Eskom | 100 1923-2023

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Contents

The annual financial statements were prepared under the supervision of the acting chief financial officer, JM Buys CA(SA). The financial statements have been audited in compliance with section 30 of the Companies Act and approved by the board of directors (board) on 30 October 2023.

The audited financial statements of the group and Eskom as at and for the year ended 31 March 2023 are available for inspection at the company's registered office and were published on 31 October 2023. The full suite of the group's externally published reports, including the financial statements and integrated report, are available at www.eskom.co.za.

Directors' report

for the year ended 31 March 2023

The directors are pleased to present their report for the year ended 31 March 2023.

Nature of the business

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

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

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

Overview of the year

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

The President announced the appointment of Dr KS Ramakgopa as the new Minister of Electricity in March 2023 and transferred to him certain powers and functions contained in the Electricity Regulation Act that were previously under the Minister of Mineral Resources and Energy. His focus is on solving the power crisis at Eskom with his primary task to reduce the severity and frequency of loadshedding and to oversee the electricity crisis response.

Operational performance during the year significantly deteriorated marked by a low energy availability factor (EAF) and the higher number of loadshedding days required. Performance was further negatively impacted by continuous breakdowns of Eskom's aging fleet, theft and vandalism of Eskom infrastructure, financial constraints on maintenance and capital expenditure, and the loss of critical skills through attrition.

The group recorded a net loss after tax of R23.9 billion for the year (2022: R11.9 billion restated) and earnings before interest, tax, depreciation and amortisation (EBITDA) of R38.0 billion (2022: R53.0 billion restated). The EBITDA margin decreased to 14.7% (2022: 21.4% restated) mainly because of a substantial increase in primary energy costs due to reliance on expensive open cycle gas turbine (OCGT) production coupled with a 5% decline in sales volume as a result of loadshedding, load curtailment and general decline in the economy.

Eskom's liquidity remains a challenge and key focus area. Eskom restricted organisational cash requirements by limiting capital expenditure and achieving operating expenditure savings of R27.8 billion against a target of R21.4 billion mainly attributable to containing growth in primary energy expense other than OCGTs, through optimising coal inventory and pricing to help improve liquidity. Eskom achieved a combined savings of R78.5 billion over the last four years against an original target of R61.8 billion by 2023.

The Eskom debt relief arrangement as announced by the Minister of Finance in February 2023, was promulgated into the Eskom Debt Relief Act, 7 of 2023 on 7 July 2023. The arrangement will provide debt relief of R254 billion to Eskom over the next three years, consisting of liquidity support of R78 billion in 2024, R66 billion in 2025 and R40 billion in 2026, together with the takeover of R70 billion in Eskom debt (principal and interest) in 2026 to support Eskom's debt and interest payments as they fall due. The support is subject to certain conditions as outlined in note 47 and will take the form of subordinated loan that will be settled in Eskom ordinary shares upon complying with the conditions. Eskom received debt relief of R16 billion on 3 August 2023, R12 billion on 26 October 2023 and R8 billion on 30 October 2023.

The sale of Eskom Finance Company (EFC) is being prioritised and managed as a condition of the debt relief from government as the amount available for drawdown in 2024 and 2025 would be impacted if the company is not disposed of. Eskom is also working with the National Nuclear Regulator to finalise the details of making annual deposits into a ringfenced nuclear decommissioning fund as directed by the regulator.

The board considered that there are uncertainties and dependencies relating to the going-concern assessment of Eskom that exist both from a timing of intervention perspective as well as whether the plans will materialise as anticipated.

The life extension of the nuclear plant is also dependent on several key challenges which, individually or collectively, may have a further material impact on the current operational challenges.

The events, conditions and assumptions described in note 3.2 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 assessed the current cash flow projections considering that future capital expenditure will be funded from cash from operations. The board concluded after carefully considering the progress of the initiatives outlined in note 3.2 and the continued financial support from the government through the debt relief arrangement, 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 consolidated and separate financial statements have therefore been prepared on a going-concern basis.

The legal separation process of Eskom has been delayed due to various key external dependencies. The only remaining condition to give effect to the suspensive sale agreement of National Transmission Company South Africa SOC Ltd (NTCSA) is to obtain the required lender consent. Discussions are ongoing with lenders from whom consent is required and requests for consent have been made. Bilateral engagements were held with lenders and they are supportive of the process. The granting of the requisite operating licences to NTCSA was one of the key dependencies required to enable the operationalisation of the NTCSA. The National Energy Regulator of South Africa (NERSA) approved the licence for NTCSA to operate the transmission system on 28 July 2023 and the trading and import/export licences on 14 September 2023. The licences are expected to be issued in due course.

A new company, the National Electricity Distribution Company of South Africa SOC Ltd (NEDCSA), has been registered during the 2023 financial year for the envisaged legal separation of the distribution division. The Minister of Public Enterprises granted approval of the Public Finance Management Act, No. 1 of 1999 (PFMA) application in terms of section 54(2)(a) and 54(2)(d) on 7 August 2023 for the transfer of the distribution business to NEDCSA, subject to further discussions on the preferred model and financial sustainability of the new distribution company. It is expected that NTCSA will be operationalised in the 2025 financial year with NEDCSA in the year thereafter.

Operational performance

Operational performance remains a concern due to the prolonged, high stages of loadshedding during the financial year necessitated by various factors such as the aging coal fleet being utilised at abnormally high utilisation factors, prolonged outages and production from renewable energy IPPs not being available as planned. An added concern is the additional costs of alternate as well as more expensive sources of energy incurred to support the power system given the current financial and system constraints.

Loadshedding was required on 280 days (2022: 65 days) during the year. Loadshedding and load curtailment were as a result implemented for 5 557 hours (2022: 1 011 hours), reducing supply by an estimated 13 476GWh (2022: 1 605GWh).

The OCGT load factor for the year increased to 14.3% (2022: 8.7%) against a target of 7%. Eskom and IPP-owned OCGTs had to be utilised extensively during the year due to the poor performance of the coal-fired generation fleet as well as lower production by renewable energy IPPs.

Technical performance

Generation performance

The EAF of the generating plant deteriorated to 56.03% (2022: 62.02%) which is below the target of 65% for the year, largely due to an increase in unplanned partial and full load losses (UCLF) to 31.92% (2022: 25.35%).

Eskom continues to operate the plant far outside acceptable norms to avoid or minimise loadshedding. The energy utilisation factor (EUF) for the entire generation fleet has increased to 81.48% (2022: 79.78%). The high average fleet EUF was largely due to coal-fired stations running at an average EUF of 95.59% (2022: 93.98%), with all 15 coal-fired stations recording EUF above 90%. Given the age of the fleet, coal EUF levels remain substantially above the international norm of around 75% over the long term, which will have negative long-term technical consequences.

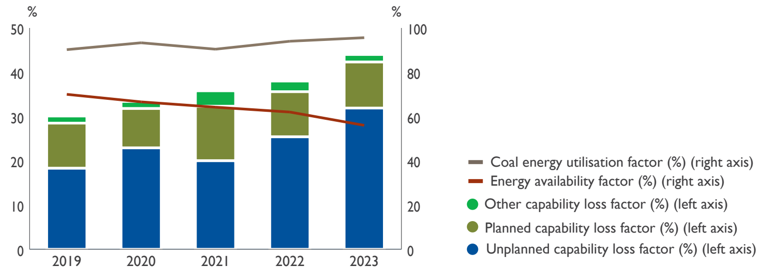
The Generation recovery plan aims to achieve a step change in improving generation performance and plant reliability by improving availability to an EAF level of 65% for March 2024 and at least 70% for March 2025. The purpose of the recovery plan is to:

- drive the implementation of key enablers to expedite plant recovery and ensure that recovered performance is sustained
- evaluate risks and ensure timely implementation of risk mitigation measures
- track implementation plans of emerging plant risks and station recovery plan progress at eight stations
- perform analysis and assessments affecting recovery, and expedite plans accordingly
- have a holistic appreciation of the integrated business requirements
- evaluate the effectiveness of the recovery plan and strategy optimisation/realignment
- integrate responses from across the business on operational fleet level risks
- optimise, enhance and innovate business process

Progress has been made on the execution of the plan, even though the actual EAF performance of 55.3% during the first two quarters of 2024 remains below the target of 65%, with most of the gains targeted for the remainder of 2024.

Progress has been made on the long-term operational activities to operate the Koeberg power station for another 20 years beyond 2024. A request to separate the long-term operations license for the two units has been made to the National Nuclear Regulator to mitigate possible delays in the regulatory process. Koeberg unit 1 has been on a planned long-duration outage where the three steam generators are being replaced with commercial operation targeted for November 2023 while unit 2 will undergo a similar long-duration outage scheduled to start after unit 1 returns from outage.

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



Network performance

System minutes lost <1 minute performance deteriorated to 4.7 minutes (2022: 2.9 minutes) with an abnormal number of interruptions occurring due to various factors. These include switchgear failures arising from frequent operation for loadshedding, cable theft at substations, increased line faults, protection maloperations as well as restoration delays. Maintenance practices are in the process of being reviewed to improve system reliability performance.

Distribution network performance remained stable. Energy losses increasing slightly to 9.74% (2022: 9.62%), totalling 19.2TWh (2022: 19.8TWh) with an increase in estimated non-technical losses to R5.6 billion (2022: R5.3 billion restated) for the year. Refer to note 51.3.

Plant health and reliability is impacted by loadshedding with premature equipment failure and depletion of resources at the expense of normal events. Additional interruptions occurred due to unauthorised connections, overloading of the network, theft and vandalism of electrical equipment and difficulty in restoring power to hazardous areas.

The distribution loss curtailment strategy is being executed through meter refurbishment and audits of all customer categories, installing smart and prepaid meters as well as exploring options for a new vending platform and enhancing controls around the platform. Legal action is pursued against those who supply illegal prepaid meters.

Operational performance *continued*

Technical performance *continued*

Environmental performance

The generation division is driving a culture towards achieving environmental compliance and renewed focus on the importance of compliance for sustainable asset management.

Relative particulate emissions performance deteriorated to 0.70kg/MWh sent out (2022: 0.34kg/MWh sent out) due to ash plant issues as well as poor performance of electrostatic precipitator and sulphur trioxide plant. The power station contributing most significantly to the poor performance continues to be Kendal with half of the total emitted particulate matter. Emission recovery actions are being implemented at power stations as part of the generation recovery plan for effective plant management to improve emission performance.

Eskom received approval in June 2023 from the Department of Forestry, Fisheries and the Environment to operate the temporary stacks at Kusile power station at increased sulphur dioxide emissions levels while repairs to the failed west stack chimney are under way. Repairs to the temporary stack structures and permanent repairs to the west stack will be completed by November 2023 and December 2024 respectively.

Specific water usage of 1.39ℓ/kWh sent out (2022: 1.45ℓ/kWh sent out) met the target for the year even though water performance across the fleet was negatively affected by poor water management practices.

Safety

Eskom is committed to safety and Zero harm. There was one employee fatality (2022: four), three contractor fatalities (2022: two) and 16 public fatalities (2022: 21) during the year.

Capacity expansion programme

The capacity expansion programme, which commenced in 2005 and is expected to be completed by 2028, aimed to build new power stations and reinstate mothballed power stations to increase installed generation capacity by 17 134MW, high-voltage transmission power lines by 9 756km and transmission substation capacity by 42 470MVA. Eskom continued to make progress with the programme with installed generation capacity of 15 529MW, transmission lines of 8 548km and transmission substation capacity of 39 505MVA from inception to 2023.

The focus at Medupi power station remains on completing the remaining scope on the balance of plant work, executing major plant defect repairs and resolving contractual and commercial matters towards project close-out. There are five units in commercial operation, connected and supplying energy to the national grid while unit 4 is expected to be offline until August 2024 for turbine repairs following the generator explosion in August 2021.

Commercial operation was achieved earlier than expected on 31 May 2022 for Kusile unit 4. Kusile units 1 to 3 have been offline since October 2022 after the failure of the flue-gas duct. The repairs to the temporary stack structures were completed ahead of schedule with Kusile unit 3 returned to service on 30 September 2023 and unit 1 on 16 October 2023. The permanent solution to repair the flue-gas duct is planned to be completed by December 2024. Commercial operation of Kusile unit 5 is targeted for April 2024 and Kusile unit 6 is targeted for February 2025, with the final completion of Kusile power station expected in May 2027.

The first phase of the correction of the major plant defects at Medupi and Kusile, mainly for the rollout of the milling plant at Medupi, is targeted for December 2023. Additional plant defect corrections are forecasted for completion after 2027.

High-voltage transmission lines of 326.1km were installed and commissioned during the year. Performance was significantly better than the target of 140km due to excellent contractor performance. Eskom also connected 102 590 households to the grid during the year.

A total of 89 renewable energy IPP projects with a capacity of 6 106MW (2022: 5 826MW) are in operation. Eskom also procured energy from two peaker IPP OCGT with a capacity of 1 005MW.

Refer to page 98 of the integrated report for more information.

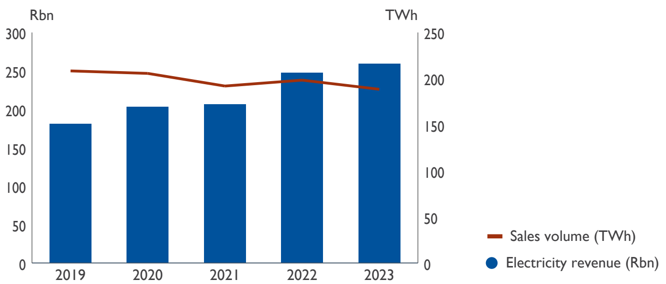
Financial performance

Performance

The Eskom group recorded a net loss after tax of R23.9 billion (2022: R11.9 billion restated) for the year, reflecting a further deterioration in performance of R12.0 billion compared to the previous year. EBITDA performance decreased by R15.0 billion to R38.0 billion (2022: 53.0 billion restated) mainly due to higher primary energy costs.

Revenue increased by R11.9 billion to R259.5 billion (2022: R247.6 billion restated), mainly due to the standard tariff increase of 9.61% allowed by NERSA, offset by a year-on-year decline in total sales volumes of 9 880GWh to 188 401GWh (2022: 198 281GWh). Revenue was negatively impacted by the revenue not recognised of R15.8 billion (2022: R14.2 billion) where collectability criteria were not met, offset by R7.6 billion (2022: R6.5 billion) revenue recognised from customers on the cash basis. The average electricity price amounted to 141.38c/kWh (2022: 127.32c/kWh) for the year.

The graph below reflects the comparison between sales volumes and electricity revenue over the last few years.



Primary energy expenses increased to R154.9 billion (2022: R132.9 billion restated) for the year although there was a decrease in production of 12.2TWh. The main contributing factors were the growth in Eskom and IPP OCGT costs as well as gas and fuel oil used for combustion support and the start-up of coal-fired units after outages or trips. Primary energy expenses also include R3.5 billion (2022: R3.6 billion) relating to refunds on diesel use that were disallowed by the South African Revenue Services (SARS). The administrative appeal regarding the refunds was rejected by the South African Revenue Services (SARS). Eskom is now pursuing dispute resolution proceedings and remedies available in this regard.

Eskom own generation costs increased to R106.7 billion (2022: R92.4 billion restated) for the year. Expenditure on Eskom-owned OCGTs increased to R21.4 billion (2022: R10 billion) due to higher diesel prices and the increase in OCGT production to 3 018GWh (2022: 1 826GWh). IPP expenditure increased to R41.8 billion (2022: R35.2 billion) due to more extensive use of IPP OCGTs together with higher diesel prices.

Employee costs declined by R0.7 billion to R32.3 billion (2022: R33.0 billion) for the year, representing a 1.2% decrease when compared to the prior year largely due to a 2% decline in headcount, mostly through natural attrition, offset by annual increases.

Other expenses increased by R6.0 billion to R34.8 billion (2022: R28.8 billion) for the year largely due to additional repairs and maintenance as well as plant operating costs, such as ash handling activities, because of the poor plant performance and writeoffs on property, plant and equipment that was previously capitalised.

The impairment on financial assets amounted to R1.0 billion (2022: R0.6 billion), mainly relating to trade and other receivables. The writedown on other assets amounted to R1.2 billion (2022: R0.8 billion) of which R0.8 billion (2022: R0.8 billion) resulted from the continued clean-up to address shortcomings in the internal control of consumable inventory management.

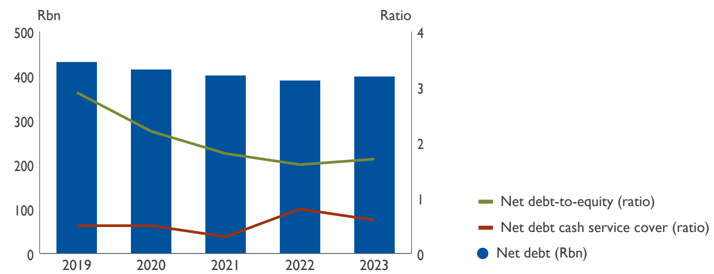
Depreciation increased by R0.4 billion to R32.5 billion (2022: R32.1 billion restated) in 2023 primarily due to the commissioning of Kusile unit 4 during the year and a full year of depreciation for Medupi unit 1.

The group recorded a net fair value and foreign exchange loss on financial instruments, excluding embedded derivatives, of R0.2 billion (2022: R4.7 billion) for the year. Financial instruments are largely impacted by interest rate and exchange rate movements as well as credit risk and hedge effectiveness adjustments. The Rand weakened significantly against major currencies during the year due to global macro-economic factors, resulting in a fair value loss on the translation of foreign borrowings and a corresponding fair value gain on derivative hedging instruments. A net fair value loss of R0.1 billion was recorded on embedded derivatives (2022: R1.6 billion net fair value gain).

Net finance costs increased to R37.0 billion (2022: R33.1 billion) in 2023 largely due to higher interest rates on inflation-linked borrowings and the increase in debt securities and borrowings.

The financial solvency ratios deteriorated mainly due to a decline in EBITDA. The net debt to equity ratio deteriorated to 1.69 (2022: 1.64 restated) at year end with net debt increasing to R398.8 billion (2022: R389.1 billion). The net debt cash service cover ratio deteriorated to 0.58 (2022: 0.76) and remains well below investment grade levels. Liquidity remains under pressure given Eskom's financial and operational challenges. Cash and cash equivalents decreased to R7.5 billion (2022: R15.9 billion), mainly due to settling of Eskom's debt obligations.

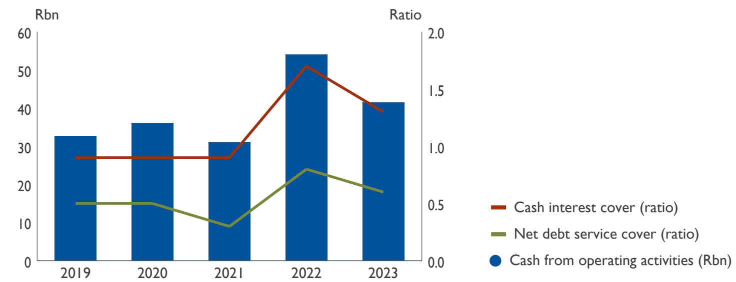
The graph below reflects the movement in net debt as well as the debt-to-equity and net debt cash service cover ratios over the last few years.



Gross debt securities and borrowings increased by R27.6 billion to R423.9 billion (2022: R396.3 billion) for the year mainly because of the weakening of the rand relating to foreign denominated borrowings. Eskom repaid R39.1 billion and raised R29.6 billion of debt during the year.

Total debt servicing of debt securities and borrowings amounted to R72.2 billion for the year. Net cash from operating activities of R41.5 billion (2022: R54.0 billion) remains inadequate to meet debt servicing requirements and fund general capital expenditure requirements.

The graph below shows the movement in cash from operating activities as well as the cash interest cover and net debt service cover ratios over the last few years.



Financial performance *continued*

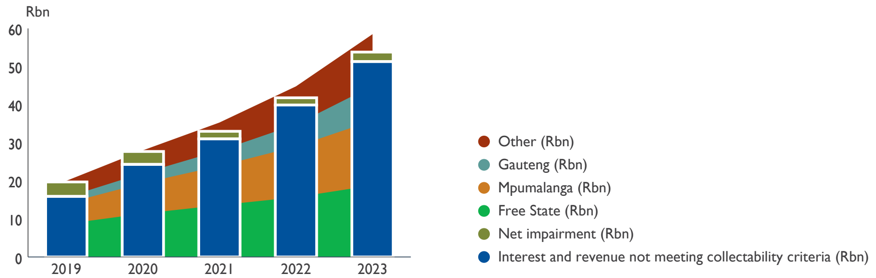
Performance *continued*

The total overdue electricity receivables from customers increased by R12.1 billion to R64.3 billion (2022: R52.2 billion) in 2023, of which municipalities accounted for 91.0% and Soweto 3.5%. The total gross municipal overdue debt increased to R58.5 billion (2022: R44.8 billion) at year end, with 32.2% owed by Free State, 29.1% by Mpumalanga and 15.5% by Gauteng municipalities.

Eskom continues to execute its municipal debt management strategy by enhancing existing revenue and debt management processes, enforcing legal action and working with government on related interventions. The focus is on the top 20 defaulting municipalities as a priority as they constitute approximately 78% of total gross municipal overdue debt.

The municipal debt relief programme that was announced in the National Budget Speech in February 2023 supports Eskom's municipal debt strategy and is intended to assist with Eskom electricity receivable arrear debt challenge. Eskom, in consultation with National Treasury, will write off a municipality's arrear debt balance at 31 March 2023, including interest and penalties and excluding any current amounts, over three financial years subject to the municipality's compliance with the conditions as determined by National Treasury, including but not limited to the continuous payment of their current account. The reconciliation and monitoring of the first five municipalities that were approved for the debt relief arrangement commenced on 1 June 2023. A total of 28 municipalities have been approved by National Treasury by 30 September 2023. The closing date for the debt relief arrangement has been extended to 31 October 2023.

The graph below reflects the increase in the gross overdue municipal debt per province and the breakdown between the net impairment, interest and revenue not meeting collectability criteria over the last few years.



NERSA tariff and Regulatory Clearing Account decisions

Revenue growth by migrating towards cost reflective tariffs remains a focus area for Eskom.

Developments on the various NERSA determinations include:

- *Revenue decision for 2023 to 2025 (MYPD 5)*

  Eskom submitted a court review application to address NERSA's incorrect treatment of the regulatory asset base in which NERSA awarded Eskom a standard tariff increase (including the Regulatory Clearing Account (RCA)) of 9.61% for 2023, significantly lower than the 20.5% that Eskom applied for. The High Court set aside NERSA's decision in respect of the valuation of the regulatory asset base, although no retrospective adjustment was granted. NERSA was ordered to apply its Multi Year Price Determination (MYPD) methodology for redetermination of the valuation of the regulatory asset base to form the basis for the revenue decisions for 2024 and 2025. NERSA subsequently awarded an average standard tariff increase of 18.65% for 2024 and 12.74% for 2025. The Democratic Alliance, the Tebeila Institute and the South African Local Government Association separately reviewed NERSA's determination for 2024 and 2025, and an interdict was submitted to stop the implementation thereof. The Tebeila Institute subsequently withdrew its application. The hearings took place in September 2023 and a court outcome is awaited.
- *Revenue decision for 2020 to 2022 (MYPD 4)*

  The Supreme Court of Appeal issued an order in June 2022 on the timing of the recovery of the remaining R59 billion due to Eskom arising from the R69 billion Government support incorrectly deducted by NERSA in its revenue determination for MYPD 4. In terms of the court order, NERSA is required to include an additional R15 billion in allowable revenue per year from 2024 to 2026 and R14 billion in 2027. NERSA complied with the court order in its MYPD 5 revenue decision for 2024 and 2025.
- *RCA decision for 2020 (MYPD 4)*

  NERSA approved R3.5 billion against Eskom's application of R8.4 billion to be recovered through the RCA mechanism. NERSA made a determination on the timing of the liquidation of the RCA, with R3.3 billion to be recovered equally over three years from standard tariff customers and the remaining R0.1 billion to be recovered from local special pricing arrangement customers and international customers. Eskom accepted the decision although the court review application relating to the RCA decision is still under way.
- *RCA decision for 2021 (MYPD 4)*

  NERSA communicated a RCA decision of approximately R0.2 billion in March 2023 in favour of the consumer against Eskom's application of R10.7 billion in favour of Eskom. The reasons for the decision were published in May 2023 and Eskom reviewed NERSA's decision on a similar basis as previous RCA decisions. The case was lodged in October 2023.
- *RCA decision for 2022 (MYPD 4)*

  Eskom submitted a RCA application of R23.9 billion in April 2023 for 2022 mainly resulting from revenue, primary energy and operating cost variances. The RCA application was delayed because of the late release of the Eskom 2022 annual financial statements. Based on the published timelines NERSA is expected to make its decision by December 2023.
- *Other court review applications under way*

  There have been no developments relating to court review applications in respect of the RCA decisions for 2015 to 2017 (MYPD 3), the RCA decision for 2018 (MYPD 3), the revenue and RCA decisions for 2019 as well as the RCA decision for 2020 (MYPD 4). The legal processes for these review applications are still under way which collectively relate to the recovery of an estimated R50 billion.

Funding

The group has a centralised treasury function. The funding and liquidity activities are overseen by a general manager, Mr R Vaughan, the group treasurer who is Eskom's debt officer and has the relevant experience and expertise for this role.

Eskom's borrowing programme was increased to R60 billion for 2023 from the originally envisaged R44.5 billion of which R59.9 billion (2022: R35.8 billion) was raised during the year, including R16 billion relating to funding concluded on 31 March 2023 with cash received on 4 April 2023.

The repayment profile of debt remains pressured over both the short and long term, with interest payments of R195 billion (2022: R118.9 billion) and debt repayments of R135 billion (2022: R176.9 billion) over the next five years. The debt relief support from government will assist with the repayment of these commitments when they become due.

The conditions relating to the debt relief restricts Eskom from raising new borrowings from 1 April 2023, unless approved by the Minister of Finance. All operational and relevant capital expenditure spending will be financed through operational cash flows and drawdowns from existing project related loan agreements. Eskom's credit rating improved to a stable outlook after the enactment of the Eskom Debt Relief Act.

The amounts available under the government guarantee facility of R350 billion expired on 31 March 2023 in line with the debt-relief arrangement. Existing guarantees issued in terms of the government guarantee facility were not impacted and will remain in place until settlement of the guaranteed debt.

Refer to page 82 of the integrated report for more information.

Governance and compliance

Eskom strives to entrench sound corporate governance practices across the business, based on accountability, transparency, ethical behaviour and fairness.

The board remains committed to remedying all issues related to past corporate governance breaches. The board is focussing on emergency agenda items to prevent the challenge of criminality in the form of fraud, corruption, theft and sabotage including appointing of senior executives in key functions, enhancing critical internal controls (enhanced safeguarding of assets, end to end control of coal supply chain and procurement processes). The audit and risk committee is actively overseeing and monitoring the process of addressing audit findings and observations raised by internal and external assurance providers to improve the internal control environment.

Investigations into allegations of criminality in Eskom resulting from the Judicial Commission of Inquiry into Allegations of State Capture led by Deputy Chief Justice Raymond Zondo (Zondo Commission), Special Investigating Unit (SIU) and other internal and external investigations continue during the year. The outcome of investigations, when available, has been considered for a possible impact on the financial statements. As a result of the outcome of these investigations property, plant and equipment that was previously capitalised has been expensed during the year and reported in terms of PFMA.

Eskom is taking allegations regarding criminality seriously and is cooperating with related investigations and inquiries. Eskom continues to provide the necessary support to external organisations where follow up actions are not within Eskom's control to ensure the successful prosecution of implicated suppliers, former employees and directors as well as associated perpetrators. Recent developments include the arrest of nine people at Kusile power station for theft of coal and fraud with more arrests to be made as investigations continue. A coal truck driver and two weighbridge clerks were arrested for fraud and coal theft relating to delivery of coal at the Majuba power station. A sub-contractor of Eskom Rotek industries at Camden power station was arrested for bribery related to coal deliveries.

The environmental, social and governance framework has been enhanced to incorporate broader legal and governance issues, including Eskom's response to state capture and criminality. Key focus areas to support the eradication of fraud and corruption include civil recoveries, consequence management for implicated suppliers, former employees and former directors as well as conducting an in-depth crime risk assessment and review of structures, policies and procedures.

The first phase of a crime landscape risk assessment by an independent service provider, aimed at identifying risks related to bribery and corruption, financial crime, physical asset crime, cybercrime and money laundering, is in progress. The assessment will assist with enhancing controls relating to crime risk and implementation of a crime risk management programme in Eskom's standard operating procedures.

A fraud prevention plan was established and progress was made in the implementation thereof. Key actions taken to address the risk of fraud and corruption include:

Action	Progress
Use of independent service providers to evaluate allegations of fraud and corruption in support of a broader investigative process and to determine appropriate plan of action.	Implemented
Completion of several forensic investigations and assessments on reported incidents which assisted in reducing the backlog into outstanding forensic investigations.	Ongoing process, backlog reduced
Implementation of a single investigative unit to enhance effectiveness and response to allegations of crime and other unethical behaviour.	In the progress, approved by board
Implementation of enhanced fraud awareness and training.	Enhanced training material and compulsory training ongoing
Use of independent service providers to assist Eskom in identifying possible overpayments relating to construction contracts with the objective to recover such overpayments.	Several overpayments identified, legal action instituted with ongoing investigations
Use of independent service providers to assist Eskom with the management of compensation claims from construction service providers.	Several claims reviewed with successful outcome and ongoing support being received in the management of claims
Enhanced control measures relating to coal supply being implemented, including the coal automation project to monitor the end-to-end coal supply chain.	Pilot project implemented to track movement of trucks, testing coal quality at source and enhanced weighbridge controls
Planned expanded roll out of artificial intelligence capabilities to improve controls, including the ongoing monitoring of identified exceptions.	Fragmented approach being addressed, procuring assistance from external service provider for initial assistance while developing in-house capability. Formalising regular feedback on actions taken
Rollout of pilot smart metering to test the controls over meter tampering and ghost vending as well as managing connections remotely.	Service provider appointed and rollout in progress

Governance and compliance *continued*

Eskom completed its review of the Zondo Commission report and is addressing the recommendations and ensuring appropriate legal remedies are being pursued. There are currently no outstanding disciplinary actions against individuals highlighted in the Zondo Commission report and no implicated individuals are currently employed by Eskom in relation to consequence management for delinquent employees. Several civil recovery proceedings have been launched by both the SIU and Eskom.

