2022

Eskom

CONDENSED GROUP INTERIM FINANCIAL STATEMENTS

for the six months ended 30 September 2022

Powering growth ... sustainably

CONTENTS

The condensed group interim financial statements for the six months ended 30 September 2022 have been prepared under the supervision of the acting chief financial officer (CFO), JM Buys CA(SA) and were published on 31 March 2023.

The condensed group interim financial statements for the six months ended 30 September 2022 and 30 September 2021 have not been audited, reviewed or reported on by the external auditors of the group. The financial information for the year ended 31 March 2022 is as reflected in the audited financial statements.

APPROVAL OF THE CONDENSED GROUP INTERIM FINANCIAL STATEMENTS

Basis of preparation

The unaudited condensed group interim financial statements from page 2 to page 22 for the six months ended 30 September 2022 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of International Accounting Standards (*IAS*) 34 *Interim financial reporting* and in the manner required by the Companies Act.

Going concern

The board made an assessment of the ability of the group to continue as a going concern in the foreseeable future. The considerations, challenges and risks assessed by the board are detailed in note 2.1.

The board considered the risks relating to the group's going-concern status and acknowledges the challenges it faces and the various dependencies and uncertainties that exist both from a timing of intervention perspective as well as whether the plans will materialise as anticipated. The events, conditions and assumptions described above inherently include material uncertainties that may cast significant doubt on the going concern.

The board has a reasonable expectation that the risks will be satisfactorily addressed with the mitigation strategies in place. The board continues to manage these strategies as a priority as it is important that they materialise as envisaged. The board has assessed the current cash flow projections considering that future capital costs will be funded from cash from operation. The board concluded after carefully considering the progress of the initiatives above and the continued financial support from the government, including the finalisation of the debt relief package, that there is a reasonable expectation that the group has access to adequate resources and facilities to be able to continue its operations and fund the capital programme for the foreseeable future as a going concern. The condensed group interim financial statements have therefore been prepared on a going-concern basis.

Approval

The board is of the opinion, based on the information available to date, that the condensed group interim financial statements fairly present the financial position of the group at 30 September 2022 and the results of the operations and cash flow information for the six months then ended. The condensed group interim financial statements have been approved by the board and signed on its behalf on 30 March 2023 by:

PM Makwana
Chairman

C Cassim
Acting group chief executive

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

at 30 September 2022

	Unaudited 30 September 2022 Rm	Audited[1] 31 March 2022 Rm	Unaudited[1] 30 September 2021 Rm
Assets			
Non-current	**723 303**	720 155	715 372
Property, plant and equipment and intangible assets	**670 312**	671 082	669 457
Future fuel supplies	**5 934**	6 304	4 700
Investment in equity-accounted investees	**390**	418	402
Inventories	**12 086**	11 516	10 984
Deferred tax	**8 043**	9 326	3 220
Derivatives held for risk management and embedded derivatives	**19 912**	8 868	14 113
Payments made in advance	**1 961**	2 064	1 660
Trade, finance lease, loan and other receivables	**4 665**	10 577	10 836
Current	**102 338**	83 173	95 037
Inventories	**23 271**	23 086	24 266
Derivatives held for risk management and embedded derivatives	**12 575**	580	2 418
Payments made in advance	**2 029**	749	1 064
Trade, finance lease, loan and other receivables	**29 716**	25 517	30 661
Investments and financial trading assets	**18 038**	17 318	15 985
Taxation	**42**	38	232
Cash and cash equivalents	**16 667**	15 885	20 411
Assets held-for-sale	**8 173**	–	–
Total assets	**833 814**	803 328	810 409
Equity			
Capital and reserves	**246 920**	237 057	259 027
Liabilities			
Non-current	**453 438**	453 876	472 339
Debt securities and borrowings	**350 448**	345 490	366 098
Derivatives held for risk management	**324**	5 415	2 857
Deferred tax	**788**	348	2 227
Employee benefit obligations	**16 018**	16 404	15 976
Provisions	**49 258**	49 257	48 905
Trade and other payables and lease liabilities	**8 376**	8 861	8 910
Payments received in advance, contract liabilities and deferred income	**28 226**	28 101	27 366
Current	**132 467**	112 395	79 043
Debt securities and borrowings	**73 190**	50 804	26 011
Derivatives held for risk management	**1 084**	4 563	1 018
Employee benefit obligations	**4 334**	3 450	4 294
Provisions	**4 042**	8 944	4 670
Trade and other payables and lease liabilities	**43 043**	38 565	37 556
Payments received in advance, contract liabilities and deferred income	**6 411**	5 801	5 492
Taxation	**363**	266	–
Financial trading liabilities	**–**	2	2
Liabilities held-for-sale	**989**	–	–
Total liabilities	**586 894**	566 271	551 382
Total equity and liabilities	**833 814**	803 328	810 409

CONDENSED GROUP INCOME STATEMENT

for the six months ended 30 September 2022

	Note	Unaudited six months ended 30 September 2022 Rm	Unaudited[1] six months ended 30 September 2021 Rm	Audited[1] year ended 31 March 2022 Rm
Revenue	10	**144 841**	135 426	247 594
Other income		**2 053**	849	1 494
Primary energy	11	**(77 261)**	(62 150)	(132 933)
Employee benefit expense	12	**(16 241)**	(16 762)	(32 985)
Impairment and writedown of assets		**(414)**	(214)	(1 436)
Other expenses		**(15 021)**	(12 587)	(28 780)
Profit before depreciation and amortisation expense and net fair value and foreign exchange gain (EBITDA)[2]		**37 957**	44 562	52 954
Depreciation and amortisation expense		**(15 801)**	(15 378)	(32 066)
Net fair value and foreign exchange gains/(losses)		**582**	2 023	(3 126)
Profit before net finance cost		**22 738**	31 207	17 762
Net finance cost		**(17 476)**	(16 309)	(33 063)
Finance income		**1 471**	1 050	2 364
Finance cost	13	**(18 947)**	(17 359)	(35 427)
Share of profit of equity-accounted investees, net of tax		**50**	36	52
Profit/(loss) before tax		**5 312**	14 934	(15 249)
Income tax	14	**(1 473)**	(4 329)	3 319
Profit/(loss) for the period[3]		**3 839**	10 605	(11 930)

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2022

	Unaudited six months ended 30 September 2022 Rm	Unaudited[1] six months ended 30 September 2021 Rm	Audited year ended 31 March 2022 Rm
Profit/(loss) for the period[3]	**3 839**	10 605	(11 930)
Other comprehensive income	**2 024**	82	647
Items that may be reclassified subsequently to profit or loss	**1 233**	(478)	(690)
Cash flow hedges	**1 606**	(703)	(950)
Foreign currency translation differences on foreign operations	**61**	28	5
Income tax thereon	**(434)**	197	255
Items that may not be reclassified subsequently to profit or loss	**791**	560	1 337
Re-measurement of benefits	**1 083**	778	1 737
Income tax thereon	**(292)**	(218)	(400)
Total comprehensive income/(loss) for the period[3]	**5 863**	10 687	(11 283)

1. *Restated. Refer to note 18.*
2. *Non-GAAP measure.*
3. *A nominal amount is attributable to the non-controlling interest in the group. The remainder is attributable to the owner of the group.*

