on operating and capital expenditure. Liquidity reserves declined to R4.0 billion (2020: R23.0 billion) in 2021. Key focus areas for liquidity include maintenance of an appropriate liquidity buffer, timing of the execution of the borrowing programme and successful execution of the turnaround plan.

Access to funding in domestic and foreign markets has been restricted due to decreased investor confidence driven by poor financial performance, saturated borrowing capacity, credit rating downgrades and uncertainty around Eskom's unbundling. The borrowing programme for 2022 to 2026 envisages Eskom raising debt of R105.3 billion.

Government continues to support Eskom to operate as a going concern and improve liquidity through support of R56.0 billion received in 2021 and a further commitment of R31.7 billion for 2022. Although the government support addresses short-term liquidity requirements, it does not support long-term financial sustainability. The only way to achieve that remains through cost-reflective tariff or a take-over of debt. Further government support will be required to alleviate the debt burden unless Eskom's tariff challenges are resolved.

The tariffs awarded by NERSA in recent years resulted in a substantial revenue shortfall. Eskom is following due process to seek rectification with regard to the unsustainable tariff determinations awarded, but it is a drawn-out process with no guaranteed relief. Eskom received favourable judgements from the High Court on NERSA revenue and regulatory control account (RCA) decisions during the year.

Revenue increased by 2.4% to R204.3 billion in the current year despite a decrease of 6.7% in sales volume. The pandemic and national lockdown led to a deterioration in sales volumes with demand not expected to recover to pre-COVID-19 levels in the medium to short term. Eskom is working with government on solutions to stimulate sales and assist vulnerable sectors in a sustainable manner and in support of industrial policy. Collection of the revenue owed to Eskom and the recovery of arrear debt remain a priority to improve liquidity and strengthen the balance sheet.

Overall there was a deterioration in the financial performance from the previous year with earnings before interest, tax, depreciation and amortisation (EBITDA) decreasing by R4.0 billion in 2021. The decrease is mainly due to a contraction in sales volumes, more expensive primary energy sources despite a reduction in overall production, increase maintenance as well as growth in other operating expenditure. The targets in the shareholder compact were achieved for the majority of financial ratios. High levels of debt continue to lead to greater debt servicing requirements. Most notably, the cash interest cover and debt service cover ratios reduced to 0.8 (2020: 0.9) and 0.3 (2020: 0.5) respectively when compared to the previous year. While the performance of these measures was higher than target, they remain below acceptable norms, indicating that cash generated from operating activities is insufficient to cover the cost of servicing debt, thereby prompting the need for government support. Savings of R14.4 billion were achieved during the year against a target of R14.1 billion. The main savings were in primary energy, employee benefit and other expenses.

Eskom's poor financial and operational performance contributes to the country's challenges and remains a major risk to the South African economy. Simultaneously, Eskom has been struggling to obtain cost-reflective tariff increases and this is unlikely to change in the immediate future. However, the taxpayer cannot continue to subsidise the electricity consumer through equity injections by government. The immediate priority is to address financial and operational issues to stabilise the business to create a sound platform to leverage capabilities and to pursue a growth trajectory that supports national strategic imperatives such as the economic reconstruction and recovery plan and the just energy transition.

The board concluded, based on the understanding by the shareholder of Eskom's situation and the undertaking of additional support, that Eskom is a going concern. The details considered by the board when assessing Eskom's ability to continue as a going concern are included in note 3.2 in the annual financial statements. It is important that strategies materialise as envisaged subsequent to the going-concern assessment period for Eskom to be sustainable into the future.

Irregular expenditure of R11.7 billion was reported in the current year for the group as Eskom continues with its governance clean up. Transgressions can only be closed once condoned by National Treasury and towards the latter part of the year condonations to the value of R9.5 billion were obtained. Fruitless and wasteful expenditure of R1.3 billion and losses due to criminal conduct of R2.5 billion were reported during the year for the group. Enhancements to improve the Public Finance Management Act (PFMA) reporting process were implemented. There is unfortunately still work to be done to ensure an unmodified audit opinion as it is a lengthy process to address issues and embed improvements.

Operational performance

Security of supply remains a key concern, with focus on improving the generation plant health and reducing loadshedding while containing costs.

Loadshedding was required during the year with 42 days at stage two, three days at stage three and two days at stage four. The longest continuous loadshedding of nine days was implemented in March 2021.

Eskom is committed to a just energy transition which aims to accelerate the repurposing and repowering of power stations, actively pursue a share of renewable energy allocation and implement an integrated socio-economic strategy. It is a transition towards a low-carbon, climate-resilient economy and society in a manner that does not impede socio-economic development, but results in an increase in sustainable jobs. The just energy transition office has been established to drive this vision.

The transmission sustainability improvement plan was negatively affected by financial constraints which increased the risk relating to asset health condition impacting operational sustainability and system expansion delays.

The budget allocation for the distribution network development plan was insufficient to address all the requirements. Customer connections were prioritised over the strengthening and refurbishment of the network. The focus will be on improving the asset management lifecycle in support of network sustainability.

Load reduction was implemented in several areas in the distribution business to protect the network infrastructure from overloading, equipment failures and explosions. Eskom engaged with communities on the need for load reduction and the merits of protecting the network. Eskom highlighted the dangers of illegal connections, meter tampering and non-payment for electricity during these engagements. Certain communities responded positively by taking a leading role in advocating for the legal use of electricity and paying for services.

Generation recovery plan

The generation recovery plan, which aims to fast-track improvement in generation performance and plant availability, is delivering results. Progress on the implementation of the plan includes:

- *Address major design and construction defects at new stations*

  Modifications to correct design defects were successfully implemented during the outage of Medupi unit 3. The unit was a pilot to implement the major plant defect resolutions and establish root causes. The optimisation process, official performance verification tests and mill inspections were completed. The test report confirmed that the reheater spray flow was reduced, but the low-load boiler stability issues persist. Agreement was reached with the contractor to develop a solution for the low-load and transient operation in lieu of the reheater modification.

  Boiler plant modifications have been implemented on all six Medupi units. The gas air heater, pulse jet fabric filter and some of the mill modifications were implemented on all six Medupi units.

  The rollout of the modifications to the three operational units at Kusile commenced in June 2021, while the work on the remaining units will be rolled-out during construction.

  It is expected that the major defects correction of the Medupi and Kusile units by the contractor will be completed in 2023.

- *Reduce the incidence of trips and full load losses to improve reliability of coal-fired power stations*

  The coal fleet unit trips improved in the current year with 511 (2020: 568) unplanned automatic grid separation trips. Tutuka, Medupi, Kriel and Duvha accounted for approximately 51% of the unplanned automatic grid separation trips.

  The lockdown provided for the opportunity for more maintenance and for some units to be placed in cold reserve resulting in a reduction in full load losses to 4 753MW (2020: 5 339MW) per month in the current year.

- *Accelerate the return to service of units on long-term forced outages*

  Kendal unit 5 (640MW) was taken out of service in January 2020 due to high emissions and returned to service in June 2021.

Operational performance (continued)

Generation recovery plan (continued)

- *Decrease partial load losses and boiler tube leaks that prevent units from operating at full capacity*
  Plans to improve permanent partial load losses are dependent on outages. Frequent but sporadic partial load losses across the fleet continue to offset advances in some areas. Tutuka, Kendal, Medupi, Duvha and Arnot recorded over 60% of the total partial load losses.

  Major cooling tower refurbishments are to be implemented at Tutuka, Kriel, Arnot, Duvha and Matla.

  The boiler tube failure rate for commercial units deteriorated to 2.3 (2020: 2.1) boiler tube failures per unit per year which is more than double the aspiration level of 1. Failures are mainly due to the maintenance backlog caused by the deferral of planned philosophy outages as a result of system constraints.

- *Reduce maintenance outage due date slips and duration*
  Eskom implemented the reliability maintenance recovery programme to provide intensified support to power stations. The reliability maintenance recovery implementation committees are gaining momentum at power station level. Central reliability maintenance recovery resources have been allocated to support outages at 11 stations with scope, planning, execution, recovery and continuous improvement. Older power stations that were previously not included in the programme are now included. The ability to prepare for outages in 2022 and to order spares with a long lead for outages in 2023 is impacted by a lack of available funding.

  Post-outage unplanned capability loss factor (UCLF) is a key measure to track outage effectiveness and is measured up to 60 days after a unit synchronises to the grid after maintenance. The reliability maintenance recovery programme focuses on improving the quality and accuracy of outage scope by developing a holistic approach that focuses on units that undergo interim repairs, general and mini overhauls. Post-outage UCLF has shown significant improvement compared to the previous year, contributing 1% to overall UCLF for the year (2020: 1.3%).

  The due date performance is calculated for units that were on outage for more than 21 days and for reliability outages longer than 14 days. Only 40.4% (2020: 35.9%) of outages met their due date during the year, which is significantly below the target of 80%.

- *Fill critical staff vacancies and enable the training of key staff*
  The group executive: generation was appointed effectively from 1 April 2021. The three cluster manager positions have also been filled and 125 new learners were appointed during the year.

- *Maintain sufficient diesel stocks to enable the open-cycle gas turbines (OCGT) to perform for extended periods*
  Diesel tank capacity levels remain healthy and were maintained well above the target of 50%. Storage and supply capacity for OCGT diesel fuel has been increased to compensate for the high demand.

- *Maintain coal stockpiles at power stations*
  All power stations were above the minimum stockholding levels at year end. Coal stock levels remained stable at 50 days (2020: 50 days) for the current year, excluding Medupi and Kusile power stations.

  Coal quality issues at Kriel and Matla power stations accounted for almost 80% of coal-related other capability loss factor. Eskom is working with mines on initiatives to improve the coal quality.

- *Improve emissions performance*
  Relative particulate emission performance has improved since the previous financial year due to a relative improvement in the Kendal power station performance and opportunity maintenance undertaken during level 5 of the lockdown. Poor performing units were placed on outage and investigations and repairs are under way.

  An emission recovery plan has been implemented across all units at Kendal power station since 2019, which led to a significant reduction in emissions and units operating in compliance with regulations.

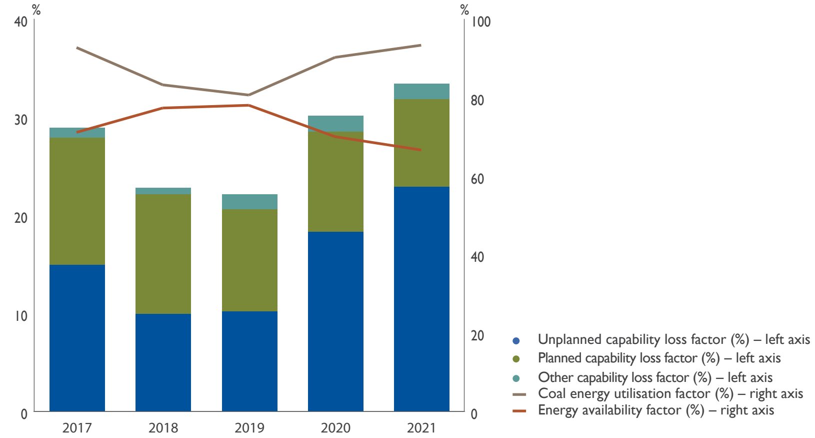
  There were five (2020: 11) coal-fired units that were operating in non-compliance with average monthly emissions and this placed 2 949MW (2020: 6 858MW) of electricity generated at risk of censure or closure by authorities.

Technical performance

The energy availability factor of the generating plant decreased to 64.2% (2020: 66.6%) in the current year which is largely due to an increase in losses outside of the power stations' control and more planned maintenance compared to the previous year.

The energy utilisation factor (EUF) improved to 76.3% (2020: 79.0%) in the current year. Persistent high EUF levels continue to place stress on units, ultimately affecting their reliability and leading to high levels of unplanned capability loss factor. The high EUF was largely due to coal-fired stations running at an average EUF of 90.4% (2020: 93.3%) for the year, which is well above the international norm of approximately 75% over the long term. This is of particular concern taking into account the age of the fleet.

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



System minutes lost <1 minute performance improved significantly to 3.5 minutes compared to 4.4 minutes in 2020. However, two major incidents occurred in July 2020 due to failure of ageing assets. Two large interruptions caused by protection failures at substations negatively affected system minutes performance.

The combination of maintenance, network improvement projects and micromanagement of restoration times have yielded results as both the duration and frequency of interruptions on the distribution network improved compared to the prior year.

The total technical and non-technical distribution line losses increased to 10.1% (2020: 8.8%) largely due to an increase in electricity theft during the lockdown, despite a decline in demand. The estimated non-technical revenue losses were R2.3 billion (2020: R2.0 billion), mainly due to electricity theft through illegal connections, tampering and bypassing of electricity meters as well as the purchase of electricity tokens from unregistered or illegal vendors. Eskom initiated a technology-based security programme to mitigate equipment theft and vandalism.

Despite its commitment to safety and focus on Zero Harm, Eskom recorded two (2020: zero) employee, eight (2020: nine) contractor and 20 (2020: 17) public fatalities in the current year. A further concern is a noticeable increase in physical threats to employees, security staff and contractors working in high-density areas, particularly due to community unrest when removing illegal connections and implementing load reduction.

Capacity expansion programme

The capacity expansion programme started in 2005 to build new power stations and reinstate mothballed power stations to increase installed generation capacity by 17 384MW, as well as increase high-voltage transmission power lines by 9 756km and transmission substation capacity by 42 470MVA. Since the programme started installed generation capacity has increased by 13 936MW (2020: 12 338MW), transmission lines by 8 042km (2020: 7 976km) and substation capacity by 38 440MVA (2020: 37 690MVA). The programme is expected to be completed by 2025.

Commercial operation was successfully achieved for Kusile units 2 and 3 on 29 October 2020 and 29 March 2021 respectively, contributing to installed capacity of 1 598MW to the national grid. The final unit of Medupi power station achieved commercial operation on 31 July 2021. Kusile power station is expected to be completed by 2025.

Transmission line construction was negatively affected by the lockdown restrictions, non-placement of major contracts and capital budget constraints. High-voltage transmission lines of 65.6 km and substation capacity of 750MVA were installed and commissioned during the year.

Progress was made on the electrification programme during the year with 106 669 (2020: 163 613) households connected.

Refer to page 78 of the integrated report for more information.

Financial performance

Turnaround plan

Improving Eskom's profitability and solvency ratios in a sustainable manner requires successful implementation of the turnaround objectives. The progress against the five key areas of the updated turnaround plan includes:

- *Operational recovery*
  There is some cause for concern as fixing new build defects as well as addressing partial and full load losses are taking longer than expected. Progress on environmental performance, particularly at Kendal power station, is also not satisfactory. Another concern is the high utilisation of the older coal-fired power stations significantly above international norms thereby exacerbating the challenges.

Financial performance (continued)

Turnaround plan (continued)

- *Improving the income statement*

One of the focus areas of improving the income statement is receiving an adequate tariff. Revenue is determined through the Multi-Year Price Determination (MYPD) methodology regulatory process with NERSA. The successful review outcomes received from the High Court led to a tariff increase of 15.06% for customers directly supplied by Eskom from 1 April 2021 and 17.80% for municipal distributors from 1 July 2021. The tariff adjustment will contribute towards improving sustainability even though the tariff is still not cost-reflective. The tariff adjustment comprised of the following:

– MYPD 4 allowable revenue decision
– RCA decisions approved by NERSA
– three court outcomes related to the review of NERSA's RCA decisions for the 2015 to 2017 financial years
– the supplementary tariff application in respect of NERSA's 2019 revenue decision
– the execution order related to the review of the MYPD 4 decision with regards to the incorrectly deducted shareholder equity

The status of the court proceedings that Eskom lodged against NERSA is as follows:

– Revenue decision for 2020 to 2022 (MYPD 4):
The judgement required Eskom to recover the incorrectly deducted R69 billion in a phased manner over a three-year period, commencing in the 2022 financial year. NERSA was granted leave to appeal to the Supreme Court of Appeal on the timing of the recovery. Eskom successfully applied for execution of the order to uphold the existing judgement while awaiting the appeal process. The High Court issued a judgement allowing R10 billion to be added to Eskom's allowable revenue to be recovered in the 2022 financial year, pending finalisation of the appeal. The appeal process to address the remaining R59 billion is underway.

– RCA decision for 2019 together with the supplementary revenue decision:
The basis of this review is similar to the review of the previous years' RCA decisions. NERSA communicated that it will oppose this review application. An affidavit is yet to be filed.

– RCA decision for 2018:
The basis of this review is similar to the review of the previous years' RCA decisions. NERSA opposed this application. Eskom is awaiting a court date.

– RCA decision for 2015 to 2017:
After the review of the initial RCA decisions, the High Court issued an order and judgement for NERSA to make a remitted decision. This decision is being reviewed again since Eskom takes the view that the remitted RCA decisions were unlawful, irrational and unreasonable where NERSA disregards the judgement in respect of the initial decisions. NERSA has not opposed this review application.

The status of revenue and RCA applications is as follows:

– Revenue application for 2021 to 2025 (MYPD 5):
Eskom submitted the MYPD 5 revenue application to NERSA on 2 June 2021. It is envisaged that NERSA will make this revenue decision by December 2021 to timeously allow for the municipal budgeting processes, as required by National Treasury in terms of the Municipal Finance Management Act.

– RCA application for 2021:
The RCA balance application will be submitted to NERSA after the publication of the 2021 annual financial statements in accordance with the MYPD methodology and associated rules.

– RCA application for 2020:
Eskom submitted to NERSA a RCA application of R8.4 billion on 11 December 2020. NERSA is in the process of analysing and consulting on the application. NERSA communicated that its approval will be made by 26 August 2021.

– Restructuring of tariffs:
Eskom submitted proposals for the restructuring of tariffs to NERSA in August 2020. NERSA decided to undertake a second round of consultations. The proposed timing for the approval is August 2021 for implementation from 1 April 2023. Further tariff restructuring proposals will be made once NERSA approves these changes.

Eskom aims to reduce the cost base by R61.8 billion by 2023 and achieved combined savings of R30.7 billion for 2020 and 2021, exceeding the cumulative target of R20.3 billion. Savings of R14.4 billion were achieved during the year against a target of R14.1 billion mainly as a result of a reduction in primary energy expense complemented by a reduction in employee benefit costs and other sundry expenditure. Some initiatives are under way to achieve the required savings and there is an increased focus on procurement, working capital, capital expenditure and revenue recovery. Procurement is an ongoing area of focus to ensure that Eskom derives optimal value from its suppliers.

Another round of voluntary separation packages for managerial staff was announced in November 2020 to reduce the headcount. A total of 188 applications were received with 94 approved and only 74 accepting the offer, at a cost of R112 million. This was in addition to the 185 exits as part of the first round in 2020 at a cost of R286 million.

- *Strengthening the balance sheet*

Some areas are lagging behind expectations, such as management of obsolete stock, disposal of non-core assets and optimisation of capital expenditure.

The sale of Eskom Finance Company (EFC) to the preferred bidder was not approved by DPE.

National Treasury provided R56 billion (2020: R49 billion) in equity support to Eskom in 2021. The funds may only be used to settle debt and interest payments in terms of the equity conditions attached to the support. The government committed R31.7 billion for the 2022 financial year which was received in full by July 2021. Government expressed its commitment to providing a further R21.9 billion and R21.0 billion in support for 2023 and 2024.

- *Driving business separation*

The roadmap from DPE sets timelines for the restructuring of Eskom from a vertically integrated utility to an unbundled state with three wholly owned separate legal entities in the form of transmission, generation and distribution as follows:

– divisionalisation by March 2020
– functional separation by March 2021
– legal separation of the transmission entity by December 2021
– legal separation of the generation and distribution entities by December 2022

Divisionalisation was achieved by March 2020. Major milestones towards the completion of functional separation were completed, with only service level agreements and IT changes still to be finalised at 31 March 2021. Functional separation of the three line divisions was completed by 7 June 2021.

Delays are being encountered in preparation for the legal separation of transmission. A number of dependencies are lagging with legal and regulatory amendments, approval of the optimal corporate structure and set up of the new company behind schedule. Guidance is awaited from the Department of Mineral Resources and Energy (DMRE) regarding licensing and internal market operations of the transmission entity. The projection currently is that separation will be partially achieved by 31 December 2021.

The process of legal separation has many internal and external dependencies. These areas include licence applications, policy and regulatory reforms, as well as legal and financial dependencies. Therefore, the achievement of legal separation is dependent to a large extent on government playing a proactive and supportive role.

Eskom commissioned a due diligence exercise to review the legislative framework and landscape to provide guidance on relevant issues so that informed decisions can be made on the separation of the transmission business. This included consideration of the impact on the generation and distribution divisions after the legal separation of transmission as well as the efficient functioning of the transmission business after legal separation.

Several external interdependencies were identified following from the due diligence exercise. An intergovernmental steering committee comprising DPE, DMRE, National Treasury and Eskom has been established to focus on the financial, legal and energy policy dependencies to aid in the timely legal separation of the three entities.

- *Transforming Eskom's people and culture*

People and culture, external stakeholder relations and communication with employees performed well during the year, despite constraints imposed by COVID-19.

The successful execution of the turnaround plan, and the business separation project in particular, will result in an Eskom that is agile and well positioned to deliver value within the broader national efforts to drive reform in the electricity supply industry.

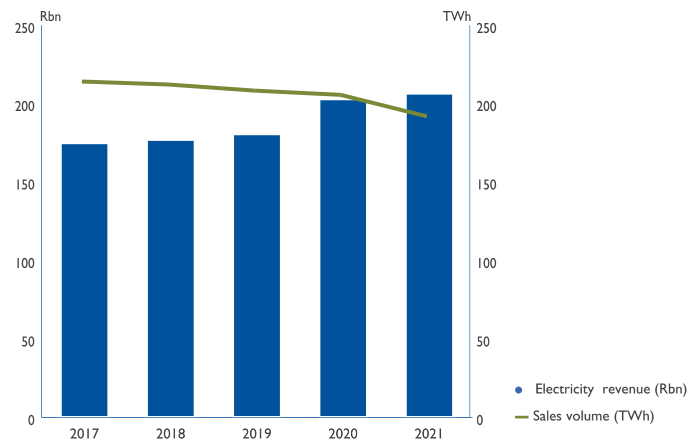
Performance

Eskom group's financial health has been deteriorating over the past few years and is not at an acceptable level. The financial performance for the year improved slightly with some of the financial ratios better than in 2020, but still far below acceptable norms.

The net loss after tax for 2021 was R18.9 billion, reflecting an improvement of R1.9 billion from the previous year whilst EBITDA decreased by R4.0 billion to R32.8 billion.

Revenue increased by R4.8 billion to R204.3 billion in the current year mainly due to the tariff increase of 8.8% allowed by NERSA which was offset by the declining sales volume. There has been a declining sales volume trend in the last few years, with an approximate 1% reduction per annum. However, the slowdown of the economy amid the COVID-19 pandemic has led to an unprecedented decline in sales volume in 2021 with sales of 191 852GWh (2020: 205 635GWh). Sales volumes declined across every sector with the rail, international and industrial sectors most severely affected. Revenue was also negatively impacted by revenue not recognised of R12.1 billion (2020: R10.2 billion) as the collectability criteria was not met, with R5.9 billion (2020: R4.1 billion) of revenue recognised from customers on the cash basis. Eskom's average electricity price amounted to 111.04c/kWh (2020: 101.86c/kWh) in the current year.

The graph below reflects declining sales volume over the last few years in comparison to the electricity revenue.



Financial performance (continued)

Performance (continued)

Primary energy expenses increased by R3.8 billion to R115.9 billion in the current year, with costs mostly contained due to a 8.7TWh reduction in production (excluding pre-commissioning production) and sourcing of coal from cheaper short- and medium-term contracts. Eskom managed to contain growth in its own generation costs with a modest 1.7% increase to R72.9 billion (2020: R71.7 billion), excluding the environmental levy. Expenditure on OCGTs decreased by 4.7% to R4.1 billion in the current year, despite an increase in supply to 1 457GWh (2020: 1 328GWh), mainly due to favourable diesel prices during the year. IPP expenditure increased by 9.6% to R30.8 billion in the current year due to more extensive use of self-dispatchable renewable IPPs.

Employee benefit expenses decreased by R0.3 billion to R32.9 billion in the current year. The decrease is mainly attributable to a reduction in headcount of 4.5% to 42 749 in 2020 as well as no managerial salary increases.

The impairment and writedown of other assets increased by R0.6 billion mainly due to a major inventory clean-up exercise conducted in 2021 which resulted in a writedown of R1.5 billion. This was offset by the impairment of Wilge flats in the prior year of R0.9 billion.

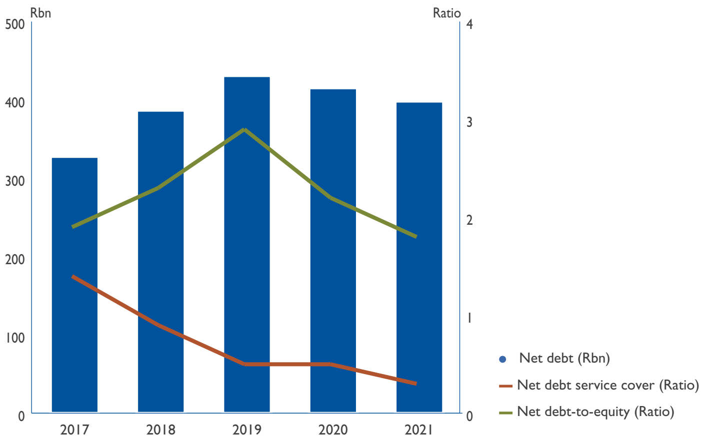
Other expenses increased by R5.3 billion to R24.0 billion in 2021 mainly due to higher decommissioning provision costs as a result of a decrease in the discount rate, increased maintenance to address plant performance challenges and a writeoff in the current year in respect of Duvha unit 3 due to the cancellation of the recovery project.

Depreciation decreased by R0.8 billion to R27.0 billion in the current year mainly due to the impact of the accelerated depreciation for units at the Komati power station in the prior year.

The group achieved a net fair value gain on financial instruments of R0.9 billion (2020: R4.6 billion net fair value loss). The swing from a fair value loss to gain is mainly due to the strengthening of the rand.

The financial health ratios relating to the statement of financial position improved, with the net debt-to-equity ratio at 1.8 in the current year compared to 2.2 in the prior year. The net debt decreased by R17.0 billion during the year to R398.2 billion and equity increased by R29.7 billion to R215.8 billion, mainly resulting from the equity support of R56 billion received from government which was offset by the net loss for the year.

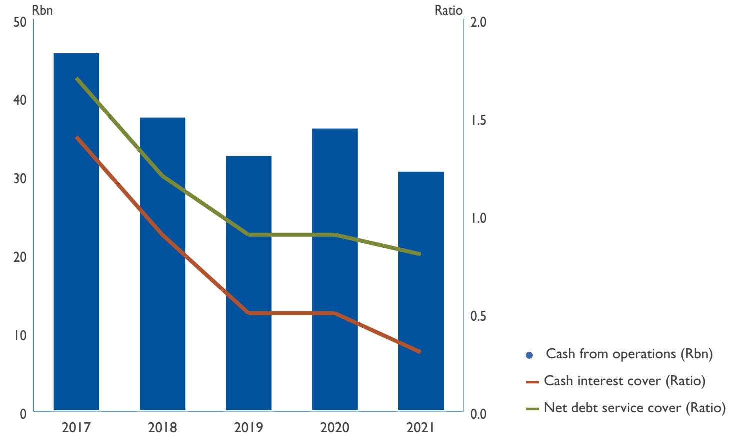
The graph below reflects the movement in net debt as well as the improvement in the debt-to-equity ratio and the decline in the net debt cash service cover ratio over the last few years.



The gross debt securities and borrowings decreased by R81.9 billion to R401.8 billion in the current year. Eskom repaid R65.6 billion and raised R15.8 billion of debt during the year. In addition, foreign borrowings were impacted by the recent strengthening of the rand against major currencies leading to a further reduction in gross debt.

The net cash from operations of R30.7 billion (2020: R36.2 billion) remain inadequate to meet the debt servicing requirements and fund general capital expenditure. The investment activities decreased by R0.7 billion to R26.3 billion in 2021.

The graph below shows the movement in cash from operations and the decrease in cash interest cover and net debt service cover over the last few years.



The total gross overdue debt increased by R1.9 billion to R45.4 billion of which municipalities represent 77.8% and Soweto 16.3%. The total gross municipal overdue debt was R35.3 billion (2020: R28.0 billion) in 2021 of which the Free State owed 38.5%, Mpumalanga 29.2% and Gauteng 11.3%.

Eskom continues to execute its municipal debt management strategy by enhancing existing revenue and debt management processes, enforcing Eskom's rights through legal action and expediting government interventions. Eskom is focusing on the top 20 defaulting municipalities, as they constitute 81% of total gross municipal overdue debt, as a priority to ensure interventions are in place by various stakeholders and to improve the payment levels.

A total of 43 active payment agreements were in place with defaulting municipalities at year end with only 10 agreements being honoured. Eskom continues to explore all avenues to collect debt and the interruption of supply remains the last resort. Eskom has been interdicted from interrupting supply to various defaulting municipalities.

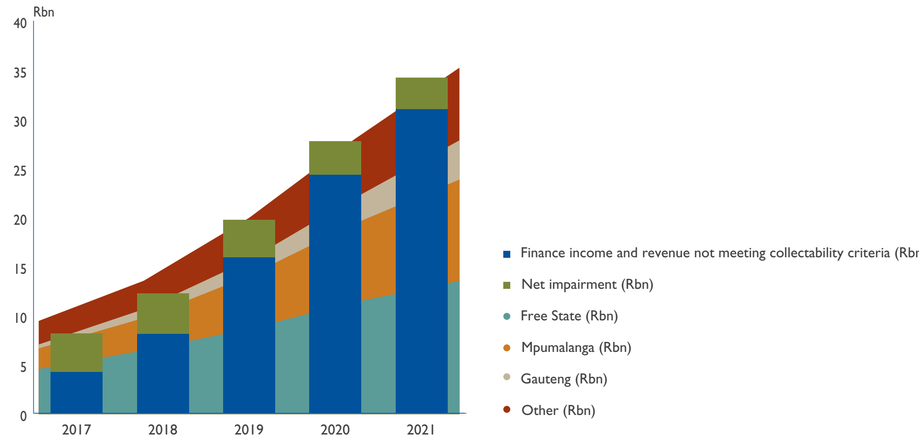
Eskom lost two appeals to interrupt supply to two municipalities as the Supreme Court of Appeal concluded that the dire situation faced by these municipalities obliged the national and provincial governments to intervene, in terms of the Constitution of South Africa. Eskom's debt collection process has been revised to align with the Intergovernmental Relations Framework Act process, in compliance with the Supreme Court of Appeal judgement. This affects the time to collect, and in some instances, municipalities are frivolously declaring disputes to delay the collection process. Eskom has approached the Constitutional Court to appeal the ruling of the Supreme Court of Appeal and is awaiting a court date.

Eskom has set the groundwork for an active partnering model to assist defaulting municipalities in their revenue collection efforts whereby Eskom will act as an agent for supply of electricity, maintenance services and collection of revenue on behalf of municipalities.

Eskom continues to work with the Eskom Political Task Team and its Multi-disciplinary Revenue Committee, but improvements from these initiatives are however yet to be seen. In addition, Eskom developed a proposal for National Treasury to take over the municipal arrear debt, with the intention of reinforcing National Treasury's financial oversight of the affected municipalities. Discussions with National Treasury are ongoing on how to leverage their authority to ensure municipalities prioritise the settlement of the arrear debts.

The total gross overdue debt for Soweto decreased by R5.3 billion to R7.4 billion. The decrease is mainly due to the writeoff of R8.6 billion debt, consisting of prescribed debt of R5.3 billion and in duplum interest of R3.3 billion. The average payment levels for Soweto remain low at 20.6% for the year.

The graph below reflects the increase in the overdue municipal debt per province and the breakdown between the net impairment and finance income and revenue not meeting collectability criteria since 2017.



Financial performance (continued)

Funding

Eskom only secured R18.9 billion (2020: R50.9 billion) in terms of its borrowing programme for the current year. Delays in receiving government guarantees and limitation of foreign borrowing limit resulted in planned funding being postponed to 2022. Despite the postponement of funding, Eskom was able to navigate liquidity requirements through effective cost management and deferral of capital expenditure.

The committed and drawn-down funding against the government guarantee of R350 billion for 2021 was R304.5 billion (2020: R324.2 billion), with R45.5 billion available for further use.

The debt repayment profile of existing debt is pressured over the short and medium term, with debt repayments of R152 billion and interest repayments of R125 billion over the next five years.

The primary focus of the borrowing programme over the next five years is to secure cost-effective funding and reduce Eskom's debt burden. The new five-year borrowing programme has decreased by R16.6 billion to R105.3 billion when compared to the previous five-year period, reflecting Eskom's intention to limit growth in debt securities and borrowings as well as related debt service costs.

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

Refer to page 65 of the integrated report for more information.

Governance and compliance

The board expressed its commitment to rooting out corruption and addressing issues related to past corporate governance breaches. In order to restore Eskom's reputation as a trusted corporate citizen and improve the organisation's financial and operational sustainability, various actions have been taken to address corporate governance related breaches, including:

- *Lifestyle audits and conflicts of interest*
  In phase 1 of the lifestyle audits on executive and senior managers 34 high-risk cases were handed over to the Special Investigating Unit for further investigation. Of these cases seven cases resulted in no adverse findings, seven employees resigned, one employee was dismissed, eight cases were referred back to Eskom for disciplinary action, a further six cases are in the process of being referred back to Eskom and five cases are still under investigation.

  Data analytics were conducted in November 2020 on all employees below executive and senior management level, revealing that approximately 8.6% of the target group had not declared business-related interests or applied for permission to perform private work, despite being active shareholders and directors according to records from various databases. Disciplinary processes have been conducted with approximately 88% of matters concluded by year end. In response to these findings, Eskom has upgraded the conflict of interest declaration system to link directly to various databases to proactively identify unethical conduct.

  Data analytics testing was conducted on 73 corporate specialist and corporate professional employees at executive level. Seven high-risk cases were identified and detailed lifestyle audits will commence once an independent service provider has been appointed. Lifestyle audits will also be extended to include all newly appointed executives.

- *Ethics, fraud and consequence management*
  Good progress has been made with the implementation of a fraud risk management plan which aims to maximise fraud prevention and enhance good corporate governance practices. The Anti-fraud and Corruption Integration Committee monitors the implementation of the plan, with regular progress reported to the Executive Committee (Exco) and Audit and Risk Committee (ARC).

  Consequence management and disciplinary processes are being improved with regular feedback on the status of disciplinary cases to executive management. Disciplinary action is monitored, particularly where line managers and supervisors have decided not to take action against an employee despite findings from an investigation.

- *Investigations and disciplinary action*
  A total of 105 (2020: 118) new cases involving employees and suppliers were reported through whistle-blowing channels during the year. Eskom concluded 46 (2020: 202) investigations during the year of which 10 were fraud, 17 corruption and 19 related to irregularities. A further 77 cases were closed following a comprehensive review of all active cases. Disciplinary action was recommended for 80 cases and 238 cases were under investigation at year end.

  The forensic investigations revealed similar themes to previous years, with instances of undeclared conflicts of interest, failure to obtain permission to perform private work, leaking of confidential information as well as general procurement irregularities. Non-compliance with Eskom's policies and procedures remains the most prevalent root cause.

  There are 176 disciplinary cases with 155 cases that have been completed. As a result of fraud and corruption 28 employees have been dismissed and 74 employees resigned during the disciplinary process. There have been 72 cases registered with the South African Police Service and a further 14 are in the process of criminal prosecution.

  Eskom is pursuing civil action against seven former Eskom executives and directors, as well as third parties, for approximately R3.8 billion relating to a prepayment to Tegeta Exploration and Resources (Pty) Ltd. Two former senior employees were arrested and appeared in court on corruption-related charges in December 2019 and assets of the defendants to the value of R1.4 billion have been frozen.