Eskom provided the first batch of dossiers of charges related to four former Eskom directors to the Companies and Intellectual Property Commission for consideration and prepared detailed evidence packs relating to all implicated directors.

New contracts for all implicated suppliers are provisionally blocked while awaiting the outcome of related court cases whereafter relevant suppliers are formally blacklisted. Eskom's state capture task team is focussing on the backlog of supplier disciplinary cases and addressing new cases as they arise. An external service provider is assisting Eskom in closing out these matters.

Investigations continue to reveal instances of improper contract management, general procurement irregularities and fraud. Non-compliance with Eskom's policies and procedures, employee dishonesty as well as circumvention of controls remain the most prevalent themes in these cases. A total of 278 (2022: 128) new cases involving employees and suppliers were registered for internal investigation during the year, with 227 (2022: 113) forensic investigations concluded during the year and 305 (2022: 253) cases under investigation at year end.

Disciplinary action was recommended for 223 employees and 54 suppliers were recommended for review through the supplier review process. Confirmed cases of fraud and corruption registered with the South African Police Services (SAPS) amounted to 158 cases of which 10 are at trial stage at various magistrate and specialist commercial crimes courts. A further 41 have been through the criminal proceedings provided for under the Criminal Procedure Act.

Consequence management processes are being improved. These include the establishment of a disciplinary tribunal consisting of internal and external experts to expedite disciplinary action and address the backlog of cases as well as training of disciplinary chairpersons and case presenters. An agreement was reached with trade unions on the amended disciplinary and grievance procedures for bargaining unit employees where Eskom will undertake disciplinary action within three months from the date that it becomes aware of any misconduct. Consultation on the disciplinary and grievance procedures applicable to managerial employees are in progress.

Compliance with and monitoring of the annual declaration of interest process has improved. Employees are subject to disciplinary processes where business-related interests were not declared or private work performed without prior approval. Potential non-compliance with Eskom's conflict of interest policy were investigated where directorships were not appropriately disclosed.

Appropriate screening of applicants has been incorporated in the recruitment of employees, including identifying and excluding employees who previously resigned before disciplinary or investigative processes could be concluded. The process to withhold pension benefits and the recovery of losses or damages to Eskom from flagged employees has also been clearly outlined.

Eskom's overall assessment of the implementation of the King IV™ principles and practices remains partially effective for 2023. The board acknowledged that not all of the King IV™ principles have been fully or effectively applied, even though many of the required practices have been in place for many years. Initiatives are underway to address focus areas.

PFMA compliance

Eskom has unfortunately again received a qualified audit opinion relating to the completeness and accuracy of PFMA information disclosed in note 51 of the annual financial statements as associated financial records were not complete or accurately maintained in line with legislative requirements.

The board remains committed to enhancing systems, controls, resources, policies and procedures as well as reporting structures to address this significant focus area. These enhancements are not yet effective as there are still areas that require significant improvement.

The National Treasury Instruction 4 of 2022/23 was issued in January 2023 effective from 3 January 2023. The instruction note is applicable to all state-owned companies and specifies the information required in terms of section 55(2)(b)(i) of the PFMA that must be reported in the annual financial statements and the integrated report. Certain particulars relating to irregular expenditure, fruitless and wasteful expenditure and material losses due to criminal conduct which were previously included in the annual financial statements were reported in the integrated report in 2023 in line with the requirements of the instruction note. All information reported previously are, as a result, still reported in the integrated report and annual financial statements.

Eskom requested a partial exemption from National Treasury to allow it to disclose the required PFMA information in the integrated report and not in the annual financial statements for 2023, 2024 and 2025. The partial exemption granted by the Minister of Finance in March 2023 was withdrawn in April 2023. The issuance of the National Treasury Instruction 4 is assisting Eskom with dealing with its PFMA reporting as it allows for the ringfencing and separate management of challenges that arose in prior periods with only current year expenditure that has to be reported in the annual financial statements.

The PFMA reporting procedure has been revised so that all assessments and determinations are performed by the Eskom loss control function. There is focus on improving the effectiveness of the loss control function, including evaluating its mandate and related capacity. The roles, responsibilities and reporting process of the business versus the loss control function also need to be clearly defined and enhanced. Training on the PFMA reporting procedure was rolled out to managerial level employees during the year.

Irregular expenditure

Irregular expenditure incurred during the year amounted to R5.0 billion (2022: R10.4 billion restated). New transgressions amounted to R2.6 billion consisting of 37 incidents in the current year, whilst the remaining R2.4 billion relates to ongoing expenditure on 52 incidents previously classified as irregular.

Eskom is actively implementing various initiatives to address matters relating to irregular expenditure as well as improve operational processes including:

- ringfencing of historical irregular expenditure and recording of all irregular expenditure in a central condonation register for preliminary investigation and determination, and subsequently submitting for approval
- training interventions with the support of regulatory organisations on various legislative and regulatory requirements to eliminate any ambiguity that might arise due to different interpretations of governance frameworks and prescripts
- monitoring and engaging with divisional executives by the loss control function to close out outstanding items

Fruitless and wasteful expenditure and criminal conduct

Fruitless and wasteful expenditure incurred during the year amounted to R105 million (2022: R3 million restated) for the group. There is a risk that the reported information could be understated due to various challenges relating to identification, review and finalisation of instances of fruitless and wasteful expenditure. There is continued focus on efforts to address shortcomings and improve reporting.

Losses due to criminal conduct of R6.0 billion (2022: R5.7 billion restated) were reported during the year for the group.

Board and executive committee changes

The board should consist of a minimum of three and maximum of 15 directors, with the majority being non-executive directors, in terms of the memorandum of incorporation. The current board comprises 15 directors of which 13 are independent non-executive directors and two executive directors.

The following changes to the board occurred during the year:

Non-executive directors	Comment
PM Makwana (chairman)	Appointed on 1 October 2022
FBB Gany-Ahmed	Appointed on 1 October 2022
LL Goqwana	Appointed on 1 October 2022
CR le Roux	Appointed on 1 October 2022
APZ Mafuleka	Appointed on 1 October 2022
MW Makgoba	Term ended on 30 September 2022
BCE Makhubela	Term ended on 30 September 2022
B Mavuso	Resigned on 27 September 2022
L Mkhabela	Appointed on 1 October 2022
PE Molokwane	Term ended on 30 September 2022
TH Mongalo	Term ended on 30 September 2022
TL Mthombeni	Appointed on 1 October 2022
B Ntshalintshali	Appointed on 1 October 2022
M Nyati	Appointed on 1 October 2022
T Ramano	Appointed on 1 October 2022
B Vilakazi	Appointed on 1 October 2022
C von Eck	Appointed on 1 October 2022

Dr R Crompton remained as an independent non-executive director from the previous board. The chairman of the board, Mr PM Makwana, resigned effective from 30 October 2023. Dr M Nyati was appointed as chairman of the board effective from 31 October 2023.

Mr AM de Ruyter resigned from Eskom effective 28 February 2023. Mr C Cassim is acting as the group chief executive and Mr JM Buys is acting as the chief financial officer.

The recruitment process for the position of group chief executive is progressing. Eskom submitted the names of three candidates to the shareholder on 25 October 2023 for consideration.

The following changes to Exco occurred after year end:

Executive committee members	Comment
JA Oberholzer	Retired as group chief operating officer on 30 April 2023 and was on a fixed-term contract until 31 July 2023
M Govender	Resigned as group executive: legal and compliance on 30 June 2023
W Madonsela	Acting as group executive: legal and compliance from 1 July 2023
N Minyuku	Resigned as group executive: government and regulatory affairs on 30 April 2023
S Nassiep	Acted as group executive: government and regulatory affairs from 1 June 2023 until 9 August 2023
N Sithole	Acting as group executive: government and regulatory affairs from 10 August 2023

The divisional executives for generation, transmission and distribution, Mr BJ Nxumalo, Mr SM Scheppers and Mr ML Bala respectively, are attending Exco in a participating role from 1 April 2023.

Refer to page 56 of the integrated report for more information.

Human resources

Eskom remains committed to ensuring a skilled and diverse workforce is in place to achieve Eskom's mandate and strategic objectives. The human resource strategy aims to address various human capital challenges which is being implemented.

Workforce

Eskom's headcount reduced by 820 to 39 601 (2022: 40 421) at year end, mainly through natural attrition of 2 705 employees offset by external recruitment of 1 885 employees to address the skills needs across critical workforce segments. Headcount is expected to increase during the next five years with targeted headcount of 41 837 by 2028 to replenish skills lost through natural attrition in support of the legal separation and Just Energy Transition.

Industrial relations

A cost of living increase of 7% was implemented for bargaining unit employees from July 2022 and professional, middle management, professionally qualified and senior management employees from October 2022. Top management received no increases. The Commission for Conciliation, Mediation and Arbitration awarded an additional 1.5% salary adjustment backdated to July 2021 for bargaining unit employees in respect of the outcome of the 2021 wage negotiations.

A collective agreement with trade unions was reached for a period of three years after three rounds of negotiations. The agreement includes a 7% salary increase per year for all bargaining unit employees, applicable from 1 July 2023 to 30 June 2026, a 7% increase in the housing allowance per year over the three-year period and a once-off taxable payment of R10 000 for the first two years.

Eskom subsequently approved a 7% increase in managerial remuneration costs from 1 October 2023, of which a 4% cost-of-living adjustment was guaranteed for all managerial employees and the remaining 3% was made available for managers to utilise their discretion and award to employees based on performance, correcting income differentials and retaining high performers.

Building and retaining strong skills

Eskom has implemented various initiatives which demonstrates commitment to upskilling and reskilling of its workforce. These initiatives are in response to the changing world of work, Just Energy Transition and the evolving energy industry as well as to stabilise and maintain the constrained electricity network. An implementation plan is being developed to address the identified skills gaps identified in a skills audit.

The learner pipeline programme aims to address some of the future skills needs and creates a foundation for balancing the ageing workforce profile with an appropriate talent pipeline. The learner pipeline represented 4.6% (2022: 3.6%) of the permanent company workforce against a target of 2.5% for the year. There were 1 568 learners at year end.

Training spend of R1.1 billion (2022: R0.9 billion) was incurred in 2023, representing 3.4% (2022: 2.6%) of gross employee benefit costs.

Eskom continues to support further study programmes where employees seek to obtain qualifications related to their line of work, thereby building skills and expanding the leadership potential within the workforce. A total of 795 (2022: 843) employees were enrolled in further studies during the year.

Improving internal transformation

Eskom continues to make progress in building a more diverse and inclusive workforce that reflects the demographics of the country. Eskom's diversity goals reach beyond race, gender and disability to cultural, generational and other diversity needs.

Group disability equity improved marginally to 3.0% (2022: 2.9%) below the internal target of 3.3% as a result of the reduction in overall headcount. The number of employees with disabilities regrettably reduced to 1 171 (2022: 1 188). Initiatives to improve awareness and accessibility, including the use of virtual platforms and physical equipment for persons with disabilities, are underway to improve the indicator in 2024.

Eskom's overall gender ratio improved marginally to 65:35 (2022: 66:34) male to female employees against the target of 50:50 representation by 2030. Gender equity remains at five out of nine Exco members being female at 31 March 2023. Initiatives to improve gender equity include learning and development programmes, the Eskom Women Advancement Programme and the development of the Women Accelerator Programme.

Refer to page 132 of the integrated report for more information.

Shareholder compact performance

The table sets out Eskom's performance measured against the shareholder compact that was subject to audit by the external auditors. The external audit opinion relating to this audit is detailed on page 25. One key performance indicator (KPI), namely outage readiness indicator at T-3, was qualified as the external auditors were not able to substantiate the value reported due to a lack of adequate supporting documentation.

All the KPIs in the compact refer to the Eskom company, except for the lost-time injury rate and the finance measures which reflects the group.

Actual performance against the year end target is indicated as follows:

🟢 Actual performance for the year met or exceeded the target 🔴 Actual performance for the year did not meet the target

Key performance indicator	Ref	Unit	Target 2023		Actual 2023	Actual 2022
Focus on safety						
Lost-time injury rate (employee)[1]		rate	0.30	🟢	0.26	0.24
Improve plant operations[2]						
Energy availability factor	(a)	%	65.00	🔴	56.03	62.02
Post-philosophy outage unplanned capability loss factor	(b)	%	14.00	🔴	35.75	29.74
Outage readiness indicator at T-3[3]	(c)	%	80.00	🔴	70.25	67.45
Boiler tube failure rate (12-month moving average)[3]	(d)	number	1.80	🔴	2.17	2.44
System minutes lost	(e)	minutes	3.53	🔴	4.71	2.88
Transmission lines installed[4]		km	140.00	🟢	326.10	180.54
Transmission transformers capacity installed and commissioned[4]		MVA	–	🟢	–	1 065
Payment levels excluding Soweto interest	(f)	%	95.70	🔴	95.03	95.97
Distribution total energy losses	(g)	%	9.44	🔴	9.74	9.62
Total electrification connections		number	101 899	🟢	102 590	97 947
System average interruption duration index (SAIDI)		hours	38.00	🟢	35.51	35.46
Focus on the system						
Loadshedding implemented[3]	(h)	number of days	63	🔴	280	65
Reduce environmental footprint in existing fleet						
Relative particulate emissions	(i)	kg/MWh sent out	0.30	🔴	0.70	0.34
Specific water usage		ℓ/kWh sent out	1.39	🟢	1.39	1.45
Compliance with atmospheric emission licences[5]	(j)	%	90.00	🔴	87.40	89.00
Primary energy optimisation						
Migration of coal delivery volume from road to rail	(k)	Mt	4.70	🔴	2.51	2.49
Coal purchase rand/ton		% increase	10.00	🟢	9.24	2.08
Deliver capital expansion						
Generation capacity installed and commissioned (commercial operation)	(l)	MW	800	🔴	799	794
Ensure financial sustainability						
EBITDA	(m)	R million	51 929	🔴	38 045	52 954[6]
Cash interest cover	(n)	ratio	1.33	🔴	1.29	1.69[6]
Debt service cover		ratio	0.55	🟢	0.58	0.76
Savings from turnaround initiatives		R million	21 400	🟢	27 765	20 047
Legal separation						
Business separation key milestones – Generation is a legal operating subsidiary of Eskom[7]	(o)	date	31 Dec 2022	🔴	No	n/a
Business separation key milestones – Distribution is a legal operating subsidiary of Eskom[7]	(p)	date	31 Dec 2022	🔴	No	n/a
Socio-economic impact: human capital						
Learner intake: artisans		number	100	🟢	135	106
Learner intake: engineers		number	50	🟢	144	58
Learner intake: technicians		number	50	🟢	105	51
Learner intake: sector specific[3]		number	90	🟢	90	–
Training spend as % of budgeted gross employee benefit expense	(q)	%	3.75	🔴	3.57	2.70
Corporate social investment (CSI)						
CSI committed/spend	(r)	R million	131.00	🔴	63.00	75.10
Industrialisation and localisation						
Preferential procurement	(s)	% of total measurable procurement spend (TMPS)	80.00	🔴	73.44	73.35
Local content	(t)	%	80.00	🔴	59.09	36.63
B-BBEE score		number	6	🟢	4	4
Enterprise development[8]	(u)	R million	5.00	🔴	0.13	n/a
Supplier development[8]	(v)	R billion	5.00	🔴	3.67	n/a
National industrial participation programme		%	100.00	🟢	100.00	100.00
Research and development		% of NERSA-allocated spend	90.00	🟢	123.64	123.40

1. *Includes occupational disease.*
2. *The key performance area for improve plant operations in the 2022 shareholder compact included measures for planned capability loss factor, unplanned partial load losses as well as unplanned automatic grid separations trips. These KPIs were no longer included in the 2023 shareholder compact. Performance against these KPIs was still reported to DPE in the quarterly shareholder reports. Performance on the KPIs was reported and subject to reasonable assurance in the integrated report.*
3. *New KPI included in the 2023 shareholder compact. The performance for 2022 has been included for comparative purposes and has not been audited.*
4. *KPI previously reported under deliver capital expansion in 2022. Restated to be disclosed under improve plant operations in line with the key performance areas in the 2023 shareholder compact.*
5. *The 2022 shareholder compact required Eskom to develop and pilot a new KPI by 1 September 2021 to measure compliance with atmospheric emission limits. Eskom has been measuring performance in terms of this internally developed KPI since then. The performance for 2022 has been included for comparative purposes and has not been audited.*
6. *Prior year information has been restated. Refer to note 48 in the annual financial statements.*
7. *The 2022 shareholder compact included a measure for functional separation of transmission, distribution and generation which was achieved in the prior year. The legal separation of distribution and generation were not included in the 2022 shareholder compact and the prior year actual is therefore reported as not applicable. The legal separation of transmission, which was included in the 2022 shareholder compact, has not yet been achieved.*
8. *The 2022 shareholder compact included a combined measure for enterprise and supplier development. The prior year actual for the combined measure was R7.21 billion.*

Shareholder compact performance *continued*

A key performance area, focused on modernising the power system, was incorporated into the shareholder compact for the 2023 financial year. Initiatives for the utilisation of data analytics as well as investigations into the use of blockchain and artificial intelligence technologies to optimise the end-to-end supply chain are under way. These initiatives are still maturing and did not form part of the scoped in audit areas for the 2023 financial year.

The measures for the 2023 financial year included data analytic KPIs specific to outage readiness indices with the focus on an integrated outage solution platform as well as improved data quality through the utilisation of a central data warehouse.

Data analytic KPIs specific to plant operations with the focus on plant data actionable insights through the tracking of diagnostic alerts to plant maintenance work orders and the tracking of outage and preventative work orders to inspections conducted through alerts as well as enhanced access to self-service tools for access to plant information.

The blockchain technology KPIs relate to feasibility assessments on the use of blockchain technology and other assessment technologies in specific areas and to determine use cases to be prototyped to enable digitalisation at Eskom.

DPE and Eskom agreed on the streamlined KPIs for the 2024 financial year which measure the diffusion rate of data analytics technologies across Eskom's divisions, with a focus on enabling generation's turnaround plan, as well as the adoption rate of blockchain technology in Eskom.

The reasons for the targets that were not achieved are discussed below:

Ref	Key performance indicator	Target 2023	Actual 2023	Reason
Improve plant operations				
(a)	Energy availability factor	65.00	56.03	The energy availability factor was negatively affected by an increase in unplanned maintenance due to high levels of both full and partial unplanned load losses. Specific unplanned incidents, such as the boiler explosion at Medupi unit 4 and the flue-gas duct stack failure at Kusile units 1, 2 and 3 as well as the planned outage at Koeberg unit 1, negatively affected the generation performance for an extended period.
(b)	Post-philosophy outage unplanned capability loss factor	14.00	35.75	The main contributors to post-philosophy outages that occurred within 60 days after a unit returned from an outage include turbine, generator, boiler, draught plant and mill-related losses.
(c)	Outage readiness indicator at T-3	80.00	70.25	Outage readiness is scored based on internal reviews and assessments of various indicators. The performance readiness was negatively affected by the late release of funds, leading to delays in the ordering of spares, issuing of task orders and finalisation of the integrated outage schedule. Eskom's ability to plan successfully and order long-lead materials was hindered by the constrained liquidity position, exacerbated by high fuel oil and OCGT fuel consumption, which has impacted the budget available for capital projects.
(d)	Boiler tube failure rate (12-month moving average)	1.80	2.17	Performance was negatively affected by Eskom's maintenance backlog, which arose due to reduced capital investment. This contributed to outage deferrals and deferred midlife refurbishments. Philosophy maintenance ceased at Komati, Grootvlei and Hendrina power stations since 2018, aligned to the generation shutdown plan for these stations, to lower costs.
(e)	System minutes lost	3.53	4.71	The transmission network has experienced an abnormal number of interruptions due to switchgear failures brought on by loadshedding, control cable theft at substations, increased line faults, protection maloperations as well as restoration delays.
(f)	Payment levels excluding Soweto interest	95.70	95.03	Performance was negatively affected by lower average payment levels from municipalities as well as late payments from metros. The top defaulting municipalities have contributed significantly to the decline in payment levels and growth in arrear municipal debt for the year.
(g)	Distribution total energy losses	9.44	9.74	Non-technical losses resulted largely from electricity theft, while technical losses were impacted by ageing distribution networks which are constrained, overloaded and exposed to equipment theft. The methodology for determining the split between technical and non-technical losses has been revised. Refer to note 51 of the annual financial statements for further information.
Focus on the system				
(h)	Loadshedding implemented	63	280	Poor generation plant performance and lower than budget energy supplied by IPPs contributed to capacity constraints, thereby requiring the implementation of prolonged, high stages of loadshedding to ensure the stability of the national grid. Eskom and IPP OCGTs were utilised frequently to support the power system and avoid or minimise loadshedding.
Reduce environmental footprint in existing fleet				
(i)	Relative particulate emissions	0.30	0.70	Relative particulate emission performance has deteriorated significantly due to poorly performing plant and system constraints. Emissions continue to exceed target due to poor performance, mostly at Kendal, Kriel, Matla, Duvha, Lethabo and Tutuka power stations because of ash plant challenges, electrostatic precipitator performance and sulphur trioxide plant failures.
(j)	Compliance with atmospheric emission licences	90.00	87.40	Compliance is scored based on: average emission limit compliance; number of emergency incidents reported to authorities in terms of section 30 of the National Environmental Management Act (NEMA); emission monitor status; gaseous monitor reliability; and general atmospheric emission licence compliance based on internal reviews and assessments completed. Performance was negatively affected by poor emissions performance and challenges with managing emission monitoring systems.
Primary energy optimisation				
(k)	Migration of coal delivery volume from road to rail	4.70	2.51	Less coal was transported by rail due to cable theft and vandalism of rail infrastructure at Majuba power station, contractual delays impact coal offloading at Grootvlei power station and coal demand being met by conveyor from the tied colliery at Tutuka power station.

Ref	Key performance indicator	Target 2023	Actual 2023	Reason
Deliver capital expansion				
(l)	Generation capacity installed and commissioned (commercial operation)	800	799	Commercial operation was achieved for Kusile unit 4 on 31 May 2022, earlier than the scheduled date. Kusile unit 4 has been operating with an average of about 158MW unavailable since commercial operation due to absorber clogging which also caused the flue-gas duct failure at the other three units. This is being addressed by planned interventions. The output remains constrained until a permanent solution is identified. The commissioning test results of the unit confirms its capability of reaching its full load of 799MW. Although the final rated capacity of the unit is 1MW lower than planned, the unit is considered to have been delivered in line with the shareholder compact expectation.
Ensure financial sustainability				
(m)	EBITDA	51 929	38 045	Sales volumes were negatively affected by generation and IPP supply constraints as well as the overall poor performance of the economy despite an average standard tariff increase of 9.61% for the year. Primary energy costs increased due to higher utilisation of Eskom and IPP OCGTs, as well as higher fuel oil for restarting coal-fired units due to more frequent plant breakdowns. This was exacerbated by an increase in repairs and maintenance and additional operating costs to address poor plant performance.
(n)	Cash interest cover	1.33	1.29	Cash interest cover was negatively impacted by high finance costs, relating mostly to debt securities and borrowings, and insufficient operating cash flows due to poor plant performance, non-payment by some customer categories and a lack of cost-reflective tariffs.
Legal separation				
(o)	Business separation key milestones – Generation is a legal operating subsidiary of Eskom	Yes	No	The legal separation of the generation division was delayed by a number of critical external decisions and key dependencies, including the establishment of a new Eskom holding company.
(p)	Business separation key milestones – Distribution is a legal operating subsidiary of Eskom	Yes	No	The legal separation of the distribution division was delayed by a number of critical external decisions and key dependencies, including obtaining PFMA approval to operate the newly established NEDSCA.
Socio-economic impact: human capital				
(q)	Training spend as % of budgeted gross employee benefit expense	3.75	3.57	Performance was negatively affected by the underutilisation of training and development budgets by various divisions, despite an improvement in spend from the prior year.
Corporate social investment (CSI)				
(r)	CSI committed/spend	131.00	63.00	Less expenditure on CSI initiatives than planned was incurred by the Eskom Development Foundation, largely due to inadequate technical oversight on infrastructure-related initiatives as well as insufficient resources.
Industrialisation and localisation				
(s)	Preferential procurement	80.00	73.44	Preferential procurement was negatively affected by spend on IPP contracts which are not B-BBEE compliant. The calculation of TMPS includes spend on IPP contracts over which Eskom has no control as they were concluded in terms of the Department of Mineral Resources and Energy (DMRE) renewable energy IPP programme.
(t)	Local content	80.00	59.09	Local content was negatively affected by a reduction in the number of contracts with local content obligations.
(u)	Enterprise development	5.00	0.13	Enterprise development was negatively affected by a lack of funding to implement meaningful interventions, such as incubations for small- and medium-sized enterprises.
(v)	Supplier development	5.00	3.67	Supplier development is largely dependent on subcontracting from contracts by main suppliers to small- and medium-sized enterprises. Performance was negatively affected by limited subcontracting opportunities.

Reportable irregularities

Progress has been made in clearing some of the reportable irregularities raised in previous years. Some new reportable irregularities were raised for 2023, while some matters raised previously remained open. Given the complex nature of some of these matters they will remain open until all related aspects are concluded. Detailed progress on reportable irregularities can be found in note 52 of the annual financial statements.

Events after the reporting date

Events after the reporting date are discussed in note 47 of the annual financial statements.

Approval

The group annual financial statements for the year ended 31 March 2023 were prepared under the supervision of the acting chief financial officer, JM Buys CA(SA), and approved by the board and signed on its behalf by:

PM Makwana
Chairman
30 October 2023

C Cassim
Acting group chief executive
30 October 2023

JM Buys
Acting chief financial officer
30 October 2023

Report of the audit and risk committee

Mandate and terms of reference

The audit and risk committee (the committee) presents its report in terms of the requirements of the PFMA, the Companies Act (section 94(7)(f)) and other applicable regulatory requirements as well as in accordance with the King IV™ Report on Corporate Governance for South Africa for the financial year ended 31 March 2023.

The role of the committee is defined in its mandate. It covers, among others, its statutory duties and assistance to the board with the oversight of financial and non-financial reporting and disclosure, internal control systems, risk management, compliance with legal and regulatory provisions, forensics (significant portion of the year), internal and external audit functions as well as combined assurance, including technology and information governance. The committee also performs the functions required by the Companies Act on behalf of the wholly owned subsidiaries of the group, except for Escap SOC Ltd (Escap), Nqaba Finance 1 (RF) Ltd and Eskom Uganda Ltd which have independent audit committees. Information about the mandate, membership composition and attendance of meetings of the committee is set out in the 2023 integrated report under the governance, leadership and ethics as well as supplementary information sections.

