Shift performance, grow sustainably

Annual Financial Statements

for the year ended 31 March 2012

Section contents

The audited group annual financial statements and the annual financial statements of Eskom Holdings SOC Limited (Eskom) have been prepared under the supervision of the finance director, PS O'Flaherty CA(SA).

The audited annual financial statements of the group and Eskom as at and for the year ended 31 March 2012 are available for inspection at the company's registered office and on the Eskom website at www.eskom.co.za.

Currency of financial statements

The financial statements are expressed in South African rand (R), which is the functional currency of the group and company.

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

	R1.00 to the selected currency		One unit of the selected currency to the rand	
	March 2012	March 2011	March 2012	March 2011
EUR	0.10	0.10	10.25	9.61
USD	0.13	0.15	7.68	6.78
GBP	0.08	0.09	12.27	10.87
CHF	0.12	0.13	8.51	7.41
JPY	11.11	12.50	0.09	0.08
SEK	0.86	0.93	1.16	1.08
CAD	0.13	0.14	7.70	6.98
AUD	0.13	0.14	7.96	7.00
NOK	0.74	0.81	1.35	1.23

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

Currency	Abbreviation
Swedish krona	SEK
Canadian dollar	CAD
Australian dollar	AUD
Norwegian krone	NOK

Statement of responsibilities and approval

The Public Finance Management Act requires the directors to ensure that Eskom Holdings SOC Limited (Eskom) and its subsidiaries (the group) keep full and proper records of their financial affairs. The financial statements should fairly present the state of affairs of Eskom and the group, its financial results, its performance against predetermined objectives for the year and its financial position at the end of the year in terms of International Financial Reporting Standards.

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

The financial statements are the responsibility of the directors. The external auditors are responsible for independently auditing the financial statements in accordance with International Standards of Auditing and the Public Audit Act, 25 of 2004.

The directors have made an assessment of the ability of Eskom and the group to continue as a going concern in the foreseeable future and are satisfied that Eskom and the group have access to adequate resources and facilities to be able to continue operations for the foreseeable future. Accordingly the board have continued to adopt the going-concern basis in preparing the financial statements.

The financial statements of Eskom and the group have been prepared in terms of International Financial Reporting Standards, the Companies Act of South Africa, 71 of 2008, as amended, and the Public Finance Management Act, 1 of 1999, as amended. These financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on the going-concern basis.

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

The audit and risk committee has reviewed the effectiveness of Eskom and the group's internal controls and considers the systems appropriate for the effective operation of Eskom and the group. The committee has evaluated Eskom and the group's annual financial statements and has recommended their approval to the board. The audit and risk committee's approval is set out on page 3.

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

In the opinion of the directors, based on the information available to date, the financial statements fairly present the financial position of Eskom and the group at 31 March 2012 and the results of its operations and cash flow information for the year then ended.

The Eskom and group annual financial statements for the year ended 31 March 2012 have been prepared under the supervision of the finance director, PS O'Flaherty CA(SA), and approved by the board of directors and signed on its behalf on 31 May 2012 by:

ZA Tsotsi	BA Dames	PS O'Flaherty
Chairman	Chief executive	Finance director
31 May 2012	31 May 2012	31 May 2012

Report of the audit and risk committee

Report in terms of the Public Finance Management Act, 1 of 1999

The audit and risk committee reports that it 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 of its responsibilities contained therein.

In the conduct of its duties, the audit and risk committee has, *inter alia*, reviewed the following:

- Finance function
  - the expertise, resources and experience of the finance function
- Internal control, management of risks and compliance with legal and regulatory provisions
  - the effectiveness of the internal control systems
  - all factors and risks that may impact on the integrity of the integrated report
  - the effectiveness of the system and process of risk management including the following specific risks:
    - financial reporting
    - internal financial controls
    - fraud risks relating to financial reporting
    - information technology risks relating to financial reporting
    - the effectiveness of the entity's compliance with legal and regulatory provisions
- Financial and sustainability information provided
  - the adequacy, reliability and accuracy of financial information provided by management
  - the disclosure of sustainability issues in the integrated report to ensure that it is reliable and it does not conflict with the financial information
- Internal and external audit
  - the effectiveness of the assurance and forensic department (internal audit)
  - the activities of the assurance and forensic department, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations
  - the independence and objectivity of the external auditors
  - accounting and auditing concerns identified as a result of internal and external audits, including reportable irregularities

In line with the principles of combined assurance as outlined in the King III report on corporate governance, Eskom has developed a combined assurance model and is in the process of implementing the model to ensure a coordinated approach to assurance activities.

The audit and risk committee is of the opinion, based on the information and explanations given by management and the assurance and forensic department and discussions with the independent external auditors that:

- the expertise, resources and experience of the finance function are adequate
- the system and process of risk management and compliance processes are adequate
- the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained
- the information contained in the integrated report and the divisional report on the Eskom website is reliable and does not contradict the financial information in the integrated report or the annual financial statements
- the effectiveness of the assurance and forensic department is adequate and the internal audit charter was approved by the audit and risk committee
- having considered the matters set out in section 94(8) of the Companies Act of South Africa, 71 of 2008, as amended, and is satisfied with the independence and objectivity of the external auditors

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

The audit and risk committee has evaluated the financial statements of Eskom Holdings SOC Limited and the group for the year ended 31 March 2012 and based on the information provided to the audit and risk committee, considers that they comply, in all material respects, with the requirements of the International Financial Reporting Standards, the Companies Act of South Africa, 71 of 2008, as amended, and the Public Finance Management Act, 1 of 1999, as amended. The audit and risk committee concurs with the board of directors and management that the adoption of the going-concern premise in the preparation of the financial statements is appropriate. The audit and risk committee has therefore, at their meeting held on 30 May 2012, recommended the adoption of the financial statements by the board of directors.

C Mabude
Chairman
31 May 2012

Statement by company secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, 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.

B Mbomvu
Company secretary
31 May 2012

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

Report on the annual financial statements

We have audited the group annual financial statements and annual financial statements of Eskom Holdings SOC Limited (Eskom) which comprise the consolidated and separate statements of financial position at 31 March 2012, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which contain a summary of significant accounting policies and other explanatory information as set out on pages 12 to 110.

Directors' responsibility for the annual financial statements

The board of directors, which constitute the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa, 1 of 1999, as amended and the Companies Act of South Africa, 71 of 2008, as amended, and for such internal control as the directors determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility for the annual financial statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act (PAA), 25 of 2004, of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Eskom Holdings SOC Limited at 31 March 2012 and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2012, we have read the report of the audit and risk committee, the statement by company secretary and the directors' report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PAA Requirements

In accordance with the PAA of South Africa, and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the shareholder compact included in the directors' report as set out on pages 6 to 7 of the annual financial statements, and reported thereon to the board of directors.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the objectives. The usefulness of information further relates to whether indicators and targets are measurable (ie well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (ie whether it is valid, accurate and complete).

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

There were no material findings on the shareholder compact concerning the usefulness and reliability of the information.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, shareholder compact and compliance with laws and regulations. We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

Other matters

Investigations in progress and completed

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

A Jaffer

KPMG Inc
Registered auditor

Per AH Jaffer
Chartered Accountant (SA)
Registered auditor
Director
31 May 2012

85 Empire Road
Parktown
2193

SizweNtsalubaGobodo Inc
Registered auditor

Per JE Strauss
Chartered Accountant (SA)
Registered auditor
Director
31 May 2012

20A Morris Street East
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2191

Directors' report

The directors are pleased to present their report for the year ending 31 March 2012.

Principal activities, state of affairs and business review

Eskom Holdings SOC Limited (Eskom) is South Africa's primary electricity supplier. The company, which is wholly owned by the South African government, generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers, and to municipalities, which in turn redistribute electricity to businesses and households.

Eskom has its head office in Johannesburg, with satellite operations across South Africa. It maintains a small office in London, primarily for quality control of the equipment being manufactured for the capital expansion programme. Eskom has several subsidiaries:

- The Eskom Enterprises SOC Limited group (Eskom Enterprises) provides lifecycle support and plant maintenance, network protection and support for the capital expansion programme for all Eskom Holdings SOC Limited divisions.
- Escap SOC Limited, Eskom's wholly owned captive insurance company, manages and insures Eskom's business risk.
- Eskom Finance Company SOC Limited grants home loans to Eskom employees.
- The Eskom Development Foundation NPC is a wholly owned non-profit company that manages Eskom's corporate social investment.

While most of Eskom's business is within South Africa, the company also buys and sells electricity in the SADC region. Eskom's involvement in African markets beyond South Africa is currently primarily limited to projects that have a direct impact on ensuring a secure supply of electricity for South Africa itself.

Eskom Enterprises has two material operating subsidiaries, Rotek Industries SOC Limited and Roshcon SOC Limited and also has an interest in electricity operation and maintenance concessions in Mali, Senegal, Mauritania and Uganda.

Performance in terms of the shareholder compact

Each year Eskom, in consultation with the Minister of Public Enterprises, agrees on its performance objectives, measures and indicators in line with the Public Finance Management Act of South Africa, 1 of 1999, as amended. Annual targets are annexed to a list of principles agreed to by Eskom and its shareholder (the shareholder compact) and regular reports are provided.

Below is an overview of performance against the key performance indicators in Eskom's shareholder compact with government, which is reported at an Eskom company level. Eskom has met its entire shareholder compact KPIs.

Shareholder compact performance 2010 – 2012

Key performance area	Key performance indicator (company level)	Target 2012	Actual 2012	Actual 2011	Actual 2010
Ensuring adequate future electricity	Generation capacity (MW)	385	**535**	315	452
	Transmission lines (km)	606	**631**	443	600
	Transmission capacity installed (MVA)	500	**2 525**	5 940	1 630
Ensuring reliable electricity supply	Management of the national supply/ demand constraints	No load-shedding	**No load-shedding**	No load-shedding	No load-shedding
	Demand-side management energy efficiency (GWh)	1 051	**1 422**	1 339	n/a
	Internal energy efficiency (GWh)	25.50	**44.96**	26.20	n/a
Business sustainability	Water usage (L/kWh sent out)	≤1.35	**1.34**	1.35	1.34
	Cost of electricity[1] (R/MWh)	387.02	**374.19**	296.36	255.09
	Debt: equity	≤2.60	**1.69**	1.66	1.68
	Interest cover	≥1.0	**3.27**	1.40	0.77
Supporting the developmental objectives of South Africa	Local content in new build contracts placed (%)	52	**77.2**	79.7	73.9
	Total learners in the system (engineers)	1 800	**2 273**	1 335	955
	Total learners in the system (technicians)	700	**844**	692	681
	Total learners in the system (artisans)	2 350	**2 598**	2 213	2 144
Pursuing private-sector participation	Set up a ring-fenced systems and market operator division within Eskom	Completed by year-end	**Completed**	n/a	n/a

1. Excludes depreciation and amortisation

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

Ensuring adequate future electricity
- Generation capacity installed:
  - The commissioning of Arnot unit 5 and Camden unit 6 were brought forward to reduce the risk of loadshedding and to create opportunities for maintenance in Generation
  - Komati unit 4 experienced a turbine failure in the previous year. This unit was commissioned in the current year, but this was not included in the target for the current year
- Transmission capacity:
  - Additional capacity to strengthen the north western grid was commissioned earlier than planned after a management decision to bring it forward

Ensuring reliable electricity supply
- Demand-side management energy efficiency and internal energy:
  - The targets were exceeded as a result of the increased focus on demand reduction to reduce the risk of load shedding and to create opportunities to do maintenance in Generation

Business sustainability
- Debt:equity:
  - The raising of funding was slowed down due to the delay in the expenditure on the capacity expansion programme
- Interest cover:
  - The credit that resulted from the remeasurement of the shareholder loan improved the interest cover

Supporting the development objectives of South Africa
- Local content:
  - The focus on the alignment to the Government's National Growth Path, including revising the minimum targets for local content in the Eskom tender requirements, resulted in the exceeded performance against the target
- Learners:
  - Eskom embarked on an aggressive recruitment drive to increase the technical resource skills pool

State of affairs and business overview

Results of operations

The operating profit for the year for the Eskom group, before net fair value gains and losses and net finance costs, was R23.7 billion (2011: R18.8 billion) and R20.7 billion (2011: R17.2 billion) for the company.

The net profit for the year for the Eskom group was R13.2 billion (2011: R8.4 billion). The net profit for the year for the company was R12.7 billion (2011: R8.0 billion).

Group revenue for the year to 31 March 2012 was R114.8 billion (2011: R91.4 billion), while company revenue was R113.5 billion (2011: R90.9 billion). Included in electricity revenue is the environmental levy of R4.3 billion (2011: R4.3 billion) charged to customers.

The sales of 224 785 GWh of electricity for the year represents an increase of 0.2% compared to the previous year (2011: 224 446 GWh).

The government-approved energy pricing policy aims to achieve cost-reflective tariffs that will reflect the full economic cost of supplying electricity to customers. South Africa is entering the final year of the MYPD 2 increase cycle and Eskom is conscious of the impact of the price increases on both the consumer and its own ability to recover costs. In response to the President's call in his State of the Nation address for tariffs that support economic growth and job creation, and after robust evaluation Eskom requested that NERSA revise the 2012/13 increase downwards from 25.9% to 16% for the period from 1 April 2012 to 31 March 2013. Eskom is in the process of reviewing a number of scenarios to ascertain the potential effects of a longer phase-in to a cost-reflective tariff.

Special pricing agreements (SPAs) have linked the price of electricity to commodity prices, which has resulted in embedded derivatives in the financial statements. The forward electricity price curve used to value the embedded derivatives at 31 March 2012 was based on the current MYPD 2 approved tariff for 2012/13 of 16%, and a forward tariff path for the next five years (2013/14 to 2017/18) that ultimately achieves cost-reflective tariffs. A sensitivity analysis for the embedded derivatives appears in note 3.2 to the annual financial statements on page 41.

The primary energy costs for the year amounted to R46.3 billion (2011: R35.8 billion). The costs include the environmental levy of R6.2 billion paid to the government (2011: R5.0 billion). The cost of primary energy as a percentage of electricity revenue was 41.0% (2011: 39.6%).

Group gross employee costs (before capitalisation) for the year to 31 March 2012 amounted to R24.4 billion (2011: R20.4 billion). Company gross employee costs for the same period amounted to R22.0 billion (2011: R19.0 billion). Group and company employee costs of R4.2 billion were capitalised to capital projects during the year (2011: R3.7 billion).

Group annual arrear bad debt was 0.53% of the external revenue for the year to 31 March 2012 (2011: 0.75%). The residential debt in Soweto continues to grow. Electricity debtors increased from R11.5 billion at 31 March 2011 to R14.6 billion at 31 March 2012. The allowance for impairment for trade and other receivables increased from R2.9 billion to R3.3 billion over the same period.

Other group operating expenses for the year to 31 March 2012, which amounted to R15.2 billion (2011: R12.1 billion), consist primarily of repairs and maintenance and are monitored closely for both the group and company.

After capitalising borrowing costs and including unwinding of interest on provisions, together with the remeasurement adjustment on the shareholder loan, the net finance charges for the group and company for the year to 31 March 2012 was R4.0 billion (2011: R4.7 billion). Gross finance income for the year to 31 March 2012 was R3.5 billion (2011: R2.4 billion) for the group and R3.6 billion (2011: R2.4 billion) for the company.

Gross finance cost, which is stated net of the remeasurement of the government loan, for the group for the year to 31 March 2012 was R12.5 billion (2011: R15.8 billion). The borrowing costs capitalised for the group was R5.0 billion for the year (2011: R8.6 billion). Unwinding of interest for the group amounted to R2.0 billion (2011: R1.7 billion).

Significant progress has been made in funding the capital expansion programme and Eskom is in a healthy funding and liquidity position. The latest projections indicate that Eskom has sufficient cash from cash on hand, investments, net operational cash flows and current secured facilities available to fund the business for at least the next 18 months, excluding funds from new facilities under negotiation.

Eskom must raise funding to pursue its committed capital expansion programme and improve and refurbish its current operations. Total capital expenditure will be funded from operating cash flows and debt financing (raised locally and internationally). An amount of R63.4 billion (2011: R55.5 billion) was spent on capital expenditure, including borrowing cost capitalised, during the year and is disclosed in note 6 and 7 to the annual financial statements.

Events subsequent to reporting date

The board of directors is currently in the process of developing a project plan and strategy for the disposal of Eskom Finance Company SOC Limited, a wholly owned subsidiary, in terms of a directive from the shareholder which was obtained after 31 March 2012.

Subsidiaries, associated and joint venture companies

The investment of Eskom in subsidiaries, associate and joint venture companies is disclosed in notes 8 and 9 in the annual financial statements.

Pebble Bed Modular Reactor SOC Limited (PBMR) was previously not consolidated as it was not considered to be controlled by Eskom Enterprises in terms of the shareholder's co-operation agreement. However, with effect from 1 April 2011, Eskom Enterprises obtained control over PBMR due to the termination of the cooperation agreement and consequently consolidated PBMR as per IAS 27 *Consolidated and separate financial statements*. The acquisition of PBMR is considered to be a business combination between entities under common control. Therefore all of the assets and liabilities have been recognised at their book values at the date of acquisition and the excess of the purchase consideration over the net assets of PBMR has been recognised directly in equity.

Research and development activities

Eskom's vision is to have a world-class research and innovation facility staffed with globally respected researchers verified by international benchmarking and peer review and enabled by increasing investment in people, laboratories and equipment. Research, testing and product development are distinct mandates but with a common human and financial resource base. The research and technology function focuses on immediate challenges and provides solutions to some strategic sustainability challenges.

It also aims to ensure that Eskom makes the best use of current and emerging technologies to improve performance at existing facilities and infuse the capital expansion projects with excellence in engineering design. The research expenditure for the year to 31 March 2012 was R188 million (2011: R199 million).

Employee information

The Eskom group had a staff complement of 43 473 (2011: 41 778) and 40 802 (2011: 39 034) were employed by the company. Training has always been a major focus area and this past year R1.4 billion (2011: R998 million) was spent on training and developing staff. The staff turnover during the year was again low at 3.7% (2011: 3.6%), but with the capital expansion programme underway, Eskom faces a number of skills-related challenges.

Transformation

Eskom implemented an employment-equity plan supported by a long-term target-setting strategy (Equity 2020) to drive its transformational agenda for the three financial years leading up to the 2013 year end. The employment-equity plan seeks to create a workplace and workforce profile that is diverse and inclusive, and to ensure that diversity becomes the *Eskom way.*

In November 2010 Eskom participated in the Department of Labour's director-general review process. In February 2012 the department confirmed that Eskom has the necessary transformation interventions in place.

Eskom currently has 1 032 (2011: 1 012) employees with recognised disabilities, as per the Employment Equity Act of South Africa, 55 of 1998. Eskom continues to strive for a fair representation of people with disabilities.

Safety

As is noted in the table on the next page, despite the reduction in the overall number of fatalities from 2009 to 2012, which includes a reduction in the number of contractor fatalities for the period 2009 to 2011, there has been a dramatic increase in employee fatalities during this financial year. The progressive lost-time injury rate (LTIR) is a proportional representation of the occurrence of lost-time injuries over 12 months. The actual LTIR performance was 0.41 per 200 000 man-hours worked against a target of 0.40 for 2012 (2011: 0.47).

Leadership acknowledged that a step change is needed in eliminating incidents. This resulted in the introduction of *zero harm* as a value and the launch of the *zero harm* campaign throughout the organisation. This is aimed at building a strong foundation for the elimination of health and safety incidents within Eskom. Eskom leadership remains committed to achieving this goal of *zero harm* by improving the working environment, creating a healthier and safer culture for its employees, suppliers and members of the public. The safety expectations for the company entail a simple set of non-negotiable policies, principles, and standards set to achieve *zero harm to all* as a way of life and for each staff member to make it personal.

Safety performance 2010 – 2012

	Unit of measure	Actual 2012	Actual 2011	Actual 2010
Employee safety				
Total fatalities	number	13	7	2
Electrical contact fatalities	number	4	3	0
Vehicle accident fatalities	number	4	0	2
Other fatalities	number	5	4	0
Lost-time incident rate, including occupational diseases	index	0.41	0.47	0.54
Contractor safety				
Total contractor fatalities	number	12	18	15
Electrical contact fatalities	number	1	1	1
Vehicle accident fatalities	number	5	10	6
Other fatalities	number	6	7	8

Environmental issues

Environmental controls and oversight mechanisms are in place through the environmental management systems to ensure controls over those activities that have the potential to impact the environment and ensure informed decision making through the obtaining of environmental approvals and permits for proposed projects.

Through focused attention to the Eskom drive to achieve zero environmental incidents, environmental legal contraventions have reduced from last year, with the majority of contraventions still related to emissions and water-management challenges on site. There were 50 environmental legal violations during the current year, down from 63 in 2011. There were two project specific activities that commenced before receiving the required environmental authorisation, resulting in administrative fines of R1.1 million (2011: R0.4 million).

Corporate social investment

Eskom recognises the need to align its corporate social investment (CSI) activities to that of its business strategies and the communities where Eskom operates. As a corporate citizen Eskom's CSI initiatives are aimed to contribute to the wellbeing of communities; but also towards skills development, education and enterprise development and in turn promoting jobs, alleviating poverty and improving employability. An amount of R87.9 million (2011: R62.3 million) was spent on CSI initiatives during the year. Eskom policy is not to make donations to any political parties.

Supply development and localisation performance

Local supplier development aims to enhance efforts in local supplier development and localisation.

During 2012, Eskom's total procurement spend was R156 billion (2011: R115 billion). This has, in particular, resulted in the need for a project sourcing excellence in support of the capital expansion programme. The impetus is to drive down operating unit costs, allowing cash to be freed up to drive other initiatives.

Eskom's capital expansion programme continues to support affirmative procurement and industrialisation. The annual target is 52% local content in capital expansion contracts as set out in the shareholder compact. For 2012, committed local content spend in capital expansion projects was R5.0 billion, equivalent to 77.2% of R6.7 billion total contracted value.

Since the inception of the capacity expansion programme in 2005 to the end of March 2012, some 28 616 (2011: 21 477) jobs have been created as a direct result of the build projects. A total of 13 954 (2011: 11 519) people (49% of the total jobs created in capacity expansion projects) were employed from the local districts surrounding the projects.

Eskom B-BBEE attributable spend performance

	Target 2012	Actual 2012	Actual 2011	Actual 2010
Attributable spend (%)	60.0	73.2	52.3	28.6
Black-women-owned businesses as % of attributable spend	8.0	3.3	4.3	12.1

The attributable spend target is in line with the Codes of Good Practice that prescribe a minimum of 50% for the first five years that the codes are in effect. The 73.2% achieved indicates that Eskom has met and exceeded its B-BBEE target for the year. Going forward, strategies are to be put in place to improve the performance of black-women-owned businesses, in particular.

Introduction of amended Companies Act

In terms of the new Companies Act of South Africa, 71 of 2008 as amended, which came into operation on 1 May 2011, Eskom Holdings Limited changed its name to Eskom Holdings SOC Limited as of that date.

Eskom has amended its memorandum of incorporation in line with the Companies Act and has submitted it to the Minister of Public Enterprises for comment. It is envisaged that the memorandum of incorporation will be approved by the shareholder in 2012.

Share capital and shareholder

The Government of the Republic of South Africa is the sole shareholder of Eskom Holdings SOC Limited. The shareholder's representative is the Minister of Public Enterprises, Malusi Gigaba. Eskom currently has 1 ordinary share of R1 issued.

Dividends

No dividend was declared during the current and prior year, and none is proposed, after taking into account the resource impact of the capital expansion programme, and the current capital structure.

Going concern

The board has given particular attention to the assessment of the going concern of the group and is of the view that the group has access to adequate resources to continue in operational existence for the foreseeable future and to complete its current committed capital expansion programme through until 2018.

Directors

The board currently consists of 12 non-executive directors and two executive directors (the chief executive and the finance director).

Mr Zola Tsotsi, a non-executive director was appointed as the chairman of Eskom in June 2011.

In addition, eight new non-executive directors were appointed to the board during the financial year and nine non-executive directors retired including Mr Mpho Makwana (former chairman).

The existing directors are:

Details	Date appointed
Non-executive directors	
Zola Tsotsi (65) (chairman)	June 2011
Bernie Fanaroff (64)	April 2010
Queendy Gungubele (53)	August 2011
Neo Lesela (42)	June 2011
Bejabulile Luthuli (39)	August 2011
Collins Matjila (50)	June 2011
Yasmin Masithela (38)	June 2011
Chwayita Mabude (42)	June 2011
Boni Mehlomakulu (39)	April 2011
Mafika Mkwanazi (58)	June 2010
Phenyane Sedibe (42)	June 2011
Lily Zondo (43)	August 2011
Executive directors	
Brian Dames (46) (chief executive)	June 2010
Paul O'Flaherty (49) (finance director)	January 2010

The following directors retired on 27 June 2011:
- Mpho Makwana (chairman)
- Zee Cele
- Daniel Dube
- Lars Josefsson
- Hee-Beom Lee
- Wendy Lucas-Bull
- John Mirenge
- Jacob Modise
- Uhuru Zikalala

Remuneration

The remuneration of the directors and the executives, who were members of the executive committee (Exco) during the financial year, is disclosed in note 45 to the annual financial statements, on page 106. Eskom seeks to ensure that its directors and officers are appropriately qualified and trained for their role on the board and its committees. In terms of Eskom's ethics policy, all interests in contracts have to be declared upfront.

The board of directors is accountable for the organisation's ethics management programme. Eskom has a code of ethics, supplementary code procedure and conflict of interest policy in place which is revised regularly. Directors declare their interests in accordance with these interests annually.

Company secretary

The details of the company secretary and her declaration in terms of section 88(2)(e) of the Companies Act are disclosed in her statement on page 3.

Auditors

The statutory auditors for the forthcoming financial year will be appointed at the annual general meeting scheduled for 14 June 2012.

Eskom's policy is to not use the external auditors for non-audit services. In exceptional cases where the external auditors are to be used for non-audit services, the prior approval of the audit and risk committee must be obtained.

Internal control and risk management

An effective internal control framework is the responsibility of the board. The audit and risk committee reviews the 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

In line with the principles of combined assurance as outlined in the King III report on corporate governance Eskom has developed a combined assurance model and is in the process of implementing the model to ensure a coordinated approach to assurance activities.

For more information refer to the statement from the audit and risk committee on page 3.

Effective compliance framework and processes

Eskom is applying a combined assurance model to ensure coordinated assurance activities. The board audit and risk committee oversees assurance activities. The committee also oversees the establishment of effective systems of internal control to provide reasonable assurance that Eskom's financial and non-financial objectives are achieved.

During 2012, Eskom implemented the compliance management charter and the compliance strategic framework, approved by the board in 2010. Legislation pertaining to Eskom was reviewed and governance, management and reporting capability created to enhance Eskom's capacity to manage compliance. Baseline principles have been established and Eskom will develop the necessary supportive capacity in the coming year.

Management of energy losses

Energy losses reflect the difference between the quantity of energy sent out from the power stations and the quantity sold to the various customers at the end of the value chain. Losses are categorised as technical or non-technical in nature.

Total losses were:

Energy losses	Target 2012	Actual 2012	Actual 2011
Distribution loss (%)	≤6.07	**6.32**	5.68
Transmission loss (%)	≤3.40	**3.08**	3.27
Eskom loss (%)	≤8.75	**8.65**	8.25

Information required by the Public Finance Management Act

Performance management of Eskom subsidiaries

The performance of Eskom's wholly owned operating subsidiaries is managed and monitored regularly through shareholder compacts with Eskom and annual business plans and budgets that are approved by the respective boards of directors of the subsidiaries.

At the end of the 2012 financial year, shareholder compacts were in place for all South African based subsidiaries that traded throughout the year (except for PBMR which has been exempted from this requirement). The performance of foreign subsidiaries is managed through the monitoring of the respective entities' board approved business plans taking into account the country specific legislation.

The performance results of all operating subsidiaries are reported monthly to, and reviewed by Eskom's Exco. A centralised proactive and coordinated approach under the accountability of the divisional executive: Regulation and Governance is currently being implemented which will facilitate timeous approval of shareholder compacts and ongoing monitoring thereof.

Losses through criminal conduct and irregular or fruitless and wasteful expenditure

In terms of the materiality framework agreed with the shareholder, any losses due to criminal conduct or irregular or fruitless and wasteful expenditure, that individually (or collectively where items are closely related) exceed R10 million must be reported.

Irregular or fruitless and wasteful expenditure

PN Energy Services SOC Limited (PNES)

PNES is a wholly owned subsidiary of Eskom. The operations of the company were closed down in 2010, and it did not operate in the 2011 and 2012 financial years.

On 21 May 2010, the board of PNES confirmed that it was investigating potential irregular and fruitless and wasteful expenditure suffered by the company during the 2009 and 2010 financial years. PNES subsequently reported an amount of R58.7 million as irregular expenditure in its 2010 annual financial statements. This amount relates to irregular contracts entered into with a third party. Included in this amount is fruitless and wasteful expenditure of R17 million incurred due to additional costs arising from the irregular contracts. The legality of two contracts was challenged in court. On 11 May 2011 the court found that both agreements were *void ab initio*. Eskom is considering further action against all the parties involved.

Incidents of fruitless and wasteful expenditure below the materiality threshold

The aggregate of other fruitless and wasteful expenditure which individually (or collectively where items are closely related) were below the materiality threshold, was R20.1 million (2011: R26.9 million) comprising 246 incidents (2011: 301 incidents) of which five incidents account for R6 million. In all instances management has instituted preventive and corrective measures as considered appropriate, including disciplinary action.

Management has controls in place within each operating unit to report on and monitor this type of expenditure on a monthly basis. This information is considered monthly and presented to the Exco and quarterly to the audit and risk committee for review. Management believes, based on the controls in place that the information reported is materially complete.

Criminal conduct

Conductor theft

Losses due to conductor theft (including theft of copper, cable, transformers and tower-related structures) totalled R63.3 million (2011: R38.7 million), and involved 9 584 incidents (2011: 4 933 incidents). Actions to combat these losses are managed by the Eskom Network Equipment Crime Committee in collaboration with affected state owned enterprises and the South African Police Services. The combined effort resulted in 386 arrests (2011: 412 arrests). Stolen material worth R8.8 million (2011: R4.7 million) was recovered.

Strike damage – Kusile power station

On 15 May 2011 external contractors embarked on an illegal strike at Kusile power station. The resulting financial damage due to theft and vandalism at Roshcon, a subsidiary of Eskom Enterprises, is estimated at R17.7 million. The matter has been reported to the South African Police Services and is currently under investigation.

Fraud

In 2012 Eskom management proactively initiated investigations into alleged irregularities and fraud within the procurement and asset management. No material findings were noted in 2012.