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2022

	Share capital Rm	Cash flow hedge reserve Rm	Unrealised fair value reserve Rm	Foreign currency translation reserve Rm	Accumulated profit Rm	Total equity Rm
Balance at 31 March 2021 as restated	188 000	(163)	(10 855)	9	39 656	216 647
Previously reported	188 000	(163)	(10 855)	9	38 313	215 304
Prior year restatements, net of tax[1]	–	–	–	–	1 343	1 343
Profit for the period	–	–	–	–	10 605	10 605
Other comprehensive income, net of tax	–	(506)	–	28	560	82
Share capital issued	31 693	–	–	–	–	31 693
Transfer between reserves	–	–	4 439	–	(4 439)	–
Balance at 30 September 2021 as restated	219 693	(669)	(6 416)	37	46 382	259 027
Previously reported	219 693	1 400	(7 527)	37	45 000	258 603
Prior year restatements, net of tax[1]	–	(2 069)	1 111	–	1 382	424
Loss for the period	–	–	–	–	(22 535)	(22 535)
Other comprehensive income, net of tax	–	(189)	–	(23)	777	565
Transfer between reserves	–	–	(3 255)	–	3 255	–
Balance at 31 March 2022	**219 693**	**(858)**	**(9 671)**	**14**	**27 879**	**237 057**
Profit for the period	**–**	**–**	**–**	**–**	**3 839**	**3 839**
Other comprehensive income, net of tax	**–**	**1 172**	**–**	**61**	**791**	**2 024**
Share capital issued	**4 000**	**–**	**–**	**–**	**–**	**4 000**
Transfer between reserves	**–**	**–**	**728**	**–**	**(728)**	**–**
Balance at 30 September 2022	**223 693**	**314**	**(8 943)**	**75**	**31 781**	**246 920**

CONDENSED GROUP STATEMENT OF CASH FLOWS
for the six months ended 30 September 2022

	Unaudited six months ended 30 September 2022 Rm	Unaudited[1] six months ended 30 September 2021 Rm	Audited[1] year ended 31 March 2022 Rm
Cash flows from operating activities			
Profit/(loss) before tax	**5 312**	14 934	(15 249)
Adjustment for non-cash items	**34 683**	31 867	79 745
Depreciation	**15 801**	15 378	32 066
Finance cost	**18 947**	17 359	35 427
Other	**(65)**	(870)	12 252
Changes in working capital	**(7 332)**	(10 977)	(9 771)
Cash generated from operations	**32 663**	35 824	54 725
Net cash used in derivatives held for risk management	**(154)**	(366)	(899)
Finance income received	**298**	229	441
Finance cost paid	**(88)**	(7)	(25)
Income taxes paid	**(369)**	(135)	(218)
	32 350	35 545	54 024
Cash flows used in investing activities			
Disposals of property, plant and equipment and intangible assets	**274**	147	331
Acquisitions of property, plant and equipment and intangible assets	**(13 332)**	(14 008)	(29 016)
Acquisitions of future fuel supplies	**(1 411)**	(827)	(2 468)
Disposals of insurance investments	**15 499**	10 108	18 543
Acquisitions of insurance investments	**(16 543)**	(11 680)	(21 144)
Cash used in provisions	**(1 309)**	(477)	(318)
Net cash from/(used in) derivatives held for risk management	**33**	(110)	178
Finance income received	**791**	584	1 150
Other cash from investing activities	**176**	209	341
	(15 822)	(16 054)	(32 403)
Cash flows used in financing activities			
Debt securities and borrowings raised	**837**	10 519	33 036
Payments made in advance	**(139)**	(244)	(471)
Debt securities and borrowings repaid	**(5 990)**	(24 425)	(38 854)
Share capital issued	**4 000**	31 693	31 693
Net cash from/(used in) derivatives held for risk management	**1 150**	(4 200)	(2 769)
Cash used in lease liabilities	**(403)**	(268)	(417)
Net cash used in financial trading instruments	**(2)**	–	–
Finance income received	**333**	230	656
Finance cost paid	**(15 473)**	(16 342)	(32 547)
Taxes paid	**(29)**	(31)	(66)
	(15 716)	(3 068)	(9 739)
Net increase in cash and cash equivalents	**812**	16 423	11 882
Cash and cash equivalents at beginning of the period	**15 885**	4 041	4 041
Foreign currency translation	**61**	28	5
Effect of movements in exchange rates on cash held	**39**	(81)	(43)
Assets and liabilities held-for-sale	**(130)**	–	–
Cash and cash equivalents at end of the period	**16 667**	20 411	15 885

1. Restated. Refer to note 18.

1. Structure and activities

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

2. Basis of preparation

The condensed group interim financial statements of Eskom as at and for the six months ended 30 September 2022 comprise the company, its subsidiaries, joint ventures, associates and structured entities (together, the group). The condensed group interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Eskom Holdings SOC Ltd 31 March 2022 group annual financial statements. The annual financial statements of the group as at and for the year ended 31 March 2022 are available for inspection at the company's registered office and on the Eskom website at www.eskom.co.za.

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

The condensed group interim financial statements are prepared on the historical-cost basis except for the following items which are measured at fair value:

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

2.1 Going concern

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

- Reviewed the performance of the group for the period ended 30 September 2022, including the net profit after tax of R3 839 million and the net current liabilities of R30 129 million.
- Noted the deterioration in some of the group's financial indicators compared to 31 March 2022.
- Noted the improvement in the cash and cash equivalents balance of R16.7 billion from R15.9 billion at 31 March 2022 which were applied towards settling Eskom's debt obligations.
- Considered the impact of the cash flow forecast for the 18 months ending 31 March 2024 and the projected net loss before tax for 2023, estimated at R32 431 million.
- Considered that Eskom is in a debt reliant liquidity situation that resulted from low tariffs, stagnant and contracting sales volumes, above inflation cost increases, constrained generating plant performance and the capital programme to increase and replace generating and transmitting capacity.
- Noted the continued equity support from government, with R21.9 billion committed and received by January 2023. This support assisted Eskom in maintaining a positive liquidity position during the period.
- Noted the debt relief announced by the Minister of Finance in February 2023 which will provide total debt relief of R254 billion to Eskom over the next three years. The debt relief arrangement, which is going through the legislative process, is subject to certain conditions and will provide support of R78 billion in 2024, R66 billion in 2025 and R40 billion in 2026 to address Eskom's debt and interest payments as they fall due, together with the takeover of R70 billion in Eskom debt in 2026. The support will take the form of an interest-free subordinated loan and will be settled in Eskom ordinary shares upon complying with the conditions, allowing Eskom to better manage its liquidity position.
- Noted that no new borrowings will be allowed from 1 April 2023 until the end of the debt relief period, unless approved by the Minister of Finance. The government guarantee facility of R350 billion which expires on 31 March 2023 will reduce in line with the debt-relief package. The expiry of the guarantee facility does not impact the existing guarantees issued which will remain in place until settlement of the guaranteed debt.
- Noted that there is a need to secure funding of R60 billion in 2023 (77% of funding for 2023 has been secured by February 2023). The balance of the funding will be raised through a private placement subject to market conditions to allow for a liquidity buffer until the Eskom Debt Relief Bill (B5-2023) has been enacted. All other spending will be financed through operational cash flows and drawdowns from existing project related loan agreements with new funding being restricted.
- Considered the positive outlook by a rating agency on Eskom after the announcement in February 2023 of the Eskom debt relief measures.
- Considered the impact of the continuous deteriorating generation plant performance and increased reliance on more expensive sources, IPPs and open-cycle gas turbines, to manage supply and demand.
- Considered the impact of the continuous increase in overdue electricity receivables (including the impact of non-recoverability of long outstanding electricity receivables).
- Acknowledged that an acceptable price increase and improved plant performance are critical factors in the going-concern assessment. The revenue determination decision by National Energy Regulator of South Africa (NERSA) on 12 January 2023 that gave rise to an average standard tariff increase of 18.65% and 12.74% for 2024 and 2025 respectively as well as the debt relief measures announced in February 2023 will alleviate pressure on Eskom's operating cash flow, thereby enabling expenditure on capital to restore the energy availability of the fleet of power stations and to strengthen and expand the transmission and distribution networks.
- Recognised that Eskom continues to face various challenges that resulted from mismanagement and corruption that could have an influence on stakeholder sentiment. Progress has been made in cleaning-up irregularities, improving processes and strengthening controls, but it is taking time to identify all issues and take appropriate corrective action and implement consequence management.
- Considered the possible impact if key risks materialise and acknowledged that improved plant performance, addressing the escalating overdue electricity receivables as well as Eskom's ability to manage its liquidity position until the enactment of the Eskom Debt Relief Bill are critical factors in the going-concern assessment.