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

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

Execution of functions

Oversight of financial and non-financial reporting and disclosure

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

- considered whether the annual financial statements met the fair presentation requirements of the PFMA, Companies Act and International Financial Reporting Standards (IFRS)
- considered the appropriateness of key judgements, estimates and the accounting treatment applied to significant transactions in the annual financial statements
- sought the input and views of the internal audit and forensic departments as well as the external auditors and encouraged rigorous challenging of control, accounting and disclosure matters
- considered matters relating to liquidity, cost savings, budgeting and forecasting, future funding and taxation
- overseen the risk management function, including the process of identifying significant risks and opportunities and the resulting mitigation strategies
- considered progress on forensic investigations, legal matters and other internal and external investigations into allegations of fraud and corruption
- considered the expertise, resources and experience of the finance function under the leadership of the chief financial officer

The following significant matters were considered:

Significant matter	Committee review and conclusion
Going-concern assessment	The committee continued to monitor the group and company's liquidity and solvency closely because of the financial position and related challenges and concluded that it was not trading recklessly at any time during the year. The committee acknowledged the ongoing and continued support from government, including the debt relief arrangement. The committee considered the key aspects as well as the material uncertainties that might impact the going-concern assessment as discussed in note 3.2. The going-concern assessment evaluated the liquidity of Eskom based on the latest cash flow forecasts, including servicing of debt in the 12 months after the sign-off of the annual financial statements and included stress-tested scenarios using higher use of OCGTs, increased operating costs and changes to capital activities. The committee considered that there has been a deterioration in some of the group's financial indicators compared to the prior year, including the EBITDA and EBITDA margin, mainly due to higher primary energy cost because of increases in the usage of OCGTs (Eskom and IPP owned) and production from renewable IPPs. The committee considered the R254 billion debt relief arrangement by government over the next three years (R184 billion loan convertible to equity upon meeting specified conditions and R70 billion debt (principal and interest) takeover). The committee acknowledged that no new borrowings are allowed (except for drawdowns on existing facilities) from 1 April 2023 unless approved by the Minister of Finance. The committee acknowledged that compliance to the debt relief conditions is critical to manage liquidity. The committee considered the potential impact of the recent communication from the Minister of Finance relating to further delays in the sale of EFC and the possible impact on the timing of debt relief and note that the sale is being prioritised and managed as a condition of the debt relief from government. The committee acknowledged that Eskom must create a ring-fenced financial nuclear decommissioning fund and considered the impact on projected future cash flows of annual deposits into the fund. The committee accepted that all other operational and relevant capital expenditure will be funded through operational cash flows and drawdowns from existing project related loan agreements. The committee is satisfied that the cash from operations will be sufficient for this purpose. The committee acknowledged that the government guarantee facility of R350 billion expired on 31 March 2023 and that existing guarantees issued were not impacted and will remain in place until settlement of the guaranteed debt. The committee acknowledged that there are various dependencies and uncertainties that exist both from a timing of intervention perspective as well as whether the plans to address the risks to manage the going concern will materialise as anticipated. The events, conditions and assumptions to manage the going concern inherently include material uncertainties that may cast significant doubt on the going-concern status. The committee concluded, after examining the forecast and stress-tested scenarios, that the going-concern basis of accounting was appropriate with support from government in the form of the debt relief arrangement to address the related material uncertainties. The committee recommended the adoption of the going-concern basis of preparation by the group and company to the board based on the critical factors as disclosed in note 3.2.
Governance	The priority of the leadership remains to turn Eskom around. The new board, appointed by the shareholder effective from 1 October 2022, brought a broad range of experience and the necessary expertise and skills to provide stability and strategic direction to Eskom. The committee notes that certain key roles are currently being fulfilled by acting appointments, including the group chief executive, chief financial officer as well as the heads of legal, internal audit, forensics, security and loss control, and that this is a key focus area that is being addressed. The committee continued its focus on monitoring the status and action taken on addressing key matters arising from allegations of criminality in the form of fraud, corruption, theft and sabotage, investigations thereof, reportable irregularities and past corporate governance breaches. The committee met with internal and external assurance service providers and acknowledged their findings and observations raised. The committee challenged management's assessment of the root causes and immediate actions taken and also made recommendations for improvement. The committee has now implemented processes to actively oversee and monitor the progress and will continue to do so until matters are satisfactorily progressed. The establishment of an Eskom single investigative unit that brings together the security, forensics and loss control functions is currently underway to manage all investigative matters. This unit will initially report to the group chief executive and will enhance the effectiveness and response to allegations of crime and other unethical behaviour. Refer to the directors' report for further information. The committee noted the writedown to property, plant and equipment during the year as a result of the outcome of internal and external investigations into fraud and corruption that indicated overcapitalisation to assets of past expenditure incurred. The committee acknowledged that there could be further adjustments to the carrying value of property, plant and equipment and identification of undetected irregular expenditure and losses due to criminal conduct in the future. Refer to note 2.4. The committee considered the reportable irregularities that were raised by the external auditors and the action taken to address these matters and preventative measures taken to prevent any re-occurrence thereof. The committee acknowledged that some irregularities would remain open until all related aspects have been concluded. Refer to note 52 for further information on reportable irregularities. The committee noted that Eskom's overall assessment of the implementation of the King IV™ principles and practices remains partially effective. Initiatives are underway to address focus areas where some of the principles have not been fully or effectively applied.
Completeness and accuracy of certain financial records in terms of the requirements of the PFMA and Companies Act, and the impact thereof on the audit opinion	The committee is not satisfied that the prior year qualification issues have been adequately addressed as the audit qualification regarding the PFMA records that were not complete or accurately maintained in line with legislative requirements relating to irregular expenditure, fruitless and wasteful expenditure and losses due to criminal conduct continued in 2023. The committee considered the implications of the National Treasury Instruction 4 of 2022/23 relating to PFMA reporting that is effective from 3 January 2023. The instruction allows for the ringfencing and separate management of challenges that arose in prior periods and requires that only current year expenditure (with comparative information) must be reported in the annual financial statements with detailed information disclosed in the integrated report. Refer to note 51. The committee continued to place significant focus on addressing the shortcomings in the accuracy and completeness of information required by the PFMA and acknowledged that there are still significant internal control deficiencies in the PFMA reporting process, even though there has been considerable effort by management to address the shortcomings. Reporting structures, systems, controls, resources, policies and procedures continue to be enhanced to address the challenges, with specific focus on the loss control function and the execution of its mandate. Refer to the directors' report for further information. The committee also considered the restatement of the comparative information in the annual financial statements relating to the expensing of pre-commissioning electricity proceeds and generating costs previously capitalised and is comfortable that it arose because of a change in IFRS requirements.
Internal control over financial reporting, including information technology general controls	The committee monitored the effectiveness of the control environment through feedback on the results of the combined assurance activities from management, the internal audit and forensics departments as well as the external auditors and other external assurance providers. The committee scrutinised the significant risk areas and their associated remediation plans and mitigating controls implemented, including those relating to segregation of duties, system access management, security of confidential data, cyber risk, information technology infrastructure, application issues and third-party supplier management. The committee concluded that the design of internal controls is generally adequate, although the application and monitoring thereof continues to require improvement in most areas. The committee noted identified control deficiencies relating to weaknesses in the adherence to internal controls involving compliance with contract, supply chain, inventory and plant management as well as operational technology procedures. Ongoing improvements are being implemented to the control environment where control deficiencies were identified.

Execution of functions *continued*

Oversight of financial and non-financial reporting and disclosure *continued*

Significant matter	Committee review and conclusion
Internal control over financial reporting, including information technology general controls *continued*	The committee considered the independent auditors' report and the qualified opinion relating to the accuracy and completeness of information disclosed in terms of the PFMA and that, except for this qualification, the consolidated annual financial statements are fairly presented in terms of IFRS. The committee is satisfied that the system of internal financial controls and compensating measures to combat a breakdown in these controls provide a reasonable basis for the preparation of the annual financial statements.
Consideration of cash generating unit (CGU) and assessment of possible impairment	The committee considered the appropriateness of the CGUs for the group. The committee is comfortable that Eskom company has been identified as a single CGU, as it is a vertically integrated regulated business and the segments do not generate largely independent cash flows, and that the possible impact of the legal separation has been considered in the determination of the CGU. The committee is satisfied that management contemplated impairment indicators, such as damaged and high unavailability of plant in the significant CGU of the group (Eskom company), which have been appropriately considered in the impairment assessment. The committee contemplated management's underlying assumptions and estimates used in the calculation of the recoverable amount of the CGU and is comfortable, considering the results of the key sensitivity analysis, that there is no impairment as the recoverable amount (determined based on the higher of fair value less costs of disposal and value in use) is higher than the carrying value. Refer to note 3.3 for further information on the impairment assessment.
Valuation of property, plant and equipment	The committee considered management's feedback regarding the nature and quantum of costs capitalised to property, plant and equipment and that the costs were necessary in bringing the asset to the condition necessary for it to operate in the manner intended by management. The committee also considered management's feedback that an appropriate methodology has been applied to determine the useful lives of assets based on Eskom's experience of the performance of the assets in line with Eskom's operating and maintenance regimes as well as the physical conditions and circumstances under which the assets operate.
Recovery of the deferred tax asset	The committee considered the reasonability of the recognition of the deferred tax asset for the group and is satisfied that it is probable that the business will generate sufficient future taxable profits. It is expected that Eskom will be in a profitable position by 2026 based on the 2024 to 2028 financial plan mainly because of tariff increases that move towards cost reflectivity and the debt relief arrangement from government. The return to profitability and the reversal of taxable temporary differences will result in the use of the current tax losses in future years.
Recovery of overdue trade receivables (arrear debt)	The committee considered the actions taken by Eskom to address the arrear debt challenge, including enhancing of existing revenue and debt management processes, enforcing Eskom's rights through legal action and the implementation of the active partnering solution for municipalities. The committee, however, recognises that the challenges regarding the recovery of outstanding receivables cannot be solved by Eskom alone. The continued support and cooperation from government and other stakeholders are crucial to address the root causes of the problem. The committee acknowledged that the municipal debt relief programme, as announced by the Minister of Finance, is intended to reduce the challenge of arrear municipal debt. The committee considered the possible impact of the debt relief arrangement on Eskom and is satisfied that it has been adequately dealt with in the financial statements based on the progress of the implementation thereof. Refer to note 5.1.1.
Valuation of financial instruments	The committee is satisfied that management has adequately considered the valuation of financial instruments, in particular the derivatives held for risk management. Management made use of independent experts to assist with the valuation of these financial instruments to ensure alignment of the valuation curve methodology in determining the fair values of the financial instruments to market practice. The committee acknowledges that the valuation of these instruments is complex and that it is important that Eskom has access to valuation professionals with the required specialised skills and knowledge. The committee noted that its request to review the economic effectiveness of the group's hedging strategy has not yet been finalised.
Valuation and adequacy of provisions, including employee benefit obligations	The committee considered the briefings on provisions, including the movement in provisions over time, the key assumptions and discount rates applied. The committee considered the adequacy of the decommissioning provisions and noted that detailed annual reviews are done by external experts (coal, OCGT and pumped storage power station provisions are updated annually based on the results of external reviews performed yearly for five power stations on a rotational basis) to re-assess the relevant decommissioning and rehabilitation liabilities against the latest international practices and benchmarks as well as compliance to legislation. The committee is satisfied that management has adequately considered the provision for compensation events as assessed by experts and legal advisors based on the latest available information. The committee acknowledged that the provision is based on Eskom's past experience regarding the finalisation and outcome of compensation events and that the outcome of open compensation events, which are subject to a contractual adjudication process, could be different to management's assessment thereof. The committee noted that the potential financial impact of compensation events claims cannot be precisely determined and that developments related to contingencies are continuously monitored. Refer to note 44.2. The committee considered the adequacy of the employee benefit obligations and noted that the liabilities are based on values calculated annually by external experts in terms of market practise in line with IAS 19.

The matters listed above are key focus areas for the committee and will be monitored and reported on in future.

The committee considered the progress of the legal separation and will continue to monitor and appropriately address the relevant aspects thereof that will have an impact on the role of the committee.

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

The committee considered the following:

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

Internal and external audit

The committee considered the following:

- internal audit charter, three-year rolling audit plan, independence, effectiveness, coordination with external auditors and performance of the internal audit and forensic departments that report functionally into the audit and risk committee
- appointment of the external auditors in terms of the Companies Act, Johannesburg Stock Exchange Listings' Requirements and all other applicable legal and regulatory requirements
- decision letters, findings and remedial explanations issued by the Independent Regulatory Board for Auditors (IRBA) as well as any summaries and explanations made available by the external auditors to the committee
- the quality of the external audit as well as the independence and objectivity of the external auditors including the tenure of the audit firm and the rotation of the engagement partner
- external audit plan, audit budget, actual fees and terms of engagement of the external auditors including adherence to the policy of not allowing the external auditors to provide any non-audit services
- accounting, sustainability and auditing concerns identified as a result of the internal and external audits, including reportable irregularities
- restructuring of the assurance and forensic department into separate functions (implemented for the 2024 financial year)

Conclusion

The committee concluded, based on the information and explanations provided by management and the internal audit and forensic departments as well as discussions with the independent external auditors, that:

- The expertise and experience of the finance function under the leadership of the chief financial officer (acting) are adequate but recognised that there is still a need for additional financial resources, particularly expert technical skills as well as process control monitoring skills to improve the internal control environment, in view of the additional expertise and output required from finance resources to deal with the complex and stressful challenges of Eskom's current operating environment. There is also a need for improved and aligned finance business partnering, especially given the imminent legal separation of Eskom.
- The system and process of risk management is adequate, even though the effectiveness thereof needs to be improved.
- The compliance framework requires continued focus to ensure application thereof, especially in terms of PFMA requirements and contract management.
- The internal accounting controls with compensating measures are adequate to ensure that the financial records may be relied upon for the preparation of the financial statements and accountability for assets and liabilities is maintained. Improvements are required to ensure the controls operate effectively. The monitoring of the implementation and continuous adherence to policies, process control manuals and procedures remains a focus area of the process control and assurance function.
- Consequence management remains a focus area for improvement to address instances of non-compliance with generally well-documented policies, process control manuals and procedures.
- Responsibilities per the approved internal audit charter were fulfilled.
- The expertise, resources and experience of the internal audit and forensic departments were considered. There is still a need for filling of key vacancies as well as additional resources and skills.
- The management of the internal audit and forensic departments have been separated. The departments are operating effectively, even though further improvement is needed in the execution of mandates and proactive addressing of control deficiencies by the business to prevent any re-occurrence of findings.
- The combined assurance model is adequate. However, the monitoring and assessment of the execution of controls at levels lower than level 3 (external and internal audit) of the combined assurance model remains an area for further enhancement.
- The information contained in the integrated and sustainability reports is reliable and does not contradict the information in the annual financial statements.
- Eskom company and group have access to adequate resources and support from government to be able to continue their operations for the foreseeable future, supporting the going-concern assumption.
- It is satisfied with the audit quality of the external audit as well as the independence and objectivity of the external auditors having considered the matters set out in section 94(8) of the Companies Act. Deloitte & Touche was appointed as external auditors for the 2022 and 2023 financial years with Mr AJ Dennis as the lead engagement partner.

The committee is satisfied, notwithstanding the aspects considered in relation to the annual financial statements regarding the PFMA reporting challenges, control deficiencies, findings and observations identified and ongoing investigations, that nothing significant has come to the attention of the committee to indicate a material breakdown in the functioning of the controls, procedures and systems and that the controls are appropriate with compensating measures to ensure compliance with the requirements of the Companies Act, the PFMA and IFRS.

Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Eskom and the group for the year ended 31 March 2023 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the Companies Act, the PFMA and IFRS. The committee concurs that the adoption of the going-concern premise in the preparation of the annual financial statements is appropriate.

The committee has therefore, at its meeting held on 29 October 2023, recommended the adoption of the financial statements by the board.

FBB Gany-Ahmed
Chair
30 October 2023

Statement by the company secretary

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

M Manjingolo
Company secretary
30 October 2023

Independent Auditor's report to Parliament on Eskom Holdings SOC Ltd and its subsidiaries

Report on the audit of the consolidated and separate financial statements

Qualified opinion

We have audited the consolidated and separate financial statements of Eskom Holdings SOC Ltd and its subsidiaries (the group) set out on pages 32 to 131 which comprise the consolidated and separate statements of financial position as at 31 March 2023, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2023, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act, 2008 (Act No. 71 of 2008).

Basis for qualified opinion

Irregular expenditure

The public entity did not fully and accurately record irregular expenditure in note 51.1 to the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems of internal control to timeously detect and record this expenditure in the consolidated and separate financial statements, as well as inadequate controls to ensure appropriate assessment of potential irregular expenditure arising from non-compliant supply chain management processes, various investigation reports, and tracking of forensic report findings. Payments on certain contracts were made to parties who are not party to the original agreement. The value of irregular expenditure disclosed in the annual financial statements did not agree to underlying registers.

As a result of the weaknesses identified and described above, we were unable to determine the full extent of the misstatement of irregular expenditure disclosed in terms of section 55(2)(b)(i) of the PFMA stated at R5 030 million (2022: R10 402 million) and R4 681 million (2022: R8 832 million) in note 51.1 to the consolidated and separate financial statements respectively, as it was impracticable to do so.

Fruitless and wasteful expenditure

The public entity did not fully record fruitless and wasteful expenditure in note 51.2 to the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems of internal control to timeously detect and record this expenditure in the financial statements, including the inappropriate assessment of possible fruitless and wasteful expenditure logged, and where items were detected, such items were not recorded as fruitless and wasteful expenditure.

As a result of the weaknesses identified and described above, we were unable to determine the full extent of the misstatement of fruitless and wasteful expenditure disclosed in the financial statements stated at R105 million (2022: R3 million) and R104 million (2022: R1 million) disclosed in note 51.2 to the consolidated and separate financial statements respectively, as it was impracticable to do so.

Losses due to criminal conduct

The public entity did not fully record losses due to criminal conduct in note 51.3 to the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems of internal control to timeously detect and record these losses in the financial statements. Certain costs included in primary energy expenses include potential losses associated with weighbridge manipulation for the delivery of fuel oil and coal due to inadequate systems of internal control and oversight. Certain items of inventory (reworks and transfers) were written off as unexplained losses included in impairment and writedown of assets in note 35 to the consolidated and separate financial statements.

As a result of the combined impact of these weaknesses identified and described above, we were unable to determine the full extent of the understatement of losses due to criminal conduct disclosed in the financial statements stated at R6 032 million (2022: R5 727 million) and R6 031 million (2022: R5 722 million) disclosed in note 51.3 to the consolidated and separate financial statements respectively, as it was impracticable to do so.

Context for the opinion

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

We are independent of the group in accordance with the *Code of professional conduct for auditors* of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards).*

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

Key audit matters

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

In addition to the matter described in the Basis for qualified opinion and the material uncertainty related to going concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters identified are applicable to the consolidated and separate financial statements.

Report on the audit of the consolidated and separate financial statements *continued*

Key audit matters *continued*

Key audit matters	How the matter was addressed in the audit
Valuation of complex financial instruments and hedge accounting	
The group and company accounts for complex financial instruments in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* and IFRS 9: *Financial Instruments*, which prescribes the principles for recognition and measurement of the financial instruments and hedge accounting. The derivatives held for risk management are not managed on a held-to-collect and/or for sale business model and the default classification and measurement is therefore at fair value through profit or loss unless they meet the criteria for and have been designated as cash flow hedges. Significant judgment is exercised by the group in the recognition and valuation of the derivative financial instruments and cash flow hedges. As per note 6.2, the group's valuations of cross-currency swaps include the credit risk of Eskom (known as debit value adjustment "DVA") and counterparties (known as credit value adjustment "CVA") where appropriate. The recognition and measurement of these financial instruments significantly affects the measurement of the consolidated and separate profit or loss for the year and disclosures of financial risks in the consolidated financial statements. Given the combination of inherent subjectivity and judgement involved in estimating the values of these financial instruments and the material nature of the balance as well as the audit effort which involved the use of professionals with specialised skill and knowledge, the valuation of the derivative financial instruments and application of hedge accounting was considered to be a matter of significance to the current year audit of the consolidated and separate financial statements.	• Evaluated the design and tested the operating effectiveness of certain internal controls over the group and company's valuation of derivative financial instruments and hedge accounting process. • Reviewed and assessed the appropriateness of the hedge accounting policies adopted. • Involved valuation professionals with specialised skills and knowledge, who assisted in the evaluation of the group and company's hedge documentation for certain contracts, for the purposes of determining whether the related accounting treatment was in accordance with the requirements of the prevailing accounting standards. • Assessed the competence, qualifications and objectivity of group and company's external specialists used in the valuation of the derivative financial instruments. • For a sample of instruments, with the assistance of our valuation specialists we: – Challenged the appropriateness of the valuation methodology and technique used by the group and company in the valuation of the instruments. – Reperformed the valuation using an independent model and compared the fair value results to group and company's valuation to assess the reasonableness of the model methodology and the output of model calculations. – Reperformed curve testing for curves used in the valuation of the derivatives. – Reperformed the valuation of commodity forwards used to hedge various commodities. Across the above procedures, we identified various misstatements due to the following: • The group and company, in applying cross-currency swap hedge accounting, did not incorporate credit risk through quantification of CVA/DVA on the hedging instrument as part of the regression analysis performed when the daily points were considered. • The regression analysis excluded certain data points which resulted in the incorrect hedge effectiveness result. • The determined x-Value Adjustments(xVA), which is used in financial derivative valuation models, erroneoulsy excluded certain instruments, resulting in an overstatement of the xVA results. Certain misstatements identified during the audit were corrected, and the related disclosures reflected in the annual financial statements are appropriate.
Primary energy costs and inventory management	
Our external audit has confirmed that significant control deficiencies exist over the management of the coal supply chain, fuel oil, consumables and spares and primary energy costs. We also identified deficiencies in the directors' own control processes. These identified deficiencies included: • Weighbridge controls at certain sites. • Quality assessment of the coal and fuel oil delivered, and at certain stations the monitoring of fuel oil usage. • The performance of inventory cycle counts. • The recording of the outcomes of the inventory cycle counts performed. • Investigation and reconciliation of inventory losses. • The maintenance of accurate and complete inventory valuation reports. In light of the above observed control deficiencies and the existence of fraud and corruption being widely reported both internally and externally of Eskom, we have concluded that there has been a significant breakdown in the controls over the management of coal, fuel oil, consumables and spares. This is considered to be a key audit matter due to the significant and pervasive impact this has had on the overall timing, level of expertise and effort associated with the current audit of the financial statements.	Our overall audit approach was designed to take into account the results of these risks and the impact of a higher fraud risk on our audit. Our procedures to address this key audit matter included: • Involvement of our internal forensics specialists to assess risk in the potential fraud areas, identify the fraud schemes and assist in designing appropriate procedures. • Interactions with the group's internal forensics experts. • Assessment of weighbridge controls and systems by our forensic and IT specialists. • Attendence of the year end inventory counts by senior audit personel. • Performing weighbridge analytics to identify anomalies with respect to fuel oil and coal deliveries recorded at the coal power stations. • Deploying benchmark analytics on the costs of consumables paid at power stations as it relates to the catalogued consumables. • Selecting a sample of the purchases and inspecting supporting documents such as the service level agreements, proof of delivery, proof of payments and the invoices, in order to determine the validity and existence thereof. There remains signficant control weakness relating to management's cycle count procedures across the coal power stations. This included some stations not performing counts in line with the group policies, failure to process and investigate stock count differences and inadequate operational controls over the receipt and issuance of inventory at the power stations. Certain costs included in primary energy expenses included potential losses associated with weighbridge manipulation for the delivery of fuel oil and coal due to inadequate systems of internal control and oversight. There were material adjustments to consumables and spares, with Grootvlei and Medupi power stations recognising the most material differences, which required correction. Following certain adjustments we can conclude that the existence of coal, fuel oil and consumables and spares as reflected on the statement of financial position is appropriate.

Key audit matters	How the matter was addressed in the audit
Valuation of the compensation events provisions and the writeoff of overpayments relating to mega-build projects	
As disclosed in note 2.18, note 29 and note 44 to the consolidated and separate financial statements, the group recognises provisions for compensation events. These provisions are recognised based on contractual obligations and measured based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The amount of the provisions is based on the directors' assessment of the most likely amounts due based on the current information available. The group expects to settle the majority of these provisions within 12 months although there are some provisions that may have continuing effects that extend over 12 months. The liability is disclosed as current as management expect that these will be settled in the short term. The quantum of the final obligation is dependent on a number of factors which may be outside the control of the group. This includes the contractual consultation, dispute adjudication and ultimately arbitration processes. This impacts the timing and quantum of the settlement of these claims. The group relies on its contract managers, internal and external engineers and quantity surveyors and where necessary, other experts, in the determination of the provision for compensation events. Each claim is assessed individually to determine culpability and to conclude on the merit of the claim. As disclosed in accounting policy note 2.4, the group and company acknowledge certain overpayments on the mega-build projects that are currently under investigation. In the current year, the directors recognised R2 078 million (including borrowing costs) in writeoffs due to overpayments identified on mega-build projects. The estimation of the amount required to settle claims arising from compensation events requires significant judgement. Due to the high level of judgement and estimation required in determining the provision for compensation events, it is considered to be a key audit matter.	Our audit procedures included the following: • We assessed the design and implementation of controls operating, and the appropriateness of the oversight performed by the compensation events committee, the responsible contract managers and Eskom executives to ensure that compensation events settled are valid and that appropriate provision is raised for outstanding claims. • For a sample of claims submitted by contractors we performed the following: – Assessed the validity of each claim with reference to contract documentation. – Reviewed the reports of and held discussions with Eskom's internal experts and, where applicable, our external experts, to obtain an understanding of the significant assumptions, judgements and methods used in determining the assumptions, the outcome of their estimates and the basis of their conclusions. – Considered the reasonableness of estimates made in recognising the provision for compensation events, through inspection of claim submissions, quantity surveyor reports, and correspondence between the contractor and Eskom. – Assessed completeness of claims raised with reference to minutes of compensation event claims meetings by reconciled our assessment to the claim registers. – Assessed the competence, capabilities and objectivity of Eskom's internal and where applicable, external experts, through inspection of their qualifications and their membership of professional organisations. – Considered the historical accuracy of previous provisions raised and settlements ultimately made. – For a sample of material claims in dispute resolution, we involved an auditor's expert to assist in assessing the reasonability of management's judgements and estimates relating to the selected claims. – We updated our understanding of claims in progress to the date of signing the financial statements and updated our understanding of subsequent rulings and whether these should be adjusted as at 31 March 2023. With regards to the assessment of overpayments on the mega-build, we performed the following: • Engaged with the directors' external experts on the quantification of the overpayments. • Assessed the competence, capabilities and independence of the directors' expert. • Reviewed the directors' external experts valuation reports. • Agreed the total overpayments to the reports noted. • Recalculated the borrowing costs relating to the overpayment taking into account the period in which the payments were made. • Assessed the split between adjustments made between assets under construction and commissioned assets, on the basis of status of completion of the affected units. Whilst, we did not identify material discrepancies in directors' judgements and conclusions with respect to compensation events, we did note a material breakdown in the communication of the progress of overpayments investigations, which resulted in material late adjustments which had to be corrected in the financial statements. The resultant disclosures made in the financial statements are appropriate.

Report on the audit of the consolidated and separate financial statements *continued*

Key audit matters *continued*

Key audit matters	How the matter was addressed in the audit
Impairment assessment of property, plant, and equipment and indefinite useful life intangible assets	
The consolidated statement of financial position includes property, plant and equipment amounting to R669 398 million, and intangible assets of R3 370 million. The separate statement of financial position includes property, plant and equipment of R671 483 million and R3 367 million of intangible assets, as disclosed in note 8 and 9, as at 31 March 2023. The group and company's financial position continues to be impacted by constrained generation capacity on the back of plant performance challenges and resultant energy capacity. This increases the reliance on more expensive generation capacity from the use of open cycle gas turbines (OCGTs) and Independent Power Producers (IPP), thus resulting in material impairment indicators. The recoverable amount of a group of assets, or cash-generating unit (CGU), is to be measured whenever there is an indication that the value of the group of assets or the CGU may be impaired. Significant judgement is required by the directors in assessing the possible impairment of the group of assets or the CGU, which is determined with reference to the fair value less cost to sell and the value in use cash flow models, underpinned by the cash flow forecast for the CGU. The directors performed impairment assessments and the key assumptions with the most significant impact on the cash flow forecasts were: • Forecasted revenue which is dependent on electricity sales volumes and generation capacity as well as the forecasted price of electricity, which path is based on tariff increases to be determined by the National Electricity Regulator of South Africa (NERSA). • The discount rate which is based on the regulatory electricity pricing methodology where the rate of return on the entity's assets should equate to its weighted average cost of capital. The determination of the weighted average cost of capital is highly complex. • Longer term growth rates and EBITDA margins. • The expected levels of municipal debt. • The impact of carbon tax from 2026 results in material increases in primary energy costs from 2027. Based on the outcome of the respective cash flow models, the directors did not record an impairment charge for the current year. Due to the significant estimation uncertainty and subjective nature of the assumptions used in these estimates, this was considered a key audit matter.	In evaluating the impairment assessment model of property, plant and equipment and intangible asset balances within the CGU, we reviewed the value in use calculation prepared by the directors, with a particular focus on the assumptions with the most significant impact. This included the forecasted sales price and volumes, the forecasted available generation capacity, the increase in primary energy costs from OCGTs and IPPs, the implementation of carbon tax, discount rates, the long-term growth rate and consistent implementation of the NERSA pricing methodology. Our procedures included the following: • Testing of the key controls relating to the preparation and review of the group's cash flow forecasts used in the respective impairment models. • Assessing the mathematical accuracy of the respective cash flow models and agreed relevant data to the latest long-term business plans used by management to manage and monitor the performance of the business, whilst also performing a retrospective comparison of forecasted cash flows to actual past performance and previous forecasts. • Given that the assumptions with the most significant impact are the forecasted sales price and volumes, and the forecasted available generation capacity identified by the directors, we – Challenged the expectation as to the electricity price path with a focus on the longer term assumptions as the shorter term assumptions are confirmed. – Challenged the model assessing the generation capacity, specifically the energy wheel. • We engaged our internal valuation and engineering specialists to perform the following: – Critically evaluate whether the directors' assertion regarding a single cash-generating unit and the value in use and fair value less cost of disposal calculations to derive a recoverable amount complies with the requirements of IAS 36: *Impairment of assets*. – Assess the logic and mathematical accuracy of the valuation models against best practice. – Benchmark the growth rates and forecasted sustainable EBITDA margin. – Assess the weighted average cost of capital (discount rate) and the determination of this rate. – Assess the forecasted available generation capacity and evaluated this against the 2035 Just Energy Programme. – Stress-tested the future projected cash flows specifically in relation to the key assumptions of price and energy availability factor inputs. • Analysed the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU against external market data, historical performance and forecasts. This assessment further considered the expected growth in the municipality debt and the impact of carbon taxes. • Recalculated the value in use and fair value less cost of disposal of the CGU. • Considered the appropriateness of the disclosures and sensitivity analyses presented. The discount rate and other assumptions were within independently determined acceptable ranges. For the determination of an appropriate recoverable amount for the CGU, the respective models assume a consistent future application of the current NERSA tariff methodology. In addition, the respective models are heavily dependent on the availability of energy, which in itself, is dependent on the utilisation of available plant in the short to long term, and the ability to continue with nuclear generation into the future. We considered the related disclosures of the key dependencies and the sensitivities in the impairment model to be appropriate.