During the reporting period no significant incidents of fraud occurred. Eskom concluded three investigations into fraud (2011: 12 investigations) involving an amount of R2.7 million (2011: R3.1 million). The existing internal control measures in the affected areas as well as similar areas have been reviewed and enhanced. Disciplinary, criminal as well as civil proceedings have been instituted against those involved.

Tabling of the Eskom Holdings SOC Limited annual financial statement in Parliament

The group annual financial statements of Eskom Holdings SOC Limited for the year ended 31 March 2011 were approved by the board of directors on 31 May 2011, and were tabled in parliament on 27 July 2011.

Statements of financial position

at 31 March 2012

	Note	Group 2012 Rm	Group Restated[1] 2011 Rm	Group Restated 2010 Rm	Company 2012 Rm	Company Restated[1] 2011 Rm	Company Restated 2010 Rm
Assets							
Non-current assets		**318 877**	265 183	203 162	**312 941**	260 277	199 723
Property, plant and equipment	6	290 661	236 724	187 905	290 613	236 217	187 008
Intangible assets	7	1 548	1 377	1 305	1 348	1 303	1 177
Investments in equity-accounted investees	8	261	220	196	95	95	95
Investment in subsidiaries	9	–	–	–	2 337	2 337	2 341
Future fuel supplies	11	5 452	4 089	3 768	5 452	4 089	3 768
Deferred tax assets	12	43	59	79	–	–	–
Investment in securities	13	8 749	13 259	1 923	8 749	13 259	1 923
Loans receivable	13	7 435	5 958	4 579	–	–	–
Derivatives held for risk management	13, 15	1 780	6	–	1 780	6	–
Finance lease receivables	13, 16	555	570	532	555	570	532
Payments made in advance	17	2 060	2 396	2 856	1 984	2 387	2 856
Trade and other receivables	13,18	333	525	19	28	14	23
Current assets		**63 050**	62 258	42 953	**62 921**	60 914	41 622
Financial instruments with group companies	13, 10	–	–	–	5 208	3 806	2 461
Inventories	19	9 930	8 904	7 378	9 799	8 809	7 287
Taxation		43	59	88	–	–	–
Investment in securities	13	12 281	24 546	2 148	9 854	22 310	1 035
Loans receivable	13	79	100	655	–	–	549
Embedded derivative assets	13	–	–	110	–	–	110
Derivatives held for risk management	13,15	362	116	112	362	116	112
Finance lease receivables	13, 16	15	15	13	15	15	13
Payments made in advance	17	1 531	1 651	1 413	1 559	1 627	1 384
Trade and other receivables	13, 18	14 313	10 953	9 391	13 327	9 568	8 247
Financial trading assets	13	5 046	3 827	6 104	4 402	3 197	5 553
Cash and cash equivalents	13	19 450	12 087	15 541	18 395	11 466	14 871
Non-current assets held-for-sale	22	**438**	704	20	**–**	–	–
Total assets		**382 365**	328 145	246 135	**375 862**	321 191	241 345
Equity							
Capital and reserves attributable to owner of the company		**103 103**	87 259	70 222	**98 953**	83 787	67 119
Liabilities							
Non-current liabilities		**222 672**	195 841	132 311	**219 899**	194 066	130 180
Debt securities issued	13	90 732	84 396	59 322	89 388	84 031	58 538
Borrowings	13	76 983	63 380	34 628	76 603	62 940	34 153
Embedded derivative liabilities	13, 14	4 639	5 357	4 583	4 639	5 357	4 583
Derivatives held for risk management	13, 15	1 273	4 576	3 626	1 273	4 576	3 626
Deferred tax liabilities	12	13 807	7 931	5 262	13 449	7 503	4 834
Deferred income	23	9 612	8 395	7 036	9 612	8 395	7 036
Employee benefit obligations	24	8 560	7 748	7 380	8 364	7 547	7 189
Provisions	25	12 740	10 343	7 713	12 638	10 307	7 464
Finance lease liabilities	13, 26	511	521	632	826	865	965
Trade and other payables	13, 27	1 971	1 508	1 134	1 263	859	797
Payments received in advance	28	1 844	1 686	995	1 844	1 686	995
Current liabilities		**56 115**	44 185	43 602	**57 010**	43 338	44 046
Financial instruments with group companies	13, 10	–	–	–	1 305	1 462	1 897
Debt securities issued	13	7 170	2 880	2 880	6 842	1 574	2 141
Borrowings	13	7 682	9 654	9 143	7 593	9 571	9 094
Embedded derivative liabilities	13, 14	900	516	139	899	515	138
Derivatives held for risk management	13, 15	3 590	1 404	4 644	3 590	1 404	4 644
Deferred income	23	657	638	342	657	638	342
Employee benefit obligations	24	3 054	2 623	2 397	2 861	2 488	2 265
Provisions	25	4 078	2 553	630	3 701	2 091	126
Finance lease liabilities	13, 26	10	8	52	51	37	74
Trade and other payables	13, 27	23 487	18 384	15 913	24 038	18 042	16 000
Payments received in advance	28	2 653	1 221	1 883	2 642	1 212	1 802
Taxation		3	–	66	–	–	10
Financial trading liabilities	13	2 831	4 304	5 513	2 831	4 304	5 513
Non-current liabilities held-for-sale	22	**475**	860	–	**–**	–	–
Total liabilities		**279 262**	240 886	175 913	**276 909**	237 404	174 226
Total equity and liabilities		**382 365**	328 145	246 135	**375 862**	321 191	241 345

1. *Refer to note 44.*

Income statements

for the year ended 31 March 2012

	Note	Group 2012 Rm	Group Restated[1] 2011 Rm	Company 2012 Rm	Company Restated[1] 2011 Rm
Continuing operations					
Revenue	29	114 760	91 447	113 537	90 873
Primary energy[2]		(46 314)	(35 795)	(46 314)	(35 795)
Employee benefit expense	30	(20 132)	(16 695)	(17 722)	(15 360)
Depreciation and amortisation expense	31	(8 801)	(7 219)	(8 681)	(7 059)
Net impairment loss	32	(620)	(788)	(593)	(734)
Other operating expenses	33	(15 209)	(12 070)	(19 484)	(14 628)
Operating profit before net fair value gain/(loss) and net finance cost		23 684	18 880	20 743	17 297
Other income	34	699	587	2 990	1 688
Net fair value loss on financial instruments, excluding embedded derivatives	35	(2 388)	(1 816)	(2 390)	(1 887)
Net fair value gain/(loss) on embedded derivatives		334	(1 261)	334	(1 261)
Operating profit before net finance cost		22 329	16 390	21 677	15 837
Net finance cost		(3 963)	(4 741)	(3 911)	(4 770)
Finance income	36	3 536	2 436	3 564	2 425
Finance cost	37	(7 499)	(7 177)	(7 475)	(7 195)
Share of profit of equity-accounted investees, net of tax	8	41	24	–	–
Profit before tax		18 407	11 673	17 766	11 067
Income tax	38	(5 156)	(3 261)	(5 030)	(3 116)
Profit for the year from continuing operations		13 251	8 412	12 736	7 951
Discontinued operations					
Loss for the year from discontinued operations	22	(3)	(56)	–	–
Profit for the year		13 248	8 356	12 736	7 951
Attributable to:					
Owner of the company		13 248	8 356	12 736	7 951
Non-controlling interest[3]		–	–	–	–
		13 248	8 356	12 736	7 951

Statements of comprehensive income

for the year ended 31 March 2012

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Profit for the year		13 248	8 356	12 736	7 951
Other comprehensive income/(loss)		2 502	(2)	2 430	34
Available-for-sale financial assets – net change in fair value		231	(40)	233	(36)
Cash flow hedges					
Effective portion of changes in fair value		3 552	(1 031)	3 552	(1 031)
Changes in fair value		3 538	(1 025)	3 538	(1 025)
Ineffective portion of changes in fair value reclassified to profit or loss		14	(6)	14	(6)
Net amount transferred to initial carrying amount of hedged items		(459)	246	(459)	246
Foreign currency translation differences for foreign operations		74	(33)	–	–
Net actuarial gain on post-retirement medical aid benefits	24	20	408	20	408
Income tax on other comprehensive income/(loss)	38	(916)	448	(916)	447
Total comprehensive income for the year		15 750	8 354	15 166	7 985
Total comprehensive income for the year attributable to:					
Owner of the company		15 750	8 354	15 166	7 985
Non-controlling interest[3]		–	–	–	–
		15 750	8 354	15 166	7 985

1. *Refer to note 44.*
2. *Primary energy relates primarily to the acquisition of coal, uranium, water, gas and diesel that are used in the generation of electricity together with the environmental levy.*
3. *Nominal amount.*

Statements of changes in equity

for the year ended 31 March 2012

	Attributable to owner of the company										
	Share capital[1]	Equity reserve[2]	Cash flow hedge reserve[3]	Available-for-sale reserve[4]	Unrealised fair value reserve[5]	Insurance reserve[6]	Foreign currency translation reserve[7]	Accumulated profit[8]	Total	Non-controlling interest[1]	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Group											
Balance at 31 March 2010	–	21 837	(750)	(153)	(1 084)	55	25	50 292	70 222	–	70 222
Prior year restatement[9]	–	–	494	–	–	–	–	(494)	–	–	–
Restated balance at 31 March 2010	–	21 837	(256)	(153)	(1 084)	55	25	49 798	70 222	–	70 222
Profit for the year	–	–	–	–	–	–	–	8 356	8 356	–	8 356
Other comprehensive (loss)/income, net of tax	–	–	(233)	(29)	–	–	(33)	293	(2)	–	(2)
Available-for-sale financial assets											
Net change in fair value	–	–	–	(29)	–	–	–	–	(29)	–	(29)
Cash flow hedges											
Effective portion of changes in fair value	–	–	(410)	–	–	–	–	–	(410)	–	(410)
Net amount transferred to initial carrying amount of hedged items	–	–	177	–	–	–	–	–	177	–	177
Foreign currency translation differences on foreign operations	–	–	–	–	–	–	(33)	–	(33)	–	(33)
Net actuarial loss on post-retirement medical benefits	–	–	–	–	–	–	–	293	293	–	293
Subordinated loan from shareholder	–	8 683	–	–	–	–	–	–	8 683	–	8 683
Transfer between reserves	–	–	2	364	(193)	55	–	(228)	–	–	–
Restated balance at 31 March 2011	–	30 520	(487)	182	(1 277)	110	(8)	58 219	87 259	–	87 259
Profit for the year	–	–	–	–	–	–	–	13 248	13 248	–	13 248
Other comprehensive income, net of tax	–	–	2 248	166	–	–	74	14	2 502	–	2 502
Available-for-sale financial assets											
Net change in fair value	–	–	–	166	–	–	–	–	166	–	166
Cash flow hedges											
Effective portion of changes in fair value	–	–	2 578	–	–	–	–	–	2 578	–	2 578
Net amount transferred to initial carrying amount of hedged items	–	–	(330)	–	–	–	–	–	(330)	–	(330)
Foreign currency translation differences on foreign operations	–	–	–	–	–	–	74	–	74	–	74
Net actuarial gain on post-retirement medical benefits	–	–	–	–	–	–	–	14	14	–	14
Common control transaction[10]	–	–	–	–	–	–	–	94	94	–	94
Transfer between reserves	–	–	(49)	(58)	(974)	(20)	–	1 101	–	–	–
Balance at 31 March 2012	–	30 520	1 712	290	(2 251)	90	66	72 676	103 103	–	103 103

1. *Nominal amount.*
2. *The equity reserve comprises the day-one gain on initial recognition of the subordinated loan from the shareholder (refer to note 13.6).*
3. *The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (comprising forward exchange contracts, interest rate swaps and cross-currency swaps) related to hedged transactions that have not yet occurred. The cross-currency swaps hedge foreign exchange rate risk of the future interest payments and the principal repayment on fixed rate bonds and loans (denominated in US dollar, euro and yen).*
4. *The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised.*
5. *The cumulative net change in the fair value of financial instruments that have not been designated as cash flow hedging instruments is recognised in profit or loss. The unrealised portion of the net change in fair value is not distributable and has been reallocated from a distributable reserve (accumulated profit) to a non-distributable reserve.*
6. *The insurance reserve is a contingency reserve created in terms of the Short-term Insurance Act, 53 of 1998.*
7. *The foreign currency translation reserve comprises exchange differences resulting from the translation of the results and financial position of foreign operations.*
8. *Accumulated profit is the amount of cumulative profit retained in the business after tax.*
9. *Refer to note 44.*
10. *Refer to note 9.*

Statements of changes in equity continued

for the year ended 31 March 2012

	Share capital[1]	Equity reserve[2]	Cash flow hedge reserve[3]	Available-for-sale reserve[4]	Unrealised fair value reserve[5]	Accumulated profit[6]	Total
	Attributable to owner of the company						
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Company							
Balance at 31 March 2010	–	21 837	(748)	(159)	(1 083)	47 272	67 119
Prior year restatement[7]	–	–	494	–	–	(494)	–
Restated balance at 31 March 2010	–	21 837	(254)	(159)	(1 083)	46 778	67 119
Profit for the year	–	–	–	–	–	7 951	7 951
Other comprehensive (loss)/income, net of tax	–	–	(233)	(26)	–	293	34
Available-for-sale financial assets							
Net change in fair value	–	–	–	(26)	–	–	(26)
Cash flow hedges							
Effective portion of changes in fair value	–	–	(410)	–	–	–	(410)
Net amount transferred to initial carrying amount of hedged items	–	–	177	–	–	–	177
Net actuarial loss on post-retirement medical benefits	–	–	–	–	–	293	293
Subordinated loan from shareholder	–	8 683	–	–	–	–	8 683
Transfer between reserves	–	–	–	366	(194)	(172)	–
Restated balance at 31 March 2011	–	30 520	(487)	181	(1 277)	54 850	83 787
Profit for the year	–	–	–	–	–	12 736	12 736
Other comprehensive income, net of tax	–	–	2 248	168	–	14	2 430
Available-for-sale financial assets							
Net change in fair value	–	–	–	168	–	–	168
Cash flow hedges							
Effective portion of changes in fair value	–	–	2 578	–	–	–	2 578
Net amount transferred to initial carrying amount of hedged items	–	–	(330)	–	–	–	(330)
Net actuarial gain on post-retirement medical benefits	–	–	–	–	–	14	14
Transfer between reserves	–	–	(49)	(58)	(974)	1 081	–
Balance at 31 March 2012	–	30 520	1 712	291	(2 251)	68 681	98 953

Dividends proposed

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

1. *Nominal amount.*
2. *The equity reserve comprises the day-one gain on initial recognition of the subordinated loan from the shareholder (refer to note 13.6).*
3. *The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (comprising forward exchange contracts, interest rate swaps and cross-currency swaps) related to hedged transactions that have not yet occurred. The cross-currency swaps hedge foreign exchange rate risk of the future interest payments and the principal repayment on fixed rate bonds and loans (denominated in US dollar, euro and yen).*
4. *The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised.*
5. *The cumulative net change in the fair value of financial instruments that have not been designated as cash flow hedging instruments is recognised in profit or loss. The unrealised portion of the net change in fair value is not distributable and has been reallocated from a distributable reserve (accumulated profit) to a non-distributable reserve.*
6. *Accumulated profit is the amount of cumulative profit retained in the business after tax.*
7. *Refer to note 44.*

Statements of cash flows

for the year ended 31 March 2012

	Note	Group 2012 Rm	Group Restated[1] 2011 Rm	Company 2012 Rm	Company Restated[1] 2011 Rm
Cash flows from operating activities					
Cash generated from operations	39	38 669	28 645	38 550	27 847
Net cash flows (used in)/from financial trading assets		(1 353)	2 925	(1 340)	2 929
Net cash flows from/(used in) financial trading liabilities		1 612	(1 456)	1 612	(1 456)
Net cash flows used in current derivatives held for risk management		(280)	(7 212)	(280)	(7 212)
Net cash flows from/(used in) non-current assets held-for-sale	22	42	(4)	–	–
Income taxes paid		(161)	(151)	–	–
Net cash from operating activities		38 529	22 747	38 542	22 108
Cash flows used in investing activities					
Proceeds from disposal of property, plant and equipment		351	135	312	144
Acquisitions of property, plant and equipment		(56 920)	(43 975)	(57 222)	(44 098)
Acquisitions of intangible assets		(524)	(350)	(378)	(374)
Expenditure on future fuel supplies		(2 043)	(1 079)	(2 043)	(1 079)
Decrease/(increase) in non-current trade and other receivables		188	(509)	(18)	6
Increase in non-current loans receivable		(1 477)	(1 469)	–	–
Decrease/(increase) in finance lease receivables		39	(20)	39	(20)
Net cash flows from non-current assets and liabilities held-for-sale	22	–	(10)	–	–
Dividends received		30	26	13	15
Increase in non-current trade and other payables		343	793	284	485
Net cash used in investing activities		(60 013)	(46 458)	(59 013)	(44 921)
Cash flows from financing activities					
Debt raised		22 308	69 191	22 342	61 534
Debt securities issued		7 111	26 144	7 111	26 144
Subordinated loan from shareholder[2]		–	20 000	–	20 000
Borrowings		15 197	23 047	15 231	15 390
Debt repaid		(5 769)	(9 189)	(5 716)	(1 648)
Debt securities issued		(2 268)	(641)	(2 268)	(778)
Borrowings		(3 501)	(8 548)	(3 448)	(870)
Net cash flows from financial instruments with group companies		–	–	(1 560)	(1 771)
Net cash flows from non-current assets held-for-sale	22	20	43	–	–
Decrease/(increase) in investment in securities		17 497	(33 693)	17 645	(32 564)
Decrease in finance lease liabilities		(46)	(17)	(76)	(41)
Net cash flows used in non-current derivatives held for risk management		–	(89)	–	(89)
Interest received		3 211	2 353	3 291	2 331
Interest paid		(8 501)	(8 269)	(8 526)	(8 344)
Net cash from financing activities		28 720	20 330	27 400	19 408
Net increase/(decrease) in cash and cash equivalents		7 236	(3 381)	6 929	(3 405)
Cash and cash equivalents at beginning of the year		12 087	15 541	11 466	14 871
Cash and cash equivalents resulting from common control transaction	9	127	–	–	–
Cash and cash equivalents at beginning of the year attributable to non-current assets held-for-sale		–	(73)	–	–
Cash and cash equivalents at end of the year	13	19 450	12 087	18 395	11 466

1. *Refer to note 44.*
2. *Includes nil (2011: R11 317 million) which is included in borrowings (refer to note 13.6). The remainder of the balance is recognised in equity.*

Statements of cash flows continued

for the year ended 31 March 2012

	Note	Group 2012 Rm	Group Restated[1] 2011 Rm	Company 2012 Rm	Company Restated[1] 2011 Rm
Reconciliation of net cash flow to movement in net debt					
Net increase in debt securities issued		4 843	25 503	4 843	25 366
Net increase in borrowings		11 696	34 499	11 783	34 520
Net cash flows from financial instruments with group companies		–	–	(1 560)	(1 771)
Decrease/(increase) in investment in securities		17 497	(33 693)	17 645	(32 564)
(Increase)/decrease in loans receivable		(1 468)	(826)	–	549
Decrease in finance lease liabilities		(46)	(17)	(76)	(41)
Net cash flows used in derivatives held for risk management		(280)	(7 301)	(280)	(7 301)
Net debt raised		32 242	18 165	32 355	18 758
Portion on subordinated loan from shareholder allocated to equity		–	(8 683)	–	(8 683)
Non-cash flow movements		2 189	7 842	2 200	7 836
Cash and cash equivalents resulting from common control transaction		(127)	–	–	–
Cash and cash equivalents at beginning of the year attributable to non-current assets held-for-sale		–	73	–	–
Net (increase)/decrease in cash and cash equivalents for the year		(7 236)	3 381	(6 929)	3 405
Movement in net debt for the year		27 068	20 778	27 626	21 316
Net debt at beginning of the year		110 747	89 969	115 497	94 181
Net debt at end of the year		137 815	110 747	143 123	115 497
Analysis of net debt					
Debt securities issued	13	97 902	87 276	96 230	85 605
Borrowings	13	84 665	73 034	84 196	72 511
Finance lease liabilities	13, 26	521	529	877	902
Financial instruments with group companies	13, 10	–	–	(3 903)	(2 344)
Derivatives held for risk management	13, 15	2 721	5 858	2 721	5 858
		185 809	166 697	180 121	162 532
Cash and cash equivalents	13	(19 450)	(12 087)	(18 395)	(11 466)
Investment in securities	13	(21 030)	(37 805)	(18 603)	(35 569)
Loans receivable	13	(7 514)	(6 058)	–	–
Net debt at end of the year		137 815	110 747	143 123	115 497

1. *Refer to note 44.*

Notes to the consolidated financial statements

for the year ended 31 March 2012

1. General information

Eskom Holdings SOC Limited (Eskom), a public company and holding company of the group, is incorporated and domiciled in the Republic of South Africa. Eskom is a vertically integrated operation that generates, transmits and distributes electricity to industrial, mining, commercial, agricultural, redistributors (ie municipalities), and residential customers and to international customers in southern Africa. The nature of the businesses of the significant operating subsidiaries is set out in note 9.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation and measurement

Statement of compliance

The consolidated financial statements of Eskom at and for the year ended 31 March 2012 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures. The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Public Finance Management Act, 1 of 1999, as amended, and the Companies Act of South Africa, 71 of 2008, as amended.

Basis of measurement

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

- embedded derivative assets and liabilities
- financial instruments classified under held-for-trading
- financial instruments classified under available-for-sale
- post-retirement medical benefits

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in South African rand (rounded to the nearest million unless otherwise stated), which is the group and company's functional and presentation currency.

Changes in accounting policies and comparability

The group has adopted certain new standards, amendments and interpretations to existing standards which were effective for the group for the financial year beginning on or after 1 April 2011. The effects of adopting these standards are discussed in note 44.

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

The following new standards, amendments and interpretations to existing standards have been published that are applicable for future accounting periods but have not been adopted early by the group:

IAS 1 Presentation of financial statements (effective 1 July 2012) (amended)

The amendment to IAS 1 requires that the entity should present items of other comprehensive income that may be reclassified to profit or loss separately from those that would never be reclassified to profit or loss. The related tax effects for these subcategories should be shown separately. The amendment results in a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. It is applicable retrospectively. The group is still determining the impact of the amendment on the presentation of the relevant items in the financial statements.

IAS 12 Income taxes (effective 1 January 2012) (amended)

The amendment to IAS 12 introduces a rebuttable presumption that an investment property measured at fair value will be recovered in its entirety through its sale. The amendment is not expected to have an impact on the group's financial statements.

IAS 19 Employee benefits (effective 1 January 2013) (amended)

The amendment to IAS 19 requires a change to the accounting for current and future obligations resulting from the provision of defined benefit plans. The group is still determining the impact of the standard on the financial statements.

IAS 27 Separate financial statements (effective 1 January 2013) (revised)

IAS 27 was revised and it supersedes the previous IAS 27 (2008). The revised IAS 27 carries forward the existing accounting and disclosure requirements for separate financial statements, with minor clarifications. The adoption of the revised IAS 27 is not expected to have a significant impact on the company's financial statements.

IAS 28 Investments in associates and joint ventures (effective 1 January 2013)

IAS 28 was revised and it supersedes the previous IAS 28 (2008). The revised IAS 28 carries forward the existing accounting and disclosure requirements with limited amendments. The adoption of the revised IAS 28 is not expected to have a significant impact on the group's financial statements.

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

The amendments to IAS 32 were issued to address inconsistencies in current practice when applying the offsetting criteria in IAS 32 *Financial instruments: presentation*. The amendments clarify the meaning of *currently has a legally enforceable right of set-off;* and that some gross settlement systems may be considered equivalent to net settlement. The group is still determining the impact of the standard on the financial statements.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation and measurement *(continued)*

IFRS 7 Financial instruments: disclosure (effective 1 January 2013)
The amendments to IFRS 7 require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will not have an impact on the group's financial statements.

IFRS 9 Financial instruments (effective 1 January 2015)
IFRS 9 addresses the initial measurement and classification of financial assets and financial liabilities, and replaces the relevant sections of IAS 39 *Financial instruments: Recognition and measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Under IFRS 9, the classification and measurement requirements for financial liabilities are the same as per IAS 39, except for two aspects. The first aspect relates to fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability. The second aspect relates to derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured. The group is still determining the impact of the standard on the financial statements.

IFRS 9 has also been amended to include the derecognition requirements from IAS 39. These requirements have remained unchanged but additional disclosure requirements relating to the disclosure of transfers of financial assets have been included in IFRS 7 (refer above).

IFRS 10 Consolidated financial statements (effective 1 January 2013)
IFRS 10 is a new standard that replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose entities* and IAS 27 *Consolidated and separate financial statements*. The standard builds on existing principles by identifying the concept of control as the determining factor as to whether or not an entity should be included within the consolidated financial statements of the parent company and provide additional guidance to assist in the determination of control where this is difficult to assess. The group is still determining the impact of the standard on the financial statements.

IFRS 11 Joint arrangements (effective 1 January 2013)
IFRS 11 is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. The standard requires a single method for accounting for interests in jointly controlled entities. IFRS 11 has superseded IAS 31 *Interests in joint ventures* which has been withdrawn. The group is still determining the impact of the standard on the financial statements.

IFRS 12 Disclosures of interests in other entities (effective 1 January 2013)
IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. The group is still determining the impact of the standard on the financial statements.

IFRS 13 Fair value measurement (effective 1 January 2013)
IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The group is still determining the impact of the standard on the financial statements.

IFRIC 20 Stripping costs in the production phase of a surface mine (effective 1 January 2013)
IFRIC 20 considers when and how to account separately for the benefits arising from the stripping activity in surface mining operations, as well as how to measure these benefits both initially and subsequently. IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). The interpretation is not expected to have an impact on the group's financial statements.

Standards, interpretations and amendments to published standards that are effective and applicable to the group:
The following standards, interpretations and amendments were effective and applicable to the group for the year ended 31 March 2012, but had no impact on the financial statements:

IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2011) (amended)
The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset on the basis that the entity has a future economic benefit. The amendment had no impact on the group's financial statements.

IFRIC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010)
IFRIC 19 provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation did not have an impact on the group's financial statements.

The following standards, interpretations and amendments were effective and applicable to the group for the year ended 31 March 2012 and had an impact on the financial statements:
- IAS 24 *Related party disclosures* (refer to note 44).

2. Summary of significant accounting policies *(continued)*

2.2 Consolidation

Investment in subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the group has the power to govern the financial and operating policies to obtain benefits from the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

Business combinations

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Common control transactions

The group accounts for common control transactions in the consolidated financial statements using the book value (predecessor) basis of accounting. In applying the book value basis, the acquirer in a common control transaction recognises the assets and liabilities acquired using the book values in the financial statements of the relevant entity. Any difference between the consideration paid and the book values of the assets and liabilities acquired is recognised directly in equity.

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

Investments in equity-accounted investees

Associates are all entities over which the group has significant influence but no control over the financial and operating policies, generally linked to a shareholding of between 20% and 50% of the voting rights.

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in associates and joint ventures are accounted for at cost less impairment losses in the separate financial statements of the company. These investments are accounted for using the equity method of accounting and are initially recognised at cost in the financial statements of the group. The group's investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

Unrealised gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in the associates or joint ventures. Unrealised losses are also eliminated, but are considered an impairment indicator of the asset transferred. Accounting policies of associates or joint ventures have been adjusted where necessary to ensure consistency with the policies adopted by the group.

If the financial statements of the associate or joint venture are prepared as of a different date to that of the group, adjustments are made to the financial statements of the associate or joint venture for significant transactions and events that occur between the date of the financial statements of the associate or joint venture and the date of the financial statements of the group to enable the financial statements of the associate or joint venture to be used for the equity accounting of the associate or joint venture. The maximum time period between the date of the financial statements of the associate or joint venture and the date of financial statements of the group is three months.

2. Summary of significant accounting policies *(continued)*

2.3 Segment reporting

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

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

2.4 Foreign currency translation

Transactions and balances

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

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

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

Foreign loans are initially recognised at the exchange rate prevailing at transaction date and are translated at spot rate at every reporting date. Foreign exchange gains and losses that relate to *loans and receivables, debt securities issued* and *borrowings* are presented in profit or loss within *net fair value gain/loss on financial instruments, excluding embedded derivatives.*

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rand at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to rands at the average exchange rate. The group does not have any foreign operations in hyperinflationary economies.

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

2.5 Property, plant and equipment

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

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

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

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Works under construction are stated at cost which includes cost of materials and direct labour and any directly attributable costs incurred in bringing it to its present location and condition. Materials used in the construction of property, plant and equipment are stated at weighted average cost.

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

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

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

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

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss within *other income* or *other operating expenses.*

2. Summary of significant accounting policies *(continued)*

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in *intangible assets*. Goodwill on acquisition of associates and joint ventures is included in *investments in equity-accounted investees* and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The group allocates goodwill to each business segment in each country in which it operates.

Licences

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

Computer software

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

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

Rights

Rights consist mainly of servitudes and rights of way under power lines. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to Eskom for an indefinite period. The life of the servitude will remain in force as long as the transmission or distribution line is used to transmit electricity.

A servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice, a derecognised line will be refurbished or replaced by a new line. The likelihood of the impairment of a servitude right is remote.

Concession assets

Concession assets consists of rights to charge for the usage of the infrastructure under service concession arrangements (refer to note 20). Concession assets are capitalised on the basis of the cost of capital expenditure incurred in respect of service concession arrangements (which is the fair value at initial recognition), including borrowing costs on qualifying capital expenditures. Subsequent to initial recognition, the concession assets are measured at cost less accumulated amortisation and impairment losses. Concession assets are amortised over their estimated useful life, which is the concession period during which they are available for use.

Intangible assets arising from a service concession arrangement are included within *intangible assets* under concession assets.

Research and development

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

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

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

2.7 Impairment of non-financial assets

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

2. Summary of significant accounting policies *(continued)*

2.8 Capitalisation of borrowing costs

Borrowing costs attributable to the construction of qualifying assets are capitalised as part of the cost of these assets over the period of construction to the extent that the assets are financed by borrowings. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings of the entities in the group unless an asset is financed by a specific loan, in which case the specific rate is used.

2.9 Service concession arrangements

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

Financial asset

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

Financial assets arising from a service concession arrangement are included within *trade and other receivables* under other receivables (refer to note 18).

Construction or upgrade services

The group accounts for revenue and costs relating to construction or upgrade services in accordance with IAS 11 *Construction contracts.*

Operation services

The group accounts for revenue relating to operation services in accordance with IAS 18 *Revenue*.

Contractual obligations to maintain and restore the infrastructure

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

2.10 Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time. An assessment is made as to whether the arrangement is dependent on the use of a specific asset and the arrangement conveys the right to use an asset to determine if an arrangement contains a lease.

Finance leases – where the group is the lessee

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

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

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

Cost plus coal contracts are treated as finance leases where the group is the lessee.