  Eskom re-established the Supplier Review Committee to ensure appropriate disciplinary action is taken against suppliers where non-compliance with procurement and supply chain management procedures has been identified. However, progress remains slow due to the backlog of cases.

  Eskom continues to support government and law enforcement agencies with investigations into violations of law and recovery of monies lost using criminal and civil processes. Criminal convictions and the recovery of financial losses are dependent on the successful prosecution by law enforcement agencies and the justice system which is a lengthy process.

  Eskom focused on the development and implementation of a procurement roadmap to improve procurement processes and contract management by:
  - reducing the number of cancellations of published tenders
  - improving compliance with implementation of procurement plans
  - enhancing contract performance and project budget monitoring
  - reducing the number of contract modifications exceeding thresholds

  The overall implementation of the King IV™ principles remains partially effective based on the most recent assessment. Although many of the required practices have been in place for many years, the board acknowledges that not all of the King IV™ principles have been implemented effectively.

PFMA compliance

Irregular expenditure

New instances of irregularities have been detected as Eskom continues with its governance clean-up exercise, which are then investigated and appropriately addressed. Approximately 18.8% of the irregular expenditure of R11.7 billion reported in 2021 related to new transgressions due to the contravention of various national legislative requirements. Progress in obtaining condonations from National Treasury has been slow for a number of years. Eskom received notice of condonation of 296 transactions valued at R9.5 billion with further condonations expected in the coming financial year.

The loss control department has been established and PFMA reporting procedures have been revised to ensure that all assessments and investigations of irregular expenditure and fruitless and wasteful expenditure are to be performed by this department Training and awareness on the revised PFMA reporting procedures and guidelines are being implemented and are mandatory for all managerial and executive employees.

Several initiatives were implemented during the year to reduce the occurrence of irregular expenditure, including:
- establishment of a weekly functional leadership steering committee, chaired by the chief procurement officer (CPO), to monitor progress and challenges on PFMA-related matters and procurement plans
- appointment of procurement heads in generation, transmission and distribution to establish contract management offices and improve the quality, accuracy and completeness of PFMA reporting
- continuous review and monitoring of purchase orders and procurement plans in accordance with revised procurement procedures, to limit the abuse of low-value procurement mechanisms and to identify potential contracting opportunities
- collaboration with assurance and forensic and the loss control department to investigate procurement and PFMA-related issues identified through reviews, complaints and whistle-blowing mechanisms
- monitoring of internal condonation processes as well as condonations submitted to National Treasury

In addition, Eskom reviewed all contract modification applications that were not approved by National Treasury to identify any potential deviations and irregularities that might occur, and to introduce interventions to prevent recurrence. Consequence management and condonations relating to procurement transactions form part of the PFMA reporting.

Fruitless and wasteful expenditure and criminal conduct

Fruitless and wasteful expenditure of R1.3 billion (2020: R2.3 billion) was reported during the year. Losses due to criminal conduct of R2.5 billion (2020: R2.2 billion) were reported during the year of which an estimated R2.3 billion (2020: R2.0 billion) related to non-technical energy losses including energy theft.

Board and executive committee changes

The board should consist of a minimum of three and maximum of 15 directors, with the majority being non-executive directors, in terms of the memorandum of incorporation. A request to appoint additional non-executive directors to strengthen the board has been submitted to the shareholder for consideration.

The only changes to the non-executive directors were the resignations of Mr RSN Dabengwa on 21 July 2020 and Ms NVB Magubane in August 2021.

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

Executive committee members	Comment
F Burn	Appointed as chief information officer on 15 May 2020
ND Harris	Appointed as acting chief information officer on 19 May 2019 and acted until 14 May 2020
NB Hewu	Suspended and then subsequently terminated as acting GE: legal and compliance on 31 January 2021
N Minyuku	Appointed as GE: government and regulatory affairs on 15 October 2020
N Otto	Appointed as acting GE: legal and compliance in December 2020
J Sankar	Appointed as acting CPO on 22 February 2021
MS Tshitangano	Suspended and then subsequently dismissed as CPO on 28 May 2021
V Tuku	Appointed as GE: transformation management office on 1 July 2020

The divisional group executives did not form part of Exco in 2021.

Refer to page 14 of the integrated report for more information.

Human resources

Employee engagement, employee value proposition as well as organisational culture and change management are integrated areas intended to drive a desired culture of performance.

Employee engagement initiatives are in place to create a harmonious workplace and increase employee engagement levels thereby rebuilding employee morale and creating a common vision to drive a high-performance culture. Associated initiatives were adapted by leveraging digital and virtual technology to accommodate the new normal due to the lockdown.

The *'Advice for André'* engagement platform and mobile application was designed and the responses have been overwhelmingly positive, with employees engaging with the group chief executive (GCE) and sharing their innovative ideas on how to improve Eskom.

Eskom embarked on one of its most ambitious and possibly most challenging transformation journeys. The Eskom change management strategy and customised initiatives have been implemented across all key Eskom-wide strategic projects to support the Eskom turnaround plan. An organisational culture and change management programme was designed to capacitate employees and empower leaders with knowledge, change management skills and practical tools to drive the desired culture.

Eskom continues to institute appropriate measures to protect critical staff and minimise the number of employees on site wherever possible to combat the effects of COVID-19, and as a result, a large part of the support staff are still working from home.

Eskom recorded 6 980 positive cases at 17 August 2021, consisting of 5 775 employees and 1 205 contractors, with 6 140 recoveries. Sadly, 128 employees and 17 contractors have succumbed to the disease. There have been 43 employees re-infected.

Workforce

The headcount reduced by 2 023 (2020: 1 893) to 42 749 (2020: 44 772) in the current year mainly due to natural attrition and voluntary separation packages at managerial level. Eskom's ability to fill vacancies is limited by financial constraints and headcount targets.

Building and retaining strong skills

Eskom is focused on managing talent in a sustainable manner and ensuring that the existing workforce is adequately supported in their developmental needs, thereby retaining critical skills using a targeted employee value proposition. Commitment to skills development is essential to ensure that the required skills for the organisation's needs are retained, especially considering the continuing financial constraints.

Internal talent boards are used to identify high-performing individuals and staff developmental needs, perform succession planning for the critical workforce and actively manage talent pools in line with the workforce plan and transformation objectives. This seeks to reduce the need for external recruitment.

The learner pipeline represented 4.1% of the permanent workforce with 1 465 learners and learner artisans making up almost 60% of the total learner pipeline.

The training spend of R0.8 billion (2020: R1.1 billion) in 2021 is 2.6% (2020: 3.7%) of gross manpower costs. Training expenditure was curtailed due to the current financial challenges and the effects of the lockdown.

Eskom supported further study programmes where employees seek to obtain qualifications related to their line of work or benefit the organisation. A total of 303 (2020: 182) employees were enrolled at various academic institutions to obtain qualifications related to Eskom's line of work.

Improving internal transformation

Employment equity remains one of the key initiatives through which meaningful transformation can be realised. Eskom continues to make progress in ensuring equitable representation of the workforce at all levels to reflect the demographics of the country.

Racial equity at senior management and middle and professional management levels showed significant improvement during the current year. Gender equity at senior management and middle and professional management levels showed some improvement since the prior year. Vacancies that arise due to natural attrition are targeted and reserved for women and employment equity purposes.

The disability target for the year was not achieved. Proportional representation of persons living with disabilities remains a concern as they are well represented at lower occupational levels but not across all levels. It is also of concern that the number of employees living with disabilities is reducing.

Refer to page 106 of the integrated report for more information.

Shareholder compact performance

The table sets out Eskom's performance measured against the shareholder compact that was reviewed by the external auditors. The external audit opinion relating to this review is detailed on page 21. All the key performance indicators in the compact refer to the Eskom company, with the exception of the lost-time injury rate and the finance measures which reflects the group.

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

Key performance indicator	Ref	Unit	Target 2021	Actual 2021	Actual 2020
Focus on safety					
Lost time injury rate (employee)[1]		rate	0.32	0.22	0.30
Improve plant operations					
Energy availability factor	(a)	%	73.00	64.19	66.64
Planned capability loss factor		%	10.00	12.26	8.92
Unplanned partial load losses	(b)	average MW	3 150	4 109	4 651
Unplanned automatic grid separations trips	(c)	number of trips	448	527	594
Post philosophy outage unplanned capability loss factor	(d)	%	16.00	21.23	29.91
System minutes lost		minutes	3.53	3.48	4.36
Payment levels excluding Soweto interest		%	95.70	96.82	96.24
Distribution total energy losses	(e)	%	9.71	10.11	8.79
Total electrification connections		number	85 428	106 669	163 613[2]
System average interruption duration index (SAIDI)		hours	38.00	35.36	36.90
Primary energy optimisation					
Migration of coal delivery volume from road to rail	(f)	Mt	10.50	3.60	7.50
Coal purchase rand/ton		% increase	11.00	3.2	16.30
Deliver capital expansion					
Generation capacity installed and commissioned (commercial operation)		MW	1 594	1 598	1 588
Transmission lines installed	(g)	km	92.50	65.60	127.90
Transmission transformers capacity installed and commissioned		MVA	500	750	250
Legal separation					
Business separation key milestones – the annual progress made towards the separation of the three line divisions		organisational design, implementation and internal trading	Yes	Yes	n/a
Business separation key milestones – transmission, distribution and generation are functionally separated (functional unbundled)	(h)	date	31 March 2021	No	n/a
Ensure financial sustainability[3]					
EBITDA		R million	23 522	32 813	36 816
Cash interest cover		ratio	0.31	0.85	0.94
Debt service cover		ratio	0.11	0.30	0.52
Disposal of the EFC	(i)	R million	5 820	–	–
Savings from turnaround initiatives		R million	14 142	14 352	16 287
Socio-economic impact: human capital					
Learner intake: artisans (work integrated learning (WIL))	(j)	number	100	–	91
Learner intake: engineers (WIL)	(k)	number	50	–	16
Learner intake: technicians (WIL)	(l)	number	50	–	11
Learner intake: plant operators		number	–	89	–
Training spend as % of gross manpower costs		%	2.56	2.58	3.67
Bursaries engineers and technicians		number	27	72	n/a
Reduce environmental footprint in existing fleet					
Relative particulate emissions	(m)	kg/MWh sent out	0.32	0.38	0.47
Specific water usage	(n)	ℓ/kWh sent out	1.34	1.42	1.42
Corporate social investment (CSI)					
CSI committed/spend	(o)	R million	153.80	67.40	123.80
Industrialisation and localisation					
Preferential procurement	(p)	% of TMPS	75.00	62.34	61.57
Local content	(q)	%	80.00	65.99	n/a
Competitive supplier development programme	(r)	% of total capital procurement spend	30.00	–	0.03
B-BBEE score	(s)	number	7	8	7
Enterprise and supplier development		R million	5.00	6 764.00	4.59
Research and development	(t)	% of NERSA-allocated spend	80.00	52.10	84.94

1. Includes occupational disease.
2. Includes 45 292 rollover connections.
3. Prior year information has been restated. Refer to note 49 in the annual financial statements.

Shareholder compact performance (continued)

The reasons for non-achievement of targets are discussed below:

Ref	Key performance indicator	Target 2021	Actual 2021	Reason
Improve plant operations				
(a)	Energy availability factor	73.00	64.19	Low availability of generating units because of unplanned maintenance to address high levels of both full and partial unplanned load losses coupled with an increase in planned maintenance through the Generation recovery plan caused a low energy availability factor.
(b)	Unplanned partial load losses	3 150	4 109	Factors that lead to unplanned partial load losses included steam and water chemistry control issues, poor maintenance practices, lack of outage readiness and plant not being maintained due to spares and refurbishment contracts that were not in place because of procurement delays.
(c)	Unplanned automatic grid separations trips	448	527	The main causes of trips were as a result of boiler, turbine, generator and feedwater mechanical reliability. Performance was impacted by critical vacancies in technical departments, combined with a lack of training opportunities as well as a backlog of capability testing at some power stations due to unit load restrictions and trip risk assessments conducted prior to planned tests.
(d)	Post philosophy outage unplanned capability loss factor	16.00	21.23	The main contributors to the post-outage unplanned losses that occurred within 60 days after a unit returned from an outage were boiler, turbine, electrical and draught plant related losses.
(e)	Distribution total energy losses	9.71	10.11	The non-technical component of losses increased predominantly on prepaid feeders as a result of electricity theft. Technical losses arose due to ageing distribution networks which are often constrained and overloaded.
Primary energy optimisation				
(f)	Migration of coal delivery volume from road to rail	10.50	3.60	Less coal was transported by rail mainly due to unavailability of the rail offloading facility at Majuba power station due to a fire in December 2019. Commercial and safety approval delays have also restricted rail operations at Tutuka and Arnot power stations.
Deliver capital expansion				
(g)	Transmission lines installed	92.50	65.60	Line construction was negatively impacted by the lockdown, capital budget constraints, poor contractor performance as well as construction and contractual challenges.
Legal separation				
(h)	Business separation key milestones – transmission, distribution and generation are functionally separated	Yes	No	Major milestones towards the completion of functional separation were completed, with only service level agreements and IT changes to be finalised at 31 March 2021. Functional separation of the three line divisions was completed by 7 June 2021 with all the necessary documentation completed and signed off.
Ensure financial sustainability				
(i)	Disposal of the EFC	5 820	–	The sale of EFC to the preferred bidder was not approved by DPE and was deferred until market conditions improve.
Socio-economic impact: human capital				
(j)	Learner intake: artisans (WIL)	100	–	No new workplace integrated learners were appointed during the year due to financial constraints and the lockdown.
(k)	Learner intake: engineers (WIL)	50	–	
(l)	Learner intake: technicians (WIL)	50	–	
Reduce environmental footprint in existing fleet				
(m)	Relative particulate emissions	0.32	0.38	Relative particulate emission performance has improved since the previous financial year due to an improvement in the Kendal power station performance. However, emissions remain high due to poor coal quality, poor performance of electrostatic precipitators and issues with dust handling and SO_3 plant.
(n)	Specific water usage	1.34	1.42	Water consumption was negatively impacted by higher production from wet-cooled as opposed to dry-cooled and nuclear power stations during the year. Despite the high rainfall during the year, operational inefficiencies and inadequate water management practices at power stations further contributed to poor performance due to low load factors, dam overflows and spills.

Ref	Key performance indicator	Target 2021	Actual 2021	Reason
Corporate social investment (CSI)				
(o)	CSI committed/spend	153.80	67.40	The CSI budget was reduced due to financial constraints, which were exacerbated by the impact of COVID-19. The strengthening of systems and controls around processing of donations increased the turnaround times to implementing CSI initiatives.
Industrialisation and localisation				
(p)	Preferential procurement	75.00	62.34	The procurement target was negatively impacted by increased spending with non-compliant suppliers due to expired B-BBEE certificates. The calculation of total measurable procurement spend (TMPS) also includes spending on IPP contracts that are not B-BBEE compliant and which Eskom has no control over as these contracts were concluded in terms of DMRE's RE-IPP programme. The overall performance would have improved to approximately 77% of TMPS had IPP expenditure been excluded.
(q)	Local content	80.00	65.99	Local content was impacted by a reduction in the number of contracts with local content obligations. Local content contracted is measured as a percentage of total measured procurement spend. A new definition where local content is measured as a percentage of the total contracts awarded for all Eskom company procurement will be used going forward. If the new definition was applied the actual for 2021 would have been 2.17%.
(r)	Competitive supplier development programme	30.00	–	Competitive supplier development programme performance is largely dependent on contracted expenditure on major capital projects. The ramping down of the capital expansion projects (Medupi, Kusile and Ingula) within the new build programme has significantly reduced opportunities to contribute towards industrial development.
(s)	B-BBEE score	7	8	Eskom's B-BBEE recognition level is 10%, resulting in a B-BBEE status of level 8. Eskom's renewed B-BBEE certificate was reissued in December 2020, following a request for the review of a non-compliant version that was issued in October 2020. The certificate will expire in October 2021 and Eskom will be implementing plans to improve its score from level 8 to level 4.
(t)	Research and development	80.00	52.10	Research and development was negatively affected by the lockdown which has limited access to Eskom laboratories, services and sites to execute research activities, delaying the progress on numerous projects.

Reportable irregularities

Progress has been made in clearing some of the reportable irregularities reported by the external auditors in the prior year, although some items will remain open until all related aspects are concluded. Three new reportable irregularities were reported in the current financial year. Detailed progress on reportable irregularities can be found in note 53 of the annual financial statements.

Events after the reporting date

Events after the reporting date are discussed in note 48 of the annual financial statements.

Approval

The group annual financial statements for the year ended 31 March 2021 were prepared under the supervision of the CFO, C Cassim CA(SA), and approved by the board and signed on its behalf by:

MW Makgoba
Interim chairman
23 August 2021

AM de Ruyter
Group chief executive
23 August 2021

C Cassim
Chief financial officer
23 August 2021

REPORT OF THE AUDIT AND RISK COMMITTEE

Mandate and terms of reference

The audit and risk committee (the committee) presents its report in terms of the requirements of the PFMA, the Companies Act (section 94(7)(f)) and other applicable regulatory requirements as well as in accordance with the King IV™ Report on Corporate Governance for South Africa for the financial year ended 31 March 2021.

The role of the committee is defined in its mandate. It covers, among others, its statutory duties and assistance to the board with the oversight of financial and non-financial reporting and disclosure, internal control systems, risk management, internal and external audit functions and combined assurance, including technology and information governance. The committee also performs the functions required by the Companies Act on behalf of the wholly-owned subsidiaries of the group, with the exception of Escap SOC Ltd (Escap). Information about the mandate, membership composition and attendance of meetings of the committee is set out in the 2021 integrated report under the governance, leadership and ethics as well as supplementary information sections.

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

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

Execution of functions

Oversight of financial and non-financial reporting and disclosure

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

- considered whether the annual financial statements met the fair presentation requirements of the PFMA, Companies Act and International Financial Reporting Standards (IFRS)
- considered the appropriateness of key judgements, estimates and the accounting treatment applied to significant transactions in the annual financial statements
- sought the input and views of the external auditors and encouraged rigorous challenging of control, accounting and disclosure matters
- considered matters relating to cost savings, budgeting and forecasting, future funding and taxation
- overseen the risk management function, including the process of identifying significant risks and opportunities and the resulting mitigation strategies

The following significant matters were considered:

Significant matter	Committee review and conclusion
Going-concern assessment	The committee continued to monitor the group's liquidity and solvency closely because of the financial position and related challenges and concluded that it was not trading recklessly at any time during the year. The committee acknowledged that Eskom cannot solve its problems alone, but needs support from the shareholder. The committee recognised the continued support from government. The committee considered the key aspects taken into account in the going-concern assessment as discussed in note 3.2 as well as scenarios that might impact the going-concern assessment. The committee critically assessed the liquidity of Eskom using the latest cash flow forecasts, including servicing of debt in the next 12 months and stress-tested the forecasts using lower electricity prices, changes to capital activities and reducing costs. The committee considered Eskom's financial ratios that reflect an overall negative trend. The committee concluded, after examining the forecast and stress-tested scenarios and considering Eskom's ability to raise funding in the current market conditions, that the going-concern basis of accounting was appropriate only with support from government. The committee recommended the adoption of the going-concern basis of preparation by the group to the board based on the critical factors as disclosed in note 3.2.
Governance	The committee acknowledged that improvement is required in respect of compliance with applicable laws and regulations. Steps are being taken to sufficiently strengthen Eskom's leadership. Additional permanent appointments were made in certain key executive positions during the year. The board requested the shareholder to fill the board vacancies to ensure that all committees are adequately capacitated to fulfil their mandates. This is particularly relevant for the audit and risk committee where the current membership of only three members is not adequate for the size and risks associated with Eskom as well as the planned separation of the committee into separate audit and risk committees. The current leadership's priority remains turning Eskom around. Progress has been made towards restoring Eskom's ethical culture and governance practices. The committee continued its focus on monitoring the status and action taken on addressing key matters arising from investigations, reportable irregularities and past corporate governance breaches, including: • conducting lifestyle data analytics of all employees below senior management level • enhancing commercial governance processes to ensure robust scrutiny and strengthening the delegation of authority framework • strengthening ethics and fraud frameworks and enhancing the focus on consequence management • instituting disciplinary charges against employees and suppliers, and taking legal action, where appropriate • investigating and terminating supplier contracts implicated in irregularities, fraud and corruption
Information required by the PFMA and the impact thereof on the audit opinion	The committee continued to place significant focus on addressing the shortcomings in the completeness of information required by the PFMA. A loss control department has been established and PFMA reporting procedures have been revised to ensure that the department perform all assessments and investigations of PFMA incidents. Refer to the directors' report for further information on addressing the PFMA reporting challenges.
Recovery of overdue trade receivables (arrear debt)	The committee considered the actions taken by Eskom to address municipal, Soweto and international arrear debt, including continued roll out of split metering on a prepaid basis as well as promoting and implementing an active partnering solution for municipalities. The committee, however, recognises that the challenges regarding the recovery of outstanding receivables cannot be solved by Eskom alone. The continued support and cooperation from government and other stakeholders are crucial to address the root causes of the problem. It is critical that these challenges are addressed through the political task team.
Valuation of property, plant and equipment and assessment for possible impairment	The committee considered the nature and quantum of costs capitalised to property, plant and equipment and are satisfied that the costs were necessary in bringing the asset to the condition to operate in the manner intended by management. The committee considered the methodology used by Eskom to determine the useful lives of assets and is satisfied that it is based on Eskom's experience of the performance of the assets taking into account Eskom's operating and maintenance regimes as well as the physical conditions and circumstances in which the assets operate. The committee assessed the appropriateness of the cash generating units (CGU) for the group. The committee also considered that impairment indicators such as damaged plant and the impact of lower than expected electricity tariffs on future cash flows have been appropriately taken into account in the impairment assessment. The committee interrogated the underlying assumptions and estimates used in the calculation of the recoverable amount of the CGUs and confirm that there is no impairment required on property, plant and equipment.
Valuation and adequacy of long-term decommissioning provisions	The committee considered the briefings on the decommissioning and rehabilitation provisions, including the governance framework applied, the movement in provisions over time and the key assumptions and discount rates used. Detailed annual reviews are done by external experts on a rotation basis to re-assess the relevant decommissioning and rehabilitation liabilities against the latest international practices and benchmarks as well as compliance to legislation. The committee interrogated the underlying assumptions used in determining the decommissioning provisions to assess the adequacy thereof.
Valuation and adequacy of employee benefit obligations	The committee considered the briefings and reports on the employee benefit obligations, including the key assumptions and discount rates used in the annual actuarial valuations. The committee interrogated the accounting interpretations and considered expert advice in this regard including from legal counsel. The committee accepted the judgement made regarding the accounting treatment of the Eskom Pension and Provident Fund in terms of IAS 19 *Employee benefits* as discussed in note 2.17 that resulted in the prior year adjustment.
Internal control over financial reporting, including information technology general controls	The committee monitored the effectiveness of the control environment through feedback on the results of the combined assurance activities from management, assurance and forensics (internal audit) and the external auditors. The committee scrutinised the significant risk areas and their associated remediation plans and mitigating controls implemented, including those relating to segregation of duties, access management, security of confidential data, cyber risk, information technology infrastructure, application issues and third-party supplier management. The committee focused on specific control issues, in particular, the controls relating to PFMA reporting and investigations into fraudulent activities. The committee concluded that the internal control environment is satisfactory, even though improvement is necessary in certain areas including PFMA reporting and contract management.

The matters listed above are considered to be key focus areas for the committee in the next financial year and will be monitored and reported on in future. The committee will also monitor the relevant aspects of the legal unbundling that impacts on the role of the committee.

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

The committee considered the following:

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

Execution of functions (continued)

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

Internal and external audit

The committee considered the following:

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

Opinion

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

- the expertise, resources and experience of the finance function under the leadership of the chief financial officer are adequate
- the system and process of risk management is adequate even though the effectiveness thereof needs to be improved
- the compliance framework is adequate and there is continued focus on the application thereof, especially in terms of PFMA requirements and contract management
- 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 approved by the committee was adhered to
- the expertise, resources and experience of the assurance and forensic department are adequate
- the assurance and forensic department, under the leadership of a general manager, is operating effectively
- the combined assurance model is adequate
- the information contained in the integrated report is reliable and does not contradict the information in the annual financial statements
- Eskom and the group have access to adequate resources, facilities and support from government to be able to continue their operations for the foreseeable future, supporting the going-concern assumption
- it is satisfied with the audit quality of the external audit as well as the independence and objectivity of the external auditors having considered the matters set out in section 94(8) of the Companies Act. SizweNtsalubaGobodo Grant Thornton has been appointed as external auditors since 2015. The lead engagement partner for 2021 was S Vilakazi

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

Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Eskom and the group for the year ended 31 March 2021 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the Companies Act, the PFMA and IFRS. The committee concurs that the adoption of the going-concern premise in the preparation of the annual financial statements is appropriate.

The committee has therefore, at its meeting held on 19 August 2021, recommended the adoption of the financial statements by the board.

PE Molokwane
Chairman

23 August 2021

STATEMENT BY THE COMPANY SECRETARY

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

M Manjingolo
Company secretary

23 August 2021

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE SHAREHOLDER – MINISTER OF PUBLIC ENTERPRISES ON ESKOM HOLDINGS SOC LTD AND ITS SUBSIDIARIES

Report on the audit of the consolidated and separate financial statements

Qualified opinion

We have audited the consolidated and separate financial statements of Eskom Holdings SOC Ltd and its subsidiaries (the group) set out on pages 26 to 119, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2021, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa (the Companies Act) and the Public Finance Management Act of South Africa (PFMA).

Basis for qualified opinion

Irregular expenditure

The public entity did not fully and accurately record irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems to detect, record and appropriately disclose this expenditure in the financial statements. We were unable to determine the full extent of the misstatement of the irregular expenditure disclosed in terms of section 55(2)(b)(i) of the PFMA stated at R37 214 million (2020: R36 259 million) and R34 141 million (2020: R26 633 million) in the consolidated and separate financial statements respectively, as it was impractical to do so.

Context for the opinion

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

We are independent of the group in accordance with Independent Regulatory Board for Auditors' *Code of professional conduct for auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International *Code of ethics for professional accountants (including international independence standards).*

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

Key audit matters

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

Key audit matter	How the matter was addressed in the audit
Post-employment benefit plan The Eskom Pension and Provident Fund (EPPF) was initially accounted for as a defined contribution fund. Based on our audit procedures' outcomes and our recommendation, it was reclassified and accounted for as a defined benefit fund. As disclosed in note 2.17 and note 28 to the consolidated and separate financial statements, the post-employment benefit plan managed by the EPPF has been accounted for as a defined benefit fund. The EPPF is registered as defined benefit fund, however the rule that relates to the funding of deficits refers to the amendment of the rules so that the benefits may be reduced or the contributions increased at the occurrence of that event at a future date. This created the uncertainty of existence of the liability for Eskom to fund the deficit. In all the previous financial years, the directors performed an assessment of the accounting treatment for the EPPF and based on the critical judgement and estimates determined that the EPPF should be accounted for as a defined contribution plan. The accounting for the EPPF was considered a key audit matter due to critical judgement and estimates made by the directors.	Our audit work included the following: • obtained the EPPF rules and assessed the accounting treatment of the fund in terms of IAS 19 • we considered the following: – the defined benefit formula – the nature of the scheme and the participating employers – the requirements of the rules relating to funding of the shortfall when it arises • obtained a legal opinion on whether or not Eskom is liable to make good a shortfall or have any entitlement towards a surplus in the fund • reviewed the information from the financial statements of the EPPF to confirm that the members are paid out in terms of the benefit formula as per the rules • re-performed the actuarial calculations using our actuarial specialists • assessed that there was no uncertainty on the existence of the liability that arose through the members rendering of services entitling the members to the benefits as defined in the rules • assessed that there was no measurement uncertainty as to the measurement of the net asset or net liability. The actuarial valuation was performed using a projected unit credit method • assessed that the outcome uncertainty existed as the rules provided that the contributions may be increased with consent of the employer when the shortfall arises Based on the results of our work performed, we concluded that: • EPPF met the criteria for a defined benefit fund in terms of IAS 19 and, based on our recommendation, it was reclassified and accounted for as such

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE SHAREHOLDER – MINISTER OF PUBLIC ENTERPRISES ON ESKOM HOLDINGS SOC LTD AND ITS SUBSIDIARIES (continued)

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

Key audit matters (continued)

Key audit matter	How the matter was addressed in the audit
Costs incurred during construction of assets - property, plant and equipment	
As disclosed in note 8 to the consolidated and separate financial statements, the group's property, plant and equipment (PPE) includes assets under construction. The assets under construction are accounted for in accordance with IAS 16 *Property, plant and equipment*. There is significant judgement applied by the directors in deciding which compensation events claims should be capitalised in terms of IAS 16. The significant judgement on the nature as well as the quantum of the capitalised costs makes the valuation of PPE a key audit matter.	Our audit work included the following: • obtained an understanding of the accounting policy applied by the directors in the capitalisation of compensation events claims • challenged the directors' rationale for the capitalisation of the compensation events claims considered to be directly attributable to the development of the PPE • assessed the experience and capabilities of the auditor's experts who assessed the reasons behind the capitalisation of compensation events claims • obtained an auditor's experts' opinion on whether or not the capitalised compensation events claims were unforeseeable and unavoidable Based on the results of our work performed, we are satisfied that compensation events claims capitalised were 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.
Determination of assets useful lives and residual values – property, plant and equipment	
As disclosed in note 2.4 to the consolidated and separate financial statements, the group's PPE useful lives and residual values have been reviewed in terms of IAS 16 paragraph 51. The determination of useful lives and residual values of PPE requires significant judgement by the directors based on their experience with similar assets as well as the determination of key assumptions taking into account historical performance, the circumstances and operating environment in which the assets operate, alignment to industry benchmarks as well as expectations about the future. Furthermore, as disclosed in note 8 to the consolidated and separate financial statements, the entity has fully depreciated property, plant and equipment that are still in use. This is because of the circumstances and operating environment which require the use of these assets in some instances to extend their economic life. IAS 16 recommends the disclosure of such assets. Therefore, the determination of assets useful lives and residual values is considered a key audit matter.	Our audit work included the following: • obtained an understanding of the accounting policy applied by the directors in the determination of assets' useful lives and residual values • challenged the directors' rationale for the determination of useful lives and residual values for different asset classes • appointed auditor's experts to assess the reasonability and supportability of management judgement • assessed the experience and capabilities of the auditor's experts who assessed the reasonability and supportability of management judgement • obtained auditor's experts' opinion on whether or not the useful lives of different asset classes were within the acceptable range Based on the results of our work performed, we are satisfied that: • generally, the assets' useful lives are within the ranges of benchmark data for equivalent assets, albeit on the low side of those ranges • differences in useful lives relative to the typical average benchmark values can be ascribed to the adverse operating environment or conditions causing certain assets to be operated at or beyond the extremities of their design parameters which appears to reduce the useful lives of these assets when compared to the benchmark data • the impact of residual value changes was found to be immaterial in the calculation of the depreciable amount • we have reviewed the assumptions and estimates regarding fully depreciated assets still in use and found no evidence of incorrect or inappropriate assumptions in determining those useful lives and that the use of the assets in excess of the predetermined useful life is acceptable. We have also considered whether the fully depreciated assets are appropriately recorded, maintained and reported on in accordance with Eskom's policies and procedures

Material uncertainty relating to going concern

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

We draw attention to note 3.2 in the consolidated and separate financial statements which indicates that for the year ended 31 March 2021 the group incurred a loss of R18 934 million (2020: R20 769 million). The group's current liabilities exceed its current assets by R19 430 million (2020: R16 515 million). As stated in note 3.2, the current and prior year losses, deterioration of most of the group's financial indicators, the impact of reduced generation performance along with other matters as set forth in note 3.2, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 49 to the consolidated and separate financial statements, the corresponding figures for 31 March 2019 and 31 March 2020 were restated as a result of errors in the financial statements at, and for the year ended, 31 March 2021.

Medupi power station explosion

We draw attention to note 48 in the financial statements, which deals with subsequent events and specifically the explosion that occurred at Medupi power station.

Estimated non-technical revenue losses

As disclosed in note 52.3(b) to the consolidated and separate financial statements, estimated non-technical revenue losses of R2 319 million (2020: R1 977 million) were incurred mainly due to meter tampering and bypasses, illegal connections to the electricity network and illegal vending of electricity.

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 53 to the consolidated and separate financial statements.

Report on the audit of the annual performance report

Introduction and scope

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

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

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the deliver capital expansion key performance area (page 12) presented in the shareholder compact performance section of the directors' report of the group for the year ended 31 March 2021.

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

We did not identify any material findings on the usefulness and reliability of the reported performance information for the deliver capital expansion key performance area.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE SHAREHOLDER – MINISTER OF PUBLIC ENTERPRISES ON ESKOM HOLDINGS SOC LTD AND ITS SUBSIDIARIES (continued)

Report on the audit of the annual performance report (continued)

Other matter

We draw attention to the matter below.

Achievement of planned targets

Refer to the shareholder compact performance section of the directors' report on pages 12 to 15 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. The uncorrected material misstatements related to irregular expenditure disclosure note resulted in the financial statements receiving a qualified opinion. The material misstatements related to inventory and the related writeoff identified were corrected.

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance to section 51(1)(a)(iii) of the PFMA.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 474 million, as disclosed in note 52.2 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by poor procurement and contract management. Fruitless and wasteful expenditure amounting to R1 280 million was incurred on overpayments relating to a fuel oil contract.

Revenue management

Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Procurement and contract management

We were unable to obtain sufficient appropriate audit evidence that awards to suppliers on established panels were in accordance with legislative requirements as proper record keeping of such awards were not maintained. Similar limitations were also reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that goods, works and services were procured through a procurement process which is fair, equitable, transparent, competitive and cost-effective as required by section 51(1)(a)(iii) of the PFMA. A non-compliance paragraph was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that contracts and quotations were awarded in accordance with the Preferential Procurement Policy Framework Act and the Preferential Procurement Regulations. Non-compliance paragraphs were also reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A). A similar limitation was also reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that commodities designated by the Department of Trade and Industry for local content and production were only procured from suppliers who met the prescribed minimum threshold for local production and content, in accordance with the requirements of the 2017 Preferential Procurement Regulation 8(2) and 8(5). A similar limitation was also reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that some of the awards made, for the supply of COVID-19 related personal protective equipment, were in accordance with the requirements of the applicable National Treasury Instruction note, as proper record keeping of such awards were not maintained.

Consequence management

We were unable to obtain sufficient appropriate audit evidence that appropriate disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into some instances of irregular and fruitless and wasteful expenditure were not performed.

We were unable to obtain sufficient appropriate audit evidence that allegations of financial misconduct against persons in service of the entity were investigated, as required by treasury regulation 33.1.3 and 33.1.1 respectively. This was due to proper and complete records that were not maintained as evidence to support the investigations into allegations of financial misconduct committed by persons in service of the entity. A similar limitation was also reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that allegations of theft, fraud, extortion, forgery or uttering a forged document which exceeded R100 000 were reported to the South African Police Service, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act of South Africa. A similar limitation was also reported in prior year.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the directors' report, the report of the audit and risk committee and statement by the company secretary as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected key performance areas presented in the shareholder compact performance section of the directors' report that have been specifically reported on in this auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected key performance areas presented in the shareholder compact performance section of the directors' report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

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

As part of exercising its oversight responsibility regarding compliance with applicable legislation and related internal controls, the accounting authority is in the process of developing action plans to address the internal control deficiencies. As the action plans have not yet been implemented fully, we identified instances of non-compliance with applicable legislation and related internal controls that resulted in the lack of proper procurement and contract management processes as well as effective consequence management practices.

Management is in the process of establishing and communicating adequate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities pertaining to the electronic documentation management system. While there is some progress made, we identified instances where adequate policies and procedures in this regard were not yet established and communicated.