Key audit matters	How the matter was addressed in the audit
Material breakdown in internal controls over financial reporting and the impact on the audit of the financial statements	
Strong internal controls over the financial reporting process are key to ensuring the reliability and integrity of financial information. In addition, internal controls are designed to safeguard assets, promote accountability and to prevent fraud and error. Internal control is defined as the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Our audit confirmed that the group had developed policies and procedures, to ensure a sound control environment, however, these are not always adhered to nor are there monitoring procedures and controls to assess and enforce the implementation of the policies and procedures. The decentralised nature of the group's operations has resulted in ineffective lines of communication and authority in executing the group's directives. No clear lines of responsibility exist, resulting in an inability to assign accountability. In certain instances, a number of matters identified and decisions taken by middle management or at an operational level, which could have a material impact on the financial results, were not appropriately considered for their impact on areas of financial reporting. These were not timeously communicated to management and the board and appropriately accounted for in the financial statements (including PFMA disclosures). A number of key roles within the organisation's investigative and monitoring functions are without permanent leadership resulting in strategic decisions not being taken, and limited progress being noted where improvement is required. In addition, there is a lack of accountability and consequence management in areas where errors and writeoffs occurred, resulting in recurring errors and significant control deficiencies. The impact of the above leads us to conclude that various material breakdowns in internal controls over financial reporting exist. The extent to which these significant deficiencies are linked to a likelihood of material misstatement including the risk of fraud and error, had an impact on the overall timing, level of expertise and effort associated with the current year audit of the financial statements and thus is a key audit matter.	The primary response to the audit engagement has been the use and deployment of senior audit personnel, internal specialists, both locally and international, with skill in areas of complexity and judgement. In addition, we adopted mostly a substantive audit approach to the audit of the separate and consolidated financial statements. Additionally, we introduced the use of sophisticated analytical tools to better understand and respond to the risks of fraud. While the audit procedures we have performed have provided us with sufficient and appropriate audit evidence for our opinion, and our opinion is not modified in respect of these significant deficiencies except to the extent outlined in the basis for qualified opinion above, the significant control deficiencies resulted in significant management effort to appropriately address the matters identified and delayed the audit process and the resultant reporting on the financial statements. The following are the primary procedures we performed to address this key audit matter: • We applied auditor judgement to plan the nature, timing, and extent of our audit procedures to be performed over financial statement account balances. • We altered the timing of the audit procedures and completed these closer to the balance sheet date. • The audit process was delayed to allow management, the directors and the auditors sufficient time to close out on the key areas of judgement. • We re-assessed certain critical judgements and reviewed critical decisions taken on certain estimates and judgements in the prior year. • We evaluated our scoping thresholds and control risk assessments, considering the material breakdowns in controls. • We increased the number of sample selections compared to what we would have otherwise made had the public entity's controls been properly designed and operated effectively. • We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of the nature and extent of such evidence. Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the impact of the material breakdown in financial controls.

Material uncertainty related to going concern

We draw attention to the matter below:

We draw attention to note 3.2 in the consolidated and separate financial statements which indicates that the group incurred a net loss of R23 939 million (2022: R11 930 million), and the company incurred a net loss of R24 214 million (2022: R13 912 million) for the year ended 31 March 2023. In addition, the group's current liabilities exceed current assets at year end by R33 866 million (2022: R29 222 million), and the company's current liabilities exceed current assets at year end by R51 300 million (2022: R51 866 million).

As disclosed in note 3.2, the group and company are faced by significant challenges that is evidenced by:

- the continued financial operating losses experienced by the group and company;
- the declining generation capacity on the back of plant performance challenges resulting in increased fuel spend on Eskom OCGT and IPP OCGT generating capacity;
- contracting sales volumes;
- above inflation cost increases;

Report on the audit of the consolidated and separate financial statements *continued*

Material uncertainty related to going concern *continued*

- the extent of requirements in the capital programme to maintain and improve the existing generating capacity and increasing the transmitting capacity;
- the need for continued support for the energy plan and Eskom's financial obligations, including National Treasury commitments in terms of the Eskom Debt Relief Act (Act No. 7 of 2023) and Eskom's ability to meet the conditions thereof;
- the potential impact of a delay in the sale of Eskom Finance Company on the drawdown of debt relief in 2024 and 2025;
- new funding that can only be obtained with the approval of the Minister of Finance;
- the extension of the Koeberg licence expiring in June 2024, following the directive issued by the National Nuclear Regulator, requiring annual deposits in a ring-fenced financial nuclear decommissioning fund to have been made;
- the continuous increase in overdue electricity receivables, most notably municipal debt; and
- the protracted court proceedings against NERSA, due to the application of the revenue determination methodology.

There are several mitigating strategies and actions disclosed in note 3.2, however, there are various dependencies and internal and external uncertainties which could impact the ability to deliver against these strategies. This is indicative of the existence of a material uncertainty that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter

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

Restatement of corresponding figures - non-technical energy losses

Included in notes 48 and 51.3 to the consolidated and separate financial statements, is the restatement to the corresponding figures for March 2022 relating to losses due to criminal conduct, due to an error in the prior year. This restatement corrects the prior year qualification on non-technical energy losses that is disclosed under losses due to criminal conduct in note 51.3 to the consolidated and separate financial statements. The non-technical losses disclosure included in losses due to criminal conduct was qualified in the prior year audit report.

Investigations into possible corruption and related impact on capital projects

We draw attention to note 2.4 in the consolidated and separate financial statements, which discloses the group and company's accounting policy on the impact of corruption on the valuation of capital projects which states that once an investigation on the overpayment on capital projects is finalised and if required, an adjustment is made to the carrying value. In note 8, in the current year, Eskom wrote off R2 078 million (including capitalised borrowing costs) in overpayments to several contractors involved in the construction of the Kusile power station. For PFMA disclosure, the amounts have been restated in the year they were paid, and thus only R105 million is included in fruitless and wasteful expenditure in note 51.2 for the current year. The rest of the balance has been included in the prior year opening balance of fruitless and wasteful expenditure, as disclosed in the Eskom Integrated Report.

Events after the reporting period

We draw attention to note 47 in the consolidated and separate financial statements, which discloses several material non-adjusting events.

Other matter

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

National Treasury Instruction Note No. 4 of 2022/23: PFMA Compliance and Reporting Framework

On 23 December 2022, National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022/23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 51 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Eskom Holdings SOC Limited. The disclosure of these movements (eg, condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

We do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

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

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

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

Responsibilities of the auditor for the audit of the consolidated and separate financial statements

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

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

Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the IRBA. The matters pertaining to the reportable irregularities have been described in note 52.1 to the consolidated and separate financial statements.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected key performance areas presented in the shareholders compact performance section of the directors' report. The accounting authority is responsible for the preparation of this annual performance report.

We selected the following key performance areas presented in the shareholders compact performance section of the directors' report for the year ended 31 March 2023 for auditing. We selected key performance areas that measures the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page	Purpose
Improve plant operations	11	Measurement and monitoring of key indicators specific to the operational efficiency within electricity generation, transmission, and distribution. • Generation key indicators include energy availability at a power station level, planned and unplanned energy losses. Readiness for planned maintenance outages and the success of generation units returning to service post planned maintenance outages. • Transmission key indicators include the measurement of transmission interruptions experienced as well as transmission infrastructure expansion and strengthening projects. • Distribution key indicators include the measurement of distribution energy losses, the average duration of distribution interruptions experienced by customers during a year, the progress on new electricity connections of previously disadvantaged households and the level of customer debt recovery of invoiced electricity supplied.
Focus on the system	11	Measurement and monitoring of scheduled and controlled power cuts that rotate available capacity between all customers when demand is greater than supply in order to protect the integrity and stability of the grid to avoid a blackout.
Reduce environmental footprint in existing fleet	11	Measurement and monitoring of the mass of particulates emitted from Eskom's coal-fired power stations, the amount of raw water used for power generation and various indicators emanating from the atmospheric emissions license compliance requirements imposed per power station.
Deliver capital expansion	11	Measurement and monitoring of the creation of new assets to support the expansion of the current generation capacity and improve the ratio of electricity supply in relation to electricity demand.
Ensure financial sustainability	11	Measurement and monitoring of key financial sustainability indicators focused on operational profitability, operating cash flow availability to service net interest on borrowings as well interest and capital repayments on borrowings, and progress in identified and targeted operational and capital cost savings initiatives and/or other income initiatives against established baselines through Eskom's turnaround plan.

We evaluated the reported performance information for the selected key performance areas against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that we can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any underachievement of targets.

We performed the procedures for the purpose of reporting material findings only and not to express an assurance opinion.

The material findings on the performance information of the selected key performance areas are as follows:

Report on the audit of the annual performance report *continued*

Improve plant operations

Outage Readiness Indicator (ORI) at T-3: We were unable to substantiate the reported value of 70.25%. The ORI at T-3 measures the readiness of the planned philosophy outage 3 months before the relevant units are released for philosophy maintenance. This Key Performance Indicator (KPI) is reported as a percentage calculated from the overall average percentage score of the respective T-3 readiness assessments conducted across the relevant units for the year under review in terms of the KPI scope. The scoring within the assessment involves physical inspection of infrastructure, replacement parts and system information at the time of the assessment being conducted. The documentation and inspection of information by the assessment team is viewed at the specific point in time, however, the relevant supporting documentation was not maintained. In addition, judgement is applied to scoring certain elements of the assessment from the discussions held between the assessment team and site management. This judgement applied was not comprehensively documented by the assessment team. As a consequence, we were unable to obtain sufficient and appropriate evidence to confirm the reliability and to determine whether any adjustments were needed to the ORI at T-3 and therefore unable to conclude on the KPI figure reported.

Other matter

We draw attention to the matter below.

Achievement of planned targets

The annual performance report, which is included in the directors' report, includes information on reported achievements against planned targets and provides explanations for under achievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

We identified material misstatements in the financial sustainability key performance area of the annual performance report submitted for audit resulting from corrections to the underlying financial statements submitted for audit. Management subsequently corrected the misstatements. We did not include any material findings in this report.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation. We performed procedures to test compliance with selected requirements in key legislation in accordance with the Auditor-General of South Africa (AGSA) findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework (IFRS) as required by section 55(1)(b) of the PFMA. The submitted financial statements contained material misstatements on primary energy, plant and equipment, impairments and writedown of assets, insurance investments, inventories, cash and cash equivalents and borrowings, identified by the auditors which were subsequently corrected. Furthermore, the note disclosure relating to going concern, impairment, restatement on technical energy losses and deferred tax was not provided and subsequently updated. This non-compliance resulted in a reportable irregularity as described in the report on other legal and regulatory requirements. A similar non-compliance was reported in the prior year.

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion, the amount of irregular expenditure disclosed in note 51.1 of the separate financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with section 51(1)(a)(iii) of the PFMA. Similar non-compliance was reported in the prior year.

Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for qualified opinion, the amount of fruitless and wasteful expenditure disclosed in note 51.2 of the separate financial statements does not reflect the full extent of the fruitless and wasteful expenditure incurred. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by poor procurement and project management. Similar non-compliance was reported in the prior year.

Resources of the public entity were not utilised economically, as required by section 57(b) of the PFMA.

Revenue management

Effective and appropriate steps were not taken to collect all revenue due from local large power users (municipalities) and local small power users, as required by section 51(1)(b)(i) of the PFMA. Similar non-compliance was reported in the prior year.

Procurement and contract management

We were unable to obtain sufficient appropriate audit evidence that, in all instances, contracts and quotations were awarded in accordance with the legislative requirements as proper record keeping was not maintained. Similar limitations were also reported in the prior year.

Some of the goods, works, or services were not procured through a procurement process which is fair, equitable, transparent, and competitive, as required by section 51(1)(a)(iii) of the PFMA. A similar non-compliance was reported in the prior year.

Some of the contracts were not awarded in an economical manner and the prices of the goods or services were not reasonable as required by PFMA section 57(b).

We were unable to obtain sufficient appropriate audit evidence that the preference point system was applied in some procurement of goods and services as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and 2017 Preferential Procurement Regulation.

We were unable to obtain sufficient appropriate audit evidence that some contracts and quotations were awarded to suppliers based on preference points which were allocated and calculated in accordance with the requirements of the PPPFA and 2017 Preferential Procurement Regulation. A non-compliance was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that some contracts and quotations were awarded to bidders who scored the highest points in the evaluation process as required by section 2(1)(f) of PPPFA and 2017 Preferential Procurement Regulation. A non-compliance was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that some contracts and quotations were awarded to bidders based on points given for criteria that was stipulated in the original invitation for bidding and quotations, as required by the 2017 Preferential Procurement Regulation 5(1) and (3). A non-compliance was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that some contracts and quotations, which failed to achieve the minimum qualifying score for functionality criteria, were not disqualified as unacceptable in accordance with the 2017 Preferential Procurement Regulation 5(6). A non-compliance was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that some contracts and quotations which achieved the minimum qualifying score for functionality criteria, were not evaluated further in accordance with the 2017 Preferential Procurement Regulation 5(7). A non-compliance was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that some contracts and quotations were awarded to bidders based on pre-qualification criteria that was stipulated in the original invitation for bidding and quotations, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2). A non-compliance was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that some tender requirements for some contracts above R30 million included a condition for mandatory subcontracting to advance designated groups, as required by the 2017 Preferential Procurement Regulation 9(1).

We were unable to obtain sufficient appropriate audit evidence that procurement requirements on some commodities designated for local content and production, were procured from suppliers who comply with the requirements of the 2017 Preferential Procurement Regulation 8(2). A non-compliance was reported in the prior year.

Consequence management

We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to some investigations into irregular and fruitless and wasteful expenditure not being performed. A similar limitation was reported in the prior year. This limitation resulted in a reportable irregularity as reported in 2022 and 2023 on the report on other legal and regulatory requirements.

Where investigations were performed, disciplinary steps were not taken against some of the officials who had permitted irregular and fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. A similar non-compliance was reported in the prior year. This non-compliance is included in the reportable irregularity (referred above) as reported in 2022 and 2023 on the report on other legal and regulatory requirements.

Allegations of financial misconduct against some members of the accounting authority were not properly investigated in accordance with the requirements of treasury regulation 33.1.3. A similar non-compliance was reported in the prior year. This non-compliance resulted in a reportable irregularity as reported in 2022 and 2023 on the report on other legal and regulatory requirements.

We were unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1. The non-compliance was reported in the prior year. This limitation resulted in a reportable irregularity as reported in 2022 and 2023 on the report on other legal and regulatory requirements.

We were unable to obtain sufficient appropriate audit evidence that disciplinary hearings were held for confirmed cases of financial misconduct committed by officials, as required by treasury regulation 33.1.1. The non-compliance was reported in the prior year. This limitation resulted in a reportable irregularity as reported in 2022 and 2023 on the report on other legal and regulatory requirements.

Due to inadequate processes of management of cases and investigations, we are unable to obtain sufficient evidence that allegations of corruption or theft, fraud, extortion, forgery, uttering a forged document which exceeded R100 000 were reported to the South African Police Service (SAPS), as required by section 34(1) of the Prevention and Combatting of Corrupt Activities of South Africa. A similar limitation was also reported in the prior year. This non-compliance is included in a reportable irregularity (referred above) as reported in 2022 and 2023 on the report on other legal and regulatory requirements.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the document titled Eskom annual financial statements 31 March 2023 which includes the directors' report, the report of the audit and risk committee and statement by the company secretary as required by the Companies Act, and the document entitled Eskom Integrated Report, which were obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements, our auditor's report and those selected key performance areas presented in the shareholder compact performance section of the directors' report that have been specifically reported on in this auditor's report.

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

Other information *continued*

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected key performance areas presented in the shareholder compact performance section of the directors' report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

The matters included in the Basis of Qualification will materially impact the other information and in addition, we describe below that we have concluded that a material misstatement of the other information exists as it relates to the disclosure of fruitless and wasteful, irregular expenditure and losses due to criminal conduct.

The opening balances for irregular, fruitless and wasteful expenditure were subjected to audit in the prior year and were qualified on the basis of accuracy and completeness of these disclosures. In addition, taking into account, the qualifications above relating to current year expenditure and disclosure, and the fact that inadequate progress has been made to address the control deficiencies that gave rise to these conclusions, we highlight that the information presented on page 177 to 182 of the Eskom Integrated Report omits to acknowledge the completeness and accuracy issues of such disclosures. The disclosure further does not highlight the lack of progress made by the accounting authority to address such matters. Based on this knowledge obtained in the audit, there is a material misstatement of the other information as it relates to irregular, fruitless and wasteful expenditure as disclosed in the Eskom Integrated Report. The ageing of matters still under determination for disclosure as either irregular expenditure and fruitless and wasteful expenditure is on average 1.72 years, coupled with the reportable irregularity on delay in investigations in note 52.1, means that any findings on irregular expenditure and fruitless and wasteful expenditure would not be timeously disclosed and will be adjusted in the prior year opening balance. These matters indicate that the cumulative irregular expenditure and fruitless and wasteful expenditure disclosed in the integrated report may not be complete and accurate.

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the material findings on the compliance with legislation included in this report.

As previously reported, the accounting authority has embarked on an action plan to address the internal control deficiencies as part of exercising its oversight responsibility regarding compliance with applicable legislation and internal control. Although policies and procedures exist and are communicated, there is a lack of discipline in the business to adhere to these policies and procedures. This, together with the lack of adequate monitoring and effective consequence management procedures, resulted in a lack of accountability at the operational level and a less than satisfactory control environment.

The accounting authority, in the past, established a loss control function in an effort to reduce the occurrences of irregular and fruitless and wasteful expenditure as part of initiatives to address the compliance with the applicable legislation. However, management did not adequately implement the continuous review and monitoring controls relating to self-assessment for supply chain management, irregular, fruitless and wasteful expenditure, nor did they implement the mechanism of effective collaboration between the internal audit, and forensic, and loss control functions to identify PFMA related issues. This resulted in not all PFMA related matters being identified and investigated timeously to act as a deterrent for future perpetrators. This further results in an ineffective assurance and consequence management process.

The accounting authority did not exercise adequate oversight over those responsible for compliance and the implementation of effective action plans to ensure that all significant prior year audit findings are remediated and that the backlogs of transgressions were investigated and concluded timeously, as the remediation dates of prior year findings were extended to the next financial year.

Management did not address the recurring backlog relating to alleged possible irregular and fruitless and wasteful expenditure within the specified timeframe as required by the National Treasury frameworks and instruction notes. This poses a risk that items of irregular expenditure with potential fraud and losses are not addressed to prevent further non-compliances and losses and does not promote a culture of compliance in the entity.

Leadership did not ensure that adequate entity and process level controls were designed, implemented, and monitored to prevent, identify, and correct non-compliances within the supply chain management environment and quantify the full extent of irregular expenditure, fruitless and wasteful expenditure, and losses due to criminal conduct, thereby addressing the repeat qualification. There was no comprehensive process to address the prior year qualifications and findings related to irregular, fruitless and wasteful expenditure. These matters have been re-reported.

The accounting authority did not ensure that there were adequate controls in place to ensure that amounts included in the annual financial statements and PFMA disclosure notes are supported by registers which are complete and accurate. Some underlying information supporting registers were not always recorded, values were not always accurate, and information was not always sufficient and appropriate and format of underlying registers at times made it impracticable to allow for an efficient audit process.

In the prior year, we reported that we were unable to obtain sufficient appropriate audit evidence that, in all instances, contracts and quotations were awarded in accordance with the legislative requirements. This matter was again reported in the current year. Management did not exercise adequate oversight over those responsible for the implementation of effective action plans to follow up, investigate and address these prior year audit findings. This results in not all audit findings being investigated and remediated timeously to act as a deterrent for future possible non-compliance.

Consumables were purchased at inflated prices which were above the approved price lists without substantiation for some construction contracts. This was due to a lack of internal controls over the inventory purchases, which resulted in wastage of the public entity resources. Furthermore, overpayments were made in some major contracts, but where management identified these overpayments, they were still not investigated.

Leadership and management developed forward looking action plans as part of addressing current and prior year issues related to consequence management for irregular, fruitless and wasteful expenditure, and qualifications. The implementation of these action plans has been extended into the future financial periods with limited progress being made in the current year. The public entity has not implemented adequate processes to address consequences of historic transgressions, and other non-compliance identified. This is evidenced in the management's reporting on the audit findings status and progress.

Management did not in all instances adequately implement review and monitoring controls to prevent non-compliance with applicable laws and regulations relating to supply chain management. In addition, the lack of related internal controls on certain of these areas were also highlighted to management as potential fraud risk indicators. Where controls did not prevent non-compliance with supply chain management legislation, detection controls were also deficient as not all irregular expenditure and fruitless and wasteful expenditure were identified and disclosed. The audit process is used by management as a mechanism to identify the procurement irregularities but there is no follow through to address the external audit findings.

Management has developed categories for various compliance requirements on the ERP system, however the discipline to complete system inputs adequately, highlighting the nature of procurement process being followed, was not adequately reviewed, and monitored to ensure the matter raised in the prior year were addressed. This results in compliance related matters not being supported by complete and accurate registers. Furthermore, payments on certain contracts were made to parties that are not registered with the appropriate regulatory authorities, nor were they party to the original agreement.

Leadership did not act on a timely basis on various assurance and forensic report findings and investigation reports, thus contributing to the lack of compliance with the company's internal policies and procedures and resulting in a less than satisfactory control environment.

Leadership did not provide adequate oversight to address the significant backlogs in forensic matters not timeously investigated and ensuring disciplinary processes are timeously affected on matters that were investigated. This results in non-adherence of legislation.

The accounting authority did not exercise adequate oversight over the financial statements before submitting them for audit. We identified material misstatements to the financial statements submitted for audit. Although there is a notable improvement from the prior year restatements, the group's financial reporting controls were not adhered to by component financial management to ensure the reporting of IFRS compliant financial information that is based on accurate and complete financial records. This has highlighted the lack of ownership and accountability for accurate and complete financial records and financial reporting at a component level and further indicates a lack of financial oversight, monitoring, and review of component financial information.

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support credible compliance reporting. This resulted in delays in submission of information impacting the audit process and ultimately the audit outcome on compliance with laws and regulations and in certain instances we could not confirm the contract management principles.

The consistent performance by management of routine key financial controls such as inventory cycle counts, review of stock obsolescence, asset verification and supplier creditor reconciliations were not always adequately performed during the year. There were instances of inventory writeoffs that could not be adequately substantiated.

Management did not implement appropriate weighbridge controls which is critical for inventory management at certain sites. Although identified by management, the control procedures to adequately assess coal quality in terms of the contractual arrangements, were not implemented effectively at all sites. Management did not implement appropriate controls over monitoring and measurement of fuel oil usage at certain sites. These significant control deficiencies result in ineffective inventory management, the inability to respond to inventory losses and excessive usage variances and the inability to take action against delinquent employees and/or suppliers where proven. The controls over inventory and primary energy at certain sites are lacking and this could result in loss to the public entity as evidenced by the growing trends on unexplained variances from the prior year to the current year.

The inventory matters described above result in potential losses due to criminal conduct and points to uneconomic use of resources of the public entity.

Although the executive authority filled vacant board and board subcommittee positions during the year, there remains certain key executive positions filled in acting capacities. This has created instability in the executive team and also a lack of critical strategic decisions being taken and actioned. This has negatively affected the effective governance and oversight role of the board and the related subcommittees.

We have identified instances of conflict of interest not being appropriately disclosed by employees. Furthermore, a prescribed officer of the public entity did not fully declare an interest in a contract awarded by the entity to a related party, and as such a reportable irregularity was raised.

Significant fraud matters highlighted in the Zondo Commission report had not yet been adequately addressed in the current year, although plans are in place to address these matters. There is slow traction in ensuring that these matters are addressed and root causes that led to these lapses in governance are properly addressed.

Management did not implement adequate internal controls for the collection of supporting evidence and the documentation of applied judgments in the assessment and scoring of Outage Readiness assessments across the relevant units for the year under review. This resulted in the material finding reported within the Report on the audit of the annual performance report.

Management did not timeously consider the revised model used to determine non-technical energy losses as well as the information from the underlying studies to determine when the change in circumstances and pattern of energy losses occurred. Management failed to conclude that this represents a prior year error, so as to ensure that the financial statement disclosures were updated appropriately to reflect the correct non-technical energy losses for comparative period affected by the revised model.

Other reports

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

Matters under investigation

The Zondo Commission dedicated an entire report to the alleged contract maladministration and corruption within the Eskom environment in the context of state capture. As disclosed in note 52.2 and note 2.4 to the financial statements, various matters are reported to be under investigation.

Other reports *continued*

Matters under investigation *continued*

During the financial year under review, the regulatory authorities and the accounting authority conducted investigations into alleged irregularities, fraud and corruption within the procurement environment and other areas of the entity. In addition, internal and external investigations referenced findings of maladministration associated with supply chain management, improper conduct, inferences of organised crime cartels and allegations of syndicates operating in the coal value chain, in addition to the matters associated with state capture that have been brought to the attention of the accounting authority. The sophisticated nature and complexity of the fraud schemes impacts the time it takes to investigate such matters resulting in a backlog, which needs to be investigated. The directors have employed the services of forensic firms to assist in these investigations. As at the reporting date, investigations remain ongoing, and we could not determine the extent of the impact of the outcomes of these investigations to the consolidated and separate financial statements. The actions noted by the directors to evaluate, investigate, and design appropriate procedures to prevent the continuance of corruption is not yielding return due to the low levels of traction achieved in the investigation of these matters, coupled with the leadership vacuum created from vacancies in various governance functions such as legal, loss control, forensics, and security. We refer you to the accounting policies note 2.4 where the policies regarding recognition, measurement and disclosure of investigations have been discussed.

Limited assurance and agreed upon procedures engagements

At the date of this report, we have commenced/completed the following engagements:

- Agreed upon procedures on net sent out power megawatt hours, gross sent out power megawatt hours and actual sent out power production figures to NERSA for the year ended 31 December 2022. The report was issued to the accounting authority on 9 May 2023.
- Agreed upon procedures on the group's generation, transmission and distribution activities regulatory financial report as issued to NERSA. This engagement is in progress at the date of our audit report.
- Agreed upon procedures on the National Treasury consolidation template that covered the period from 1 April 2022 to 31 March 2023. This engagement is in progress at the date of our audit report.
- Limited assurance reports on the compliance of the issue of the Domestic Multi-Term Note with the relevant provisions of the commercial paper exemption notice. The reports were issued on 23 January 2023 and 9 February 2023.

Auditor tenure

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

Deloitte & Touche
Registered Auditor

Per: André J. Dennis
Partner

30 October 2023

5 Magwa Crescent
Waterfall City
Waterfall
2090

Annexure – Auditor's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the accounting authority's use of the going-concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the consolidated and separate financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.

- evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

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

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

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

Compliance with legislation

The list of selected legislative requirements are as follows:

Selected legislation and regulations	Consolidated firm level requirements
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3); 50(3)(a); 50(3)(b) Section 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b); 57(d) Section 66(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1 Regulation 31.2.5; 31.2.7(a) Regulation 33.1.1; 33.1.3
Companies Act No.71 of 2008	Section 30(3)(b)(i) Section 33(1)(a) Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c) Section 72(4)(a) Section 75(6) Section 86(1); 86(4) Section 88(2)(d) Section 112(2)(a) Section 129(7)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Companies Regulations	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	Regulation 17; 18(1A)1; 25(1); 25(5); 25(7A)
Preferential Procurement Policy Framework Act, No. 5 of 2000 (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1; 12.2

Statements of financial position

at 31 March 2023

	Note	Group 2023 Rm	Group Restated[1] 2022 Rm	Group Restated[1] 2021 Rm	Company 2023 Rm	Company Restated[1] 2022 Rm	Company Restated[1] 2021 Rm
Assets							
Non-current		**743 235**	720 155	711 762	**743 780**	721 345	712 203
Property, plant and equipment	8	**669 398**	667 458	663 559	**671 483**	669 493	665 519
Intangible assets	9	**3 370**	3 624	3 656	**3 367**	3 355	3 358
Future fuel supplies	10	**7 167**	6 304	4 390	**7 167**	6 304	4 390
Investment in equity-accounted investees	11	**350**	418	420	**95**	95	95
Investment in subsidiaries	12	**–**	–	–	**380**	380	380
Inventories	13	**12 209**	11 516	11 001	**12 209**	11 516	11 001
Deferred tax	14	**17 190**	9 326	5 758	**17 664**	10 261	6 129
Loans receivable	15	**7 823**	7 830	8 007	**5 674**	5 650	5 758
Embedded derivatives	16	**772**	822	–	**772**	822	–
Derivatives held for risk management	17	**17 633**	8 046	11 185	**17 633**	8 046	11 185
Finance lease receivables	18	**218**	258	292	**218**	258	292
Payments made in advance	19	**1 986**	2 064	1 800	**1 984**	2 063	1 799
Trade and other receivables	20	**4 101**	2 489	1 694	**5 134**	3 102	2 297
Insurance investments	21	**1 018**	–	–	**–**	–	–
Current		**84 652**	83 173	66 839	**69 028**	64 966	52 052
Inventories	13	**24 014**	23 086	22 481	**23 834**	22 850	22 229
Taxation		**37**	38	120	**–**	–	–
Loans receivable	15	**247**	319	310	**–**	–	–
Embedded derivatives	16	**51**	117	–	**51**	117	–
Derivatives held for risk management	17	**9 359**	463	1 358	**9 359**	464	1 360
Finance lease receivables	18	**31**	35	35	**31**	35	35
Payments made in advance	19	**1 066**	749	1 377	**1 033**	748	1 351
Trade and other receivables	20	**26 702**	25 163	22 716	**28 888**	26 534	24 574
Insurance investments	21	**15 629**	17 318	14 401	**–**	–	–
Cash and cash equivalents	22	**7 516**	15 885	4 041	**5 832**	14 218	2 503
Total assets		**827 887**	803 328	778 601	**812 808**	786 311	764 255
Equity							
Capital and reserves		**236 087**	237 057	216 647	**215 635**	216 934	198 523
Liabilities							
Non-current		**473 282**	453 876	460 416	**476 845**	452 545	458 705
Debt securities and borrowings	25	**367 993**	345 490	357 411	**372 195**	344 568	356 486
Embedded derivatives	16	**–**	–	208	**–**	–	208
Derivatives held for risk management	17	**241**	5 415	3 736	**241**	5 415	3 736
Deferred tax	14	**–**	348	388	**–**	–	–
Payments received in advance	26	**3 986**	2 576	2 867	**4 000**	2 589	2 867
Contract liabilities and deferred income	26	**26 078**	25 525	23 943	**26 078**	25 525	23 943
Employee benefit obligations	27	**16 902**	16 404	15 414	**16 573**	16 067	15 089
Provisions	28	**50 143**	49 257	47 335	**50 141**	49 250	47 264
Lease liabilities	29	**7 415**	8 032	8 447	**7 414**	8 031	8 445
Trade and other payables	30	**524**	829	667	**203**	1 100	667
Current		**118 518**	112 395	101 538	**120 328**	116 832	107 027
Debt securities and borrowings	25	**55 936**	50 804	44 415	**56 182**	53 498	47 556
Embedded derivatives	16	**–**	–	1 283	**–**	–	1 283
Derivatives held for risk management	17	**1 788**	4 563	4 538	**1 788**	4 563	4 538
Payments received in advance	26	**4 026**	3 880	2 796	**4 004**	3 879	2 809
Contract liabilities and deferred income	26	**2 019**	1 921	1 729	**2 019**	1 921	1 729
Employee benefit obligations	27	**3 584**	3 450	3 732	**3 272**	3 129	3 403
Provisions	28	**5 914**	8 944	5 307	**5 832**	8 801	5 234
Lease liabilities	29	**711**	571	522	**626**	571	522
Trade and other payables	30	**44 264**	37 994	37 082	**46 605**	40 468	39 951
Taxation		**276**	266	132	**–**	–	–
Financial trading liabilities	21	**–**	2	2	**–**	2	2
Total liabilities		**591 800**	566 271	561 954	**597 173**	569 377	565 732
Total equity and liabilities		**827 887**	803 328	778 601	**812 808**	786 311	764 255

1. *Refer to note 48.*

Income statements

for the year ended 31 March 2023

	Note	Group 2023 Rm	Group Restated[1] 2022 Rm	Company 2023 Rm	Company Restated[1] 2022 Rm
Revenue	31	**259 543**	247 594	**259 543**	247 594
Other income	32	**2 742**	1 494	**4 374**	2 013
Primary energy	33	**(154 942)**	(132 933)	**(154 942)**	(132 933)
Employee benefit expense	34	**(32 321)**	(32 985)	**(28 205)**	(27 858)
Impairment of financial assets	35	**(1 026)**	(589)	**(1 042)**	(544)
Impairment and writedown of other assets	35	**(1 156)**	(847)	**(1 149)**	(833)
Other expenses	36	**(34 795)**	(28 780)	**(39 671)**	(36 261)
Profit before depreciation and amortisation expense and net fair value and foreign exchange loss (EBITDA)		**38 045**	52 954	**38 908**	51 178
Depreciation and amortisation expense	37	**(32 485)**	(32 066)	**(32 214)**	(31 990)
Net fair value and foreign exchange loss	38	**(285)**	(3 126)	**(223)**	(3 281)
Profit before net finance cost and share of profit of equity-accounted investees		**5 275**	17 762	**6 471**	15 907
Net finance cost		**(37 015)**	(33 063)	**(38 480)**	(34 089)
Finance income	39	**3 365**	2 364	**1 962**	1 360
Finance cost	40	**(40 380)**	(35 427)	**(40 442)**	(35 449)
Share of profit of equity-accounted investees after tax	11	**93**	52	**–**	–
Loss before tax		**(31 647)**	(15 249)	**(32 009)**	(18 182)
Income tax	41	**7 708**	3 319	**7 795**	4 270
Loss for the year[2]		**(23 939)**	(11 930)	**(24 214)**	(13 912)

Statements of comprehensive income

for the year ended 31 March 2023

	Note	Group 2023 Rm	Group Restated[1] 2022 Rm	Company 2023 Rm	Company Restated[1] 2022 Rm
Loss for the year[2]		**(23 939)**	(11 930)	**(24 214)**	(13 912)
Other comprehensive income		**1 112**	647	**1 058**	630
Items that may be reclassified subsequently to profit or loss		**556**	(690)	**523**	(695)
Cash flow hedges					
Changes in fair value	17	**1 567**	(328)	**1 567**	(328)
Net amount transferred to profit or loss		**(730)**	(477)	**(730)**	(477)
Amortisation of effective portion of terminated cash flow hedges	38	**(3)**	–	**(3)**	–
Ineffective portion of cash flow hedges	38	**(727)**	(477)	**(727)**	(477)
Net amount transferred to initial carrying amount of hedged items		**(120)**	(145)	**(120)**	(145)
Foreign currency translation differences on foreign operations		**33**	5	**–**	–
Income tax thereon	41	**(194)**	255	**(194)**	255
Items that may not be reclassified subsequently to profit or loss		**556**	1 337	**535**	1 325
Re-measurement of benefits	27	**761**	1 737	**733**	1 718
Income tax thereon	41	**(205)**	(400)	**(198)**	(393)
Total comprehensive loss for the year[2]		**(22 827)**	(11 283)	**(23 156)**	(13 282)

1. *Refer to note 48.*
2. *A nominal amount is attributable to the non-controlling interest in the group. The remainder is attributable to the owner of the company.*

Statements of changes in equity

for the year ended 31 March 2023

	Share capital Rm	Cash flow hedge reserve Rm	Unrealised fair value reserve Rm	Foreign currency translation reserve Rm	Accumulated profit/(loss) Rm	Total equity Rm
Group						
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
Loss for the year	–	–	–	–	(11 930)	(11 930)
Other comprehensive (loss)/income, net of tax	–	(695)	–	5	1 337	647
Share capital issued	31 693	–	–	–	–	31 693
Transfers between reserves	–	–	1 184	–	(1 184)	–
Balance at 31 March 2022	219 693	(858)	(9 671)	14	27 879	237 057
Loss for the year	–	–	–	–	(23 939)	(23 939)
Other comprehensive income, net of tax	–	523	–	33	556	1 112
Share capital issued	21 857	–	–	–	–	21 857
Transfers between reserves	–	–	(3 086)	–	3 086	–
Balance at 31 March 2023	241 550	(335)	(12 757)	47	7 582	236 087
Company						
Balance at 31 March 2021 as restated	188 000	(163)	(10 855)	–	21 541	198 523
Previously reported	188 000	(163)	(10 855)	–	20 198	197 180
Prior year restatements, net of tax[1]	–	–	–	–	1 343	1 343
Loss for the year	–	–	–	–	(13 912)	(13 912)
Other comprehensive (loss)/income, net of tax	–	(695)	–	–	1 325	630
Share capital issued	31 693	–	–	–	–	31 693
Transfers between reserves	–	–	1 184	–	(1 184)	–
Balance at 31 March 2022	219 693	(858)	(9 671)	–	7 770	216 934
Loss for the year	–	–	–	–	(24 214)	(24 214)
Other comprehensive income, net of tax	–	523	–	–	535	1 058
Share capital issued	21 857	–	–	–	–	21 857
Transfers between reserves	–	–	(3 086)	–	3 086	–
Balance at 31 March 2023	241 550	(335)	(12 757)	–	(12 823)	215 635

Share capital
Refer to note 24 for details regarding share capital.

Cash flow hedge reserve
The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (forward exchange contracts and cross-currency swaps) related to hedged transactions that have not yet occurred. The cross-currency swap hedges foreign exchange rate and interest rate risk of the future interest payments and the principal repayment on bonds and loans (denominated in US dollar, euro and yen).

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

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

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

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

1. Refer to note 48.

Statements of cash flows

for the year ended 31 March 2023

	Note	Group 2023 Rm	Group Restated[1] 2022 Rm	Company 2023 Rm	Company Restated[1] 2022 Rm
Cash flows from operating activities					
Cash generated from operations	42	41 969	54 725	40 825	52 720
Net cash from/(used in) derivatives held for risk management		97	(899)	97	(896)
Finance income received		462	441	462	441
Finance cost paid		(109)	(25)	(109)	(25)
Income taxes paid		(892)	(218)	–	–
		41 527	54 024	41 275	52 240
Cash flows used in investing activities					
Disposals of property, plant and equipment		491	331	557	328
Disposals of intangible assets		255	–	–	–
Acquisitions of property, plant and equipment		(31 698)	(28 673)	(31 754)	(28 851)
Acquisitions of intangible assets		(167)	(343)	(31)	(149)
Acquisitions of future fuel supplies		(3 137)	(2 468)	(3 137)	(2 468)
Disposals of insurance investments		36 850	18 543	–	–
Acquisitions of insurance investments		(36 203)	(21 144)	–	–
Payments made in advance		(442)	–	(442)	–
Cash used in provisions		(1 900)	(318)	(1 900)	(318)
Net cash (used in)/from derivatives held for risk management		(18)	178	(18)	178
Loans receivable repaid		816	176	19	136
Loans receivable advanced		(746)	–	–	–
Cash from finance lease receivables		39	36	39	36
Dividends received		93	75	161	655
Dividends received – investment in equity-accounted investees	11	161	54	–	–
Finance income received		1 792	1 150	343	260
		(33 814)	(32 403)	(36 163)	(30 193)
Cash flows used in financing activities					
Debt securities and borrowings raised	43	29 603	33 036	34 599	35 029
Payments made in advance	43	(369)	(471)	(369)	(471)
Debt securities and borrowings repaid	43	(39 110)	(38 854)	(41 406)	(41 267)
Share capital issued	24	21 857	31 693	21 857	31 693
Net cash from/(used in) derivatives held for risk management	43	4 894	(2 769)	4 894	(2 769)
Cash used in lease liabilities	43	(687)	(417)	(575)	(416)
Net cash used in financial trading liabilities	43	(2)	–	(2)	–
Finance income received		789	656	725	618
Finance cost paid		(33 069)	(32 547)	(33 200)	(32 640)
Taxes paid		(58)	(66)	(58)	(66)
		(16 152)	(9 739)	(13 535)	(10 289)
Net (decrease)/increase in cash and cash equivalents		(8 439)	11 882	(8 423)	11 758
Cash and cash equivalents at beginning of the year		15 885	4 041	14 218	2 503
Foreign currency translation		33	5	–	–
Effect of movements in exchange rates on cash held		37	(43)	37	(43)
Cash and cash equivalents at end of the year	22	7 516	15 885	5 832	14 218

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

Derivatives held for risk management
Derivatives held for risk management are classified as operating, investing or financing activities based on the allocation of the cash flows of the underlying hedged item. Refer to note 17.

Payments made in advance
Payments made in advance that relate to the raising of debt securities and borrowings are classified as financing activities. Payments related to the acquisition of property, plant and equipment and intangible assets are allocated to investing activities. All other payments made in advance are deemed operational in nature and are therefore included within operating activities. Refer to note 19.

Provisions
Cash flows related to provisions for compensation events where the cost of property, plant and equipment includes these costs are classified as investing activities. All other provisions are operational in nature and are classified as operating activities. Refer to note 28.

Finance income and costs
Finance income and costs are allocated in line with the allocation of the related balances on which the income or cost arose. The interest income classified as financing activities was earned incidental to the financing activities and has thus been classified as such in the statement of cash flows.

1. Refer to note 48.

Notes to the financial statements
for the year ended 31 March 2023

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

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

2.1 Basis of preparation and measurement
Statement of compliance
The consolidated financial statements of Eskom Holdings SOC Ltd at and for the year ended 31 March 2023 comprise the company (Eskom), its subsidiaries, joint ventures, associates and structured entities (together the group). The separate and consolidated financial statements have been prepared in accordance with IFRS and in the manner required by the PFMA and the Companies Act. The financial statements have been prepared on the going-concern basis and were approved for issue by the board on 30 October 2023.

Basis of measurement
The separate and consolidated financial statements are prepared on the historical-cost basis except for the following items which are measured at fair value:
- derivatives held for risk management
- embedded derivatives
- certain investments and financial trading instruments

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

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

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

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

Investment in equity-accounted investees
Investments in equity-accounted investees (associates and joint ventures) are accounted for at cost less impairment losses in the separate financial statements of the company and on the equity method of accounting in the consolidated financial statements. The group's share of post-acquisition profits or losses of these investments is recognised in profit or loss within share of profit of equity-accounted investees. The cumulative post-acquisition movements, including dividends received, are adjusted against the carrying amount of the investment.

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

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

Non-monetary items are measured at historical cost.

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

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

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

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

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

	Owned Years	Right-of-use Years
Buildings and facilities	8 to 40	2 to 5
Plant		
• Generating	3 to 80	2 to 15
• Transmitting	5 to 50	n/a
• Distributing	5 to 55	n/a
• Other	10 to 40	16 to 22
Equipment and vehicles	3 to 15	2 to 5

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

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

Investigations into possible corruption and related impact on capital projects
Eskom acknowledges that there is evidence that its control environment to ensure that capital contracts were awarded appropriately, subsequent changes and amendments were valid, and that value was received have not operated effectively and that remediation of such control deficiencies is on-going.

Several contracts and contract amendments have been highlighted by the Zondo Commission, SIU and other internal and external mechanisms. Matters that are under investigation include:
- contracts being irregularly awarded
- non-compliance with contractual terms in submitting claims
- modifications to contracts where the value added to Eskom is questionable

Eskom is mostly reliant on the SIU who has the requisite knowledge and access to systems and data to evaluate and investigate these complex transactions and the consequential effects thereof. Eskom does not have access to the SIU investigations and related progress as the details are only made available to Eskom once an investigation is finalised.

The outcomes of these SIU and other internal investigations are assessed once finalised and, if required, an adjustment is made to the carrying value of the related assets. The investigations are complex and determining the correct accounting implications for these possible irregularities that cover an extended period of time presents a key judgement. A receivable is only raised for a recovery of an overpayment when the realisation of the income is probable and included as other income in profit or loss.

Internal investigations into corruption and maladministration are completed from time-to-time and where wasteful, fruitless and fraudulent expenditure is identified, these are expensed and the carrying value of the related asset reduced. These write offs will have an impact on the EBITDA at the time of recognition but are non-cash in nature.

2. Summary of significant accounting policies *continued*

2.5 Intangible assets

Research and development

Research expenditure is recognised as an expense as incurred.

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

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

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

Rights

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

Computer software

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

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

Concession assets

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

2.6 Impairment of non-financial assets

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

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

The identification of the Eskom CGU may be impacted by the future legal separation of transmission, generation and distribution into separate entities. It is expected that the single CGU will only be impacted once the separate legal entities are fully operational in terms of their individual mandates (eg market operator with independent trading and selling of electricity) with entity specific revenue determinations by NERSA in line with the approved licences.

An impairment loss is recognised for the amount by which the asset's (or CGU) carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU) fair value less costs to sell and value in use.

The fair value less cost of disposal is determined using a cost-based methodology, referred to as the depreciated replacement cost (DRC) method calculated as a proxy to assess impairment. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Non-financial assets that were subject to impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses or reversals are recognised in profit or loss within impairment and writedown of other assets.

2.7 Capitalisation of borrowing costs

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

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

2.8 Leases

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

Lessee accounting

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

Right-of-use assets

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

Lease liabilities

The group recognises a lease liability at the commencement of a lease at the present value of the lease payments that must be made over the lease term. The lease payments include fixed payments and variable payments dependent on an index or rate.

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

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

Short-term leases and leases of low-value assets

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

Lessor accounting

Finance leases

Finance lease receivables mainly comprise premium power supply equipment contracts.

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

Operating leases

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

2.9 Payments made in advance

Securing debt raised

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

Environmental rehabilitation trust fund

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

Other

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

2.10 Financial instruments

2.10.1 Financial assets (excluding derivatives)

Classification

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

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

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

2. Summary of significant accounting policies *continued*

2.10 Financial instruments *continued*

2.10.1 Financial assets (excluding derivatives) *continued*

Classification *continued*

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

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

Financial assets are classified into the following categories:

Amortised cost

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

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

Fair value through other comprehensive income

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

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

Fair value through profit or loss

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

Measurement

Initial recognition

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

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

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

After initial recognition

Amortised cost

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

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

Fair value through other comprehensive income

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

Fair value through profit or loss

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

Impairment

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

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

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

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

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

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

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

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

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

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

Summary of staging

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

Derecognition

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

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

2.10.2 Financial liabilities (excluding derivatives)

Classification

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

Measurement

Initial recognition

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

2. Summary of significant accounting policies *continued*

2.10 Financial instruments *continued*

2.10.2 Financial liabilities (excluding derivatives) *continued*

Measurement *continued*

After initial recognition

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

Derecognition

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

2.10.3 Derivatives held for risk management

Classification and measurement

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

Economic hedges

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

Cash flow hedges

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

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

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

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

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

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

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

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

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

2.10.4 Embedded derivatives

Embedded derivatives that are closely related to the host contract are not separated and are effectively accounted for as part of the hybrid instrument.

Derivatives that are separated are accounted for on terms that result in a fair value of zero at the date of inception. Option-based derivatives are separated on the terms stated in the contracts and will not necessarily have a fair value equal to zero at the initial recognition of the embedded derivative resulting in day-one gains or losses. These day-one gains or losses are recognised as deferred income and amortised over the period of the agreement to profit or loss.

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

2.10.5 Repurchase and resale agreements

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

2.10.6 Financial guarantees

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

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

2.11 Future fuel supplies

Coal

The contractual agreement with coal mines for the right to future coal supplies is accounted for as future fuel. The output of the coal mine is controlled through the contractual agreement between Eskom and the mine. Eskom does not have control over the coal resources until the coal has been mined and delivered to Eskom.

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

Nuclear

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

2.12 Inventories

Coal, liquid fuel, maintenance spares and consumables

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

The Eskom Grid Code specifies the minimum coal inventory level to be on stockpile at the coal-fired power stations (either 10 or 20 days). All coal inventory up to the grid code level (except for Medupi and Matimba power stations) is classified as non-current as it is not anticipated that it will be used within 12 months from the reporting date. Coal inventory at Medupi and Matimba power stations is classified as non-current as it is not expected that the coal will be used within 12 months from the reporting date as it is foreseen that the planned production requirements of these stations will be met from the minimum contractual offtake of the underlying coal supply agreements.

Nuclear fuel

Nuclear fuel consists of enriched and fabricated fuel assemblies and fuel in reactors. Nuclear fuel is stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and includes cost for the management of fuel assemblies that are recognised to profit or loss on a straight-line basis within primary energy over the estimated useful life of the fuel in the reactor (average 46 months). Nuclear fuel is classified as current as it is expected to be realised within the normal operating cycle.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Income tax

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

2.15 Deferred tax

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

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

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

2. Summary of significant accounting policies *continued*

2.16 Payments received in advance, contract liabilities and deferred income

Customer connections

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

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

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

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

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

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

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

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

Connections for electricity customers that were connected before 30 June 2009

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

Refer to note 2.19 for revenue recognition of connections.

Grants

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

2.17 Employee benefit obligations

Post-employment medical benefits

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

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

Pension benefits

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

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

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

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

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

The fund is accounted for in terms of IAS 19 as a defined benefit plan although the terms of the fund do not automatically require the employer to make good any deficit should it arise.

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

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

As the benefit formula does not limit the payments to the assets in existence in the fund at the payment date, management concluded that the actuarial and investment risk fall on Eskom when considering the requirements of IAS 19 and therefore classified the fund as a defined benefit fund.

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

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

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

Occasional and service leave

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

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

Bonus

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

2.18 Provisions

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

The valuation of long-term provisions requires a degree of judgement regarding the future cash flows and the timing thereof. Provisions are determined by discounting the expected future cash flows using pre-tax discount rates that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The initial cost of a provision is capitalised against the cost of the related asset if it meets the requirements for capitalisation. Subsequent changes in the liability for capitalised provisions are added to, or deducted from, the cost of the related asset. Any amount exceeding the cost of the related asset is allocated to profit or loss. The increase in the provision due to the passage of time is recognised as an expense in profit or loss under finance costs.

The main categories of provisions include the following:

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

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

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

Mine-related closure, pollution control and rehabilitation

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

2. Summary of significant accounting policies *continued*

2.18 Provisions *continued*

Compensation events

Compensation events and claims are a normal part of construction agreements and are triggered by changes in scope of work or time needed to complete the work. A dispute resolution process, as outlined in the contractual agreements, is followed as and when a compensation event or claim arises and are dealt with through a structured process involving notification, consultation, assessment and agreement or adjudication.

All open compensation events and claims are assessed at the reporting date by management's experts and legal advisors (where deemed necessary) based on the latest available information to determine the probability of an outflow of resources and the best estimate of the expenditure that would be required to settle the present obligation.

There is significant judgement applied by management and the board, based on past experience regarding the finalisation and outcome of compensation events, in determining the appropriate provision for these matters. The related costs are charged to profit or loss within other expenses or work under construction if it meets the requirements for capitalisation.

Other

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

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

2.19 Revenue from contracts with customers

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

Revenue is recognised when a customer obtains control of the goods or services supplied. The amount of revenue recognised is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Customers that fail the collectability criterion are accounted for on a cash basis and revenue is only recognised when cash is received. Refer to note 4.6.

An invoice is still raised for sales to customers accounted for on a cash basis. Eskom has a statutory obligation to charge value added tax (VAT) for local customers, payable to the SARS, when an invoice is created which gives rise to a receivable that is accounted for as a statutory receivable within other receivables. A portion of the VAT on revenue recognised on a cash basis (for municipalities recorded on a cash basis) are not expected to be realised within 12 months after the reporting period because of the low payment levels of the municipalities which are accounted for on the cash basis and are therefore classified as non-current.

An impairment is raised based on the discounted cash flows at a market related interest rate. The expected recovery period is based on current information and past experience limited to a maximum recovery period of five years to provide for a recovery from SARS through a writeoff.

When cash is received from the customer, the transaction price is recognised in profit or loss within revenue, and the related payment for VAT is allocated against the trade and other receivables balance.

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

Revenue activity	Nature and timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition
Electricity sales	Performance obligation is settled when electricity is supplied to the customer. Most customers pay for electricity after consumption and have terms ranging between 15 and 45 days. Some customers prepay for electricity.	Revenue is recognised over time as electricity is consumed by the customer (ie when control is transferred) and is billed for on a monthly basis. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.
Connections	Connections arise when customers make a contribution to Eskom to construct regular distribution and transmission assets or when the constructed assets are transferred to Eskom to connect customers to the electricity network.	Connections that were completed before 30 June 2009 were allocated to deferred income when the customer was connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the expected useful life of the related assets.
	Connections arise from contracts with customers who will also become electricity purchasing customers once they are connected and those who will not purchase electricity (eg property developers).	Connections that were completed after 30 June 2009 were recognised as revenue when the customer was connected to the electricity network in terms of IFRIC 18. Connections that were completed from 1 April 2018 are recognised as follows: • connections relating to electricity purchasing customers where there is a material right are allocated to deferred income when the customer is connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the estimated customer relationship period of 25 years. Refer to note 26 for the contract liabilities of connections recognised on a straight-line basis • connections relating to electricity purchasing customers where there is not a material right are recognised as revenue over the initial contract term • connections relating to non-electricity purchasing customers are recognised as revenue at a point in time when the customer is connected to the electricity network
Other	*Ad hoc* requests for electricity-related services that are distinct from the sale of electricity or the connection of customers to the grid.	Revenue is recognised at a point in time when the service is completed.

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

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

2.20 Finance income

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

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

2.21 Finance cost

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

2.22 Assets and liabilities held-for-sale

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

2.23 Net debt

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

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

3. Capital management and going concern

3.1 Capital management

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

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

		Group		Company	
	Note	2023 Rm	Restated 2022 Rm	2023 Rm	Restated 2022 Rm
Share capital	24	241 550	219 693	241 550	219 693
Accumulated profit/(loss)		7 582	27 879	(12 823)	7 770
Net debt	43	398 833	389 139	404 879	392 577
		647 965	636 711	633 606	620 040
Facilities available – debt securities and borrowings[1]		19 374	22 285	19 374	22 285

3.1.1 Share capital

An additional R21 857 million (2022: R31 693 million) of shares were issued during the year.

3.1.2 Accumulated profit

Revenue

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

Operating cost

The group continues to pursue cost-saving opportunities to assist in ensuring financial sustainability.
The following non-generally accepted accounting principles income statement measures are monitored by management:

	Group		Company	
	2023 %	Restated 2022 %	2023 %	Restated 2022 %
EBITDA margin	14.66	21.39	14.99	20.67
Net loss margin	(9.22)	(4.82)	(9.33)	(5.62)

3.1.3 Net debt

	Group		Company	
	2023 Rm	Restated 2022 Rm	2023 Rm	Restated 2022 Rm
Funding used	105 204	103 148	110 044	103 482
Debt repayment and net finance costs	71 390	70 745	73 881	73 289
Investment funding requirements	33 814	32 403	36 163	30 193
Funding raised	105 204	103 148	110 044	103 482
Cash from operations	41 527	54 024	41 275	52 240
Financing activities	55 238	61 006	60 346	63 000
Utilisation of cash	8 439	(11 882)	8 423	(11 758)

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

		Group		Company	
	Unit	2023	Restated 2022	2023	Restated 2022
Net debt : equity	Ratio	1.69	1.64	1.88	1.81
Net debt : EBITDA	Ratio	10.48	7.35	10.41	7.67
Net debt service cover	Ratio	0.58	0.76	0.56	0.71
Free funds from operations : net debt	%	10.99	16.39	11.10	15.56

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

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

	Rating		Outlook	
	2023	2022	2023	2022
Standard & Poor's				
Foreign currency	CCC+	CCC+	Credit watch positive	Negative
Local currency	CCC+	CCC+	Credit watch positive	Negative
Moody's				
Foreign currency	Caa1	Caa1	Positive	Negative
Local currency	b1	Caa1	Positive	Negative
Fitch Ratings				
Foreign currency	–	–	–	Negative
Local currency	B	B	Stable	Negative

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

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

Refer to note 43 for a reconciliation of the movements and analysis of the composition of net debt.

3.2 Going concern

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

- Reviewed the performance of the group for the year ended 31 March 2023 including the net loss after tax of R23 939 million and the net current liabilities of R33 866 million.
- Noted the deterioration of some of the group's financial indicators compared to 31 March 2022, in particular the deterioration in EBITDA and EBITDA margin.
- Noted the decline in the cash and cash equivalents balance of R7 516 million from R15 885 million at 31 March 2022 which were mainly applied towards settling Eskom's debt obligations.
- Considered the impact of the cash flow forecast for the 24 months ending 31 March 2025 (that provided for higher use of the OCGTs and increased capital expenditure) and the projected net loss before tax for 2024, estimated at R19 819 million (unaudited).
- Considered that Eskom is in a constrained liquidity situation that resulted from low tariffs, contracting sales volumes, above inflation cost increases, constrained generating plant performance, increased non-payment by municipalities and the capital programme to increase and replace generating and transmitting capacity.
- Noted the debt relief arrangement from government of R254 billion over the next three years as set out in the Eskom Debt Relief Act, 7 of 2023 that was enacted on 7 July 2023. The arrangement will provide liquidity 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 (principal and future interest) in 2026. The support is subject to certain conditions and will take the form of a subordinated loan that will be settled in Eskom ordinary shares upon complying with the conditions, allowing Eskom to better manage its liquidity position. Refer to note 47 for the conditions included in the debt relief arrangement. Eskom received R16 billion of debt relief on 3 August 2023, R12 billion on 26 October and R8 billion on 30 October 2023. The remaining balance of R78 billion committed for 2024 is expected to be received during the 2024 financial year.
- Noted that no new borrowings (except for drawdowns from existing facilities) were allowed from 1 April 2023 until the end of the debt relief period, unless approved by the Minister of Finance. All other operational and relevant capital expenditure spending will be financed through operational cash flows and drawdowns from existing project related loan agreements. The government guarantee facility of R350 billion expired on 31 March 2023 in line with the debt relief arrangement. Existing guarantees issued in terms of the government guarantee facility were not impacted and will remain in place until settlement of the guaranteed debt. Refer to note 5.3.2 regarding facilities available and government guarantees.
- Noted and considered the potential impact of the recent communication from the Minister of Finance relating to further delays in the sale of EFC and the possible impact on the timing of debt relief as this matter is a long outstanding cabinet decision arising from previous government support.
- Considered the impact on projected future cash flows of annual deposits which will be required for a ring-fenced financial nuclear decommissioning fund as directed by the National Nuclear Regulator.
- Considered the impact of the current economic climate, including that rating agencies expressed a stable outlook on Eskom after the enactment of the Eskom Debt Relief Act.
- Considered the impact of the continuous deteriorating generation plant performance and increased reliance on more expensive sources (IPPs and OCGTs) and load curtailment to manage supply and demand and noted the improved generation plant performance experienced towards the middle of 2024. 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 OCGTs. The generation capacity could also be impacted if the extension of the licence for Koeberg power station, which expires in June 2024, beyond the original operating life is delayed.
- Considered the impact of the continuous increase in overdue electricity receivables (including the impact of non-recoverability of long outstanding electricity receivables) and the municipal debt relief arrangement that is intended to assist with the overdue electricity receivable challenge. Refer to note 5.1.1.
- Acknowledged that an acceptable price increase and improved plant performance are critical factors in the going-concern assessment.
- 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, the management of operating (particularly generating expenditure) and capital costs, as well as addressing the escalating overdue electricity receivables are critical factors in the going-concern assessment.