Finance leases – where the group is the lessor

When property, plant and equipment are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is disclosed as unearned finance income within *finance lease receivables.*

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance lease receivables are assessed for impairment and derecognised in accordance with the requirements for financial assets (refer to note 2.11). Derivatives embedded in leases are accounted for in accordance with the requirements for embedded derivatives (refer to note 2.11).

Premium power supplies are treated as finance leases where the group is the lessor.

Fair value

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

Operating leases

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

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

2. Summary of significant accounting policies *(continued)*

2.11 Financial instruments

2.11.1 *Non-derivative financial instruments*

Recognition, measurement and derecognition of financial assets

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

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

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

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

When entering into a transaction, the financial instrument is recognised initially at the transaction price which is the best indicator of fair value. Where fair value of the financial instrument is different from the transaction price a day-one gain or loss may arise. The day-one gain or loss is immediately recognised in profit or loss (except for embedded derivatives and the subordinated loan from shareholder) within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*, provided that the fair value has been determined based on market-observable data.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that management has both the ability and intent to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal payments, plus or minus the cumulative amortisation using the effective interest method and minus any reduction for impairment or uncollectibility.

The effective interest rate is the rate that discounts the estimated future cash receipts of the financial asset exactly to its net carrying amount.

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

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

A financial asset is classified as held-for-trading if it is:

- acquired for the purpose of selling it in the short term
- part of a portfolio of identified financial instruments that is managed together and for which there is evidence of a recent pattern of short-term profit taking
- a derivative instrument

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

Loans and receivables

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

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

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

Available-for-sale assets

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

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

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

2. Summary of significant accounting policies *(continued)*

2.11 Financial instruments *(continued)*

2.11.1 Non-derivative financial instruments (continued)

Recognition, measurement and derecognition of financial assets *(continued)*

Fair value

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

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

Impairment (held-to-maturity investments, loans and receivables)

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

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

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

All impairment losses are recognised in profit or loss within *net impairment (loss)/reversal.*

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

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

Recognition, measurement and derecognition of financial liabilities

Non-derivative financial liabilities comprise *debt securities issued, borrowings, financial instruments with group companies, financial trading liabilities, finance lease liabilities* and *trade and other payables.*

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

All non-derivative financial liabilities are recognised on the date of commitment (trade date) and are derecognised when the obligation expires, is discharged or cancelled, or there is a substantial modification to the terms of the liability. Realised gains and losses are determined using the FIFO method.

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

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

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

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

Financial liabilities at amortised cost

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

Fair value

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

Market-making

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

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

2. Summary of significant accounting policies *(continued)*

2.11 Financial instruments *(continued)*

2.11.2 Financial guarantees

Recognition

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

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

Fair value

Financial guarantees are valued initially by taking into account discounted future cash flows adjusted according to the probability of occurrence of the trigger event. The resultant guarantee is raised as a liability, with the costs being charged to profit or loss. The unprovided portion is disclosed as a contingent liability. As a result of using discounted cash flows, interest rate risk may arise due to the possibility of the actual yields on assets being different from the rates assumed in the discounting process.

2.11.3 Derivative financial instruments and hedging activities

Recognition

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

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

Hedge accounting

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

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

The group applies only cash flow hedge accounting.

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

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

Cash flow hedges

Insignificant day-one profits and losses are expensed in profit and loss while significant day-one profits and losses are deferred in the statement of financial position (derivatives held for risk management) and then amortised over the term of the hedging instrument in profit and loss. Day-one profits and losses on hedging instruments are predominantly a function of the inclusion of credit, liquidity and basis risk in the terms of the trading instrument. These risks are not included in the determination of a hypothetical derivative used to measure fair value movements in a hedged item and are therefore excluded from any hedge accounting relationships. The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income within *cash flow hedges*. The gain or loss relating to the ineffective portion and the forward points portion which is not designated (as part of the hedge) is recognised immediately in profit or loss within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*.

When the forecast transaction occurs, any cumulative gain or loss existing in other comprehensive income at that time is included in the initial cost or other carrying amount of the asset or liability.

When a hedging instrument expires, is sold or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in other comprehensive income until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*.

Economic hedging

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

2. Summary of significant accounting policies *(continued)*

2.11 Financial instruments *(continued)*

2.11.4 Repurchase and resale agreements

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

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

The difference between the sale and repurchase price or purchase and resale price is treated as interest accrued over the life of the repurchase or resale agreement using the effective-yield method.

2.11.5 Embedded derivatives

Recognition

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

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

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

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

Fair value

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

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

Non-option based derivatives are separated on terms that result in a fair value at the date of inception of zero. Option-based derivatives are separated on the terms stated in the contracts and will not necessarily have a fair value equal to zero at the initial recognition of the embedded derivative resulting in day-one gains. These day-one gains or losses are spread equally over the period of the agreement. The fair value will depend on the strike price at inception.

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

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

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

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

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

The more important assumptions, which include the following, are obtained either with reference to the contractual provisions of the relevant contracts or from independent market sources where appropriate:

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

2.12 Inventories

Coal, maintenance spares and consumables

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes expenditure incurred in acquiring inventories, production and conversion costs and other costs incurred in bringing inventory to present location and condition.

Nuclear fuel

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

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

2. Summary of significant accounting policies *(continued)*

2.13 Future fuel supplies

Coal

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

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

Nuclear

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

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Equity reserve

The subordinated loan from the shareholder is held at amortised cost. The market value of the loan at inception is calculated for each tranche utilising the expected cash flows which are discounted at market rates to determine the effective interest rates. The effective interest rates for each tranche remain constant over the life of the loan tranche. The future cash flows are reassessed annually and the loans are remeasured at each reporting period. Although the loan is interest bearing, the interest payment terms could potentially be favourable and are dependent on the liquidity and gearing of Eskom. The change in the loan value with respect to interest amortised and the remeasurement is reflected in the profit and loss in *finance cost* and is eligible for capitalisation as borrowing costs.

2.16 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

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

2.17 Deferred tax

Deferred tax is recognised, using the statement of financial position method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting nor taxable profit or loss. However, deferred tax is provided in respect of the temporary differences arising on the assets and provisions created in respect of decommissioning and nuclear waste management and closure, pollution control and rehabilitation. Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realised.

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

2.18 Payments received in advance

Payments received in advance consist mainly of upfront capital contributions for the construction of assets and funding for electrification. Upfront capital contributions are recognised in profit or loss within *other revenue, excluding electricity revenue* when the customer is connected to the electricity network.

2.19 Deferred income

Grants

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

Government grants which become receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no future related costs, are recognised in profit or loss within *other income* for the period in which they become receivable.

Capital contributions received from customers

Contributions paid in advance by electricity customers relating to the construction of regular distribution and transmission assets (with a standard supply) are credited to profit and loss within *other revenue, excluding electricity revenue* when the customer is connected to the electricity network (refer to note 2.18).

2.20 Reinsurance contracts

Escap SOC Limited (Escap), a wholly owned subsidiary of Eskom, acts as the primary insurer for the group. Escap only self-insures the group up to agreed limits by risk category, whereafter the risks are covered by the reinsurance market.

Contracts are entered into with reinsurers, under which the group is compensated for losses on one or more contracts issued by it and that meet the classification requirements for insurance contracts. The benefits to which Escap is entitled under its reinsurance contracts held are recognised as reinsurance assets in the statement of financial position. Amounts recoverable are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts due from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Reinsurance assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. Summary of significant accounting policies *(continued)*

2.21 Employee benefit obligations

Annual and performance bonus

The group recognises a liability for annual and performance bonuses. A liability for annual bonuses is accrued on a proportionate basis as services are rendered. A liability for performance bonus is raised on the estimated amount payable in terms of the incentive scheme which is based on the business and employee's performance in the applicable year.

Leave

The group recognises a liability for occasional and service leave as the leave is of a long-term nature. An actuarial valuation is performed on an annual basis for occasional and service leave. The accrued liabilities are determined by valuing all future leave expected to be taken and payments expected to be made in respect of benefits up to the valuation date. Allowance has been made in the calculations for the assumed benefit options employees will exercise, as well as salary increases and investment returns up to the date the benefit is received. All actuarial gains or losses and past service costs are recognised immediately in profit or loss within *employee benefit expense*. The present values of the benefit are determined by using the yield of long-dated corporate bonds (or government bonds where high-quality corporate bonds are not available).

Pension benefits

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

Post-retirement medical benefits

The liability for post-retirement medical aid is the present value of the obligation by using long-dated corporate bonds (or government bonds where high-quality corporate bonds are not available) which have maturities similar to the liability. Provision is made by accounting, through profit or loss, for the estimated cost over the expected period to retirement of the employees. The cost to the employer, in the form of employer contributions, is determined by using the projected unit credit method, with actuarial valuations being carried out at reporting date. Actuarial gains or losses are recognised in other comprehensive income within *net actuarial gain or loss on post-retirement medical benefits* immediately. No deferred recognition mechanism is applied.

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

2.22 Provisions

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

Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

The provisions below are restated on an annual basis to reflect changes in measurement that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in discount rate, which shall be accounted for as follows:

- changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period
- the amount deducted from the cost of the asset shall not exceed its carrying amount. The excess shall be recognised in profit or loss
- any additions to the cost of an asset shall be reviewed in terms of the normal impairment principles

Decommissioning and nuclear waste management

Nuclear and other generation plant

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

Spent nuclear fuel

A provision is raised for the management of spent nuclear fuel assemblies and radioactive waste. The charge to profit or loss is based on the latest available cost information and is included in *primary energy*.

Closure, pollution control and rehabilitation

Expenditure on property, plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets. The cost of current ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged to profit or loss within *primary energy* as incurred, unless a present legal or constructive obligation exists to recognise such expenditure, in which case a provision is created based on the best estimates available.

A provision is raised for the estimated cost of closure, pollution control and rehabilitation during and at the end of the life of the mines where a legal or constructive obligation exists to pay coal suppliers. Closure, pollution control and rehabilitation costs capitalised are written off over the estimated useful life of the power station.

Service concession arrangements

A provision is raised for contractual obligations to maintain and restore the infrastructure (refer to note 2.9). These contractual obligations to maintain or restore infrastructure, except for any upgrade element, are recognised and measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

2. Summary of significant accounting policies *(continued)*

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown, net of value added tax, estimated returns, rebates and discounts, but includes the 2.5c/kWh (2011: 2c/kWh) environmental levy.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have passed and the collectibility of the related receivable is reasonably assured.

Electricity revenue is recognised when electricity is consumed by the user.

Sale of services

Sale of services is recognised in the reporting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other revenue

Other revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer and the amount of revenue can be measured reliably.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss within *other revenue, excluding electricity revenue* in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the contract costs incurred to the reporting date as a percentage of total estimated costs for each contract. When an outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Service concession arrangements

Revenue relating to construction or upgrade services under a service concession arrangement (refer to note 2.9) is recognised based on the stage of completion of the work performed, consistent with the group's accounting policy on recognising revenue on construction contracts.

Operation or service revenue is recognised in the period in which the services are provided by the group. When the group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered.

2.24 Finance income

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

2.25 Finance cost

Finance cost comprises interest payable on borrowings and interest resulting from the unwinding of discount on liabilities. Borrowing costs which are not capitalised (refer to note 2.8) are recognised in profit or loss.

2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.27 Dividend distribution

Dividend distribution to the shareholder is recognised as a liability in the financial statements of the group in the period in which the dividends are approved by the board of directors (in terms of the directive of the shareholder).

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

Assets and liabilities which meet the definition of held-for-sale and discontinued operation under IFRS 5 *Non-current assets held-for-sale and discontinued operations*, except for assets excluded from the scope of IFRS 5 for measurement purposes, are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

2.29 Related-party transactions

IAS 24 *Related party disclosures* provides government-related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with government-related entities at national and local levels of government (refer to note 42).

2.30 Transfers of assets from customers

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

3. Financial risk management

The group has an integrated risk management framework. The group's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks. Operational risks are events, hazards, variances or opportunities which could influence the achievement of Eskom's compliance and operational objectives. For Eskom, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the group's performance. Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of Eskom. The financial risks, as defined by IFRS 7 *Financial instruments: disclosures*, and the management thereof, form part of this key risk area.

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

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

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

The group has exposure to the following risks as a result of its financial instruments:
- credit risk (refer to note 3.1)
- market risk (refer to note 3.2)
- liquidity risk (refer to note 3.3)

3.1 Credit risk

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

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

3.1.1 *Management of credit risk*

Financial instruments managed by the treasury function

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

Responsibility and governance

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

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

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

The senior credit risk advisor in the risk assessment division provides feedback on all treasury credit risk-related matters to the treasury management, finance director, Exco, treasury credit risk committee and audit and risk committee.

The management of credit risk is governed by the following policies:
- trading in financial instruments is conducted and entered into with selected counterparties after credit limits have been authorised. Individual risk limits are set based on internal and external ratings in line with limits set by the board. All credit limits are approved by the treasury credit risk committee. The use of credit limits is regularly monitored
- only banks and financial institutions with an independent minimum rating of A1 are accepted. If there are no independent ratings, the credit quality of the counterparty is assessed, taking into account its financial position, past experience and other factors
- all exposures are mark-to-market. Transaction or close-out netting takes place in accordance with the terms and conditions of the underlying trading agreements
- minimum credit-rating requirements for financial institutions are maintained to assess the risk categories by rating class and to ascertain the probability of default inherent in each rating class
- approved concentration risk parameters and collateral management procedures are in place

3. Financial risk management *(continued)*

3.1 Credit risk *(continued)*

3.1.1 *Management of credit risk (continued)*

Responsibility and governance *(continued)*

Concentration of credit risk is managed by setting credit risk limits at a counterparty-specific level. Concentration credit risk limits are used as second tier limits in relation to counterparty credit limits. Counterparty-specific exposure is monitored against a set concentration of credit risk limits in relation to the total credit risk exposure to all counterparties.

Credit risk measurement, monitoring and reporting

Risk is measured by determining a default probability per counterparty (using default probabilities assessed by rating agents for various type of credit ratings) which is 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.

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

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

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

Financial instruments managed by other divisions and subsidiaries

(a) *Trade receivables (electricity)*

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

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

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

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

Key large power users comprise mainly South African commercial, industrial and mining customers and redistributors. Some key large power users are not required to provide any security if they have an acceptable credit rating from an approved rating agency. New customers are required to provide security equivalent to the value of three months' estimated consumption. Existing customers are required to provide security to the value of three months' consumption if they default on their payment terms.

Non-key customers (other than large power users and small power users) are required to provide security equivalent to between one to three months' consumption at the commencement of the supply agreement. The level of security is reviewed when a customer defaults on their payment obligation or requires additional electricity supply capacity in which case they are required to either provide security or increase their existing security to an amount equivalent to between one to three months' of recent consumption before supply will commence. Redistributors are not required to provide any security and are currently re-evaluated based on their payment history to determine if any security is necessary. Eskom is currently considering a municipal strategy to manage any associated risk exposure.

Payment terms vary between customer classes as follows:

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

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

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

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

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the Eskom policy and delegation of authority. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The total cumulative allowance for impairment for electricity receivables at 31 March 2012 was R3 346 million (2011: R2 855 million) (refer to note 3.1.2(a)). A substantial portion relates to outstanding debt in problematic areas. The collection of revenue from small power users in Soweto remains a challenge. The enhancement of credit control strategies and monitoring of payment levels in this area continue to receive management attention. The payment levels from these customers, expressed as a percentage of billed revenue, was 27% (2011: 22%).

3. Financial risk management *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Management of credit risk (continued)

Financial instruments managed by other divisions and subsidiaries *(continued)*

(a) Trade receivables (electricity) (continued)

The following strategies are currently in operation and are largely successful in other high-risk areas of non-paying customers. These include:

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

Certain redistributors have fallen into arrears during the course of the financial year. Some have subsequently either settled or made significant payments towards their arrear debt. Monitoring of these redistribution payment levels continues to receive ongoing management attention and remains a high priority focus area.

(b) Other trade receivables

Eskom Enterprises SOC Limited provides plant lifecycle support, plant maintenance work, network protection and measurement mainly to Eskom. The group's credit exposure in respect of other trade receivables is therefore considered to be insignificant.

(c) Other receivables

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

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

(d) Finance lease receivables

Finance lease receivables mainly comprise premium power supply contracts. The supply of electricity to customers may be in the form of either standard or premium power supply.

A standard supply is the least-cost technically acceptable solution as defined in the Distribution Network Code whereas the premium power supply is where the customer's requirement exceeds the specifications of a standard supply. Premium supply customers may already have a standard supply from Eskom but wish to reserve dedicated additional equipment to provide a backup supply. This is achieved through the installation of dedicated premium supply equipment for which the customer is required to pay the full capital costs.

Connection charges for premium supply contracts can be repayable on a monthly basis over a maximum period of 25 years.

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

(e) Reinsurers

The creditworthiness of reinsurers is regularly assessed by the Escap SOC Limited (Escap) risk management committee, especially prior to finalisation of any contract. Minimum credit ratings and credit limits per counterparty are set. The major reinsurers used during the financial year had market security ratings of A- or higher (based on Standard and Poor's ratings). There were no write-offs during the current and prior financial years. Management is confident that the group's exposure in respect of the possibility of default by its reinsurers remains minimal.

(f) Loans receivable

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

The amounts advanced are secured by first mortgages over the property purchased and are repayable over an average period of up to 27 years (2011: 27 years). The risk of default by the employee is reduced as the monthly instalments are deducted from the employee's salary. Employees who are no longer in the employ of the group are required to settle their home loans with EFC within 90 days of leaving the group's service. Loans are not extended where the purchase price of the property exceeds its open market value. The weighted average loan amount as a percentage of the total home loan book at 31 March 2012 was 0.01% (2011: 0.01%).

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

EFC entered into a securitisation arrangement with Nqaba Finance I (Pty) Limited (Nqaba), a special-purpose entity. The securitising of the home loan book converted the loan assets into marketable securities traded on the Bond Exchange of South Africa. The special-purpose entity is consolidated in the annual financial statements of the EFC group. EFC is the preferential shareholder of Nqaba which entitles it to all the residual profits (residual cash after priority payments).

EFC provides a first-loss credit enhancement loan equal to 14.87% of the notes in issue. At 31 March 2012 the loan was R290 million (2011: R290 million). As servicer of Nqaba, EFC earns a servicing fee equal to 0.15% (2011: 0.15%) of the quarterly outstanding loan book balance. At the end of the financial year, the net asset value of Nqaba was R22 million (2011: R20 million).

3. Financial risk management *(continued)*
3.1 Credit risk *(continued)*
3.1.2 *Credit exposure*

The carrying amount of financial assets represents the maximum credit exposure at the reporting date (refer to note 13). The following table represents an analysis per credit rating level (as determined by rating agencies) of the credit risk of financial assets, as indicated.

	Investment in securities Rm	Financial trading assets Rm	Cash and cash equivalents Rm	Derivatives held for risk management Rm	Finance lease receivables Rm
2012					
Group					
AAA	8 885	1 755	17	–	–
AA+	338	363	–	485	4
AA	3 199	102	–	1 017	–
AA-	4 298	779	8	43	–
A+	609	–	–	236	–
A1+	2 427	124	16 179	264	–
A1	–	768	2 478	97	–
A2	1 274	61	–	–	2
A3	–	17	–	–	–
BBB-	–	–	–	–	5
Unrated	–	1 077	768[1]	–	559
	21 030	5 046	19 450	2 142	570
Company					
AAA	8 885	1 755	17	–	–
AA+	338	363	–	485	4
AA	3 199	102	–	1 017	–
AA-	4 298	779	8	43	–
A+	609	–	–	236	–
A1+	–	41	15 309	264	–
A1	–	528	2 328	97	–
A2	1 274	–	–	–	2
BBB-	–	–	–	–	5
Unrated	–	834	733[1]	–	559
	18 603	4 402	18 395	2 142	570
2011					
Group					
AAA	13 427	2 223	–	–	–
AA+	–	–	–	–	4
AA-	–	–	–	–	1
A+	–	–	–	–	23
A1+	23 722	762	10 471	108	–
A1	656	265	1 549	14	4
A2	–	81	–	–	–
BBB-	–	24	–	–	–
Unrated	–	472	67	–	553
	37 805	3 827	12 087	122	585
Company					
AAA	13 427	2 223	–	–	–
AA+	–	–	–	–	4
AA-	–	–	–	–	1
A+	–	–	–	–	23
A1+	21 486	657	9 939	108	–
A1	656	146	1 507	14	4
Unrated	–	171	20	–	553
	35 569	3 197	11 466	122	585

No credit limits were exceeded during the reporting period, nor does management expect any losses from non-performance by these counterparties.

1. *Includes transactions with brokers who are unrated.*

3. Financial risk management *(continued)*
3.1 Credit risk *(continued)*
3.1.2 *Credit exposure (continued)*

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
The maximum exposure to credit risk for trade and other receivables per class was:					
Electricity receivables		11 339	8 746	11 339	8 746
– International		584	399	584	399
– Local large power users		8 652	7 064	8 652	7 064
– Local small power users		2 098	1 272	2 098	1 272
– Service delivery framework[1]		5	11	5	11
Other trade receivables		206	301	–	–
– International		4	9	–	–
– Local		202	292	–	–
Other receivables		2 821	2 326	1 869	734
– Recoverable work		96	56	96	56
– Employee receivables		43	40	43	40
– Intercompany receivables		–	–	585	472
– Reinsurance receivables		586	377	–	–
– Concession receivables		34	11	–	–
– Sundry receivables		2 062	1 842	1 145	166
Total trade and other receivables	18	14 366	11 373	13 208	9 480
The analysis per credit rating level of the credit risk of trade and other receivables was:					
AAA		58	–	–	–
AA		168	209	–	–
AA-		66	623	–	397
A+		154	125	–	1
A1+		2 000	1 521	1 571	904
A1		251	204	132	204
A2		273	97	273	97
A3		70	81	70	81
BBB-		–	11	–	11
Unrated		11 326	8 502	11 162	7 785
		14 366	11 373	13 208	9 480
The maximum exposure to credit risk for loans receivable was:	13	7 514	6 058	–	–
The maximum exposure to credit risk for non-current assets held-for-sale was:					
Trade and other receivables	22	249	618		

1. *Negotiated agreement with stakeholders in residential areas which is a specific initiative aimed at resolving the non-payment of accounts.*

3. Financial risk management *(continued)*
3.1 Credit risk *(continued)*
3.1.2 Credit exposure (continued)

(a) Electricity receivables

Group and company

2012	Carrying amount Rm	Not impaired[1] Days past due Not past due Rm	0-15 Rm	16-45 Rm	46-75 Rm	>75 Rm	Impaired[2] Days past due Not past due Rm	0-15 Rm	16-45 Rm	46-75 Rm	>75 Rm
Individually assessed for impairment											
International	584	574	9	1	–	–	–	–	–	–	–
Gross	584	574	9	1	–	–	–	–	–	–	–
Impairment	–	–	–	–	–	–	–	–	–	–	–
Local large power users	8 652	7 878	196	216	65	158	72	–	3	3	61
Gross	9 371	7 878	196	216	65	158	145	15	18	21	659
Impairment	(719)	–	–	–	–	–	(73)	(15)	(15)	(18)	(598)
							Not past due Rm	Days past due 0-30 Rm	31-60 Rm	>60 Rm	
Collectively assessed for impairment											
Local small power users	2 098						1 202	151	83	662	
Gross	4 447						1 252	223	161	2 811	
Impairment	(2 349)						(50)	(72)	(78)	(2 149)	
Service delivery framework	5						–	–	–	5	
Gross	201						1	1	1	198	
Impairment	(196)						(1)	(1)	(1)	(193)	
Total carrying amount	11 339										

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

3. Financial risk management *(continued)*
3.1 Credit risk *(continued)*
3.1.2 Credit exposure (continued)
(a) Electricity receivables *(continued)*

Group and company

2011	Carrying amount Rm	Not impaired[1] Not past due Rm	Days past due 0-15 Rm	16-45 Rm	46-75 Rm	>75 Rm	Impaired[2] Not past due Rm	Days past due 0-15 Rm	16-45 Rm	46-75 Rm	>75 Rm
Individually assessed for impairment											
International	399	346	6	16	1	29	–	–	1	–	–
Gross	403	346	6	16	1	29	–	–	1	1	3
Impairment	(4)	–	–	–	–	–	–	–	–	(1)	(3)
Local large power users	7 064	6 803	77	75	44	39	1	1	2	1	21
Gross	7 761	6 803	77	75	44	39	28	9	41	17	628
Impairment	(697)	–	–	–	–	–	(27)	(8)	(39)	(16)	(607)

	Carrying amount Rm	Not past due Rm	Days past due 0-30 Rm	31-60 Rm	>60 Rm
Collectively assessed for impairment					
Local small power users	1 272	615	142	247	268
Gross	3 139	681	203	314	1 941
Impairment	(1 867)	(66)	(61)	(67)	(1 673)
Service delivery framework	11	1	1	–	9
Gross	238	2	2	2	232
Impairment	(227)	(1)	(1)	(2)	(223)
Total carrying amount	8 746				

Electricity receivables include an amount of R111 million (2011: R81 million) relating to receivables that were renegotiated[3]. These electricity receivables would have been past due had their terms not been renegotiated.

Interest is accrued on all arrear debts and R233 million (2011: R298 million) was credited to profit or loss within *finance income*.

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

3. Financial risk management *(continued)*
3.1 Credit risk *(continued)*
3.1.2 Credit exposure (continued)

(b) Other trade receivables

Group

2012	Carrying amount Rm	Not impaired: Not past due Rm	Not impaired: Days past due 0-30 Rm	31-60 Rm	61-90 Rm	>90 Rm	Impaired: Not past due Rm	Impaired: Days past due 0-30 Rm	31-60 Rm	61-90 Rm	>90 Rm
Individually assessed for impairment											
International	4	–	3	–	–	1	–	–	–	–	–
Gross	4	–	3	–	–	1	–	–	–	–	–
Impairment	–	–	–	–	–	–	–	–	–	–	–
Local	202	148	25	14	6	9	–	–	–	–	–
Gross	227	148	25	14	6	9	–	–	–	–	25
Impairment	(25)	–	–	–	–	–	–	–	–	–	(25)
Total carrying amount	206										
2011											
International	9	7	2	–	–	–	–	–	–	–	–
Gross	9	7	2	–	–	–	–	–	–	–	–
Impairment	–	–	–	–	–	–	–	–	–	–	–
Local	292	181	24	26	7	54	–	–	–	–	–
Gross	309	181	24	26	7	54	–	–	2	2	13
Impairment	(17)	–	–	–	–	–	–	–	(2)	(2)	(13)
Total carrying amount	301										

(c) Other receivables

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

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Recoverable work	96	56	96	56
Gross	96	56	96	56
Impairment	–	–	–	–
Employee receivables	43	40	43	40
Gross	43	41	43	41
Impairment	–	(1)	–	(1)
Intercompany receivables	–	–	585	472
Gross	–	–	585	472
Impairment	–	–	–	–
Reinsurance receivables	586	377	–	–
Gross	586	377	–	–
Impairment	–	–	–	–
Concession receivables	34	11	–	–
Gross	34	11	–	–
Impairment	–	–	–	–
Sundry receivables	2 062	1 842	1 145	166
Gross	2 119	1 884	1 200	206
Impairment	(57)	(42)	(55)	(40)
Total carrying amount	2 821	2 326	1 869	734

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

3. Financial risk management *(continued)*
3.1 Credit risk *(continued)*
3.1.2 *Credit exposure (continued)*

(d) Loans receivable

Group and company

	Carrying amount Rm	Not past due Rm	Days past due 0-30 Rm	31-60 Rm	>60 Rm
2012					
Collectively assessed for impairment					
Loans receivable	7 514	7 398	31	21	64
Home loans	6 858	6 737	31	22	68
Loan to Richards Bay Coal Terminal	373	373	–	–	–
Other	308	298	1	–	9
Impairment	(25)	(10)	(1)	(1)	(13)
Total carrying amount	7 514				
2011					
Collectively assessed for impairment					
Loans receivable	6 058	5 961	22	14	61
Home loans	5 357	5 258	23	14	62
Loan to Richards Bay Coal Terminal	445	445	–	–	–
Other	276	265	–	1	10
Impairment	(20)	(7)	(1)	(1)	(11)
Total carrying amount	6 058				

Loans receivable include an amount of R63 million (2011: R47 million) relating to receivables that were renegotiated. These loans receivable would have been past due had their terms not been renegotiated.

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

Group

	Carrying amount Rm	Not past due Rm	Days past due 0-30 Rm	31-60 Rm	>60 Rm
2012					
Individually assessed for impairment					
Trade and other receivables	249	249	–	–	–
Gross	249	249	–	–	–
Impairment	–	–	–	–	–
Total carrying amount	249				
2011					
Trade and other receivables	618	618	–	–	–
Gross	719	719	–	–	–
Impairment	(101)	(101)	–	–	–
Total carrying amount	618				

3. Financial risk management *(continued)*
3.1 Credit risk *(continued)*
3.1.2 *Credit exposure (continued)*

		Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
(f)	**Security relating to amounts receivable** The security held against *trade and other receivables* for the group companies comprises guarantees and deposits. The estimate of the fair value of the security held is:					
	Electricity receivables		4 286	3 123	4 286	3 123
	Local large power users		3 088	2 198	3 088	2 198
	Local small power users		1 196	921	1 196	921
	Service delivery framework		2	4	2	4
	The total amount of the security above includes R3 074 million (2011: R2 184 million) relating to electricity receivables (international and large power users) which were not impaired.					
	Loans receivable secured by mortgage bonds		6 841	5 344		
(g)	**Allowance for impairment** The movement in the allowance for impairment in respect of *trade and other receivables* during the year was:					
	Balance at beginning of the year		2 855	2 379	2 836	2 364
	Impairment loss recognised (net of reversals)	32	613	687	604	682
	Write offs		(122)	(211)	(121)	(210)
	Balance at end of the year		3 346	2 855	3 319	2 836
	Comprising:					
	Electricity receivables		3 264	2 795	3 264	2 795
	Other trade receivables		25	17	–	–
	Other receivables		57	43	55	41
			3 346	2 855	3 319	2 836

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

(h) **Financial guarantees issued**

The group's maximum exposure as a result of financial guarantees issued was R160 million (2011: R156 million) and R1 070 million (2011: R637 million) for the company (refer to note 40.1 for more information on financial guarantees issued).

3. Financial risk management *(continued)*

3.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices, interest rates and equity prices.

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

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

Financial instruments managed by the treasury function

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 asset and liability committee (Alco) and the credit risk committee. 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 other divisions and subsidiaries

Market risk arises mainly from changes in foreign exchange rates and to a limited extent from changes in commodity prices and equity prices. The divisions and subsidiaries are responsible for identifying the exposure arising from these risks. They liaise with the centralised treasury function 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 (mainly USD) or foreign production price indices. This gives rise to embedded derivatives that require separation as a result of the different characteristics of the embedded derivative and the host contract. The remaining contractual periods vary over various periods up to a maximum of 16 years. The contracts are currently being renegotiated.