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

- Continuous engagement is taking place with the shareholder and National Treasury to ensure that the challenges that impact the group's going-concern status are addressed satisfactorily within a reasonable timeframe. Government believes that it is critical that a credible, comprehensive and long-term strategy (which incorporates addressing municipal receivables, providing greater clarity and transparency in tariff pricing, addressing operational efficiencies and unbundling) is developed to fully optimise Eskom's balance sheet. The debt relief for 2024 to 2025 will assist in putting Eskom on a path to long-term financial stability.
- The group's generation capacity is managed as a critical focus area to ensure appropriate steps are being taken to manage the performance challenges. A further worsening of generating plant performance could negatively impact cash flow due to lost revenue and an increase in costs, in particular the level of spend required on open cycle gas turbine plant.
- The President announced the appointment of Dr KS Ramokgopa as the new Minister of Electricity on 6 March 2023 who will focus on solving the power crisis at Eskom. It is expected that his primary task will be to reduce the severity and frequency of loadshedding and to oversee the electricity crisis response. He will have political responsibility over all aspects of the energy action plan, expediting various regulatory processes for energy projects; and enable Eskom to undertake critical maintenance more quickly and efficiently. The roles and responsibilities of key role players are still unclear at the moment.
- The Eskom roadmap released by the Department of Public Enterprise (DPE) on 20 October 2019 provides a degree of clarity on the role that Eskom will play in the unfolding future of the country's electricity supply industry.
- Progress has been made to prepare the business for the legal separation. There are only two remaining conditions to give effect to the suspensive sale agreement of National Transmission Company South Africa SOC Ltd (NTCSA), namely the licenses to operate and obtaining lender consent where required. The issuing of the relevant licenses by NERSA to allow NTCSA to operate is eminent (expected in April 2023). Government is in the process of revising the Electricity Regulation Act to allow other players to enter the electricity market. Discussions are ongoing with lenders from whom consent is required and requests for consent will be made for conclusion by 30 April 2023.
- Court proceedings were lodged against NERSA regarding tariff and Regulatory Clearing Account (RCA) decisions. Parties retracted their urgent application against certain portions of the revenue determination, which allowed DPE to table the 18.65% increase in Parliament before 15 March 2023. There was also a positive outcome in March 2023 on the RCA relating to the 2021 financial year, although NERSA has not implemented previous court order decisions in this RCA decision. The timing and extent of the impact of the revenue decisions have not been considered in the cash flow forecast for the next 18 months.
- The cost structures and capital programme of the group are continuously reviewed to extract cost savings and improve cash flows.
- There is continued focus on implementing strategies in an effort to recover overdue trade receivables, including participation with the multi-disciplinary revenue committee of the Eskom political task team. The successful outcomes of these strategies are uncertain.
- The group is aware of the impact of large capital projects on its statement of financial position and will only engage in such projects in compliance with the conditions attached in the Eskom Debt Relief Bill and with full disclosure and support of the shareholder.
- There is continued focus on implementing various strategies in an effort to recover overdue trade receivables. The successful outcome of these strategies remains uncertain. National Treasury is finalising a proposal to address the overdue amounts and non-payment from customers.
- There is continued focus to address the shortcomings relating to the completeness of the irregular expenditure reporting process in terms of the Public Finance Management Act (PFMA) (resulted in the qualified audit opinion in recent years) and the clean-up of the related challenges in the commercial environment. The impact of changes to disclosure requirements issued by National Treasury in January 2023 is currently being evaluated by management.

The board considered the risks relating to the group's going-concern status and acknowledges the challenges it faces and the various dependencies and uncertainties that exist both from a timing of intervention perspective as well as whether the plans will materialise as anticipated. The events, conditions and assumptions described above inherently include material uncertainties that may cast significant doubt on the going concern.

The board has a reasonable expectation that the risks will be satisfactorily addressed with the mitigation strategies in place. The board continues to manage these strategies as a priority as it is important that they materialise as envisaged. The board has assessed the current cash flow projections considering that future capital costs will be funded from cash from operation. The board concluded after carefully considering the progress of the initiatives above and the continued financial support from the government, including the finalisation of the debt relief package, that there is a reasonable expectation that the group has access to adequate resources and facilities to be able to continue its operations and fund the capital programme for the foreseeable future as a going concern. The condensed group interim financial statements have therefore been prepared on a going-concern basis.

3. Significant changes in accounting policies

The accounting policies are consistent with those applied in the audited financial statements as at 31 March 2022, except for the changes relating to *IAS 16 Property, plant and equipment: proceeds before intended use* amendment as set out in note 18.

4. Critical accounting estimates and judgements

The significant estimates and judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were substantially the same as those applied to the financial statements as at and for the year ended 31 March 2022.

5. Segment information

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

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

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

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

Inter-segment revenue/recoveries for September 2021 have been restated as a profit equalisation entry, that resulted in a consistent return on assets between the generation, transmission and distribution segments to reflect the NERSA return that was made at an Eskom level, was previously presented in the segment report but not reflected in the reports reviewed internally. The impact of the error was a reduction of R10 897 million and R1 269 million in the generation and distribution segments respectively and an increase in the transmission segment of R12 166 million on the inter-segment revenue/recoveries line (net impact of zero); with a resultant impact on EBITDA, (loss)/profit before net finance (cost)/income as well as (loss)/profit before and after tax.

The 30 September 2021 and 31 March 2022 segment information have also been updated in line with the restatements presented in note 18.