Management is in the process of implementing proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support the reporting of irregular expenditure. While there is some progress made, we identified instances where proper record keeping to ensure complete, relevant and accurate information to support reporting on irregular expenditure was not yet implemented.

The executive authority did not fill vacant board positions. Some of the vacancies had to be filled with individuals who have requisite financial skills. As a result, the audit and risk committee vacancy for an individual with financial skills remains vacant.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE SHAREHOLDER – MINISTER OF PUBLIC ENTERPRISES ON ESKOM HOLDINGS SOC LTD AND ITS SUBSIDIARIES (continued)

Other reports

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

Matters under investigation

During the financial year under review the regulatory authorities and the accounting authority conducted investigations into alleged irregularities, fraud and corruption within the procurement environment and other areas of the entity. As at the reporting date, some of these investigations were still ongoing and we could not determine the extent of the impact of the outcomes of these investigations to the consolidated and separate financial statements. As disclosed in note 53.2 to the financial statements, various matters are reported to be under investigation.

Agreed-upon procedures engagements

At the date of this report we had commenced performing agreed-upon procedure engagements on the following:

- National Treasury consolidation template that covered the period from 1 April 2020 to 31 March 2021
- Eskom's generation, transmission and distribution activities regulatory financial report. This agreed-upon procedure is performed on behalf of NERSA

Auditor tenure

In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton has been the auditor of Eskom Holdings SOC Ltd and its subsidiaries for seven years.

Siyakhula Vilakazi
SizweNtsalubaGobodo Grant Thornton
Director
Registered auditor

26 August 2021

20 Morris East Street, Woodmead, 2191

Annexure – Auditor's responsibility for the audit

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

Financial statements

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

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

Communication with those charged with governance

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

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

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

STATEMENTS OF FINANCIAL POSITION

at 31 March 2021

	Note	Group 2021 Rm	Group Restated[1] 2020 Rm	Group Restated[1] 2019 Rm	Company 2021 Rm	Company Restated[1] 2020 Rm	Company Restated[1] 2019 Rm
Assets							
Non-current		697 723	698 177	684 274	691 194	698 880	684 699
Property, plant and equipment	8	662 569	653 359	650 440	663 840	654 395	651 036
Intangible assets	9	3 656	3 830	3 925	3 358	3 558	3 706
Future fuel supplies	10	4 414	4 295	6 471	4 414	4 295	6 471
Investment in equity-accounted investees	11	420	397	373	95	95	95
Investment in subsidiaries	12	–	–	–	380	384	384
Deferred tax	13	6 459	115	17	6 920	–	–
Loans receivable	15	8 017	27	40	–	–	–
Derivatives held for risk management	16	9 968	33 918	20 582	9 968	33 918	20 582
Finance lease receivables	17	292	338	374	292	338	374
Payments made in advance	18	1 928	1 898	2 052	1 927	1 897	2 051
Current		83 925	116 404	62 877	75 496	110 947	59 592
Inventories	20	37 527	33 573	26 482	37 275	33 330	26 251
Taxation		120	140	102	–	–	–
Loans receivable	15	310	27	26	5 758	5 937	6 071
Derivatives held for risk management	16	1 411	23 718	2 080	1 413	23 718	2 080
Finance lease receivables	17	35	34	31	35	34	31
Payments made in advance	18	1 667	1 398	1 541	1 641	1 395	1 460
Trade and other receivables	19	24 413	22 391	20 859	26 871	24 067	22 020
Insurance investments	14	14 401	11 981	9 563	–	–	–
Financial trading assets	14	–	152	162	–	152	162
Cash and cash equivalents	21	4 041	22 990	2 031	2 503	22 314	1 517
Assets held-for-sale	22	–	8 642	8 871	–	–	–
Total assets		781 648	823 223	756 022	766 690	809 827	744 291
Equity							
Capital and reserves		215 836	186 068	150 207	197 716	169 626	135 628
Liabilities							
Non-current		462 457	502 763	496 085	460 787	501 443	495 135
Debt securities and borrowings	25	356 852	408 151	387 208	355 927	408 107	387 161
Embedded derivatives	26	208	5	1 365	208	5	1 365
Derivatives held for risk management	16	3 562	1 802	5 643	3 562	1 802	5 643
Deferred tax	13	347	3 757	7 227	–	2 803	6 690
Employee benefit obligations	28	15 414	13 530	15 560	15 089	13 232	15 224
Provisions	29	50 150	41 300	45 588	50 079	41 278	45 558
Lease liabilities	30	8 447	8 875	9 130	8 445	8 873	9 130
Trade and other payables	31	667	411	1 031	667	411	1 031
Payments received in advance	27	2 867	2 355	2 038	2 867	2 355	2 038
Contract liabilities and deferred income	27	23 943	22 577	21 295	23 943	22 577	21 295
Current		103 355	132 919	108 051	108 187	138 758	113 528
Debt securities and borrowings	25	44 974	75 531	53 402	48 115	80 107	57 886
Embedded derivatives	26	1 283	1 131	2 069	1 283	1 131	2 069
Derivatives held for risk management	16	4 808	1 139	1 397	4 808	1 143	1 397
Employee benefit obligations	28	3 732	3 293	3 244	3 403	3 018	2 976
Provisions	29	6 395	5 991	5 662	6 322	5 933	5 556
Lease liabilities	30	522	475	332	522	474	332
Trade and other payables	31	37 114	40 175	36 849	39 194	41 761	38 208
Payments received in advance	27	2 796	3 430	3 359	2 809	3 437	3 367
Contract liabilities and deferred income	27	1 729	1 540	1 499	1 729	1 540	1 499
Financial trading liabilities	14	2	214	238	2	214	238
Liabilities held-for-sale	22	–	1 473	1 679	–	–	–
Total liabilities		565 812	637 155	605 815	568 974	640 201	608 663
Total equity and liabilities		781 648	823 223	756 022	766 690	809 827	744 291

1. Refer to note 49.

INCOME STATEMENTS

for the year ended 31 March 2021

	Note	Group 2021 Rm	Group Restated[1] 2020 Rm	Company 2021 Rm	Company Restated[1] 2020 Rm
Revenue	32	204 326	199 468	204 326	199 468
Other income	33	2 662	1 238	4 331	1 819
Primary energy	34	(115 903)	(112 119)	(115 903)	(112 119)
Employee benefit expense	35	(32 887)	(33 158)	(27 319)	(27 772)
Impairment of financial assets	36	119	936	146	929
Impairment and writedown of other assets	36	(1 486)	(875)	(1 490)	(875)
Other expenses	37	(24 018)	(18 674)	(32 255)	(26 251)
Profit before depreciation and amortisation expense and net fair value and foreign exchange gain/(loss) (EBITDA)		32 813	36 816	31 836	35 199
Depreciation and amortisation expense	38	(27 016)	(27 779)	(26 983)	(27 693)
Net fair value and foreign exchange gain/(loss)	39	883	(4 626)	284	(4 261)
Profit before net finance cost		6 680	4 411	5 137	3 245
Net finance cost		(31 509)	(31 407)	(32 619)	(32 696)
Finance income	40	2 400	2 610	1 409	1 468
Finance cost	41	(33 909)	(34 017)	(34 028)	(34 164)
Share of profit of equity-accounted investees after tax	11	71	63	–	–
Loss before tax		(24 758)	(26 933)	(27 482)	(29 451)
Income tax	42	5 824	6 164	6 880	6 844
Loss for the year[2]		(18 934)	(20 769)	(20 602)	(22 607)

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Loss for the year[2]		(18 934)	(20 769)	(20 602)	(22 607)
Other comprehensive (loss)/income		(7 298)	7 630	(7 308)	7 605
Items that may be reclassified subsequently to profit or loss		(6 658)	4 836	(6 670)	4 858
Cash flow hedges					
Changes in fair value	16	(9 249)	7 557	(9 249)	7 557
Net amount transferred to profit or loss		385	(444)	385	(444)
Amortisation of effective portion of terminated cash flow hedges	39	(276)	(325)	(276)	(325)
Ineffective portion of cash flow hedges	39	661	(119)	661	(119)
Net amount transferred to initial carrying amount of hedged items		(400)	(366)	(400)	(366)
Foreign currency translation differences on foreign operations		12	(22)	–	–
Income tax thereon	42	2 594	(1 889)	2 594	(1 889)
Items that may not be reclassified subsequently to profit or loss		(640)	2 794	(638)	2 747
Re-measurement of benefits	28	(890)	3 883	(887)	3 815
Income tax thereon	42	250	(1 089)	249	(1 068)
Total comprehensive loss for the year[2]		(26 232)	(13 139)	(27 910)	(15 002)

1. Refer to note 49.
2. A nominal amount is attributable to the non-controlling interest in the group. The remainder is attributable to the owner of the company.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital	Cash flow hedge reserve	Unrealised fair value reserve	Foreign currency translation reserve	Accumulated profit	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm
Group						
Balance at 31 March 2019	83 000	1 967	(13 641)	19	78 862	150 207
Previously reported	83 000	1 967	(13 641)	19	78 633	149 978
Prior year restatements, net of tax[1]	–	–	–	–	229	229
Loss for the year	–	–	–	–	(20 769)	(20 769)
Other comprehensive income, net of tax	–	4 858	–	(22)	2 794	7 630
Share capital issued	49 000	–	–	–	–	49 000
Transfers between reserves	–	–	(3 971)	–	3 971	–
Balance at 31 March 2020	132 000	6 825	(17 612)	(3)	64 858	186 068
Loss for the year	–	–	–	–	(18 934)	(18 934)
Other comprehensive loss, net of tax	–	(6 670)	–	12	(640)	(7 298)
Share capital issued	56 000	–	–	–	–	56 000
Transfers between reserves	–	–	5 626	–	(5 626)	–
Balance at 31 March 2021	188 000	155	(11 986)	9	39 658	215 836
Company						
Balance at 31 March 2019	83 000	1 967	(13 641)	–	64 302	135 628
Previously reported	83 000	1 967	(13 641)	–	64 073	135 399
Prior year restatements, net of tax[1]	–	–	–	–	229	229
Loss for the year	–	–	–	–	(22 607)	(22 607)
Other comprehensive income, net of tax	–	4 858	–	–	2 747	7 605
Share capital issued	49 000	–	–	–	–	49 000
Transfers between reserves	–	–	(3 971)	–	3 971	–
Balance at 31 March 2020	132 000	6 825	(17 612)	–	48 413	169 626
Loss for the year	–	–	–	–	(20 602)	(20 602)
Other comprehensive loss, net of tax	–	(6 670)	–	–	(638)	(7 308)
Share capital issued	56 000	–	–	–	–	56 000
Transfers between reserves	–	–	5 626	–	(5 626)	–
Balance at 31 March 2021	188 000	155	(11 986)	–	21 547	197 716

Share capital

Refer to note 24 for details regarding share capital.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (forward exchange contracts and cross-currency swaps) related to hedged transactions that have not yet occurred. The cross-currency swap hedges foreign exchange rate and interest rate risk of the future interest payments and the principal repayment on bonds and loans (denominated in US dollar, euro and yen). The reserve includes an unamortised gain of R130 million (2020: R406 million) relating to the effective portion of terminated hedges that is amortised to the income statement over the remaining life of the underlying hedged item.

Unrealised fair value reserve

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

Foreign currency translation reserve

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

Accumulated profit

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

Non-controlling interest

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

1. Refer to note 49.

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2021

	Note	Group 2021	Group 2020	Company 2021	Company 2020
		Rm	Rm	Rm	Rm
Cash flows from operating activities					
Cash generated from operations	43	30 070	36 338	27 654	34 474
Net cash from/(used in) derivatives held for risk management		1 399	(81)	1 395	(78)
Finance income received		278	377	278	377
Finance cost paid		(42)	(60)	(42)	(59)
Income taxes paid		(1 047)	(367)	–	–
		30 658	36 207	29 285	34 714
Cash flows used in investing activities					
Disposals of property, plant and equipment		182	508	183	498
Disposals of intangible assets		26	–	26	–
Acquisitions of property, plant and equipment		(22 540)	(24 009)	(22 827)	(24 479)
Acquisitions of intangible assets		(166)	(260)	(55)	(153)
Acquisitions of future fuel supplies		(1 559)	(1 261)	(1 559)	(1 261)
Disposals of insurance investments		12 966	9 188	–	–
Acquisitions of insurance investments		(14 955)	(11 930)	–	–
Payments made in advance		(139)	(2)	(139)	(2)
Cash used in provisions		(885)	(846)	(885)	(846)
Net cash used in derivatives held for risk management		(1 049)	(120)	(1 049)	(120)
Net cash from loans receivable		264	12	94	150
Cash from finance lease receivables		35	54	35	54
Dividends received		47	66	1 086	46
Dividends received – investment in equity-accounted investees	11	48	39	–	–
Finance income received		1 400	1 550	398	511
		(26 325)	(27 011)	(24 692)	(25 602)
Cash flows (used in)/from financing activities					
Debt securities and borrowings raised	44	15 756	32 036	16 285	32 124
Payments made in advance	44	(329)	(642)	(329)	(642)
Debt securities and borrowings repaid	44	(65 586)	(31 511)	(67 016)	(31 599)
Share capital issued	24	56 000	49 000	56 000	49 000
Net cash from derivatives held for risk management	44	7 859	1 843	7 859	1 843
Cash used in lease liabilities	44	(497)	(423)	(496)	(422)
Net cash from financial trading assets	44	152	9	152	9
Net cash used in financial trading liabilities	44	(213)	(33)	(213)	(33)
Finance income received		791	597	775	558
Finance cost paid		(37 070)	(39 111)	(37 184)	(39 205)
Taxes paid		(78)	(84)	(78)	(84)
		(23 215)	11 681	(24 245)	11 549
Net (decrease)/increase in cash and cash equivalents		(18 882)	20 877	(19 652)	20 661
Cash and cash equivalents at beginning of the year		22 990	2 031	22 314	1 517
Foreign currency translation		12	(22)	–	–
Effect of movements in exchange rates on cash held		(159)	136	(159)	136
Assets and liabilities held-for-sale		80	(32)	–	–
Cash and cash equivalents at end of the year	21	4 041	22 990	2 503	22 314

Cash flow allocation

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

Derivatives held for risk management

Derivatives held for risk management are classified as operating, investing or financing activities based on the allocation of the cash flows of the underlying hedged item. Refer to note 16.

Payments made in advance

Payments made in advance that relate to the raising of debt securities and borrowings are classified as financing activities. Payments related to the acquisition of property, plant and equipment and intangible assets are allocated to investing activities. All other payments made in advance are deemed operational in nature and are therefore included within operating activities. Refer to note 18.

Provisions

Cash flows related to provisions for environmental restoration and mine-related closure, pollution control and rehabilitation, where the cost of property, plant and equipment as well as future fuel supplies includes environmental rehabilitation costs, are classified as investing activities. All other provisions are operational in nature and are classified as operating activities. Refer to note 29.

Finance income and costs

Finance income and costs are allocated in line with the allocation of the related balances on which the income or cost arose.

1. General information

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation and measurement

Statement of compliance

The consolidated financial statements of Eskom Holdings SOC Ltd at and for the year ended 31 March 2021 comprise the company (Eskom), its subsidiaries, joint ventures, associates and structured entities (together the group). The separate and consolidated financial statements have been prepared in accordance with IFRS and in the manner required by the PFMA and the Companies Act. The financial statements have been prepared on the going-concern basis and were approved for issue by the board on 23 August 2021.

Basis of measurement

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

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

Functional and presentation currency

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

Changes in accounting policies

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

2.2 Consolidation

Subsidiaries

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

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

Investment in equity-accounted investees

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

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

2.3 Foreign currency translation

Transactions and balances

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

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

Non-monetary items are measured at historical cost.

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

Foreign operations

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

2.4 Property, plant and equipment

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

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

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

	Owned Years	Right-of-use Years
Buildings and facilities	10 to 40	2 to 5
Plant		
• Generating	2 to 80	2 to 15
• Transmitting	5 to 40	n/a
• Distributing	5 to 35	n/a
• Other	3 to 40	40
Equipment and vehicles	2 to 15	2 to 5

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

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

2.5 Intangible assets

Research and development

Research expenditure is recognised as an expense as incurred.

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

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

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

Rights

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

Computer software

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

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

2. Summary of significant accounting policies (continued)

2.5 Intangible assets (continued)

Concession assets

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

2.6 Impairment of non-financial assets

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

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

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

2.7 Capitalisation of borrowing costs

Borrowing costs attributable to the construction of qualifying assets are capitalised as part of the cost of these assets over the period of construction, until the asset is substantially ready for its intended use. All other borrowing costs are expensed in the period in which they occur.

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

2.8 Leases

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

Lessee accounting

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

Right-of-use assets

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

Lease liabilities

The group recognises a lease liability at the commencement of a lease at the present value of the lease payments that have to be made over the lease term. The lease payments include fixed payments. There were no variable lease payments that impacted the determination of the lease payments.

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

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

Short-term leases and leases of low-value assets

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

Lessor accounting

Finance leases

Finance lease receivables mainly comprise premium power supply equipment contracts.

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

Operating leases

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

2.9 Payments made in advance

Securing debt raised

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

Environmental rehabilitation trust fund

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

Other

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

2.10 Financial instruments

2.10.1 Financial assets (excluding derivatives)

Classification

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

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

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

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

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

Financial assets are classified into the following categories:

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- it is held within a business model whose objective is to hold assets to collect contractual cash flows

Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

Fair value through profit or loss

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

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

2.10.1 Financial assets (excluding derivatives) (continued)

Measurement

Initial recognition

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

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

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

After initial recognition

Amortised cost

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

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

Fair value through other comprehensive income

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

Fair value through profit or loss

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

Impairment

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

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

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

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

All financial assets subject to impairment are monitored to assess whether they have been subject to a significant increase in credit risk after initial recognition. There will be a significant increase in credit risk when:

- payments are more than 30 days past due
- a significant qualitative event has occurred

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

An assessment is performed at each reporting date to determine whether financial assets subject to impairment are credit-impaired. A financial asset is credit-impaired when there is observable evidence that one or more event has occurred that has had a detrimental impact on the estimated future cash flows expected to flow from the asset such as:

- significant financial difficulty of the borrower, issuer or customer
- a breach of contract such as a default (where the counterparty is unlikely to pay its obligations) or being more than 90 days past due
- restructuring of a loan or advance on terms that the group would not otherwise consider
- it is probable that the borrower or customer will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for a security because of financial difficulties

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

Expected credit loss models and methods

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

Derecognition

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

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

2.10.2 Financial liabilities (excluding derivatives)

Classification

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

Measurement

Initial recognition

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

After initial recognition

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

Derecognition

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

2.10.3 Derivatives held for risk management

Classification and measurement

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

Economic hedges

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

Cash flow hedges

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

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

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

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

2.10.3 Derivatives held for risk management (continued)

Classification and measurement (continued)

Cash flow hedges (continued)

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

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

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

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

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

Sources of ineffectiveness include the following:

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

2.10.4 Embedded derivatives

Eskom 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 producer price indices that give rise to embedded derivatives.

Embedded derivatives that are not separated from the host contract are effectively accounted for as part of the hybrid instrument. Non-option based derivatives are separated on terms that result in a fair value of zero at the date of inception. Option-based derivatives are separated on the terms stated in the contracts and will not necessarily have a fair value equal to zero at the initial recognition of the embedded derivative resulting in day-one gains or losses. These day-one gains or losses are recognised over the period of the agreement. The fair value will depend on the strike price at inception.

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.

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

2.10.5 Repurchase and resale agreements

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

2.10.6 Financial guarantees

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

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

2.11 Future fuel supplies

Coal

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

Nuclear

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

2.12 Inventories

Coal, liquid fuel, maintenance spares and consumables

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

Nuclear fuel

Nuclear fuel consists of enriched and fabricated fuel assemblies and fuel in reactors. Nuclear fuel is stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and includes cost for the management of fuel assemblies that are written off on a straight-line basis to profit or loss within primary energy over the estimated useful life of the fuel in the reactor.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Income tax

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

2.15 Deferred tax

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

Deferred tax is not recognised for:

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

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

2.16 Payments received in advance, contract liabilities and deferred income

Customer connections

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

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

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

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

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

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

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

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

Connections for electricity customers that were connected before 30 June 2009

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

Refer to note 2.19 for revenue recognition of connections.

2. Summary of significant accounting policies (continued)

2.16 Payments received in advance, contract liabilities and deferred income (continued)

Grants

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

2.17 Employee benefit obligations

Post-employment medical benefits

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

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

Pension benefits

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

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

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

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

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

The rules of the EPPF have the effect that the fund is not a normal defined benefit fund in terms of IAS 19 as the employer is not required to automatically make good any deficit should it arises. The EPPF has been accounted for as a defined benefit fund in terms of IAS 19.

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

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

Despite an independent legal opinion that cited that there was no legal obligation on Eskom to make good any deficit, management noted when applying the requirements in IAS 19 that the benefit formula does not limit the payments to the assets in existence in the fund at the payment date. As a result, management concluded that the actuarial and investment risk fall on Eskom when considering the requirements of IAS 19 and therefore followed a conservative approach to classify the fund as a defined benefit fund.

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

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

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

Occasional and service leave

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

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

Bonus

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

2.18 Provisions

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

The valuation of long-term provisions requires a degree of judgement regarding the future cash flows and the timing thereof. Provisions are determined by discounting the expected future cash flows using 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 costs.

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

The main categories of provisions include the following:

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

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

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

Mine-related closure, pollution control and rehabilitation

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

Coal-related obligations

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

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

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

2.19 Revenue from contracts with customers

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

Revenue is recognised when a customer obtains control of the goods or services supplied. The amount of revenue recognised is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Eskom has a statutory obligation to charge value added tax (VAT), payable to the South African Revenue Service (SARS), when an invoice is created. The VAT is contractually recoverable from the customer and is included in trade and other receivables. Refer to note 19.

2. Summary of significant accounting policies (continued)

2.19 Revenue from contracts with customers (continued)

Customers that fail the collectability criterion are accounted for on a cash basis and revenue is only recognised when cash is received. Refer to note 4.6. An invoice is still raised for sales to these customers which gives rise to a related VAT entry that is allocated to trade and other receivables, even though the transaction price is not recognised in terms of IFRS 15. When cash is received from the customer, the transaction price is recognised in profit or loss within revenue, and the related payment for VAT is allocated against the trade and other receivables balance.

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

Revenue activity	Nature and timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition
Electricity sales	Performance obligation is settled when electricity is supplied to the customer. Most customers pay for electricity after consumption and have between 15 and 45 days to pay. Some customers prepay for electricity.	Revenue is recognised over time as electricity is consumed by the customer (ie when control is transferred) and is billed for on a monthly basis. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.
Connections	Connections arise when customers make a contribution to Eskom to construct regular distribution and transmission assets or when the constructed assets are transferred to Eskom to connect customers to the electricity network.	Connections that were completed before 30 June 2009 were allocated to deferred income when the customer was connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the expected useful life of the related assets. Connections that were completed after 30 June 2009 were recognised as revenue when the customer was connected to the electricity network in terms of IFRIC 18.
	Connections arise from contracts with customers who will also become electricity purchasing customers once they are connected and those who will not purchase electricity (eg property developers).	Connections that were completed from 1 April 2018 are recognised as follows: • connections relating to electricity purchasing customers where there is a material right are allocated to deferred income when the customer is connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the estimated customer relationship period of 25 years. Refer to note 27 for the contract liabilities of connections recognised on a straight-line basis • connections relating to electricity purchasing customers where there is not a material right are recognised as revenue over the initial contract term • connections relating to non-electricity purchasing customers are recognised as revenue at a point in time when the customer is connected to the electricity network
Other	*Ad hoc* requests for electricity-related services that are distinct from the sale of electricity or the connection of customers to the grid.	Revenue is recognised at a point in time when the service is completed.

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

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

2.20 Finance income

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

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

2.21 Finance cost

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

2.22 Assets and liabilities held-for-sale

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* 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.

2.23 Net debt

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

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

3. Capital management and going concern

3.1 Capital management

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

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

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Share capital	24	188 000	132 000	188 000	132 000
Accumulated profit		39 658	64 858	21 547	48 413
Net debt	44	398 210	415 190	401 962	420 395
		625 868	612 048	611 509	600 808
Facilities available – debt securities and borrowings[1]		39 112	61 373	39 112	61 373

3.1.1 Share capital

An additional R56 billion (2020: R49 billion) of shares was issued during the year.

3.1.2 Accumulated profit

Revenue

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

Refer to the turnaround plan section in the directors' report for more information on electricity tariffs.

Operating cost

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

The following income statement measures are monitored by management:

	Group 2021 %	Group 2020 %	Company 2021 %	Company 2020 %
EBITDA margin	16.06	18.46	15.58	17.65
Net profit margin	(9.27)	(10.41)	(10.08)	(11.33)

3.1.3 Net debt

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Funding spent	128 190	97 036	128 117	95 848
Debt repayment and net finance costs	101 865	70 025	103 425	70 246
Investment funding requirements	26 325	27 011	24 692	25 602
Funding raised	128 190	97 036	128 117	95 848
Cash from operations	30 658	36 207	29 285	34 714
Financing activities	78 650	81 706	79 180	81 795
Utilisation of cash	18 882	(20 877)	19 652	(20 661)

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

3. Capital management and going concern (continued)

3.1 Capital management (continued)

3.1.3 Net debt (continued)

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

		Group		Company	
	Unit	2021	2020	2021	2020
Net debt: equity	Ratio	1.84	2.23	2.03	2.48
Net debt: EBITDA	Ratio	12.14	11.28	12.63	11.94
Net debt service cover	Ratio	0.30	0.52	0.28	0.49
Free funds from operations: net debt	%	10.96	9.90	6.85	10.49

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

	Rating		Outlook	
	2021	2020	2021	2020
Standard & Poor's				
Foreign currency	CCC+	CCC+	Negative	Negative
Local currency	CCC+	CCC+	Negative	Negative
Moody's				
Foreign currency	Caa1	B2	Negative	Negative
Local currency	Caa1	B2	Negative	Negative
Fitch Ratings				
Foreign currency	–	–	Negative	Negative
Local currency	B	BB–	Negative	Negative

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

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

Refer to note 44 for a reconciliation of the movements and analysis of the composition of net debt.

3.2 Going concern

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

- recognised that Eskom continues to face various challenges that resulted from mismanagement and corruption. Significant progress has been made in cleaning-up irregularities and improving processes, but it is taking time to identify all issues and take appropriate corrective action and consequence management
- noted that there is a need to secure funding of R42 billion in 2022 (39% of the funding for 2022 had been secured by July 2021)
- considered the impact of the current economic climate and the sovereign's credit ratings on Eskom's ability to raise funds, including that the rating agencies have a cautious outlook on Eskom
- reviewed the performance of the group for the period ended 31 March 2021 including the net loss after tax of R18 934 million and the net current liabilities of R19 430 million
- considered that Eskom is in a debt reliant liquidity situation that resulted from low tariffs, stagnant and contracting sales volumes, above inflation cost increases and the capital programme to increase and replace generating and transmitting capacity
- noted the deterioration of some of the group's financial indicators
- considered the impact of the cash flow forecast for the 24 months ending 31 March 2023 and the projected net loss before tax for 2022, estimated at R13 476 million per the latest projections
- considered the impact of generation plant performance and the continuous increase in overdue electricity receivables (including the impact of non-recoverability of long outstanding electricity receivables)
- considered the possible impact if key risks materialise and acknowledged that the group is dependent on the positive outcome of undecided court proceedings lodged against NERSA and the liquidation of the RCA balances

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

- continuous engagement is taking place with the shareholder and National Treasury to ensure that the challenges that impact the group's going-concern status are addressed satisfactorily within a reasonable timeframe
- government continues to support Eskom to operate as a going concern given the strategic role that Eskom plays in pursuit of government objectives, with support of R31.7 billion in 2022 and R21.9 billion in 2023, which is aligned to the budget announcement made by the Minister of Finance in February 2021. The board is managing and regularly reporting on the conditions relating to the support that was allocated through the Special Appropriation Act in November 2019
- the special paper on Eskom released by the Department of Public Enterprises on 20 October 2019 provides a degree of clarity on the role that Eskom will play in the unfolding future of the country's electricity supply industry
- the board finalised the process to separate the business into the main line divisions (functional unbundling of Eskom) in line with the special paper. Progress has been made to prepare the business for the legal unbundling. The implications and requirements of the implementation including legislative and regulatory changes, legal structure and ownership, ultimate industry structure as well as addressing Eskom's financial viability including the debt challenge are being address and followed up with government
- court proceedings were lodged against NERSA regarding tarriff and RCA decisions. Refer to the turnaround plan section of the directors report for progress on the court proceedings
- the group's cost structures and capital programme are continuously being reviewed to extract cost savings and improve cash flows
- the group's generation capacity is being managed as a key focus area to ensure appropriate steps are being taken to manage the performance challenges
- there is continued focus on implementing relevant strategies in an effort to recover overdue trade receivables through the political task team
- the group is aware of the impact of large capital projects on its statement of financial position and will only engage on such projects with full disclosure and with the support of the shareholder
- funding options, with the support of National Treasury, are being pursued to implement the group's borrowing programme
- there is continued focus to address the shortcomings relating to the completeness of the irregular expenditure reporting process in terms of the PFMA (resulted in the qualified audit opinion in recent years) and the clean-up of the related challenges in the commercial environment

The board considered the risks relating to the group's going-concern status and is satisfied that the risks will be satisfactorily addressed with the mitigation strategies in place. The board continues to manage these strategies as a priority as it is important that they materialise as envisaged. The board therefore concluded that it is satisfied that the group has access to adequate resources and facilities to be able to continue its operations for the foreseeable future as a going concern.

4. Critical accounting estimates and assumptions

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

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period. Sensitivity analyses are calculated based on a change in a single key assumption keeping all other assumptions constant. In practice it is unlikely that changes in assumptions would occur in isolation from one another.

4.1 Embedded derivatives

Eskom 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 producer price indices that give rise to embedded derivatives.

The embedded derivatives consist of the following categories:

- commodity and/or foreign currency
- United States producer price and foreign currency

Valuation

Valuation techniques are used to determine the fair value as there is no active market for embedded derivatives. The fair value is determined by fair valuing the whole agreement and deducting from it the fair value of the host agreement. The valuation methods include the use of swaps (where the electricity tariff is swapped for a commodity in a foreign currency) and options (where the electricity tariff or other revenue is based on an embedded derivative floor or cap on foreign consumer or producer price indices or interest rates and a closed form analytic solution is used to produce various cap and floor strike prices).

A forward electricity price curve is used to value the host agreement and the derivative agreement is valued by using market forecasts of future commodity prices, foreign currency rand exchange rates, interest rate differentials, forecast sales volumes and production price and liquidity. The forward curves used are based on Eskom's financial years.

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 agreements or from independent market sources where appropriate. The only significant unobservable input is the United States producer price index (PPI).

4. Critical accounting estimates and assumptions (continued)

4.1 Embedded derivatives (continued)

Valuation (continued)

Valuation assumptions

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 following valuation assumptions were used for the valuation of embedded derivatives and are regarded as the best estimates by the board:

2021		Year ended 31 March					
Input	Unit	2021	2022	2023	2024	2025	2026
Aluminium price	USD per ton	2 206	2 252	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Volatility	Year-on-year (ratio)	0.16	0.16	0.16	0.16	0.16	0.16
Rand interest rates	Continuous actual/365 days (%)	3.53	4.52	4.32	4.88	5.43	5.97
Dollar interest rates	Annual actual/365 days (%)	0.18	0.28	0.29	0.51	0.78	1.04
South African PPI	Year-on-year (%)	6.18	6.06	5.15	7.00	5.32	6.33
United States PPI	Year-on-year (%)	7.31	1.85	2.44	1.61	1.25	2.23
Rand/USD	Rand per USD	14.75	15.38	15.98	16.81	17.76	18.86
Electricity price increase	Year-on-year (%)	8.76	15.06	n/a[1]	n/a[1]	n/a[1]	n/a[1]

2020		Year ended 31 March					
Input	Unit	2020	2021	2022	2023	2024	2025
Aluminium price	USD per ton	1 499	1 595	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Volatility	Year-on-year (ratio)	0.17	0.17	0.17	0.17	0.17	0.17
Rand interest rates	Continuous actual/365 days (%)	6.40	6.09	5.20	5.63	6.01	6.80
Dollar interest rates	Annual actual/365 days (%)	0.33	0.92	0.48	0.46	0.48	0.51
South African PPI	Year-on-year (%)	3.00	5.26	6.15	6.37	4.41	7.31
United States PPI	Year-on-year (%)	(1.97)	(0.14)	1.66	2.05	1.85	1.44
Rand/USD	Rand per USD	17.82	18.76	19.58	20.81	22.24	24.41
Electricity price increase	Year-on-year (%)	13.87	8.76	n/a[1]	n/a[1]	n/a[1]	n/a[1]

Sensitivity analysis

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

			Group and company			
			2021		2020	
Input	Unit	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
Aluminium price	USD per ton	1%	9	(9)	8	(8)
Rand interest rates	Continuous actual/365 days (%)	100 basis points	61	(72)	123	(141)
Dollar interest rates	Annual actual/365 days (%)	100 basis points	(56)	51	(101)	97
South African PPI	Index	1%	(58)	50	(50)	47
United States PPI	Index	1%	44	(49)	53	(51)
Rand/USD	Rand per USD	1%	25	(19)	19	(17)

4.2 Post-employment medical benefits

Valuation

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

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

Valuation assumptions

The principal actuarial assumptions used were:

		Group		Company	
	Unit	2021	2020	2021	2020
Discount rate	%	13.8	13.5	13.8	13.5
Medical aid inflation	%	10.2	9.2	10.2	9.2
Male longevity	years	14.42	14.42	14.42	14.42
Female longevity	years	20.82	20.82	20.82	20.82
Weighted average duration	years	18.10	17.70	18.20	17.80

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

Sensitivity analysis

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

		Group				Company			
	Change in assumption	2021		2020		2021		2020	
		increase Rm	decrease Rm	increase Rm	decrease Rm	increase Rm	decrease Rm	increase Rm	decrease Rm
Effect on aggregate current service cost and finance cost									
Discount rate	1%	(203)	249	(154)	189	(201)	247	(153)	187
Medical aid inflation	1%	439	(351)	356	(286)	433	(346)	350	(282)
Future mortality	1 year	60	(61)	48	(48)	60	(59)	47	(47)
Effect on post-employment medical benefits obligation									
Discount rate	1%	(1 904)	2 365	(1 593)	1 962	(1 870)	2 324	(1 562)	1 925
Medical aid inflation	1%	2 379	(1 939)	1 985	(1 630)	2 339	(1 905)	1 948	(1 598)
Future mortality	1 year	380	(383)	313	(317)	372	(375)	306	(310)

4.3 Pension benefits

Valuation

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

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

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

Valuation assumptions

The principal actuarial assumptions used were:

		Group and company	
	Unit	2021	2020
Discount rate	%	13.8	13.5
Long-term price inflation rate	%	8.2	7.2
Future salary inflation	%	9.7	8.7
Future pension increases	%	8.2	7.2
Male longevity	years	13.5	13.5
Female longevity	years	19.7	19.7
Weighted average duration	years	16.3	14.9

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

1. *The embedded derivative that is linked to commodity and/or foreign currency rates expires on 31 July 2021. Inputs beyond this date are therefore not relevant.*

4. Critical accounting estimates and assumptions (continued)

4.3 Pension benefits (continued)

Valuation (continued)

Sensitivity analysis

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

	Group and company			
	2021		2020	
	increase Rm	decrease Rm	increase Rm	decrease Rm
1% change in discount rate	(6 760)	7 873	(5 276)	6 670
1% change in inflation rate	8 232	(7 144)	6 923	(5 612)
1 year change in post-employment mortality	(1 543)	1 506	(1 166)	1 134

4.4 Occasional and service leave

Valuation

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

Valuation assumptions

The principal actuarial assumptions used were:

	Group and company	
	2021 %	2020 %
Discount rate	13.8	13.5
General price inflation	8.2	7.2
Salary increases	9.7	8.7
Leave usage	8.0	8.0

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

Sensitivity analysis

Based on current experience, 8% (2020: 8%) of the leave is utilised. If the rate at which leave is taken is 16% (2020: 16%), then the liability will increase by R108 million (2020: R101 million). If the rate at which leave is taken is 4% (2020: 4%), then the liability will decrease by R61 million (2020: R57 million).