3. Capital management and going concern *continued*

3.2 Going concern *continued*

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 and addressing operational efficiencies) is developed to fully optimise Eskom's balance sheet. The Eskom debt relief arrangement and the municipal debt relief programme will assist in putting Eskom on a path to long-term financial stability.
- The sale of EFC is being prioritised and managed as a condition of the debt relief from government and, if not disposed of, would impact the amount available for drawdown in 2024 and 2025.
- Eskom is working with the National Nuclear Regulator to finalise the details of a ring-fenced nuclear decommissioning fund to ensure sufficient financial resources will be available to fund decommissioning costs.
- The group's generation capacity is managed as a critical focus area to ensure appropriate steps are being taken to manage the performance challenges, including ongoing interaction with the National Nuclear Regulator as part of the licence extension activities.
- Eskom is working with the Minister of Electricity, leveraging the National Energy Crisis Committee structures, to ensure that the Electricity Action Plan is implemented expeditiously in collaboration with all key stakeholders.
- The Eskom roadmap released by the 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. NERSA approved the operating of the transmission system, trading and import/export licences for National Transmission Company South Africa SOC Ltd (NTCSA) and will issue the licences in due course. The only remaining condition to give effect to the suspensive sale agreement of NTCSA is to obtain the required lender consent. Discussions are ongoing with lenders from whom consent is required and requests for consent have been made. Bilateral engagements were held with lenders and they are supportive of the process. Government is in the process of revising the Electricity Regulation Act to allow other players to enter the electricity market. The National Electricity Distribution Company of South Africa SOC Ltd (NEDCSA) has been registered during the 2023 financial year for the envisaged legal separation of the distribution division. It is expected that NTCSA will be operationalised in the 2025 financial year with NEDCSA in the year thereafter.
- The cost structures and capital programme of the group are continuously reviewed to extract cost savings and improve cash flows.
- 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 to the Eskom Debt Relief Act and with full disclosure and approval by the Minister of Finance and 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. Eskom is working with National Treasury on the implementation of the municipal debt relief arrangement.

The board considered that there are uncertainties and dependencies that exist both from a timing of intervention perspective as well as whether the plans will materialise as anticipated.

The life extension of the nuclear plant is also dependent on several key challenges which, individually or collectively, may have a further material impact on the current operational challenges.

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 assessed the current cash flow projections considering that future capital costs will be funded from cash from operations. The board concluded after carefully considering the progress of the initiatives above and the continued financial support from the government through the debt relief arrangement 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 consolidated and separate financial statements have therefore been prepared on a going-concern basis.

3.3 Impairment assessment of the Eskom CGU (including property, plant and equipment and indefinite useful life of intangible assets)

The CGU of Eskom (refer note 2.6) was assessed for impairment because of liquidity, financial and operational performance challenges. Rights are part of the Eskom CGU and were tested for impairment as part of the CGU.

No impairment loss was recognised on the CGU as the recoverable amount of the Eskom CGU (determined based on the higher of its fair value less costs of disposal and value in use) was higher than the carrying value.

Management incorrectly disclosed the result of the fair value less cost of disposal calculation as the value in use result in 2022. This had no impact on the impairment assessment as the outcome of both calculations (recoverable amount) were higher than the carrying amount of the CGU in 2022. This has been correctly disclosed in 2023 where the recoverable amount based on the value in use is higher than the carrying amount.

Eskom uses two models as part of its impairment assessment to determine the recoverable amount of the CGU.

Fair value less cost of disposal

The fair value less cost of disposal (no estimate for cost of disposal provided as deemed not material) is determined using a cost-based methodology, referred to as the DRC method that is a calculated proxy to assess for impairment (referred to in Eskom as the regulatory model). The DRC approximates the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. This approach is normally adopted for the valuation of specialised assets or installations where there is little or no comparable market evidence to estimate value. The fair value determined using the DRC methodology was adjusted by a revenue shortfall that approximates the discount to market participants because the electricity tariff is not cost reflective and therefore would result in an insufficient return on assets.

Value in use

The value in use calculation is based on the estimated future cash flows discounted to their present value based on the future revenue and cost to operate and maintain the assets over their useful life. Estimates in the value in use calculation include long-term growth rates, electricity sales volumes, price path, available generation capacity and discount rates. Estimates are based on past experience and expectations of future changes in the market, including the prevailing economic climate.

Key assumptions

The cash flow projections used in the two models were based on the Eskom Corporate Plan for 2024 to 2028, adjusted to exclude new capacity and expansion of assets. The projections after the first five years were extrapolated based on the estimated long-term average growth rates, inflation and available existing capacity. The extrapolation beyond the first five years was deemed appropriate as generating plants have long useful lives.

A declining sales trajectory limited to available capacity was assumed. The available capacity depends on generating capacity (still under construction) becoming available and decommissioning of old power stations. It was assumed that there will be no new electricity production sources, both from Eskom and IPPs. The usage of the OCGTs was assumed at an average load factor of 12% in 2024, 9% in 2025 and reducing over time to 3%. The power stations EAF was aligned to the current performance, with a gradual improvement over time.

The price of electricity is a key input in the recoverable amount calculation. The price path is based on the NERSA determination (adjusted for the impact of court and RCA decisions). The price path is considered to be conservative, taking into account the recent history of several court decisions in favour of Eskom as well as outstanding court proceedings and RCA applications.

Carbon tax was included as part of primary energy cost from 2026 which resulted in a substantial increase in cost from 2027.

A conservative view was taken on overdue municipality debt by assuming that it will continue to increase. The possible impact of the municipal debt relief arrangement was not taken into account.

Management concluded that the key assumptions (which includes price path and EAF) are reasonable.

The price increase used for group and company was:

	Year ended 31 March					
	2024 %	2025 %	2026 %	2027 %	2028 %	2029 %
2023						
Price increase	19	13	13	11	15	11

	Year ended 31 March					
	2023 %	2024 %	2025 %	2026 %	2027 %	2028 %
2022						
Price increase	9	13	13	13	13	10

An average long-term negative sales growth rate of 0.5% (2022: 1.9% positive) was used whilst there was sufficient production capacity to support sales. Once production capacity was insufficient to support sales, sales was restricted to production capacity.

A pre-tax nominal discount rate of 16.25% (2022: 12.46%) was used as derived from the NERSA determination.

Outcome of impairment calculation

Management is satisfied that the recoverable amount based on value in use is higher than the carrying value of the CGU, even though there was a general decline in the valuation outcome in 2023 compared to 2022 (difference in the recoverable amount exceeding the carrying amount). This was largely as a result of the increase in the discount rate, using a more conservative approach regarding recoverability of outstanding municipality debt, higher OCGT load factors, decline in availability of generating plant and the impact thereof on sales.

Management is comfortable that it is not expected that a reasonable possible change in any of the key assumptions would cause the carrying value of the CGU to exceed the recoverable amount. This conclusion is based on the results of the following sensitivity analyses:

Price sensitivity

A conservative price path has been assumed. The price already determined by NERSA for 2024 and 2025 has been used as it is fixed. A reduction of 1% in the price for 2026 results in the recoverable amount exceeding the carrying amount by 6%. A reduction in the price for 2026 will result in permanent reduction in the base price in future periods.

Discount rate sensitivity

An increase of 1% in the discount rate will result in a recoverable amount equal to carrying value.

Other sensitivities

A 1% cumulative increase in the cost of coal over the 2024 to 2050 periods results in the recoverable amount exceeding the carrying amount by about 2%.

A 2% cumulative reduction in available total production from coal plants over the 2024 to 2050 periods results in the recoverable amount exceeding the carrying amount by about 7%.

4. Critical accounting estimates and assumptions

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

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period. Sensitivity analyses are calculated based on a change in a single key assumption keeping all other assumptions constant. In practice it is unlikely that changes in assumptions would occur in isolation from one another. All relevant inputs are listed and sensitivities have then been provided for the key sources of estimation uncertainty.

4.1 Embedded derivatives

Eskom entered into an agreement to supply electricity to an electricity-intensive business where the revenue from the contract is based on an approved tariff with a possible upside charge that is applicable only if both the aluminium and foreign exchange rate simultaneously exceed predefined thresholds. The agreement gave rise to an option based embedded derivative from August 2021 to July 2031. The valuation of the embedded derivative reflects the benefit to Eskom attributable to the upside charge when both the thresholds are simultaneously breached.

Valuation

Valuation techniques are used to determine the fair value as there is no active market for embedded derivatives.

The embedded derivative is valued independently from the host contract. A Monte Carlo valuation method was used which uses random paths to model the price of aluminium and the USD/ZAR exchange rate. The simulation paths allow for varying prices depending on the underlying simulations being above or below the threshold levels. The fair value of the embedded derivative reflects a probability-weighted estimate of the upside benefit to Eskom in terms of the Monte Carlo method.

Input and valuation assumptions

The aluminium price and USD/ZAR exchange rate are modelled on a correlation-weighted stochastic basis, while economic forecasts of purchase price indices (PPI) are used. Projected cash flows are weighted with the survival probability of the counterparty and discounted at the appropriate risk-free rate approximated by the USD overnight index swap curve.

The United States and South African PPI with the aluminium price and USD/ZAR exchange rate correlation are significant unobservable inputs used in the model. Other inputs were obtained from appropriate market data providers or were otherwise modelled using market standard modelling procedures which do not attract significant uncertainty or judgement.

The following valuation assumptions were used for the valuation and are regarded as the best estimates by management:

2023		Year ended 31 March					
Input	Unit	2023	2024	2025	2026	2027	2028
Aluminium price	USD per ton	2 377	2 496	2 608	2 713	2 798	2 875
Aluminium volatility	Year-on-year (%)	24.53	24.53	24.53	24.53	24.53	24.53
Rand/USD	Rand per USD	17.72	19.27	20.00	20.62	21.32	21.98
USD/Rand volatility	Year-on-year (%)	18.36	18.36	18.36	18.36	18.36	18.36
Rand interest rates	Annual actual/365 days (%)	10.06	8.35	8.11	8.09	8.25	8.47
Dollar interest rates	Annual actual/365 days (%)	4.95	4.72	4.05	3.65	3.46	3.32
South African PPI	Year-on-year (%)	7.43	7.75	6.75	5.75	5.50	5.50
United States PPI	Year-on-year (%)	(0.61)	4.75	3.00	2.50	2.25	2.25
Electricity usage	Electricity usage per maximum capacity (%)	97.49	97.49	97.49	97.49	97.49	97.49
Aluminium/exchange rate correlation	Correlation coefficient (%)	15.25	15.25	15.25	15.25	15.25	15.25
Counterparty default probability	Cumulative probability of default (%)	–	1.41	3.23	5.32	8.11	10.72

2022		Year ended 31 March[1]					
Input	Unit	2022	2023	2024	2025	2026	2027
Aluminium price	USD per ton	3 537	3 483	3 354	3 220	3 093	2 976
Aluminium volatility	Year-on-year (%)	26.72	26.72	26.72	26.72	26.72	26.72
Rand/USD	Rand per USD	14.60	15.24	15.89	16.57	17.27	18.01
USD/Rand volatility	Year-on-year (%)	18.00	18.00	18.00	18.00	18.00	18.00
Rand interest rates	Annual actual/365 days (%)	5.62	6.96	6.38	6.63	6.83	7.04
Dollar interest rates	Annual actual/365 days (%)	0.75	1.75	2.34	2.42	2.35	2.26
South African PPI	Year-on-year (%)	8.75	4.85	5.35	5.50	5.50	5.50
United States PPI	Year-on-year (%)	8.41	1.95	2.00	2.00	2.00	2.00
Electricity usage	Electricity usage per maximum capacity (%)	97.46	97.46	97.46	97.46	97.46	97.46
Aluminium/exchange rate correlation	Correlation coefficient (%)	13.40	13.40	13.40	13.40	13.40	13.40
Counterparty default probability	Cumulative probability of default (%)	–[2]	1.08	2.52	4.37	6.87	9.73

1. *In the prior year the column headings reflected 2021 instead of 2022 onwards. This was corrected in the current year.*
2. *The default probability for the prior year was corrected to reflect a 12 month default probability at valuation date instead of a six month default probability that was previously used.*

Sensitivity analysis

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

			Group and company			
			2023		2022	
Input	Unit	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
Aluminium price	USD per ton	10% relative[1]	258	(218)	153	(170)
Rand/USD	Rand per USD	10% relative[1]	248	(243)	450	(341)
Rand interest rates	Continuous actual/365 days (%)	100 basis points	43	(48)	63	(65)
Dollar interest rates	Annual actual/365 days (%)	100 basis points	(81)	84	(99)	107
South African PPI	Index	1% absolute[1]	(51)	48	(72)	62
United States PPI	Index	1% absolute[1]	3	(13)	32	(48)
Correlation (ALU/USD/ZAR)	Correlation coefficient	10% absolute[1]	(55)	52	(51)	51

4.2 Post-employment medical benefits

Valuation

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

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

Valuation assumptions

The principal actuarial assumptions used were:

		Group		Company	
	Unit	2023	2022	2023	2022
Discount rate	%	13.2	12.0	13.2	12.0
Medical aid inflation	%	9.3	8.6	9.3	8.6
Male longevity	years	14.42	14.42	14.42	14.42
Female longevity	years	20.82	20.82	20.82	20.82
Weighted average duration	years	17.60	18.00	17.70	18.10

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

Sensitivity analysis

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

		Group				Company			
		2023		2022		2023		2022	
	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm	increase Rm	decrease Rm	increase Rm	decrease Rm
Effect on aggregate current service cost and finance cost									
Discount rate	1%	(210)	258	(185)	228	(209)	256	(184)	227
Medical aid inflation	1%	467	(374)	429	(342)	462	(369)	424	(337)
Future mortality	1 year	63	(63)	58	(58)	62	(62)	57	(57)
Effect on post-employment medical benefits obligation									
Discount rate	1%	(2 089)	2 595	(2 072)	2 587	(2 057)	2 556	(2 037)	2 544
Medical aid inflation	1%	2 618	(2 133)	2 598	(2 108)	2 580	(2 100)	2 556	(2 073)
Future mortality	1 year	410	(414)	411	(414)	402	(406)	402	(405)

4.3 Pension benefits

Valuation

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

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

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

1. *The change in assumption was incorrectly described in the prior year financial statements. This was corrected in the current year and had no impact on the disclosure of the monetary amount for the respective sensitivities.*

4. Critical accounting estimates and assumptions *continued*

4.3 Pension benefits *continued*

Valuation *continued*

Valuation assumptions

The principal actuarial assumptions used were:

	Unit	Group and company 2023	2022
Discount rate	%	13.2	12.0
Long-term price inflation rate	%	7.3	6.6
Future salary inflation	%	8.8	8.1
Future pension increases	%	7.3	6.6
Male longevity	years	13.5	13.5
Female longevity	years	19.7	19.7
Weighted average duration	years	14.4	14.9

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

Sensitivity analysis

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

		Group and company			
		2023		2022	
	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
Discount rate	1%	(7 288)	11 429	(7 311)	11 764
Inflation rate	1%	11 571	(7 682)	11 849	(7 687)
Future mortality	1 year	(1 471)	1 506	(1 524)	1 493

4.4 Occasional and service leave

Valuation

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

Valuation assumptions

The principal actuarial assumptions used were:

	Group and company 2023 %	2022 %
Discount rate	13.2	12.0
General price inflation	7.3	6.6
Salary increases	8.8	8.1
Leave usage	8.0	8.0

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

Sensitivity analysis

Based on current experience, 8% (2022: 8%) of the leave is utilised. If the rate at which leave is taken is 16% (2022: 16%), then the liability will increase by R97 million (2022: R98 million) for the group and R91 million (2022: R92 million) for the company. If the rate at which leave is taken is 4% (2022: 4%), then the liability will decrease by R55 million (2022: R55 million) for the group and R52 million (2022: R52 million) for the company.

The carrying amount of the occasional and service leave liability for the group is R1 279 million (2022: R1 284 million) and R1 155 million (2022: R1 147 million) for the company.

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

Valuation

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

Valuation assumptions and estimated payment dates

The real discount rates used for these provisions and estimated payment dates of the costs are:

	Group and company			
	2023 %	2023 Year	2022 %	2022 Year
Nuclear plant	3.4 – 4.6	2025 – 2039	2.6 – 4.1	2026 – 2041
Coal, pump storage, open cycle gas turbine and renewable stations	3.4 – 4.7	2024 – 2099	1.3 – 4.1	2023 – 2099
Spent nuclear fuel	3.1 – 4.6	2024 – 2100	1.3 – 4.2	2023 – 2125
Mine-related closure, pollution control and rehabilitation	3.1 – 4.6	2024 – 2150	1.3 – 4.2	2023 – 2150

The estimated payment dates of the spent nuclear fuel provision changed as monitoring and surveillance costs (expected to be incurred from 2100 to 2125) were excluded from the provision in 2023 as the costs are immaterial and carried by the National Radioactive Waste Disposal Institute in terms of the National Radioactive Waste Disposal Institute Act.

Sensitivity analysis

The effect on the provisions of an increase or decrease in the real discount rate is:

		Group and company			
		2023		Restated 2022	
	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
Nuclear plant	1%	(533)	580	(823)	924
Coal, pump storage, open cycle gas turbine and renewable stations	1%	(2 057)	2 598	(2 304)	2 962
Spent nuclear fuel	1%	(1 647)	2 425	(1 641)	2 478
Mine-related closure, pollution control and rehabilitation	1%	(1 458)	1 935	(1 719)	2 652

4.6 Revenue from contracts with customers

Customer connections

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

Collectability of amounts receivable

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

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

4.7 Expected credit loss on financial assets

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

Expected credit loss = Exposure at default × Probability of default × Discounted loss given default

The exposure is the estimated amount outstanding at the point of default less any collateral held. The probability of default measures the likelihood that the amount outstanding will become more than 90 days past due, and depending on the portfolio, this is either on a 12-month or lifetime basis in accordance with IFRS 9 requirements. The loss given default measures the expected credit loss in the event that the outstanding amount becomes more than 90 days past due. Cash flows are discounted at the original effective interest rate over the expected recovery period.

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

An economic overlay in the form of a five-year forward-looking scaler that incorporates economic variables (including gross domestic product (GDP) and exchange rate growth) has been applied to international electricity receivables, intercompany trade and other receivables, other receivables, finance lease receivables, loans receivables, investments, financial trading assets and financial guarantee portfolios.

It was not necessary to apply an economic overlay to the municipality, large power and small power user portfolios as the models to determine the probability of default are considered to be sensitive to the economic environment and representative of the most recent economic conditions.

An additional expected credit loss consideration was applied to the municipality portfolio to account for the possible impact of the municipal debt relief arrangement. Municipalities can apply to National Treasury to have their arrear debt at 31 March 2023 written off over a three-year period subject to approval by National Treasury and meeting the predetermined conditions. An assessment was performed per municipality on the probability of applying for and meeting the conditions, including consideration of current financial health and payment levels. This resulted in an additional impairment raised of R824 million.

4. Critical accounting estimates and assumptions *continued*

4.7 Expected credit loss on financial assets *continued*

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

Financial asset	Model details
International electricity receivables	Expected credit losses were calculated using a benchmark approach that assigns a probability of default to a client based on the size and country in which the client operates. Credit ratings were assigned to these categories which were then used to determine the probability of default. A five-year economic forward-looking scaler was applied to the probability of default. The loss given default is standardised and based on the implied regulatory downturn using a foundation approach of 45%.
Local large and small power user electricity receivables	Expected credit losses were calculated using a provision matrix which utilises a transition approach. The probability of default relevant to balances with similar characteristics was determined by analysing their most recent delinquency data. The loss given default was calculated using the long-run average recovery rates.
Intercompany loans receivable	The expected credit losses were calculated using a dual rating approach, which relies on key financial ratios to determine a through-the-cycle probability of default. The through-the-cycle probability of default was updated with economic information to produce a point-in-time probability of default, which is consistent with the current and future forecasted economic conditions. The loss given default is standardised and based on the implied regulatory downturn using a foundation approach of 45%.
Intercompany trade and other receivables	The estimates of the probability of default were based on the external rating of Eskom mapped to an internal rating scale. A five-year economic forward-looking scaler was applied to the probability of default. The loss given default is standardised and based on the implied regulatory downturn using a foundation approach of 45%.
Other receivables, finance lease receivables and loans receivable (excluding home loans)	Expected credit losses were calculated using a benchmark approach that assigns a probability of default to a client based on the size and country in which the client operates. Credit ratings were assigned to these categories which were then used to determine the probability of default. A five-year economic forward-looking scaler was applied to the probability of default. The loss given default is standardised and based on the implied regulatory downturn using a foundation approach of 45%.
Loans receivable (home loans)	The estimates of the probability of default are influenced by factors including whether a client is still employed by Eskom and whether they are in arrears. Loans are assigned a risk rating based on payment levels. Forward looking information is based on reasonable and supportable forecasts of future economic conditions, including experience judgement. The loss in the event of default is determined as the difference between the outstanding loan amount and the amount that can be recovered through the legal collection process, which also includes the perfection of physical collateral. The historical loss experience is adjusted for current observable data to determine the loss given default.
Investments, financial trading assets and financial guarantees	The estimates of the probability of default were based on the external credit ratings of the counterparts using an external rating scale mapped to an internal rating scale. A five-year economic forward-looking scaler was applied to the probability of default. The loss given default is standardised and based on the implied regulatory downturn using a foundation approach of 45%.

5. Financial risk management

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

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

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

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

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

5.1 Credit risk

The carrying amounts of financial assets represent the maximum credit exposure. The group's maximum exposure as a result of financial guarantees issued is disclosed in note 44.1.

5.1.1 Trade and other receivables

Impairment analysis

	2023								
	Stage 2			Stage 3			Total		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Trade receivables									
Group and company									
International	1 204	(19)	1 185	504	(227)	277	1 708	(246)	1 462
B- to BB+	920	(7)	913	504	(227)	277	1 424	(234)	1 190
Below B-	284	(12)	272	–	–	–	284	(12)	272
Local large power users – municipalities	10 009	(204)	9 805	2 492	(2 281)	211	12 501	(2 485)	10 016
0–30 days	9 793	(166)	9 627	–	–	–	9 793	(166)	9 627
30–90 days	216	(38)	178	–	–	–	216	(38)	178
More than 90 days or credit impaired	–	–	–	2 492	(2 281)	211	2 492	(2 281)	211
Local large power users – other	10 544	(56)	10 488	580	(386)	194	11 124	(442)	10 682
0–30 days	10 299	(16)	10 283	–	–	–	10 299	(16)	10 283
30–90 days	245	(40)	205	–	–	–	245	(40)	205
More than 90 days or credit impaired	–	–	–	580	(386)	194	580	(386)	194
Local small power users – other	2 162	(141)	2 021	1 309	(885)	424	3 471	(1 026)	2 445
0–30 days	1 764	(53)	1 711	–	–	–	1 764	(53)	1 711
30–90 days	398	(88)	310	–	–	–	398	(88)	310
More than 90 days or credit impaired	–	–	–	1 309	(885)	424	1 309	(885)	424
	23 919	(420)	23 499	4 885	(3 779)	1 106	28 804	(4 199)	24 605
Trade and other receivables									
Group	26 145	(441)	25 704	5 410	(4 258)	1 152	31 555	(4 699)	26 856
Trade receivables	23 919	(420)	23 499	4 885	(3 779)	1 106	28 804	(4 199)	24 605
Other receivables (B- to BB+)	2 226	(21)	2 205	525	(479)	46	2 751	(500)	2 251
Company	29 484	(519)	28 965	5 305	(4 195)	1 110	34 789	(4 714)	30 075
Trade receivables	23 919	(420)	23 499	4 885	(3 779)	1 106	28 804	(4 199)	24 605
Other receivables (B- to BB+)	5 565	(99)	5 466	420	(416)	4	5 985	(515)	5 470

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

	2022								
	Gross Rm	Stage 2 Allowance for impairment Rm	Carrying value Rm	Gross Rm	Stage 3 Allowance for impairment Rm	Carrying value Rm	Gross Rm	Total Allowance for impairment Rm	Carrying value Rm
Trade receivables									
Group and company									
International	1 193	(14)	1 179	432	(351)	81	1 625	(365)	1 260
B- to BB+	1 113	(10)	1 103	432	(351)	81	1 545	(361)	1 184
Below B-	80	(4)	76	–	–	–	80	(4)	76
Local large power users – municipalities	9 131	(290)	8 841	1 808	(1 653)	155	10 939	(1 943)	8 996
0–30 days	8 526	(157)	8 369	–	–	–	8 526	(157)	8 369
30–90 days	605	(133)	472	–	–	–	605	(133)	472
More than 90 days or credit impaired	–	–	–	1 808	(1 653)	155	1 808	(1 653)	155
Local large power users – other	10 454	(20)	10 434	449	(359)	90	10 903	(379)	10 524
0–30 days	10 264	(6)	10 258	–	–	–	10 264	(6)	10 258
30–90 days	190	(14)	176	–	–	–	190	(14)	176
More than 90 days or credit impaired	–	–	–	449	(359)	90	449	(359)	90
Local small power users – Soweto More than 90 days or credit impaired	–	–	–	6	(6)	–	6	(6)	–
Local small power users – other	2 363	(132)	2 231	1 222	(875)	347	3 585	(1 007)	2 578
0–30 days	2 008	(53)	1 955	–	–	–	2 008	(53)	1 955
30–90 days	355	(79)	276	–	–	–	355	(79)	276
More than 90 days or credit impaired	–	–	–	1 222	(875)	347	1 222	(875)	347
	23 141	(456)	22 685	3 917	(3 244)	673	27 058	(3 700)	23 358
Trade and other receivables									
Group	24 150	(480)	23 670	4 262	(3 547)	715	28 412	(4 027)	24 385
Trade receivables	23 141	(456)	22 685	3 917	(3 244)	673	27 058	(3 700)	23 358
Other receivables (B- to BB+)	1 009	(24)	985	345	(303)	42	1 354	(327)	1 027
Company	26 238	(519)	25 719	4 163	(3 482)	681	30 401	(4 001)	26 400
Trade receivables	23 141	(456)	22 685	3 917	(3 244)	673	27 058	(3 700)	23 358
Other receivables (B- to BB+)	3 097	(63)	3 034	246	(238)	8	3 343	(301)	3 042

ECL percentages used

	2023			2022		
	Stage 2 %	Stage 3 %	Total %	Stage 2 %	Stage 3 %	Total %
Trade receivables						
Group and company						
International	2	45	14	1	81	22
B- to BB+	1	45	16	1	81	23
Below B-	4	–	4	5	–	5
Local large power users – municipalities	2	92	20	3	91	18
0–30 days	2	–	2	2	–	2
30–90 days	18	–	18	22	–	22
More than 90 days or credit impaired	–	92	92	–	91	91
Local large power users – other	1	67	4	–	80	3
30–90 days	16	–	16	7	–	7
More than 90 days or credit impaired	–	67	67	–	80	80
Local small power users – Soweto More than 90 days or credit impaired	–	–	–	–	100	100
Local small power users – other	7	68	30	6	72	28
0–30 days	3	–	3	3	–	3
30–90 days	22	–	22	22	–	22
More than 90 days or credit impaired	–	68	68	–	72	72
	2	77	15	2	83	14
Other receivables						
Group	1	91	18	2	88	24
Company	2	99	9	2	97	9

Age analysis of trade receivables balances

	2023				2022			
	<1 year %	>1 year %	>2 years %	>3 years %	<1 year %	>1 year %	>2 years %	>3 years %
International	93	7	–	–	84	13	3	–
Local large power users – municipalities	97	2	1	–	96	1	2	1
Local large power users – other	100	–	–	–	100	–	–	–
Local small power users – Soweto	–	–	–	–	100	–	–	–
Local small power users – other	82	10	4	4	83	8	5	4

Reconciliation of movements in allowance for impairment

		2023			2022		
	Note	Stage 2 Rm	Stage 3 Rm	Total Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Group							
Balance at beginning of the year		480	3 547	4 027	619	3 671	4 290
Raised to the income statement	35	85	938	1 023	179	502	681
Reversed on payment of opening balance		(359)	(2 037)	(2 396)	(256)	(2 079)	(2 335)
Remeasurement of opening balances held at year end		136	(80)	56	(51)	46	(5)
Raised on new balances		308	3 055	3 363	486	2 535	3 021
Transfer of balances between stage 2 and 3		(101)	101	–	(252)	252	–
Finance income on stage 3 balances		–	283	283	–	144	144
Writeoffs		(23)	(611)	(634)	(66)	(1 022)	(1 088)
Balance at end of the year	20	441	4 258	4 699	480	3 547	4 027
Company							
Balance at beginning of the year		519	3 482	4 001	728	3 632	4 360
Raised to the income statement	35	121	937	1 058	76	497	573
Reversed on payment of opening balance		(356)	(2 019)	(2 375)	(368)	(1 988)	(2 356)
Remeasurement of opening balances held at year end		139	(80)	59	(49)	80	31
Raised on new balances		338	3 036	3 374	493	2 405	2 898
Transfer of balances between stage 2 and 3		(101)	101	–	(252)	252	–
Finance income on stage 3 balances		–	283	283	–	144	144
Writeoffs		(20)	(608)	(628)	(33)	(1 043)	(1 076)
Balance at end of the year	20	519	4 195	4 714	519	3 482	4 001

5. Financial risk management *continued*

5.1 Credit risk *continued*

5.1.1 Trade and other receivables *continued*

Security held for trade receivables (guarantees and deposits)

Group and company	2023 Fair value of security held: Credit-impaired receivables Rm	2023 Fair value of security held: Not credit-impaired receivables Rm	2023 Fair value of security held: Total Rm	2023 Security called upon Rm	2023 Renegotiated balances Rm	2022 Fair value of security held: Credit-impaired receivables Rm	2022 Fair value of security held: Not credit-impaired receivables Rm	2022 Fair value of security held: Total Rm	2022 Security called upon Rm	2022 Renegotiated balances Rm
International	–	6	6	–	–	–	6	6	–	–
Local large power users	349	15 569	15 918	46	3 146	319	13 567	13 886	43	2 572
Municipalities	301	709	1 010	–	3 138	278	628	906	2	2 553
Other	48	14 860	14 908	46	8	41	12 939	12 980	41	19
Local small power users	203	2 597	2 800	117	48	177	2 485	2 662	90	72
Soweto	13	–	13	1	1	13	–	13	1	–
Other	190	2 597	2 787	116	47	164	2 485	2 649	89	72
	552	18 172	18 724	163	3 194	496	16 058	16 554	133	2 644

Additional information

Trade receivables

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

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

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

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

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

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

The main classes of trade receivables are:

International customers

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

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

The expected credit loss percentages improved compared to the prior year as a dispute relating to stage 3 receivables has been resolved in 2023.