The net impact on profit or loss of changes in the fair value of the embedded derivatives for the group and company is a fair value gain of R334 million (2011: R1 261 million loss). At 31 March 2012, the embedded derivative liabilities were R5 539 million (2011: R5 873 million) for the group and R5 538 million (2011: R5 872 million) for the company.

The valuation methods and inputs are discussed in the accounting policies (refer to note 2.11.5, page 27) and the valuation assumptions are disclosed under critical accounting estimates and judgements (refer to note 4, page 54). Risks arising from these contracts are discussed under the relevant risk areas as follows:

- currency risk (refer to note 3.2.1, page 42)
- commodity risk (refer to note 3.2.2, page 44)
- interest rate risk (refer to note 3.2.3, page 45)
- other price risk (refer to note 3.2.5, page 47).

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 up to a maximum of five years. The South African Reserve Bank currently allows Eskom to hedge commodity price risk up to a maximum of five years with a foreign or local party.

Loans receivable

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

3. Financial risk management *(continued)*

3.2 Market risk *(continued)*

3.2.1 *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 R50 000 are hedged (ie economic or cash flow hedges). Currency exposure is identified by the business and hedged by the central treasury department. All hedging activities are conducted and managed by the treasury department. Hedging instruments consist principally of forward exchange contracts, most of which have a maturity of less than one year from the reporting date, but which are rolled over at maturity when necessary. The group also uses cross-currency swaps. The hedging instrument is entered into once the exposure is firm and ascertainable.

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

2012	EUR	USD	GBP	JPY	SEK	AUD	CHF	CAD	NOK
Group									
Assets									
Trade and other receivables	–	–	–	–	–	–	–	–	–
Liabilities									
Debt securities issued	(501)	(1 753)	–	–	–	–	–	–	–
Borrowings	(1 559)	(1 071)	–	(13 100)	–	–	–	–	–
Trade and other payables	(128)	(52)	(4)	(772)	(94)	(2)	(3)	(3)	(1)
Gross statement of financial position exposure	(2 188)	(2 876)	(4)	(13 872)	(94)	(2)	(3)	(3)	(1)
Estimated forecast purchases[1]	(1 985)	(289)	(24)	(5 948)	(78)	(2)	(4)	(5)	(5)
Coupon payments	(2)	(2)	–	–	–	–	–	–	–
Gross exposure	(4 175)	(3 167)	(28)	(19 820)	(172)	(4)	(7)	(8)	(6)
Derivatives held for risk management	4 173	3 166	28	19 820	162	2	8	8	5
Net exposure	(2)[2]	(1)[2]	–	–	(10)[3]	(2)[3]	1[2]	–	(1)
Company									
Assets									
Trade and other receivables	–	–	–	–	–	–	–	–	–
Liabilities									
Debt securities issued	(501)	(1 753)	–	–	–	–	–	–	–
Borrowings	(1 559)	(1 071)	–	(13 100)	–	–	–	–	–
Trade and other payables	(126)	(51)	(4)	(772)	(94)	(2)	(3)	(3)	(1)
Gross statement of financial position exposure	(2 186)	(2 875)	(4)	(13 872)	(94)	(2)	(3)	(3)	(1)
Estimated forecast purchases[1]	(1 985)	(289)	(24)	(5 948)	(78)	(2)	(4)	(5)	(5)
Coupon payments	(2)	(2)	–	–	–	–	–	–	–
Gross exposure	(4 173)	(3 166)	(28)	(19 820)	(172)	(4)	(7)	(8)	(6)
Derivatives held for risk management	4 173	3 166	28	19 820	162	2	8	8	5
Group exposures covered by company	(2)	(1)	–	–	–	–	–	–	–
Net exposure	(2)[2]	(1)[2]	–	–	(10)[3]	(2)[3]	1[2]	–	(1)[2]
Group and company									
Derivatives held for risk management – rand equivalent	42 766	24 317	344	1 848	188	16	68	62	7

1. *Represents future purchases contracted for.*
2. *Transactions less than R50 000 that are not required to be hedged.*
3. *Cover relating to net exposure was taken out after year end.*

3. Financial risk management *(continued)*
3.2 Market risk *(continued)*
3.2.1 *Currency risk* *(continued)*

2011	EUR	USD	GBP	JPY	SEK	AUD	CHF	CAD	NOK
Group									
Assets									
Trade and other receivables	–	1	–	–	–	–	–	–	–
Liabilities									
Debt securities issued	(501)	(1 752)	–	–	–	–	–	–	–
Borrowings	(814)	(663)	–	(11 400)	–	–	–	–	–
Trade and other payables	(64)	(16)	(3)	(265)	(71)	(2)	(2)	–	(1)
Gross statement of financial position exposure	(1 379)	(2 430)	(3)	(11 665)	(71)	(2)	(2)	–	(1)
Estimated forecast purchases[1]	(2 301)	(407)	(35)	(6 743)	(139)	(4)	(23)	(7)	(5)
Coupon payments	(184)	(17)	–	(48)	–	–	–	–	–
Gross exposure	(3 864)	(2 854)	(38)	(18 456)	(210)	(6)	(25)	(7)	(6)
Derivatives held for risk management	3 858	2 850	38	18 456	204	4	25	7	2
Net exposure	(6)[2]	(4)[3]	–	–	(6)[3]	(2)[3]	–	–	(4)[3]
Company									
Assets									
Trade and other receivables	–	1	–	–	–	–	–	–	–
Liabilities									
Debt securities issued	(501)	(1 752)	–	–	–	–	–	–	–
Borrowings	(814)	(663)	–	(11 400)	–	–	–	–	–
Trade and other payables	(60)	(15)	(3)	(265)	(70)	(1)	(1)	–	(1)
Gross statement of financial position exposure	(1 375)	(2 429)	(3)	(11 665)	(70)	(1)	(1)	–	(1)
Estimated forecast purchases[1]	(2 301)	(407)	(35)	(6 743)	(139)	(4)	(23)	(7)	(5)
Coupon payments	(184)	(17)	–	(48)	–	–	–	–	–
Gross exposure	(3 860)	(2 853)	(38)	(18 456)	(209)	(5)	(24)	(7)	(6)
Derivatives held for risk management	3 858	2 850	38	18 456	204	4	25	7	2
Group exposures covered by company	(4)	(1)	–	–	–	–	–	–	–
Net exposure	(6)[2]	(4)[3]	–	–	(5)[3]	(1)[3]	1[3]	–	(4)[3]
Group and company									
Derivatives held for risk management – rand equivalent	37 068	19 309	421	1 505	219	29	182	61	2

The following significant exchange rates were applied during the year (rand values for 1 unit of selected currencies):

	Average rate		Reporting date mid-spot rate	
	2012	2011	**2012**	2011
EUR	**10.26**	9.50	**10.25**	9.61
USD	**7.42**	7.17	**7.68**	6.78
GBP	**11.87**	11.14	**12.27**	10.87
CHF	**8.46**	7.14	**8.51**	7.41
JPY	**0.09**	0.08	**0.09**	0.08
SEK	**1.14**	1.03	**1.16**	1.08
CAD	**7.47**	7.03	**7.70**	6.98
AUD	**7.79**	6.78	**7.96**	7.00
NOK	**1.33**	1.20	**1.35**	1.23

1. *Represents future purchases contracted for.*
2. *Over/under hedging may result from changes in future interest to be paid.*
3. *Transactions less than R50 000 that are not required to be hedged.*

3. Financial risk management *(continued)*
3.2 Market risk *(continued)*
3.2.1 *Currency risk (continued)*

Sensitivity analysis

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

	Group and company			
	2012 1% increase Rm	2012 1% decrease Rm	2011 1% increase Rm	2011 1% decrease Rm
Profit/(loss), excluding embedded derivatives				
Total exposure	233	(233)	58	(58)
Rand/euro exposure	134	(134)	18	(18)
Rand/USD exposure	96	(96)	36	(36)
Rand/other currency	3	(3)	4	(4)
Equity, excluding embedded derivatives				
Total exposure	111	(111)	245	(245)
Rand/euro exposure	98	(98)	215	(215)
Rand/USD exposure	6	(6)	18	(18)
Rand/other currency	7	(7)	12	(12)
Profit/(loss) – embedded derivatives[1]				
Rand/USD exposure	(57)	65	104	(109)

3.2.2 *Commodity risk*

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

The exposures are hedged economically by means of futures and/or options. Economic hedging is applied where it is practical (a relevant hedging instrument exists) based on the most optimal economic solution and in compliance with the South African Reserve Bank requirements.

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

At year end only the special pricing arrangements gave rise to commodity-linked (aluminium) embedded derivatives (refer to note 3.2 on page 41).

Commodities used directly

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

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

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

1. *Impact on profit or loss is before calibration adjustments.*

3. Financial risk management *(continued)*
3.2 Market risk *(continued)*
3.2.2 *Commodity risk (continued)*
Commodities used indirectly

The exposure where commodities formed a part of plant, equipment or inventory is relatively small at year end. Eskom hedges all its base metal exposures (aluminium, copper, zinc and nickel) during the year via commodity forwards (refer to note 15). Eskom currently does not hedge its exposure to steel as no economic viable hedging instruments exist.

The group's quantitative exposure to commodity risk is as follows:

	Group and company							
	2012 Tons	2012 Gross exposure Rm	2012 Hedged Rm	2012 Net exposure Rm	2011 Tons	2011 Gross exposure Rm	2011 Hedged Rm	2011 Net exposure Rm
Copper	608	35	35	–	1 350	26	26	–
Nickel	26	5	5	–	52	8	8	–
Zinc	841	23	23	–	7 153	158	158	–
		63	63	–		192	192	–

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

	Group and company			
	2012 1% increase Rm	2012 1% decrease Rm	2011 1% increase Rm	2011 1% decrease Rm
Profit/(loss), excluding embedded derivatives				
Commodity forwards	–	–	1	(1)
Profit/(loss), including embedded derivatives[1]				
Aluminium price	(51)	51	76	(76)

The periods of the hedging instrument and that of the hedged item are not the same because of South African Reserve Bank regulations that limit the number of years which can be hedged.

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

The group's interest rate risk arises mainly from borrowings, debt securities and forward exchange contracts. Borrowings and debt securities issued at variable rates expose the group to cash flow interest rate risk. Borrowings and debt securities issued at fixed rates expose the group to fair value interest rate risk. The group's policy is to restrict the maximum effective portion of the external debt (excluding the trading portfolio which is managed within the constraints of the treasury policy and control manual) exposed to an interest rate reset within the next 12 month period to 40%.

Refer to note 13.5 and 13.6 for the group's quantitative exposure to interest rate risk.

1. *Impact on profit or loss is before calibration adjustments.*

3. Financial risk management *(continued)*

3.2 Market risk *(continued)*

3.2.3 Interest rate risk *(continued)*

Sensitivity analysis

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

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

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

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

	Group				Company			
	2012 +100 basis points Rm	2012 –100 basis points Rm	2011 +100 basis points Rm	2011 –100 basis points Rm	2012 +100 basis points Rm	2012 –100 basis points Rm	2011 +100 basis points Rm	2011 –100 basis points Rm
Profit/(loss), excluding embedded derivatives								
Total exposure	(82)	101	186	(208)	(102)	121	166	(188)
Rand interest rates	201	(204)	240	(263)	181	(184)	220	(243)
EUR interest rates	(88)	89	(30)	30	(88)	89	(30)	30
USD interest rates	(194)	215	(23)	24	(194)	215	(23)	24
Other currency interest rates	(1)	1	(1)	1	(1)	1	(1)	1
Profit/(loss), including embedded derivatives[1]								
Rand interest rates	144	(159)	652	(570)	144	(159)	652	(570)
USD interest rates	(83)	84	(376)	379	(83)	84	(376)	379
Equity								
Total exposure	(126)	121	(232)	217	(126)	121	(232)	217
Rand interest rates	1 348	(1 481)	1 031	(1 156)	1 348	(1 481)	1 031	(1 156)
EUR interest rates	(224)	236	(193)	197	(224)	236	(193)	197
USD interest rates	(1 196)	1 308	(1 021)	1 124	(1 196)	1 308	(1 021)	1 124
Other currency interest rates	(54)	58	(49)	52	(54)	58	(49)	52

The group has elected not to hedge interest rate risk and there would therefore be no impact on equity.

1. *Impact on profit or loss is before calibration adjustments.*

3. Financial risk management *(continued)*
3.2 Market risk *(continued)*
3.2.3 *Interest rate risk (continued)*

Fixed and floating rate debt

The fixed and floating rate debt percentages at 31 March were:

	Group and company			
	2012 Fixed %	2012 Floating %	2011 Fixed %	2011 Floating %
Continuing operations	87	13	90	10

3.2.4 *Equity price risk*

Equity price risk arises from listed shares invested in by Escap. 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.

All the equity investments are listed on the JSE Limited (JSE). A 1% decrease in the equity portfolio at the reporting date would have increased profit or loss by R4.6 million (2011: R4.5 million) after tax. An equal change in the opposite direction would have decreased profit or loss by R4.6 million (2011: R4.5 million). There will be no impact on equity. The analysis assumes that all other variables remain constant and is performed on the same basis as for the prior year.

Movements of financial assets and equity prices are monitored on a monthly basis and equity price changes assessed against the JSE Shareholder Weighted Index as a benchmark.

3.2.5 *Other price risk*

Inflation price risk arises from embedded derivatives as discussed under note 3.2 on page 41. The risk arises from movements in the electricity tariffs, the United States production price index (PPI) and the South African consumer price index (CPI).

Refer to note 14 for the group's quantitative exposure to other price risk.

The following is the sensitivity analysis of the change in the value of the embedded derivatives (relating to customised pricing agreements) as a result of changes in electricity tariffs, the South African CPI or the United States PPI. This analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on profit or loss is:

	Group and company			
	2012 1% increase Rm	2012 1% decrease Rm	2011 1% increase Rm	2011 1% decrease Rm
Profit/(loss), including embedded derivatives[1]				
Electricity tariffs	(1 019)	968	(106)	106
South African CPI	239	(244)	(314)	303
United States PPI	22	49	93	(97)

1. *Impact on profit or loss is before calibration adjustments.*

3. Financial risk management *(continued)*

3.3 Liquidity risk

Liquidity risk is the risk that the group will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. Funding risk arises when the necessary liquidity to fund illiquid asset positions, such as building new electricity capacity, cannot be obtained at the expected terms and when required.

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

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

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

Eskom has an established corporate governance structure and process for managing the risks regarding guarantees and contingent liabilities (refer to note 40). All significant guarantees issued by Eskom are approved by the board, and are managed on an ongoing basis through the quarterly meetings of the treasury credit committee, and by the Exco and audit and risk committee of the board.

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

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, as well as local and foreign debt issued in the market. To supplement these liquidity sources under stress conditions, overdraft facilities (for which there was no requirement to use), undrawn loans, financing and guarantee facilities are in place as indicated below.

		Group and company	
	Currency	2012 m	2011 m
Japan Bank for International Cooperation			
Untied facility	JPY	9 749	12 600
Tied facility	JPY	30 000	30 000
European Investment Bank	EUR	–	41
General banking facilities	ZAR	500	500
African Development Bank loan facility	EUR	873	889
African Development Bank loan facility	ZAR	5 315	7 154
Export Credit Agency floating rate facility	EUR	629	830
Export Credit Agency fixed rate facility	EUR	625	1 126
World Bank	USD	2 972	3 379
Development Bank of Southern Africa	ZAR	12 000	14 000
Government guarantees (uncommitted)	ZAR	196 389	244 300
Government guarantees (remaining on domestic multi-term note programme)[1]	ZAR	34 632	4 336
Renewables and clean technology fund	USD	615	–
Renewables and clean technology fund	EUR	100	–
Ex-Im US	USD	800	–

1. *Amount included in the government guarantee – (uncommitted) of R196 389 million (2011: R244 300 million).*

3. Financial risk management *(continued)*
3.3 Liquidity risk *(continued)*

	Currency	Group and company 2012 m	2011 m
Funds received from development financing institutions			
World Bank[1]	USD	407	371
African Development Bank[1]	EUR	16	41
African Development Bank[1]	ZAR	1 839	3 476
Development Bank of Southern Africa[2]	ZAR	2 000	1 000
European Investment Bank[3]	ZAR	440	425

Key indicators used for liquidity management

Duration

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

The duration (a weighted average term to maturity measure based on future cash flows) of the debt (including the shareholder loan) measured at fair value at 31 March was:

	Group and company 2012 Years	2011 Years
Continuing operations	5.99	6.33

Liquid assets

Liquid assets are investments identified as having the potential to be quickly converted into cash. These investments include the instruments as disclosed in cash and cash equivalents and investment in securities (refer to note 13.1 and 13.2). The liquid assets were:

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Continuing operations	40 480	49 892	36 998	47 035

Capital expenditure ratio

The capital expenditure ratio[4] measures whether there are liquid funds available to invest in capital expenditure. The capital expenditure ratio for the period was:

	Group 2012 %	Group 2011 %	Company 2012 %	Company 2011 %
Continuing operations	67	64	67	62

1. *All funds received were reimbursements on payments made by Eskom to the various suppliers for goods and services supplied for the construction of the Medupi power station.*
2. *Funds received were used for bridging finance for the capital expansion programme.*
3. *Funds received were used for the construction of the 765kV Zeus to Omega scheme transmission lines.*
4. *The ratio is calculated as cash generated from operations divided by capital expenditure (excluding finance cost capitalised) on property, plant and equipment and intangible assets.*

3. Financial risk management *(continued)*

3.3 Liquidity risk *(continued)*

Contractual cash flows

The table below indicates the contractual undiscounted cash flows of the group's financial assets and liabilities (refer to note 13) on the basis of their earliest possible contractual maturity. The undiscounted cash flows in respect of the group's financial assets are presented net of impairment losses and include estimates where there are no contractual repayment terms or the receivable is past due. The cash flows of the group's financial liabilities are indicated on a gross undiscounted basis.

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

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

	Carrying amount			Cash flows				
	Non-current	Current	Total	Nominal inflow or outflow	0 to 3 months	4 to 12 months	1 to 5 years	More than 5 years
2012	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Group								
Financial assets								
Investment in securities	8 749	12 281	21 030	27 981	12 698	5 642	9 641	–
Loans receivable	7 435	79	7 514	17 204	230	680	3 218	13 076
Derivatives held for risk management	1 780	362	2 142	(6 237)	163	241	2 320	(8 961)
Finance lease receivables	555	15	570	1 343	22	66	345	910
Trade and other receivables	333	14 313	14 646	14 651	13 300	1 017	334	–
Financial trading assets[1]	–	5 046	5 046	5 646	2 622	839	1 649	536
Cash and cash equivalents	–	19 450	19 450	19 450	19 450	–	–	–
	18 852	51 546	70 398	80 038	48 485	8 485	17 507	5 561
Financial liabilities								
Debt securities issued	90 732	7 170	97 902	203 250	1 376	11 753	40 367	149 754
Borrowings	41 070	7 682	48 752	103 359	8 723	6 149	18 513	69 974
Subordinated loan from shareholder	35 913	–	35 913	175 112	–	–	5 293	169 819
Derivatives held for risk management	1 273	3 590	4 863	5 184	702	3 912	1 319	(749)
Finance lease liabilities	511	10	521	1 569	25	78	404	1 062
Trade and other payables	1 971	23 487	25 458	25 974	20 120	3 371	2 417	66
Financial trading liabilities[1]	–	2 831	2 831	3 112	1 634	539	169	770
Financial guarantees	–	1	1	160	160	–	–	–
	171 470	44 771	216 241	517 720	32 740	25 802	68 482	390 696
Company								
Financial assets								
Financial instruments with group companies	–	5 208	5 208	5 290	2 546	2 744	–	–
Investment in securities	8 749	9 854	18 603	25 554	11 098	4 815	9 641	–
Derivatives held for risk management	1 780	362	2 142	(6 237)	163	241	2 320	(8 961)
Finance lease receivables	555	15	570	1 343	22	66	345	910
Trade and other receivables	28	13 327	13 355	13 357	12 674	654	29	–
Financial trading assets[1]	–	4 402	4 402	5 001	1 977	839	1 649	536
Cash and cash equivalents	–	18 395	18 395	18 395	18 395	–	–	–
	11 112	51 563	62 675	62 703	46 875	9 359	13 984	(7 515)
Financial liabilities								
Financial instruments with group companies	–	1 305	1 305	1 305	1 305	–	–	–
Debt securities issued	89 388	6 842	96 230	201 578	1 048	11 753	39 159	149 618
Borrowings	40 690	7 593	48 283	102 800	8 694	6 060	18 072	69 974
Subordinated loan from shareholder	35 913	–	35 913	175 112	–	–	5 293	169 819
Derivatives held for risk management	1 273	3 590	4 863	5 184	702	3 912	1 319	(749)
Finance lease liabilities	826	51	877	2 059	44	131	697	1 187
Trade and other payables	1 263	24 038	25 301	25 812	21 448	2 590	1 708	66
Financial trading liabilities[1]	–	2 831	2 831	3 112	1 634	539	169	770
Financial guarantees	–	1	1	1 070	1 070	–	–	–
	169 353	46 251	215 604	518 032	35 945	24 985	66 417	390 685

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

3. Financial risk management *(continued)*

3.3 Liquidity risk *(continued)*

Contractual cash flows (continued)

2011	Carrying amount Non-current Rm	Current Rm	Total Rm	Cash flows Nominal inflow or outflow Rm	0 to 3 months Rm	4 to 12 months Rm	1 to 5 years Rm	More than 5 years Rm
Group								
Financial assets								
Investment in securities	13 259	24 546	37 805	42 203	9 650	16 635	15 918	–
Loans receivable	5 958	100	6 058	9 524	139	374	1 841	7 170
Derivatives held for risk management	6	116	122	19	12	–	7	–
Finance lease receivables	570	15	585	1 432	21	69	349	993
Trade and other receivables	525	10 953	11 478	11 480	9 702	1 251	526	1
Financial trading assets[1]	–	3 827	3 827	4 738	1 570	269	2 806	93
Cash and cash equivalents	–	12 087	12 087	12 087	12 087	–	–	–
	20 318	51 644	71 962	81 483	33 181	18 598	21 447	8 257
Financial liabilities								
Debt securities issued	84 396	2 880	87 276	191 807	1 808	6 210	41 458	142 331
Borrowings	25 449	9 654	35 103	67 689	2 413	8 364	12 034	44 878
Subordinated loan from shareholder	37 931	–	37 931	146 266	–	–	5 293	140 973
Derivatives held for risk management	4 576	1 404	5 980	4 503	541	2 796	5 954	(4 788)
Finance lease liabilities	521	8	529	1 699	45	86	381	1 187
Trade and other payables	1 508	18 384	19 892	20 216	14 785	3 606	1 623	202
Financial trading liabilities[1]	–	4 304	4 304	7 479	1 185	360	3 261	2 673
Financial guarantees	–	1	1	156	156	–	–	–
	154 381	36 635	191 016	439 815	20 933	21 422	70 004	327 456
Company								
Financial assets								
Financial instruments with group companies	–	3 806	3 806	3 852	2 316	1 536	–	–
Investment in securities	13 259	22 310	35 569	39 967	8 879	15 170	15 918	–
Derivatives held for risk management	6	116	122	19	12	–	7	–
Finance lease receivables	570	15	585	1 432	21	69	349	993
Trade and other receivables	14	9 568	9 582	9 583	8 961	607	14	1
Financial trading assets[1]	–	3 197	3 197	4 108	940	269	2 806	93
Cash and cash equivalents	–	11 466	11 466	11 466	11 466	–	–	–
	13 849	50 478	64 327	70 427	32 595	17 651	19 094	1 087
Financial liabilities								
Financial instruments with group companies	–	1 462	1 462	1 483	690	793	–	–
Debt securities issued	84 031	1 574	85 605	190 136	900	5 812	41 229	142 195
Borrowings	25 009	9 571	34 580	67 115	2 380	8 271	11 585	44 879
Subordinated loan from shareholder	37 931	–	37 931	146 266	–	–	5 293	140 973
Derivatives held for risk management	4 576	1 404	5 980	4 503	541	2 796	5 954	(4 788)
Finance lease liabilities	865	37	902	2 348	67	150	729	1 402
Trade and other payables	859	18 042	18 901	19 221	15 699	2 345	975	202
Financial trading liabilities[1]	–	4 304	4 304	7 479	1 185	360	3 261	2 673
Financial guarantees	–	2	2	637	637	–	–	–
	153 271	36 396	189 667	439 188	22 099	20 527	69 026	327 536

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

3. Financial risk management *(continued)*

3.3 Liquidity risk *(continued)*

Non-current assets held-for-sale

	Carrying amount		Cash flows				
Group	Non-current Rm	Current Rm	Nominal inflow or outflow Rm	0 to 3 months Rm	4 to 12 months Rm	1 to 5 years Rm	More than 5 years Rm
2012							
Financial assets	–	374	374	374	–	–	–
Trade and other receivables	–	249	249	249	–	–	–
Cash and cash equivalents	–	125	125	125	–	–	–
Financial liabilities							
Trade and other payables	–	274	274	274	–	–	–
2011							
Financial assets	–	681	681	63	618	–	–
Trade and other receivables	–	618	618	–	618	–	–
Cash and cash equivalents	–	63	63	63	–	–	–
Financial liabilities							
Trade and other payables	–	732	732	–	732	–	–

3.4 Capital management

Eskom manages accumulated profit and the hedging, fair value, equity and insurance reserves as capital. The equity reserve comprises the day-one gains that result from the initial recognition of the subordinated loan tranches received from the shareholder. The day-one gains are included in equity as it is considered to be a contribution from the shareholder (refer to note 13.6). Eskom is obliged to pay interest on the loan when the solvency and debt leverage conditions per the agreement are satisfied. Future projections result in the day-one gains.

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

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Accumulated profit	72 676	58 219	68 681	54 850
Cash flow hedge reserve	1 712	(487)	1 712	(487)
Unrealised fair value reserve	(2 251)	(1 277)	(2 251)	(1 277)
Equity reserve	30 520	30 520	30 520	30 520
Insurance reserve	90	110	–	–
	102 747	87 085	98 662	83 606

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

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

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

The tariff increases for the electricity business are subject to the process laid down by the National Energy Regulator of South Africa (Nersa). The current regulatory framework applicable to Eskom is a multi-year, incentive-based method of adjusting electricity prices.

3. Financial risk management *(continued)*

3.4 Capital management *(continued)*

The electricity business is currently in a major expansion phase and there is agreement with the government that the committed capital expansion programme continues. The funding related to new generating, transmitting and other capacity is envisaged to be obtained from cash generated by the business, shareholder support and funds borrowed on the local and foreign debt markets. The adequacy of price increases allowed by the regulator and the level and timing of shareholder support are key factors in the sustainability of Eskom. Eskom believes that a capacity expansion beyond the Kusile project would need to be carried out in a prefunded/project finance type manner in order to ensure the stability of Eskom's statement of financial position.

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

Eskom has targeted achieving investment grade ratings on a standalone basis over the next six years, and is monitoring the relevant performance ratios as part of its financial policy. The free funds from operations to total debt and total debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratios play an important role in the credit ratings given to Eskom which in turn influences the cost of funding.

The following ratios are closely managed:

Group	Unit	2012	2011
EBITDA	Rm	31 130	23 609
Free funds from operations (FFO)	Rm	30 483	16 953
Interest cover	ratio	3.35	1.45
Electricity revenue per kWh	c/kWh	50.27	40.27
Electricity operating costs per kWh (including depreciation and amortisation)	c/kWh	41.28	32.78
FFO as percentage of gross debt	%	15.15	9.51
Gross debt/EBITDA	%	6.46	7.55
Debt: equity including long-term provisions	ratio	1.64	1.61
Working capital	ratio	0.76	0.85

Credit ratings:

	Company			
	2012		2011	
Company (including government uplift)	Rating	Outlook	Rating	Outlook
Standard and Poor's				
Foreign currency	BBB+	Negative	BBB+	Stable
Local currency	BBB+	Negative	BBB+	Stable
Moody's				
Foreign currency	Baa2	Negative	Baa2	Stable
Local currency	Baa2	Negative	Baa2	Stable
FitchRatings				
National long-term (zaf)	AAA	Stable	AAA	Stable
National short-term (zaf)	F1+	Stable	F1+	Stable

4. Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Revisions to accounting estimates are recognised in the period in which they are revised and future periods they affect.

(a) Embedded derivatives

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

The embedded derivatives have been divided into three categories:
- commodity and/or foreign currency derivatives
- foreign currency or interest rate derivatives
- production price and foreign currency derivatives

Valuation

The fair value of embedded derivatives is determined by using a forward electricity price curve to value the host contract and the derivative contract is valued by using Eskom's estimate of future commodity prices, foreign currencies rand exchange rate, production price and interest rate differential.

Valuation assumptions

The electricity price curve used to value embedded derivatives at 31 March 2012 is based on the current MYPD 2 approved tariff for 2012/13 of 16%, and a forward tariff path for the next five years (2013/14 to 2017/18) that ultimately achieves cost reflective tariffs.

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

Forecast sales volumes are based on the most likely future sales volumes which have been back-tested against historic volumes.

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

The negotiations regarding the outstanding commodity-linked contract is continuing.

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

2012		Year ended 31 March					
Input	Unit	2012[1]	2013[1]	2014[1]	2015[1]	2016[1]	2017[1]
Aluminium	USD per ton	2 094	2 207	2 298	2 380	2 444	2 503
Rand/USD	USD per rand	0.25	0.25	0.25	0.25	0.25	0.25
Rand interest rates	Continuous actual/365 days (%)	5.25	6.10	5.98	6.36	6.62	6.91
Dollar interest rates	Annual actual/360 days (%)	0.19	0.94	0.58	0.75	0.99	1.26
United States PPI	Year-on-year (%)	(5.92)	(6.05)	2.48	(11.06)	(7.44)	(9.64)
South African CPI	Year-on-year (%)	11.16	4.31	2.42	6.81	7.18	7.50

2011		Year ended 31 March					
Input	Unit	2011[1]	2012[1]	2013[1]	2014[1]	2015[1]	2016[1]
Aluminium	USD per ton	2 598	2 716	2 779	2 830	2 869	2 903
Rand/USD	USD per rand	0.15	0.15	0.15	0.15	0.15	0.15
Rand interest rates	Continuous actual/365 days (%)	5.42	6.14	6.70	7.35	7.76	8.01
Dollar interest rates	Annual actual/360 days (%)	0.20	0.96	0.95	1.50	2.01	2.45
United States PPI	Year-on-year (%)	6.01	7.01	2.44	2.36	2.34	1.69
South African CPI	Year-on-year (%)	6.40	7.78	6.94	5.99	6.75	6.74

Sensitivity analysis

The approximate change in the value of embedded derivatives if one of the inputs is changed is disclosed in note 3.2 Financial risk management – market risk on page 41.