The carrying amount of the occasional and service leave liability for the group is R1 426 million (2020: R1 302 million) and R1 311 million (2020: R1 212 million) for the company.

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

Valuation

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

Valuation assumptions

The real discount rate used for these provisions was 3.9% (2020: 4.8%) for the group and company.

Estimated payment dates

The estimated payment dates of the costs are:

	Group and company	
	2021	2020
Nuclear plant	2026 – 2041	2026 – 2041
Coal and pumped storage plants	2023 – 2099	2024 – 2098
Spent nuclear fuel	2022 – 2125	2021 – 2125
Mine-related closure, pollution control and rehabilitation	2022 – 2150	2021 – 2077

The estimated payment dates of the mine-related closure, pollution control and rehabilitation provision changed in line with the latest water studies where water treatment processes are expected to commence later than previously anticipated, as well as a result of impending legislation changes that will increase the duration of water treatment from 20 to 50 years.

Sensitivity analysis

The carrying amount of the power station-related environmental restoration and mine closure, pollution control and rehabilitation provisions would be an estimated R6 616 million (2020: R4 536 million) lower had the real discount rate used in the calculation of the provision increased by 1% and R8 984 million (2020: R5 845 million) higher had the real discount rate decreased by 1%.

4.6 Revenue from contracts with customers

Customer connections

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

Collectability of amounts receivable

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

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

4.7 Expected credit loss on financial assets

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

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

The exposure is the amount outstanding less any collateral. The probability of default measures the likelihood that the amount outstanding will become more than 90 days past due. The loss given default measures the expected credit loss in the event that the outstanding amount becomes more than 90 days past due. Cash flows are discounted at the original effective interest rate over the expected recovery period. Where the last cash flow relates to a recovery from SARS through a writeoff, the recovery period is determined based on current information and past experience limited to a maximum recovery period of five years.

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

The potential adverse impact of COVID-19 restrictions on the economy has been factored into the expected credit loss calculations at 31 March 2021 in a manner consistent with that applied in the comparative financial year. The group applied judgement in determining whether a significant increase in credit risk had occurred as a result of COVID-19 and no indicators of a significant increase were identified at the reporting date.

The impact of COVID-19 on expected credit losses at 31 March 2021 was calculated based on the group's best estimates using information available at the time of preparation of the financial statements and includes forward-looking assumptions. The probability of default for all models (except small power user trade receivables) was increased to reflect the forward-looking stress scenario impact of COVID-19 in a manner similar to that observed by Standard & Poor's during the 2008 financial crisis as this was determined to be the most appropriate stress scenario.

The probability of default of the expected credit loss models was adjusted despite the acyclical probability of default behaviour observed historically due to the severity of the COVID-19 impact and the global point-in-time probability of default reported by external rating agencies. Additionally, the base scenario considered the most appropriate for the municipality models (scorecard approach) assumes a "V" shaped recovery where there is a significant economic disruption while social distancing measures are in place followed by a sharp recovery when the restrictions are lifted. An alternative methodology was applied to small power users given the trend of increased probability of default observed. The increase in the probability of default for small power users was based on the largest observed historical quarterly increase.

4. Critical accounting estimates and assumptions (continued)

4.7 Expected credit loss on financial assets (continued)

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

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

5. Financial risk management

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

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

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

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

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

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

5.1 Credit risk

The carrying amounts of financial assets represent the maximum credit exposure. The group's maximum exposure as a result of financial guarantees issued is disclosed in note 45.1.

5.1.1 Trade and other receivables

Impairment analysis

	2021								
	Stage 2			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Trade receivables									
Group and company									
International	1 196	(28)	1 168	350	(315)	35	1 546	(343)	1 203
B– to BB+	1 057	(18)	1 039	350	(315)	35	1 407	(333)	1 074
Below B-	139	(10)	129	–	–	–	139	(10)	129
Local large power users – municipalities	7 736	(354)	7 382	5 375	(2 797)	2 578	13 111	(3 151)	9 960
BBB– to AAA	5 800	(9)	5 791	–	–	–	5 800	(9)	5 791
B– to BB+	966	(14)	952	2	–	2	968	(14)	954
Below B-	970	(331)	639	5 373	(2 797)	2 576	6 343	(3 128)	3 215
Local large power users – other	7 935	(54)	7 881	499	(392)	107	8 434	(446)	7 988
0 – 30 days	7 773	(13)	7 760	–	–	–	7 773	(13)	7 760
30 – 90 days	162	(41)	121	–	–	–	162	(41)	121
More than 90 days	–	–	–	499	(392)	107	499	(392)	107
Local small power users – Soweto									
More than 90 days	–	–	–	765	(229)	536	765	(229)	536
Local small power users – other	2 075	(139)	1 936	1 285	(956)	329	3 360	(1 095)	2 265
0 – 30 days	1 753	(59)	1 694	–	–	–	1 753	(59)	1 694
30 – 90 days	322	(80)	242	–	–	–	322	(80)	242
More than 90 days	–	–	–	1 285	(956)	329	1 285	(956)	329
	18 942	(575)	18 367	8 274	(4 689)	3 585	27 216	(5 264)	21 952

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.1 Trade and other receivables (continued)

Impairment analysis (continued)

	2021								
	Stage 2			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Trade and other receivables									
Group	19 744	(619)	19 125	8 585	(4 982)	3 603	28 329	(5 601)	22 728
Trade receivables	18 942	(575)	18 367	8 274	(4 689)	3 585	27 216	(5 264)	21 952
Other receivables (B– to BB+)	802	(44)	758	311	(293)	18	1 113	(337)	776
Company	22 359	(728)	21 631	8 531	(4 946)	3 585	30 890	(5 674)	25 216
Trade receivables	18 942	(575)	18 367	8 274	(4 689)	3 585	27 216	(5 264)	21 952
Other receivables (B– to BB+)	3 417	(153)	3 264	257	(257)	–	3 674	(410)	3 264

	2020								
	Stage 2			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Trade receivables									
Group and company									
International	1 144	(13)	1 131	456	(205)	251	1 600	(218)	1 382
B– to BB+	1 064	(9)	1 055	456	(205)	251	1 520	(214)	1 306
Below B-	80	(4)	76	–	–	–	80	(4)	76
Local large power users – municipalities	7 803	(543)	7 260	4 910	(2 829)	2 081	12 713	(3 372)	9 341
BBB– to AAA	5 374	(5)	5 369	–	–	–	5 374	(5)	5 369
B– to BB+	1 126	(10)	1 116	2	–	2	1 128	(10)	1 118
Below B-	1 303	(528)	775	4 908	(2 829)	2 079	6 211	(3 357)	2 854
Local large power users – other	7 259	(45)	7 214	387	(310)	77	7 646	(355)	7 291
0–30 days	7 097	(20)	7 077	–	–	–	7 097	(20)	7 077
30–90 days	162	(25)	137	–	–	–	162	(25)	137
More than 90 days	–	–	–	387	(310)	77	387	(310)	77
Local small power users – Soweto More than 90 days	–	–	–	2 913	(2 242)	671	2 913	(2 242)	671
Local small power users – other	2 029	(154)	1 875	1 057	(837)	220	3 086	(991)	2 095
0–30 days	1 717	(59)	1 658	–	–	–	1 717	(59)	1 658
30–90 days	312	(95)	217	–	–	–	312	(95)	217
More than 90 days	–	–	–	1 057	(837)	220	1 057	(837)	220
	18 235	(755)	17 480	9 723	(6 423)	3 300	27 958	(7 178)	20 780
Trade and other receivables									
Group	18 990	(784)	18 206	10 111	(6 728)	3 383	29 101	(7 512)	21 589
Trade receivables	18 235	(755)	17 480	9 723	(6 423)	3 300	27 958	(7 178)	20 780
Other receivables (B– to BB+)	755	(29)	726	388	(305)	83	1 143	(334)	809
Company	20 751	(858)	19 893	10 080	(6 705)	3 375	30 831	(7 563)	23 268
Trade receivables	18 235	(755)	17 480	9 723	(6 423)	3 300	27 958	(7 178)	20 780
Other receivables (B– to BB+)	2 516	(103)	2 413	357	(282)	75	2 873	(385)	2 488

ECL percentages used

	2021			2020		
	Stage 2 %	Stage 3 %	Total %	Stage 2 %	Stage 3 %	Total %
Trade receivables						
Group and company						
International	2	90	22	1	45	14
B– to BB+	2	90	24	1	45	14
Below B-	7	–	7	5	–	5
Local large power users – municipalities	5	52	24	7	58	27
B– to BB+	1	–	1	1	–	1
Below B-	34	52	49	41	58	54
Local large power users – other	1	79	5	1	80	5
30–90 days	25	–	25	15	–	15
More than 90 days	–	79	79	–	80	80
Local small power users – Soweto More than 90 days	–	30	30	–	77	77
Local small power users – other	7	74	33	8	79	32
0–30 days	3	–	3	3	–	3
30–90 days	25	–	25	30	–	30
More than 90 days	–	74	74	–	79	79
	3	57	19	4	66	26

Age analysis of trade receivables balances

	2021				2020			
	<1 year %	>1 year %	>2 years %	>3 years %	<1 year %	>1 year %	>2 years %	>3 years %
International	86	14	–	–	99	1	–	–
Local large power users – municipalities	76	9	7	8	81	7	5	7
Local large power users – other	99	1	–	–	100	–	–	–
Local small power users – Soweto	18	20	20	42	18	6	4	72
Local small power users – other	76	10	6	8	80	8	6	6

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

Reconciliation of movements in allowance for impairment

	Note	2021 Stage 2 Rm	2021 Stage 3 Rm	2021 Total Rm	2020 Total Rm
Group					
Balance at beginning of the year		784	6 728	7 512	9 495
Raised/(reversed) to the income statement	36	307	(478)	(171)	(943)
Reversed on payment of opening balance		(453)	(2 045)	(2 498)	(3 974)
Remeasurement of opening balances held at year end		12	(111)	(99)	203
Raised on new balances		748	1 678	2 426	2 828
Transfer of balances between stage 2 and 3		(467)	467	–	–
Finance income on stage 3 balances		–	133	133	190
Writeoffs		(5)	(1 868)	(1 873)	(1 230)
Balance at end of the year	19	619	4 982	5 601	7 512
Company					
Balance at beginning of the year		858	6 705	7 563	9 500
Raised/(reversed) to the income statement	36	339	(487)	(148)	(898)
Reversed on payment of opening balance		(453)	(2 045)	(2 498)	(4 043)
Remeasurement of opening balances held at year end		12	(111)	(99)	200
Raised on new balances		780	1 669	2 449	2 945
Transfer of balances between stage 2 and 3		(467)	467	–	–
Finance income on stage 3 balances		–	133	133	190
Writeoffs		(2)	(1 872)	(1 874)	(1 229)
Balance at end of the year	19	728	4 946	5 674	7 563

Security held for trade receivables (guarantees and deposits)

Group and company

	2021 Fair value of security held: Credit impaired receivables Rm	2021 Fair value of security held: Not credit impaired receivables Rm	2021 Fair value of security held: Total Rm	2021 Security called upon Rm	2021 Renegotiated balances Rm	2020 Fair value of security held: Credit impaired receivables Rm	2020 Fair value of security held: Not credit impaired receivables Rm	2020 Fair value of security held: Total Rm	2020 Security called upon Rm	2020 Renegotiated balances Rm
International	–	6	6	–	–	–	6	6	–	–
Local large power users	361	11 996	12 357	52	3 215	182	10 771	10 953	19	2 938
Municipalities	247	530	777	3	3 174	146	531	677	2	2 924
Other	114	11 466	11 580	49	41	36	10 240	10 276	17	14
Local small power users	165	2 316	2 481	92	50	126	2 268	2 394	43	52
Soweto	13	–	13	2	2	13	–	13	–	1
Other	152	2 316	2 468	90	48	113	2 268	2 381	43	51
	526	14 318	14 844	144	3 265	308	13 045	13 353	62	2 990

Additional information

Trade receivables

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

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

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

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

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

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

The main classes of trade receivables are:

International customers

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

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

The expected credit loss percentage for balances in stage 3 increased year-on-year because of challenges faced with an amount charged to a customer in the previous financial year. The amount is still regarded as being recoverable and management are engaged in discussions with the customer regarding the late payment thereof.

Local large power users

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

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

Eskom continues to execute its municipal debt management strategy to ensure maximum collections from non-paying municipalities. Unfortunately, Eskom's attempts to enforce contractual credit control is hampered by drawn out litigation and interdicts granted by the courts in the interest of municipal end-consumers. Due to a judgement handed down by the Supreme Court of Appeal, Eskom's collection process has been revised to align with the Intergovernmental Relations Framework Act, which impacts on the time to collect. Eskom is advocating an active partnering solution whereby Eskom supports municipalities with distribution, reticulation and revenue collection services.

Interventions include:

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

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

A large portion of the gross carrying amount owed by municipalities that was over 90 days past due at 31 March 2020 has still not been paid at 31 March 2021 because the ongoing challenges with defaulting municipalities.

The proportion of the balance made up of VAT recoverable from municipal customers accounted for on the cash basis (refer to note 2.19) has increased from 2020 to 2021. These balances carry a lower impairment percentage as they are recoverable from SARS through a writeoff and, as a result, the overall expected credit loss has reduced.

Local small power users

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

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

Trade receivables (continued)

Local small power users (continued)

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

The residential revenue management strategy, which includes Soweto, continues to be implemented. Soweto receivables are an identified high credit risk area subject to specific credit risk management as the collection of revenue from customers in Soweto remains a challenge. The payment levels expressed as a percentage of billed revenue (excluding interest) for the year were 21% (2020: 21%).

A large portion of the gross carrying amount owed by Soweto that was over 90 days past due at 31 March 2020 has still not been paid at 31 March 2021. There was a writeoff in 2021, mainly to balances older than 3 years, which resulted in the reduction of the expected credit loss percentage for Soweto receivables. The remaining Soweto receivable balance comprises mainly of VAT recoverable from Soweto customers accounted for on the cash basis (refer to note 2.19). As these balances are ultimately recoverable from SARS through a writeoff, the impairment percentages are effectively lower.

The expected credit loss percentage for small power users (other than Soweto) in the stage 3 category reduced year-on-year due to an improvement in the recovery of balances that were over 90 days past due.

Other receivables

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

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

5.1.2 Derivatives held for risk management, financial trading assets and cash and cash equivalents
Impairment analysis

	2021			2020		
	Not subject to impairment	Subject to impairment Stage 1	Total	Not subject to impairment	Subject to impairment Stage 1	Total
	Rm	Rm	Rm	Rm	Rm	Rm
Group						
Derivatives held for risk management	11 379	–	11 379	57 636	–	57 636
BBB– to AAA	5 465	–	5 465	19 125	–	19 125
B– to BB+	5 914	–	5 914	38 511	–	38 511
Financial trading assets						
B– to BB+	–	–	–	–	152	152
Cash and cash equivalents	–	4 041	4 041	–	22 990	22 990
BBB– to AAA	–	138	138	–	2 516	2 516
B– to BB+	–	3 901	3 901	–	20 472	20 472
Unrated	–	2	2	–	2	2
Company						
Derivatives held for risk management	11 381	–	11 381	57 636	–	57 636
BBB– to AAA	5 467	–	5 467	19 125	–	19 125
B– to BB+	5 914	–	5 914	38 511	–	38 511
Financial trading assets						
B– to BB+	–	–	–	–	152	152
Cash and cash equivalents	–	2 503	2 503	–	22 314	22 314
BBB– to AAA	–	75	75	–	2 516	2 516
B– to BB+	–	2 426	2 426	–	19 796	19 796
Unrated	–	2	2	–	2	2

The gross values for financial trading assets and cash and cash equivalents approximate their carrying values as the impairments calculated are immaterial.

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

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

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

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

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

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

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

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

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

5.1.3 Insurance investments
Impairment analysis

	Group						
	Not subject to impairment	Subject to impairment Stage 1			Total		
	Gross	Gross	Allowance for impairment	Carrying value	Gross	Allowance for impairment	Carrying value
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2021							
B– to BB+	–	12 546	(79)	12 467	12 546	(79)	12 467
Not subject to credit risk	1 934	–	–	–	1 934	–	1 934
	1 934	12 546	(79)	12 467	14 480	(79)	14 401
2020							
B– to BB+	–	10 694	(12)	10 682	10 694	(12)	10 682
Not subject to credit risk	1 299	–	–	–	1 299	–	1 299
	1 299	10 694	(12)	10 682	11 993	(12)	11 981

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

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

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.4 Finance lease receivables

Impairment analysis

	Group and company								
	Stage 1			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
2021									
B– to BB+	336	(10)	326	2	(1)	1	338	(11)	327
2020									
B– to BB+	376	(6)	370	3	(1)	2	379	(7)	372

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

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

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

5.1.5 Loans receivable

Impairment analysis

	Stage 1			Stage 2			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Group												
2021												
Home loans	7 640	(4)	7 636	248	(4)	244	230	(37)	193	8 118	(45)	8 073
B– to BB+	7 640	(4)	7 636	248	(4)	244	–	–	–	7 888	(8)	7 880
Below B-	–	–	–	–	–	–	230	(37)	193	230	(37)	193
Other loans	256	(4)	252	2	–	2	2	(2)	–	260	(6)	254
B– to BB+	256	(4)	252	2	–	2	–	–	–	258	(4)	254
Below B-	–	–	–	–	–	–	2	(2)	–	2	(2)	–
	7 896	(8)	7 888	250	(4)	246	232	(39)	193	8 378	(51)	8 327
2020												
Other loans												
B– to BB+	56	(2)	54	–	–	–	–	–	–	56	(2)	54
Company												
2021												
Other loans												
B– to BB+	5 779	(21)	5 758	–	–	–	–	–	–	5 779	(21)	5 758
2020												
Other loans												
B– to BB+	5 948	(11)	5 937	–	–	–	–	–	–	5 948	(11)	5 937

Home loans

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

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

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

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

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

	Unit	Group 2021
Carrying value of credit-impaired balances	Rm	193
Fair value of properties held as security for credit-impaired loans	Rm	129
Weighted average loan to value ratio	%	87.29
Average repayment period	years	28

The repayment to EFC of the portion of home loans exceeding 80% of the property's market value is guaranteed by Eskom. Refer to note 45 for details regarding this guarantee.

Other loans

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

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

5.2 Market risk

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

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

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

Financial instruments mainly managed by the treasury department

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

Financial instruments managed by various divisions and subsidiaries

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

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 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. Subsequent to year end, these contracts were replaced from 1 August 2021 with terms that no longer contain embedded derivatives.

The valuation methods and inputs are discussed in the accounting policies (refer to note 2.10.4) and the valuation assumptions and sensitivities are disclosed under critical accounting estimates and assumptions (refer to note 4.1). Risks arising from these contracts are discussed under the relevant risk areas as follows:

- currency risk (refer to note 5.2.1)
- commodity risk (refer to note 5.2.2)
- interest rate risk (refer to note 5.2.3)
- other price risk (refer to note 5.2.5)

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 SARB regulations.

5. Financial risk management (continued)

5.2 Market risk (continued)

5.2.1 Currency risk

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

	EUR	USD	GBP	JPY	SEK
2021					
Foreign currency exposure (notional amounts in millions per currency)					
Group					
Liabilities					
Debt securities and borrowings	(1 896)	(8 550)	–	(693)	–
Trade and other payables	(52)	(3)	(1)	–	(10)
Gross statement of financial position exposure	(1 948)	(8 553)	(1)	(693)	(10)
Estimated forecast purchases[1]	(338)	(185)	(9)	(140)	(2)
Gross exposure	(2 286)	(8 738)	(10)	(833)	(12)
Derivatives held for risk management[2]	2 286	8 736	10	833	12
Net exposure	–	(2)	–	–	–
Company					
Liabilities					
Debt securities and borrowings	(1 896)	(8 550)	–	(693)	–
Trade and other payables	(52)	(3)	(1)	–	(10)
Gross statement of financial position exposure	(1 948)	(8 553)	(1)	(693)	(10)
Estimated forecast purchases[1]	(338)	(185)	(9)	(140)	(2)
Gross exposure	(2 286)	(8 738)	(10)	(833)	(12)
Derivatives held for risk management[2]	2 286	8 736	10	833	12
Net exposure	–	(2)	–	–	–
Mid-spot rate for one unit of the currency to the rand	17.32	14.75	20.34	0.13	1.69
2020					
Foreign currency exposure (notional amounts in millions per currency)					
Group					
Assets					
Cash and cash equivalents	–	200	–	–	–
Liabilities					
Debt securities and borrowings	(2 198)	(9 877)	–	(2 483)	–
Trade and other payables	(36)	(4)	(1)	–	(18)
Gross statement of financial position exposure	(2 234)	(9 681)	(1)	(2 483)	(18)
Estimated forecast purchases[1]	(450)	(225)	(7)	(169)	(86)
Gross exposure	(2 684)	(9 906)	(8)	(2 652)	(104)
Derivatives held for risk management[2]	2 684	9 904	8	2 652	104
Net exposure	–	(2)	–	–	–
Company					
Assets					
Cash and cash equivalents	–	200	–	–	–
Liabilities					
Debt securities and borrowings	(2 198)	(9 877)	–	(2 483)	–
Trade and other payables	(36)	(4)	(1)	–	(18)
Gross statement of financial position exposure	(2 234)	(9 681)	(1)	(2 483)	(18)
Estimated forecast purchases[1]	(450)	(225)	(7)	(169)	(86)
Gross exposure	(2 684)	(9 906)	(8)	(2 652)	(104)
Derivatives held for risk management[2]	2 683	9 904	8	2 652	104
Net exposure	(1)	(2)	–	–	–
Mid-spot rate for one unit of the currency to the rand	19.55	17.82	22.17	0.16	1.78

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

Sensitivity analysis

	Group and company			
	2021		2020	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss) before tax				
Rand/EUR exposure	36	(36)	48	(48)
Rand/USD exposure	35	(29)	32	(30)
Rand/other currency	2	(2)	(4)	4
Equity				
Rand/EUR exposure	45	(45)	67	(67)
Rand/USD exposure	189	(189)	302	(302)
Rand/other currency	–	–	2	(2)

5.2.2 Commodity risk

The group is exposed to commodity risk where commodities are either used directly (liquid fuels) or indirectly as a component of plant, equipment or inventory (eg aluminium, copper or steel). The 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 optimal economic solution and in compliance with the SARB requirements. The periods of the hedging instrument and that of the hedged item are not the same because of SARB regulations that limit the number of years which can be hedged.

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 4.1.

5.2.3 Interest rate risk

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

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

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

Sensitivity analysis

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

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

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

	Group				Company			
	2021		2020		2021		2020	
	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm
Profit/(loss) before tax								
Rand interest rates	204	(222)	283	(311)	179	(197)	262	(290)
EUR interest rates	(85)	44	(137)	80	(85)	44	(137)	80
USD interest rates	(330)	331	(468)	472	(330)	331	(468)	472
Other currency interest rates	(1)	1	(1)	1	(1)	1	(1)	1
Equity								
Rand interest rates	3 909	(4 110)	4 622	(4 868)	3 909	(4 110)	4 622	(4 868)
EUR interest rates	(760)	812	(1 103)	1 184	(760)	812	(1 103)	1 184
USD interest rates	(4 217)	4 514	(6 475)	6 960	(4 217)	4 514	(6 475)	6 960
Other currency interest rates	(1)	1	(4)	4	(1)	1	(4)	4

5. Financial risk management (continued)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

Fixed and floating rate debt

	Group and company			
	2021		2020	
	fixed %	floating %	fixed %	floating %
Proportion of fixed versus floating rate debt at 31 March	73	27	72	28

5.2.4 Equity price risk

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

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

Carrying values of investments per sector

	Group			
	2021		2020	
	Rm	portfolio %	Rm	portfolio %
Banks, financial services and insurance	433	22	337	26
Basic materials and resources	492	25	198	15
Consumer goods and services	887	46	645	50
Other	122	7	119	9
	1 934	100	1 299	100

A 1% increase or decrease in share prices would have increased/decreased profit or loss before tax by R19 million (2020: R13 million) and there would have been no impact on equity.

5.2.5 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 4.1. The risk arises from movements in South African and United States PPI. Refer to note 26 for the group's quantitative exposure to other price risk.

Sensitivity analysis

	Group and company			
	2021		2020	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss) before tax				
South African PPI	(58)	50	(50)	47
United States PPI	44	(49)	53	(51)

5.3 Liquidity risk

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

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

The management of group liquidity and funding risk is centralised in the treasury department in accordance with practices and limits set by 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 by the treasury department and by Exco and ARC. Refer to note 45.

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

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

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

5.3.1 Key liquidity indicators

		Group		Company	
	Unit	2021	2020	2021	2020
Weighted average term to maturity of debt securities and borrowings	years	6.65	6.64	6.65	6.64
Working capital	ratio	1.27	1.09	1.27	1.09
Cash interest cover	ratio	0.85	0.94	0.80	0.90
Net debt service cover	ratio	0.30	0.52	0.28	0.49
Liquid assets	Rm	4 041	22 990	2 503	22 314

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

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

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

5.3.2 Primary sources of funding and unused facilities

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

5. Financial risk management (continued)

5.3 Liquidity risk (continued)

5.3.2 Primary sources of funding and unused facilities (continued)

	ZAR 2021 m	ZAR 2020 m	EUR 2021 m	EUR 2020 m	USD 2021 m	USD 2020 m
Group and company						
Facilities available						
Export credit agencies	–	–	332	338	1	1
Crédit Agricole Corporate and Investment Bank – Coface	–	–	44	44	–	–
Banque Nationale de Paris Paribas – Coface	–	–	201	201	–	–
Kreditanstalt für Wiederaufbau – Hermes	–	–	87	93	–	–
Export-Import Bank of the United States	–	–	–	–	1	1
Development financing institutions	4 072	4 327	73	76	1 899	2 746
World Bank	–	–	–	–	289	667
African Development Bank	2 631	2 886	73	76	25	25
Clean technology fund – African Development Bank	–	–	–	–	58	58
Clean technology fund – World Bank	–	–	–	–	215	215
New Development Bank	–	–	–	–	155	169
Kreditanstalt für Wiederaufbau	–	–	–	–	100	100
Agence Française de Développement	1 441	1 441	–	–	–	–
China Development Bank	–	–	–	–	1 057	1 512
	4 072	4 327	405	414	1 900	2 747
Funds received during the year						
Export credit agencies	–	–	6	15	–	8
Kreditanstalt für Wiederaufbau – Hermes	–	–	6	15	–	–
Export-Import Bank of the United States	–	–	–	–	–	8
Development financing institutions	255	129	3	36	527	975
World Bank[1]	–	–	–	–	58	26
African Development Bank[2]	255	129	3	36	–	–
New Development Bank[3]	–	–	–	–	14	11
China Development Bank[4]	–	–	–	–	455	938
	255	129	9	51	527	983

Government guarantees available

	2021 Domestic multi-term note programme Rm	2021 General Rm	2021 Total Rm	2020 Domestic multi-term note programme Rm	2020 General Rm	2020 Total Rm
Group and company						
Opening balance	2 936	22 860	25 796	9 694	31 685	41 379
Guarantee granted	145 000	205 000	350 000	135 000	215 000	350 000
Accumulated amounts used	(142 064)	(182 140)	(324 204)	(125 306)	(183 315)	(308 621)
Facilities withdrawn	–	2 384	2 384	–	2 164	2 164
Facilities repaid	7 625	15 000	22 625	–	6 813	6 813
Facilities raised	(5 336)	–	(5 336)	(16 758)	(7 802)	(24 560)
Guarantee swap	–	–	–	10 000	(10 000)	–
Closing balance	5 225	40 244	45 469	2 936	22 860	25 796
Guarantee granted	145 000	205 000	350 000	145 000	205 000	350 000
Accumulated amounts used	(139 775)	(164 756)	(304 531)	(142 064)	(182 140)	(324 204)

1. *Funds received were reimbursements on payments made by Eskom to various suppliers for goods and services related to the Medupi power station and Majuba rail projects.*
2. *Funds received were reimbursements on payments made by Eskom to various suppliers for goods and services supplied for the Medupi power station boilers and turbines as well as transmission projects.*
3. *Funds received were for the renewable energy integration and transmission augmentation project.*
4. *Funds received were for the Medupi and Kusile power stations.*

5.3.3 Contractual cash flows

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

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

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

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

	Nominal inflow/ outflow Rm	Cash flows 0–3 months Rm	Cash flows 4–12 months Rm	Cash flows 1–5 years Rm	Cash flows >5 years Rm
2021					
Group					
Financial assets					
Loans receivable	15 072	215	644	3 258	10 955
Derivatives held for risk management	19 025	4	672	3 938	14 411
Finance lease receivables	504	19	56	248	181
Trade and other receivables	66 120	64 071	2 049	–	–
Insurance investments	17 749	5 859	11 890	–	–
Cash and cash equivalents	4 041	4 041	–	–	–
	122 511	74 209	15 311	7 444	25 547
Financial liabilities					
Debt securities and borrowings	715 011	12 349	60 886	208 658	433 118[1]
Derivatives held for risk management	8 807	3 270	6 003	5 825	(6 291)
Lease liabilities	16 911	455	1 365	6 999	8 092
Trade and other payables	37 698	29 577	8 121	–	–
Financial trading liabilities	2	2	–	–	–
	778 429	45 653	76 375	221 482	434 919
Company					
Financial assets					
Loans receivable	5 837	2 654	3 183	–	–
Derivatives held for risk management	19 025	4	672	3 938	14 411
Finance lease receivables	504	19	56	248	181
Trade and other receivables	68 694	64 569	4 125	–	–
Cash and cash equivalents	2 503	2 503	–	–	–
	96 563	69 749	8 036	4 186	14 592
Financial liabilities					
Debt securities and borrowings	707 764	9 696	57 319	207 631	433 118[1]
Derivatives held for risk management	8 805	3 270	6 001	5 825	(6 291)
Lease liabilities	16 909	456	1 364	6 997	8 092
Trade and other payables	39 858	31 772	8 086	–	–
Financial trading liabilities	2	2	–	–	–
Financial guarantees	19	19	–	–	–
	773 357	45 215	72 770	220 453	434 919

1. *The maturity profile of undiscounted contractual payments of debt securities and borrowings due after 5 years comprise of R252 billion (2020: R284 billion) between years 5 and 10 and R181 billion (2020: R231 billion) beyond year 10.*

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

	Nominal inflow/ outflow Rm	Cash flows 0–3 months Rm	4–12 months Rm	1–5 years Rm	>5 years Rm
2020					
Group					
Financial assets					
Loans receivable	56	7	21	28	–
Derivatives held for risk management	100 716	4 344	19 987	21 582	54 803
Finance lease receivables	593	20	58	271	244
Trade and other receivables	63 519	62 050	1 469	–	–
Insurance investments	11 993	3 928	8 065	–	–
Financial trading assets	152	152	–	–	–
Cash and cash equivalents	22 990	22 990	–	–	–
	200 019	93 491	29 600	21 881	55 047
Financial liabilities					
Debt securities and borrowings	885 309	8 860	93 491	267 531	515 427[1]
Derivatives held for risk management	3 709	113	4 727	(115)	(1 016)
Lease liabilities	18 639	459	1 375	7 002	9 803
Trade and other payables	38 704	30 249	8 036	419	–
Financial trading liabilities	213	213	–	–	–
	946 574	39 894	107 629	274 837	524 214
Company					
Financial assets					
Loans receivable	6 067	2 514	3 553	–	–
Derivatives held for risk management	100 716	4 344	19 987	21 582	54 803
Finance lease receivables	593	20	58	271	244
Trade and other receivables	65 023	63 713	1 310	–	–
Financial trading assets	152	152	–	–	–
Cash and cash equivalents	22 314	22 314	–	–	–
	194 865	93 057	24 908	21 853	55 047
Financial liabilities					
Debt securities and borrowings	889 956	11 067	95 975	267 487	515 427[1]
Derivatives held for risk management	3 712	114	4 729	(115)	(1 016)
Lease liabilities	18 636	459	1 375	6 999	9 803
Trade and other payables	40 426	33 610	6 397	419	–
Financial trading liabilities	213	213	–	–	–
Financial guarantees	4	4	–	–	–
	952 947	45 467	108 476	274 790	524 214

1. *The maturity profile of undiscounted contractual payments of debt securities and borrowings due after 5 years comprise of R252 billion (2020: R284 billion) between years 5 and 10 and R181 billion (2020: R231 billion) beyond year 10.*

6. Accounting classification and fair value
6.1 Accounting classification

	Note	2021 Fair value through profit or loss Rm	2021 Amortised cost Rm	2021 Other assets and liabilities Rm	2021 Total Rm	2020 Fair value through profit or loss Rm	2020 Amortised cost Rm	2020 Other assets and liabilities Rm	2020 Total Rm
Group									
Financial assets									
Loans receivable	15	–	8 327	–	8 327	–	54	–	54
Home loans		–	8 073	–	8 073	–	–	–	–
Other loans		–	254	–	254	–	54	–	54
Derivatives held for risk management	16	179	–	11 200	11 379	8 851	–	48 785	57 636
Foreign exchange contracts		24	–	8	32	8 508	–	847	9 355
Cross-currency swaps		–	–	11 192	11 192	241	–	47 938	48 179
Commodity forwards		–	–	–	–	2	–	–	2
Credit default swaps		5	–	–	5	9	–	–	9
Inflation-linked swaps		150	–	–	150	91	–	–	91
Finance lease receivables	17	–	–	327	327	–	–	372	372
Trade and other receivables	19	–	22 728	–	22 728	–	21 589	–	21 589
Insurance investments	14	1 934	12 467	–	14 401	1 299	10 682	–	11 981
Negotiable certificates of deposit		–	12 467	–	12 467	–	10 682	–	10 682
Listed shares		1 934	–	–	1 934	1 299	–	–	1 299
Financial trading assets	14	–	–	–	–	–	152	–	152
Cash and cash equivalents	21	–	4 041	–	4 041	–	22 990	–	22 990
Bank balances		–	4 041	–	4 041	–	9 897	–	9 897
Unsettled deals		–	–	–	–	–	25	–	25
Fixed deposits		–	–	–	–	–	13 068	–	13 068
		2 113	47 563	11 527	61 203	10 150	55 467	49 157	114 774
Financial liabilities									
Debt securities and borrowings	25	–	401 826	–	401 826	–	483 682	–	483 682
Eskom bonds		–	161 171	–	161 171	–	157 037	–	157 037
Commercial paper		–	1 251	–	1 251	–	5 444	–	5 444
Eurorand zero coupon bonds		–	5 600	–	5 600	–	4 964	–	4 964
Foreign bonds		–	55 553	–	55 553	–	98 563	–	98 563
Development financing institutions		–	143 174	–	143 174	–	154 489	–	154 489
Export credit facilities		–	23 343	–	23 343	–	32 746	–	32 746
Floating rate notes		–	2 027	–	2 027	–	4 046	–	4 046
Other loans		–	9 707	–	9 707	–	26 393	–	26 393
Embedded derivatives	26	–	–	1 491	1 491	–	–	1 136	1 136
Derivatives held for risk management	16	4 148	–	4 222	8 370	868	–	2 073	2 941
Foreign exchange contracts		3 827	–	398	4 225	58	–	29	87
Cross-currency swaps		219	–	3 824	4 043	4	–	2 044	2 048
Commodity forwards		–	–	–	–	6	–	–	6
Credit default swaps		102	–	–	102	710	–	–	710
Inflation-linked swaps		–	–	–	–	90	–	–	90
Lease liabilities	30	–	–	8 969	8 969	–	–	9 350	9 350
Trade and other payables	31	–	35 924	–	35 924	–	38 700	–	38 700
Financial trading liabilities	14	2	–	–	2	214	–	–	214
		4 150	437 750	14 682	456 582	1 082	522 382	12 559	536 023

6. Accounting classification and fair value (continued)

6.1 Accounting classification (continued)

	Note	2021 Fair value through profit or loss Rm	2021 Amortised cost Rm	2021 Other assets and liabilities Rm	2021 Total Rm	2020 Fair value through profit or loss Rm	2020 Amortised cost Rm	2020 Other assets and liabilities Rm	2020 Total Rm
Company									
Financial assets									
Loans receivable									
Loans to subsidiaries	15	–	5 758	–	5 758	–	5 937	–	5 937
Derivatives held for risk management	16	181	–	11 200	11 381	8 851	–	48 785	57 636
Foreign exchange contracts		26	–	8	34	8 508	–	847	9 355
Cross-currency swaps		–	–	11 192	11 192	241	–	47 938	48 179
Commodity forwards		–	–	–	–	2	–	–	2
Credit default swaps		5	–	–	5	9	–	–	9
Inflation-linked swaps		150	–	–	150	91	–	–	91
Finance lease receivables	17	–	–	327	327	–	–	372	372
Trade and other receivables	19	–	25 216	–	25 216	–	23 268	–	23 268
Financial trading assets	14	–	–	–	–	–	152	–	152
Cash and cash equivalents	21	–	2 503	–	2 503	–	22 314	–	22 314
Bank balances		–	2 503	–	2 503	–	9 221	–	9 221
Unsettled deals		–	–	–	–	–	25	–	25
Fixed deposits		–	–	–	–	–	13 068	–	13 068
		181	33 477	11 527	45 185	8 851	51 671	49 157	109 679
Financial liabilities									
Debt securities and borrowings	25	–	404 042	–	404 042	–	488 214	–	488 214
Eskom bonds		–	161 171	–	161 171	–	157 037	–	157 037
Commercial paper		–	3 184	–	3 184	–	8 114	–	8 114
Eurorand zero coupon bonds		–	5 600	–	5 600	–	4 964	–	4 964
Foreign bonds		–	55 553	–	55 553	–	98 563	–	98 563
Development financing institutions		–	143 174	–	143 174	–	154 489	–	154 489
Export credit facilities		–	23 343	–	23 343	–	32 746	–	32 746
Floating rate notes		–	2 027	–	2 027	–	4 046	–	4 046
Other loans		–	9 990	–	9 990	–	28 255	–	28 255
Embedded derivatives	26	–	–	1 491	1 491	–	–	1 136	1 136
Derivatives held for risk management	16	4 148	–	4 222	8 370	872	–	2 073	2 945
Foreign exchange contracts		3 827	–	398	4 225	62	–	29	91
Cross-currency swaps		219	–	3 824	4 043	4	–	2 044	2 048
Commodity forwards		–	–	–	–	6	–	–	6
Credit default swaps		102	–	–	102	710	–	–	710
Inflation-linked swaps		–	–	–	–	90	–	–	90
Lease liabilities	30	–	–	8 967	8 967	–	–	9 347	9 347
Trade and other payables	31	–	38 086	–	38 086	–	40 420	–	40 420
Financial trading liabilities	14	2	–	–	2	214	–	–	214
		4 150	442 128	14 680	460 958	1 086	528 634	12 556	542 276

6.2 Fair value

Valuation processes

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

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

Principal markets

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

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

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs

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

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

Valuation techniques

Financial instrument	Valuation technique
Level 1: Quoted prices (unadjusted) in active markets	
Financial trading assets (government bonds) and insurance investments (listed shares)	Quoted bid price in active markets. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Financial trading liabilities (short-sold government bonds)	Quoted bid price in active markets. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2: Inputs other than quoted prices included within level 1 that are observable	
Loans receivable, insurance investments (negotiable certificates of deposit), debt securities and borrowings and financial trading assets and liabilities (repurchase agreement assets and liabilities)	A discounted cash flow technique is used which uses expected cash flows and a market-related discount rate.
Derivatives held for risk management	Valuation determined with reference to broker quotes as well as use of discounted cash flow and option pricing models. Broker quotes are tested for reasonableness by discounting expected future cash flows using a market interest rate for a similar instrument at the measurement date. Valuations of cross-currency swaps include the credit risk of Eskom (known as debit value adjustment) and counterparties (known as credit value adjustment) where appropriate. A stochastic modelling approach is followed where the expected future exposure to credit risk for Eskom and its counterparties (considering default probabilities and recovery rates derived from market data) is modelled.
Trade and other receivables and payables and cash and cash equivalents	Fair values have not been disclosed for financial instruments where the carrying amounts are a reasonable approximation of fair value.
Level 3: Unobservable inputs	
Embedded derivative liabilities	Fair valued using unobservable inputs. Refer to note 26 for a movement reconciliation and to note 4.1 for information regarding the valuation techniques and assumptions used.