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

	Generation Rm	Transmission Rm	Distribution Rm	All other segments Rm	Reallocation and inter–segment transactions Rm	Group Rm
30 September 2022						
External revenue	**–**	**5 224**	**139 617**	**609**	**(609)**	**144 841**
Inter-segment revenue/recoveries	**89 168**	**29 139**	**(118 272)**	**7 171**	**(7 206)**	**–**
Total revenue	**89 168**	**34 363**	**21 345**	**7 780**	**(7 815)**	**144 841**
(Loss)/profit before tax	**(5 276)**	**6 913**	**6 988**	**1 386**	**(4 699)**	**5 312**
Income tax	**–**	**–**	**–**	**(2 741)**	**1 268**	**(1 473)**
(Loss)/profit for the period	**(5 276)**	**6 913**	**6 988**	**(1 355)**	**(3 431)**	**3 839**
Segment assets	**550 682**	**81 032**	**124 901**	**109 381**	**(32 182)**	**833 814**
Segment liabilities	**81 544**	**20 683**	**52 414**	**463 552**	**(31 299)**	**586 894**
30 September 2021 Restated						
External revenue	–	5 976	129 450	529	(529)	135 426
Inter-segment revenue/recoveries	82 548	31 604	(114 125)	6 820	(6 847)	–
Total revenue	82 548	37 580	15 325	7 349	(7 376)	135 426
(Loss)/profit before tax	(2 196)	12 943	3 423	(50)	814	14 934
Income tax	–	–	–	(3 918)	(411)	(4 329)
(Loss)/profit for the period	(2 196)	12 943	3 423	(3 968)	403	10 605
Segment assets	544 352	79 983	123 687	87 126	(24 739)	810 409
Segment liabilities	78 343	19 155	49 732	430 946	(26 794)	551 382
31 March 2022 Restated						
External revenue	–	11 022	236 572	1 252	(1 252)	247 594
Inter-segment revenue/recoveries	158 610	43 624	(202 181)	14 106	(14 159)	–
Total revenue	158 610	54 646	34 391	15 358	(15 411)	247 594
(Loss)/profit before tax	(28 052)	1 587	8 285	1 768	1 163	(15 249)
Income tax	–	–	–	3 794	(475)	3 319
(Loss)/profit for the period	(28 052)	1 587	8 285	5 562	688	(11 930)
Segment assets	546 815	79 450	120 496	82 631	(26 064)	803 328
Segment liabilities	85 499	19 408	50 038	439 858	(28 532)	566 271

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

6.1 Debt securities and borrowings

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

6.2 Share capital

	Unaudited six months ended 30 September 2022 Shares	Audited year ended 31 March 2022 Shares	Unaudited six months ended 30 September 2021 Shares
Authorised ordinary shares	**300 000 000 000**	300 000 000 000	300 000 000 000
Issued ordinary shares			
Balance at beginning of the period	**219 692 945 001**	188 000 000 001	188 000 000 001
Share capital issued	**4 000 000 000**	31 692 945 000	31 692 945 000
Balance at end of the period	**223 692 945 001**	219 692 945 001	219 692 945 001

7. Dividend paid

No dividend was paid to the shareholder during the six months ended 30 September 2022 nor in the comparative periods presented.

8. Significant events and transactions

The following significant movements occurred in the six months ended 30 September 2022:

8.1 Movements in debt securities and borrowings and derivatives held for risk management

The debt securities and borrowings balance and derivatives held for risk management net asset position (which hedges foreign debt and borrowings) increased because of exchange fluctuations caused by the weakening of the Rand against major currencies.

8.2 Share capital issued

Refer to note 6.2 for details about share capital issued in the period.

8.3 Provisions

Provisions decreased mainly because of payments and lower actual versus expected settlements for compensation event claims during the period.

8.4 Trade and other payables

Trade and other payables increased because of higher accruals relating to IPP charges and open-cycle gas turbine fuel costs as well a higher Value Added Tax (VAT) payable as a result of the higher electricity revenue at 30 September 2022 compared to March 2022.

8.5 Other income

Other income increased because of the proceeds on the insurance claim relating to the hydrogen explosion at Unit 4 of Medupi power station on 8 August 2021.

9. Seasonality of interim results

The results of the group are impacted by the following seasonal fluctuations:

- Revenue from electricity sales and consequently electricity receivables are normally higher during the first six months of the financial year (winter months) as compared to the summer months arising from higher sales volume, tariff energy charges and peak demand. Sales volumes continue to be impacted negatively by the ongoing loadshedding and load curtailment.
- Primary energy costs associated with renewable IPP purchases are lower in the winter months (first six months of the financial year) due to a lower proportion of power being produced from renewable sources during this time. Plant performance issues continued to have a negative impact on cost because of the higher use of open-cycle gas turbines.
- Less routine maintenance work (and consequently lower costs) is undertaken during the winter months which coincides with the first six months of the financial year.

	Unaudited six months ended 30 September 2022 Rm	Unaudited[1] six months ended 30 September 2021 Rm	Audited[1] year ended 31 March 2022 Rm
10. Revenue			
Redistributors	**60 806**	55 155	98 063
Invoiced to customers	**66 002**	60 398	105 369
Amounts not meeting revenue recognition criteria	**(8 931)**	(8 039)	(13 849)
Recognised on a cash received basis	**3 735**	2 796	6 543
Residential	**3 829**	3 808	7 091
Invoiced to customers	**4 008**	4 045	7 457
Amounts not meeting revenue recognition criteria	**(216)**	(237)	(366)
Recognised on a cash received basis	**37**	–	–
Industrial	**28 513**	24 772	48 204
Mining	**22 065**	20 571	36 630
Commercial	**9 879**	9 120	16 723
Agricultural	**5 965**	5 925	11 600
International	**5 435**	6 219	11 450
Other customers	**2 025**	1 999	3 734
Post-paid electricity sales	**138 517**	127 569	233 495
Prepaid electricity sales	**5 537**	5 649	10 966
Total electricity sales	**144 054**	133 218	244 461
Other	**787**	2 208	3 133
	144 841	135 426	247 594

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

	Unaudited six months ended 30 September 2022 Rm	Unaudited[1] six months ended 30 September 2021 Rm	Audited[1] year ended 31 March 2022 Rm
11. Primary energy			
Own generation costs	**54 557**	43 393	92 414
International electricity purchases	**2 856**	2 450	5 316
Independent power producers	**19 848**	16 307	35 203
	77 261	62 150	132 933
12. Employee benefit expense			
Gross employee benefit expense	**17 206**	17 803	35 041
Capitalised to property, plant and equipment	**(965)**	(1 041)	(2 056)
	16 241	16 762	32 985
13. Finance cost			
Gross finance cost	**22 813**	21 465	43 611
Capitalised to property, plant and equipment	**(3 866)**	(4 106)	(8 184)
	18 947	17 359	35 427

14. Income tax

Income tax for the interim period is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year which is applied to the pre-tax income of the interim period. The new tax rate of 27% was substantively enacted by 31 March 2022 and has therefore been applied to all deferred tax balances that are expected to reverse after 1 April 2022.