Local large power users

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

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

Eskom continues its efforts to ensure maximum collections from non-paying municipalities. Unfortunately, Eskom's attempts to enforce contractual credit control is hampered by drawn out litigation and interdicts granted by the courts in the interest of municipal end-consumers. Eskom is advocating an active partnering solution whereby Eskom supports municipalities with distribution, reticulation and revenue collection services.

Interventions include:

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

The municipal debt relief arrangement, as announced by the Minister of Finance in February 2023, has the objective to reduce the challenge of arrear municipal debt. The key elements relating to the debt relief, as published by National Treasury in the MFMA Circular No. 124, include:

- municipalities can apply to National Treasury to have their arrear Eskom debt at 31 March 2023 written off over a three-year period subject to complying with set conditions, including but not limited to the continuous payment of their current account
- the conditions have to be met on a consecutive 12-month basis to qualify for a one-third write off of the arrear debt
- municipalities have to first pay Eskom before any other creditors on a monthly basis
- the cut-off date to apply to National Treasury has been extended to 31 October 2023
- Eskom has to stop any legal proceedings and terminate existing payment arrangements for approved municipalities
- interest will be permanently suppressed for approved municipalities

The possible impact of the debt relief arrangement is not quantifiable because of the uncertainty relating to a qualifying municipality's potential to be approved by National Treasury for the debt relief and its ability to comply with the requisite conditions.

The debt relief has a potential impact on R58 billion (inclusive of VAT) of arrear municipal debt at 31 March 2023. There is no further financial impact on R55 billion of this amount as it relates to municipalities accounted for on the cash basis in terms of IFRS 15. Additional impairment of R824 million was raised on the remaining arrear debt balance of R3.6 billion. Eskom can also recover VAT of R6 billion that was paid over when an invoice was raised for sales from the South African Revenue Services when the related arrear debt is written off.

The debt relief arrangement can possibly result in increased payment levels from these municipalities. There is the potential that there will no longer be a need to account for some of these municipalities on a cash basis in the future. The probability of default when assessing for impairment can also decrease.

The reconciliation and monitoring of the first five municipalities that were approved for the debt relief arrangement commenced on 1 June 2023. A total of 28 municipalities have been approved by National Treasury by 30 September 2023.

In addition, the National Treasury circular also provided for the following key aspects applicable to all municipalities:

- Payment terms increased from 15 to 30 days.
- The interest rate charged on arrear receivables reduced from prime plus 5 to prime plus 2.5 percent effective from October 2023.

The increase in payment terms will result in a negative cashflow impact for the first month after the implementation date of 28 August 2023. The future impact of charging a lower interest rate and suppressing interest is not expected to be material as most of the interest is recorded on a cash basis and therefore not recognised.

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

Local small power users

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

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

The residential revenue management strategy continues to be implemented with a focus on converting customers to prepaid.

There were no material changes to the expected credit loss percentages for small power users compared to the prior year.

Other receivables

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

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

5. Financial risk management *continued*

5.1 Credit risk *continued*

5.1.2 Derivatives held for risk management and cash and cash equivalents

Impairment analysis

	2023 Not subject to impairment Rm	2023 Subject to impairment Stage 1 Rm	2023 Total Rm	2022 Not subject to impairment Rm	2022 Subject to impairment Stage 1 Rm	2022 Total Rm
Group						
Derivatives held for risk management	26 992	–	26 992	8 509	–	8 509
BBB- to AAA	11 042	–	11 042	3 493	–	3 493
B- to BB+	15 950	–	15 950	5 016	–	5 016
Cash and cash equivalents	–	7 516	7 516	–	15 885	15 885
BBB- to AAA	–	2 039	2 039	–	423	423
B- to BB+	–	5 202	5 202	–	15 459	15 459
Unrated	–	275	275	–	3	3
Company						
Derivatives held for risk management	26 992	–	26 992	8 510	–	8 510
BBB- to AAA	11 042	–	11 042	3 494	–	3 494
B- to BB+	15 950	–	15 950	5 016	–	5 016
Cash and cash equivalents	–	5 832	5 832	–	14 218	14 218
BBB- to AAA	–	661	661	–	424	424
B- to BB+	–	5 168	5 168	–	13 791	13 791
Unrated	–	3	3	–	3	3

The gross values of cash and cash equivalents approximate its carrying value as the impairments calculated are immaterial.

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

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

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

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

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

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

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

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

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

5.1.3 Insurance investments

Impairment analysis

	Group: Not subject to impairment Gross Rm	Subject to impairment Stage 1 Gross Rm	Subject to impairment Stage 1 Allowance for impairment Rm	Subject to impairment Stage 1 Carrying value Rm	Total Gross Rm	Total Allowance for impairment Rm	Total Carrying value Rm
2023							
B- to BB+	–	15 153	(20)	15 133	15 153	(20)	15 133
Not subject to credit risk	1 514	–	–	–	1 514	–	1 514
	1 514	15 153	(20)	15 133	16 667	(20)	16 647
2022							
B- to BB+	–	15 183	(10)	15 173	15 183	(10)	15 173
Not subject to credit risk	2 145	–	–	–	2 145	–	2 145
	2 145	15 183	(10)	15 173	17 328	(10)	17 318

There was a slight increase in the expected credit loss percentage because of downgraded counterparty credit ratings in 2023.

Escap invests in listed shares and negotiable certificates of deposit to satisfy its capital adequacy requirements in line with insurance regulations in South Africa. The listed shares do not expose the group to credit risk. The objective is to invest negotiable certificates of deposit in banks with an investment-grade credit rating. The highest available investment grade is used where investment-grade ratings are not available.

5.1.4 Finance lease receivables

Impairment analysis

	Group and company: Stage 1 Gross Rm	Stage 1 Allowance for impairment Rm	Stage 1 Carrying value Rm	Stage 3 Gross Rm	Stage 3 Allowance for impairment Rm	Stage 3 Carrying value Rm	Total Gross Rm	Total Allowance for impairment Rm	Total Carrying value Rm
2023									
B- to BB+	253	(4)	249	1	(1)	–	254	(5)	249
2022									
B- to BB+	296	(3)	293	2	(2)	–	298	(5)	293

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

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

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

5. Financial risk management *continued*

5.1 Credit risk *continued*

5.1.5 Loans receivable

Impairment analysis

	Stage 1 Gross Rm	Stage 1 Allowance for impairment Rm	Stage 1 Carrying value Rm	Stage 2 Gross Rm	Stage 2 Allowance for impairment Rm	Stage 2 Carrying value Rm	Stage 3 Gross Rm	Stage 3 Allowance for impairment Rm	Stage 3 Carrying value Rm	Total Gross Rm	Total Allowance for impairment Rm	Total Carrying value Rm
Group												
2023												
Home loans	7 173	(5)	7 168	330	(21)	309	324	(36)	288	7 827	(62)	7 765
B- to BB+	7 173	(5)	7 168	330	(21)	309	–	–	–	7 503	(26)	7 477
Below B-	–	–	–	–	–	–	324	(36)	288	324	(36)	288
Other loans	300	(1)	299	6	(1)	5	2	(1)	1	308	(3)	305
B- to BB+	300	(1)	299	6	(1)	5	–	–	–	306	(2)	304
Below B-	–	–	–	–	–	–	2	(1)	1	2	(1)	1
	7 473	(6)	7 467	336	(22)	314	326	(37)	289	8 135	(65)	8 070
2022												
Home loans	7 435	(8)	7 427	235	(3)	232	285	(44)	241	7 955	(55)	7 900
B- to BB+	7 435	(8)	7 427	235	(3)	232	–	–	–	7 670	(11)	7 659
Below B-	–	–	–	–	–	–	285	(44)	241	285	(44)	241
Other loans	250	(2)	248	1	–	1	1	(1)	–	252	(3)	249
B- to BB+	250	(2)	248	1	–	1	–	–	–	251	(2)	249
Below B-	–	–	–	–	–	–	1	(1)	–	1	(1)	–
	7 685	(10)	7 675	236	(3)	233	286	(45)	241	8 207	(58)	8 149
Company												
2023												
Other loans												
B- to BB+	5 681	(7)	5 674	–	–	–	–	–	–	5 681	(7)	5 674
2022												
Other loans												
B- to BB+	5 657	(7)	5 650	–	–	–	–	–	–	5 657	(7)	5 650

Home loans

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

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

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

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

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

	Unit	Group 2023	Group 2022
Carrying value of credit-impaired balances	Rm	288	241
Fair value of properties held as security for credit-impaired loans	Rm	179	182
Weighted average loan to value ratio	%	85	85
Average repayment period[1]	years	17	17

Eskom guarantees all losses EFC incurs where the loan granted by EFC exceeded 80% of the market value of the property at the time of origination. Refer to note 44 for details regarding this guarantee.

1. *The 2022 average repayment period has been restated as it was incorrectly disclosed as 25 years.*

Other loans

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

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

5.2 Market risk

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

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

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

Financial instruments mainly managed by the treasury department

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

Financial instruments managed by various divisions and subsidiaries

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

5.2.1 Currency risk

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

	EUR	USD	GBP	JPY	SEK
2023					
Foreign currency exposure (notional amounts in millions per currency)					
Group					
Liabilities					
Debt securities and borrowings	(1 261)	(8 414)	–	–	–
Trade and other payables	(34)	(15)	(1)	–	(24)
Gross statement of financial position exposure	(1 295)	(8 429)	(1)	–	(24)
Estimated forecast purchases[1]	(236)	(337)	(9)	(143)	(336)
Gross exposure	(1 531)	(8 766)	(10)	(143)	(360)
Derivatives held for risk management[2]	1 527	8 761	10	143	355
Net exposure	(4)	(5)	–	–	(5)
Company					
Liabilities					
Debt securities and borrowings	(1 261)	(8 414)	–	–	–
Trade and other payables	(33)	(15)	(1)	–	(24)
Gross statement of financial position exposure	(1 294)	(8 429)	(1)	–	(24)
Estimated forecast purchases[1]	(236)	(337)	(9)	(143)	(336)
Gross exposure	(1 530)	(8 766)	(10)	(143)	(360)
Derivatives held for risk management[2]	1 526	8 761	10	143	355
Net exposure	(4)	(5)	–	–	(5)
Mid-spot rate for one unit of the currency to the rand	19.30	17.72	21.95	0.13	1.71

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

5. Financial risk management *continued*

5.2 Market risk *continued*

5.2.1 Currency risk *continued*

	EUR	USD	GBP	JPY	SEK
2022					
Foreign currency exposure (notional amounts in millions per currency)					
Group					
Liabilities					
Debt securities and borrowings	(1 588)	(8 234)	–	(231)	–
Trade and other payables	(28)	(4)	(1)	–	(10)
Gross statement of financial position exposure	(1 616)	(8 238)	(1)	(231)	(10)
Estimated forecast purchases[1]	(302)	(179)	(6)	(143)	(284)
Gross exposure	(1 918)	(8 417)	(7)	(374)	(294)
Derivatives held for risk management[2]	1 918	8 419	7	374	294
Net exposure	–	2	–	–	–
Company					
Liabilities					
Debt securities and borrowings	(1 588)	(8 234)	–	(231)	–
Trade and other payables	(27)	(4)	(1)	–	(10)
Gross statement of financial position exposure	(1 615)	(8 238)	(1)	(231)	(10)
Estimated forecast purchases[1]	(302)	(179)	(6)	(143)	(284)
Gross exposure	(1 917)	(8 417)	(7)	(374)	(294)
Derivatives held for risk management[2]	1 917	8 419	7	374	294
Net exposure	–	2	–	–	–
Mid-spot rate for one unit of the currency to the rand	16.19	14.59	19.18	0.12	1.56

Sensitivity analysis

	Group and company			
	2023		2022	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss) before tax				
Rand/EUR exposure	32	(32)	36	(36)
Rand/USD exposure	156	(156)	123	(123)
Rand/other currency	22	(22)	1	(1)
Equity				
Rand/EUR exposure	24	(24)	25	(25)
Rand/USD exposure	10	(10)	12	(12)
Rand/other currency	5	(5)	6	(6)

5.2.2 Commodity risk

The group is exposed to commodity risk where commodities are either used directly (liquid fuels) or indirectly as a component of plant, equipment or inventory (eg aluminium, copper or steel).

The exposures are hedged economically by means of commodity forwards. Economic hedging is applied where it is practical (a relevant hedging instrument exists) based on the optimal economic solution and in compliance with the SARB requirements.

Commodities used directly

The group is exposed to price risk on diesel (low sulphur gas oil) used in the generation of electricity at the OCGT power stations and on fuel oil (bunker fuel oil) used to manage the temperature of heat generating components at the coal fired power stations. Prices are determined by the DMRE based on the price of brent crude oil, refining margins and USD exchange rates. Commodity forwards were entered into from July 2022 to hedge the group against these exposures.

Commodities used indirectly

The group had a relatively small exposure to commodities that formed a part of plant, equipment or inventory, mainly copper.

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

Commodity exposure

		Group and company		
	Unit	Estimated forecast purchases	Derivatives held for risk management (notional)	Net exposure
2023				
Low sulphur gas oil	kilo litres	85 000	(85 000)	–
Bunker fuel oil	tons	115 000	(115 000)	–
Copper	tons	135	(135)	–

Sensitivity analysis

The group is exposed mainly to changes in the price of brent crude oil and USD exchange rates. The sensitivity analysis has been performed assuming that all other variables remain constant and the possible impact on profit or loss is:

			Group and company	
Input	Unit	Change in assumption	increase Rm	decrease Rm
2023				
Rand/USD	Rand per USD	10% relative	143	(143)
Low sulphur gas oil price	USD per metric ton	10% relative	69	(69)
Bunker fuel oil price	USD per ton	10% relative	72	(72)
Copper price	USD per ton	10% relative	2	(2)

5.2.3 Interest rate risk

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

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

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

Sensitivity analysis

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

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

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

	Group				Company			
	2023		2022		2023		2022	
	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm	+100 basis points Rm	-100 basis points Rm
Profit/(loss) before tax								
Rand interest rates	680	(713)	1 916	(2 016)	680	(713)	1 908	(2 008)
EUR interest rates	(150)	42	(294)	265	(149)	42	(294)	265
USD interest rates	(1 008)	1 046	(2 144)	2 263	(1 008)	1 046	(2 144)	2 263
Equity								
Rand interest rates	2 546	(2 679)	1 840	(1 949)	2 546	(2 679)	1 840	(1 949)
EUR interest rates	(464)	488	(359)	382	(432)	456	(319)	342
USD interest rates	(3 164)	3 350	(1 786)	1 908	(3 164)	3 350	(1 786)	1 908

5. Financial risk management *continued*

5.2 Market risk *continued*

5.2.3 Interest rate risk *continued*

Fixed and floating rate debt

	Group and company			
	2023		2022	
	fixed %	floating %	fixed %	floating %
Proportion of fixed versus floating rate debt at 31 March	54	46	62	38

5.2.4 Equity price risk

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

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

Carrying values of investments per sector

	Group			
	2023		2022	
	Rm	portfolio %	Rm	portfolio %
Banks, financial services and insurance	511	34	746	35
Basic materials and resources	334	22	554	26
Consumer goods and services	546	36	677	32
Other	123	8	168	7
	1 514	100	2 145	100

A 1% increase or decrease in share prices would have increased/decreased profit or loss before tax by R15 million (2022: R21 million).

5.3 Liquidity risk

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

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

The management of group liquidity and funding risk is centralised in the treasury department in accordance with practices and limits set by 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
- managing the concentration and profile of debt maturities
- maintaining liquidity and funding contingency plans

Eskom has an established corporate governance structure and process for managing the risks regarding guarantees and contingent liabilities. All significant guarantees issued by Eskom are approved by the board and are managed on an ongoing basis by the treasury department and by Exco and audit and risk committee. Refer to note 44.

5.3.1 Key liquidity indicators

		Group		Company	
	Unit	2023	Restated 2022	2023	Restated 2022
Weighted average term to maturity of debt securities and borrowings	years	6.17	6.66	6.18	6.60
Working capital	ratio	0.89	0.90	0.90	0.89
Cash interest cover	ratio	1.29	1.69	1.27	1.63
Net debt service cover	ratio	0.58	0.76	0.56	0.71
Liquid assets	Rm	7 516	15 885	5 832	14 218

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

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

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

5.3.2 Primary sources of funding and unused facilities

The primary sources to meet Eskom's liquidity requirements are cash generated from operations, cash inflows from maturing financial assets purchased, funds committed by government through the debt relief arrangement as well as signed development funding institution facilities. No new borrowings will be allowed during the period of the debt relief, unless approved by the Minister of Finance. Eskom is allowed to drawdown on existing facilities in place at 31 March 2023. All figures are quoted in notional amounts.

	ZAR		EUR		USD	
	2023 m	2022 m	2023 m	2022 m	2023 m	2022 m
Group and company						
Facilities available						
Export credit agencies						
Kreditanstalt für Wiederaufbau – Hermes	–	–	–	20	–	–
Development financing institutions	2 930	3 446	–	–	928	1 269
African Development Bank	2 095	2 095	–	–	25	25
Clean technology fund – African Development Bank	–	–	–	–	58	58
Clean technology fund – World Bank	–	–	–	–	136	215
New Development Bank	–	–	–	–	78	140
Kreditanstalt für Wiederaufbau	–	–	–	–	94	94
Agence Française de Développement	835	1 351	–	–	–	–
China Development Bank	–	–	–	–	537	737
	2 930	3 446	–	20	928	1 269
Facilities available (Rand equivalent)	2 930	3 446	–	324	16 444	18 515

Additional funding of R16 billion was concluded on 31 March 2023 as part of the 2023 borrowing programme where the cash funds were received on 4 April 2023. Refer to note 47.

	ZAR		EUR		USD	
	2023 m	2022 m	2023 m	2022 m	2023 m	2022 m
Group and company						
Funds received during the year						
Export credit agencies						
Kreditanstalt für Wiederaufbau – Hermes	–	–	4	18	–	–
Development financing institutions	516	626	–	12	341	359
World Bank[1]	–	–	–	–	–	18
African Development Bank[2]	–	536	–	12	–	–
Clean technology fund – World Bank[3]	–	–	–	–	79	–
New Development Bank[4]	–	–	–	–	62	15
Kreditanstalt für Wiederaufbau[5]	–	–	–	–	–	6
Agence Française de Développement[6]	516	90	–	–	–	–
China Development Bank[7]	–	–	–	–	200	320
	516	626	4	30	341	359
Funds received during the year (Rand equivalent)	516	626	77	486	6 043	5 238

1. *Funds received were reimbursements on payments made by Eskom to various suppliers for goods and services related to the Medupi power station and Majuba rail projects.*
2. *Funds received were reimbursements on payments made by Eskom to various suppliers for goods and services supplied for the Medupi power station boilers and turbines as well as transmission projects.*
3. *Funds received were for the battery energy storage system project.*
4. *Funds received were for the renewable energy integration and transmission augmentation project.*
5. *Funds received were for the renewable grid integration and strengthening programme.*
6. *Funds received were for phase 2 of the Namaqualand strengthening project.*
7. *Funds received were for the Medupi and Kusile power stations.*

5. Financial risk management *continued*

5.3 Liquidity risk *continued*

5.3.2 Primary sources of funding and unused facilities *continued*

Government guarantees

	2023			2022		
	Domestic multi-term note programme Rm	General Rm	Total Rm	Domestic multi-term note programme Rm	General Rm	Total Rm
Group and company						
Opening balance	7 912	27 788	35 700	5 225	40 244	45 469
Guarantee granted	152 000	198 000	350 000	145 000	205 000	350 000
Accumulated amounts used	(144 088)	(170 212)	(314 300)	(139 775)	(164 756)	(304 531)
Facilities withdrawn	–	–	–	–	2 002	2 002
Facilities repaid	21 664	–	21 664	2 020	14 306	16 326
Facilities raised	(23 344)	(25 597)	(48 941)	(6 333)	(21 764)	(28 097)
Guarantee swap	–	–	–	7 000	(7 000)	–
Closing balance	6 232	2 191	8 423	7 912	27 788	35 700
Guarantee granted	152 000	198 000	350 000	152 000	198 000	350 000
Accumulated amounts used	(145 768)	(195 809)	(341 577)	(144 088)	(170 212)	(314 300)

The facilities raised includes approved government guarantees of R10 billion relating to a loan agreement (part of the 2023 borrowing programme) that was finalised after 31 March 2023 for the repurposing of the Komati power station.

The availability of the government guarantee facility of R350 billion expired on 31 March 2023. Existing guarantees issued will remain in place until settlement of the guaranteed debt.

Loan covenants

There are various loan covenants, both of a financial and non-financial nature, attached to the loan facilities.

The covenants are closely monitored for compliance. Eskom proactively notifies and engages with lenders should an event of default be anticipated to remedy the possible event before a default is triggered, including obtaining an extension of a submission deadline or a waiver for a potential breach.

The covenants generally fall into the following categories:

- *Events of default*

  There are various events, both of a financial and non-financial nature, that can trigger a default. Eskom has to on occurrence of these events, without delay, notify the relevant lender and all other lenders. If an event is not cured or remedied within specified periods, it could trigger acceleration of outstanding amounts (immediately due and payable upon notice) and cancellation of undisbursed funds. Acceleration will lead to re-calling of government guarantees and event of default of government debt. Cross default to other loans may be triggered in most instances.

  Potential events of default and mitigating measures include:

  – Maintain financial ratios: Key lenders require that certain financial ratios be maintained at specified levels (debt service cover ratio between 0.9 to 1.3 and a minimum EBITDA margin of 25%). Potential non-compliance is mitigated through financial action plans as detailed in the loan agreements. These include sharing of relevant financial information with lenders, such as the performance on financial measures quarterly and the Eskom Corporate Plan annually, as well as submission of annual compliance certificates. Eskom maintained compliance to the relevant loan conditions through continuous interaction during the year.

  – Annual financial statements submitted within specified timelines: Eskom proactively engaged with lenders to obtain extensions and waivers for late submission. Eskom received the necessary extensions and waivers timeously for the year and thereby ensured compliance with the loan conditions.

  – Unqualified audit opinion of the financial statements and no reportable irregularities: Eskom proactively engaged with lenders regarding the details and potential impact of a qualified audit opinion and reportable irregularities prior to the release of the financial statements. The relevant waivers were obtained timeously and any potential default was therefore successfully remedied.

  – Information submitted within specified timelines: Information covenants include submission of project progress reports, compliance certificates and environmental reports. Any anticipated delays in submitting the required information are communicated upfront to lenders. The financial position, operational performance, progress of the legal separation and PFMA compliance of Eskom are discussed during the quarterly engagements with lenders.

- *Prepayment events*

  Certain events could trigger the prepayment of outstanding loan balances prior to the original maturity date, usually within 30 days of notice. Potential prepayment events and mitigating measures include:

  – Environmental compliance: Certain obligations in the loan agreements could be breached with emissions above allowed limits when the three units at Kusile power station that were damaged after the flue-gas duct failure at unit 1 on 22 October 2022 become operational in November 2023 without using the flue-gas desulphurisation plant. Eskom obtained approval from the Department of Forestry, Fisheries and the Environment, as a mitigation measure, to postpone compliance with emission standards. Refer note 47. Eskom is engaging with lenders in advance regarding the mitigation measures, thereby preventing any potential breach of loan conditions.

  – Legal separation of the transmission division: The legal separation of Eskom is an event that requires advance approval from lenders. Eskom is engaging with lenders in this regard and has issued requests for consent from lenders impacted by the unbundling process. This process is ongoing.

- *Suspension and cancellation events*

  Certain events such as audit qualifications, misprocurement or funds not used in line with the loan conditions could trigger suspension and/or cancellation of undisbursed amounts if the event that has triggered the suspension is not cured or remedied within a specified period (usually 60 days). Eskom proactively engaged with lenders to ensure that all possible suspension and/or cancellation events were remedied in time. Independent external reviews were performed on certain facilities to ensure funds were utilised in compliance with the loan conditions. All disbursements have been received on all facilities.

- *Representation and warranties*

  Eskom made certain representations about its status and the information provided to lenders by signing the loan agreement. Making false and/or misleading representation and warranties is an event of default in all the agreements.

All possible events and covenant breaches have been successfully remedied before default and there were no loan defaults or breaches during the year and up to the date of approval of the financial statements. There were also no breaches that resulted in the early repayment of a facility at the reporting date.