6. Accounting classification and fair value (continued)

6.2 Fair value (continued)

Fair value hierarchy (continued)

The fair value hierarchy of financial instruments is as follows:

	Measured at fair value	2021 Level 1 Rm	2021 Level 2 Rm	2021 Level 3 Rm	2020 Level 1 Rm	2020 Level 2 Rm	2020 Level 3 Rm
Group							
Financial assets							
Loans receivable		–	7 388	–	–	56	–
Home loans	No	–	7 263	–	–	–	–
Other loans	No	–	125	–	–	56	–
Derivatives held for risk management		–	11 379	–	–	57 636	–
Foreign exchange contracts	Yes	–	32	–	–	9 355	–
Cross-currency swaps	Yes	–	11 192	–	–	48 179	–
Commodity forwards	Yes	–	–	–	–	2	–
Credit default swaps	Yes	–	5	–	–	9	–
Inflation-linked swaps	Yes	–	150	–	–	91	–
Insurance investments		1 934	12 795	–	1 299	11 112	–
Negotiable certificates of deposit	No	–	12 795	–	–	11 112	–
Listed shares	Yes	1 934	–	–	1 299	–	–
Financial trading assets							
Repurchase agreements	No	–	–	–	–	152	–
Financial liabilities							
Debt securities and borrowings		–	375 082	–	–	405 651	–
Eskom bonds	No	–	148 291	–	–	134 690	–
Commercial paper	No	–	1 123	–	–	5 431	–
Eurorand zero coupon bonds	No	–	4 557	–	–	3 256	–
Foreign bonds	No	–	58 588	–	–	79 100	–
Development financing institutions	No	–	126 004	–	–	121 287	–
Export credit facilities	No	–	24 404	–	–	32 051	–
Floating rate notes	No	–	2 028	–	–	3 971	–
Other loans	No	–	10 087	–	–	25 865	–
Embedded derivatives	Yes	–	–	1 491	–	–	1 136
Derivatives held for risk management		–	8 370	–	–	2 941	–
Foreign exchange contracts	Yes	–	4 225	–	–	87	–
Cross-currency swaps	Yes	–	4 043	–	–	2 048	–
Commodity forwards	Yes	–	–	–	–	6	–
Credit default swaps	Yes	–	102	–	–	710	–
Inflation-linked swaps	Yes	–	–	–	–	90	–
Financial trading liabilities							
Repurchase agreements	Yes	–	2	–	–	214	–

	Measured at fair value	2021 Level 1 Rm	2021 Level 2 Rm	2021 Level 3 Rm	2020 Level 1 Rm	2020 Level 2 Rm	2020 Level 3 Rm
Company							
Financial assets							
Loans receivable							
Loans to subsidiaries	No	–	5 777	–	–	5 935	–
Derivatives held for risk management		–	11 381	–	–	57 636	–
Foreign exchange contracts	Yes	–	34	–	–	9 355	–
Cross-currency swaps	Yes	–	11 192	–	–	48 179	–
Commodity forwards	Yes	–	–	–	–	2	–
Credit default swaps	Yes	–	5	–	–	9	–
Inflation-linked swaps	Yes	–	150	–	–	91	–
Financial trading assets							
Repurchase agreements	No	–	–	–	–	152	–
Financial liabilities							
Debt securities and borrowings		–	377 435	–	–	410 205	–
Eskom bonds	No	–	148 291	–	–	134 690	–
Commercial paper	No	–	3 192	–	–	8 124	–
Eurorand zero coupon bonds	No	–	4 557	–	–	3 256	–
Foreign bonds	No	–	58 588	–	–	79 100	–
Development financing institutions	No	–	126 004	–	–	121 287	–
Export credit facilities	No	–	24 404	–	–	32 051	–
Floating rate notes	No	–	2 028	–	–	3 971	–
Other loans	No	–	10 371	–	–	27 726	–
Embedded derivatives	Yes	–	–	1 491	–	–	1 136
Derivatives held for risk management		–	8 370	–	–	2 945	–
Foreign exchange contracts	Yes	–	4 225	–	–	91	–
Cross-currency swaps	Yes	–	4 043	–	–	2 048	–
Commodity forwards	Yes	–	–	–	–	6	–
Credit default swaps	Yes	–	102	–	–	710	–
Inflation-linked swaps	Yes	–	–	–	–	90	–
Financial trading liabilities							
Repurchase agreements	Yes	–	2	–	–	214	–

7. Segment information

Management has determined the reportable segments based on the reports regularly provided, reviewed and used by Exco to make strategic decisions and assess performance of the segments. Exco assesses the performance of the operating segments based on a measure of profit or loss consistent with that of the financial statements. The amounts provided to Exco with respect to total assets and liabilities are measured in terms of IFRS. These assets and liabilities are allocated based on the operation of the segment and the physical location of the assets.

The operations in each of the group's reportable segments are as follows:

Segment	Operations
Generation	Consists of the following components: • primary energy procurement • electricity generation • planning, development, execution and monitoring of generation-related capital projects
Transmission	Consists of the following components: • transmission grids and the integrated demand management area. These functions operate and maintain the transmission network for transmitting electricity and also sell bulk electricity to international customers • the southern African energy and energy planning and market development areas. Their activities include systems operations, purchase or sale of electricity from or to southern African countries, purchase of electricity from IPPs and wholesale energy for the purposes of energy trading
Distribution	Consists of nine provincial operating units who provide, operate and maintain the distribution network for distributing electricity as well as a retail function that sells electricity to local large and small power users.
All other segments	Relates to operating segments which are below the quantitative thresholds for determining a reportable segment in terms of IFRS 8 *Operating segments* which includes the group's subsidiaries as well as all service and strategic functions which do not qualify as a reportable segment in terms of IFRS 8.

7. Segment information (continued)

As a consequence of the group's evolving structure, the balances and activities of the previously reported group capital division are now managed and reported as part of the transmission and distribution segments. The 2020 segment report has been restated in line with the revised reportable segment structure.

The revenue earned by subsidiaries is presented in the segment note in line with what is reported in the respective subsidiary financial statements. Inter-segment transfer pricing for the flow of electricity from generator to consumer is allocated between the generation, transmission and distribution segments based on cost recovery plus a uniform return on assets informed by the regulatory determination. All direct corporate overhead costs are allocated to the relevant segments and a cost driver apportionment is used to split the remaining overhead costs on an equal basis between segments. Net finance costs, net fair value and foreign exchange gains/(losses) are allocated to segments based on divisional funding requirements.

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

	Generation Rm	Transmission Rm	Distribution Rm	All other segments Rm	Reallocation and inter-segment transactions Rm	Group Rm
2021						
External revenue	–	10 065	194 261	1 467	(1 467)	204 326
Inter-segment revenue/recoveries	136 566	32 910	(169 286)	12 585	(12 775)	–
Total revenue	136 566	42 975	24 975	14 052	(14 242)	204 326
Other income	2 340	277	516	1 609	(2 080)	2 662
Primary energy	(80 073)	(35 818)	(12)	–	–	(115 903)
Employee benefit expense	(10 942)	(2 347)	(11 583)	(8 015)	–	(32 887)
Impairment of financial assets	(44)	(133)	333	(197)	160	119
Impairment and writedown of other assets – raised	(1 460)	(7)	(19)	(4)	4	(1 486)
Other expenses	(24 016)	(1 824)	(9 566)	(2 756)	14 144	(24 018)
Profit/(loss) before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain (EBITDA)	22 371	3 123	4 644	4 689	(2 014)	32 813
Depreciation and amortisation expense	(19 342)	(3 063)	(3 977)	(847)	213	(27 016)
Net fair value and foreign exchange gain/(loss)	106	372	(395)	796	4	883
Profit/(loss) before net finance (cost)/income	3 135	432	272	4 638	(1 797)	6 680
Net finance (cost)/income	(23 350)	(5 206)	(2 769)	(407)	223	(31 509)
Finance income	710	92	326	1 214	58	2 400
Finance cost	(24 060)	(5 298)	(3 095)	(1 621)	165	(33 909)
Share of profit of equity-accounted investees	–	–	–	71	–	71
(Loss)/profit before tax	(20 215)	(4 774)	(2 497)	4 302	(1 574)	(24 758)
Income tax	–	–	–	5 686	138	5 824
(Loss)/profit for the year	(20 215)	(4 774)	(2 497)	9 988	(1 436)	(18 934)
Other information						
Segment assets	542 661	78 969	115 931	66 198	(22 531)	781 228
Investment in equity-accounted investees	–	–	–	420	–	420
Total assets	542 661	78 969	115 931	66 618	(22 531)	781 648
Total liabilities	82 494	19 116	47 458	440 284	(23 540)	565 812
Additions to property, plant and equipment and intangible assets	16 722	3 160	6 249	(2 944)	(348)	22 839

	Generation Rm	Transmission Rm	Distribution Rm	All other segments Rm	Reallocation and inter-segment transactions Rm	Group Rm
2020						
External revenue	–	11 783	187 685	1 534	(1 534)	199 468
Inter-segment revenue/recoveries	135 351	28 438	(163 549)	11 189	(11 429)	–
Total revenue	135 351	40 221	24 136	12 723	(12 963)	199 468
Other income	863	14	672	779	(1 090)	1 238
Primary energy	(79 344)	(32 763)	(12)	–	–	(112 119)
Employee benefit expense	(10 756)	(2 027)	(11 454)	(8 921)	–	(33 158)
Impairment of financial assets	(113)	481	542	(67)	93	936
Impairment and writedown of other assets – raised	(933)	–	–	–	–	(933)
Impairment and writedown of other assets – reversed	–	–	–	58	–	58
Other expenses	(18 963)	(2 321)	(9 814)	(2 288)	14 712	(18 674)
Profit/(loss) before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain (EBITDA)	26 105	3 605	4 070	2 284	752	36 816
Depreciation and amortisation expense	(20 091)	(2 843)	(3 893)	(1 173)	221	(27 779)
Net fair value and foreign exchange (loss)/gain	(6 025)	(764)	2 119	45	(1)	(4 626)
Profit/(loss) before net finance (cost)/income	(11)	(2)	2 296	1 156	972	4 411
Net finance (cost)/income	(23 332)	(5 246)	(2 820)	(273)	264	(31 407)
Finance income	403	160	406	1 570	71	2 610
Finance cost	(23 735)	(5 406)	(3 226)	(1 843)	193	(34 017)
Share of profit of equity-accounted investees	–	–	–	63	–	63
(Loss)/profit before tax	(23 343)	(5 248)	(524)	946	1 236	(26 933)
Income tax	–	–	–	6 524	(360)	6 164
(Loss)/profit for the year	(23 343)	(5 248)	(524)	7 470	876	(20 769)
Other information						
Segment assets	527 887	78 644	113 814	115 568	(21 729)	814 184
Investment in equity-accounted investees	–	–	–	397	–	397
Assets held-for-sale	–	–	–	8 642	–	8 642
Total assets	527 887	78 644	113 814	124 607	(21 729)	823 223
Total liabilities	71 887	16 764	45 009	526 587	(23 092)	637 155
Additions to property, plant and equipment and intangible assets	18 378	887	5 448	509	(558)	24 664

	Group			
	Revenue		Non-current assets	
	2021	2020	2021	2020
Geographical information	Rm	Rm	Rm	Rm
South Africa	193 943	187 239	672 690	663 508
Foreign countries	10 383	12 229	297	271
	204 326	199 468	672 987	663 779

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.

8. Property, plant and equipment

	Note	2021 Land, buildings and facilities Rm	2021 Plant Generating Rm	2021 Plant Transmitting Rm	2021 Plant Distributing Rm	2021 Spares and other Rm	2021 Equipment and vehicles Rm	2021 Work under construction Rm	2021 Total Rm	2020 Total Rm
Group										
Carrying value at beginning of the year		8 840	295 220	44 548	75 327	14 524	5 663	209 237	653 359	650 440
Cost		11 070	414 173	64 834	129 487	16 251	17 510	210 156	863 481	838 701
Accumulated depreciation and impairment losses		(2 230)	(118 953)	(20 286)	(54 160)	(1 727)	(11 847)	(919)	(210 122)	(188 261)
Adoption of IFRS 16		–	–	–	–	–	–	–	–	132
Additions and transfers		131	182	88	340	(245)	277	21 900	22 673	24 404
Transfers of assets from customers		–	–	509	1 106	–	–	–	1 615	1 421
Commissioning of assets constructed		200	66 466	2 649	5 752	29	99	(75 195)	–	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(32)	(32)	(132)
Finance cost capitalised	41	–	–	–	–	–	–	11 716	11 716	14 584
Provisions capitalised	29	–	2 367	–	–	–	–	1 012	3 379	(2 664)
Disposals and writeoffs		(12)	(5)	(3)	(6)	(10)	(44)	(1 904)[1]	(1 984)	(5 180)
Depreciation		(227)	(19 583)	(2 280)	(5 072)	(87)	(908)	–	(28 157)	(28 785)
Net impairment	36	–	–	–	–	–	–	–	–	(861)
Carrying value at end of the year		8 932	344 647	45 511	77 447	14 211	5 087	166 734	662 569	653 359
Cost		11 392	476 396	68 056	136 448	15 995	17 660	166 734	892 681	863 481
Accumulated depreciation and impairment losses		(2 460)	(131 749)	(22 545)	(59 001)	(1 784)	(12 573)	–	(230 112)	(210 122)
Company										
Carrying value at beginning of the year		8 620	296 032	44 710	75 549	14 524	4 365	210 595	654 395	651 036
Cost		10 769	416 102	65 023	129 803	16 251	14 290	211 514	863 752	838 559
Accumulated depreciation and impairment losses		(2 149)	(120 070)	(20 313)	(54 254)	(1 727)	(9 925)	(919)	(209 357)	(187 523)
Adoption of IFRS 16		–	–	–	–	–	–	–	–	132
Additions and transfers		123	182	88	340	(245)	242	22 230	22 960	24 799
Transfers of assets from customers		–	–	509	1 106	–	–	–	1 615	1 421
Commissioning of assets constructed		20	66 578	2 670	5 781	29	83	(75 161)	–	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(32)	(32)	(132)
Finance cost capitalised	41	–	–	–	–	–	–	11 716	11 716	14 584
Provisions capitalised	29	–	2 367	–	–	–	–	1 012	3 379	(2 664)
Disposals and writeoffs		(12)	(5)	(3)	(6)	(10)	(44)	(1 904)[1]	(1 984)	(5 167)
Depreciation		(225)	(19 772)	(2 288)	(5 087)	(87)	(750)	–	(28 209)	(28 753)
Net impairment	36	–	–	–	–	–	–	–	–	(861)
Carrying value at end of the year		8 526	345 382	45 686	77 683	14 211	3 896	168 456	663 840	654 395
Cost		10 902	478 438	68 266	136 793	15 995	14 386	168 456	893 236	863 752
Accumulated depreciation and impairment losses		(2 376)	(133 056)	(22 580)	(59 110)	(1 784)	(10 490)	–	(229 396)	(209 357)

1. *Includes R1 274 million relating to a writeoff of work under construction at Duvha power station unit 3 due to the cancellation of the recovery project.*

The total depreciation charge for property, plant and equipment is disclosed in profit or loss in the following categories:

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Depreciation and amortisation expense	38	28 145	28 773	28 197	28 741
Primary energy		12	12	12	12
		28 157	28 785	28 209	28 753

Average rates of finance cost capitalised to qualifying assets:

	Group and company 2021 %	Group and company 2020 %
General borrowings	9.15	9.84
Specific borrowings	8.62	9.09

Property, plant and equipment includes the following right-of-use asset balances:

	2021 Land, buildings and facilities Rm	2021 Plant Generating Rm	2021 Plant Spares and other Rm	2021 Equipment and vehicles Rm	2021 Total Rm	2020 Total Rm
Group						
Carrying value at beginning of the year	142	7 080	110	64	7 396	7 841
Cost	234	9 768	567	70	10 639	10 335
Accumulated depreciation and impairment losses	(92)	(2 688)	(457)	(6)	(3 243)	(2 494)
Adoption of IFRS 16	–	–	–	–	–	132
Additions	119	–	–	–	119	172
Disposals and writeoffs	(8)	–	–	–	(8)	–
Depreciation	(99)	(638)	(12)	(14)	(763)	(749)
Carrying value at end of the year	154	6 442	98	50	6 744	7 396
Cost	281	9 768	567	70	10 686	10 639
Accumulated depreciation and impairment losses	(127)	(3 326)	(469)	(20)	(3 942)	(3 243)
Company						
Carrying value at beginning of the year	141	7 080	110	61	7 392	7 841
Cost	233	9 768	567	67	10 635	10 335
Accumulated depreciation and impairment losses	(92)	(2 688)	(457)	(6)	(3 243)	(2 494)
Adoption of IFRS 16	–	–	–	–	–	132
Additions	119	–	–	–	119	168
Disposals and writeoffs	(8)	–	–	–	(8)	–
Depreciation	(98)	(638)	(12)	(13)	(761)	(749)
Carrying value at end of the year	154	6 442	98	48	6 742	7 392
Cost	280	9 768	567	67	10 682	10 635
Accumulated depreciation and impairment losses	(126)	(3 326)	(469)	(19)	(3 940)	(3 243)

9. Intangible assets

	Note	2021 Rights Rm	2021 Computer software Rm	2021 Concession assets Rm	2021 Total Rm	2020 Total Rm
Group						
Carrying value at beginning of the year		3 138	421	271	3 830	3 925
Cost		3 358	4 984	465	8 807	10 871
Accumulated amortisation and impairment losses		(220)	(4 563)	(194)	(4 977)	(6 946)
Additions and transfers		39	17	110	166	260
Writeoffs		–	(26)	–	(26)	–
Amortisation	38	–	(230)	(84)	(314)	(355)
Carrying value at end of the year		3 177	182	297	3 656	3 830
Cost		3 393	1 555	575	5 523	8 807
Accumulated amortisation and impairment losses		(216)	(1 373)	(278)	(1 867)	(4 977)
Company						
Carrying value at beginning of the year		3 138	420	–	3 558	3 706
Cost		3 358	4 655	–	8 013	10 177
Accumulated amortisation and impairment losses		(220)	(4 235)	–	(4 455)	(6 471)
Additions and transfers		39	16	–	55	153
Writeoffs		–	(26)	–	(26)	–
Amortisation	38	–	(229)	–	(229)	(301)
Carrying value at end of the year		3 177	181	–	3 358	3 558
Cost		3 393	1 218	–	4 611	8 013
Accumulated amortisation and impairment losses		(216)	(1 037)	–	(1 253)	(4 455)

Impairment assessment of indefinite useful life intangible assets

Rights are part of the Eskom CGU and were tested for impairment as part of the CGU. The recoverable amount of the CGU was determined based on its value in use and no impairment loss was recognised on the CGU.

The value-in-use calculation is based on the regulatory electricity pricing methodology where the rate of return on Eskom's assets should be equal to its weighted average cost of capital (WACC). The return can only be equal to WACC if the price of electricity is cost-reflective. In reality, the electricity price is not cost-reflective and Eskom earns a return on assets that is much lower than its pre-tax WACC. The value-in-use calculation assumed that the electricity price will migrate to cost reflectivity over a period of time in line with the Electricity Pricing Policy.

Estimates in the value-in-use calculation include long-term growth rates, electricity sales volumes and prices, available generation capacity and discount rates. Estimates are based on past experience and expectations of future changes in the market, including the prevailing economic climate.

The cash flow projections were based on the Eskom Corporate Plan for 2022 to 2026 and an extrapolation of this information thereafter until the electricity price breaks even (ie when the electricity price is cost reflective). The projections after the first five years were extrapolated based on the estimated long-term average growth rates and inflation. The extrapolation beyond the first five years was deemed appropriate as generating plant have long useful lives and it is estimated that it could take longer than five years to achieve a cost-reflective price.

The price of electricity is a key input in the value-in-use calculation. The price path is based on the NERSA determination (adjusted for the impact of the recent court decisions relating to the treatment of the government equity support and the RCA decisions) and a gradual migration towards cost reflectivity. It is not expected that a reasonable possible change in any of the key assumptions would cause the carrying value of the CGU to exceed the recoverable amount.

The price increase used for group and company was:

	Year ended 31 March 2022 %	2023 %	2024 %	2025 %	2026 %	2027 %
2021						
Price increase	13	15	10	10	10	9

	Year ended 31 March 2021 %	2022 %	2023 %	2024 %	2025 %	2026 %
2020						
Price increase	11	13	14	10	10	10

A pre-tax nominal discount rate of 12.46% (2020: 12.46%) was used as derived from the NERSA determination. An average long-term growth rate of 2% (2020: 1%) was used to extrapolate cash flow projections after year five.

10. Future fuel supplies

	Note	Group and company 2021 Coal Rm	2021 Nuclear Rm	2021 Total Rm	2020 Total Rm
Carrying value at beginning of the year		4 165	130	4 295	6 471
Net additions		310	1 249	1 559	1 261
Provisions capitalised	29	619	–	619	(1 063)
Basis adjustment – cash flow hedge reserve		–	(368)	(368)	(234)
Transfer to inventories	20	(721)	(970)	(1 691)	(2 140)
Carrying value at end of the year		4 373	41	4 414	4 295

11. Investment in equity-accounted investees

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Balance at beginning of the year	397	373	95	95
Share of profit after tax	71	63	–	–
Dividends received	(48)	(39)	–	–
Balance at end of the year	420	397	95	95

The group's investments in joint ventures and associates are not individually material.

The group's share of the results of its significant joint ventures, all of which are unlisted, is as follows:

Name	Main business	Country of incorporation	Interest held %	2021 Group Share of profit after tax for the year Rm	2021 Company Investment at cost Rm	2020 Group Share of profit after tax for the year Rm	2020 Company Investment at cost Rm
Directly held							
Motraco – Mozambique Transmission Company SARL[1]	Electricity transmission	Mozambique	33	71	95	61	95
Indirectly held							
Trans Africa Projects (Pty) Ltd	Engineering services	South Africa	50	–		2	
				71		63	

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.

1. *Year end is 31 December.*

12. Investment in subsidiaries

Name	Main business	2021 Interest held %	2020 Interest held %
Directly held			
Escap SOC Ltd	Insurance	100	100
Eskom Development Foundation NPC	Corporate social investment	100	100
Eskom Enterprises SOC Ltd	Non-regulated electricity supply industry activities in South Africa and electricity supply and related services outside South Africa	100	100
Eskom Finance Company SOC Ltd[1]	Finance (employee housing loans)	100	100
PN Energy Services SOC Ltd	Not trading	100	100
Indirectly held			
Eskom Rotek Industries SOC Ltd	Construction and abnormal load transportation	100	100
Eskom Uganda Ltd[2]	Operations management	100	100
Golang Coal SOC Ltd	Coal exports	67	67
Nqaba Finance 1 (RF) Ltd[1]	Residential backed mortgage securities	100	100
Pebble Bed Modular Reactor SOC Ltd	Reactor driven generation project	100	100
South Dunes Coal Terminal Company SOC Ltd	Coal exports	69	69

	2021			2020		
	Investment at cost Rm	Accumulated impairment Rm	Dividend declared Rm	Investment at cost Rm	Accumulated impairment Rm	Dividend declared Rm
Escap SOC Ltd	380	–	–	380	–	–
Eskom Development Foundation NPC	–	–	–	–	–	–
Eskom Enterprises SOC Ltd	–[3]	–	1 000	–[3]	–	–
Eskom Finance Company SOC Ltd	–[3]	–	–	–[3]	–	–
PN Energy Services SOC Ltd	4	(4)	37	4	–	7
	384	(4)	1 037	384	–	7

All subsidiaries continue to be accounted for as previously assessed as there has not been any change in the outcome of the control assessment. The group does not have any subsidiaries with a material non-controlling interest. All subsidiaries were incorporated in South Africa with the exception of Eskom Uganda Ltd which was incorporated in Uganda.

1. Eskom Finance Company SOC Ltd and its subsidiary Nqaba Finance 1 (RF) Ltd (a securitisation vehicle) ceased to be classified as held-for-sale. Refer to note 22.
2. Year end is 31 December.
3. Nominal.

13. Deferred tax

		Group				Company			
		Assets		Liabilities		Assets		Liabilities	
	Note	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Reconciliation of movements in balances									
Balance at beginning of the year		115	17	3 757	7 227	–	–	2 803	6 690
Recognised in profit or loss	42	6 288	97	(607)	(6 448)	6 880	–	–	(6 844)
Recognised in other comprehensive income	42	2 844	–	–	2 978	2 843	–	–	2 957
Transfer from liabilities to assets		(2 803)	–	(2 803)	–	(2 803)	–	(2 803)	–
Assets and liabilities held-for-sale		15	1	–	–	–	–	–	–
Balance at end of the year		6 459	115	347	3 757	6 920	–	–	2 803
Comprising		6 459	115	347	3 757	6 920	–	–	2 803
Property, plant and equipment		(90 084)	–	517	86 084	(89 719)	–	–	84 987
Tax losses		62 286	–	–	(53 441)	62 284	–	–	(53 441)
Trade and other receivables		12 071	14	(4)	(11 660)	12 174	–	–	(11 693)
Payments made in advance		(134)	–	–	79	(134)	–	–	79
Loans receivable		1	–	2	–	6	–	–	–
Insurance investments		–	97	30	–	–	–	–	–
Derivatives held for risk management		(62)	(2)	–	2 702	(62)	–	–	2 701
Embedded derivative liabilities		417	–	–	(318)	417	–	–	(318)
Provisions		13 155	5	(15)	(11 668)	13 149	–	–	(11 651)
Employee benefit obligations		5 178	–	(183)	(4 710)	5 178	–	–	(4 550)
Payments received in advance		3 631	1	–	(3 311)	3 627	–	–	(3 311)

The group has R222 450 million (2020: R190 861 million) and the company has R222 443 million (2020: R190 861 million) of unused tax losses available for offset against future taxable income.

14. Investments and financial trading instruments

Portfolio	Managed by	Purpose
Insurance	Escap	To maintain adequate ring-fenced capital reserves to meet the statutory solvency requirements of the Insurance Act
Financial trading	Treasury	To reduce the funding cost of the company

14.1 Insurance investments

	Group			
	2021			2020
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Total Rm
Negotiable certificates of deposit	12 546	(79)	12 467	10 682
Listed shares	1 934	–	1 934	1 299
	14 480	(79)	14 401	11 981

14. Investments and financial trading instruments (continued)

14.2 Financial trading instruments

	Group and company					
	2021			2020		
	Assets Rm	Liabilities Rm	Net asset/ (liability) Rm	Assets Rm	Liabilities Rm	Net asset/ (liability) Rm
Repurchase agreements						
Eskom bonds	–	2	(2)	–	57	(57)
Government bonds	–	–	–	152	157	(5)
	–	2	(2)	152	214	(62)

Financial trading assets – collateral held

Eskom purchased both Eskom and government bonds from approved counterparties and has committed to resell these back to the counterparties in the following financial year. Although Eskom has legal title to the bonds at year end, they have not been recognised in the statement of financial position as a result of the commitment to resell. The total receivable is secured by bonds of an equivalent fair value. The difference between the purchase and resale price is treated as interest accrued over the life of the agreement using the effective-yield method.

Financial trading liabilities – encumbered assets

Eskom concluded sale and repurchase transactions of both Eskom and government bonds with approved counterparties. The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. The transferred assets are not derecognised if all or substantially all risks and rewards are retained. The difference between the sale and repurchase price is treated as interest accrued over the life of the agreement using the effective-yield method.

15. Loans receivable

	Group				Company			
	2021			2020	2021			2020
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Carrying value Rm
Loans to subsidiaries	–	–	–	–	5 779	(21)	5 758	5 937
Home loans	8 118	(45)	8 073	–	–	–	–	–
Other	260	(6)	254	54	–	–	–	–
	8 378	(51)	8 327	54	5 779	(21)	5 758	5 937
Maturity analysis	8 378	(51)	8 327	54	5 779	(21)	5 758	5 937
Non-current	8 066	(49)	8 017	27	–	–	–	–
Current	312	(2)	310	27	5 779	(21)	5 758	5 937

16. Derivatives held for risk management

		2021						2020
	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commo-dity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm	Total Rm
Group								
Net asset/(liability) at beginning of the year		9 268	46 131	(4)	(701)	1	54 695	15 622
Net fair value (loss)/gain		(14 302)	(30 137)	(5)	608	102	(43 734)	40 690
Income statement	39	(13 512)	(21 678)	(5)	608	102	(34 485)	33 133
Statement of comprehensive income		(790)	(8 459)	–	–	–	(9 249)	7 557
Finance cost accrued		–	214	–	(4)	47	257	25
Cash paid/(received)		841	(9 059)	9	–	–	(8 209)	(1 642)
Net (liability)/asset at end of the year		(4 193)	7 149	–	(97)	150	3 009	54 695
Hedge exposure covered		(4 193)	7 149	–	(97)	150	3 009	54 695
Debt securities and borrowings		(211)	7 149	–	(97)	150	6 991	53 321
Other		(3 982)	–	–	–	–	(3 982)	1 374
Assets								
Economic hedging		24	–	–	5	150	179	8 851
Cash flow hedging		8	11 192	–	–	–	11 200	48 785
		32	11 192	–	5	150	11 379	57 636
Maturity analysis		32	11 192	–	5	150	11 379	57 636
Non-current		–	9 822	–	–	146	9 968	33 918
Current		32	1 370	–	5	4	1 411	23 718
Liabilities								
Economic hedging		3 827	219	–	102	–	4 148	868
Cash flow hedging		398	3 824	–	–	–	4 222	2 073
		4 225	4 043	–	102	–	8 370	2 941
Maturity analysis		4 225	4 043	–	102	–	8 370	2 941
Non-current		–	3 460	–	102	–	3 562	1 802
Current		4 225	583	–	–	–	4 808	1 139
Notional amount		m	m	m	m	m	m	m
EUR		1 180	1 101	–	–	–	2 281	2 678
USD		2 631	6 063	–	–	–	8 694	9 842
GBP		10	–	–	–	–	10	8
JPY		140	691	–	–	–	831	2 638
SEK		12	–	–	–	–	12	104
CHF		–	–	–	–	–	–	1
CAD		–	–	–	–	–	–	2
ZAR		–	–	–	5 088	1 000	6 088	5 533

16. Derivatives held for risk management (continued)

	Note	2021 Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm	2020 Total Rm
Company								
Net asset/(liability) at beginning of the year		9 264	46 131	(4)	(701)	1	54 691	15 622
Net fair value (loss)/gain		(14 300)	(30 137)	(5)	608	102	(43 732)	40 689
Income statement	39	(13 510)	(21 678)	(5)	608	102	(34 483)	33 132
Statement of comprehensive income		(790)	(8 459)	–	–	–	(9 249)	7 557
Finance cost accrued		–	214	–	(4)	47	257	25
Cash paid/(received)		845	(9 059)	9	–	–	(8 205)	(1 645)
Net (liability)/asset at end of the year		(4 191)	7 149	–	(97)	150	3 011	54 691
Hedge exposure covered		(4 191)	7 149	–	(97)	150	3 011	54 691
Debt securities and borrowings		(211)	7 149	–	(97)	150	6 991	53 321
Other		(3 980)	–	–	–	–	(3 980)	1 370
Assets								
Economic hedging		26	–	–	5	150	181	8 851
Cash flow hedging		8	11 192	–	–	–	11 200	48 785
		34	11 192	–	5	150	11 381	57 636
Maturity analysis		34	11 192	–	5	150	11 381	57 636
Non-current		–	9 822	–	–	146	9 968	33 918
Current		34	1 370	–	5	4	1 413	23 718
Liabilities								
Economic hedging		3 827	219	–	102	–	4 148	872
Cash flow hedging		398	3 824	–	–	–	4 222	2 073
		4 225	4 043	–	102	–	8 370	2 945
Maturity analysis		4 225	4 043	–	102	–	8 370	2 945
Non-current		–	3 460	–	102	–	3 562	1 802
Current		4 225	583	–	–	–	4 808	1 143
Notional amount		m	m	m	m	m	m	m
EUR		1 179	1 101	–	–	–	2 280	2 676
USD		2 631	6 063	–	–	–	8 694	9 842
GBP		10	–	–	–	–	10	8
JPY		140	691	–	–	–	831	2 638
SEK		12	–	–	–	–	12	104
CHF		–	–	–	–	–	–	1
CAD		–	–	–	–	–	–	2
ZAR		–	–	–	5 088	1 000	6 088	5 533

The hedging practices and accounting treatment are disclosed in note 2.10.3 in the accounting policies. The derivative instruments used to hedge the various financial risks are set out as follows:

Derivative instrument	Financial risk hedged	Exposure
Foreign exchange contracts	Market (currency)	Electricity generation, transmission and distribution activity purchases and loans denominated in foreign currencies
Cross-currency swaps	Market (currency and interest rate)	Foreign fixed rate bonds and other foreign fixed or floating borrowings
Commodity forwards	Market (commodity)	Electricity sales in terms of agreements where the sales price is influenced by the market price for aluminium
Credit default swaps	Credit	Event of default by Eskom on debt securities and borrowings
Inflation-linked swaps	Market (interest rate)	Finance cost that are dependent on current interest rates

Hedging relationships directly affected by interbank offered rate reform

Eskom created a steering committee to manage the transition from interbank offered rates to alternative risk free rates to assess the impact on valuations, accounting systems, policies and procedures. Refer to note 51.2 for details on the relief provided in phase 1 of the IFRS interest rate benchmark reform.