1. *Restated. Refer to note 18.*

15. Accounting classification and fair value

15.1 Accounting classification

	30 September 2022 (unaudited) Fair value through profit or loss Rm	Amortised cost Rm	Other assets and liabilities[1] Rm	Total Rm
Financial assets				
Investments and financial trading assets	1 900	16 138	–	18 038
Negotiable certificates of deposit	–	16 138	–	16 138
Listed shares	1 900	–	–	1 900
Derivatives held for risk management and embedded derivatives	20 107	–	12 380	32 487
Foreign exchange contracts	3 824	–	224	4 048
Cross-currency swaps	15 166	–	12 156	27 322
Commodity forwards	11	–	–	11
Credit default swaps	5	–	–	5
Inflation-linked swaps	287	–	–	287
Embedded derivatives	814	–	–	814
Trade, finance lease, loan and other receivables	–	30 599	273	30 872
Loans receivable	–	24	–	24
Finance lease receivables	–	–	273	273
Trade and other receivables	–	30 575	–	30 575
Cash and cash equivalents	–	16 667	–	16 667
Bank balances	–	7 843	–	7 843
Fixed deposits	–	8 824	–	8 824
	22 007	63 404	12 653	98 064
Financial liabilities				
Debt securities and borrowings	–	423 638	–	423 638
Eskom bonds	–	164 294	–	164 294
Eurorand zero coupon bonds	–	6 712	–	6 712
Foreign bonds	–	76 415	–	76 415
Development financing institutions	–	135 276	–	135 276
Export credit facilities	–	17 698	–	17 698
Other loans	–	23 243	–	23 243
Derivatives held for risk management	692	–	716	1 408
Foreign exchange contracts	76	–	118	194
Cross-currency swaps	216	–	598	814
Commodity forwards	188	–	–	188
Credit default swaps	212	–	–	212
Trade and other payables and lease liabilities	–	39 594	8 202	47 796
Lease liabilities	–	–	8 202	8 202
Trade and other payables	–	39 594	–	39 594
	692	463 232	8 918	472 842

1. *Other assets and liabilities include derivatives held for risk management designated as hedges measured at fair value through other comprehensive income and finance leases measured at amortised cost. The total assets measured at amortised cost amounts to R63 677 million and the total liabilities measured at amortised cost amounts to R471 434 million.*

	31 March 2022 (audited) Fair value through profit or loss Rm	Amortised cost Rm	Other assets and liabilities[1] Rm	Total Rm
Financial assets				
Investments and financial trading assets	2 145	15 173	–	17 318
Negotiable certificates of deposit	–	15 173	–	15 173
Listed shares	2 145	–	–	2 145
Derivatives held for risk management and embedded derivatives	5 649	–	3 799	9 448
Foreign exchange contracts	24	–	19	43
Cross-currency swaps	4 494	–	3 780	8 274
Credit default swaps	5	–	–	5
Inflation-linked swaps	187	–	–	187
Embedded derivatives	939	–	–	939
Trade, finance lease, loan and other receivables	–	32 534	293	32 827
Loans receivable	–	8 149	–	8 149
Finance lease receivables	–	–	293	293
Trade and other receivables	–	24 385	–	24 385
Cash and cash equivalents	–	15 885	–	15 885
Bank balances	–	7 877	–	7 877
Fixed deposits	–	8 008	–	8 008
	7 794	63 592	4 092	75 478
Financial liabilities				
Debt securities and borrowings	–	396 294	–	396 294
Eskom bonds	–	161 635	–	161 635
Commercial paper	–	1 058	–	1 058
Eurorand zero coupon bonds	–	6 318	–	6 318
Foreign bonds	–	61 916	–	61 916
Development financing institutions	–	124 438	–	124 438
Export credit facilities	–	17 735	–	17 735
Other loans	–	23 194	–	23 194
Derivatives held for risk management	5 015	–	4 963	9 978
Foreign exchange contracts	3 531	–	436	3 967
Cross-currency swaps	1 403	–	4 527	5 930
Credit default swaps	81	–	–	81
Trade and other payables and lease liabilities	–	36 796	8 603	45 399
Lease liabilities	–	–	8 603	8 603
Trade and other payables	–	36 796	–	36 796
Financial trading liabilities				
Repurchase agreements	2	–	–	2
	5 017	433 090	13 566	451 673

1. *Other assets and liabilities include derivatives held for risk management designated as hedges measured at fair value through other comprehensive income and finance leases measured at amortised cost. The total assets measured at amortised cost amounts to R63 885 million and the total liabilities measured at amortised cost amounts to R441 693 million.*

15. Accounting classification and fair value (continued)
15.1 Accounting classification (continued)

	30 September 2021 (unaudited) Restated			
	Fair value through profit or loss Rm	Amortised cost Rm	Other assets and liabilities[1] Rm	Total Rm
Financial assets				
Investments and financial trading assets	1 935	14 050	–	15 985
Negotiable certificates of deposit	–	14 050	–	14 050
Listed shares	1 935	–	–	1 935
Derivatives held for risk management and embedded derivatives	11 245	–	5 286	16 531
Foreign exchange contracts	1 530	–	7	1 537
Cross-currency swaps	8 611	–	5 279	13 890
Commodity forwards	12	–	–	12
Credit default swaps	5	–	–	5
Inflation-linked swaps	186	–	–	186
Embedded derivatives	901	–	–	901
Trade, finance lease, loan and other receivables	–	38 751	310	39 061
Loans receivable	–	8 235	–	8 235
Finance lease receivables	–	–	310	310
Trade and other receivables	–	30 516	–	30 516
Cash and cash equivalents	–	20 411	–	20 411
Bank balances	–	5 889	–	5 889
Fixed deposits	–	14 522	–	14 522
	13 180	73 212	5 596	91 988
Financial liabilities				
Debt securities and borrowings	–	392 109	–	392 109
Eskom bonds	–	159 809	–	159 809
Commercial paper	–	1 146	–	1 146
Eurorand zero coupon bonds	–	5 949	–	5 949
Foreign bonds	–	64 007	–	64 007
Development financing institutions	–	130 623	–	130 623
Export credit facilities	–	20 971	–	20 971
Other loans	–	9 604	–	9 604
Derivatives held for risk management	898	–	2 977	3 875
Foreign exchange contracts	186	–	194	380
Cross-currency swaps	486	–	2 783	3 269
Commodity forwards	2	–	–	2
Credit default swaps	224	–	–	224
Trade and other payables and lease liabilities	–	33 827	8 717	42 544
Lease liabilities	–	–	8 717	8 717
Trade and other payables	–	33 827	–	33 827
Financial trading liabilities				
Repurchase agreements	2	–	–	2
	900	425 936	11 694	438 530

15.2 Fair value

Valuation processes and principal markets

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

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

1. *Other assets and liabilities include derivatives held for risk management designated as hedges measured at fair value through other comprehensive income and finance leases measured at amortised cost. The total assets measured at amortised cost amounts to R73 522 million and the total liabilities measured at amortised cost amount to R434 653 million.*

The group is involved in various principal markets because of the unique funding activities undertaken where the fair value is determined by each participant in the different principal markets. The principal markets include capital and money markets, development financing institutions and export credit agencies.

Valuation techniques and levels

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

There were no changes in the valuation techniques applied nor transfers between level 1, 2 or 3 of the fair value hierarchy during the six months ended 30 September 2022 nor in the comparative periods presented.