The carrying amount of the embedded derivative liabilities for the group is R5 539 million (2011: R5 873 million) and R5 538 million (2011: R5 872 million) for the company. Refer to note 14.

1. *Forward curve based on financial years.*

4. Critical accounting estimates and judgements *(continued)*

(b) Post-retirement medical benefits

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

Valuation

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

Valuation assumptions

The principal actuarial assumptions used were:

	Group and company	
	2012	2011
Discount rate (%)	9.1	9.5
Medical aid inflation (%)	7.6	8.0
Mortality table	Adjusted PA(90) tables rated down by two years	Per experience analysis

Sensitivity analysis

The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical inflation rate is as follows:

	Group				Company			
	2012 1% increase Rm	2012 1% decrease Rm	2011 1% increase Rm	2011 1% decrease Rm	2012 1% increase Rm	2012 1% decrease Rm	2011 1% increase Rm	2011 1% decrease Rm
Effect on aggregate current service cost and interest cost	205	(160)	190	(150)	201	(157)	187	(147)
Effect on post-retirement medical obligation	1 441	(1 150)	1 272	(1 017)	1 412	(1 126)	1 272	(1 017)

The carrying amount of the post-retirement medical benefits liability for the group is R8 333 million (2011: R7 542 million) and R8 151 million (2011: R7 374 million) for the company. Refer to note 24.1.

(c) Occasional and service leave

The group recognises a liability for occasional and service leave as the leave is of a long-term nature.

Valuation

An actuarial valuation is done on an annual basis for occasional and service leave. The accrued liability is determined by valuing all future leave expected to be taken and payments to be made in respect of benefits up to the valuation date. The present value of the benefits is determined by using the yield of long-dated corporate bonds (or government bonds where high quality corporate bonds are not available).

Valuation assumptions

The principal actuarial assumptions used were:

	Group and company	
	2012 %	2011 %
Discount rate	9.1	9.5
General price inflation	5.6	6.0
Salary increases	7.1	7.5
Leave usage	4.0	5.0

The assumptions made in respect of resignation, death and retirement rates are the same as for the post-retirement medical aid liability.

Sensitivity analysis

Based on current experience, only 4% (2011: 5%) of the leave is utilised. If the rate at which leave is taken is 8% (2011: 10%), then the liability will increase by R47 million (2011: R42 million).

The carrying amount of the occasional and service leave liability for the group is R981 million (2011: R860 million) and R921 million (2011: R811 million) for the company. Refer to note 24.3.

4. Critical accounting estimates and judgements *(continued)*

(d) Decommissioning, mine closure and rehabilitation

Nuclear and other generation plant, and spent nuclear fuel

Provision is made for the estimated decommissioning cost of nuclear and other generation plant and for the management of nuclear fuel assemblies and radioactive waste.

Closure, pollution control and rehabilitation

Provision is made for the estimated cost of closure, pollution control, rehabilitation and mine employee benefits at the end of the life of the mines, where a constructive and contractual obligation exists to pay coal suppliers.

Valuation

The provision is determined by discounting the estimated decommissioning and nuclear spent fuel management costs.

Valuation assumptions

The discount rate used for nuclear plant, coal plants, spent fuel and closure, pollution control and rehabilitation was 5.3% (2011: 5.7%) for the group and company.

Estimated payment dates

The estimated payment dates of the costs are:

	Group and company	
	2012	2011
Nuclear plant	2025 – 2039	2025 – 2039
Coal and pumped storage plants	2013 – 2113	2022 – 2113
Spent nuclear fuel	2012 – 2104	2011 – 2104
Closure, pollution control and rehabilitation	2016 – 2073	2011 – 2073

Sensitivity analysis

The carrying amount of the provision would be an estimated R3 030 million (2011: R2 200 million) higher had the 5.3% (2011: 5.7%) real discount rate used in the calculation of the provision decreased by 1% and R2 369 million (2011: R1 720 million) lower had the 5.3% (2011: 5.7%) real discount rate increased by 1%.

The carrying amount of the power station-related environmental restoration provision (nuclear and other) for group and company is R10 159 million (2011: R8 337 million). The carrying amount of the mine-related closure, pollution control and rehabilitation provision for group and company is R2 476 million (2011: R2 037 million). Refer to note 25.

(e) Equity portion on subordinated loan from shareholder

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

5. Segment information

Management has determined the reportable segments, as described below, based on the reports regularly provided, reviewed and used by the executive management committee (Exco) to make strategic decisions and assess performance of the segments. The reportable segments have been aligned with Eskom's new operating structure. The prior year segment report has been restated in line with the new structure.

The following summary describes the operations in each of the group's reportable segments:

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

5. Segment information *(continued)*

The segment information provided to Exco for the reportable segments for the year ended 31 March 2012 is as follows:

2012	Generation Rm	Transmission Rm	Distribution Rm	Customer services Rm	Group capital Rm	All other segments Rm	Corporate and other Rm	Inter-segment transactions Rm	Group Rm
Continuing operations									
External revenue	–	4 873	354	108 260	–	1 273	–	–	114 760
Inter-segment revenue/recoveries	72 705	7 061	21 858	(101 783)	–	6 914	123	(6 878)	–
Total revenue	72 705	11 934	22 212	6 477	–	8 187	123	(6 878)	114 760
Primary energy	(38 708)	(5 057)	–	(2 200)	(349)	–	–	–	(46 314)
Employee benefit expense	(5 861)	(1 245)	(5 551)	(1 284)	(260)	(2 411)	(3 520)	–	(20 132)
Depreciation and amortisation expense	(4 837)	(800)	(2 215)	(17)	(115)	(224)	(698)	105	(8 801)
Net impairment (loss)/reversal	(5)	3	(5)	(587)	1	(27)	–	–	(620)
Other operating expenses	(11 162)	(2 059)	(8 518)	(1 285)	(209)	(4 937)	3 836	9 125	(15 209)
Operating profit/(loss) before net fair value (loss)/gain and net finance cost	12 132	2 776	5 923	1 104	(932)	588	(259)	2 352	23 684
Other income	1 456	344	277	313	132	272	467	(2 562)	699
Net fair value (loss)/gain on financial instruments, excluding embedded derivatives	(1 814)	(73)	(16)	21	(980)	4	470	–	(2 388)
Net fair value gain on embedded derivatives	–	–	–	334	–	–	–	–	334
Operating profit/(loss) before net finance cost	11 774	3 047	6 184	1 772	(1 780)	864	678	(210)	22 329
Net finance cost	(2 783)	(363)	(196)	133	(28)	(51)	(675)	–	(3 963)
Finance income	25	14	136	213	–	369	3 176	(397)	3 536
Finance cost	(2 808)	(377)	(332)	(80)	(28)	(420)	(3 851)	397	(7 499)
Share of profit of equity-accounted investees	–	–	–	–	–	6	35	–	41
Profit before tax	8 991	2 684	5 988	1 905	(1 808)	819	38	(210)	18 407
Income tax	–	–	–	–	–	(184)	(5 031)	59	(5 156)
Profit/(loss) for the year from continuing operations	8 991	2 684	5 988	1 905	(1 808)	635	(4 993)	(151)	13 251
Discontinued operations									
Loss for the year from discontinued operations	–	–	–	–	–	(3)	–	–	(3)
Profit/(loss) for the year	8 991	2 684	5 988	1 905	(1 808)	632	(4 993)	(151)	13 248
Other information									
Segment assets	90 095	24 042	49 934	183 841	144 877	19 284	238 841	(369 248)	381 666
Investments in equity-accounted investees	–	–	–	–	–	25	95	141	261
Non-current assets held-for-sale	–	–	–	–	–	438	–	–	438
Total assets	90 095	24 042	49 934	183 841	144 877	19 747	238 936	(369 107)	382 365
Segment liabilities	48 462	5 849	246 906	10 697	148 005	13 394	210 218	(404 269)	279 262
Capital expenditure (including borrowing costs capitalised)	13 253	4 969	8 805	76	34 853	450	1 490	(542)	63 354

5. Segment information *(continued)*

Segment information for the year ended 31 March 2011

2011	Generation Rm	Transmission Rm	Distribution Rm	Customer services Rm	Group capital Rm	All other segments Rm	Corporate and other Rm	Inter-segment transactions Rm	Group Rm
Continuing operations									
External revenue	–	4 125	192	86 454	–	676	–	–	91 447
Inter-segment revenue/recoveries	60 180	4 318	19 126	(83 519)	–	6 833	–	(6 938)	–
Total revenue	60 180	8 443	19 318	2 935	–	7 509	–	(6 938)	91 447
Primary energy	(32 531)	(3 042)	–	(222)	–	–	–	–	(35 795)
Employee benefit expense	(5 401)	(1 044)	(4 955)	(1 124)	(784)	(1 334)	(2 053)	–	(16 695)
Depreciation and amortisation expense	(3 751)	(733)	(2 296)	(15)	(136)	(206)	(130)	48	(7 219)
Net impairment (loss)/reversal	(74)	11	4	(669)	–	(58)	(2)	–	(788)
Other operating expenses	(8 738)	(1 354)	(6 526)	(440)	239	(5 484)	2 428	7 805	(12 070)
Operating profit/(loss) before net fair value (loss)/gain and net finance cost	9 685	2 281	5 545	465	(681)	427	243	915	18 880
Other income	265	93	218	52	682	129	135	(987)	587
Net fair value (loss)/gain on financial instruments, excluding embedded derivatives	(369)	56	(193)	173	(2 873)	70	1 320	–	(1 816)
Net fair value loss on embedded derivatives	–	–	–	(1 261)	–	–	–	–	(1 261)
Operating profit/(loss) before net finance cost	9 581	2 430	5 570	(571)	(2 872)	626	1 698	(72)	16 390
Net finance cost	(4 070)	(353)	(330)	29	(176)	27	132	–	(4 741)
Finance income	32	28	292	54	1	387	2 019	(377)	2 436
Finance cost	(4 102)	(381)	(622)	(25)	(177)	(360)	(1 887)	377	(7 177)
Share of profit of equity-accounted investees	–	–	–	–	–	–	24	–	24
Profit/(loss) before tax	5 511	2 077	5 240	(542)	(3 048)	653	1 854	(72)	11 673
Income tax	–	–	–	–	–	(164)	(3 117)	20	(3 261)
Profit/(loss) for the year from continuing operations	5 511	2 077	5 240	(542)	(3 048)	489	(1 263)	(52)	8 412
Discontinued operations									
Loss for the year from discontinued operations	–	–	–	–	–	(56)	–	–	(56)
Profit/(loss) for the year	5 511	2 077	5 240	(542)	(3 048)	433	(1 263)	(52)	8 356
Other information									
Segment assets	78 685	19 445	44 428	162 508	110 151	17 226	212 015	(317 237)	327 221
Investments in equity-accounted investees	–	–	–	–	–	19	95	106	220
Non-current assets held-for-sale	–	–	–	–	–	704	–	–	704
Total assets	78 685	19 445	44 428	162 508	110 151	17 949	212 110	(317 131)	328 145
Segment liabilities	51 146	4 382	182 168	8 420	113 701	12 330	183 735	(314 996)	240 886
Capital expenditure (including borrowing costs capitalised)	6 512	1 831	8 026	4	38 120	275	1 142	(453)	55 457

Inter-segment purchases and revenue of electricity are allocated between the Generation, Transmission, Distribution and Customer Services segments based on cost recovery plus return on assets.

Exco assesses the performance of the operating segments based on a measure of profit or loss consistent with that of the financial statements.

5. Segment information *(continued)*

The amounts provided to Exco with respect to total assets and liabilities are measured in terms of the IFRS. These assets and liabilities are allocated based on the operation of the segment and the physical location of the assets.

	Group			
	Revenues		Non-current assets	
Geographical information	2012 Rm	2011 Rm	2012 Rm	2011 Rm
South Africa	109 705	87 199	299 910	244 755
Foreign countries	5 055	4 248	72	51
	114 760	91 447	299 982	244 806

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 intersegment transactions. There are no significant revenues derived from a single external customer by any of the reportable segments.

Non-current assets disclosed for geographical information comprise non-current assets other than deferred tax assets and financial instruments.

6. Property, plant and equipment

2012	Group Cost Rm	Group Accumulated depreciation and impairment losses Rm	Group Carrying value Rm	Company Cost Rm	Company Accumulated depreciation and impairment losses Rm	Company Carrying value Rm
Owned assets						
Land	1 371	–	1 371	1 343	–	1 343
Buildings and facilities	4 445	(1 131)	3 314	4 294	(1 069)	3 225
Plant – Generation	107 747	(40 752)	66 995	107 938	(40 899)	67 039
– Transmission	23 522	(7 680)	15 842	23 529	(7 681)	15 848
– Distribution	61 780	(23 528)	38 252	61 818	(23 531)	38 287
Regular distribution	44 156	(14 983)	29 173	44 192	(14 986)	29 206
Electrification	17 624	(8 545)	9 079	17 626	(8 545)	9 081
– Test, telecommunication and other plant	1 797	(1 116)	681	496	(436)	60
Equipment and vehicles	10 117	(5 419)	4 698	8 076	(4 563)	3 513
Total in commission	210 779	(79 626)	131 153	207 494	(78 179)	129 315
Works under construction	158 340	(39)	158 301	159 712	–	159 712
Construction materials	984	(1)	983	984	(1)	983
	370 103	(79 666)	290 437	368 190	(78 180)	290 010
Leased assets	657	(433)	224	1 034	(431)	603
Mining assets	573	(350)	223	573	(350)	223
Plant	29	(29)	–	55	(29)	26
Equipment and vehicles	55	(54)	1	406	(52)	354
	370 760	(80 099)	290 661	369 224	(78 611)	290 613

2011	Group Cost Rm	Group Accumulated depreciation and impairment losses Rm	Group Carrying value Rm	Company Cost Rm	Company Accumulated depreciation and impairment losses Rm	Company Carrying value Rm
6. Property, plant and equipment *(continued)*						
Owned assets						
Land	1 154	–	1 154	1 126	–	1 126
Buildings and facilities	5 205	(1 589)	3 616	5 067	(1 533)	3 534
Plant – Generation	96 997	(36 001)	60 996	97 078	(36 043)	61 035
– Transmission	19 917	(7 064)	12 853	19 922	(7 065)	12 857
– Distribution	55 960	(21 237)	34 723	55 975	(21 239)	34 736
Regular distribution	39 771	(13 345)	26 426	39 786	(13 347)	26 439
Electrification	16 189	(7 892)	8 297	16 189	(7 892)	8 297
– Test, telecommunication and other plant	1 822	(1 066)	756	504	(393)	111
Equipment and vehicles	9 516	(4 834)	4 682	7 572	(4 168)	3 404
Total in commission	190 571	(71 791)	118 780	187 244	(70 441)	116 803
Works under construction	117 110	(93)	117 017	118 153	(55)	118 098
Construction materials	692	(2)	690	692	(2)	690
	308 373	(71 886)	236 487	306 089	(70 498)	235 591
Leased assets	576	(339)	237	1 024	(398)	626
Mining assets	573	(337)	236	573	(337)	236
Plant	–	–	–	43	(26)	17
Equipment and vehicles	3	(2)	1	408	(35)	373
	308 949	(72 225)	236 724	307 113	(70 896)	236 217

Reconciliation of movements 2012	Carrying value beginning of year Rm	Additions and transfers[1] Rm	Transfer to non-current assets held-for-sale Rm	Change in discount rate of decommissioning provision and cost estimate Rm	Disposals Rm	Impairment losses Rm	Reversal of impairment losses Rm	Depreciation Rm	Carrying value end of year Rm
Group									
Owned assets									
Land	1 154	218	–	–	(1)	–	–	–	1 371
Buildings and facilities	3 616	90	–	–	(174)	(1)	–	(217)	3 314
Plant	109 328	19 811	–	364	(109)	–	–	(7 624)	121 770
Equipment and vehicles	4 682	1 117	(38)	–	(53)	(5)	–	(1 005)	4 698
Works under construction	117 017	41 301	–	–	(17)	–	–	–	158 301
Construction materials	690	293	–	–	–	–	–	–	983
	236 487	62 830	(38)	364	(354)	(6)	–	(8 846)	290 437
Leased assets	237	–	–	–	–	–	–	(13)	224
Mining assets	236	–	–	–	–	–	–	(13)	223
Plant	–	–	–	–	–	–	–	–	–
Equipment and vehicles	1	–	–	–	–	–	–	–	1
Total property, plant and equipment	236 724	62 830	(38)	364	(354)	(6)	–	(8 859)	290 661

1. *Included in additions and transfers are borrowing costs capitalised of R4 999 million (2011: R8 589 million) for the group and company.*

2012	Carrying value beginning of year Rm	Additions and transfers[1] Rm	Transfer to non-current assets held-for-sale Rm	Change in discount rate of decommissioning provision and cost estimate Rm	Disposals Rm	Impairment losses Rm	Reversal of impairment losses Rm	Depreciation Rm	Carrying value end of year Rm
6. Property, plant and equipment *(continued)*									
Reconciliation of movements *(continued)*									
Company									
Owned assets									
Land	1 126	218	–	–	(1)	–	–	–	1 343
Buildings and facilities	3 534	75	–	–	(174)	–	–	(210)	3 225
Plant	108 739	19 868	–	364	(61)	–	–	(7 676)	121 234
Equipment and vehicles	3 404	990	–	–	(44)	–	–	(837)	3 513
Works under construction	118 098	41 614	–	–	–	–	–	–	159 712
Construction materials	690	293	–	–	–	–	–	–	983
	235 591	63 058	–	364	(280)	–	–	(8 723)	290 010
Leased assets	626	13	–	–	–	–	–	(36)	603
Mining assets	236	–	–	–	–	–	–	(13)	223
Plant	17	11	–	–	–	–	–	(2)	26
Equipment and vehicles	373	2	–	–	–	–	–	(21)	354
Total property, plant and equipment	236 217	63 071	–	364	(280)	–	–	(8 759)	290 613

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Borrowing costs on general borrowings are capitalised at an average rate of 9.84% (2011: 9.83%). Borrowing costs on funds borrowed specifically for the purpose of obtaining a qualifying asset are capitalised at the actual rate obtained for the specific funds borrowed. The average specific rate for the year was 4.48% (2011: 10.17%). This rate includes the effect of the capitalisation of the gain of R5 472 million (2011: loss of R2 481 million) on the remeasurement of the subordinated loan from the shareholder. The amounts capitalised during the year were	37	4 999	8 589	4 999	8 589
Details of land and buildings are available for examination at the registered offices of the respective businesses.					
The total depreciation charge for property, plant and equipment is disclosed in profit or loss in the following categories:		8 859	7 304	8 759	7 168
Depreciation and amortisation expense	31	8 846	7 290	8 746	7 154
Primary energy		13	14	13	14

1. *Included in additions and transfers are borrowing costs capitalised of R4 999 million (2011: R8 589 million) for the group and company.*

	Group			Company		
	Cost Rm	Accumulated amortisation and impairment losses Rm	Carrying value Rm	Cost Rm	Accumulated amortisation and impairment losses Rm	Carrying value Rm
7. Intangible assets						
2012						
Rights	1 106	(221)	885	1 104	(220)	884
Computer software	3 225	(2 634)	591	2 932	(2 468)	464
Concession assets	101	(29)	72	–	–	–
Total	4 432	(2 884)	1 548	4 036	(2 688)	1 348
2011						
Rights	954	(221)	733	953	(221)	732
Computer software	2 649	(2 056)	593	2 538	(1 967)	571
Concession assets	70	(19)	51	–	–	–
Total	3 673	(2 296)	1 377	3 491	(2 188)	1 303

Reconciliation of movements	Carrying value beginning of year Rm	Additions and transfers Rm	Amortisation Rm	Disposals Rm	Carrying value end of year Rm
2012					
Group					
Rights	733	153	(1)	–	885
Computer software	593	344	(346)	–	591
Concession assets	51	27	(6)	–	72
Total	1 377	524	(353)	–	1 548
Company					
Rights	732	153	(1)	–	884
Computer software	571	225	(332)	–	464
Total	1 303	378	(333)	–	1 348

Amortisation of intangible assets of R353 million (2011: R272 million) for the group and of R333 million (2011: R248 million) for the company is included within *depreciation and amortisation expense* (refer to note 31) in profit or loss.

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
8. Investments in equity-accounted investees					
Investment in associates	8.1	–	–	–	–
Investment in joint ventures	8.2	261	220	95	95
		261	220	95	95
8.1 Investment in associates					
Investment		–	–	–	–
Directors' valuation		–	–	–	–

Uitenhage Electricity Supply Company (Pty) Limited has ceased trading in 2008 and is in the process of being wound up and Western Power Corridor Company (Pty) Limited is dormant.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
8. Investments in equity-accounted investees *(continued)*				
8.2 Investment in joint ventures				
Balance at beginning of year	220	196	95	95
Share of profit[1]	41	24	–	–
Balance at end of year	261	220	95	95
Directors' valuation	322	350	298	331

Investments are accounted for at cost in the company. The share of profits since acquisition is accounted for in the group.

The group's share of the results of its principal joint ventures, all of which are unlisted, and its share of the assets (including goodwill) and liabilities are:

Name	Main business	Country of incorporation	Interest held %	Non-current assets Rm	Current assets Rm	Non-current liabilities Rm	Current liabilities Rm	Profit after tax Rm	Investment at cost Rm	Indebtedness Rm
Group										
2012										
Directly held										
Motraco – Mozambique Transmission Company SARL[2]	Electricity transmission	Mozambique	33	296	130	77	81	35	95	–
Indirectly held										
Trans Africa Projects (Pty) Limited[2]	Engineering services	South Africa	50	2	55	–	37	6	–	–
				298	185	77	118	41	95	–
2011										
Directly held										
Motraco – Mozambique Transmission Company SARL[2]	Electricity transmission	Mozambique	33	232	123	119	90	24	95	–
Indirectly held										
Trans Africa Projects (Pty) Limited[2]	Engineering services	South Africa	50	2	43	–	29	–	–	–
				234	166	119	119	24	95	–

Trans Africa Projects Limited (Mauritius) is dormant.

1. *Share of profit is after tax.*
2. *Year end is 31 December.*

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
9. Investment in subsidiaries				
Shares at cost			384	384
Indebtedness			1 953	1 953
Total interest in subsidiaries			2 337	2 337
Directors' valuation			6 356	5 560
Aggregate attributable after tax profits of subsidiary companies	630	439		
Aggregate attributable after tax losses of subsidiary companies	(1)	(1)		

Financial instruments with subsidiaries are disclosed in note 10.

Name	Main business	Country of incorporation	Issued/stated share capital R	Interest held %	Investment at cost Rm	Indebtedness Rm
2012						
Directly held						
Eskom Finance Company SOC Limited	Finance (employee housing loans)	South Africa	4 000	100	[1]	–
Escap SOC Limited	Insurance	South Africa	379 500 000	100	380	–
Eskom Enterprises SOC Limited	Non-regulated electricity supply industry activities and electricity supply and related services outside South Africa	South Africa	99 000	100	[1]	1 953[2]
PN Energy Services SOC Limited[3]	Maintenance of electrical and telecommunication distribution network	South Africa	1 500 000	100	4	–
Indirectly held						
Golang Coal SOC Limited	Coal exports	South Africa	1 000	67	–	–
Eskom Energie Manantali SA[4, 5, 6]	Energy supply	Mali	1 000	100	–	–
Eskom Uganda Limited[4, 5]	Operations management	Uganda	100	100	–	–
Pebble Bed Modular Reactor SOC Limited	Reactor driven generation project	South Africa	100	100	–	–
Rotek Industries SOC Limited	Maintenance and services	South Africa	4 000	100	–	–
Rosherville Properties SOC Limited	Properties	South Africa	1	100	–	–
Roshcon SOC Limited[7]	Construction and abnormal load transportation	South Africa	1	100	–	–
South Dunes Coal Terminal (Pty) Limited	Coal exports	South Africa	4 000	50	–	–
					384	1 953

1. *Nominal.*
2. *The equity loan to Eskom Enterprises SOC Limited is interest free.*
3. *The activities of PN Energy Services SOC Limited have been integrated into Eskom. The company did not trade during the 2011 or 2012 financial years.*
4. *Issued/stated capital in foreign currency.*
5. *Year end is 31 December.*
6. *Classified as non-current assets held-for-sale (refer to note 22).*
7. *The subsidiaries of Roshcon SOC Limited have not been disclosed as they are dormant and are in the process of being deregistered.*

9. Investment in subsidiaries *(continued)*

Name	Main business	Country of incorporation	Issued/ stated share capital R	Interest held %	Invest-ment at cost Rm	Indebted-ness Rm
2011						
Directly held						
Eskom Finance Company SOC Limited	Finance (employee housing loans)	South Africa	4 000	100	[1]	–
Escap SOC Limited	Insurance	South Africa	379 500 000	100	380	–
Eskom Enterprises SOC Limited	Non-regulated electricity supply industry activities and electricity supply and related services outside South Africa	South Africa	99 000	100	[1]	1 953[2]
PN Energy Services SOC Limited[3]	Maintenance of electrical and telecommunication distribution network	South Africa	1 500 000	100	4	–
Indirectly held						
Golang Coal SOC Limited	Coal exports	South Africa	1 000	67	–	–
Eskom Energie Manantali SA[4, 5, 6]	Energy supply	Mali	1 000	100	–	–
Eskom Uganda Limited[4, 5]	Operations management	Uganda	100	100	–	–
Pebble Bed Modular Reactor SOC Limited	Reactor driven generation project	South Africa	100	100	–	–
Rotek Industries SOC Limited	Maintenance and services	South Africa	4 000	100	–	–
Rosherville Properties SOC Limited	Properties	South Africa	1	100	–	–
Roshcon SOC Limited[7]	Construction	South Africa	1	100	–	–
South Dunes Coal Terminal (Pty) Limited	Coal exports	South Africa	4 000	50	–	–
Airborne Laser Solutions (Pty) Limited[8]	Aerial surveying technologies	South Africa	1	100	–	–
					384	1 953

Pebble Bed Modular Reactor SOC Limited (PBMR)

This subsidiary was previously not consolidated as it was not considered to be controlled by Eskom Enterprises in terms of the shareholder's co-operation agreement. However, with effect from 1 April 2011, Eskom Enterprises obtained control over PBMR due to the termination of the agreement and consequently consolidated PBMR as per IAS 27 *Consolidated and separate financial statements*. The acquisition of PBMR is considered to be a business combination between entities under common control. Therefore all of the assets and liabilities have been recognised at their book values at the date of acquisition and the excess of the purchase consideration over the net assets of PBMR has been recognised directly in equity. At acquisition, R127 million was added to the group's cash and cash equivalents representing the cash reserves of PBMR at this date. No cash was paid as it was a common control transaction.

1. *Nominal.*
2. *The equity loan to Eskom Enterprises SOC Limited is interest free.*
3. *The activities of PN Energy Services SOC Limited are being integrated into Eskom. The company did not trade during the 2011 financial year.*
4. *Issued/stated capital in foreign currency.*
5. *Year end is 31 December.*
6. *Classified as non-current assets held-for-sale (refer to note 22).*
7. *The subsidiaries of Roshcon SOC Limited have not been disclosed as they are dormant and in the process of being deregistered.*
8. *This company has been deregistered.*

9. Investment in subsidiaries *(continued)*

The net asset value of PBMR on 1 April 2011 was as follows:

	Group 2012 Rm	Group 2011 Rm
Trade and other receivables	26	–
Cash and cash equivalents	127	–
Trade and other payables	(6)	–
Provisions	(53)	–
	94	–

Financial instruments with subsidiaries are disclosed in note 10.

The following subsidiaries are dormant:

- The Natal Navigation Collieries and Estate Company SOC Limited
- Eskom Enterprises Global West Africa
- Technology Services International SOC Limited (the company is in the process of being deregistered).

10. Financial instruments with group companies

	Eskom Finance Company Rm	Eskom Enterprises Rm	Escap Rm	Carrying value Rm	Fair value Rm
2012					
Financial assets					
Loans and receivables					
Loan to subsidiaries	5 208	–	–	5 208	5 208
Maturity analysis	5 208	–	–	5 208	5 208
Non-current	–	–	–	–	–
Current	5 208	–	–	5 208	5 208
Financial liabilities					
Liabilities at amortised cost					
Loan from subsidiaries	30	1 275	–	1 305	1 305
Maturity analysis	30	1 275	–	1 305	1 305
Non-current	–	–	–	–	–
Current	30	1 275	–	1 305	1 305
2011					
Financial assets					
Loans and receivables					
Loan to subsidiaries	3 805	1	–	3 806	3 806
Maturity analysis	3 805	1	–	3 806	3 806
Non-current	–	–	–	–	–
Current	3 805	1	–	3 806	3 806
Financial liabilities					
Liabilities at amortised cost					
Borrowings	52	1 357	53	1 462	1 462
Commercial paper	–	–	53	53	53
Loan from subsidiaries	52	1 357	–	1 409	1 409
Maturity analysis	52	1 357	53	1 462	1 462
Non-current	–	–	–	–	–
Current	52	1 357	53	1 462	1 462

The loan to and from subsidiaries is payable on demand. The effective interest rate on the loan to EFC is 5.81% (2011: 5.77%). The effective interest rate on commercial paper is nil (2011: 6.89%). Commercial paper is payable within 12 months.

The above balances exclude trade and other receivables and payables balances between Eskom and group companies. These balances are disclosed as part of *trade and other receivables* and *trade and other payables*.

			Group and Company		
			2012		2011
		Coal Rm	Nuclear Rm	Total Rm	Total Rm
11.	**Future fuel supplies**				
	Balance at beginning of year	3 703	386	4 089	3 768
	Net additions	1 362	681	2 043	1 079
	Change in discount rate of decommissioning provision and cost estimate	158	–	158	156
	Transfer from equity	–	(67)	(67)	(61)
	Amortised and written off during the year[1]	–	(2)	(2)	(10)
	Transfer to inventories	(203)	(566)	(769)	(843)
		5 020	432	5 452	4 089

			Group		Company	
			2012 Rm	2011 Rm	2012 Rm	2011 Rm
12.	**Deferred tax**					
	Deferred tax assets					
	Balance at beginning of year		59	79	–	–
	Transfer from profit or loss	38	(16)	(20)	–	–
			43	59	–	–
	Comprising		43	59	–	–
	Property, plant and equipment		(34)	(26)	–	–
	Provisions		77	85	–	–
	Deferred tax liabilities					
	Balance at beginning of year		7 931	5 262	7 503	4 834
	Transfer from profit or loss	38	4 960	3 117	5 030	3 116
	Transfer from/(to) statement of comprehensive income		916	(448)	916	(447)
			13 807	7 931	13 449	7 503
	Comprising		13 807	7 931	13 449	7 503
	Property, plant and equipment		25 063	21 359	24 594	20 846
	Inventories		901	174	901	174
	Provisions		(7 657)	(6 481)	(7 548)	(6 400)
	Tax losses		(312)	(2 525)	(308)	(2 515)
	Embedded derivative liabilities		(1 550)	(1 645)	(1 550)	(1 645)
	Available-for-sale financial assets		112	47	113	47
	Cash flow hedges		642	(201)	642	(201)
	Payments received in advance		(3 392)	(2 797)	(3 392)	(2 797)
	Other		–	–	(3)	(6)
	Unused tax losses available for offset against future taxable income		1 307	9 347	1 100	8 982

A deferred tax asset amounting to R195 million (2011: R329 million) relating to unused tax losses has not been recognised as it is uncertain whether future taxable profits will be available against which the unused tax losses can be used.