Eskom has exposure to USD foreign loans and cross-currency transactions that are linked to the USD London interbank offered rate. At 31 March 2021, the nominal value of foreign loans and cross-currency interest rate swaps was USD4.1 billion and USD2.1 billion respectively. All of the foreign loans and USD1.9 billion of the cross-currency interest rate swaps qualify for cash flow hedge accounting.

It is likely that the uncertainty of the transition to a new rate relating to particular elements of a single hedging relationship (the cross-currency interest rate swap and the underlying loan) could end at different times. Eskom will follow the International Swaps and Derivatives Association's (ISDA) fall-back protocol for derivatives (hedging instruments) which will probably come into effect before bilateral negotiations on the new interest protocol has been concluded with loan (hedge item) counterparties.

Once the ISDA's fall-back protocol is implemented, the uncertainty around the timing and amount of the risk free rate-based cash flows of the hedging instruments will be eliminated, but the hedged item will by default continue to be measured by reference to changes in interbank offered rates, even though it is expected that it will be amended in the near term. The consequence of this is that any delay between the modification of the hedging instrument and the hedged item in cash flow hedges will potentially introduce a new source of hedge ineffectiveness, specifically any changes in the basis risk between the risk free interest rate on the hedging instrument and the interbank offered rates interest on the hedged item.

Cash flow hedges

Contractual cash flows are a function of foreign exchange and interest rates and are a point-in-time calculation that are impacted by market conditions at that time. This may result in future contractual cash outflows or inflows even though the fair value of the derivative may be reflected as an asset or liability.

	Group and company Carrying amount Rm	Undiscounted cash flows Rm	0–3 months Rm	4–12 months Rm	1–5 years Rm	>5 years Rm
The periods in which the cash flows of derivatives designated as cash flow hedges are expected to occur are:						
2021						
Foreign exchange contracts						
Assets	8	8	8	–	–	–
Liabilities	(398)	(394)	(133)	(261)	–	–
Cross-currency swaps						
Assets	11 192	18 581	(25)	665	4 126	13 815
Liabilities	(3 824)	(4 354)	(125)	(4 914)	(5 606)	6 291
	6 978	13 841	(275)	(4 510)	(1 480)	20 106
2020						
Foreign exchange contracts						
Assets	847	890	200	690	–	–
Liabilities	(29)	(29)	(21)	(8)	–	–
Cross-currency swaps						
Assets	47 938	87 984	28	14 442	21 797	51 717
Liabilities	(2 044)	(3 166)	(24)	(4 494)	336	1 016
	46 712	85 679	183	10 630	22 133	52 733
The periods in which the cash flows associated with derivatives are expected to impact profit or loss are:						
2021						
Foreign exchange contracts						
Assets	8	8 825	14	18	251	8 542
Liabilities	(398)	(394)	(133)	(261)	–	–
Cross-currency swaps						
Assets	11 192	18 581	(25)	665	4 126	13 815
Liabilities	(3 824)	(4 354)	(125)	(4 914)	(5 606)	6 291
	6 978	22 658	(269)	(4 492)	(1 229)	28 648
2020						
Foreign exchange contracts						
Assets	847	9 679	200	690	212	8 577
Liabilities	(29)	(29)	(21)	(8)	–	–
Cross-currency swaps						
Assets	47 938	87 984	28	14 442	21 797	51 717
Liabilities	(2 044)	(3 166)	(24)	(4 494)	336	1 016
	46 712	94 468	183	10 630	22 345	61 310

Ineffective cash flow hedges

The change in the fair value of the hedging instrument of R42 559 million (2020: R34 933 million) and for the hedged item (represented by a hypothetical derivative) of R43 307 million (2020: R35 423 million) were used to calculate hedge effectiveness. The cash flow hedge reserve is adjusted to the lower in absolute amounts of the cumulative gain or loss of the hedging instrument and hedged item from inception of each hedge. During the year a loss of R661 million (2020: a gain of R119 million) was recognised in profit or loss as ineffectiveness. Refer to note 39.

16. Derivatives held for risk management (continued)

Day-one gain/loss

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

	Group and company		
	Cross-currency swaps Rm	Inflation-linked swaps Rm	Total Rm
Loss at 31 March 2019	(1 146)	(25)	(1 171)
Day-one loss recognised	(358)	–	(358)
Amortised to profit or loss	184	4	188
Loss at 31 March 2020	(1 320)	(21)	(1 341)
Day-one loss recognised	(107)	–	(107)
Amortised to profit or loss	194	3	197
Loss at 31 March 2021	(1 233)	(18)	(1 251)

17. Finance lease receivables

	Group and company							
	2021				2020			
	Gross receivables Rm	Unearned finance income Rm	Allowance for impairment Rm	Carrying value Rm	Gross receivables Rm	Unearned finance income Rm	Allowance for impairment Rm	Carrying value Rm
Non-current	429	(127)	(10)	292	515	(171)	(6)	338
Between one and five years	248	(105)	(5)	138	271	(126)	(2)	143
After five years	181	(22)	(5)	154	244	(45)	(4)	195
Current								
Within one year	75	(38)	(2)	35	78	(43)	(1)	34
	504	(165)	(12)	327	593	(214)	(7)	372

18. Payments made in advance

	2021				2020
	Securing debt raised Rm	Environmental rehabilitation trust fund Rm	Other Rm	Total Rm	Total Rm
Group					
Balance at beginning of the year	1 593	1 166	537	3 296	3 593
Payments made	329	–	362	691	884
Expense recognised	–	–	(183)	(183)	(149)
Net fair value gain/(loss)	–	195	–	195	(34)
Transferred to the statement of financial position	(367)	–	(37)	(404)	(998)
Balance at end of the year	1 555	1 361	679	3 595	3 296
Maturity analysis	1 555	1 361	679	3 595	3 296
Non-current	478	1 361	89	1 928	1 898
Current	1 077	–	590	1 667	1 398
Company					
Balance at beginning of the year	1 593	1 166	533	3 292	3 511
Payments made	329	–	336	665	871
Expense recognised	–	–	(180)	(180)	(129)
Net fair value gain/(loss)	–	195	–	195	(34)
Transferred to the statement of financial position	(367)	–	(37)	(404)	(927)
Balance at end of the year	1 555	1 361	652	3 568	3 292
Maturity analysis	1 555	1 361	652	3 568	3 292
Non-current	478	1 361	88	1 927	1 897
Current	1 077	–	564	1 641	1 395

19. Trade and other receivables

	2021				2020			
	Receivable before collectability adjustments Rm	Amounts not meeting collectability criteria Rm	Allowance for impairment Rm	Carrying value Rm	Receivable before collectability adjustments Rm	Amounts not meeting collectability criteria Rm	Allowance for impairment Rm	Carrying value Rm
Group								
Financial instruments								
Trade receivables								
International	1 546	–	(343)	1 203	1 600	–	(218)	1 382
Local large power users	52 591	(31 046)	(3 597)	17 948	44 695	(24 336)	(3 727)	16 632
Municipalities	44 157	(31 046)	(3 151)	9 960	37 049	(24 336)	(3 372)	9 341
Other	8 434	–	(446)	7 988	7 646	–	(355)	7 291
Local small power users	10 883	(6 758)	(1 324)	2 801	15 860	(9 861)	(3 233)	2 766
Soweto	7 523	(6 758)	(229)	536	12 774	(9 861)	(2 242)	671
Other	3 360	–	(1 095)	2 265	3 086	–	(991)	2 095
	65 020	(37 804)	(5 264)	21 952	62 155	(34 197)	(7 178)	20 780
Other receivables	1 113	–	(337)	776	1 143	–	(334)	809
	66 133	(37 804)	(5 601)	22 728	63 298	(34 197)	(7 512)	21 589
Non-financial instruments	1 685	–	–	1 685	802	–	–	802
VAT	30	–	–	30	3	–	–	3
Diesel rebate	1 655	–	–	1 655	799	–	–	799
	67 818	(37 804)	(5 601)	24 413	64 100	(34 197)	(7 512)	22 391
Company								
Financial instruments								
Trade receivables								
International	1 546	–	(343)	1 203	1 600	–	(218)	1 382
Local large power users	52 591	(31 046)	(3 597)	17 948	44 695	(24 336)	(3 727)	16 632
Municipalities	44 157	(31 046)	(3 151)	9 960	37 049	(24 336)	(3 372)	9 341
Other	8 434	–	(446)	7 988	7 646	–	(355)	7 291
Local small power users	10 883	(6 758)	(1 324)	2 801	15 860	(9 861)	(3 233)	2 766
Soweto	7 523	(6 758)	(229)	536	12 774	(9 861)	(2 242)	671
Other	3 360	–	(1 095)	2 265	3 086	–	(991)	2 095
	65 020	(37 804)	(5 264)	21 952	62 155	(34 197)	(7 178)	20 780
Other receivables	3 674	–	(410)	3 264	2 873	–	(385)	2 488
	68 694	(37 804)	(5 674)	25 216	65 028	(34 197)	(7 563)	23 268
Non-financial instruments								
Diesel rebate	1 655	–	–	1 655	799	–	–	799
	70 349	(37 804)	(5 674)	26 871	65 827	(34 197)	(7 563)	24 067

		Group and company	
	Note	2021 Rm	2020 Rm
Reconciliation of movements in amounts not meeting collectability criteria			
Balance at beginning of the year		34 197	25 166
Revenue not meeting collectability criteria	32	12 112	10 190
Finance income not meeting collectability criteria	40	1 120	3 227
Cash basis revenue recognised	32	(5 935)	(4 083)
Writeoffs		(3 690)[1]	(303)
Balance at end of the year		37 804	34 197

Refer to note 5.1.1 for a reconciliation of the movements in allowance for impairment.

1. *Most of the writeoff relates to Soweto receivables. Refer to note 5.1.*

20. Inventories

		2021				2020
		Coal and liquid fuel	Nuclear fuel	Maintenance spares and consumables	Total	Total
	Note	Rm	Rm	Rm	Rm	Rm
Group						
Carrying value at beginning of the year		17 569	2 185	13 819	33 573	26 482
Changes in working capital		2 037	(672)	2 565	3 930	4 918
Transfer from future fuel supplies	10	721	970	–	1 691	2 140
Provisions capitalised	29	(273)	92	–	(181)	47
Net writedowns and writeoffs	36	–	–	(1 486)	(1 486)	(14)
		20 054	2 575	14 898	37 527	33 573
Company						
Carrying value at beginning of the year		17 569	2 185	13 576	33 330	26 251
Changes in working capital		2 037	(672)	2 556	3 921	4 906
Transfer from future fuel supplies	10	721	970	–	1 691	2 140
Provisions capitalised	29	(273)	92	–	(181)	47
Net writedowns and writeoffs	36	–	–	(1 486)	(1 486)	(14)
		20 054	2 575	14 646	37 275	33 330

21. Cash and cash equivalents

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Bank balances	4 041	9 897	2 503	9 221
Unsettled deals	–	25	–	25
Fixed deposits	–	13 068	–	13 068
	4 041	22 990	2 503	22 314

22. Assets and liabilities held-for-sale

The process followed in 2020 for the intended disposal of EFC was concluded during the 2021 financial year. The offer received from the preferred bidder was however not supported by the shareholder in terms of PFMA approval as it did not meet all of the shareholder's objectives. It was therefore decided that the disposal of EFC will be deferred until such time that the market conditions improve so that it can attract increased investor interest and optimum value.

The assets and liabilities of EFC therefore no longer meet the requirements for classification as held-for-sale in terms of IFRS 5 and were reported as part of the group results where relevant at 31 March 2021.

	Group	
	2021 Total Rm	2020 Total Rm
Summarised statements of financial position		
Assets		
Loans receivable	–	8 531
Trade and other receivables	–	12
Deferred tax	–	15
Taxation	–	4
Cash and cash equivalents	–	80
	–	8 642
Liabilities		
Debt securities and borrowings	–	1 462
Trade and other payables	–	11
	–	1 473

23. Service concession arrangements

The group operates a service concession for the generation and transmission of electricity through its operations in Uganda.

Eskom Uganda Ltd (Eskom Uganda) entered into an operation and maintenance agreement with Uganda Electricity Generation Company Ltd (UEGCL) in 2002, which is linked to a power purchase agreement concluded with Uganda Electricity Transmission Company Ltd (UETCL). In terms of the agreements, Eskom Uganda operates and maintains two hydro-electric power stations in Uganda, from which it supplies electricity to UETCL. The dams, powerhouses, related switchyard facilities, high voltage substations, land and movable property together constitute the 'energy assets' in terms of the agreement. The concession period is 20 years (ending in March 2023).

Eskom Uganda is entitled to receive revenue from UETCL, based on electricity supplied at tariffs regulated by the Electricity Regulatory Authority of Uganda. It also receives a fee to cover it for investment in additional energy assets where required. This has been recognised as an intangible asset.

The plant remains the property of and will revert to UEGCL at the end of the concession period. At that point Eskom Uganda will have no further obligation in respect of the plant.

	Group	
	2021 Rm	2020 Rm
Summarised statements of financial position		
Assets		
Intangible assets	297	271
Taxation	5	17
Inventories	30	28
Payments made in advance	22	1
Trade and other receivables	61	36
Cash and cash equivalents	84	51
	499	404
Liabilities		
Debt securities and borrowings	7	10
Deferred tax	20	30
Provisions	72	22
Employee benefit obligations	5	5
Trade and other payables	43	36
	147	103
Summarised income statements		
Revenue	320	268
Profit before tax	58	64
Taxation	(18)	(28)
Profit after tax	40	36

The balances and transactions above are included in the respective line items in the statements of financial position and income statements.

24. Share capital

	Group and company	
	2021 Shares	2020 Shares
Authorised ordinary shares		
Balance at beginning of the year	300 000 000 000	100 000 000 000
Additional ordinary shares authorised	–	200 000 000 000
Balance at end of the year	300 000 000 000	300 000 000 000
Issued		
Balance at beginning of the year	132 000 000 001	83 000 000 001
Share capital issued	56 000 000 000	49 000 000 000
Balance at end of the year	188 000 000 001	132 000 000 001
Unissued	111 999 999 999	167 999 999 999

The unissued share capital is under the control of the Government of the Republic of South Africa, represented by the DPE, as the sole shareholder.

25. Debt securities and borrowings

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Eskom bonds	161 171	157 037	161 171	157 037
Commercial paper	1 251	5 444	3 184	8 114
Eurorand zero coupon bonds	5 600	4 964	5 600	4 964
Foreign bonds	55 553	98 563	55 553	98 563
Development financing institutions	143 174	154 489	143 174	154 489
Export credit facilities	23 343	32 746	23 343	32 746
Floating rate notes	2 027	4 046	2 027	4 046
Other loans	9 707	26 393	9 990	28 255
	401 826	483 682	404 042	488 214
Maturity analysis	401 826	483 682	404 042	488 214
Non-current	356 852	408 151	355 927	408 107
Current	44 974	75 531	48 115	80 107

	Currency	Security number	Interest rate 2021 %	Interest rate 2020 %	Nominal 2021 m	Nominal 2020 m	Maturity date	Group Carrying value 2021 Rm	Group Carrying value 2020 Rm	Company Carrying value 2021 Rm	Company Carrying value 2020 Rm
Eskom bonds								161 171	157 037	161 171	157 037
	ZAR	E174[1]	–	10.13	–	2 928	Aug 20	–	3 020	–	3 020
	ZAR	E175[1]	9.97	9.97	2 928	2 928	Aug 21	3 023	3 115	3 023	3 115
	ZAR	ECN22	10.17	10.17	5 000	5 000	Mar 22	5 005	4 988	5 005	4 988
	ZAR	ES23[2]	9.31	9.31	19 784	19 784	Jan 23	20 370	20 483	20 370	20 483
	ZAR	ECN24	10.37	10.37	5 000	5 000	Mar 24	4 972	4 958	4 972	4 958
	ZAR	ES26[2]	9.29	9.29	32 904	32 898	Apr 26	32 336	32 052	32 336	32 052
	ZAR	EL28[2]	2.55	2.55	6 278	5 278	May 28	9 549	7 996	9 549	7 996
	ZAR	EL29[2]	1.90	1.90	4 653	3 709	Nov 29	6 715	5 457	6 715	5 457
	ZAR	EL30[2]	2.30	2.30	4 396	3 665	Jul 30	6 061	5 083	6 061	5 083
	ZAR	EL31[2]	2.10	2.10	4 843	4 076	Jun 31	6 338	5 395	6 338	5 395
	ZAR	ECN32	2.95	2.95	5 000	5 000	Mar 32	6 394	6 204	6 394	6 204
	ZAR	ES33[2]	9.21	9.21	34 542	34 530	Sep 33	30 389	30 205	30 389	30 205
	ZAR	EL36[2]	2.25	2.25	4 637	3 753	Jan 36	5 761	4 832	5 761	4 832
	ZAR	EL37[2]	2.25	2.25	4 443	3 838	Jan 37	5 522	4 846	5 522	4 846
	ZAR	ES42[2]	10.38	10.34	21 295	20 909	Apr 42	18 736	18 403	18 736	18 403
Commercial paper								1 251	5 444	3 184	8 114
	ZAR	ESNOICP[2]	–	7.39	–	5 625	Sep 20	–	5 444	–	5 444
	ZAR	n/a[3]	4.62	7.52	3 269	2 786	Mar 22[4]	–	–	3 184	2 670
	ZAR	n/a	8.40	–	154	–	May 22[5]	154	–	–	–
	ZAR	n/a	8.48	–	728	–	May 23[5]	732	–	–	–
	ZAR	n/a	7.51	–	363	–	May 52[5]	365	–	–	–
Eurorand zero coupon bonds[1]								5 600	4 964	5 600	4 964
	ZAR	n/a	13.33	13.33	8 000	8 000	Aug 27	3 598	3 175	3 598	3 175
	ZAR	n/a	11.89	11.89	7 500	7 500	Dec 32	2 002	1 789	2 002	1 789
Foreign bonds								55 553	98 563	55 553	98 563
	USD	n/a	–	5.87	–	1 750	Jan 21	–	31 479	–	31 479
	USD	n/a	6.90	6.90	1 000	1 000	Aug 23	14 845	17 922	14 845	17 922
	USD	n/a	7.39	7.39	1 250	1 250	Feb 25	18 436	22 241	18 436	22 241
	USD	n/a	8.47	8.47	500	500	Aug 28	7 438	8 991	7 438	8 991
	USD	n/a[2]	6.37	6.37	1 000	1 000	Aug 28	14 834	17 930	14 834	17 930
Balances carried forward to the next page								223 575	266 008	225 508	268 678

	Currency	Security number	Interest rate 2021 %	Interest rate 2020 %	Nominal 2021 m	Nominal 2020 m	Maturity date	Group Carrying value 2021 Rm	Group Carrying value 2020 Rm	Company Carrying value 2021 Rm	Company Carrying value 2020 Rm
Balances carried forward from the previous page								223 575	266 008	225 508	268 678
Development financing institutions[4]								143 174	154 489	143 174	154 489
	USD	n/a[2]	3.12	4.68	965	965	Jul 21	14 282	17 235	14 282	17 235
	ZAR	n/a[2]	4.99	7.91	1 000	1 133	Aug 28	1 008	1 148	1 008	1 148
	USD	n/a[2]	1.46	2.93	145	165	Aug 28	2 145	2 946	2 145	2 946
	EUR	n/a[2]	–	–	521	579	Aug 29	9 026	11 328	9 026	11 328
	ZAR	n/a[2]	4.06	7.23	6 070	6 784	Aug 29	114	6 862	114	6 862
	ZAR	n/a[2]	10.10	10.10	3 344	3 738	Sep 29	3 339	3 732	3 339	3 732
	ZAR	n/a	10.37	10.37	15 000	15 000	Jan 31	15 267	15 263	15 267	15 263
	EUR	n/a[2]	1.50	1.50	448	470	Feb 31	7 222	8 733	7 222	8 733
	USD	n/a[2]	0.95	2.37	6	7	Aug 31	6 110	125	6 110	125
	ZAR	n/a	4.07	6.78	1 006	1 099	Mar 32	1 008	1 103	1 008	1 103
	USD	n/a[2]	2.45	3.28	2 943	2 488	Sep 33	42 786	43 914	42 786	43 914
	USD	n/a[2]	3.12	4.68	8	9	Feb 36	94	149	94	149
	ZAR	n/a[2]	7.64	10.56	4 410	4 704	Feb 36	4 382	4 695	4 382	4 695
	USD	n/a[2]	0.74	2.41	81	25	May 38	1 191	445	1 191	445
	ZAR	n/a[2]	9.17	9.17	29 327	31 007	May 38	30 437	32 193	30 437	32 193
	USD	n/a[2]	2.02	–	1	–	Aug 38	8	–	8	–
	ZAR	n/a[2]	4.45	–	255	–	Nov 38	256	–	256	–
	USD	n/a[2]	1.36	2.16	25	11	Mar 39	369	191	369	191
	ZAR	n/a[2]	10.24	10.21	2 917	2 978	Nov 40	2 991	3 052	2 991	3 052
	USD	n/a[2]	0.25	0.25	35	35	May 51	515	622	515	622
	USD	n/a[2]	0.25	0.25	42	42	Aug 51	624	753	624	753
Export credit facilities[2]								23 343	32 746	23 343	32 746
	JPY	n/a	0.88	1.49	691	2 469	May 22	92	406	92	406
	EUR	n/a	1.25	1.25	25	35	Sep 23	414	658	414	658
	EUR	n/a	0.37	0.57	6	7	Jul 24	96	140	96	140
	EUR	n/a	4.74	4.74	489	604	Jan 27	8 067	11 330	8 067	11 330
	EUR	n/a	2.46	2.48	398	491	Jul 27	6 485	9 100	6 485	9 100
	ZAR	n/a	5.67	9.06	1 320	1 528	Jul 27	1 210	1 419	1 210	1 419
	USD	n/a	2.32	2.32	515	583	Mar 31	6 979	9 693	6 979	9 693
Floating rate notes[4]	ZAR	n/a[2]	6.87	6.22	2 000	4 000	Apr 21	2 027	4 046	2 027	4 046
Other loans								9 707	26 393	9 990	28 255
	ZAR	n/a[2]	–	8.76	–	15 000	Feb 21	–	15 120	–	15 120
	ZAR	n/a	6.39	9.31	1 000	1 000	Aug 23	1 009	1 014	1 009	1 014
	ZAR	n/a	7.45	8.84	1 750	2 955	Mar 24	1 753	2 985	1 753	2 985
	ZAR	n/a	8.57	11.18	4 250	5 550	Feb 25	4 299	5 640	4 299	5 640
	ZAR	n/a	11.54	12.80	2 500	1 500	Feb 27	2 602	1 589	2 602	1 589
	ZAR	n/a[3]	3.52	6.58	326	1 822	On demand	–	–	327	1 907
	ZAR	n/a	10.00	10.00	44	44	On demand	44	45	–	–
								401 826	483 682	404 042	488 214

1. *Holders have a right to first charge against revenue and assets of Eskom in terms of section 7 of the Eskom Conversion Act.*
2. *Government guaranteed.*
3. *Includes, inter alia, instruments issued to subsidiaries.*
4. *Latest in a range of maturity dates is indicated for these instruments.*
5. *Nqaba breached an early amortisation event trigger in June 2020. As a result, the cash flows from the assets in the securitisation structure are applied to repay the capital to all noteholders in a reducing order of rank (pari passu if equal rank) on a quarterly basis on or before the final maturity date, which is 32 years from the scheduled maturity date.*

26. Embedded derivatives

	2021 Commodity and/or foreign currency Rm	2021 United States PPI and foreign currency Rm	2021 Total Rm	2020 Total Rm
Group and company				
Liability at beginning of the year	1 130	6	1 136	3 434
Net fair value loss/(gain)	145	210	355	(2 298)
Liability at end of the year	1 275	216	1 491	1 136
Maturity analysis	1 275	216	1 491	1 136
Non-current	–	208	208	5
Current	1 275	8	1 283	1 131

27. Payments received in advance and contract liabilities and deferred income

	Note	2021 Customer connections Rm	2021 Government grant Rm	2021 Other Rm	2021 Total Rm	2020 Total Rm
27.1 Payments received in advance						
Group						
Balance at beginning of the year		3 937	1 227	621	5 785	5 397
Payments received		962	1 725	257	2 944	4 007
Transfers to the statement of financial position		(311)	(1 909)	2	(2 218)	(2 799)
Transfers to contract liabilities and deferred income	27.2	(309)	(1 906)	–	(2 215)	(2 716)
Other		(2)	(3)	2	(3)	(83)
Income recognised		(463)	(95)	(290)	(848)	(820)
Balance at end of the year		4 125	948	590	5 663	5 785
Maturity analysis		4 125	948	590	5 663	5 785
Non-current		2 700	–	167	2 867	2 355
Current		1 425	948	423	2 796	3 430
Company						
Balance at beginning of the year		3 937	1 227	628	5 792	5 405
Payments received		962	1 725	256	2 943	3 999
Transfers to the statement of financial position		(311)	(1 909)	2	(2 218)	(2 799)
Transfers to contract liabilities and deferred income	27.2	(309)	(1 906)	–	(2 215)	(2 716)
Other		(2)	(3)	2	(3)	(83)
Income recognised		(463)	(95)	(283)	(841)	(813)
Balance at end of the year		4 125	948	603	5 676	5 792
Maturity analysis		4 125	948	603	5 676	5 792
Non-current		2 700	–	167	2 867	2 355
Current		1 425	948	436	2 809	3 437
27.2 Contract liabilities and deferred income						
Group and company						
Balance at beginning of the year		2 902	21 215	–	24 117	22 794
Transfers of property, plant and equipment from customers		993	–	–	993	128
Transfers from payments received in advance	27.1	309	1 906	–	2 215	2 716
Income recognised	38	(210)	(1 443)	–	(1 653)	(1 521)
Balance at end of the year		3 994	21 678	–	25 672	24 117
Maturity analysis		3 994	21 678	–	25 672	24 117
Non-current		3 776	20 167	–	23 943	22 577
Current		218	1 511	–	1 729	1 540

28. Employee benefit obligations

	Note	2021 Post-employment medical benefits Rm	2021 Pension benefits Rm	2021 Bonus Rm	2021 Leave Rm	2021 Total Rm	2020 Total Rm
Group							
Balance at beginning of the year		14 200	–	447	2 176	16 823	18 804
Charged to income statement							
Employee benefit expense		284	1 889	442	1 235	3 850	4 519
Raised		284	1 889	442	1 235	3 850	4 549
Reversed		–	–	–	–	–	(30)
Finance cost	41	1 910	89	–	–	1 999	1 942
Charged to other comprehensive income							
Re-measurement of benefits		402	488	–	–	890	(3 883)
Cash paid		(675)	(2 466)	(443)	(832)	(4 416)	(4 559)
Balance at end of the year		16 121	–	446	2 579	19 146	16 823
Maturity analysis		16 121	–	446	2 579	19 146	16 823
Non-current		15 414	–	–	–	15 414	13 530
Current		707	–	446	2 579	3 732	3 293
Company							
Balance at beginning of the year		13 885	–	386	1 979	16 250	18 200
Charged to income statement							
Employee benefit expense – raised		283	1 652	386	1 109	3 430	4 052
Finance cost	41	1 868	89	–	–	1 957	1 904
Charged to other comprehensive income							
Re-measurement of benefits		399	488	–	–	887	(3 815)
Cash paid		(658)	(2 229)	(386)	(759)	(4 032)	(4 091)
Balance at end of the year		15 777	–	386	2 329	18 492	16 250
Maturity analysis		15 777	–	386	2 329	18 492	16 250
Non-current		15 089	–	–	–	15 089	13 232
Current		688	–	386	2 329	3 403	3 018

Refer to note 4 for relevant critical accounting estimates and assumptions.

28.1 Post-employment medical benefits

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Actuarial (loss)/gain				
Financial assumptions	(1 407)	3 604	(1 382)	3 537
Experience adjustments	1 005	(58)	983	(59)
	(402)	3 546	(399)	3 478
Expected maturity analysis of undiscounted benefits				
Non-current	551 255	366 528	546 433	362 634
Between one and two years	782	734	761	715
Between two and five years	3 120	2 897	3 041	2 825
After five years	547 353	362 897	542 631	359 094
Current	707	670	688	653
	551 962	367 198	547 121	363 287

The group expects to pay R707 million and the company R688 million in contributions to this plan in the 2022 financial year. Refer to note 4.2 for the principal actuarial assumptions used and a sensitivity analysis.

28. Employee benefit obligations (continued)

28.2 Pension benefits

Movement reconciliation

	2021 Fund assets Rm	2021 Asset ceiling adjustment Rm	2021 Fund obligations Rm	2021 Net asset/(liability) Rm	2020 Fund assets Rm	2020 Asset ceiling adjustment Rm	2020 Fund obligations Rm	2020 Net asset/(liability) Rm
Asset/(liability) at beginning of the year	127 236	(35 459)	(91 777)	–	141 905	(38 388)	(103 517)	–
Charged to income statement								
Employee benefit expense	–	–	(1 889)	(1 889)	–	–	(2 631)	(2 631)
Finance cost	16 988	(4 787)	(12 290)	(89)	15 481	(4 223)	(11 413)	(155)
Charged to other comprehensive income								
Re-measurement of benefits	21 187	(11 171)	(10 504)	(488)	(27 820)	7 152	21 005	337
Return on plan assets in excess of finance cost	21 187	–	–	21 187	(27 820)	–	–	(27 820)
Adjustment to asset ceiling	–	(11 171)	–	(11 171)	–	7 152	–	7 152
Actuarial (loss)/gain	–	–	(10 504)	(10 504)	–	–	21 005	21 005
Payments received by the fund	3 866	–	(1 400)	2 466	3 803	–	(1 354)	2 449
Employer funded	2 466	–	–	2 466	2 449	–	–	2 449
Member funded	1 400	–	(1 400)	–	1 354	–	(1 354)	–
Payments made by the fund	(6 661)	–	6 661	–	(6 133)	–	6 133	–
Benefit and pension payments	(6 027)	–	6 027	–	(5 538)	–	5 538	–
Fund management costs	(303)	–	303	–	(283)	–	283	–
Net transfers from the fund	(331)	–	331	–	(312)	–	312	–
Asset/(liability) at end of the year	162 616	(51 417)	(111 199)	–	127 236	(35 459)	(91 777)	–

Fund assets composition

	Group and company					
	2021 Domestic Rm	2021 International Rm	2021 Total Rm	2020 Domestic Rm	2020 International Rm	2020 Total Rm
Equities	68 527	33 689	102 216	47 300	39 676	86 976
Bonds	34 093	4 347	38 440	24 528	6 611	31 139
Issued by Eskom	3 008	–	3 008	2 901	–	2 901
Other	31 085	4 347	35 432	21 627	6 611	28 238
Property	117	–	117	118	–	118
Cash	7 149	892	8 041	4 818	338	5 156
Hedge funds	1 321	–	1 321	1 159	–	1 159
Collective investment schemes	–	12 481	12 481	–	2 688	2 688
	111 207	51 409	162 616	77 923	49 313	127 236

	Group and company 2021 Rm	Group and company 2020 Rm
Actuarial (loss)/gain		
Financial assumptions	(16 289)	16 869
Experience adjustments	5 785	4 136
	(10 504)	21 005
Expected maturity analysis of undiscounted benefits		
Non-current	2 276 563	1 551 807
Between one and two years	6 059	5 932
Between two and five years	21 270	20 605
After five years	2 249 234	1 525 270
Current	5 463	5 423
	2 282 026	1 557 230

The group expects to pay R2 480 million and the company R2 233 million in contributions to this plan in the 2022 financial year. Refer to note 4.3 for the principal actuarial assumptions used and a sensitivity analysis.

28.3 Bonus

The bonus comprises of an accrual for a thirteenth cheque generally paid in November. Managerial employees can choose to spread the payment over the course of the year instead of all being paid in November.

29. Provisions

	Note	2021 Power station-related environmental restoration: Nuclear plant Rm	2021 Power station-related environmental restoration: Other generating plant Rm	2021 Mine-related closure, pollution control and rehabilitation Rm	2021 Compensation events Rm	2021 Other Rm	2021 Total Rm	2020 Total Rm
Group								
Balance at beginning of the year		16 203	11 932	14 291	2 429	2 436	47 291	51 250
Charged to income statement		340	598	448	159	3 195	4 740	(2 486)
Raised		–	110	186	338	3 237	3 871	4 088
Reversed		(1 242)	(56)	(233)	(179)	(42)	(1 752)	(1 953)
Change in discount rate		1 582	544	495	–	–	2 621	(4 621)
Capitalised to property, plant and equipment	8	845	1 523	–	1 011	–	3 379	(2 664)
Raised		–	276	–	9 252	–	9 528	3 075
Reversed		–	(289)	–	(8 241)	–	(8 530)	(2 377)
Change in discount rate		845	1 536	–	–	–	2 381	(3 362)
Capitalised to future fuel supplies	10	–	–	619	–	–	619	(1 063)
Raised		–	–	212	–	–	212	51
Reversed		–	–	(501)	–	–	(501)	(77)
Change in discount rate		–	–	908	–	–	908	(1 037)
Capitalised to inventories	20	92	–	(273)	–	–	(181)	47
Raised		92	–	–	–	–	92	252
Reversed		–	–	(273)	–	–	(273)	(205)
Finance cost	41	1 633	1 217	1 228	–	20	4 098	3 945
Cash paid		(39)	–	(455)	(480)	(2 427)	(3 401)	(1 738)
Balance at end of the year		19 074	15 270	15 858	3 119	3 224	56 545	47 291
Maturity analysis		19 074	15 270	15 858	3 119	3 224	56 545	47 291
Non-current		19 015	15 270	15 603	–	262	50 150	41 300
Current		59	–	255	3 119	2 962	6 395	5 991

29. Provisions (continued)

	Note	2021 Power station-related environmental restoration: Nuclear plant Rm	2021 Power station-related environmental restoration: Other generating plant Rm	2021 Mine-related closure, pollution control and rehabilitation Rm	2021 Compensation events Rm	2021 Other Rm	2021 Total Rm	2020 Total Rm
Company								
Balance at beginning of the year		16 203	11 932	14 291	2 429	2 356	47 211	51 114
Charged to income statement		340	598	448	159	3 133	4 678	(2 439)
Raised		–	110	186	338	3 161	3 795	4 135
Reversed		(1 242)	(56)	(233)	(179)	(28)	(1 738)	(1 953)
Change in discount rate		1 582	544	495	–	–	2 621	(4 621)
Capitalised to property, plant and equipment	8	845	1 523	–	1 011	–	3 379	(2 664)
Raised		–	276	–	9 252	–	9 528	3 075
Reversed		–	(289)	–	(8 241)	–	(8 530)	(2 377)
Change in discount rate		845	1 536	–	–	–	2 381	(3 362)
Capitalised to future fuel supplies	10	–	–	619	–	–	619	(1 063)
Raised		–	–	212	–	–	212	51
Reversed		–	–	(501)	–	–	(501)	(77)
Change in discount rate		–	–	908	–	–	908	(1 037)
Capitalised to inventories	20	92	–	(273)	–	–	(181)	47
Raised		92	–	–	–	–	92	252
Reversed		–	–	(273)	–	–	(273)	(205)
Finance cost	41	1 633	1 217	1 228	–	20	4 098	3 943
Cash paid		(39)	–	(455)	(480)	(2 429)	(3 403)	(1 727)
Balance at end of the year		19 074	15 270	15 858	3 119	3 080	56 401	47 211
Maturity analysis		19 074	15 270	15 858	3 119	3 080	56 401	47 211
Non-current		19 015	15 270	15 603	–	191	50 079	41 278
Current		59	–	255	3 119	2 889	6 322	5 933

Refer to note 4.5 for relevant critical accounting estimates and assumptions.