Fair value hierarchy

The fair value hierarchy of financial instruments that are measured at fair value in the statement of financial position is as follows:

	30 September 2022 (unaudited)			31 March 2022 (audited)			30 September 2021 (unaudited)[1]		
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets									
Investments and financial trading assets									
Listed shares	**1 900**	**–**	**–**	2 145	–	–	1 935	–	–
Derivatives held for risk management and embedded derivatives	**–**	**31 673**	**814**	–	8 509	939	–	15 630	901
Foreign exchange contracts	**–**	**4 048**	**–**	–	43	–	–	1 537	–
Cross-currency swaps	**–**	**27 322**	**–**	–	8 274	–	–	13 890	–
Commodity forwards	**–**	**11**	**–**	–	–	–	–	12	–
Credit default swaps	**–**	**5**	**–**	–	5	–	–	5	–
Inflation-linked swaps	**–**	**287**	**–**	–	187	–	–	186	–
Embedded derivatives	**–**	**–**	**814**	–	–	939	–	–	901
Financial liabilities									
Derivatives held for risk management	**–**	**1 408**	**–**	–	9 978	–	–	3 875	–
Foreign exchange contracts	**–**	**194**	**–**	–	3 967	–	–	380	–
Cross-currency swaps	**–**	**814**	**–**	–	5 930	–	–	3 269	–
Commodity forwards	**–**	**188**	**–**	–	–	–	–	2	–
Credit default swaps	**–**	**212**	**–**	–	81	–	–	224	–
Financial trading liabilities									
Repurchase agreements	**–**	**–**	**–**	–	2	–	–	2	–

Restated. Refer to note 18.

15. Accounting classification and fair value (continued)

15.3 Day-one gain/loss

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

	Cross-currency swaps Rm	Inflation-linked swaps Rm	Total Rm
Loss at 31 March 2021	(1 516)	(19)	(1 535)
Day-one loss recognised	(197)	–	(197)
Amortised to profit or loss	39	1	40
Loss at 30 September 2021	(1 674)	(18)	(1 692)
Day-one loss recognised	(70)	–	(70)
Amortised to profit or loss	155	2	157
Loss at 31 March 2022	**(1 589)**	**(16)**	**(1 605)**
Amortised to profit or loss	**123**	**1**	**124**
Loss at 30 September 2022	**(1 466)**	**(15)**	**(1 481)**

16. Assets and liabilities held-for-sale

The Minister of Public Enterprises requested Eskom in July 2022 to re-commence with the disposal process of Eskom Finance Company SOC Ltd (EFC). The investment and finance committee approved the disposal strategy in August 2022. A request for proposal was issued in September 2022 and expressions of interest were received from various parties. The bidding process closed in November 2022 and a preferred bidder was approved in December 2022 by the investment and finance committee.

The preferred bidder was notified, and the terms of the disposal have been finalised. The next step will be final approval from the Eskom Holdings Board with final approval from the Department of Public Enterprises and National Treasury thereafter. Approval from the Competition Commission will also be required.

The disposal of EFC is expected to be concluded within the first quarter of the 2024 financial year. EFC is included under all other segments in the segment report.

	30 September 2022 (unaudited)		
	Eskom Finance Company Rm	Intercompany transactions Rm	Total Rm
Summarised statements of financial position			
Assets			
Loans receivable	**8 062**	**–**	**8 062**
Trade and other receivables	**45**	**12**	**33**
Payments made in advance	**3**	**–**	**3**
Deferred tax	**13**	**–**	**13**
Cash and cash equivalents	**100**	**38**	**62**
	8 223	**50**	**8 173**
Liabilities			
Debt securities and borrowings	**6 611**	**5 639**	**972**
Trade and other payables	**23**	**6**	**17**
	6 634	**5 645**	**989**

17. Material events subsequent to 30 September 2022

The following significant events occurred after 30 September 2022:

Changes in board

The group chief executive, Mr AM de Ruyter, resigned from Eskom effective 28 February 2023. Mr C Cassim is currently acting as the group chief executive. Mr JM Buys is assisting with the operational duties of the chief financial officer while Mr Cassim is acting as the group chief executive.

National energy crisis

The President declared a national state of disaster on 9 February 2023 relating to the impact of the severe electricity supply constraints on the country. The disaster management regulations were gazetted on 27 February 2023 and intend to enable government to minimise the impact of loadshedding on critical infrastructure where technically possible, to reduce and manage the impact of loadshedding on service delivery, and to provide measures to enable the connection of new generation supply and improve Eskom's plant performance.

Dr KS Ramokgopa was appointed as Minister of Electricity on 6 March 2023. He will be responsible for overseeing all aspects of the electricity crisis response, including the work of the National Energy Crisis Committee, and to reduce the severity and frequency of loadshedding.

Support from government

Eskom received R4 billion of the R21.9 billion equity support for 2023 by 30 September 2022, with the remaining balance received by January 2023.

The Minister of Finance announced the draft Eskom Debt Relief Bill during the 2023 National Budget in February 2023 which will provide total debt relief of R254 billion to Eskom during 2024 to 2026. The debt relief arrangement is subject to certain conditions and will provide support of R78 billion in 2024, R66 billion in 2025 and R40 billion in 2026 to address Eskom's debt and interest payments as they fall due, together with the takeover of R70 billion of Eskom debt in 2026. The support will take the form of an interest-free subordinated loan and will be settled in Eskom ordinary shares upon complying with the conditions.

Court rulings relating to NERSA applications

There were the following developments after 30 September 2022 regarding Eskom's court review applications against NERSA revenue determination decisions:

- *Revenue decision for the 2023 to 2025 financial years (MYPD 5)*
  The High Court set aside NERSA's revenue decision in respect of the valuation of the regulatory asset base (RAB) for 2023 on 24 October 2022 and ordered NERSA to apply the Multi-Year Price Determination (MYPD) methodology to redetermine the valuation of the RAB which will form the basis for the NERSA decision for 2024 and 2025.

  NERSA announced its revenue decision for 2024 and 2025 on 12 January 2023, awarding Eskom an average standard tariff increase of 18.65% and 12.74% for 2024 and 2025 respectively. NERSA published its reasons for decision on 17 February 2023.

- *RCA decision for the 2021 financial year*
  Eskom submitted its RCA application for the 2021 financial year on 19 November 2021 with a balance of R10.7 billion. NERSA had originally planned to make a decision by April 2022, although this was later postponed. NERSA communicated its decision in March 2023, reflecting a RCA balance of approximately R200 million in favour of the consumer. It is evident that NERSA has not implemented previous court order decisions in this RCA decision. Eskom received the reasons for decision in March 2023 and is in the process of evaluating its options regarding the way forward.

Provision for compensation events

Certain claims relating to compensation events between Eskom and its suppliers were finalised by the Dispute Adjudication Board after 30 September 2022. The provision for compensation events decreased by R581 million to account for the differences between the actual and expected settlements recorded on 30 September 2022.

Diesel rebate claimed from SARS

The South African Revenue Services (SARS) disallowed certain refunds of fuel and road accident levies on diesel used at the Gourikwa and Ankerlig power stations to generate electricity based on its view that Eskom did not maintain certain supporting documentation required to claim the refunds. Eskom submitted an internal administrative appeal to SARS against this decision on 1 June 2020. SARS advised Eskom that its appeal has been disallowed on 25 October 2022. Eskom is considering the appropriate action regarding this matter, including following a litigation process, alternative dispute resolution process or review.