1. *Amortisation and write offs of future fuel is included in profit or loss within primary energy.*

13. Financial instruments

Accounting classifications and fair values

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

2012	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Fair value Rm
Group								
Financial assets								
Non-current		1	7 768	8 749	–	2 334	18 852	18 852
Investment in securities	13.2	–	–	8 749	–	–	8 749	8 749
Loans receivable	13.3	–	7 435	–	–	–	7 435	7 435
Derivatives held for risk management	15	1	–	–	–	1 779	1 780	1 780
Finance lease receivables[1]	16	–	–	–	–	555	555	555
Trade and other receivables[1]	18	–	333	–	–	–	333	333
Current		5 769	33 360	12 281	–	136	51 546	51 546
Investment in securities	13.2	–	–	12 281	–	–	12 281	12 281
Loans receivable	13.3	–	79	–	–	–	79	79
Derivatives held for risk management	15	241	–	–	–	121	362	362
Finance lease receivables[1]	16	–	–	–	–	15	15	15
Trade and other receivables[1]	18	–	14 313	–	–	–	14 313	14 313
Financial trading assets	13.4	5 046	–	–	–	–	5 046	5 046
Cash and cash equivalents	13.1	482	18 968	–	–	–	19 450	19 450
Total financial assets		5 770	41 128	21 030	–	2 470	70 398	70 398
Financial liabilities								
Non-current		684	–	–	169 686	5 739	176 109	185 841
Debt securities issued	13.5	–	–	–	90 732	–	90 732	95 039
Borrowings	13.6	–	–	–	76 983	–	76 983	82 408
Embedded derivative liabilities	14	–	–	–	–	4 639	4 639	4 639
Derivatives held for risk management	15	684	–	–	–	589	1 273	1 273
Finance lease liabilities[1]	26	–	–	–	–	511	511	511
Trade and other payables[1]	27	–	–	–	1 971	–	1 971	1 971
Current		3 592	–	–	38 339	3 739	45 670	45 718
Debt securities issued	13.5	–	–	–	7 170	–	7 170	7 216
Borrowings	13.6	–	–	–	7 682	–	7 682	7 684
Embedded derivative liabilities	14	–	–	–	–	900	900	900
Derivatives held for risk management	15	761	–	–	–	2 829	3 590	3 590
Finance lease liabilities[1]	26	–	–	–	–	10	10	10
Trade and other payables[1]	27	–	–	–	23 487	–	23 487	23 487
Financial trading liabilities	13.4	2 831	–	–	–	–	2 831	2 831
Total financial liabilities		4 276	–	–	208 025	9 478	221 779	231 559

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

13. Financial instruments *(continued)*

Accounting classifications and fair values *(continued)*

2012	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Fair value Rm
Company								
Financial assets								
Non-current		1	28	8 749	–	2 334	11 112	11 112
Investment in securities	13.2	–	–	8 749	–	–	8 749	8 749
Derivatives held for risk management	15	1	–	–	–	1 779	1 780	1 780
Finance lease receivables[1]	16	–	–	–	–	555	555	555
Trade and other receivables[1]	18	–	28	–	–	–	28	28
Current		5 125	36 448	9 854	–	136	51 563	51 563
Financial instruments with group companies	10	–	5 208	–	–	–	5 208	5 208
Investment in securities	13.2	–	–	9 854	–	–	9 854	9 854
Derivatives held for risk management	15	241	–	–	–	121	362	362
Finance lease receivables[1]	16	–	–	–	–	15	15	15
Trade and other receivables[1]	18	–	13 327	–	–	–	13 327	13 327
Financial trading assets	13.4	4 402	–	–	–	–	4 402	4 402
Cash and cash equivalents	13.1	482	17 913	–	–	–	18 395	18 395
Total financial assets		5 126	36 476	18 603	–	2 470	62 675	62 675
Financial liabilities								
Non-current		684	–	–	167 254	6 054	173 992	183 722
Debt securities issued	13.5	–	–	–	89 388	–	89 388	93 693
Borrowings	13.6	–	–	–	76 603	–	76 603	82 028
Embedded derivative liabilities	14	–	–	–	–	4 639	4 639	4 639
Derivatives held for risk management	15	684	–	–	–	589	1 273	1 273
Finance lease liabilities[1]	26	–	–	–	–	826	826	826
Trade and other payables[1]	27	–	–	–	1 263	–	1 263	1 263
Current		3 592	–	–	39 778	3 779	47 149	47 198
Financial instruments with group companies	10	–	–	–	1 305	–	1 305	1 305
Debt securities issued	13.5	–	–	–	6 842	–	6 842	6 889
Borrowings	13.6	–	–	–	7 593	–	7 593	7 595
Embedded derivative liabilities	14	–	–	–	–	899	899	899
Derivatives held for risk management	15	761	–	–	–	2 829	3 590	3 590
Finance lease liabilities[1]	26	–	–	–	–	51	51	51
Trade and other payables[1]	27	–	–	–	24 038	–	24 038	24 038
Financial trading liabilities	13.4	2 831	–	–	–	–	2 831	2 831
Total financial liabilities		4 276	–	–	207 032	9 833	221 141	230 920

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

13. Financial instruments *(continued)*

Accounting classifications and fair values *(continued)*

2011	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Fair value Rm
Group								
Financial assets								
Non-current		6	6 483	13 259	–	570	20 318	20 318
Investment in securities	13.2	–	–	13 259	–	–	13 259	13 259
Loans receivable	13.3	–	5 958	–	–	–	5 958	5 958
Derivatives held for risk management	15	6	–	–	–	–	6	6
Finance lease receivables	16	–	–	–	–	570	570	570
Trade and other receivables[1]	18	–	525	–	–	–	525	525
Current		4 133	22 868	24 546	–	97	51 644	51 644
Investment in securities	13.2	–	–	24 546	–	–	24 546	24 546
Loans receivable	13.3	–	100	–	–	–	100	100
Derivatives held for risk management	15	34	–	–	–	82	116	116
Finance lease receivables[1]	16	–	–	–	–	15	15	15
Trade and other receivables[1]	18	–	10 953	–	–	–	10 953	10 953
Financial trading assets	13.4	3 827	–	–	–	–	3 827	3 827
Cash and cash equivalents	13.1	272	11 815	–	–	–	12 087	12 087
Total financial assets		4 139	29 351	37 805	–	667	71 962	71 962
Financial liabilities								
Non-current		911	–	–	149 284	9 543	159 738	162 805
Debt securities issued	13.5	–	–	–	84 396	–	84 396	85 111
Borrowings	13.6	–	–	–	63 380	–	63 380	65 732
Embedded derivative liabilities	14	–	–	–	–	5 357	5 357	5 357
Derivatives held for risk management	15	911	–	–	–	3 665	4 576	4 576
Finance lease liabilities[1]	26	–	–	–	–	521	521	521
Trade and other payables[1]	27	–	–	–	1 508	–	1 508	1 508
Current		4 867	–	–	30 918	1 365	37 150	37 220
Debt securities issued	13.5	–	–	–	2 880	–	2 880	2 886
Borrowings	13.6	–	–	–	9 654	–	9 654	9 718
Embedded derivative liabilities	14	–	–	–	–	516	516	516
Derivatives held for risk management	15	563	–	–	–	841	1 404	1 404
Finance lease liabilities[1]	26	–	–	–	–	8	8	8
Trade and other payables[1]	27	–	–	–	18 384	–	18 384	18 384
Financial trading liabilities	13.4	4 304	–	–	–	–	4 304	4 304
Total financial liabilities		5 778	–	–	180 202	10 908	196 888	200 025

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

13. Financial instruments *(continued)*
Accounting classifications and fair values *(continued)*

2011	Note	Held-for-trading Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Fair value Rm
Company								
Financial assets								
Non-current		6	14	13 259	–	570	13 849	13 849
Investment in securities	13.2	–	–	13 259	–	–	13 259	13 259
Derivatives held for risk management	15	6	–	–	–	–	6	6
Finance lease receivables	16	–	–	–	–	570	570	570
Trade and other receivables	18	–	14	–	–	–	14	14
Current		3 503	24 568	22 310	–	97	50 478	50 478
Financial instruments with group companies	10	–	3 806	–	–	–	3 806	3 806
Investment in securities	13.2	–	–	22 310	–	–	22 310	22 310
Derivatives held for risk management	15	34	–	–	–	82	116	116
Finance lease receivables[1]	16	–	–	–	–	15	15	15
Trade and other receivables[1]	18	–	9 568	–	–	–	9 568	9 568
Financial trading assets	13.4	3 197	–	–	–	–	3 197	3 197
Cash and cash equivalents	13.1	272	11 194	–	–	–	11 466	11 466
Total financial assets		3 509	24 582	35 569	–	667	64 327	64 327
Financial liabilities								
Non-current		911	–	–	147 830	9 887	158 628	161 695
Debt securities issued	13.5	–	–	–	84 031	–	84 031	84 746
Borrowings	13.6	–	–	–	62 940	–	62 940	65 292
Embedded derivative liabilities	14	–	–	–	–	5 357	5 357	5 357
Derivatives held for risk management	15	911	–	–	–	3 665	4 576	4 576
Finance lease liabilities	26	–	–	–	–	865	865	865
Trade and other payables	27	–	–	–	859	–	859	859
Current		4 867	–	–	30 649	1 393	36 909	36 979
Financial instruments with group companies	10	–	–	–	1 462	–	1 462	1 462
Debt securities issued	13.5	–	–	–	1 574	–	1 574	1 580
Borrowings	13.6	–	–	–	9 571	–	9 571	9 635
Embedded derivative liabilities	14	–	–	–	–	515	515	515
Derivatives held for risk management	15	563	–	–	–	841	1 404	1 404
Finance lease liabilities[1]	26	–	–	–	–	37	37	37
Trade and other payables[1]	27	–	–	–	18 042	–	18 042	18 042
Financial trading liabilities	13.4	4 304	–	–	–	–	4 304	4 304
Total financial liabilities		5 778	–	–	178 479	11 280	195 537	198 674

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

	Group				Company			
	2012 Carrying value Rm	2012 Fair value Rm	2011 Carrying value Rm	2011 Fair value Rm	2012 Carrying value Rm	2012 Fair value Rm	2011 Carrying value Rm	2011 Fair value Rm
13. Financial instruments *(continued)*								
13.1 Cash and cash equivalents								
Bank balances	13 608	13 608	9 436	9 436	12 554	12 554	8 815	8 815
Unsettled deals	521	521	272	272	521	521	272	272
Fixed deposits	4 559	4 559	2 308	2 308	4 558	4 558	2 308	2 308
Negotiable certificates of deposit	132	132	71	71	132	132	71	71
Promissory notes	80	80	–	–	80	80	–	–
Gilt carries	550	550	–	–	550	550	–	–
	19 450	19 450	12 087	12 087	18 395	18 395	11 466	11 466
Made up as follows:	19 450	19 450	12 087	12 087	18 395	18 395	11 466	11 466
Held-for-trading	482	492	272	272	482	482	272	272
Loans and receivables	18 968	18 968	11 815	11 815	17 913	17 913	11 194	11 194
13.2 Investment in securities								
Available-for-sale	21 030	21 030	37 805	37 805	18 603	18 603	35 569	35 569
Government bonds	8 885	8 885	13 427	13 427	8 885	8 885	13 427	13 427
Negotiable certificates of deposits	2 921	2 921	13 204	13 204	516	516	10 968	10 968
Gilt carries	–	–	2 205	2 205	–	–	2 205	2 205
Commercial paper	98	98	2 715	2 715	98	98	2 715	2 715
Treasury bills	–	–	6 254	6 254	–	–	6 254	6 254
Fixed deposits	9 104	9 104	–	–	9 104	9 104	–	–
Other	22	22	–	–	–	–	–	–
Maturity analysis	21 030	21 030	37 805	37 805	18 603	18 603	35 569	35 569
Non-current	8 749	8 749	13 259	13 259	8 749	8 749	13 259	13 259
Current	12 281	12 281	24 546	24 546	9 854	9 854	22 310	22 310

Encumbered assets

Eskom has concluded sale and repurchase transactions of commercial paper, comprising Eskom bonds and government bonds, with approved counterparties. The group enters into transactions whereby it transferred assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. At year end, Eskom has sold, and is committed to repurchase commercial paper after year end with a fair value of R1 040 million (2011: R2 218 million). Of this amount, R1 015 million (2011: R2 112 million) relates to government securities and R25 million (2011: R106 million) to Eskom bonds.

No impairment loss was recognised on investment in securities.

		Group				Company			
		2012 Carrying value Rm	2012 Fair value Rm	2011 Carrying value Rm	2011 Fair value Rm	2012 Carrying value Rm	2012 Fair value Rm	2011 Carrying value Rm	2011 Fair value Rm
13.	**Financial instruments** *(continued)*								
13.3	**Loans receivable**								
	Loans and receivables	7 514	7 514	6 058	6 058	–	–	–	–
	Secured by mortgages	6 833	6 833	5 347	5 347	–	–	–	–
	Loan to Richards Bay Coal Terminal	373	373	445	445	–	–	–	–
	Other	308	308	266	266	–	–	–	–
	Maturity analysis	7 514	7 514	6 058	6 058	–	–	–	–
	Non-current	7 435	7 435	5 958	5 958	–	–	–	–
	Current	79	79	100	100	–	–	–	–
13.4	**Financial trading assets and liabilities**								
	Financial trading assets								
	Negotiable certificates of deposits	1 244	1 244	519	519	1 244	1 244	519	519
	Repurchase agreements	1 403	1 403	455	455	1 403	1 403	455	455
	Listed shares	644	644	630	630	–	–	–	–
	Government bonds	1 755	1 755	2 223	2 223	1 755	1 755	2 223	2 223
		5 046	5 046	3 827	3 827	4 402	4 402	3 197	3 197
	Financial trading liabilities								
	Eskom bonds	–	–	3 135	3 135	–	–	3 135	3 135
	Short-sold government bonds	597	597	–	–	597	597	–	–
	Commercial paper issued	1 181	1 181	505	505	1 181	1 181	505	505
	Repurchase agreements	837	837	371	371	837	837	371	371
	Unsettled deals	216	216	293	293	216	216	293	293
		2 831	2 831	4 304	4 304	2 831	2 831	4 304	4 304
13.5	**Debt securities issued**	97 902	102 255	87 276	87 997	96 230	100 582	85 605	86 326
	Eskom bonds	74 807	77 525	66 339	65 911	74 807	77 524	66 339	65 911
	Promissory notes	124	161	185	230	124	161	185	230
	Commercial paper	1 672	1 672	1 671	1 671	–	–	–	–
	Eurorand zero coupon bonds	2 722	3 452	2 406	3 149	2 722	3 452	2 406	3 149
	Foreign bonds	18 577	19 445	16 675	17 036	18 577	19 445	16 675	17 036
	Maturity analysis	97 902	102 255	87 276	87 997	96 230	100 582	85 605	86 326
	Non-current	90 732	95 039	84 396	85 111	89 388	93 693	84 031	84 746
	Current	7 170	7 216	2 880	2 886	6 842	6 889	1 574	1 580

13. Financial instruments *(continued)*
13.5 Debt securities issued *(continued)*

	Currency	Security number	Interest rate 2012 %	Interest rate 2011 %	Nominal 2012 m	Nominal 2011 m	Maturity date	Group Carrying value 2012 Rm	Group Carrying value 2011 Rm	Company Carrying value 2012 Rm	Company Carrying value 2011 Rm
Eskom bonds					73 153	65 033		74 807	66 339	74 807	66 339
	ZAR	EL15[1]	3.00	3.00	5 000	5 000	Jun 15	5 742	5 391	5 742	5 391
	ZAR	ES15[1]	7.80	7.78	4 652	4 275	Aug 15	4 677	4 298	4 677	4 298
	ZAR	ES18[1]	9.19	9.46	9 834	6 827	Apr 18	10 272	7 051	10 272	7 051
	ZAR	E170[3]	10.07	9.57	11 586	11 608	Aug 20[2]	13 950	14 100	13 950	14 100
	ZAR	ES23[1]	9.40	9.45	11 863	10 080	Jan 23	12 567	10 649	12 567	10 649
	ZAR	ES26[1]	9.10	9.49	16 015	13 786	Apr 26	15 076	12 941	15 076	12 941
	ZAR	ES33[1]	8.77	9.35	14 203	13 457	Sep 33	12 523	11 909	12 523	11 909
Promissory notes					230	320		124	185	124	185
	ZAR	PN04[3]	–	16.03	–	90	Feb 12	–	79	–	79
	ZAR	PN05[3]	16.10	16.10	60	60	Feb 13	53	45	53	45
	ZAR	PN06[3]	16.13	16.13	60	60	Feb 14	45	38	45	38
	ZAR	PN07[3]	15.34	15.34	20	20	Aug 20	6	5	6	5
	ZAR	PN08[3]	15.08	15.08	20	20	Aug 21	5	5	5	5
	ZAR	PN09[3]	14.80	14.80	35	35	Aug 22	8	7	8	7
	ZAR	PN10[3]	14.61	14.61	35	35	Aug 23	7	6	7	6
Commercial paper					1 670	1 670		1 672	1 671	–	–
	ZAR	n/a	–	6.61	–	907	May 11	–	907	–	–
	ZAR	n/a	–	7.24	–	398	Nov 11	–	398	–	–
	ZAR	n/a	6.25	6.89	318	30	May 12	318	30	–	–
	ZAR	n/a	6.58	7.74	600	199	May 13	600	199	–	–
	ZAR	n/a	6.70	–	384	–	May 14	384	–	–	–
	ZAR	n/a	6.99	–	231	–	May 16	231	–	–	–
	ZAR	n/a	10.47	10.18	131	131	May 20	133	131	–	–
	ZAR	n/a	8.85	8.85	6	5	May 20	6	6	–	–
Eurorand zero coupon bonds[3]					17 500	17 500		2 722	2 406	2 722	2 406
	ZAR	n/a	13.93	13.92	2 000	2 000	Dec 18	829	727	829	727
	ZAR	n/a	13.33	13.35	8 000	8 000	Aug 27	1 165	1 028	1 165	1 028
	ZAR	n/a	11.89	11.88	7 500	7 500	Dec 32	728	651	728	651
Foreign bonds					2 250	2 250		18 577	16 675	18 577	16 675
	EUR	n/a	4.00	4.00	500	500	Mar 13	5 134	4 810	5 134	4 810
	USD	n/a	5.75	5.75	1 750	1 750	Jan 21	13 443	11 865	13 443	11 865
Total								97 902	87 276	96 230	85 605

1. *Government guaranteed.*
2. *Latest in a range of maturity dates is indicated for this instrument.*
3. *Secured by Eskom's assets (section 7 of Eskom Conversion Act, 13 of 2001).*

	2012 Carrying value Rm	2012 Fair value Rm	2011 Carrying value Rm	2011 Fair value Rm	2012 Carrying value Rm	2012 Fair value Rm	2011 Carrying value Rm	2011 Fair value Rm
13. Financial instruments *(continued)*								
13.6 Borrowings	84 665	90 092	73 034	75 450	84 196	89 623	72 511	74 927
Development financing institutions	18 039	18 743	11 835	12 360	18 039	18 743	11 835	12 360
Export credit facilities	16 842	20 799	8 788	10 229	16 842	20 799	8 788	10 229
Floating rate notes	3 827	4 114	3 828	4 105	3 827	4 114	3 828	4 105
Commercial paper	6 457	6 459	9 117	9 181	6 457	6 459	9 117	9 181
Subordinated loan from shareholder	35 913	35 913	37 931	37 931	35 913	35 913	37 931	37 931
Development Bank of Southern Africa	3 118	3 595	1 012	1 121	3 118	3 595	1 012	1 121
Rand loans	469	469	523	523	–	–	–	–
Maturity analysis	84 665	90 092	73 034	75 450	84 196	89 623	72 511	74 927
Non-current	76 983	82 408	63 380	65 732	76 603	82 028	62 940	65 292
Current	7 682	7 684	9 654	9 718	7 593	7 595	9 571	9 635

	Currency	Interest rate 2012 %	Interest rate 2011 %	Nominal 2012 m	Nominal 2011 m	Maturity date	Group Carrying value 2012 Rm	Group Carrying value 2011 Rm	Company Carrying value 2012 Rm	Company Carrying value 2011 Rm
Development financing institutions[2]				10 290	7 588		18 039	11 835	18 039	11 835
	USD	1.93	1.60	291	291	Aug 28	2 233	1 980	2 233	1 980
	ZAR	6.95	6.93	2 000	2 000	Aug 28	2 023	2 021	2 023	2 021
	EUR	1.81	1.71	57	41	Aug 29[1]	581	398	581	398
	ZAR	5.77	5.74	5 315	3 476	Aug 29[1]	5 366	3 508	5 366	3 508
	ZAR	6.00	5.98	1 849	1 409	Mar 32	1 854	1 413	1 854	1 413
	USD	0.91	0.73	778	371	May 38[1]	5 982	2 515	5 982	2 515
Export credit facilities[2]				15 914	13 086		16 842	8 788	16 842	8 788
	JPY	1.32	1.38	13 076	11 390	May 22	1 222	933	1 222	933
	EUR	2.14	1.53	116	87	Feb 24	1 163	807	1 163	807
	EUR	2.30	–	13	–	Jul 24	133	–	133	–
	EUR	5.14	5.14	687	152	Jan 27	6 537	1 424	6 537	1 424
	EUR	3.60	3.46	681	531	Jul 27	6 528	4 673	6 528	4 673
	ZAR	7.74	7.84	1 341	926	Jul 27	1 259	951	1 259	951
Floating rate notes[1]				3 800	3 800		3 827	3 828	3 827	3 828
	ZAR	6.28	6.26	1 800	1 800	Aug 26	1 813	1 813	1 813	1 813
	ZAR	6.45	6.43	2 000	2 000	Aug 33	2 014	2 015	2 014	2 015
Commercial paper[2]	ZAR	5.75	6.49	6 618	9 393	Mar 13	6 457	9 117	6 457	9 117
Subordinated loan from shareholder				60 000	60 000		35 913	37 931	35 913	37 931
	ZAR	7.52	7.52	5 000	5 000	Dec 38	3 234	3 297	3 234	3 297
	ZAR	8.95	8.95	5 000	5 000	Mar 39	3 086	3 275	3 086	3 275
	ZAR	9.43	9.43	7 500	7 500	Jun 39	4 382	4 701	4 382	4 701
	ZAR	9.15	9.15	7 500	7 500	Sep 39	4 481	4 756	4 481	4 756
	ZAR	9.57	9.57	7 500	7 500	Dec 39	4 359	4 674	4 359	4 674
	ZAR	9.52	9.52	7 500	7 500	Mar 40	4 420	4 721	4 420	4 721
	ZAR	9.54	9.54	5 000	5 000	Jun 40	2 984	3 182	2 984	3 182
	ZAR	8.58	8.58	5 000	5 000	Sep 40	3 097	3 195	3 097	3 195
	ZAR	9.03	9.03	5 000	5 000	Dec 40	2 994	3 091	2 994	3 091
	ZAR	9.81	9.81	5 000	5 000	Mar 41	2 876	3 039	2 876	3 039
Development Bank of Southern Africa				3 000	1 000		3 118	1 012	3 118	1 012
	ZAR	10.13	10.13	1 000	1 000	Oct 21	1 043	1 012	1 043	1 012
	ZAR	10.22	–	1 000	–	Oct 21	1 043	–	1 043	–
	ZAR	9.59	–	1 000	–	Oct 21	1 032	–	1 032	–
Rand loans				469	523		469	523	–	–
	ZAR	8.00	7.58	371	401	Jun 16	371	401	–	–
	ZAR	–	–	98	122	–	98	122	–	–
Total							84 665	73 034	84 196	72 511

1. *Government guaranteed.*
2. *Latest in a range of maturity dates is indicated for these instruments.*

13. Financial instruments *(continued)*

13.6 Borrowings *(continued)*

Subordinated loan from shareholder

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

The loan has been classified as a financial liability in accordance with IAS 32 *Financial instruments: Presentation* and has been measured at amortised cost. The loan was initially measured at fair value and the difference between the fair valued amount and the advanced amount accounted for under *borrowings* gave rise to a day-one gain. This day-one gain is disclosed in equity, under *equity reserve* (refer page 14).

13.7 Collateral obtained

Eskom has called upon security deposits and guarantees from customers who have defaulted on their accounts. The carrying amount of the security deposits and guarantees which were called upon is R62 million (2011: R58 million) for the group and R56 million (2011: R54 million) for the company.

13.8 Collateral held

Eskom has concluded the purchase of commercial paper (Eskom and government bonds) from approved counterparties and has committed to sell this commercial paper back to the counterparties in the following financial year. Although Eskom has legal title to the commercial paper at year end, it has not been recognised on the statement of financial position as a result of the commitment to resell. This has also resulted in the recognition of a receivable with a fair value of R2 138 million (2011: R2 295 million) recorded in financial trading assets and cash and cash equivalents (depending on original maturity) at year end. Of this amount, R713 million (2011: R1 742 million) relates to government securities and R1 424 million (2011: R553 million) to Eskom bonds. The total receivable is secured by commercial paper of an equivalent fair value.

13.9 Collateral placed

In terms of the credit support annexure of the International Securities Market Association/International Swap and Derivative Association (ISMA/ISDA) agreements, Eskom placed nil (2011: nil) reflected in available-for-sale assets as collateral as a result of changes in the market value of the financial instruments traded in the market.

13.10 Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

	Note	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2012					
Group					
Investment in securities classified as available-for-sale	13.2	8 885	12 145	–	21 030
Derivatives held for risk management (assets)	15	–	2 142	–	2 142
Financial trading assets	13.4	2 400	2 646	–	5 046
		11 285	16 933	–	28 218
Embedded derivative liabilities	14	–	–	5 539	5 539
Derivatives held for risk management (liabilities)	15	–	4 863	–	4 863
Financial trading liabilities	13.4	597	2 234	–	2 831
		597	7 097	5 539	13 233
Company					
Investment in securities classified as available-for-sale	13.2	8 885	9 718	–	18 603
Derivatives held for risk management (assets)	15	–	2 142	–	2 142
Financial trading assets	13.4	1 755	2 647	–	4 402
		10 640	14 507	–	25 147
Embedded derivative liabilities	14	–	–	5 538	5 538
Derivatives held for risk management (liabilities)	15	–	4 863	–	4 863
Financial trading liabilities	13.4	597	2 234	–	2 831
		597	7 097	5 538	13 232

	Note	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
13. Financial instruments *(continued)*					
13.10 Fair value hierarchy *(continued)*					
2011					
Group					
Investment in securities classified as available-for-sale	13.2	13 427	24 378	–	37 805
Derivatives held for risk management (assets)	15	–	122	–	122
Financial trading assets	13.4	2 853	974	–	3 827
		16 280	25 474	–	41 754
Embedded derivative liabilities	14	–	–	5 873	5 873
Derivatives held for risk management (liabilities)	15	–	5 980	–	5 980
Financial trading liabilities	13.4	3 135	1 169	–	4 304
		3 135	7 149	5 873	16 157
Company					
Investment in securities classified as available-for-sale	13.2	13 427	22 142	–	35 569
Derivatives held for risk management (assets)	15	–	122	–	122
Financial trading assets	13.4	2 223	974	–	3 197
		15 650	23 238	–	38 888
Embedded derivative liabilities	14	–	–	5 872	5 872
Derivatives held for risk management (liabilities)	15	–	5 980	–	5 980
Financial trading liabilities	13.4	3 135	1 169	–	4 304
		3 135	7 149	5 872	16 156

There have been no transfers between the fair value hierarchy levels (2011 no transfers).

A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Embedded derivative assets				
Carrying value beginning of the year	–	110	–	110
Net fair value loss on embedded derivatives[1]	–	(110)	–	(110)
Carrying value at end of the year	–	–	–	–
Embedded derivative liabilities				
Carrying value beginning of the year	5 873	4 722	5 872	4 721
Net fair value (profit)/loss on embedded derivatives[1]	(334)	1 151	(334)	1 151
Carrying value at end of the year	5 539	5 873	5 538	5 872

Refer to note 3.2 for a sensitivity analysis disclosing the effect of fair value changes that would result if one or more of the inputs were to change.

1. *Included within net fair value loss on embedded derivatives in profit or loss.*

13. Financial instruments *(continued)*

13.11 Day-one loss

Where applicable, the group recognises a day-one loss on initial recognition of financial instruments accounted for as cash flow hedges (refer to note 2.11.3). The amounts relating to the day-one loss from the cross-currency swaps and interest rate swaps (refer to note 15) accounted for by the group in derivatives held for risk management, are outlined below:

	Group and company	
	2012 Rm	2011 Rm
Balance at beginning of the year	267	–
Day-one loss recognised during the year	272	271
Amortised to profit or loss	(214)	(4)
Balance at end of the year	325	267

14. Embedded derivative liabilities

	Current liabilities	Non-current liabilities		Total non-current liabilities	Total
	1 year	1 to 5 years	After 5 years		
	Rm	Rm	Rm	Rm	Rm
2012					
Group					
Commodity and/or foreign currency	860	2 688	–	2 688	3 548
Foreign currency or interest rate	1	–	–	–	1
PPI and foreign currency	39	276	1 675	1 951	1 990
	900	2 964	1 675	4 639	5 539
Company					
Commodity and/or foreign currency	860	2 688	–	2 688	3 548
PPI and foreign currency	39	276	1 675	1 951	1 990
	899	2 964	1 675	4 639	5 538
2011					
Group					
Commodity and/or foreign currency	453	4 206	–	4 206	4 659
Foreign currency or interest rate	1	–	–	–	1
PPI and foreign currency	62	242	909	1 151	1 213
	516	4 448	909	5 357	5 873
Company					
Commodity and/or foreign currency	453	4 206	–	4 206	4 659
PPI and foreign currency	62	242	909	1 151	1 213
	515	4 448	909	5 357	5 872

15. Derivatives held for risk management

	Group and company					
	2012			2011		
	Assets Rm	Liabilities Rm	Notional amount Rm	Assets Rm	Liabilities Rm	Notional amount Rm
Derivatives held for economic hedging	242	1 445	29 767	40	1 474	18 525
Foreign exchange derivatives	216	1 433	28 490	26	1 433	18 180
Foreign exchange contracts	216	724	25 700	26	503	15 390
Cross-currency swaps	–	709	2 790	–	930	2 790
Interest rate derivatives	–	–	730	–	–	–
Forward rate agreements	–	–	730	–	–	–
Commodity derivatives	26	12	547	14	41	345
Commodity forwards	26	12	547	14	41	345
Derivatives held for cash flow hedging	1 900	3 418	47 933	82	4 506	49 709
Foreign exchange contracts	121	686	19 400	82	612	24 171
Interest rate swaps	–	483	3 800	–	230	3 800
Cross-currency swaps	1 779	2 249	24 733	–	3 664	21 738
Total derivatives held for risk management	2 142	4 863		122	5 980	
Maturity analysis	2 142	4 863		122	5 980	
Derivatives held for economic hedging	242	1 445		40	1 474	
Non-current	1	684		6	911	
Current	241	761		34	563	
Derivatives held for cash flow hedging	1 900	3 418		82	4 506	
Non-current	1 779	589		–	3 665	
Current	121	2 829		82	841	

The hedging practices and accounting treatment are disclosed in note 2.11.3 in the accounting policies (refer page 26).