30. Lease liabilities

	2021 Gross payables Rm	2021 Future finance charges Rm	2021 Carrying value Rm	2020 Gross payables Rm	2020 Future finance charges Rm	2020 Carrying value Rm
Group						
Non-current	15 091	(6 644)	8 447	16 805	(7 930)	8 875
Between one and five years	6 999	(4 319)	2 680	7 002	(4 676)	2 326
After five years	8 092	(2 325)	5 767	9 803	(3 254)	6 549
Current	1 820	(1 298)	522	1 834	(1 359)	475
	16 911	(7 942)	8 969	18 639	(9 289)	9 350
Company						
Non-current	15 089	(6 644)	8 445	16 802	(7 929)	8 873
Between one and five years	6 997	(4 319)	2 678	6 999	(4 675)	2 324
After five years	8 092	(2 325)	5 767	9 803	(3 254)	6 549
Current	1 820	(1 298)	522	1 833	(1 359)	474
	16 909	(7 942)	8 967	18 635	(9 288)	9 347

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Movement reconciliation					
Balance at beginning of the year		9 350	9 462	9 347	9 462
Adoption of IFRS 16		–	139	–	139
Additions		119	172	119	168
Disposals		(8)	–	(8)	–
Finance costs		1 365	1 415	1 364	1 415
Cash paid		(1 857)	(1 838)	(1 855)	(1 837)
Capital		(497)	(423)	(496)	(422)
Finance costs		(1 360)	(1 415)	(1 359)	(1 415)
Balance at end of the year		8 969	9 350	8 967	9 347

Refer to note 37 for short-term and low-value lease expenses.

31. Trade and other payables

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Financial instruments		35 924	38 700	38 086	40 420
Trade and other payables		24 389	28 043	25 175	28 605
Accruals		5 910	5 605	7 287	6 763
Deposits		5 625	5 052	5 624	5 052
Non-financial instruments		1 857	1 886	1 775	1 752
VAT		1 219	1 248	1 137	1 114
Environmental levy		638	638	638	638
		37 781	40 586	39 861	42 172
Maturity analysis		37 781	40 586	39 861	42 172
Non-current		667	411	667	411
Current		37 114	40 175	39 194	41 761

32. Revenue

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Redistributors (metropolitan and municipal customers)		84 436	79 918	84 436	79 918
Invoiced to customers		90 228	85 656	90 228	85 656
Amounts not meeting collectability criteria	19	(11 727)	(9 821)	(11 727)	(9 821)
Recognised on a cash received basis	19	5 935	4 083	5 935	4 083
Residential		6 366	5 993	6 366	5 993
Invoiced to customers		6 751	6 362	6 751	6 362
Amounts not meeting collectability criteria	19	(385)	(369)	(385)	(369)
Industrial		37 026	37 946	37 026	37 946
Mining		30 708	29 968	30 708	29 968
Commercial		14 304	14 067	14 304	14 067
Agricultural		10 262	9 839	10 262	9 839
International		10 383	12 229	10 383	12 229
Rail		2 977	3 323	2 977	3 323
Public lighting		232	218	232	218
Post-paid electricity sales		196 694	193 501	196 694	193 501
Prepaid electricity sales		9 941	9 489	9 941	9 489
Total electricity sales		206 635	202 990	206 635	202 990
Connections		1 295	1 855	1 295	1 855
Other		387	306	387	306
Gross revenue		208 317	205 151	208 317	205 151
Capitalised to property, plant and equipment		(3 991)	(5 683)	(3 991)	(5 683)
		204 326	199 468	204 326	199 468

Sales of electricity to local customers are included in the distribution operating segment. International sales are included in the transmission segment. Other revenue consists of reconnection fees and *ad hoc* sundry revenue. Connections occur mainly within the transmission and distribution operating segments.

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
33. Other income					
Insurance proceeds		–	14	1 194	858
Insurance premiums		331	165	–	–
Services income		349	359	–	–
Management fee income		–	–	131	132
Operating lease income		242	274	200	225
Dividend income		47	66	1 086	46
Other		1 693[1]	360	1 720[1]	558
		2 662	1 238	4 331	1 819
34. Primary energy					
Own generation costs		80 073	79 343	80 073	79 343
Generation costs		72 882	71 730	72 882	71 730
Environmental levy		7 191	7 613	7 191	7 613
International electricity purchases		4 998	4 716	4 998	4 716
Independent power producers		30 832	28 060	30 832	28 060
		115 903	112 119	115 903	112 119

Generation costs relate to the cost of coal (including logistics), uranium, water and liquid fuels that are used in the generation of electricity. Eskom uses a combination of short-, medium- and long-term agreements with suppliers for coal purchases and long-term agreements with the Department of Water Affairs to reimburse the department for the cost incurred in supplying water to Eskom.

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
35. Employee benefit expense					
Salaries		25 001	25 159	22 455	22 655
Overtime		2 103	2 282	1 728	1 824
Post-employment medical benefits		284	409	283	407
Pension benefits		1 889	2 631	1 652	2 398
Annual bonus[2]		1 362	1 352	1 197	1 191
Production bonus[3]		129	–	129	–
Leave		1 235	901	1 109	831
Direct costs of employment		32 003	32 734	28 553	29 306
Direct training and development		50	81	37	65
Temporary and contract staff costs		2 366	2 140	359	292
Other staff costs		670	845	572	751
Gross employee benefit expense		35 089	35 800	29 521	30 414
Capitalised to property, plant and equipment		(2 202)	(2 642)	(2 202)	(2 642)
		32 887	33 158	27 319	27 772
36. Impairment and writedown of assets					
36.1 Financial assets					
Loans receivable		(7)	2	10	(29)
Finance lease receivables		4	5	4	5
Trade and other receivables	5	(171)	(943)	(148)	(898)
Insurance investments		67	7	–	–
		(107)	(929)	(134)	(922)
Bad debts recovered – trade and other receivables		(12)	(7)	(12)	(7)
		(119)	(936)	(146)	(929)

1. Includes R1 176 million recovery from a supplier.
2. The annual bonus represents a thirteenth cheque. Refer to note 28.3.
3. The production bonus is self-funded and rewards employees for improved efficiency, operational productivity and performance in the production environment.

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
36.2 Other assets					
Raised		1 486	933	1 490	933
Property, plant and equipment	8	–	919	–	919
Investment in subsidiaries		–	–	4	–
Inventories	20	1 486[1]	14	1 486[1]	14
Reversed					
Property, plant and equipment	8	–	(58)	–	(58)
		1 486	875	1 490	875
37. Other expenses					
Managerial, technical and other fees		566	318	548	288
Lease expense		946	819	203	207
Short term		890	781	145	169
Low value		56	38	58	38
Auditors' remuneration[2]		176	169	161	156
Net loss on disposals and writeoffs of property, plant and equipment and intangible assets		1 800	4 646	1 799	4 643
Repairs and maintenance, transport and other expenses		20 530	12 722	29 544	20 957
		24 018	18 674	32 255	26 251
38. Depreciation and amortisation expense					
Depreciation of property, plant and equipment	8	28 145	28 773	28 197	28 741
Amortisation of intangible assets	9	314	355	229	301
Contract liabilities and deferred income recognised (government grant)	27.2	(1 443)	(1 349)	(1 443)	(1 349)
		27 016	27 779	26 983	27 693
39. Net fair value and foreign exchange gain/(loss)					
(Loss)/gain on items carried at fair value		(34 047)	35 019	(34 644)	35 386
Financial trading assets		–	(1)	–	(1)
Financial trading liabilities		(1)	(9)	(1)	(9)
Insurance investments		599	(368)	–	–
Derivatives held for risk management	16	(34 485)	33 133	(34 483)	33 132
Embedded derivatives		(355)	2 298	(355)	2 298
Payments made in advance		195	(34)	195	(34)
Gain/(loss) on foreign currency translation of items carried at amortised cost		35 315	(40 089)	35 313	(40 091)
Trade and other receivables		(2)	8	–	6
Cash and cash equivalents		(159)	136	(159)	136
Trade and other payables		58	(158)	54	(158)
Debt securities and borrowings		35 418	(40 075)	35 418	(40 075)
Amounts recycled from cash flow hedge reserve		(385)	444	(385)	444
Amortisation of effective portion of terminated cash flow hedges		276	325	276	325
Ineffective portion of cash flow hedges		(661)	119	(661)	119
		883	(4 626)	284	(4 261)

1. An inventory clean-up exercise conducted in 2021 resulted in increased writeoffs in the year.
2. There were no non-audit services rendered by the group's statutory auditors.

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
40. Finance income					
Financial trading assets		1	4	1	4
Insurance investments		669	699	–	–
Loans receivable		587	855	280	451
Finance lease receivables		43	47	43	47
Trade and other receivables		310	412	311	412
Invoiced to customers		1 430	3 639	1 431	3 639
Amounts not meeting collectability criteria	19	(1 120)	(3 227)	(1 120)	(3 227)
Cash and cash equivalents		790	593	774	554
		2 400	2 610	1 409	1 468
41. Finance cost					
Debt securities and borrowings		31 241	34 012	31 403	34 201
Eskom bonds		13 225	13 468	13 225	13 468
Commercial paper		236	234	343	304
Eurorand zero coupon bonds		636	565	636	565
Foreign bonds		5 728	5 536	5 728	5 536
Development financing institutions		8 125	9 359	8 125	9 359
Export credit facilities		1 450	1 552	1 450	1 552
Floating rate notes		264	381	264	381
Other loans		1 577	2 917	1 632	3 036
Derivatives held for risk management		6 583	6 878	6 583	6 878
Employee benefit obligations	28	1 999	1 942	1 957	1 904
Provisions	29	4 098	3 945	4 098	3 943
Lease liabilities		1 365	1 415	1 364	1 415
Trade and other payables		339	409	339	407
Gross finance cost		45 625	48 601	45 744	48 748
Capitalised to property, plant and equipment	8	(11 716)	(14 584)	(11 716)	(14 584)
		33 909	34 017	34 028	34 164
42. Income tax					
Recognised in profit or loss					
Current tax		1 071	381	–	–
Deferred tax	13	(6 895)	(6 545)	(6 880)	(6 844)
Reversal of temporary differences		1 950	1 455	1 963	1 169
Tax losses		(8 845)	(8 000)	(8 843)	(8 013)
		(5 824)	(6 164)	(6 880)	(6 844)
Reconciliation between standard and effective tax rate:					
R million					
Tax income at standard rate		(6 932)	(7 541)	(7 695)	(8 246)
Non-taxable income[1]		(905)	(332)	(884)	(281)
Expenses not deductible for tax purposes[2]		2 013	1 709	1 699	1 683
Tax income per the income statement		(5 824)	(6 164)	(6 880)	(6 844)
%					
Tax income at standard rate		28.00	28.00	28.00	28.00
Non-taxable income		3.66	1.23	3.22	0.95
Expenses not deductible for tax purposes		(8.14)	(6.34)	(6.19)	(5.71)
Tax income per the income statement		23.52	22.89	25.03	23.24

1. *Eskom received various non-taxable income including dividends, government grants and recoveries from suppliers.*
2. *Non-deductible expenditure includes fruitless and wasteful expenditure and donations made.*

	2021 Before tax Rm	2021 Tax Rm	2021 Net of tax Rm	2020 Before tax Rm	2020 Tax Rm	2020 Net of tax Rm
Recognised in other comprehensive income						
Group						
Cash flow hedges	(9 264)	2 594	(6 670)	6 747	(1 889)	4 858
Net change in fair value	(9 249)	2 590	(6 659)	7 557	(2 115)	5 442
Net amount transferred to profit or loss	385	(108)	277	(444)	124	(320)
Net amount transferred to initial carrying amount of hedged items	(400)	112	(288)	(366)	102	(264)
Foreign currency translation differences	12	–	12	(22)	–	(22)
Re-measurement of benefits	(890)	250	(640)	3 883	(1 089)	2 794
	(10 142)	2 844	(7 298)	10 608	(2 978)	7 630
Company						
Cash flow hedges	(9 264)	2 594	(6 670)	6 747	(1 889)	4 858
Net change in fair value	(9 249)	2 590	(6 659)	7 557	(2 115)	5 442
Net amount transferred to profit or loss	385	(108)	277	(444)	124	(320)
Net amount transferred to initial carrying amount of hedged items	(400)	112	(288)	(366)	102	(264)
Re-measurement of benefits	(887)	249	(638)	3 815	(1 068)	2 747
	(10 151)	2 843	(7 308)	10 562	(2 957)	7 605

43. Cash generated from operations

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Loss before tax	(24 758)	(26 933)	(27 482)	(29 451)
Adjustments for:	67 808	68 184	68 014	68 676
Depreciation and amortisation expense	27 016	27 779	26 983	27 693
Depreciation expense – primary energy	12	12	12	12
Impairment and writedown of assets (excluding bad debts recovered)	1 379	(54)	1 356	(47)
Net fair value (gain)/loss on financial instruments	(883)	4 626	(284)	4 261
Net loss on disposals and writeoffs of property, plant and equipment	1 800	4 646	1 799	4 643
Transfer of assets from non-electricity purchasing customers	(622)	(1 293)	(622)	(1 293)
Dividend income	(47)	(66)	(1 086)	(46)
Increase in employee benefit obligations	3 850	4 519	3 430	4 052
Increase/(decrease) in provisions	4 740	(2 486)	4 678	(2 439)
Decrease in contract liabilities and deferred income	(210)	(172)	(210)	(172)
Payments made in advance recognised in profit or loss	183	149	180	129
Payments received in advance recognised in profit or loss	(848)	(820)	(841)	(813)
Finance income	(2 400)	(2 610)	(1 409)	(1 468)
Finance cost	33 909	34 017	34 028	34 164
Share of profit of equity-accounted investees	(71)	(63)	–	–
	43 050	41 251	40 532	39 225
Changes in working capital:	(12 980)	(4 913)	(12 878)	(4 751)
Payments made in advance	(223)	(240)	(197)	(227)
Increase in inventories	(3 909)	(4 853)	(3 900)	(4 841)
Increase in trade and other receivables	(1 809)	(576)	(2 624)	(1 138)
(Decrease)/increase in trade and other payables	(3 051)	2 200	(2 550)	2 428
Expenditure incurred on employee benefit obligations	(4 416)	(4 559)	(4 032)	(4 091)
Expenditure incurred on provisions	(2 516)	(892)	(2 518)	(881)
Payments received in advance	2 944	4 007	2 943	3 999
	30 070	36 338	27 654	34 474

44. Net debt reconciliation

	Debt securities and borrowings[1] Rm	Lease liabilities[2] Rm	Financial trading assets[3] Rm	Financial trading liabilities[3] Rm	Derivatives held for risk management[4] Rm	Payments made in advance[5] Rm	Cash and cash equivalents[6] Rm	Net debt Rm
Group								
Balance at 1 April 2019	440 610	9 462	(162)	238	(15 689)	(1 608)	(2 031)	430 820
Net cash increase/(decrease)	525	(423)	9	(33)	1 843	(642)	(20 877)	(19 598)
Net fair value and foreign exchange losses/(gains)	40 075	–	1	9	(39 449)	–	(136)	500
Foreign currency translation	–	–	–	–	–	–	22	22
Assets and liabilities held-for-sale	–	–	–	–	–	–	32	32
Other movements	2 472	311	–	–	(26)	657	–	3 414
Balance at 31 March 2020	483 682	9 350	(152)	214	(53 321)	(1 593)	(22 990)	415 190
Net cash (decrease)/increase	(49 830)	(497)	152	(213)	7 859	(329)	18 882	(23 976)
Net fair value and foreign exchange (gains)/losses	(35 418)	–	–	1	38 728	–	159	3 470
Foreign currency translation	–	–	–	–	–	–	(12)	(12)
Assets and liabilities held-for-sale	1 462	–	–	–	–	–	(80)	1 382
Other movements	1 930	116	–	–	(257)	367	–	2 156
Balance at 31 March 2021	401 826	8 969	–	2	(6 991)	(1 555)	(4 041)	398 210
Company								
Balance at 1 April 2019	445 047	9 462	(162)	238	(15 689)	(1 608)	(1 517)	435 771
Net cash increase/(decrease)	525	(422)	9	(33)	1 843	(642)	(20 661)	(19 381)
Net fair value and foreign exchange losses/(gains)	40 075	–	1	9	(39 449)	–	(136)	500
Other movements	2 567	307	–	–	(26)	657	–	3 505
Balance at 31 March 2020	488 214	9 347	(152)	214	(53 321)	(1 593)	(22 314)	420 395
Net cash (decrease)/increase	(50 731)	(496)	152	(213)	7 859	(329)	19 652	(24 106)
Net fair value and foreign exchange (gains)/losses	(35 418)	–	–	1	38 728	–	159	3 470
Other movements	1 977	116	–	–	(257)	367	–	2 203
Balance at 31 March 2021	404 042	8 967	–	2	(6 991)	(1 555)	(2 503)	401 962

1. Refer to note 25.
2. Refer to note 30.
3. Refer to note 14.2.
4. Refer to note 16 (hedge exposure covering debt securities and borrowings).
5. Refer to note 18 (securing debt raised).
6. Refer to note 21.

45. Guarantees and contingent liabilities

	Unit	Group 2021	Group 2020	Company 2021	Company 2020
45.1 Financial guarantees					
EFC loans to group employees					
Guarantee issued/contract value	Rm	–	–	902	983
Default probability	%	–	–	2.15	0.38
Financial guarantee	Rm	–	–	19	4
45.2 Contingent liabilities					
Legal claims — claims disclosed as a contingent liability	Rm	178	329	168	318

45.1 Financial guarantees

EFC loans to group employees

EFC has granted loans (secured by mortgage bonds on the properties) to qualifying employees of the group. Eskom has issued guarantees to EFC to the extent to which the loan values of employees exceed the current value of the mortgage security.

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.

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

45.2 Contingent liabilities

Legal claims

There are legal claims in process against Eskom as a result of disputes with various parties. Based on the evidence available, there is no present obligation relating to these claims. The claims are disclosed as a contingent liability and amounted to

46. Commitments

46.1 Capital expenditure

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Contracted capital expenditure	28 118	31 508	28 041	31 424
Within one year	14 297	11 735	14 221	11 651
One to five years	13 803	19 645	13 803	19 645
After five years	18	128	17	128

Capital expenditure excludes finance costs capitalised and foreign currency fluctuations.

The capital expenditure will be financed through debt with government support and internally generated funds.

The capital programme will be reviewed and reprioritised by management in line with the funds available.

46.2 Leases

As lessee

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
The future minimum lease payments payable under non-cancellable leases are:				
Within one year	85	244	41	65
Short-term leases	41	201	–	23
Low-value leases	44	43	41	42
One to five years				
Low-value leases	77	142	72	137
Total	162	386	113	202
Short-term leases	41	201	–	23
Low-value leases	121	185	113	179

The lease payments payable under non-cancellable leases are of a similar nature to the right-of-use, short-term and low-value leases recognised in the statement of financial position and income statement.

As lessor

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
The future minimum lease payments receivable under non-cancellable operating leases are:	145	67	69	54
Within one year	110	46	34	40
One to five years	35	21	35	14

The lease payments receivable under non-cancellable leases are of a similar nature to the right-of-use, short-term and low-value leases recognised in the statement of financial position and income statement.

47. Related-party transactions and balances

The group is wholly owned by the government represented by the DPE. Eskom (and its subsidiaries) are classified as schedule 2 public entities in terms of the PFMA. Eskom is part of the national sphere of government and its related parties in that sphere include national departments (including the shareholder), constitutional institutions and public entities (schedule 1, 2 and 3). A list of related parties is provided by National Treasury on its website www.treasury.gov.za.

Related parties include subsidiaries, associates and joint ventures of the group and post-employment benefit plans for the benefit of employees. It also includes key management personnel of Eskom and close family members of these related parties. Key management personnel for Eskom include the group's board of directors and Exco. Disclosure of related-party transactions with key management personnel is included in note 50. Disclosure on the government guarantees to Eskom are included in note 5.3.2.

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Transactions					
Sales of goods and services[1]		12 827	12 552	13 837	13 384
National departments		1 494	1 256	1 494	1 256
Public entities		7 311	7 420	6 938	7 202
Subsidiaries, associates and joint ventures		4 022	3 876	5 405	4 926
Government grant funding received for electrification					
National departments		1 724	2 717	1 724	2 717
Purchases of goods and services[1]		10 598	9 985	21 784	20 634
Constitutional institutions		10	2	10	2
National departments		1 975	1 811	1 975	1 811
Public entities		5 990	5 610	4 593	4 913
Subsidiaries, associates and joint ventures		157	112	12 977	11 692
Eskom Pension and Provident Fund		2 466	2 450	2 229	2 216
Net fair value and foreign exchange gain/(loss)					
Subsidiaries, associates and joint ventures		–	–	2	(1)
Finance income		148	138	428	589
National departments		9	11	9	11
Public entities		139	127	139	127
Subsidiaries, associates and joint ventures		–	–	280	451
Finance cost[2]		7 460	7 772	7 707	8 101
National departments		8	10	8	10
Public entities		7 311	7 601	7 311	7 601
Subsidiaries, associates and joint ventures		–	–	247	329
Eskom Pension and Provident Fund		141	161	141	161
Dividend income					
Subsidiaries, associates and joint ventures		–	–	1 085	46
Lease income		7	26	11	30
National departments		1	3	1	3
Public entities		6	23	6	23
Subsidiaries, associates and joint ventures		–	–	4	4
Lease expenses		8	7	11	10
Public entities		8	7	8	7
Subsidiaries, associates and joint ventures		–	–	3	3
Environmental levy					
Public entities	34	7 191	7 613	7 191	7 613

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

47. Related-party transactions and balances (continued)

	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Outstanding balances (due by related parties)					
Receivables and amounts owed by related parties		3 178	2 125	5 774	3 918
National departments		135	119	135	119
Public entities		2 698	1 667	2 406	1 546
Subsidiaries, associates and joint ventures		345	339	3 233	2 253
Loans receivable					
Subsidiaries, associates and joint ventures[1]		–	–	5 779	5 948
Total due by related parties		3 178	2 125	11 553	9 866
Cash and cash equivalents					
Public entities		–	1 073	–	1 073
Outstanding balances (due to related parties)					
Debt securities and borrowings		118 967	115 106	122 478	119 682
National departments		32	16	32	16
Public entities		115 927	112 189	115 927	112 189
Subsidiaries, associates and joint ventures[2]		–	–	3 511	4 576
Eskom Pension and Provident Fund		3 008	2 901	3 008	2 901
Payables[3] and amounts owed to related parties		3 391	3 462	6 413	5 823
National departments		445	404	445	404
Public entities		2 621	3 031	2 444	2 679
Subsidiaries, associates and joint ventures		30	18	3 229	2 731
Eskom Pension and Provident Fund		295	9	295	9
Payments received in advance		942	1 197	958	1 213
National departments		942	1 197	942	1 197
Subsidiaries, associates and joint ventures		–	–	16	16
Derivative liabilities held for risk management					
Subsidiaries, associates and joint ventures		–	–	1	4
Total due to related parties		123 300	119 765	129 850	126 722
Guarantees					
Guarantees issued contract value					
Subsidiaries, associates and joint ventures	45.1	–	–	902	983

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

48. Events after the reporting date

Equity support
Eskom received R7 billion on 1 April 2021, R10 billion on 26 April 2021, R3 billion on 25 June 2021 and R11.7 billion on 1 July 2021 as part of the support from government.

Medupi unit 4 generator explosion
There was an explosion at the Medupi power station unit 4 on 8 August 2021 resulting in damage to the generator. Investigations are underway into the cause of the incident and the extent of the damage incurred.

Changes in board
Ms N Magubane resigned from the Eskom board in August 2021.

1. The effective interest rate on the loans to subsidiaries is 3.67% (2020: 7.12%).
2. Refer to note 25 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.

49. Restatement of comparatives
The 2019 and 2020 statements of financial position as well as the 2020 income statements and statements of comprehensive income have been restated as a result of the following errors:

Pension benefits
The rules of the EPPF have the effect that the fund is not a normal defined benefit fund in terms of IAS 19.

The fund has been in a net asset position since its commencement and Eskom has not previously provided any additional contributions to meet the benefits payable as per the benefit formula. There is therefore uncertainty as to the existence of an obligation as the rules provide for the option of an increase in the group's contributions if consented to by the employer.

A reassessment of the rules of the fund indicate that, although the group is paying a fixed contribution to the fund, the promised benefits to the members are based on a fixed formula which are not limited to the assets available in the fund. Despite an independent legal opinion that cited that there was no legal obligation on Eskom to make good any deficit, management noted when applying the requirements in IAS 19 that the benefit formula does not limit the payments to the assets in existence in the fund at the payment date. As a result, management concluded that the actuarial and investment risk fall on Eskom when considering the requirements of IAS 19 and therefore followed a conservative approach to classify the fund as a defined benefit fund. Eskom previously accounted for the EPPF as a defined contribution fund.

There was no impact on the statement of financial position as the fund is in a surplus position and the surplus is not controlled by Eskom. The only impact was the reallocation of income and expenses between profit and loss and other comprehensive income with no impact on the total comprehensive income.

Trust fund valuation
Eskom's contributions towards environmental rehabilitation trust funds were previously measured at cost and have now been corrected to account for Eskom's share of the fair value of the trust funds.

	Group Previously reported Rm	Group Adjustments Rm	Group Restated Rm	Company Previously reported Rm	Company Adjustments Rm	Company Restated Rm
Statements of financial position at 31 March 2019						
Assets						
Non-current						
Payments made in advance	1 734	318	2 052	1 733	318	2 051
Equity						
Capital and reserves	149 978	229	150 207	135 399	229	135 628
Liabilities						
Non-current						
Deferred tax	7 138	89	7 227	6 601	89	6 690
Statements of financial position at 31 March 2020						
Assets						
Non-current						
Payments made in advance	1 614	284	1 898	1 613	284	1 897
Equity						
Capital and reserves	185 863	205	186 068	169 421	205	169 626
Liabilities						
Non-current						
Deferred tax	3 678	79	3 757	2 724	79	2 803
Income statements for the year ended 31 March 2020						
Employee benefit expense	(32 976)	(182)	(33 158)	(27 590)	(182)	(27 772)
Net fair value and foreign exchange gain/(loss)	(4 592)	(34)	(4 626)	(4 227)	(34)	(4 261)
Finance cost	(33 862)	(155)	(34 017)	(34 009)	(155)	(34 164)
Loss before tax	(26 562)	(371)	(26 933)	(29 080)	(371)	(29 451)
Income tax	6 060	104	6 164	6 740	104	6 844
Loss for the year	(20 502)	(267)	(20 769)	(22 340)	(267)	(22 607)
Statements of comprehensive income for the year ended 31 March 2020						
Loss for the year	(20 502)	(267)	(20 769)	(22 340)	(267)	(22 607)
Items that may be reclassified subsequently to profit or loss	4 836	–	4 836	4 858	–	4 858
Items that may not be reclassified subsequently to profit or loss	2 551	243	2 794	2 504	243	2 747
Re-measurement of post-employment medical benefits	3 546	–	3 546	3 478	–	3 478
Re-measurement of pension benefits	–	337	337	–	337	337
Income tax thereon	(995)	(94)	(1 089)	(974)	(94)	(1 068)
Total comprehensive loss for the year	(13 115)	(24)	(13 139)	(14 978)	(24)	(15 002)

50. Directors' remuneration

The background to directors' remuneration and an overview of the main provisions of the remuneration policy is included in the remuneration and benefits section in the integrated report. The details of the board (governing body) and executive management remuneration are included in this note. The details regarding the appointments, resignations and other changes in roles of directors during the year are included in the directors' report.

50.1 Executive directors and group executives

The remuneration of the group chief executive and the chief financial officer (executive directors) and Exco members (group executives) are disclosed below. Eskom's prescribed officers are the group executives. The group chief executive and the chief financial officer have fixed-term contracts. The group executives have permanent contracts based on Eskom's standard conditions of service. NB Hewu and SJ Mthembu were appointed on standard fixed-term contracts.

The emoluments for the executives of the group were as follows:

Name	2021 Salary R'000	2021 Notice payment R'000	2021 Other payments R'000	2021 Total remuneration earned and cash paid R'000	2020 Salary R'000	2020 Notice payment R'000	2020 Other payments R'000	2020 Total remuneration earned and cash paid R'000
Executive directors	11 940	–	195	12 135	9 394	–	499	9 893
AM de Ruyter	7 040	–	98	7 138	1 654	–	10	1 664
PS Hadebe	–	–	–	–	2 840	–	353	3 193
C Cassim	4 900	–	97	4 997	4 900	–	136	5 036
Group executives	21 616	–	373	21 989	27 493	850	1 173	29 516
JA Oberholzer	5 496	–	78	5 574	5 496	–	303	5 799
ML Bala	–	–	–	–	2 800	–	115	2 915
FS Burn	2 989	–	56	3 045	–	–	–	–
A Etzinger	–	–	–	–	599	–	19	618
ND Harris	263	–	2	265	1 874	–	17	1 891
NB Hewu	2 833	–	–	2 833	3 400	–	–	3 400
N Minyuku	1 444	–	41	1 485	–	–	–	–
SJ Mthembu	–	–	–	–	2 550	850	131	3 531
BJ Nxumalo	–	–	–	–	2 100	–	163	2 263
N Otto	678	–	–	678	–	–	–	–
EM Pule	3 339	–	158	3 497	3 339	–	130	3 469
SM Scheppers	–	–	–	–	2 800	–	134	2 934
MS Tshitangano	2 385	–	38	2 423	2 353	–	110	2 463
J Sankar	145	–	–	145	–	–	–	–
V Tuku	2 044	–	–	2 044	–	–	–	–
N Zibi	–	–	–	–	182	–	51	233
	33 556	–	568	34 124	36 887	850	1 672	39 409

Salaries

Salaries consist of a guaranteed package that includes Eskom's medical and pension fund contributions. No fees were paid to executives who serve on the boards of Eskom subsidiaries.

Notice payments

These consist of payments made in terms of contractual agreements.

Other payments

Other payments consist of accumulated leave paid out on resignation and fees related to telephone costs, security services and operating vehicle expenditure.

Bonuses

Short-term bonus

If applicable, a short-term incentive bonus is paid after year end. No short-term bonuses were awarded in the current or prior financial years.

Long-term bonus

If applicable, a long-term incentive bonus is paid after year end in cash and consists of the vested amount in a reporting period. No new long-term bonus units have been awarded since 1 April 2017 due to Eskom's current financial constraints.

	2021 R'000	2020 R'000
Housing loans		
C Cassim	3 173	3 304
N Otto	478	–
J Sankar	727	–
ML Bala	–	2 736
A Etzinger	–	985
	4 378	7 025

Home loan balances are disclosed when an individual is in the role of an executive director or group executive (even if they were only in that capacity for a portion of the year). The interest rate on the loans from EFC at 31 March 2021 was 5.25% (2020: 8.00%). The loans are repayable over a maximum period of 30 years. The terms and conditions applicable to ex-employees are applied on resignation.

50.2 Non-executive directors

Non-executive directors receive a fixed fee and are reimbursed for out-of-pocket expenses incurred in fulfilling their duties. Their emoluments were as follows:

	2021 R'000	2020 R'000
MW Makgoba (chairman in 2021)	1 687	952
JA Mabuza (chairman in 2020)	–	4 261
RDB Crompton	717	540
RSN Dabengwa	227	557
SN Mabaso-Koyana	–	506
NVB Magubane	645	498
BCE Makhubela	648	497
B Mavuso	593	593
PE Molokwane	711	618
TH Mongalo	717	543
	5 945	9 565

51. New standards and interpretations

51.1 Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations and amendments to existing standards have been published that are applicable for future accounting periods that have not been adopted early by the group. These standards and interpretations will be applied in the first year that they are applicable to the group.

Topic	Summary of requirements	Impact
Amendments to IFRS 16: *COVID-19-related rent concessions* (1 June 2020)	The amendments provide relief to lessees from applying IFRS 16 to rent concessions as a direct consequence of the COVID-19 pandemic. A lessee may elect as a practical expedient to not assess whether a COVID-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for a change in lease payments in terms of IFRS 16 as if the change were not a lease modification.	No material impact. The group has not offered or received any rent concessions in response to the COVID-19 pandemic.
Interest rate benchmark reform phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (1 January 2021)	The amendments address issues that might affect financial reporting as a result of a reform of an interest rate benchmark, including the impact on contractual cash flows and hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: • changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities • hedge accounting The amendments introduce a practical expedient for modifications of financial instruments and leases that result directly from IBOR reform. The amendments also provide specific relief from discontinuing hedging relationships. Once the new benchmark rate is in place, the hedged items and hedging instruments are remeasured based on the new rate and any hedge ineffectiveness will be recognised in profit or loss. The amendments require additional disclosure about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The amendments apply retrospectively.	The group has a number of instruments that are linked to IBOR and is currently in the process of evaluating the detailed requirements of the standard to assess the impact on financial statements.
Onerous contracts: cost of fulfilling a contract – amendments to IAS 37 (1 January 2022)	The amendments clarify that the costs of fulfilling a contract comprise both: • the incremental costs – direct labour and materials • an allocation of other direct costs – an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract This clarification is unlikely to affect provisions that are already based on the full cost approach, but will result in the recognition of larger and potentially more provisions for those based on the incremental cost approach. This amendments will apply to open contracts on adoption without the need to restate comparatives.	No material impact. The group already accounts for onerous contracts on the full cost approach.