Plant incidents

A flue gas duct failure was experienced at Kusile unit 1 on 23 October 2022 while the unit was offline for repairs. Units 2 and 3 were also affected. The Minister of Forestry, Fisheries and the Environment granted Eskom exemption in March 2023 from certain requirements in terms of its application to build temporary stacks at Kusile power station. The exemption allows Eskom to submit its application to operate the stacks based on presently available information and with a reduced public participation process. Eskom intends to submit its final application, based on the exemption provided, to the relevant authorities in April 2023 for approval to operate the temporary stacks which are expected to be completed by 30 November 2023. The repair of the damaged stacks is expected to be completed by December 2024. The necessary steps will be implemented to mitigate the impact of SO2 emissions on air quality during the repair process.

Closure and repurposing of Komati power station

Komati power station reached the end of its operating life on 31 October 2022 and is used as a pilot for the repowering and repurposing of a power station on Eskom land using existing infrastructure, in line with the Eskom Just Energy Transition strategy. The installation of a microgrid assembly plant as well as an agrivoltaic plant to demonstrate the simultaneous use of land for power generation and agriculture has started. An environmental impact assessment for a solar photovoltaic plant supported by battery storage is in progress.

Settlement agreement by the National Prosecuting Authority

The National Prosecuting Authority announced in December 2022 that a settlement agreement was concluded with ABB Ltd to pay over R2.5 billion in punitive reparations to South Africa as restitution for fraud and corruption relating to its contracts with Eskom. The settlement will be paid into the South Africa Criminal Asset Recovery Account and will be used as restitution for victims and to assist in building capacity and resources in the country's ongoing fight against corruption. Eskom does not have any further details regarding the investigation and settlement, including any potential restitution to Eskom.

Changes to PFMA reporting requirements

National Treasury issued Instruction No. 4 of 2022/23 on PFMA Compliance and Reporting in January 2023. The instruction limits annual financial statement disclosure to irregular expenditure and fruitless and wasteful expenditure incurred in the current and comparative financial years. All other PFMA information that was previously disclosed will be included in the Eskom Integrated Report.

18. Restatement of comparatives

The statements of financial position, income statements, statements of comprehensive income and statements of cash flows have been restated as a result of the amendment to *IAS 16* (30 September 2021 and 31 March 2022) as well as prior period errors (30 September 2021) as follows:

	Note	Previously reported Rm	Adjustments Rm	Restated Rm
Group statement of financial position at 30 September 2021				
Assets				
Non-current				
Property, plant and equipment and intangible assets	(a)	667 554	1 903	669 457
Future fuel supplies	(b)	4 816	(116)	4 700
Inventories	(c)	–	10 984	10 984
Deferred tax	(d)	3 691	(471)	3 220
Derivatives held for risk management and embedded derivatives		12 644	1 469	14 113
Derivatives held for risk management	(e)	12 644	698	13 342
Embedded derivatives	(f)	–	771	771
Payments made in advance	(g)	1 787	(127)	1 660
Trade, finance lease, loan and other receivables		8 752	2 084	10 836
Trade and other receivables	(h)	558	2 084	2 642
Finance lease receivables		272	–	272
Loans receivable		7 922	–	7 922
Current				
Inventories	(c)	39 295	(15 029)	24 266
Derivatives held for risk management and embedded derivatives		2 049	369	2 418
Derivatives held for risk management	(e)	2 049	239	2 288
Embedded derivatives	(f)	–	130	130
Payments made in advance	(g)	1 355	(291)	1 064
Trade, finance lease, loan and other receivables	(h)	32 745	(2 084)	30 661
Equity				
Capital and reserves		258 603	424	259 027
Share capital		219 693	–	219 693
Cash flow hedge reserve	(e)	1 400	(2 069)	(669)
Unrealised fair value reserve	(e)	(7 527)	1 111	(6 416)
Foreign currency translation reserve		37	–	37
Accumulated profit		45 000	1 382	46 382
Liabilities				
Non-current				
Derivatives held for risk management	(e)	2 292	565	2 857
Deferred tax	(d)	2 058	169	2 227
Provisions	(b)	51 091	(2 186)	48 905
Payments received in advance, contract liabilities and deferred income	(f)	26 652	714	27 366
Current				
Provisions	(b)	5 758	(1 088)	4 670
Payments received in advance, contract liabilities and deferred income	(f)	5 412	80	5 492

	Note	Previously reported Rm	Adjustments Rm	Restated Rm
Statements of financial position at 31 March 2022				
Assets				
Non-current				
Property, plant and equipment and intangible assets	(a)	668 694	2 388	671 082
Deferred tax	(d)	9 971	(645)	9 326
Equity				
Capital and reserves		235 314	1 743	237 057
Group income statement for the period ended 30 September 2021				
Revenue		134 982	444	135 426
Primary energy		(61 766)	(384)	(62 150)
Other expenses		(12 253)	(334)	(12 587)
Depreciation and amortisation expense		(15 583)	205	(15 378)
Net fair value and foreign exchange gains		373	1 650	2 023
Finance cost		(17 671)	312	(17 359)
Profit before tax		13 041	1 893	14 934
Income tax		(3 800)	(529)	(4 329)
Profit for the year		9 241	1 364	10 605
Group income statement for the period ended 31 March 2022				
Revenue		246 520	1 074	247 594
Primary energy		(132 439)	(494)	(132 933)
Depreciation and amortisation expense		(32 009)	(57)	(32 066)
Loss before tax		(15 772)	523	(15 249)
Income tax		3 442	(123)	3 319
Loss for the year		(12 330)	400	(11 930)
Group statement of comprehensive income for the period ended 30 September 2021				
Profit for the year		9 241	1 364	10 605
Items that may be reclassified subsequently to profit or loss		1 273	(1 751)	(478)
Cash flow hedges	(e)	1 729	(2 432)	(703)
Foreign currency translation differences on foreign operations		28	–	28
Income tax thereon	(e)	(484)	681	197
Items that may not be reclassified subsequently to profit or loss		560	–	560
Total comprehensive profit for the year		11 074	(387)	10 687
Group statement of cash flows for the period ended 30 September 2021				
Cash flows from operating activities		35 498	47	35 545
Cash flows used in investing activities		(16 007)	(47)	(16 054)
Cash flows used in financing activities		(3 068)	–	(3 068)
Cash and cash equivalents at beginning of the year		4 041	–	4 041
Foreign currency translation		28	–	28
Effect of movements in exchange rates on cash held		(81)	–	(81)
Cash and cash equivalents at end of the year		20 411	–	20 411
Group statement of cash flows for the period ended 31 March 2022				
Cash flows from operating activities		53 444	580	54 024
Cash flows used in investing activities		(31 823)	(580)	(32 403)
Cash flows used in financing activities		(9 739)	–	(9 739)
Cash and cash equivalents at beginning of the year		4 041	–	4 041
Foreign currency translation		5	–	5
Effect of movements in exchange rates on cash held		(43)	–	(43)
Cash and cash equivalents at end of the year		15 885	–	15 885

18. Restatement of comparatives (continued)

The impacted notes to the condensed interim financial statements have been updated where relevant because of the restatements. The restatements also resulted in various consequential restatements in the segment reporting and fair value disclosures.