The group uses forward exchange contracts, cross-currency swaps and interest rate swaps for cash flow hedging. Only the changes in cash flows attributable to movements in the spot exchange rates are hedged.

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

During the year a R14 million loss (2011: R6 million gain) was recognised in profit or loss as ineffectiveness arising from cash flow hedges. There were no transactions for which cash flow hedge accounting had to be ceased in the current or comparative financial years as a result of highly probable cash flows no longer being expected to occur.

15. Derivatives held for risk management *(continued)*

Cash flow hedges

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

	Carrying amount Rm	Undis-counted cash flows Rm	0 to 3 months Rm	4 to 12 months Rm	1 to 5 years Rm	More than 5 years Rm
2012						
Group and company						
Forward exchange contracts						
Assets	121	79	24	55	–	–
Liabilities	(686)	(1 026)	(120)	(906)	–	–
Interest rate swaps						
Liabilities	(483)	(770)	(31)	(81)	(281)	(377)
Cross-currency swaps						
Assets	1 779	6 642	–	–	(2 319)	8 961
Liabilities	(2 249)	(2 804)	(76)	(2 947)	(407)	626
	(1 518)	2 121	(203)	(3 879)	(3 007)	9 210
2011						
Group and company						
Forward exchange contracts						
Assets	82	(4 277)	(382)	(3 895)	–	–
Liabilities	(612)	(19 895)	(3 164)	(16 731)	–	–
Interest rate swaps						
Liabilities	(230)	(463)	(31)	(82)	(70)	(280)
Cross-currency swaps						
Liabilities	(3 664)	(2 376)	(87)	(1 479)	(5 878)	5 068
	(4 424)	(27 011)	(3 664)	(22 187)	(5 948)	4 788

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

15. Derivatives held for risk management *(continued)*

Gains or losses recognised in the hedging reserve in equity are first recognised in the initial cost carrying amount of the asset or liability when the forecast transaction results in the recognition of a non-financial asset or non-financial liability. Therefore, gains and losses recognised in the hedging reserve in equity will affect profit or loss in the periods during which the relevant non-financial assets are depreciated or finance cost is recognised for the relevant financial liability. The periods in which the cash flows associated with derivatives are expected to impact profit or loss are:

	Carrying amount Rm	Undis-counted cash flows Rm	0 to 3 months Rm	4 to 12 months Rm	1 to 5 years Rm	More than 5 years Rm
2012						
Group and company						
Forward exchange contracts						
Assets	121	79	24	55	–	–
Liabilities	(686)	443	(120)	(906)	81	1 388
Interest rate swaps						
Liabilities	(483)	(770)	(31)	(81)	(281)	(377)
Cross-currency swaps						
Assets	1 779	6 642	–	–	(2 319)	8 961
Liabilities	(2 249)	(2 804)	(76)	(2 947)	(407)	626
	(1 518)	3 590	(203)	(3 879)	(2 926)	10 598
2011						
Group and company						
Forward exchange contracts						
Assets	82	(4 277)	(382)	(3 895)	–	–
Liabilities	(652)	(19 935)	(3 164)	(16 740)	(9)	(22)
Interest rate swaps						
Liabilities	(230)	(463)	(31)	(82)	(70)	(280)
Cross-currency swaps						
Liabilities	(3 664)	(2 376)	(87)	(1 479)	(5 878)	5 068
	(4 464)	(27 051)	(3 664)	(22 196)	(5 957)	4 766

16. Finance lease receivables

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Gross receivables	1 343	1 432	1 343	1 432
Unearned finance income	(773)	(847)	(773)	(847)
Present value of minimum lease payments	570	585	570	585
Maturity analysis of gross receivables from finance leases				
Due within one year	88	90	88	90
Due between one and five years	345	349	345	349
Due after five years	910	993	910	993
	1 343	1 432	1 343	1 432
Future finance charges	(773)	(847)	(773)	(847)
	570	585	570	585
Maturity analysis of net investment in finance leases				
Non-current	555	570	555	570
Due between one and five years	78	72	78	72
Due after five years	477	498	477	498
Current				
Due within one year	15	15	15	15
	570	585	570	585
The finance lease receivables are raised in terms of IFRIC 4 *Determining whether an arrangement contains a lease.*				
Average implicit rate (%)	13	13	13	13

	2012 Payments to suppliers Rm	2012 Environ-mental rehabili-tation trust fund Rm	2012 Total Rm	2011 Total Rm
17. Payments made in advance				
Group				
Balance at beginning of the year	3 973	74	4 047	4 269
Transfer to profit or loss	(208)	–	(208)	(296)
Transfer to the statement of financial position	(2 363)	–	(2 363)	(3 438)
Payments during the year	2 097	18	2 115	3 512
	3 499	92	3 591	4 047
Maturity analysis	3 499	92	3 591	4 047
Non-current	1 968	92	2 060	2 396
Current	1 531	–	1 531	1 651
Company				
Balance at beginning of the year	3 940	74	4 014	4 240
Transfer to profit or loss	(207)	–	(207)	(296)
Transfer to the statement of financial position	(2 363)	–	(2 363)	(3 438)
Payments during the year	2 081	18	2 099	3 508
	3 451	92	3 543	4 014
Maturity analysis	3 451	92	3 543	4 014
Non-current	1 892	92	1 984	2 387
Current	1 559	–	1 559	1 627

Payments made in advance

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

Environmental rehabilitation trust fund

Payments made in advance also include contributions made by Eskom to an environmental rehabilitation trust fund. The fund was established to fund Eskom's financial obligation in respect of the rehabilitation of certain coal mines from which Eskom sources its coal for the generation of electricity. Eskom's access to the fund assets is restricted as the Department of Energy will only release the funds once a mine closure certificate is obtained.

		Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
18.	**Trade and other receivables**					
	Financial instruments	3.1.2	14 366	11 373	13 208	9 480
	Trade receivables		14 834	11 859	14 603	11 541
	Other receivables		2 878	2 369	1 924	775
	Allowance for impairment of trade and other receivables	3.1.2(g)	(3 346)	(2 855)	(3 319)	(2 836)
	Non-financial instruments					
	Value added tax receivable		280	105	147	102
	Total trade and other receivables		14 646	11 478	13 355	9 582
	Maturity analysis		14 646	11 478	13 355	9 582
	Non-current		333	525	28	14
	Current		14 313	10 953	13 327	9 568
19.	**Inventories**					
	Coal		3 798	3 709	3 798	3 709
	Nuclear fuel		1 217	1 029	1 217	1 029
	Maintenance spares and consumables		4 915	4 166	4 784	4 071
			9 930	8 904	9 799	8 809

The group and company reversed R1 million of a previous inventory writedown (2011: R7 million). The amount reversed has been included in *net impairment loss* in profit or loss (refer to note 32).

20. Service concession arrangements

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

Mali

Eskom Energie Manantali (EEM) entered into an operation and maintenance agreement with La Société de Gestion de L'Energie de Manantali (SOGEM) in 2001 to operate and maintain a 200MW hydro-electricity facility in Mali and supply power to the national electrical companies in Mali, Senegal and Mauritania. The dam, hydro-electric generating plant and eastern and western transmission networks together constitute the energy assets in terms of the agreement. The concession period is 15 years (ending December 2017).

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

During the current financial year, the settlement agreement with SOGEM was extended to 31 July 2012. Under the addendum to the settlement agreement, SOGEM will continue to find a new operator for the concession, and EEM will exit the arrangement.

Based on the above, it is management's determination that the assets of EEM continue to constitute non-current assets held-for-sale in terms of IFRS 5, and therefore the operation has been classified as a discontinued operation. Refer to note 22.

Due to a coup in Mali over the reporting period, the auditors could not express an opinion on the results of EEM for the current year end. The reported results are based on management's best estimate and are not considered to be material for the group.

Uganda

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

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

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

	2012		2011	
	Continuing operation Eskom Uganda Rm	Discontinued operation Eskom Manantali Rm	Continuing operation Eskom Uganda Rm	Discontinued operation Eskom Manantali Rm
Income statements				
Revenue	133	87	121	112
Profit/(loss) for the year before tax	11	(3)	9	(56)
Income tax	(3)	–	(1)	–
Profit/(loss)for the year after tax	8	(3)	8	(56)
Statement of financial position				
Property, plant and equipment	72	3	–	–
Intangible assets	–	–	51	–
Inventories	17	7	14	4
Trade and other receivables[1]	34	249	11	618
Cash and cash equivalents	26	125	36	63
Total assets	149	384	112	685
Provisions	11	201	8	128
Borrowings	19	–	16	–
Trade and other payables[1]	28	274	14	732
Other liabilities	1	–	6	–
Total liabilities	59	475	44	860

1. *Includes concession debtors of nil (2011: R618 million) which relates to amounts to be collected by EEM on behalf of SOGEM which will settle the outstanding amount included in trade and other payables.*

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
21. Share capital				
Authorised				
1 000 ordinary shares of R1 each	1 000	1 000	1 000	1 000
Issued				
1 ordinary share of R1	1	1	1	1

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

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

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

Indirectly held subsidiary – Eskom Energie Manantali (EEM)

During the current financial year, the settlement agreement with SOGEM was extended to 31 July 2012. Under the addendum to the settlement agreement, SOGEM will continue to find a new operator for the concession, and EEM will exit the arrangement.

Based on the above, it is management's determination that the assets of EEM continue to constitute non-current assets held-for-sale in terms of IFRS 5.

Due to a coup in Mali over the reporting period, the auditors could not express an opinion on the results of EEM for the current year end. The reported results are based on management's best estimate and are not considered to be material for the group.

Details regarding EEM can be found under service concession arrangements. Refer to note 20.

A consolidated analysis of the results of these discontinued operations, and the result recognised on the remeasurement of assets is:

	2012 Roshcon assets Rm	2012 Aviation assets Rm	2012 Eskom Manantali Rm	2012 Total Rm	2011 Total Rm
Income statements					
Revenue	–	–	87	87	112
Employee benefit expense	–	–	(37)	(37)	(28)
Net impairment loss	–	–	(20)	(20)	(106)
Depreciation and amortisation expense	–	–	(9)	(9)	(4)
Other operating expenses	–	–	(44)	(44)	(17)
Operating loss before net fair value loss and net finance income/(cost)	–	–	(23)	(23)	(43)
Other income	–	–	13	13	–
Net fair value loss on financial instruments, excluding embedded derivatives	–	–	–	–	(10)
Operating loss before net finance income/(cost)	–	–	(10)	(10)	(53)
Finance income	–	–	7	7	–
Finance cost	–	–	–	–	(3)
Loss before tax	–	–	(3)	(3)	(56)
Income tax	–	–	–	–	–
Loss for the year from discontinued operations	–	–	(3)	(3)	(56)

22. Non-current assets and liabilities held-for-sale *(continued)*

	2012 Roshcon assets[1] Rm	2012 Aviation assets Rm	2012 Eskom Manantali Rm	2012 Total Rm	2011 Total Rm
Statements of cash flows					
Operating cash flows	–	–	42	42	(4)
Investing cash flows	–	–	–	–	(10)
Financing cash flows	–	–	20	20	43
Total cash flows	–	–	62	62	29
Statements of financial position					
Assets					
Non-current assets					
Property, plant and equipment	38	16	3	57	19
Current assets	–	–	381	381	685
Trade and other receivables	–	–	249	249	618
Inventories	–	–	7	7	4
Cash and cash equivalents	–	–	125	125	63
Total assets	38	16	384	438	704
Liabilities					
Current liabilities	–	–	475	475	860
Trade and other payables	–	–	274	274	732
Provisions	–	–	201	201	128
Total liabilities	–	–	475	475	860

Accounting classifications and fair values

The classification of each class of financial assets and liabilities for all discontinued operations, and their fair values are:

	Held-for-trading Rm	Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Liabilities at amortised cost Rm	Other assets and liabilities Rm	Total carrying amount Rm	Fair value Rm
2012								
Financial assets	–	–	374	–	–	–	374	374
Trade and other receivables	–	–	249	–	–	–	249	249
Cash and cash equivalents	–	–	125	–	–	–	125	125
Financial liabilities								
Trade and other payables	–	–	–	–	274	–	274	274
2011								
Financial assets	–	–	681	–	–	–	681	681
Trade and other receivables	–	–	618	–	–	–	618	618
Cash and cash equivalents	–	–	63	–	–	–	63	63
Financial liabilities								
Trade and other payables	–	–	–	–	732	–	732	732

1. *This relates to yellow plant assets which will no longer be required as no new large construction contracts will be entered into.*

23. Deferred income

	Group and company 2012 Government grant Rm	Group and company 2012 Capital contributions received from customers Rm	Group and company 2012 Total Rm	2011 Total Rm
Group and company				
Balance at beginning of the year	6 496	2 537	9 033	7 378
Additions and transfers	1 571	186	1 757	2 106
Income recognised	(398)	(123)	(521)	(451)
Balance at end of the year	7 669	2 600	10 269	9 033
Maturity analysis	7 669	2 600	10 269	9 033
Non-current	7 126	2 486	9 612	8 395
Current	543	114	657	638

	Note	Group and company 2012 Rm	2011 Rm
The total income for the group and company of R521 million (2011: R451 million) is disclosed in profit or loss in the following categories:			
Depreciation and amortisation expense	31	(398)	(343)
Other revenue		(123)	(108)
		(521)	(451)

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

Capital contributions received from customers
Contributions relating to the construction of electricity network assets were paid in advance by electricity customers.

24. Employee benefit obligations

	2012 Post-retirement medical benefits Rm	2012 Gratuities Rm	2012 Leave Rm	2012 Annual and performance bonus Rm	2012 Total Rm	2011 Total Rm
Group						
Balance at beginning of the year	7 542	9	1 336	1 484	10 371	9 777
Total expense charged to profit or loss and other comprehensive income	1 025	3	552	2 073	3 653	2 650
Provision used	(234)	(2)	(340)	(1 834)	(2 410)	(2 056)
Balance at end of the year	8 333	10	1 548	1 723	11 614	10 371
Maturity analysis	8 333	10	1 548	1 723	11 614	10 371
Non-current	8 068	10	482	–	8 560	7 748
Current	265	–	1 066	1 723	3 054	2 623
Company						
Balance at beginning of the year	7 374	–	1 249	1 412	10 035	9 454
Total expense charged to profit or loss and other comprehensive income	1 008	–	513	1 992	3 513	2 554
Provision used	(231)	–	(329)	(1 763)	(2 323)	(1 973)
Balance at end of the year	8 151	–	1 433	1 641	11 225	10 035
Maturity analysis	8 151	–	1 433	1 641	11 225	10 035
Non-current	7 891	–	473	–	8 364	7 547
Current	260	–	960	1 641	2 861	2 488

The total charge in profit or loss and other comprehensive income is disclosed in the following categories:

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Post-retirement medical benefits	24.1	1 025	570	1 008	550
Gratuities	24.2	3	1	–	–
Leave	24.3	552	425	513	419
Annual and performance bonus	24.4	2 073	1 646	1 992	1 585
Pension benefits	24.5	1 551	1 330	1 465	1 245
		5 204	3 972	4 978	3 799

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
24. Employee benefit obligations *(continued)*					
24.1 Post-retirement medical benefits					
The group has anticipated expenditure in terms of continued contributions to medical aid subscriptions in respect of qualifying employees who retire. The estimated present value of the anticipated expenditure for both in-service and retired members was calculated by independent actuaries.					
The amounts recognised in profit or loss and other comprehensive income are:					
Current service cost		329	352	327	332
Finance cost		716	626	701	626
Net actuarial gain recognised for the year		(20)	(408)	(20)	(408)
		1 025	570	1 008	550
The charge is disclosed in profit or loss in the following categories:					
Employee benefit expense	30	329	352	327	332
Finance cost	37	716	626	701	626
The actuarial gain is disclosed in other comprehensive income in the following category:					
Net actuarial gain recognised for the year		(20)	(408)	(20)	(408)
		1 025	570	1 008	550
Cumulative net actuarial gain recognised in other comprehensive income		(107)	(87)	(107)	(87)

	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Group					
Present value of unfunded obligations	8 333	7 542	7 190	6 238	5 262
Gain/(loss) experience adjustment	240	(24)	(284)	(47)	(100)
Company					
Present value of unfunded obligations	8 151	7 374	7 033	6 103	5 447
Gain/(loss) experience adjustment	240	(24)	(284)	(47)	(100)

The expected current service cost for the 2013 financial year end is estimated at R414 million for group and R409 million for company.

Refer to note 4(b) for the sensitivity analysis and principal actuarial assumptions used.

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
24. Employee benefit obligations *(continued)*					
24.2 Gratuities					
The estimated cost of gratuities is accounted for over the potential working life of the qualifying employees based on the assessment by independent actuaries, which takes into account the probability of employees remaining in the applicable group company's employment.					
The total charge is disclosed in profit or loss in the following category:					
Employee benefit expense	30	3	1	–	–
24.3 Leave					
The group recognises a liability for occasional and service leave as the leave is of a long-term nature (refer to note 4c).					
The total charge is disclosed in profit or loss in the following category:					
Employee benefit expense	30	552	425	513	419
24.4 Annual and performance bonus					
The annual bonus equals one month's salary for employees on Tuned Assessment of Skills and Knowledge (TASK) grading levels 1 to 13. Employees on TASK grading levels 14 to 26 can choose to spread their bonus amount over the year or take it as a 13th cheque. The performance bonus is based on the performance of the company and employees.					
The total charge is disclosed in profit or loss in the following category:					
Employee benefit expense	30	2 073	1 646	1 992	1 585

		Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
24.	**Employee benefit obligations** *(continued)*					
24.5	**Pension benefits**					
	The amounts recognised in profit or loss are:					
	Contributions	30	1 551	1 330	1 465	1 245
	The total charge is included in *employee benefit expense* in profit or loss.					
	The net benefit asset at the reporting date is not accounted for in the financial statements. The rules of the Eskom Pension and Provident Fund state that any deficit on the valuation of the fund will be funded by increases in future contributions or reductions in benefits. If there is a substantial surplus on the valuation of the fund, future contributions may be decreased or benefits may be improved as determined by the trustees of the fund.					
	The Eskom Pension and Provident Fund is registered in terms of the Pension Funds Act, 1956 as amended. All employees are members of the fund. Contributions comprise 20.8% of pensionable emoluments of which members pay 7.3%. The assets of the fund are held separately from those of the group in respect of funds under the control of the trustees.					
	The fund was actuarially valued on the IAS 19 *Employee benefits basis* on 31 March 2012 (previous valuation at 31 March 2011). The actuarial present value of retirement benefits at 31 March 2012 was R63 561 million (2011: R59 191 million), while the fair value of the fund's assets was R75 536 million (2011: R66 861 million).					
	The principal actuarial assumptions used were:					
	Long-term investment return before tax (%)		9.10	9.50	9.10	9.50
	Future general salary increases (%)		7.10	7.50	7.10	7.50
	Future pension increases (inflation) (%)		5.60	6.00	5.60	6.00
	In-service mortality		Adjusted PA(90) tables rated down by two years	Per experience analysis	Adjusted PA(90) tables rated down by two years	Per experience analysis
	Pensioner mortality		Adjusted PA(90) tables rated down by one year	Per experience analysis	Adjusted PA(90) tables rated down by one year	Per experience analysis

25. Provisions

	Note	2012 Power station-related environmental restoration – nuclear plant[1] Rm	2012 Power station-related environmental restoration – other generating plant[2] Rm	2012 Mine-related closure, pollution control and rehabilitation[3] Rm	2012 Other[4] Rm	2012 Total Rm	2011 Total Rm
Group							
Balance at beginning of the year		4 470	3 867	2 037	2 522	12 896	8 343
Provision raised for the year		156	418	229	1 633	2 436	3 522
Raised to the income statement		–	199	2	1 633	1 834	1 940
Capitalised to property, plant and equipment		145	219	–	–	364	1 361
Capitalised to inventory		11	–	69	–	80	65
Capitalised to future fuel		–	–	158	–	158	156
Finance cost		802	446	210	–	1 458	1 340
Unwinding of discount	37	538	446	205	–	1 189	1 012
Change in discount rate applied to provision	37	264	–	5	–	269	328
Transfer to non-current assets held-for-sale		–	–	–	–	–	(253)
Transfer on common control transaction		–	–	–	53	53	–
Provisions used		–	–	–	(25)	(25)	(56)
Balance at end of the year		5 428	4 731	2 476	4 183	16 818	12 896
Maturity analysis		5 428	4 731	2 476	4 183	16 818	12 896
Non-current		5 428	4 731	2 476	105	12 740	10 343
Current		–	–	–	4 078	4 078	2 553
Company							
Balance at beginning of the year		4 470	3 867	2 037	2 024	12 398	7 590
Provision raised for the year		156	418	229	1 696	2 499	3 490
Raised to the income statement		–	199	2	1 696	1 897	1 908
Capitalised to property, plant and equipment		145	219	–	–	364	1 361
Capitalised to inventory		11	–	69	–	80	65
Capitalised to future fuel		–	–	158	–	158	156
Finance cost		802	446	210	–	1 458	1 340
Unwinding of discount	37	538	446	205	–	1 189	1 012
Change in discount rate applied to provision	37	264	–	5	–	269	328
Provisions used		–	–	–	(16)	(16)	(22)
Balance at end of the year		5 428	4 731	2 476	3 704	16 339	12 398
Maturity analysis		5 428	4 731	2 476	3 704	16 339	12 398
Non-current		5 428	4 731	2 476	3	12 638	10 307
Current		–	–	–	3 701	3 701	2 091

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

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
26. Finance lease liabilities				
Gross finance lease liabilities to subsidiaries	–	–	491	652
Other gross finance lease liabilities	1 569	1 699	1 568	1 696
Gross finance lease liabilities	1 569	1 699	2 059	2 348
Future finance charges on finance leases	(1 048)	(1 170)	(1 182)	(1 446)
Present value of finance lease liabilities	521	529	877	902
Maturity analysis of gross lease liability				
Due within one year	103	131	175	217
Due between one and five years	404	381	697	729
Due after five years	1 062	1 187	1 187	1 402
	1 569	1 699	2 059	2 348
Future finance charges	(1 048)	(1 170)	(1 182)	(1 446)
	521	529	877	902
Maturity analysis of net lease liability				
Non-current	511	521	826	865
Due between one and five years	54	47	258	222
Due after five years	457	474	568	643
Current				
Due within one year	10	8	51	37
	521	529	877	902
The finance lease liabilities are raised in terms of IFRIC 4 *Determining whether an arrangement contains a lease.*				
Average implicit interest rate or incremental borrowing rate (%)	18	18	18	18
27. Trade and other payables				
Trade and other payables	16 246	15 696	16 151	15 186
Accruals	7 603	2 851	7 541	2 370
Deposits	1 609	1 345	1 609	1 345
	25 458	19 892	25 301	18 901
Maturity analysis	25 458	19 892	25 301	18 901
Non-current	1 971	1 508	1 263	859
Current	23 487	18 384	24 038	18 042
Non-current trade and other payables consist mainly of retention payables that are payable after 12 months.				
28. Payments received in advance				
Upfront capital contributions	3 441	1 900	3 441	1 900
Grant funding	296	280	296	280
Other	760	727	749	718
	4 497	2 907	4 486	2 898
Maturity analysis	4 497	2 907	4 486	2 898
Non-current	1 844	1 686	1 844	1 686
Current	2 653	1 221	2 642	1 212
Payments received in advance are allocated to deferred income when the related assets have been placed in commercial operation (refer to note 2.18).				
29. Revenue				
Electricity revenue	112 999	90 375	112 999	90 375
Other revenue, excluding electricity revenue	1 761	1 072	538	498
	114 760	91 447	113 537	90 873

		Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
30.	**Employee benefit expense**					
	Salaries and other staff costs		16 953	14 880	15 640	13 738
	Post-retirement medical aid benefits	24.1	329	352	327	332
	Gratuities	24.2	3	1	–	–
	Leave	24.3	552	425	513	419
	Annual and performance bonus	24.4	2 073	1 646	1 992	1 585
	Pension benefits	24.5	1 551	1 330	1 465	1 245
	Direct training and development		295	241	284	226
	Temporary and contract staff costs		2 606	1 505	1 730	1 500
			24 362	20 380	21 951	19 045
	Employee benefit expense capitalised to property, plant and equipment		(4 230)	(3 685)	(4 229)	(3 685)
			20 132	16 695	17 722	15 360
31.	**Depreciation and amortisation expense**					
	Depreciation of property, plant and equipment	6	8 846	7 290	8 746	7 154
	Amortisation of intangible assets	7	353	272	333	248
	Deferred income recognised (government grant on electrification)	23	(398)	(343)	(398)	(343)
			8 801	7 219	8 681	7 059
32.	**Net impairment loss**					
	Impairment		633	809	606	755
	Property, plant and equipment	6	6	118	–	71
	Inventories		2	2	2	2
	Loans receivable		12	2	–	–
	Trade and other receivables (net of reversals)	3.1.2 (g)	613	687	604	682
	Reversal		(1)	(11)	(1)	(11)
	Property, plant and equipment	6	–	(4)	–	(4)
	Inventories	19	(1)	(7)	(1)	(7)
	Bad debts recovered		(12)	(10)	(12)	(10)
			620	788	593	734
33.	**Other operating expenses**					
	Managerial, technical and other fees		2 289	2 561	2 274	2 488
	Research and development		188	199	188	199
	Operating lease expense		804	321	362	261
	Auditors' remuneration[1]		103	86	83	67
	Net loss on disposal of property, plant and equipment		3	–	–	–
	Repairs and maintenance, transport and other expenses		11 822	8 903	16 577	11 613
			15 209	12 070	19 484	14 628
34.	**Other income**					
	Insurance proceeds		–	–	1 384	449
	Management fee income		3	–	725	635
	Government grant		107	1	107	1
	Net surplus on disposal of property, plant and equipment		–	52	32	68
	Operating lease income		160	199	172	207
	Dividend income		30	26	13	15
	Sale of scrap		118	111	118	111
	Other income		281	198	439	202
			699	587	2 990	1 688

1. *There were no non-audit services rendered by the group's statutory auditors.*

		Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
35.	**Net fair value loss on financial instruments, excluding embedded derivatives**					
	Gain on financial trading assets held-for-trading		(138)	(655)	(137)	(580)
	Gain on financial trading liabilities held-for-trading		–	(46)	–	(46)
	Loss on financial trading assets held-for-trading		76	7	76	7
	Loss on financial trading liabilities held-for-trading		87	293	87	293
	Net (gain)/loss on derivatives held for risk management[1]		(1 052)	2 934	(1 052)	2 932
	Net loss/(gain) on other financial assets held-for-trading		1	(14)	1	(14)
	Net loss/(gain) on financial liabilities measured at amortised cost		3 400	(697)	3 400	(699)
	Ineffective portion of changes in fair value of cash flow hedges		14	(6)	14	(6)
	Net loss on financial instruments with group companies		–	–	1	–
			2 388	1 816	2 390	1 887
36.	**Finance income**					
	Loans and receivables		1 807	1 493	1 743	1 445
	Available-for-sale financial assets		1 667	871	1 500	702
	Interest received from subsidiaries		–	–	259	206
	Interest earned on finance lease receivables		62	72	62	72
			3 536	2 436	3 564	2 425
37.	**Finance cost**					
	Debt securities issued		8 030	6 048	7 987	6 048
	Borrowings		348	6 545	245	6 383
	Interest expense		2 367	1 816	2 264	1 654
	Subordinated loan from shareholder		3 453	2 248	3 453	2 248
	Remeasurement of shareholder loan		(5 472)	2 481	(5 472)	2 481
	Derivatives held for risk management					
	Interest rate and cross-currency swaps		1 733	1 041	1 733	1 041
	Borrowing costs capitalised to property, plant and equipment	6	(4 999)	(8 589)	(4 999)	(8 589)
	Unwinding of discount		2 025	1 710	2 010	1 710
	Post-retirement medical benefit	24.2	716	626	701	626
	Provisions	25	1 189	1 012	1 189	1 012
	Trade and other payables		120	72	120	72
	Change in discount rate of provisions	25	269	328	269	328
	Interest paid to subsidiaries		–	–	81	119
	Interest paid on finance lease liabilities		93	94	149	155
			7 499	7 177	7 475	7 195

1. *Includes forward exchange contract premium of R2 230 million (2011: R2 257 million) for the company.*

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
38. Income tax					
Current tax		179	124	–	–
Secondary tax on companies		1	–	–	–
Deferred tax	12	4 976	3 137	5 030	3 116
Reversal of temporary differences		2 763	1 688	2 823	1 662
Tax losses		2 213	1 449	2 207	1 454
Total income tax in profit or loss		5 156	3 261	5 030	3 116

	2012 Before tax Rm	2012 Tax Rm	2012 Net of tax Rm	2011 Before tax Rm	2011 Tax Rm	2011 Net of tax Rm
Income tax recognised in other comprehensive income						
Group						
Available-for-sale financial assets	231	(65)	166	(40)	11	(29)
Cash flow hedges	3 093	(845)	2 248	(785)	552	(233)
Effective portion of changes in fair value	3 552	(974)	2 578	(1 031)	621	(410)
Net amount transferred to initial carrying amount of hedged items	(459)	129	(330)	246	(69)	177
Foreign currency translation differences	74	–	74	(33)	–	(33)
Net actuarial loss on post-retirement medical aid benefits	20	(6)	14	408	(115)	293
	3 418	(916)	2 502	(450)	448	(2)
Company						
Available-for-sale financial assets	233	(65)	168	(36)	10	(26)
Cash flow hedges	3 093	(845)	2 248	(785)	552	(233)
Effective portion of changes in fair value	3 552	(974)	2 578	(1 031)	621	(410)
Net amount transferred to initial carrying amount of hedged items	(459)	129	(330)	246	(69)	177
Net actuarial loss on post-retirement medical aid benefits	20	(6)	14	408	(115)	293
	3 346	(916)	2 430	(413)	447	34