Topic	Summary of requirements	Impact
Property, plant and equipment: proceeds before intended use – amendments to IAS 16 (1 January 2022)	The amendments prohibit entities from deducting any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment. Instead, the proceeds from selling such items and the costs of producing those items are recognised in profit or loss. The amendments are applicable retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the amendments are first applied.	The group is currently in the process of evaluating the detailed requirements of the standard to assess the impact on the financial statements. It is expected that the amendments will have an impact on the cost of power stations under construction from 1 April 2021 where the proceeds from selling electricy and the cost to produce the electricity is currently allocated to the cost of the power station. These amendments will align the accounting and taxation treatments relating to proceeds before intended use with no temporary differences and deferred tax from the effective date.
Annual improvements 2018–2020 cycle – amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (1 January 2022)	The amendments to IFRS 1 *First-time adoption of international financial reporting standards* simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS standards later than its parent.	The amendments to IFRS 1 are not applicable as all subsidiaries of the group apply IFRS.
	The amendments to IFRS 9 clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments.	The amendments to IFRS 9 are not expected to have a material impact. Fees are normally taken into account in line with the amendment when assessing whether the terms of a new or modified financial liability are substantially different to the original liability.
	The amendments to IAS 41 remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair value measurement.*	IAS 41 is not applicable as the group does not have any agricultural assets as defined in IAS 41.
	The amendments deleted references to reimbursements relating to leasehold improvements in the illustrative example 13 in IFRS 16. The amendments remove the potential for confusion in identifying lease incentives.	The amendments to IFRS 16 are not expected to have a material impact. Contracts with leasehold improvements have been considered in terms of the measurement guidance of IFRS 16 and the update to the illustrative example will not impact this assessment.
Amendments to IFRS 3 – reference to the *Conceptual framework for financial reporting* (1 January 2022)	Amendments were made to replace older references that referred to the *Framework for the preparation and presentation of financial statements* with *Conceptual framework for financial reporting*. The *Conceptual framework for financial reporting* is applicable from 1 January 2020 and the references and related details were aligned accordingly.	The amendments are not expected to have a material impact. There are currently no business combinations in the group.

51. New standards and interpretations (continued)

51.1 Standards, interpretations and amendments to published standards that are not yet effective (continued)

Topic	Summary of requirements	Impact
Classification of liabilities as current or non-current – amendments to IAS 1 (1 January 2023)	IAS 1 has been amended to clarify the requirements of determining if a liability is current or non-current. The amendments clarify: • what is meant by a right to defer settlement • that a right to defer must exist at the end of the reporting period • that classification is unaffected by the likelihood that an entity will exercise its deferral right • that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification These amendments have to be applied retrospectively.	The group is currently in the process of evaluating the detailed requirements of the standard to assess the impact on the financial statements.
IFRS 17 *Insurance contracts and amendments* to IFRS 17 (1 January 2023)	IFRS 17 introduces one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Once effective, IFRS 17 will replace IFRS 4 *Insurance contracts.* It requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will have to reflect the time value of money of estimated payments required to settle incurred claims. Insurance contracts will be measured only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.	The group is currently in the process of evaluating the detailed requirements of the standard to assess the impact on the financial statements. It is expected that the standard will only impact the financial statements of Escap in the group.
Sale or contribution of assets between an investor and its associate or joint venture – amendments to IFRS 10 and IAS 28 (optional adoption, effective date deferred indefinitely)	These amendments address the conflict between the guidance on consolidation and equity accounting when a parent loses control of a subsidiary in a transaction with an associate or joint venture. The parent recognises the full gain on the loss of control under the consolidation standard, but under the standard on associates and joint ventures, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or joint venture. The amendments require the full gain to be recognised when the assets transferred meet the definition of a business under IFRS 3 *Business combinations.*	No material impact. The group is currently not disposing of any of its investments in associates or joint ventures.

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

Topic	Summary of requirements	Impact
Amendments to references to the *Conceptual framework for financial reporting* in IFRS standards (1 January 2020)	The main changes to the principles in the framework have implications for how and when assets and liabilities are recognised and derecognised in the financial statements. It is expected that inconsistencies between accounting policies and the new guidance will be rare.	No material impact. No impact on the 31 March 2021 financial statements.
Definition of a business – amendments to IFRS 3 (1 January 2020)	The amendments provide more guidance on the definition of a business. The new definition of a business is narrower. This could result in fewer business combinations being recognised.	No material impact. There were no business combinations impacting the 31 March 2021 financial statements.
Definition of material – amendments to IAS 1 and IAS 8 (1 January 2020)	The definition of material has been refined and practical guidance on applying the concept of materiality has been issued. The revised definition of material is: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	No material impact. The adoption of the updated definition and practical guidance did not result in any significant changes based on how materiality has been applied in the 31 March 2021 financial statements.
Interest rate benchmark reform phase 1 (amendments to IFRS 9, IAS 39 and IFRS 7) (1 January 2020)	The first phase of amendments to IFRS 9 *Financial instruments*, IAS 39 *Financial instruments: recognition and measurement* and IFRS 7 *Financial instruments: disclosures* focused on hedge accounting issues. Specific hedge accounting requirements have been amended to provide relief from the potential effects of the uncertainty caused by IBOR reform (ie uncertainty about what the new benchmark will be and when it will take effect).	No material impact. Eskom has a number of instruments that are linked to IBOR. The impact is not material as the amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform Disclosure has been included in note 16 as the group applied this exemption.
Extension of the temporary exemption from applying IFRS 9 – amendments to IFRS 4 (1 January 2020)	These amendments provide for the extension of the temporary exemption for insurance entities to apply IFRS 9 to the same date as when IFRS 17 is effective (from 1 January 2023).	No material impact. The group does not apply IFRS 4 for insurance contracts.

52. Information required by the Public Finance Management Act

Section 55(2)(b)(i) of the PFMA requires that the particulars of any irregular expenditure, fruitless and wasteful expenditure as well as material losses due to criminal conduct be disclosed in the annual financial statements. Any losses due to criminal conduct that individually or collectively (where items are closely related) exceed R25 million in terms of the significance and materiality framework, as agreed with the shareholder, have to be reported.

52.1 Irregular expenditure

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope includes transgressions of any laws and regulations regardless of whether or not the expenditure was justified from a business perspective, value was received, the breaches were deliberate or accidental, or the breaches happened unknowingly or in good faith.

Irregular expenditure is incurred when the related transaction is recognised in terms of IFRS. The irregular expenditure is removed from the note through a process of condonation by the relevant authority, recovery or removal.

52. Information required by the Public Finance Management Act (continued)

52.1 Irregular expenditure (continued)

	Note	Balance at beginning of the year Rm	Expenditure Rm	Condoned Rm	Recovered Rm	Balance at end of the year Rm
2021						
Group						
PFMA		29 850	8 285	(9 529)	(1 176)	27 430
Use of sole source	(a)	9 837	2 023	(7 961)	–	3 899
Incorrect classification as emergency procurement	(b)	3 580	1 309	–	–	4 889
Tender processes not adhered to and insufficient delegation of authority	(c)	8 748	3 978	(1 568)	(1 176)	9 982
Modifications exceeding allowed amounts	(d)	7 685	975	–	–	8 660
PPPFA		4 292	1 300	–	–	5 592
Incorrect tender process applied	(e)	852	8	–	–	860
Tax clearance certificates	(f)	3 424	1 289	–	–	4 713
Designated sectors	(g)	16	3	–	–	19
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	1 533	230	–	–	1 763
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	497	260	–	–	757
Various commercial requirements						
Breach of more than one commercial requirement	(j)	69	1 572	–	–	1 641
Other		18	16	(3)	–	31
		36 259	11 663	(9 532)	(1 176)	37 214
Company						
PFMA		20 523	6 884	(1 566)	(1 176)	24 665
Use of sole source	(a)	1 209	732	–	–	1 941
Incorrect classification as emergency procurement	(b)	3 458	1 254	–	–	4 712
Tender processes not adhered to and insufficient delegation of authority	(c)	8 253	3 923	(1 566)	(1 176)	9 434
Modifications exceeding allowed amounts	(d)	7 603	975	–	–	8 578
PPPFA		4 002	1 293	–	–	5 295
Incorrect tender process applied	(e)	673	1	–	–	674
Tax clearance certificates	(f)	3 313	1 289	–	–	4 602
Designated sectors	(g)	16	3	–	–	19
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	1 527	228	–	–	1 755
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	496	260	–	–	756
Various commercial requirements						
Breach of more than one commercial requirement	(j)	69	1 572	–	–	1 641
Other		16	16	(3)	–	29
		26 633	10 253	(1 569)	(1 176)	34 141

	Note	Balance at beginning of the year Rm	Expenditure Rm	Condoned Rm	Recovered Rm	Balance at end of the year Rm
2020						
Group						
PFMA		16 301	13 744	(45)	(150)	29 850
Use of sole source	(a)	7 103	2 734	–	–	9 837
Incorrect classification as emergency procurement	(b)	340	3 240[1]	–	–	3 580
Tender processes not adhered to and insufficient delegation of authority	(c)	3 397	5 546	(45)	(150)	8 748
Modifications exceeding allowed amounts	(d)	5 461	2 224	–	–	7 685
PPPFA		3 868	451	(27)	–	4 292
Incorrect tender process applied	(e)	794	85	(27)	–	852
Tax clearance certificates	(f)	3 074	350	–	–	3 424
Designated sectors	(g)	–	16	–	–	16
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	1 377	156	–	–	1 533
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	496	1	–	–	497
Various commercial requirements						
Breach of more than one commercial requirement	(j)	69	–	–	–	69
Other		–	18	–	–	18
		22 111	14 370	(72)	(150)	36 259
Company						
PFMA		9 158	11 544	(29)	(150)	20 523
Use of sole source	(a)	500	709	–	–	1 209
Incorrect classification as emergency procurement	(b)	254	3 204[1]	–	–	3 458
Tender processes not adhered to and insufficient delegation of authority	(c)	2 994	5 438	(29)	(150)	8 253
Modifications exceeding allowed amounts	(d)	5 410	2 193	–	–	7 603
PPPFA		3 591	411	–	–	4 002
Incorrect tender process applied	(e)	611	62	–	–	673
Tax clearance certificates	(f)	2 980	333	–	–	3 313
Designated sectors	(g)	–	16	–	–	16
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	1 374	153	–	–	1 527
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	496	–	–	–	496
Various commercial requirements						
Breach of more than one commercial requirement	(j)	69	–	–	–	69
Other		–	16	–	–	16
		14 688	12 124	(29)	(150)	26 633

1. Prior period figures were adjusted to account for corrections.

52. Information required by the Public Finance Management Act (continued)

52.1 Irregular expenditure (continued)

Expenditure analysis

	Note	2021 Current year Rm	2021 Prior years Rm	2021 Total Rm	2020 Total Rm
Group					
PFMA		4 754	3 531	8 285	13 744
Use of sole source	(a)	2 023	–	2 023	2 734
Incorrect classification as emergency procurement	(b)	1 251	58	1 309	3 240[1]
Tender processes not adhered to and insufficient delegation of authority	(c)	505	3 473	3 978	5 546
Modifications exceeding allowed amounts	(d)	975	–	975	2 224
PPPFA		162	1 138	1 300	451
Incorrect tender process applied	(e)	7	1	8	85
Tax clearance certificates	(f)	153	1 136	1 289	350
Designated sectors	(g)	2	1	3	16
CIDB regulations					
Contracts awarded without following CIDB requirements	(h)	164	66	230	156
National Treasury instructions					
Expenditure not in accordance with National Treasury instructions	(i)	260	–	260	1
Various commercial requirements					
Breach of more than one commercial requirement	(j)	237	1 335	1 572	–
Other		10	6	16	18
		5 587	6 076	11 663	14 370
Company					
PFMA		3 431	3 453	6 884	11 544
Use of sole source	(a)	732	–	732	709
Incorrect classification as emergency procurement	(b)	1 251	3	1 254	3 204[1]
Tender processes not adhered to and insufficient delegation of authority	(c)	473	3 450	3 923	5 438
Modifications exceeding allowed amounts	(d)	975	–	975	2 193
PPPFA		155	1 138	1 293	411
Incorrect tender process applied	(e)	–	1	1	62
Tax clearance certificates	(f)	153	1 136	1 289	333
Designated sectors	(g)	2	1	3	16
CIDB regulations					
Contracts awarded without following CIDB requirements	(h)	164	64	228	153
National Treasury instructions					
Expenditure not in accordance with National Treasury instructions	(i)	260	–	260	–
Various commercial requirements					
Breach of more than one commercial requirement	(j)	237	1 335	1 572	–
Other		10	6	16	16
		4 257	5 996	10 253	12 124

(a) Use of sole source

State-owned entities are required to procure goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective. Expenditure was incurred on awards which did not follow proper tender processes where awards were incorrectly allocated to predetermined suppliers.

The internal procedures and system control enhancement continued to be effective as there were no new occurrences of irregular expenditure in this category. Sole source requests are scrutinised to confirm compliance with criteria before approval by the relevant governance processes.

The irregular expenditure reported during the year relates to existing contracts from prior years. The irregular expenditure will fall away once those contracts are condoned. Eskom is engaging with National Treasury to expedite the condonation process. National Treasury approved a bulk condonation request of R7 961 million for Eskom Rotek Industries during the year. A standing committee has been established between Eskom, National Treasury and DPE to monitor the processing of submitted applications, including condonation of all historical irregular expenditure.

1. Prior period figures were adjusted to account for corrections.

(b) Incorrect classification as emergency procurement

Irregular expenditure was incurred where emergency purchases did not meet the National Treasury requirements for emergency procurement. In cases where an emergency purchase is required for a period longer than 30 days with more than one payment, a contract is established to limit abuse and minimise any potential risk in execution. Appropriate action has been taken against implicated individuals where the related investigations were completed.

The opening balance was restated by R3 204 million as a result of fuel oil that was inappropriately procured through the emergency procurement process that was confirmed as irregular expenditure in the current year. An additional R1 251 million was incurred relating to this matter in the current year.

(c) Tender processes not adhered to and insufficient delegation of authority

Irregular expenditure was incurred where incorrect tender processes were followed. Requests for condonation have been submitted to National Treasury for a portion of the expenditure in this category. Consequence management was addressed as part of the condonation process.

A refund of R1 176 million was received from a supplier on a contract that was irregularly awarded.

(d) Modifications exceeding allowed amounts

National Treasury requires that any modification to an original contract where the value of the modification is more than 20% or R20 million for construction-related goods, works or services and 15% or R15 million for all other goods or services has to be approved by National Treasury effective from 1 May 2016. The group did not initially comply with this requirement and an estimated amount of irregular expenditure was reported in 2018, predominately due to the misinterpretation of the instruction note.

The full population of contracts with value changes from 1 May 2016 to 31 March 2018 was reviewed and the irregular expenditure was recalculated on the contract value (excluding cost price adjustment and contingency allowance). National Treasury did not approve the condonation request. A process is underway to remove the amount from the irregular expenditure register in terms of the relevant National Treasury instruction.

Modifications of task orders on panel contracts are monitored for compliance. Further guidance has been obtained from National Treasury on modification of task orders which has been communicated to the business and used to enhance controls.

(e) Incorrect tender process applied

The PPPFA requires that the preferential points calculation is determined inclusive of VAT. Certain procurement was incorrectly done where the preferential points calculation was determined exclusive of VAT. Only one new insignificant incident was reported during the year, indicating that the controls are effective.

(f) Tax clearance certificates

The PPPFA regulations require that tenders may only be awarded to a person whose tax matters have been declared to be in order by SARS. Internal processes require that the tax status of all successful tenderers is confirmed to be compliant prior to concluding a contract.

Most of the incidents reported relate to past transgressions which will no longer be irregular once condoned. A transgression of R1 189 million was reported in 2021 relating to a contract that was deemed irregular due to collusion in prior years. The condonation process relating to this incident, including the relevant consequence management, is currently in progress.

(g) Designated sectors

Where local production and content is of critical importance in the award of tenders in designated sectors, such tenders must be advertised with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods that meet the stipulated minimum threshold for local production and content will be considered. Contracts were awarded to suppliers despite having declared a local content threshold that was below the required stipulated threshold as per the Department of Trade and Industry list of designated materials.

Internal processes make it mandatory for a commercial practitioner to indicate whether the transaction has designated elements or not.

(h) Contracts awarded without following CIDB requirements

The group did not comply with the Construction Industry Development Board (CIDB) regulation regarding the advertising of tenders, grading of contractors and publishing of awards.

(i) Expenditure not in accordance with National Treasury instructions

One new incident was reported during the year relating to incorrect application of National Treasury approval relating to fuel oil purchases.

Eskom issued a notice of motion during the year for the winding-up of a sub-contractor to recover the outstanding amounts relating to an incident reported previously. Criminal charges have been laid against the implicated individuals.

(j) Breach of more than one commercial requirement

Investigations identified transgressions of more than one legislative requirement. All identified breaches have been logged in a central condonation register for investigation. Condonation will be requested from National Treasury and improvements have been made to processes to address the breaches.

52. Information required by the Public Finance Management Act (continued)

52.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure made in vain that could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is reported in the annual financial statements when it is confirmed.

	Balance at beginning of the year Rm	Expenditure Rm	Recovered Rm	Removed Rm	Balance at end of the year Rm
2021					
Group					
Project management	2 121	2	–	–	2 123
Procurement and contract management	335	1 283	–	–	1 618
Interest and penalties	3	2	–	(2)	3
Other	734	1	–	(2)	733
	3 193	1 288	–	(4)	4 477
Company					
Project management	2 119	2	–	–	2 121
Procurement and contract management	334	1 283	–	–	1 617
Interest and penalties	3	2	–	(2)	3
Other	734	1	–	(2)	733
	3 190	1 288	–	(4)	4 474
2020					
Group					
Project management	7	2 114	–	–	2 121
Procurement and contract management	331[1]	6	(2)	–	335
Interest and penalties	4	–	–	(1)	3
Other	522[1]	212	–	–	734
	864	2 332	(2)	(1)	3 193
Company					
Project management	7	2 112	–	–	2 119
Procurement and contract management	330[1]	6	(2)	–	334
Interest and penalties	3	–	–	–	3
Other	522[1]	212	–	–	734
	862	2 330	(2)	–	3 190

Expenditure analysis

	2021 Current year Rm	2021 Prior years Rm	2021 Total Rm	2020 Total Rm
Group				
Project management	–	2	2	2 114
Procurement and contract management	2	1 281	1 283	6
Interest and penalties	–	2	2	–
Other	–	1	1	212
	2	1 286	1 288	2 332
Company				
Project management	–	2	2	2 112
Procurement and contract management	2	1 281	1 283	6
Interest and penalties	–	2	2	–
Other	–	1	1	212
	2	1 286	1 288	2 330

1. *Prior period figures were adjusted to account for corrections.*

The group experienced 45 (2020: 75) and the company 44 (2020: 73) incidents of fruitless and wasteful expenditure during the reporting period.

An external investigation confirmed overpayments of R1 280 million relating to a fuel oil contract. Eskom is pursuing recovery through civil proceedings.

The opening balance for procurement and contract management was restated by R328 million for an amount that should have been reported previously.

The revenue management category disclosed in the prior year's financial statements has been removed.

52.3 Criminal conduct

Material losses caused by criminal conduct and any disciplinary, civil or criminal action taken in respect of such losses are reported in terms of the materiality framework.

	Note	Group 2021	Group 2020	Company 2021	Company 2020
Losses incurred (Rm)					
Theft of conductors, cabling and related equipment	(a)	139	115	139	113
Estimated non-technical revenue losses	(b)	2 319	1 977	2 319	1 977
Fraud					
Immaterial incidents (less than R25 million)	(c)	12	38	4	38
Other crimes		77	117	77	110
Material incidents (greater than R25 million)	(d)	–	58	–	58
Immaterial incidents (less than R25 million)		77	59	77	52
		2 547	2 247	2 539	2 238
Losses recovered (Rm)					
Theft of conductors, cabling and related equipment	(a)	5	4	5	4
Estimated non-technical revenue losses	(b)	563	213	563	213
Fraud					
Immaterial incidents (less than R25 million)	(c)	8	–	–	–
Other crimes					
Immaterial incidents (less than R25 million)		6	2	6	2
		582	219	574	219
Number of incidents					
Theft of conductors, cabling and related equipment	(a)	3 765	4 798	3 763	4 790
Fraud					
Immaterial incidents (less than R25 million)	(c)	17	29	9	25
Other crimes		1 692	1 998	1 680	1 900
Material incidents (greater than R25 million)	(d)	–	2	–	2
Immaterial incidents (less than R25 million)		1 692	1 996	1 680	1 898
		5 474	6 825	5 452	6 715
Number of arrests					
Theft of conductors, cabling and related equipment	(a)	111	120	111	120
Fraud					
Immaterial incidents (less than R25 million)	(c)	1	–	–	–
Other crimes					
Immaterial incidents (less than R25 million)		84	46	84	46
		196	166	195	166

(a) Theft of conductors, cabling and related equipment

Actions to combat losses through criminal conduct are managed in collaboration with other affected state-owned companies, industry role players, the National Prosecuting Authority and the South African Police Service.

52. Information required by the Public Finance Management Act (continued)

52.3 Criminal conduct (continued)

(b) Estimated non-technical revenue losses

Non-technical losses arise mainly from meter tampering and bypasses, illegal connections to the electricity network and illegal vending of electricity. The management of non-technical losses focuses on ensuring that all energy supplied is accounted for. The energy losses management programme focused on minimising the non-technical revenue losses with increased revenue recoveries in 2021.

Eskom invoiced R685 million (2020: R318 million) of revenue relating to these losses during the year, of which R563 million (2020: R213 million) has been received.

(c) Fraud

Immaterial incidents (less than R25 million)

Eskom concluded 9 (2020: 25) investigations into fraud during the year. The internal control measures in the affected areas have been reviewed and enhancements recommended to the accountable line managers for implementation. This includes controls, disciplinary, criminal and civil proceedings against those involved.

(d) Other crimes

Material incidents (greater than R25 million)

No incidents (2020: 2) occurred where the losses were greater than R25 million.

52.4 Matters under assessment and determination

Matters under assessment and determination include the following:

- various non-compliances to PFMA section 51(1)(a)(iii) regarding the principles of fair, equitable, transparent, competitive and cost effective procurement including inappropriate:
  – use of sole sources and emergencies
  – modifications to contracts
  – emergency procurement of fuel oil
  – significant matters on six modifications related to construction contracts
  – various non-adherence to tender processes including breaches of delegation of authority
- application of Preferential Procurement Regulations:
  – designated sectors (minimum thresholds not stated in the tender advert and tenderer submissions)
  – tax non-compliance
  – period of tender advertisements
  – application of evaluation criteria for measuring functionality
- limitation where documents were not provided for audit purposes which may result in a non-compliance
- incorrect application of CIDB Act
- possible undue influence due to a conflict of interest (supplier declaration of interest not completed)
- potential losses due to a lack of reasonable care in project and contract management
- interest and penalties being levied against Eskom due to instances of late payment of suppliers
- losses due to under-utilised information technology systems and licences
- potential overpayments to a number of contractors involved in the construction of the Kusile power station

Some of the reviews and assessments are conducted by independent external parties.

Relevant disclosure will be made in a subsequent financial year should any losses or expenditure incurred prove to be irregular, fruitless and wasteful or due to criminal conduct.

53. Reportable irregularities and matters under investigation

53.1 Reportable irregularities

The external auditors raised certain reportable irregularities in terms of section 45 of the Auditing Profession Act. Progress was made in clearing these reportable irregularities.

The table below reflects the status of the reportable irregularities at 31 March 2021. The discussion focused on items that were open at the previous year end and new items identified in the current year.

Description	Action	Status
Reportable irregularities – 31 March 2017		
There were allegations that an early retirement agreement between Eskom and the former GCE (B Molefe) was irregular.	• the Democratic Alliance and Solidarity Trade Union successfully brought an application in the Gauteng Division of the High Court to set aside the early retirement agreement between Eskom and the former GCE • the former GCE appealed the High Court decision to the Supreme Court of Appeal • the Supreme Court of Appeal dismissed the appeal in April 2019 • the former GCE subsequently appealed the matter to the Constitutional Court, which also dismissed the case • the EPPF issued a letter of demand to the former GCE in April 2019 for payment of the amounts ordered by the High Court, to date payment is outstanding • the EPPF advised Eskom that it approached the court for an order empowering it to repay the early retirement to Eskom as the current court orders did not empower it to do so • the Hawks are currently investigating the matter • the EPPF launched new proceedings against the former GCE • the court case is ongoing and Eskom has taken adequate measures to recover losses suffered	Closed
Reportable irregularities – 30 September 2017		
A parliamentary inquiry was held into perceived maladministration, governance and procurement issues at Eskom. Certain representations made by previous and current directors and officials indicated that there could have been a breach of fiduciary duties in terms of the requirements of the Companies Act.	• Eskom investigated and action was taken, including relevant reporting where appropriate, against those implicated in the parliamentary inquiry • some of the implicated employees resigned or their employment was terminated • criminal charges were lodged against relevant employees • the final report on the inquiry was adopted by the Portfolio Committee on Public Enterprises on 28 November 2018 • the findings of the report, which were not conclusive, have been analysed. The report recommended that the findings and evidence be submitted to the Judicial Commission of Inquiry into Allegations of State Capture (Zondo Commission) for further investigation • the Zondo Commission is ongoing and Eskom is participating in this process	Open, pending finalisation, conclusion and receipt of the final report of the Zondo Commission.

53. Reportable irregularities and matters under investigation (continued)

53.1 Reportable irregularities (continued)

Description	Action	Status
The subcontracting of Trillian Management Consultancy (Trillian) by McKinsey did not follow the correct procurement process. A further issue relating to this matter was raised on 31 March 2018 where the former CPO (E Mabelane), former GE: group capital (A Masango), former acting GE: group capital (P Govender) and former company secretary (CS) (S Daniels) approved payments to Trillian without the existence of a contract thereby breaching their fiduciary duties.	• executives and senior management resigned • criminal charges were lodged against relevant employees • the business relationships with McKinsey and Trillian were terminated • information was provided to the Hawks for investigation • the High Court ruled against Trillian on 18 June 2019 and ordered it to repay R595 million to Eskom • Trillian applied for leave to appeal to the Supreme Court of Appeal • liquidation proceedings have been launched against Trillian by Eskom and SARS. SARS has a preferent claim. Accordingly, Eskom will submit a claim to the liquidators but will not contest SARS preferent claim • the liquidation proceedings are ongoing and Eskom has taken adequate measures to prevent or recover any losses suffered	Closed
The former CFO (A Singh) approved a guarantee on behalf of Eskom to Tegeta Exploration and Resources (Pty) Ltd in December 2015 in contravention of the PFMA without proper delegation of authority.	• the former CFO resigned • the guarantee was not called on and expired on 31 March 2017 • guarantee fees were incurred and reported as fruitless and wasteful expenditure in terms of the PFMA • the cost incurred will be recovered from the former CFO • legal processes are being followed to recover the cost incurred from the former CFO • legal processes are ongoing and Eskom has taken adequate measures to recover losses suffered	Closed
Reportable irregularities – 31 March 2018		
There were allegations that the former CFO (A Singh) and former interim GCE (S Maritz) breached their fiduciary duties by contractually and financially binding Eskom to a facilitation fee with Huarong Asset Financing (Huarong).	• the former CFO and interim GCE resigned • the agreement was not binding as the required formal approval from the DPE and National Treasury was not obtained • there was no financial loss to Eskom • it was communicated to Huarong that Eskom would not honour any agreement as it is considered not binding • the matter was discussed at the Zondo Commission • the Zondo Commission is ongoing and Eskom is participating in the process	Closed
There were allegations that Eskom incorrectly procured services from Bizz Tracers (Pty) Ltd through the sole source supplier process. Subsequent to 31 March 2018, further suppliers were identified where services were incorrectly procured through the sole source supplier process.	• the GE: security resigned • the investigation into the matter was finalised and the findings from the investigation are being actioned. The findings of the reports are currently being re-confirmed • letters of demand were issued to relevant suppliers for recovery of monies paid • legal processes are ongoing and Eskom has taken adequate measures to recover losses suffered	Closed

Description	Action	Status
Reportable irregularities – 30 September 2018		
Legal fees were paid on behalf of certain former board members and an executive that were not directly related to their roles at Eskom.	• the former board members and executive resigned • it was confirmed that legal fees had been paid on behalf of ZW Khoza, VJ Klein, DL Marokane, DV Naidoo, BS Ngubane and MV Pamensky • letters of demand and summons were issued to former board members and executive for recovery of fees paid • ZW Khoza, VJ Klein, DL Marokane and BS Ngubane are defending the action, MV Pamensky has defaulted on the repayment arrangement and DV Naidoo has settled in full • trial dates have been applied for against ZW Khoza, VJ Klein and BS Ngubane • an application for default judgement has been made against MV Pamensky and DL Marokane • legal processes are ongoing and Eskom has taken adequate measures to recover losses suffered	Closed
Reportable irregularities – 31 March 2020		
Certain minutes of the board and its sub-committees were not signed as evidence of approval. Certain resolutions purported to have been made at previous meetings could not be found in the minutes of meetings.	• improvements were made to ensure minutes are signed timeously • a process is in place to ensure that extracts of minutes are a true reflection of the approved minutes. Where there are changes to draft minutes, an extract of the final minutes will be communicated to the business • a permanent company secretary has been appointed on 1 July 2020 which brought stability to this function	Closed
The underlying irregular expenditure register used to disclose irregular expenditure as part of the annual financial statements, per the requirements of the PFMA section 55(2)(b)(i), was not complete and accurate.	• Eskom is focussing on ongoing improvements to the reporting process and clean-up of the reported information • training on the revised PFMA reporting procedures and guidelines is ongoing • a loss control department was established to assess and investigate all occurrences of irregular expenditure and oversee consequence management including disciplinary actions, condonations and recovery of losses	Open, pending implementation of improvements and finalisation of clean-up exercise.
Reportable irregularities – 31 March 2021		
A contract was awarded to Econ Oil & Energy (Pty) Ltd (Econ Oil) by the board, at the recommendation of the former CPO, after irregularities in a previous contract with the supplier was discovered thereby breaching their fiduciary duties.	• an independent investigation into irregularities involving a previous contract with Econ Oil determined that Eskom overpaid on the contract. This investigation was finalised in December 2020 and the report tabled at the board in March 2021 • a new tender was awarded to Econ Oil in October 2019. When the board became aware in March 2020 of compliance issues due to a lack of compliance with procurement legislation and policies relating to this tender, the tender award was cancelled • the board was not aware of the ongoing investigation into the previous contract at the time of the new tender award • the High Court ruled in Eskom's favour that no contract was concluded between Eskom and Econ Oil. Econ Oil applied for leave to appeal against the High Court's judgement. The application was dismissed on 22 July 2021 • the former CPO was dismissed • the business relationship with Econ Oil was terminated	Closed

53. Reportable irregularities and matters under investigation (continued)

53.1 Reportable irregularities (continued)

Description	Action	Status
A fixed term contractor's contract was extended for more than two terms, which is in contravention of Eskom's procedures, thereby breaching fiduciary duties.	• the contract was extended as the contractor had critical skills that were not available within Eskom which were urgently required • an external investigation concluded that there was no evidence of wrong-doing or violation of Eskom's procedure • the contractor's contract expired on 31 July 2021 as the contract obligations were fulfilled, including transfer of skills, and the contractor is therefore no longer in the employment of Eskom	Closed
Eskom failed to effect corrective action for identified non-compliance to the National Environment Management Act (NEMA) thereby breaching fiduciary duties.	• Eskom operated units at Kendal power station in non-compliance to the approved emission limits from 2015 as a result of maintenance issues, damage caused by the 2018 industrial action and system capacity constraints • incorrect interpretation of a letter from the Department of Forestry, Fisheries and the Environment resulted in further contraventions • Eskom submitted emergency incident notifications in accordance with section 30 of NEMA which have not been rejected by the authorities • interim repairs completed on Kendal power station resulted in the station operating in general compliance to its emission limits from December 2020 • a comprehensive recovery plan, including extended outages, has been developed and progressively implemented. Unit 5 returned after an outage in July 2021 and unit 6 will return in August 2021. These units will operate in compliance after optimisation. The full recovery plan should be completed in 2022 • several activities are being executed to close out the compliance notice and management is tracking the progress of all action items in a weekly steering committee to ensure full compliance. Eskom reports to the Department of Forestry, Fisheries and the Environment monthly on the status of the progress made with the recovery plan and monthly emission reports • the Environmental Management Inspectorate conducted a criminal investigation at the Kendal power station and a criminal charge sheet against Eskom was lodged for non-compliance with the atmospheric emission licence between April 2015 and April 2019. The criminal case is ongoing	Open, pending completion of outstanding activities relating to compliance notice.

53.2 Matters under investigation

There are currently various internal and external investigations being conducted into alleged fraud and malfeasance by current and former Eskom employees as well as external parties. Eskom is working with relevant authorities regarding these matters.

APPENDIX – ABBREVIATIONS, ACRONYMS AND DEFINITIONS

Accounting, audit and other financial terms	
CGU	Cash-Generating Unit
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
GDP	Gross Domestic Product
IAS	International Accounting Standard/(s)
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard/(s)
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
PPI	Producer Price Index
R	Rand
Rm	Rand millions
VAT	Value Added Tax
WACC	Weighted Average Cost of Capital
Currencies	
CAD	Canadian dollar
CHF	Swiss Franc
EUR	Euro
GBP	Pound Sterling (United Kingdom)
JPY	Japanese Yen
SEK	Swedish Krona
USD	United States Dollar
ZAR	South African Rand
Entities	
Company	Eskom Holdings SOC Ltd
EFC	Eskom Finance Company SOC Ltd
EPPF	Eskom Pension and Provident Fund
Escap	Escap SOC Ltd
Eskom	Eskom Holdings 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
UEGCL	Uganda Electricity Generation Company Ltd
UETCL	Uganda Electricity Transmission Company Ltd
Legislation	
Companies Act	Companies Act, No. 71 of 2008
Insurance Act	Insurance Act, No. 18 of 2017
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
PPPFA	Preferential Procurement Policy Framework Act, No. 5 of 2000
Measures	
GWh	Gigawatt hour
kg	Kilogram
km	Kilometre
kWh	Kilowatt hour
kWhSO	Kilowatt hour Sent Out
ℓ	Litre
Mt	Million tons
MVA	Mega volt ampere
MW	Megawatt
MWh	Megawatt hour
MWhSO	Megawatt hour Sent Out

APPENDIX – ABBREVIATIONS, ACRONYMS AND DEFINITIONS continued

Other	
Alco	Asset and Liability Committee
Board	Board of Directors
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant of South Africa
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DMRE	Department of Mineral Resources and Energy
DPE	Department of Public Enterprises
EUF	Energy Utilisation Factor
Exco	Executive Committee
GCE	Group Chief Executive
GE	Group Executive
IPP	Independent Power Producer
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
OCGT	Open Cycle Gas Turbine
RCA	Regulatory Clearing Account
SARB	South African Reserve Bank
SARS	South African Revenue Services
TMPS	Total Measured Procurement Spend

Definitions	
Cash interest cover ratio	Net cash flows from operating activities divided by the aggregate of interest paid and received from financing activities
EBITDA	Revenue plus other income minus primary energy, employee benefit expense, impairment of financial assets, impairment of other assets and other expenses
EBITDA margin	EBITDA divided by revenue
Free funds from operations	Net cash flows from operating activities minus cash flows from changes in working capital
Liquid assets	Treasury investments plus cash and cash equivalents
Net debt	Debt securities and borrowings plus lease liabilities minus treasury investments minus financial trading assets plus financial trading liabilities plus derivative liabilities held for risk management (used to hedge other items of net debt) minus derivative assets held for risk management (used to hedge other items of net debt) minus payments made in advance (used to secure borrowings raised) minus cash and cash equivalents
Net debt service cover	Net cash flows from operating activities divided by the aggregate of debt repaid and interest paid and received from financing activities
Net profit margin	Net profit divided by revenue
Working capital current assets	Inventories plus payments made in advance (current portion) plus trade and other receivables (current portion) plus taxation asset
Working capital current liabilities	Trade and other payables (current portion) plus payments received in advance (current portion) plus provisions (current portion) plus employee benefit obligations (current portion) plus taxation liability
Working capital ratio	Working capital current assets divided by working capital current liabilities

Refer to the integrated report for definitions relating to the shareholder compact key performance indicators on page 119.

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Feedback on or queries relating to our report may be directed to IRfeedback@eskom.co.za
Our suite of reports covering our integrated results for 2021 is available at http://www.eskom.co.za/IR2021

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