The details of the restatements on the financial statements related to changes to *IAS 16* (30 September 2021 and 31 March 2022) as well as a result of prior periods errors (30 September 2021) are disclosed below.

(a) Property, plant and equipment and intangible assets

Various adjustments were made to property, plant and equipment including assets for which incorrect useful lives have been used, extension of asset useful lives not accounted for, completed assets under construction not timeously transferred to commercial operation, additional insurance expenditure from the group insurance entity and writeoff of aged assets under construction where there are no further expected future economic benefits.

The reclassification of critical spares from inventory had an impact on the cash flow statement resulting in a movement between changes in working capital under operating activities and acquisitions of property, plant and equipment under investing activities.

The proceeds from electricity sales and the cost to produce the electricity were previously allocated to the cost of the power station under construction. The related pre-commissioning revenue and cost are now accounted for in profit and loss in terms of the amendment to *IAS 16* that became effective from 1 April 2022.

The carrying amount of property, plant and equipment increased (September 2021: R2.1 billion, March 2022: R2.4 billion) with an increase in revenue (September 2021: R0.4 billion, March 2022: R3.6 billion) and an increase in primary energy (September 2021: R0.2 billion, March 2022: R1.1 billion) to account for the cumulative impact relating to items made available for use on or after 1 April 2021. There was a reallocation (September 2021: R0.7 billion, March 2022: R0.6 billion) between acquisitions of property, plant and equipment under investing activities and cash generated from operations under operating activities as a result of the restatement.

(b) Future fuel supplies and provisions

A single discount rate was previously used in the valuation of power station-related environmental restoration and mine-related closure, pollution control and rehabilitation provisions. These provisions were restated to align the discount rates used in the valuation with the expected timing of the associated cash flows per location, with a related impact in property, plant and equipment, future fuel supplies, finance costs and other expenses.

The nuclear plant decommissioning and spent fuel provisions were adjusted because certain assumptions in the calculation relating to labour, foreign currency and inflation rates were not updated to reflect current market information. A further overstatement resulted from the inclusion of a portion of the spent fuel management cost in both the spent fuel and plant decommissioning provisions.

A coal off-take provision was restated to correct an overprovision as management incorrectly determined the contractual termination date of a coal supply agreement.

(c) Inventories

A portion of coal inventory held at power stations was reclassified from current to non-current with a related increase in primary energy cost following a review of the quantity and usage of coal at power stations. It was concluded that a portion of the coal inventory is not expected to be used within 12 months as certain inventory are at higher levels than required for compliance with the electricity grid code and emergencies to ensure security of supply.

A significant part of the coal inventory, which is separately stock-piled, resulted from coal purchases in terms of take-or-pay arrangements in excess of required coal levels over a number of years. The weighted average price relating to these stockpiles were separately calculated, resulting in a restatement to correct the overstatement of coal inventory.

(d) Deferred tax

Tax impact of the restatements.

(e) Derivatives held for risk management

The derivatives held for risk management were restated to correct the curve methodology and resultant fair values as the valuation curve methodology used in determining the fair values of the financial instruments were not aligned to market practice in prior years.

The cash flow hedge reserve was restated because of the incorrect application of certain requirements of IFRS in previous years. The calculation of the hedge effectiveness and the quantification of the resultant hedging reserve contained errors from the incorrect inclusion of certain limiting rules, not including credit adjustments in measuring hedge effectiveness and the impact of the incorrect curve methodology as noted above. The correction of certain of these errors resulted in certain hedge relationships that were historically considered as effective no longer meeting the hedge effectiveness requirements of IFRS, resulting in the immediate unwinding of the cash flow hedge reserve. The correction of the errors also resulted in changes to the quantification of the cash flow hedge reserve.

(f) Embedded derivatives and payments received in advance, contract liabilities and deferred income

A correction was made to account for a new agreement that Eskom entered into on 1 August 2021 to supply electricity to an electricity-intensive business that gave rise to an option-based embedded derivative that was not accounted for at 30 September 2021.

(g) Payments made in advance

Payments made in advance relating to commitment fees incurred on debt facilities that expired prior to the previous reporting period were written off to the income statement and had an overall impact of zero between payments made in advance and finance costs in the cash flows used in financing activities in the statements of cash flows.

(h) Trade and other receivables

A review of payment levels indicated that certain receivables (VAT portion paid over to SARS for municipalities and Soweto recorded on a cash basis) are not expected to be realised within 12 months after the reporting period because of the low payment levels experienced. The related VAT receivable was also reclassified as a non-financial instrument because the related sales did not meet the collectability criterion and it is expected that the VAT will ultimately be recovered from SARS once the outstanding customer debt is written off.

19. Exchange rates

	Unaudited 30 September 2022	Audited 31 March 2022	Unaudited 30 September 2021
Euro	**17.55**	16.19	19.67
United States dollar	**17.97**	14.59	17.82
Pound sterling	**19.96**	19.18	22.17
Japanese yen	**0.12**	0.12	0.16

20. Reportable irregularities

There have been no significant changes to reportable irregularities as disclosed in the annual financial statements for the year ended 31 March 2022.

21. New standards and interpretations

The group is in the process of evaluating the detailed requirements of the amendments to assess the impact on the accounting policy disclosures.

Topic	Summary of requirements	Impact
IFRS 17 *Insurance contracts* and amendments to IFRS 17 (1 January 2023)	IFRS 17 introduces one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Once effective, IFRS 17 will replace IFRS 4 *Insurance contracts*.	The group is preparing for the transition to IFRS 17 with effect from 1 April 2023.
	It requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will have to reflect the time value of money of estimated payments required to settle incurred claims. Insurance contracts will be measured only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.	It is not expected that IFRS 17 will have a significant impact on the group. The standard will mainly impact the individual financial statements of Escap SOC Ltd.
Disclosure of accounting policies – amendments to *IAS 1* and IFRS Practice statement 2 *Making materiality judgements* (1 January 2023)	The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies.	The group is in the process of evaluating the detailed requirements of the amendments to assess the impact on the accounting policy disclosures.
	The practice statement provides guidance and examples on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	It is expected that there could be a reduction in the detail disclosed in the accounting policies.

21. New standards and interpretations (continued)

Topic	Summary of requirements	Impact
Definition of accounting estimate – amendments to *IAS 8 Accounting policies, changes in accounting estimates and errors* (1 January 2023)	The amendments to *IAS 8* introduces a definition of accounting estimates. The amendments clarify the distinction between changes in an accounting estimate, changes in accounting policies and the correction of errors. The use of measurement techniques and inputs to develop accounting estimates are also clarified.	The amendments are not expected to have a material impact on the group. The group will apply the definitions where applicable.
Deferred tax related to assets and liabilities arising from a single transaction – amendments to *IAS 12 Income taxes* (1 January 2023)	Targeted amendments were made to *IAS 12* to clarify how companies should account for deferred tax on certain transactions eg leases and decommissioning provisions. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability will have to be recognised for temporary differences arising on the initial recognition of a lease and a decommissioning provision. The amendments apply retrospectively.	The amendments are not expected to have a material impact on the group as the group already comply with these requirements. The group recognises a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning provisions.

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