	Group 2012 %	Group 2011 %	Company 2012 %	Company 2011 %
Reconciliation of effective tax rate				
Taxation as a percentage of profit before tax	28.00	27.93	28.31	28.15
Taxation effect of:	–	–	–	–
Exempt income	0.36	0.07	0.10	0.12
Expenses not deductible for tax purposes	(0.48)	(0.98)	(0.41)	(0.64)
Other	0.12	0.98	–	0.37
Standard tax rate	28.00	28.00	28.00	28.00

		Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
39.	**Cash generated from operations**				
	Profit before tax	18 407	11 673	17 766	11 067
	Adjustments for:	19 911	19 265	19 820	19 215
	Depreciation and amortisation expense	8 801	7 219	8 681	7 059
	Depreciation expense – primary energy	13	14	13	14
	Amortisation and write-offs of future fuels	2	10	2	10
	Net impairment loss (excluding bad debts recovered)	632	798	605	744
	Net fair value loss on financial instruments including embedded derivatives	2 054	3 077	2 056	3 148
	Net loss/(surplus) on disposal of property, plant and equipment	3	(52)	(32)	(68)
	Dividend income	(30)	(26)	(13)	(15)
	Increase in provisions	4 791	4 228	4 729	4 108
	Decrease in deferred income	(123)	(108)	(123)	(108)
	Payments made in advance recognised in profit or loss	208	296	207	296
	Payments received in advance recognised in profit or loss	(228)	(819)	(228)	(747)
	Other non-cash items	12	4	12	4
	Finance income	(3 536)	(2 436)	(3 564)	(2 425)
	Finance cost	7 499	7 177	7 475	7 195
	Share of profit of equity-accounted investees	(41)	(24)	–	–
	Non-current assets held-for-sale	(146)	(93)	–	–
		38 318	30 938	37 586	30 282
	Changes in working capital	351	(2 293)	964	(2 435)
	Increase in payments made in advance	(2 115)	(3 512)	(2 099)	(3 508)
	Increase in inventories	(453)	(721)	(417)	(694)
	Increase in trade and other receivables	(3 937)	(2 871)	(4 360)	(1 981)
	Decrease in loans receivable	9	643	–	549
	Increase in trade and other payables	5 708	3 322	6 606	2 240
	Expenditure incurred on provisions	(2 435)	(2 108)	(2 339)	(1 995)
	Increase in payments received in advance	3 574	2 954	3 573	2 954
		38 669	28 645	38 550	27 847

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
40. Guarantees and contingent liabilities				
Eskom issues guarantees for strategic and business purposes to facilitate other business transactions.				
40.1 Financial guarantees				
(a) Long-term debt raised by Motraco				
Mozambique Transmission Company SARL (Motraco), a private joint venture company between Eskom, Electricidade de Mocambique and Swaziland Electricity Board, owns transmission lines connecting the South African, Mozambican and Swaziland national grids to establish a secure source of electrical power for the Mozal aluminium smelter in Maputo, Mozambique.				
Eskom has guaranteed the long-term debt raised by Motraco. At 31 March 2012 the outstanding amount was USD21 million (2011: USD23 million), which translates into R159 million (2011: R156 million). The loans of USD21 million mature on 6 September 2019. The guarantees would be triggered if Motraco was unable to meet its obligations in terms of the long-term debt.				
The risk of default resulting from the political risk in Mozambique is mitigated through a guarantee arranged with an established international insurance company, which specialises in facilitating investments in high risk, low income countries.				
The risk adjusted credit exposure of Motraco is calculated by applying a rating agency's annual default probabilities. Applying the default probability of 0.21% (2011: 0.23%), the financial liability in respect of these guarantees is calculated as nil at 31 March 2012 (2011: R1 million). This amount has been raised as a provision, and is included in *other provisions* (refer to note 25).				
The default probability trend into the future is seen to be positive, and changes in variables will not have a significant impact on profit or loss.				
No payments have been made in terms of these guarantees since their inception in 1999.				
The unprovided portion, disclosed as a contingent liability, amounted to	159	155	159	155

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
40. Guarantees and contingent liabilities *(continued)*				
40.1 Financial guarantees *(continued)*				
(b) EFC loans to Eskom group employees				
Eskom Finance Company SOC Limited (EFC) has granted loans (secured by mortgage bonds on the properties) to employees of the Eskom group. Eskom Holdings SOC Limited has issued guarantees to EFC to the extent to which the loan values of employees exceed the current value of the mortgage security. At 31 March 2012 the guaranteed amounts were R911 million (2011: R481 million).				
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. The default probability for the unsecured portion of the EFC loan book (representing 10% of the loan book) is calculated at 27% (2011: 27%), while the secured portion of the loan book (90% of the loan book) is calculated at 0.01% (2011: 0.10%). Applying the combined default probability, the financial liability in respect of this guarantee is calculated at R1 million (2011: R1 million). This amount has been included as a provision in Eskom in the current year, and is included in *other provisions* (refer to note 25).				
Changes in variables will not have a significant impact on profit or loss.				
The unprovided portion, disclosed as a contingent liability, amounted to	–	–	910	480
Summary of financial guarantees				
Unprovided portion	159	155	1 069	635
Amounts provided in other provisions	1	1	1	2
Total financial guarantees	160	156	1 070	637
40.2 Other guarantees				
(a) Guarantees to SARS for customs duty				
Customs duty and import VAT are normally due upon declaration of imported goods at the port of entry (harbour or airport). The South African Revenue Services (SARS) allows Eskom up to a maximum of 37 days after declaration date before the customs duty and import VAT must be settled on the deferment account. SARS requires Eskom to provide a bank guarantee to secure the debt when it becomes due.				
All conditions of the deferral of the customs duty and import VAT have been met. The total amount disclosed as a contingent liability amounted to	183	183	183	183
(b) Eskom Pension and Provident Fund				
Eskom has indemnified the Eskom Pension and Provident Fund against any loss resulting from negligence, dishonesty or fraud by the fund's officers or trustees.				

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
40. Guarantees and contingent liabilities *(continued)*				
40.3 Other contingent liabilities				
(a) Legal claims				
Legal claims are in process against Eskom as a result of contractual disputes with various parties. On the basis of the evidence available it appears that no obligation is present. The claims are disclosed as a contingent liability and amounted to	58	350	58	337
41. Commitments				
41.1 Capital expenditure				
Estimated capital expenditure	201 599	281 064	197 833	278 966
Contracted	74 635	102 881	74 559	102 848
Approved, not yet contracted for	126 964	178 183	123 274	176 118
The expenditure is expected to be incurred as follows:	201 599	281 064	197 833	278 966
Due within one year	60 656	78 972	59 986	78 421
Due between one and five years	119 421	182 145	116 694	180 728
Due after five years	21 522	19 947	21 153	19 817
This expenditure will be financed through shareholder support, debt and internally generated funds.				
41.2 Operating leases				
As lessee				
The future minimum lease payments payable under non-cancellable operating leases are:	213	237	180	164
Due within one year	122	117	108	97
Due between one and five years	91	109	72	67
Due after five years	–	11	–	–
As lessor				
The future minimum lease payments receivable under non-cancellable operating leases are:	477	124	477	124
Due within one year	57	63	57	63
Due between one and five years	273	61	273	61
Due after five years	147	–	147	–

41.3 Supply of water

Eskom has entered into long-term agreements with the Department of Water Affairs to reimburse the department for the cost incurred in supplying water to Eskom. This cost is regarded as part of *primary energy* in profit or loss.

41.4 Coal

Eskom has entered into long-term agreements with suppliers for coal purchases. The annual cost of coal is regarded as part of *primary energy* in profit or loss.

42. Related-party transactions

The group is wholly owned by its shareholder, the government, represented by the Department of Public Enterprises.

Eskom (and its subsidiaries) constitute a schedule 2 public entity in terms of the Public Finance Management Act.

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

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

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

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

Key management personnel for Eskom include the group's board of directors and the executive management committee (Exco). Disclosure of related party transactions with key management personnel is included in note 45.

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
42. Related-party transactions *(continued)*					
The following transactions were carried out with related parties:					
Transactions					
Sales of goods and services[1]		58 684	46 763	61 041	47 675
National departments		452	441	449	378
Local government		52 580	41 640	52 580	41 640
Public entities		3 430	2 629	3 406	2 598
Eskom subsidiaries		–	–	2 384	1 007
Joint ventures in which Eskom is a partner		2 222	2 053	2 222	2 052
Government grant funding received for electrification					
National departments	23	1 571	1 506	1 571	1 506
Purchases of goods and services[2]		2 730	2 362	8 941	7 768
National departments		854	703	851	703
Public entities		318	314	300	286
Eskom subsidiaries		–	–	6 318	5 519
Joint ventures in which Eskom is a partner		7	15	7	15
Other related parties	30	1 551	1 330	1 465	1 245
Finance income		522	589	781	795
National departments		5	1	5	1
Public entities		517	588	517	588
Eskom subsidiaries	36	–	–	259	206
Finance cost		6 865	4 362	6 946	4 481
National departments	37	3 453	2 248	3 453	2 248
Public entities		3 412	2 114	3 412	2 114
Eskom subsidiaries	37	–	–	81	119
Lease income		50	58	61	65
Public entities		50	58	50	58
Eskom subsidiaries		–	–	11	7
Lease expenses		–	–	3	2
Public entities		–	–	–	–
Eskom subsidiaries		–	–	3	2
Finance lease finance cost					
Eskom subsidiaries		–	–	56	61
Environmental levy					
Public entities		6 208	4 972	6 208	4 972

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

	Note	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
42. Related-party transactions *(continued)*					
Outstanding balances (due by related parties)					
Receivables and amounts owed by related parties		16 312	8 724	16 848	9 105
National departments		68	30	54	21
Public entities		12 086	7 062	11 919	7 055
Local government		3 954	1 441	3 954	1 441
Eskom subsidiaries		–	–	717	397
Joint ventures in which Eskom is a partner		204	191	204	191
Payments made in advance to Eskom subsidiaries		–	–	107	117
Loans to Eskom subsidiaries	10	–	–	5 208	3 806
Indirect transactions – assets at nominal value					
National departments		9 662	13 692	9 662	13 692
Outstanding balances (due to related parties)					
Payables and amounts owed to related parties[1]		65 070	61 507	67 278	62 611
National departments		60 074	60 159	60 074	60 159
Borrowings		74	159	74	159
Subordinated loan from shareholder		60 000	60 000	60 000	60 000
Public entities		4 961	1 305	4 959	1 303
Eskom subsidiaries		–	–	2 210	1 106
Eskom Pension and Provident Fund		35	43	35	43
Loans from subsidiaries	10	–	–	1 305	1 462
Debt securities issued[2]		39 008	34 499	39 008	34 499
Indirect transactions – liabilities at nominal value					
National departments		614	–	614	–
Commitments					
Eskom does not have any significant commitments with its related parties.					
Guarantees					
Guarantees received		350 056	350 050	350 056	350 050
National departments		350 000	350 000	350 000	350 000
Committed		153 611	105 700	153 611	105 700
Uncommitted		196 389	244 300	196 389	244 300
Public entities[3]		56	50	56	50
Guarantees issued		342	339	1 252	819
National departments	40.2	183	183	183	183
Eskom subsidiaries	40.1	–	–	910	480
Joint ventures in which Eskom is a partner	40.1	159	156	159	156

43. Events after the reporting date

The board of directors is currently in the process of developing a project plan and strategy for the disposal of Eskom Finance Company SOC Limited, a wholly owned subsidiary in terms of a directive from the shareholder post 31 March 2012.

1. *Purchase transactions with related parties are at an arm's length basis with payment terms of 30 days from invoice date.*
2. *Bonds are bearer instruments and it is therefore unknown if the initial counterparty still holds the bonds.*
3. *The guarantees from state-owned enterprises are for future or unpaid electricity consumption accounts.*

44. Restatement of comparatives and change in accounting policies

Related parties

The revised IAS 24 *Related party disclosures* became effective during the current financial year. The revised IAS 24 provides government-related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the IAS 24 paragraph 26 exemption in respect of its relationship with public entities at the national and local government level. Related party disclosures were previously not separately provided for redistributors,which are at the local sphere of government, as the specific guidance from SAICA was applied, which allowed that where management deemed this to be appropriate, only related party disclosure at the national sphere needed to be provided. The revised IAS 24 requires that where management elects to use the exemption, transactions that are individually significant or individually insignificant but collectively significant should be quantitatively or qualitatively disclosed. As a result a quantitative indication of transactions with redistributors (ie municipalities) and entities in the national government sphere are accordingly disclosed (refer to note 42).

IAS 24 only provides disclosure requirements and not measurement requirements. Therefore, the revision to IAS 24 did not have an impact on amounts previously recognised in the group's financial statements.

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

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

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

Restatement of comparative information for the statements of cash flows

The comparative statements of cash flows have been reclassified to enhance disclosure regarding the movements in payments made and received in advance and to reflect financing raised and repaid through commercial paper as a net amount to better reflect the nature of the financing.

Restatement of accumulated profit at 31 March 2010

The amortisation period on the euro bond loan was restated resulting in an adjustment between cash flow hedge reserve and accumulated profit of R494 million.

Employee benefit obligations

Previously, employee benefit related obligations recognised in line with IAS 19 *Employee benefits* were not presented in the same line item on the statement of financial position. A reclassification of all employee related obligations is now presented in the same line item on the statement of financial position within *Employee benefit obligations* (refer to note 24). The 2010 statement of financial position has been disclosed as a result of the reclassification in line with the requirements of IAS 1 *Presentation of financial statements*, paragraph 10.

44. Restatement of comparatives and change in accounting policies *(continued)*

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

	Group			Company		
	Previously reported Rm	Adjustments Rm	Restated Rm	Previously reported Rm	Adjustments Rm	Restated Rm
Statement of financial position at 31 March 2011						
Liabilities						
Non-current liabilities	18 520	(429)	18 091	18 258	(404)	17 854
Retirement benefit obligations	7 317	(7 317)	–	7 140	(7 140)	–
Provisions	11 203	(860)	10 343	11 118	(811)	10 307
Employee benefit obligations	–	7 748	7 748	–	7 547	7 547
Current liabilities	23 131	429	23 560	22 217	404	22 621
Retirement benefit obligations	234	(234)	–	234	(234)	–
Provisions	4 021	(1 468)	2 553	3 503	(1 412)	2 091
Employee benefit obligations	–	2 623	2 623	–	2 488	2 488
Trade and other payables	18 876	(492)	18 384	18 480	(438)	18 042
Income statements for the year ended 31 March 2011						
Operating profit before net fair value loss and net finance cost	18 880	–	18 880	17 297	–	17 297
Other income	587	–	587	1 688	–	1 688
Net fair value loss on financial instruments, excluding embedded derivatives	(3 691)	1 875	(1 816)	(3 762)	1 875	(1 887)
Net fair value loss on embedded derivatives	(1 261)	–	(1 261)	(1 261)	–	(1 261)
Operating profit before net finance cost	14 515	1 875	16 390	13 962	1 875	15 837
Net finance cost	(2 866)	(1 875)	(4 741)	(2 895)	(1 875)	(4 770)
Finance income	2 436	–	2 436	2 425	–	2 425
Finance cost	(5 302)	(1 875)	(7 177)	(5 320)	(1 875)	(7 195)
Share of profit of equity-accounted investees, net of tax	24	–	24	–	–	–
Profit before tax	11 673	–	11 673	11 067	–	11 067
Income tax	(3 261)	–	(3 261)	(3 116)	–	(3 116)
Profit for the year from continuing operations	8 412	–	8 412	7 951	–	7 951
Loss for the year from discontinued operations	(56)	–	(56)	–		
Profit for the year	8 356	–	8 356	7 951	–	7 951

44. Restatement of comparatives and change in accounting policies *(continued)*

	Group			Company		
	Previously reported Rm	Adjustments Rm	Restated Rm	Previously reported Rm	Adjustments Rm	Restated Rm
Cash flow statements for the year ended 31 March 2011						
Cash flows from operating activities						
Cash generated from operations	28 275	370	28 645	27 384	463	27 847
Other net cash flows from operating activities	(5 991)	93	(5 898)	(5 739)	–	(5 739)
Net cash generated from operating activities	22 284	463	22 747	21 645	463	22 108
Cash flows from investing activities						
Increase in deferred income	463	(463)	–	463	(463)	–
Other net cash flows invested in investing activities	(46 458)	–	(46 458)	(44 921)	–	(44 921)
Net cash used in investing activities	(45 995)	(463)	(46 458)	(44 458)	(463)	(44 921)
Cash flows from financing activities						
Debt raised	78 758	(9 567)	69 191	71 101	(9 567)	61 534
Borrowings	32 614	(9 567)	23 047	24 957	(9 567)	15 390
Other debt raised	46 144	–	46 144	46 144	–	46 144
Debt repaid	(18 756)	9 567	(9 189)	(11 215)	9 567	(1 648)
Borrowings	(18 115)	9 567	(8 548)	(10 437)	9 567	(870)
Other debt raised	(641)	–	(641)	(778)	–	(778)
Other net cash flows from financing activities	(39 672)	–	(39 672)	(40 478)	–	(40 478)
Net cash from financing activities	20 330	–	20 330	19 408	–	19 408
Net decrease in cash and cash equivalents	(3 381)	–	(3 381)	(3 405)	–	(3 405)
Cash and cash equivalents at beginning of the year	15 541	–	15 541	14 871	–	14 871
Cash and cash equivalents attributable to non-current assets held-for-sale	(73)	–	(73)	–	–	–
Cash and cash equivalents at end of the year	12 087	–	12 087	11 466	–	11 466

45. Directors' remuneration[1]

Remuneration philosophy

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

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

The executive remuneration strategy is constantly reviewed to stay aligned with the Department of Public Enterprises remuneration guidelines and abreast with best practices.

People and governance committee

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

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

Non-executive directors

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

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

Executive management committee (Exco) members

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

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

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

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

Remuneration structure

The remuneration of the Exco members includes the following components:

Guaranteed amount

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

Short-term incentives

These reward the achievement of individual predetermined performance objectives and targets as set by the chief executive in performance contracts with each Exco member. The people and governance committee approves the targets set for the chief executive.

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

Long-term incentives

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

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

45. Directors' remuneration[1] *(continued)*

Long-term incentive scheme

A number of performance shares (award performance shares) were awarded to the Exco members on 1 April 2008, 2009, 2010 and 2011.

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

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

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

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

The following gatekeeper conditions trigger a review of vesting percentages:
- if the lost-time incident rate is greater than 0.45
- if the sustainability committee gives an unfavourable safety report
- if Eskom's audited annual financial statements show a financial loss
- if the auditors qualify Eskom's annual financial statements
- if a significant PFMA contravention occurs
- if enhancement of Eskom's reputation is not achieved

The vesting period for award performance shares is three years from the date of grant. At the end of that period, the people and governance committee decides the amounts to be paid in line with:
- the percentage of award performance shares that vest, based on the performance conditions achieved
- the value of the award performance shares based on the grant value, escalated at a money market rate

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

Share awards – vested

Award performance shares awarded on 1 April 2009 vested on 31 March 2012 with an expected vesting rate, due to the achievement of non-financial performance conditions over the three-year period of 58.50%. The cash value of the vested shares is payable in June 2012 at R1.22 per share based on the money market rate. Shares awarded on 1 April 2008 were redeemed during the year.

Shares vested on 31 March 2012 (with comparative status at 31 March 2011) are:

Name	Award performance shares vested on 31 March 2012 Number	Award performance shares vested on 31 March 2012 at a rate of 58.50% Number	Award performance shares payable at R1.22 per share R	Award performance shares vested on 31 March 2011 Number	Award performance shares vested on 31 March 2011 at a rate of 47.32% Number	Award performance shares redeemed in June at R1.29 per share R
BA Dames	2 680 713	1 568 217	1 913 225	2 122 050	1 004 154	1 295 359
PS O'Flaherty	693 000	405 405	494 594	–	–	–
BE Bulunga	311 850	182 432	222 567	–	–	–
T Govender	1 691 424	989 483	1 207 169	1 309 000	619 419	799 050
EL Johnson	2 325 960	1 360 687	1 660 038	1 642 200	777 089	1 002 445
SJ Lennon	1 877 818	1 098 524	1 340 199	1 715 834	811 933	1 047 394
DL Marokane	537 600	314 496	383 685	–	–	–
A Noah	1 797 558	1 051 571	1 282 917	1 642 200	777 089	1 002 445
MM Ntsokolo	2 214 871	1 295 700	1 580 753	2 025 057	958 257	1 236 151

45. Directors' remuneration *(continued)*

Share awards – vesting

The current estimated vesting values of the award performance shares are R1.19 per share for the 1 April 2010 awards (vesting 31 March 2013) and R1.19 for the April 2011 awards (vesting 31 March 2014). The value of the performance shares allocated does not take into account the impact of performance conditions over the applicable three-year performance periods. The vesting percentage of 50% and 50% for the 2010 and 2011 performance shares, respectively, are estimates.

The people and governance committee awarded the 1 April 2011 awards retrospectively on 25 May 2012. The performance shares awarded on 1 April 2009 and 1 April 2010 that were deferred pending the outcome of an investigation into the remuneration policy of State Owned Enterprises by the Department of Public Enterprises, were awarded by the board retrospectively on 31 May 2011.

	Shares awarded on 1 April 2011			Shares awarded on 1 April 2010		
Name	Outstanding award performance shares vesting on 31 March 2014 Number	Award performance shares vesting on 31 March 2014 at a rate of 50% Number	Award performance shares payable in June 2014 at R1.19 per share R	Outstanding award performance shares vesting on 31 March 2013 Number	Award performance shares vesting on 31 March 2013 at a rate of 50% Number	Award performance shares payable in June 2013 at R1.19 per share R
BA Dames	4 900 000	2 450 000	2 915 500	3 330 786	1 665 393	1 981 818
PS O'Flaherty	3 128 895	1 564 448	1 861 693	2 772 000	1 386 000	1 649 340
BE Bulunga	1 871 100	935 550	1 113 305	1 247 400	623 700	742 203
T Govender	2 072 022	1 036 011	1 232 853	1 801 367	900 683	1 071 813
EL Johnson	2 662 934	1 331 467	1 584 446	2 064 290	1 032 145	1 228 253
SJ Lennon	1 999 876	999 938	1 189 926	1 333 251	666 626	793 284
DL Marokane	2 519 731	1 259 866	1 499 240	2 150 400	1 075 200	1 279 488
TBL Molefe	1 734 385	867 192	1 031 959	–	–	–
A Noah	2 057 980	1 028 990	1 224 498	1 595 333	797 667	949 223
MM Ntsokolo	2 358 838	1 179 419	1 403 509	1 572 559	786 280	935 673

The details of the schemes are:

	Long-term incentive plan	Long-term incentive plan
Date of grant	1 April 2011	1 April 2010
Number of shares awarded	25 305 761	17 867 386
Contractual life	3 years	3 years
Vesting conditions	Variable vesting depending on the achievement of performance conditions	Variable vesting depending on the achievement of performance conditions
Method of settlement	Cash	Cash
Expected attrition of employee (%)	–	–
Expected outcome of performance conditions (%)	50%	50%

	Long-term incentive plan 2012 Number	Long-term incentive plan 2011 Number
Reconciliation of performance share movements		
Outstanding at beginning of the year	17 994 626	31 516 360
Granted during the year	31 998 180	–
Forfeited during the year	–	(963 286)
Settled during the year	(17 994 626)	(12 558 448)
Outstanding at end of the year	31 998 180	17 994 626
Carrying amount of liability (R'000)	16 692	10 984
Intrinsic value of liabilities relating to vested rights (R'000)	16 692	10 984

45. Directors' remuneration *(continued)*

Details of emoluments paid

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

Name	Directors' fees R'000	Salaries[1] R'000	Short-term bonus payment[2] R'000	Long-term bonus payment[3] R'000	Other payments[4] R'000	Total 2012 R'000	Restated 2011 R'000
Non-executive directors	6 018	–	–	–	131	6 149	6 997
ZA Tsotsi[5]	796	–	–	–	112	908	–
PM Makwana[6]	619	–	–	–	19	638	2 626
LC Cele[7]	119	–	–	–	–	119	478
D Dube[7]	112	–	–	–	–	112	462
BL Fanaroff[8]	420	–	–	–	–	420	398
RMQ Gungubele[9]	241	–	–	–	–	241	–
LG Josefsson[7]	125	–	–	–	–	125	491
HB Lee[7]	78	–	–	–	–	78	313
N Lesela[10]	302	–	–	–	–	302	–
WB Lucas-Bull[7]	112	–	–	–	–	112	449
B Luthuli[9]	259	–	–	–	–	259	–
C Mabude[10]	375	–	–	–	–	375	–
Y Masithela[10]	324	–	–	–	–	324	–
MC Matjila[10]	341	–	–	–	–	341	–
B Mehlomakulu[8]	437	–	–	–	–	437	374
J Mirenge[7]	107	–	–	–	–	107	427
ME Mkwanazi[10]	405	–	–	–	–	405	–
JR Modise[7]	124	–	–	–	–	124	495
SPQ Sedibe[10]	344	–	–	–	–	344	–
U Zikalala[7]	119	–	–	–	–	119	484
DEL Zondo[9]	259	–	–	–	–	259	–
Executive directors	–	8 827	3 166	1 295	488	13 776	12 544
BA Dames[11]	–	5 000[11]	1 681	1 295	308	8 284	7 558[11]
PS O'Flaherty[12]	–	3 827	1 485	–	180	5 492	4 986
Exco members (group executives)	–	21 132	7 293	5 086	567	34 078	29 368
BE Bulunga	–	2 289	740	–	78	3 107	3 040
T Govender[13]	–	2 534	820	799	75	4 228	3 190[14]
EL Johnson	–	3 257	1 112	1 002	26	5 397	4 838
SJ Lennon	–	2 446	830	1 047	45	4 368	3 938
TBL Molefe[13]	–	2 122	762	–	37	2 921	1 575[14]
DL Marokane	–	3 082	1 163	–	130	4 375	4 155
A Noah[13]	–	2 517	850	1 002	49	4 418	3 795[14]
MM Ntsokolo[13]	–	2 885	1 016	1 236	127	5 264	4 837[14]
Total directors and group executives	6 018	29 959	10 459	6 381	1 186	54 003	48 909

1. *Includes medical aid and pension fund contributions.*
2. *Short-term incentive bonus awarded for the 2012 financial year.*
3. *Long-term incentive bonus scheme – Grant 4, which vested on 31 March 2011 was paid in June 2011.*
4. *Fees related to security services and operating vehicle expenditure.*
5. *Appointed as chairman in June 2011.*
6. *Appointed as chairman in June 2010. Exit in July 2011.*
7. *Contract expired in June 2011.*
8. *Appointed to the board in April 2010.*
9. *Appointed to the board in August 2011.*
10. *Appointed to the board in June 2011.*
11. *The remuneration disclosed has been adjusted/restated to allocate the salary increase (backdated to the date of appointment of the director as CE) between the current and prior financial years. The increase was approved by the minister during October 2011. The remuneration for the 2011 year end has been restated with a total of R1.817 million consisting of a R1.201 million salary increase and a R616 000 short-term incentive scheme payment. The remuneration for the 2012 year end has been adjusted with an amount of R934 000 relating to the increase in the director's 2012 salary. Refer to page 40 in the Integrated Report.*
12. *This director was paid a two year retention bonus of R1.3 million. The repayment condition expired on 31 December 2011.*
13. *New Exco members in 2012 as a result of new organisational structure.*
14. *The salaries for 2011 relating to these Exco members were included for comparative purposes. This resulted in a net increase in the total 2011 salaries of R13.4 million.*

	2012 R'000	2011 R'000
45. Directors' remuneration *(continued)*		
Housing loans to Exco members at 31 March		
BA Dames	1 571	3 162
T Govender	4 723	–
DL Marokane	1 577	4 790
	7 871	7 952

The interest rate loan from Eskom Finance Company SOC Limited at 31 March 2012 was 7.25% (2011: 7.25%). The loans are repayable over a maximum period of 30 years.[1]

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

	2012 R'000	2011 R'000
Eskom Enterprises SOC Limited[2]		
DL Marokane	–	–
PS O'Flaherty	–	–
Escap SOC Limited[3]		
PS O'Flaherty	43	40
Eskom Finance Company SOC Limited[3]		
BE Bulunga	10	–
PS O'Flaherty	5	–

46. Pro forma revaluation of property, plant and equipment (unaudited)

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

	Historical cost 31 March 2012 Rm	Adjustments 31 March 2012 Rm	After revaluation 31 March 2012 Rm	Historical cost 31 March 2011 Rm	Adjustments 31 March 2011 Rm	After revaluation 31 March 2011 Rm
Summarised group statements of financial position at 31 March 2012						
Assets	382 365	228 509	610 874	328 145	297 410	625 555
Property, plant and equipment	290 661	209 313	499 974	236 724	283 708	520 432
Deferred tax	43	19 196	19 239	59	13 702	13 761
Other assets	91 661	–	91 661	91 362	–	91 362
Equity and liabilities	382 365	228 509	610 874	328 145	297 410	625 555
Total equity	103 103	150 705	253 808	87 259	204 270	291 529
Deferred tax	13 807	77 804	91 611	7 931	93 140	101 071
Other liabilities	265 455	–	265 455	232 955	–	232 955

1. *On resignation the terms and conditions of the loan are renegotiated.*
2. *Paid by Eskom.*
3. *Fees paid to Eskom.*

46. Pro forma revaluation of property, plant and equipment *(continued)*

Summarised group income statements for the year ended 31 March 2012

	Historical cost 31 March 2012 Rm	Adjustments 31 March 2012 Rm	After revaluation 31 March 2012 Rm	Historical cost 31 March 2011 Rm	Adjustments 31 March 2011 Rm	After revaluation 31 March 2011 Rm
Operating profit before depreciation and amortisation expense, net impairment loss and other operating expenses	46 959	–	46 959	36 467	–	36 467
Depreciation and amortisation expense	(8 801)	(14 368)	(23 169)	(7 219)	(16 898)	(24 117)
Net impairment loss	(620)	6	(614)	(788)	114	(674)
Other operating expenses	(15 209)	(256)	(15 465)	(12 070)	(141)	(12 211)
Operating profit/(loss) before net finance cost	22 329	(14 618)	7 711	16 390	(16 925)	(535)
Net finance cost	(3 963)	(4 999)	(8 962)	(4 741)	(8 589)	(13 330)
Share of profit of equity-accounted investees, net of tax	41	–	41	24	–	24
Profit/(loss) before tax	18 407	(19 617)	(1 210)	11 673	(25 514)	(13 841)
Income tax	(5 156)	5 493	337	(3 261)	7 144	3 883
Profit/(loss) for the year from continuing operations	13 251	(14 124)	(873)	8 412	(18 370)	(9 958)
Loss for the year from discontinued operations	(3)	–	(3)	(56)	–	(56)
Profit/(loss) for the year	13 248	(14 124)	(876)	8 356	(18 370)	(10 014)

BASTION GRAPHICS

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Eskom Holdings SOC Limited

Registration number 2002/015527/06