5.3.3 Contractual cash flows

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

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

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

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

		Cash flows			
	Nominal inflow/outflow Rm	0–3 months Rm	4–12 months Rm	1–5 years Rm	>5 years Rm
2023					
Group					
Financial assets					
Loans receivable	18 319	186	416	5 267	12 450
Derivatives held for risk management	39 185	765	7 877	7 481	23 062
Finance lease receivables	354	15	45	219	75
Trade and other receivables	31 855	29 235	1 278	1 342	–
Insurance investments	16 667	6 451	9 194	1 022	–
Cash and cash equivalents	7 516	7 516	–	–	–
	113 896	44 168	18 810	15 331	35 587
Financial liabilities					
Debt securities and borrowings	745 939	7 567	71 059	234 586	432 727[1]
Derivatives held for risk management	3 609	1 059	3 750	273	(1 473)
Lease liabilities	13 402	480	1 379	8 527	3 016
Trade and other payables	42 427	34 684	7 184	559	–
	805 377	43 790	83 372	243 945	434 270
Company					
Financial assets					
Loans receivable	5 803	2 724	3 079	–	–
Derivatives held for risk management	39 185	765	7 877	7 481	23 062
Finance lease receivables	354	15	45	219	75
Trade and other receivables	35 371	30 444	2 631	2 296	–
Cash and cash equivalents	5 832	5 832	–	–	–
	86 545	39 780	13 632	9 996	23 137
Financial liabilities					
Debt securities and borrowings	751 569	8 004	71 067	239 788	432 710[1]
Derivatives held for risk management	3 610	1 059	3 751	273	(1 473)
Lease liabilities	13 315	444	1 329	8 527	3 015
Trade and other payables	44 473	37 067	7 168	238	–
Financial guarantees	2	2	–	–	–
	812 969	46 576	83 315	248 826	434 252

1. *The maturity profile of undiscounted contractual payments of debt securities and borrowings due after five years comprise of R230 million (2022: R227 million) between years five and 10 and R203 million (2022: R156 million) beyond year 10.*

5. Financial risk management *continued*

5.3 Liquidity risk *continued*

5.3.3 Contractual cash flows *continued*

	Nominal inflow/ outflow Rm	Cash flows 0–3 months Rm	4–12 months Rm	1–5 years Rm	>5 years Rm
2022					
Group					
Financial assets					
Loans receivable	15 061	227	675	3 293	10 866
Derivatives held for risk management	9 260	(52)	(98)	6 667	2 743
Finance lease receivables	423	17	51	251	104
Trade and other receivables	27 805	25 365	1 581	859	–
Insurance investments	17 328	6 129	11 199	–	–
Cash and cash equivalents	15 885	15 885	–	–	–
	85 762	47 571	13 408	11 070	13 713
Financial liabilities					
Debt securities and borrowings	670 309	7 195	64 676	215 363	383 075[1]
Derivatives held for risk management	9 584	2 745	6 922	13 068	(13 151)
Lease liabilities	15 140	455	1 356	8 581	4 748
Trade and other payables	36 576	27 832	7 782	962	–
Financial trading liabilities	2	2	–	–	–
	731 611	38 229	80 736	237 974	374 672
Company					
Financial assets					
Loans receivable	5 730	2 666	3 064	–	–
Derivatives held for risk management	9 261	(52)	(97)	6 667	2 743
Finance lease receivables	423	17	51	251	104
Trade and other receivables	30 177	27 785	1 540	852	–
Cash and cash equivalents	14 218	14 218	–	–	–
	59 809	44 634	4 558	7 770	2 847
Financial liabilities					
Debt securities and borrowings	671 924	7 934	66 738	214 697	382 555[1]
Derivatives held for risk management	9 584	2 745	6 922	13 068	(13 151)
Lease liabilities	15 138	456	1 355	8 580	4 747
Trade and other payables	38 711	29 989	7 760	962	–
Financial trading liabilities	2	2	–	–	–
Financial guarantees	104	104	–	–	–
	735 463	41 230	82 775	237 307	374 151

1. *The maturity profile of undiscounted contractual payments of debt securities and borrowings due after five years comprise of R230 million (2022: R227 million) between years five and 10 and R203 million (2022: R156 million) beyond year 10.*

6. Accounting classification and fair value

6.1 Accounting classification

	Note	2023 Fair value through profit or loss Rm	2023 Amortised cost Rm	2023 Other assets and liabilities[1] Rm	2023 Total Rm	2022 Fair value through profit or loss Rm	2022 Amortised cost Rm	2022 Other assets and liabilities[1] Rm	2022 Total Rm
Group									
Financial assets									
Loans receivable	15	–	8 070	–	8 070	–	8 149	–	8 149
Home loans		–	7 765	–	7 765	–	7 900	–	7 900
Other loans		–	305	–	305	–	249	–	249
Embedded derivatives	16	823	–	–	823	939	–	–	939
Derivatives held for risk management	17	3 890	–	23 102	26 992	4 710	–	3 799	8 509
Foreign exchange contracts		943	–	145	1 088	24	–	19	43
Cross-currency swaps		2 661	–	22 957	25 618	4 494	–	3 780	8 274
Commodity forwards		1	–	–	1	–	–	–	–
Credit default swaps		5	–	–	5	5	–	–	5
Inflation-linked swaps		280	–	–	280	187	–	–	187
Finance lease receivables	18	–	–	249	249	–	–	293	293
Trade and other receivables	20	–	26 856	–	26 856	–	24 385	–	24 385
Insurance investments	21	1 514	15 133	–	16 647	2 145	15 173	–	17 318
Negotiable certificates of deposit		–	14 115	–	14 115	–	15 173	–	15 173
Floating rate notes		–	1 018	–	1 018	–	–	–	–
Listed shares		1 514	–	–	1 514	2 145	–	–	2 145
Cash and cash equivalents	22	–	7 516	–	7 516	–	15 885	–	15 885
Bank balances		–	7 514	–	7 514	–	7 877	–	7 877
Fixed deposits		–	2	–	2	–	8 008	–	8 008
		6 227	57 575	23 351	87 153	7 794	63 592	4 092	75 478
Financial liabilities									
Debt securities and borrowings	25	–	423 929	–	423 929	–	396 294	–	396 294
Eskom bonds		–	160 218	–	160 218	–	161 635	–	161 635
Commercial paper		–	896	–	896	–	1 058	–	1 058
Eurorand zero coupon bonds		–	7 128	–	7 128	–	6 318	–	6 318
Foreign bonds		–	75 411	–	75 411	–	61 916	–	61 916
Development financing institutions		–	137 352	–	137 352	–	124 438	–	124 438
Export credit facilities		–	15 956	–	15 956	–	17 735	–	17 735
Other loans		–	26 968	–	26 968	–	23 194	–	23 194
Derivatives held for risk management	17	1 219	–	810	2 029	5 015	–	4 963	9 978
Foreign exchange contracts		842	–	28	870	3 531	–	436	3 967
Cross-currency swaps		52	–	782	834	1 403	–	4 527	5 930
Commodity forwards		232	–	–	232	–	–	–	–
Credit default swaps		92	–	–	92	81	–	–	81
Inflation-linked swaps		1	–	–	1	–	–	–	–
Lease liabilities	29	–	–	8 126	8 126	–	–	8 603	8 603
Trade and other payables	30	–	42 817	–	42 817	–	36 796	–	36 796
Financial trading liabilities	21	–	–	–	–	2	–	–	2
		1 219	466 746	8 936	476 901	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 R57 824 million (2022: R63 885 million), the total liabilities measured at amortised costs amounts to R474 872 million (2022: R441 693 million).*

6. Accounting classification and fair value *continued*

6.1 Accounting classification *continued*

		2023				2022			
	Note	Fair value through profit or loss Rm	Amortised cost Rm	Other assets and liabilities[1] Rm	Total Rm	Fair value through profit or loss Rm	Amortised cost Rm	Other assets and liabilities[1] Rm	Total Rm
Company									
Financial assets									
Loans receivable									
Loans to subsidiaries	15	–	5 674	–	5 674	–	5 650	–	5 650
Embedded derivatives	16	823	–	–	823	939	–	–	939
Derivatives held for risk management	17	3 890	–	23 102	26 992	4 711	–	3 799	8 510
Foreign exchange contracts		943	–	145	1 088	25	–	19	44
Cross-currency swaps		2 661	–	22 957	25 618	4 494	–	3 780	8 274
Commodity forwards		1	–	–	1	–	–	–	–
Credit default swaps		5	–	–	5	5	–	–	5
Inflation-linked swaps		280	–	–	280	187	–	–	187
Finance lease receivables	18	–	–	249	249	–	–	293	293
Trade and other receivables	20	–	30 075	–	30 075	–	26 400	–	26 400
Cash and cash equivalents	22	–	5 832	–	5 832	–	14 218	–	14 218
Bank balances		–	5 830	–	5 830	–	6 210	–	6 210
Fixed deposits		–	2	–	2	–	8 008	–	8 008
		4 713	41 581	23 351	69 645	5 650	46 268	4 092	56 010
Financial liabilities									
Debt securities and borrowings	25	–	428 377	–	428 377	–	398 066	–	398 066
Eskom bonds		–	165 294	–	165 294	–	163 622	–	163 622
Commercial paper		–	–	–	–	–	595	–	595
Eurorand zero coupon bonds		–	7 128	–	7 128	–	6 318	–	6 318
Foreign bonds		–	75 411	–	75 411	–	61 916	–	61 916
Development financing institutions		–	137 352	–	137 352	–	124 438	–	124 438
Export credit facilities		–	15 956	–	15 956	–	17 735	–	17 735
Other loans		–	27 236	–	27 236	–	23 442	–	23 442
Derivatives held for risk management	17	1 219	–	810	2 029	5 015	–	4 963	9 978
Foreign exchange contracts		842	–	28	870	3 531	–	436	3 967
Cross-currency swaps		52	–	782	834	1 403	–	4 527	5 930
Commodity forwards		232	–	–	232	–	–	–	–
Credit default swaps		92	–	–	92	81	–	–	81
Inflation-linked swaps		1	–	–	1	–	–	–	–
Lease liabilities	29	–	–	8 040	8 040	–	–	8 602	8 602
Trade and other payables	30	–	44 894	–	44 894	–	39 551	–	39 551
Financial trading liabilities	21	–	–	–	–	2	–	–	2
		1 219	473 271	8 850	483 340	5 017	437 617	13 565	456 199

6.2 Fair value

Valuation processes

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

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

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 R41 830 million (2022: R46 561 million), the total liabilities measured at amortised costs amounts to R481 311 million (2022: R446 219 million).*

Principal markets

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

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

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs.

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year, except for loans receivable (home loans) that transferred from level 2 to level 3 due to a change in fair value methodology. The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers have occurred. The group's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

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

Valuation techniques

Financial instrument	Valuation technique
Level 1: Quoted prices (unadjusted) in active markets	
Financial trading assets (government bonds) and insurance investments (listed shares)	Quoted bid price in active markets. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Financial trading liabilities (short-sold government bonds)	Quoted bid price in active markets. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2: Inputs other than quoted prices included within level 1 that are observable	
Loans receivable (excluding home loans), insurance investments (negotiable certificates of deposit), debt securities and borrowings and financial trading assets and liabilities (repurchase agreement assets and liabilities)	A discounted cash flow technique is used which uses expected cash flows and a market-related discount rate.
Derivatives held for risk management	Valuation determined with reference to broker quotes as well as use of discounted cash flow and option pricing models. Broker quotes are tested for reasonableness by discounting expected future cash flows using a market interest rate for a similar instrument at the measurement date. Valuations of cross-currency swaps include the credit risk of Eskom (known as debit value adjustment) and counterparties (known as credit value adjustment) where appropriate. A stochastic modelling approach is followed where the expected future exposure to credit risk for Eskom and its counterparties (considering default probabilities and recovery rates derived from market data) is modelled.
Trade and other 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 derivatives	Fair valued determined using unobservable inputs. Refer to note 16 for a movement reconciliation and to note 4.1 for information regarding the valuation techniques and assumptions used.
Loans receivable (home loans)	The fair value of home loans is based on discounted cash flows using market related interest rates. The methodology and assumptions changed in the current year as the expected future cash flows and discount rates relies on unobservable inputs to determine fair value.
Trade and other receivables	Fair value determined using unobservable inputs. Due to the expected short-term maturity of the trade receivables, the carrying value is equal to the fair value. The fair value for long-term receivables is based on discounted cash flows using the effective interest rate method. The carrying value approximates the fair value as the interest rates are market related and no additional disclosure is required.

6. Accounting classification and fair value *continued*

6.2 Fair value *continued*

Fair value hierarchy *continued*

The fair value hierarchy of financial instruments is as follows:

	Measured at fair value	2023 Level 1 Rm	2023 Level 2 Rm	2023 Level 3 Rm	2022 Level 1 Rm	2022 Level 2 Rm	2022 Level 3 Rm
Group							
Financial assets							
Loans receivable		–	196	7 503	–	7 237	–
Home loans[1]	No	–	–	7 503	–	7 119	–
Other loans	No	–	196	–	–	118	–
Embedded derivatives	Yes	–	–	823	–	–	939
Derivatives held for risk management		–	26 992	–	–	8 509	–
Foreign exchange contracts	Yes	–	1 088	–	–	43	–
Cross-currency swaps	Yes	–	25 618	–	–	8 274	–
Commodity forwards	Yes	–	1	–	–	–	–
Credit default swaps	Yes	–	5	–	–	5	–
Inflation-linked swaps	Yes	–	280	–	–	187	–
Insurance investments		1 514	15 192	–	2 145	15 175	–
Negotiable certificates of deposit	No	–	14 126	–	–	15 175	–
Floating rate notes	No	–	1 066	–	–	–	–
Listed shares	Yes	1 514	–	–	2 145	–	–
Financial liabilities							
Debt securities and borrowings		–	404 706	–	–	387 850	–
Eskom bonds	No	–	148 395	–	–	152 035	–
Commercial paper	No	–	887	–	–	759	–
Eurorand zero coupon bonds	No	–	5 486	–	–	5 271	–
Foreign bonds	No	–	73 408	–	–	61 382	–
Development financing institutions	No	–	134 921	–	–	124 807	–
Export credit facilities	No	–	14 396	–	–	19 888	–
Other loans	No	–	27 213	–	–	23 708	–
Derivatives held for risk management		–	2 029	–	–	9 978	–
Foreign exchange contracts	Yes	–	870	–	–	3 967	–
Cross-currency swaps	Yes	–	834	–	–	5 930	–
Commodity forwards	Yes	–	232	–	–	–	–
Credit default swaps	Yes	–	92	–	–	81	–
Inflation-linked swaps	Yes	–	1	–	–	–	–
Financial trading liabilities							
Repurchase agreements	Yes	–	–	–	–	2	–

1. *The fair value has changed from level 2 to level 3 in the current year due to a change in methodology.*

	Measured at fair value	2023 Level 1 Rm	2023 Level 2 Rm	2023 Level 3 Rm	2022 Level 1 Rm	2022 Level 2 Rm	2022 Level 3 Rm
Company							
Financial assets							
Loans receivable							
Loans to subsidiaries[1]	No	–	5 683	–	–	5 654	–
Embedded derivatives	Yes	–	–	823	–	–	939
Derivatives held for risk management		–	26 992	–	–	8 510	–
Foreign exchange contracts	Yes	–	1 088	–	–	44	–
Cross-currency swaps	Yes	–	25 618	–	–	8 274	–
Commodity forwards	Yes	–	1	–	–	–	–
Credit default swaps	Yes	–	5	–	–	5	–
Inflation-linked swaps	Yes	–	280	–	–	187	–
Financial liabilities							
Debt securities and borrowings		–	409 155	–	–	389 924	–
Eskom bonds	No	–	153 462	–	–	154 025	–
Commercial paper	No	–	–	–	–	596	–
Eurorand zero coupon bonds	No	–	5 486	–	–	5 271	–
Foreign bonds	No	–	73 408	–	–	61 382	–
Development financing institutions	No	–	134 921	–	–	124 807	–
Export credit facilities	No	–	14 396	–	–	19 888	–
Other loans	No	–	27 482	–	–	23 955	–
Derivatives held for risk management		–	2 029	–	–	9 978	–
Foreign exchange contracts	Yes	–	870	–	–	3 967	–
Cross-currency swaps	Yes	–	834	–	–	5 930	–
Commodity forwards	Yes	–	232	–	–	–	–
Credit default swaps	Yes	–	92	–	–	81	–
Inflation-linked swaps	Yes	–	1	–	–	–	–
Financial trading liabilities							
Repurchase agreements	Yes	–	–	–	–	2	–

7. Segment information

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

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

Segment	Operations
Generation	Consists of the following components: • primary energy procurement • electricity generation • planning, development, execution and monitoring of generation-related capital projects
Transmission	Consists of the following components: • transmission grids and the integrated demand management area. These functions operate and maintain the transmission network for transmitting electricity and also sell bulk electricity to international customers • the southern African energy and energy planning and market development areas. Their activities include systems operations, purchase or sale of electricity from or to southern African countries, purchase of electricity from IPPs and wholesale energy for the purposes of energy trading
Distribution	Consists of 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

1. *The fair value of the loan is calculated based on the assumption that there are no changes in the manner of recovery of the loan. This assumes that the outstanding amount would be recovered based on the collections from the underlying loans and advances in EFC in the normal course of business.*

7. Segment information *continued*

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.

The 2022 segment information has been updated in line with the restatements presented in note 48.

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
2023						
External revenue	–	10 276	249 267	1 537	(1 537)	259 543
Inter-segment revenue/recoveries	168 015	48 761	(216 717)	14 280	(14 339)	–
Total revenue	168 015	59 037	32 550	15 817	(15 876)	259 543
Other income	2 976	150	890	1 082	(2 356)	2 742
Primary energy	(106 706)	(48 224)	(12)	–	–	(154 942)
Employee benefit expense	(11 792)	(2 721)	(11 626)	(6 182)	–	(32 321)
(Impairment)/reversal of impairment of financial assets	(74)	(321)	(637)	(72)	78	(1 026)
Impairment and writedown of other assets	(731)	(10)	(410)	(85)	80	(1 156)
Other expenses	(29 083)	(2 502)	(10 213)	(8 643)	15 646	(34 795)
Profit/(loss) before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain (EBITDA)	22 605	5 409	10 542	1 917	(2 428)	38 045
Depreciation and amortisation expense	(25 275)	(2 274)	(4 472)	(665)	201	(32 485)
Net fair value and foreign exchange (loss)/gain	(527)	262	(5)	(16)	1	(285)
(Loss)/profit before net finance (cost)/income and share of profit of equity-accounted investees	(3 197)	3 397	6 065	1 236	(2 226)	5 275
Net finance (cost)/income	(31 329)	(4 433)	(2 511)	1 053	205	(37 015)
Finance income	220	91	589	2 390	75	3 365
Finance cost	(31 549)	(4 524)	(3 100)	(1 337)	130	(40 380)
Share of profit of equity-accounted investees	–	–	–	93	–	93
(Loss)/profit before tax	(34 526)	(1 036)	3 554	2 382	(2 021)	(31 647)
Income tax	–	–	–	7 199	509	7 708
(Loss)/profit for the year	(34 526)	(1 036)	3 554	9 581	(1 512)	(23 939)
Other information						
Segment assets	551 992	81 373	121 620	101 542	(28 990)	827 537
Investment in equity-accounted investees	–	–	–	350	–	350
Total assets	551 992	81 373	121 620	101 892	(28 990)	827 887
Total liabilities	85 639	21 306	52 747	462 216[1]	(30 108)	591 800
Additions and transfers to property, plant and equipment and intangible assets	23 469	3 203	5 253	734	(200)	32 459

1. *Represents the external debt and borrowings that are accounted for in the treasury segment.*

	Generation Rm	Transmission Rm	Distribution Rm	All other segments Rm	Reallocation and inter-segment transactions Rm	Group Rm
Restated 2022						
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
Other income	233	199	566	1 606	(1 110)	1 494
Primary energy	(92 414)	(40 509)	(10)	–	–	(132 933)
Employee benefit expense	(10 921)	(2 422)	(11 323)	(8 319)	–	(32 985)
Reversal of impairment/(impairment) of financial assets	45	(13)	(143)	311	(368)	(168)
Impairment and writedown of other assets	(793)	(3)	(459)	(15)	2	(1 268)
Impairment and writedown of other assets – reversed	–	–	–	5	(5)	–
Other expenses	(28 037)	(2 533)	(9 506)	(6 271)	17 567	(28 780)
Profit before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain (EBITDA)	26 723	9 365	13 516	2 675	675	52 954
Depreciation and amortisation expense	(24 124)	(3 125)	(4 391)	(650)	224	(32 066)
Net fair value and foreign exchange (loss)/gain	(4 360)	(510)	1 598	144	2	(3 126)
(Loss)/profit before net finance (cost)/income and share of profit of equity-accounted investees	(1 761)	5 730	10 723	2 169	901	17 762
Net finance (cost)/income	(26 291)	(4 143)	(2 438)	(452)	261	(33 063)
Finance income	487	104	524	1 055	194	2 364
Finance cost	(26 778)	(4 247)	(2 962)	(1 507)	67	(35 427)
Share of profit of equity-accounted investees	–	–	–	52	–	52
(Loss)/profit before tax	(28 052)	1 587	8 285	1 769	1 162	(15 249)
Income tax	–	–	–	3 794	(475)	3 319
(Loss)/profit for the year	(28 052)	1 587	8 285	5 563	687	(11 930)
Other information						
Segment assets	546 170	79 450	120 496	82 858	(26 064)	802 910
Investment in equity-accounted investees	–	–	–	418	–	418
Total assets	546 170	79 450	120 496	83 276	(26 064)	803 328
Total liabilities	85 499	19 408	50 038	439 858[1]	(28 532)	566 271
Additions and transfers to property, plant and equipment and intangible assets	21 524	2 890	4 531	410	(247)	29 108

	Group			
	Revenue		Non-current assets	
Geographical information	2023 Rm	Restated 2022 Rm	2023 Rm	Restated 2022 Rm
South Africa	248 844	236 144	682 271	679 600
Foreign countries	10 699	11 450	–	268
	259 543	247 594	682 271	679 868

The group's reportable segments operate mainly in South Africa, which is Eskom's country of domicile.

Revenue is allocated based on the country in which the customer is located after eliminating inter-segment transactions. There is no significant revenue derived from a single external customer by any of the reportable segments.

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

1. *Represents the external debt and borrowings that are accounted for in the treasury segment.*

8. Property, plant and equipment

	Note	Land, buildings and facilities Rm	Plant: Generating Rm	Plant: Transmitting Rm	Plant: Distributing Rm	Spares and other Rm	Equipment and vehicles Rm	Work under construction Rm	Total Rm
2023									
Group									
Carrying value at beginning of the year		9 072	362 906	46 503	77 205	14 805	4 774	152 193	667 458
Cost		11 683	511 201	71 313	138 558	16 615	17 457	152 193	919 020
Accumulated depreciation and impairment losses		(2 611)	(148 295)	(24 810)	(61 353)	(1 810)	(12 683)	–	(251 562)
Additions and transfers		43	812	133	205	(622)	807	30 914	32 292
Transfers of assets from customers		–	–	–	628	–	–	–	628
Commissioning of assets constructed		539	53 403	2 834	4 232	46	46	(61 100)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(112)	(112)
Finance cost capitalised	40	–	–	–	–	–	–	7 459	7 459
Provisions capitalised	28	–	(394)	–	–	–	–	(56)	(450)
Disposals and writeoffs		(229)	(1 892)	(6)	(270)	(3)	(102)	(1 403)	(3 905)
Depreciation		(648)	(25 055)	(1 457)	(5 568)	(87)	(1 157)	–	(33 972)
Carrying value at end of the year		8 777	389 780	48 007	76 432	14 139	4 368	127 895	669 398
Cost		11 888	560 906	74 597	143 222	16 038	17 975	127 895	952 521
Accumulated depreciation and impairment losses		(3 111)	(171 126)	(26 590)	(66 790)	(1 899)	(13 607)	–	(283 123)
Company									
Carrying value at beginning of the year		8 646	365 592	46 714	77 447	14 805	3 596	152 693	669 493
Cost		11 166	515 084	71 587	138 929	16 615	14 126	152 693	920 200
Accumulated depreciation and impairment losses		(2 520)	(149 492)	(24 873)	(61 482)	(1 810)	(10 530)	–	(250 707)
Additions and transfers		40	813	133	207	(623)	489	31 092	32 151
Transfers of assets from customers		–	–	–	628	–	–	–	628
Commissioning of assets constructed		461	53 780	2 842	4 238	46	37	(61 404)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(112)	(112)
Finance cost capitalised	40	–	–	–	–	–	–	7 459	7 459
Provisions capitalised	28	–	(394)	–	–	–	–	(56)	(450)
Disposals and writeoffs		(228)	(1 892)	(6)	(270)	(3)	(36)	(1 403)	(3 838)
Depreciation		(646)	(25 262)	(1 469)	(5 585)	(86)	(800)	–	(33 848)
Carrying value at end of the year		8 273	392 637	48 214	76 665	14 139	3 286	128 269	671 483
Cost		11 289	565 066	74 878	143 600	16 038	14 344	128 269	953 484
Accumulated depreciation and impairment losses		(3 016)	(172 429)	(26 664)	(66 935)	(1 899)	(11 058)	–	(282 001)
2022									
Group									
Carrying value at beginning of the year as restated		8 932	344 223	45 472	77 429	14 581	5 087	167 835	663 559
Cost		11 392	474 233	68 001	136 422	16 365	17 660	167 835	891 908
Accumulated depreciation and impairment losses		(2 460)	(130 010)	(22 529)	(58 993)	(1 784)	(12 573)	–	(228 349)
Additions and transfers		83	3 129	48	317	245	355	24 588	28 765
Transfers of assets from customers		–	–	(36)	1 124	–	–	–	1 088
Commissioning of assets constructed		305	40 579	4 019	4 180	68	236	(49 387)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(142)	(142)
Finance cost capitalised	40	–	–	–	–	–	–	8 184	8 184
Provisions capitalised	28	–	626	–	–	–	–	1 751	2 377
Disposals and writeoffs		(47)	(1 335)	(683)	(300)	(2)	(100)	(636)	(3 103)
Depreciation		(201)	(24 316)	(2 317)	(5 545)	(87)	(804)	–	(33 270)
Carrying value at end of the year		9 072	362 906	46 503	77 205	14 805	4 774	152 193	667 458
Cost		11 683	511 201	71 313	138 558	16 615	17 457	152 193	919 020
Accumulated depreciation and impairment losses		(2 611)	(148 295)	(24 810)	(61 353)	(1 810)	(12 683)	–	(251 562)

	Note	Land, buildings and facilities Rm	Plant: Generating Rm	Plant: Transmitting Rm	Plant: Distributing Rm	Spares and other Rm	Equipment and vehicles Rm	Work under construction Rm	Total Rm
2022									
Company									
Carrying value at beginning of the year as restated		8 526	346 355	45 686	77 683	14 581	3 896	168 792	665 519
Cost		10 902	477 755	68 266	136 793	16 365	14 386	168 792	893 259
Accumulated depreciation and impairment losses		(2 376)	(131 400)	(22 580)	(59 110)	(1 784)	(10 490)	–	(227 740)
Additions and transfers		79	3 127	47	316	246	302	24 826	28 943
Transfers of assets from customers		–	–	(36)	1 124	–	–	–	1 088
Commissioning of assets constructed		281	41 361	4 028	4 186	68	200	(50 124)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(142)	(142)
Finance cost capitalised	40	–	–	–	–	–	–	8 184	8 184
Provisions capitalised	28	–	626	–	–	–	–	1 751	2 377
Disposals and writeoffs		(46)	(1 335)	(683)	(300)	(2)	(99)	(594)	(3 059)
Depreciation		(194)	(24 542)	(2 328)	(5 562)	(88)	(703)	–	(33 417)
Carrying value at end of the year		8 646	365 592	46 714	77 447	14 805	3 596	152 693	669 493
Cost		11 166	515 084	71 587	138 929	16 615	14 126	152 693	920 200
Accumulated depreciation and impairment losses		(2 520)	(149 492)	(24 873)	(61 482)	(1 810)	(10 530)	–	(250 707)

The ongoing internal and external investigations (including by the SIU) into allegations of contract corruption continued during the year. There was a writeoff of R2 billion (including borrowing cost) at 31 March 2023 of cost previously capitalised relating to overpayments to a number of contractors involved in the construction of the Kusile power station based on the progress of the investigations into these matters. There were also other writeoffs in the group during the year because of asset scrapping and clean up. The related expense is reflected in note 38. There could be further writeoffs in the future as the investigations are ongoing and once advanced to the stage where the outcome is certain, the related accounting impact will be assessed and processed. Refer to note 2.4.

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

	Note	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
Depreciation and amortisation expense	37	33 960	33 258	33 836	33 405
Primary energy		12	12	12	12
		33 972	33 270	33 848	33 417

Average rates of finance cost capitalised to qualifying assets:

	Group and company 2023 %	Group and company 2022 %
General borrowings	10.08	9.64
Specific borrowings	8.96	8.13

8. Property, plant and equipment *continued*

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

	Land, buildings and facilities Rm	Plant Generating Rm	Plant Spares and other Rm	Equipment and vehicles Rm	Total Rm
2023					
Group					
Carrying value at beginning of the year	126	5 717	86	36	5 965
Cost	284	9 768	506	70	10 628
Accumulated depreciation and impairment losses	(158)	(4 051)	(420)	(34)	(4 663)
Additions	20	–	–	196	216
Disposals and writeoffs	(7)	–	–	–	(7)
Depreciation	(61)	(652)	(13)	(139)	(865)
Carrying value at end of the year	78	5 065	73	93	5 309
Cost	164	9 768	505	266	10 703
Accumulated depreciation and impairment losses	(86)	(4 703)	(432)	(173)	(5 394)
Company					
Carrying value at beginning of the year	126	5 717	86	35	5 964
Cost	283	9 768	506	67	10 624
Accumulated depreciation and impairment losses	(157)	(4 051)	(420)	(32)	(4 660)
Additions	19	–	–	–	19
Disposals and writeoffs	(6)	–	–	–	(6)
Depreciation	(61)	(652)	(12)	(13)	(738)
Carrying value at end of the year	78	5 065	74	22	5 239
Cost	164	9 768	506	68	10 506
Accumulated depreciation and impairment losses	(86)	(4 703)	(432)	(46)	(5 267)
2022					
Group					
Carrying value at beginning of the year	154	6 368	98	50	6 670
Cost	281	9 768	567	70	10 686
Accumulated depreciation and impairment losses	(127)	(3 400)	(469)	(20)	(4 016)
Additions	51	–	–	–	51
Disposals and writeoffs	(2)	–	–	–	(2)
Depreciation	(77)	(651)	(12)	(14)	(754)
Carrying value at end of the year	126	5 717	86	36	5 965
Cost	284	9 768	506	70	10 628
Accumulated depreciation and impairment losses	(158)	(4 051)	(420)	(34)	(4 663)
Company					
Carrying value at beginning of the year	154	6 368	98	48	6 668
Cost	280	9 768	567	67	10 682
Accumulated depreciation and impairment losses	(126)	(3 400)	(469)	(19)	(4 014)
Additions	51	–	–	–	51
Disposals and writeoffs	(2)	–	–	–	(2)
Depreciation	(77)	(651)	(12)	(13)	(753)
Carrying value at end of the year	126	5 717	86	35	5 964
Cost	283	9 768	506	67	10 624
Accumulated depreciation and impairment losses	(157)	(4 051)	(420)	(32)	(4 660)

9. Intangible assets

	Note	Rights Rm	Computer software Rm	Concession assets Rm	Total Rm
2023					
Group					
Carrying value at beginning of the year		3 299	57	268	3 624
Cost		3 515	1 346	821	5 682
Accumulated amortisation and impairment losses		(216)	(1 289)	(553)	(2 058)
Additions and transfers		29	5	133	167
Writeoffs		–	–	(255)	(255)
Amortisation	37	–	(20)	(146)	(166)
Carrying value at end of the year		3 328	42	–	3 370
Cost		3 544	1 351	–	4 895
Accumulated amortisation and impairment losses		(216)	(1 309)	–	(1 525)
Company					
Carrying value at beginning of the year		3 299	56	–	3 355
Cost		3 515	1 016	–	4 531
Accumulated amortisation and impairment losses		(216)	(960)	–	(1 176)
Additions and transfers		29	2	–	31
Amortisation	37	–	(19)	–	(19)
Carrying value at end of the year		3 328	39	–	3 367
Cost		3 544	1 018	–	4 562
Accumulated amortisation and impairment losses		(216)	(979)	–	(1 195)
2022					
Group					
Carrying value at beginning of the year		3 177	182	297	3 656
Cost		3 393	1 555	575	5 523
Accumulated amortisation and impairment losses		(216)	(1 373)	(278)	(1 867)
Additions and transfers		122	27	194	343
Amortisation	37	–	(152)	(223)	(375)
Carrying value at end of the year		3 299	57	268	3 624
Cost		3 515	1 346	821	5 682
Accumulated amortisation and impairment losses		(216)	(1 289)	(553)	(2 058)
Company					
Carrying value at beginning of the year		3 177	181	–	3 358
Cost		3 393	1 218	–	4 611
Accumulated amortisation and impairment losses		(216)	(1 037)	–	(1 253)
Additions and transfers		122	27	–	149
Amortisation	37	–	(152)	–	(152)
Carrying value at end of the year		3 299	56	–	3 355
Cost		3 515	1 016	–	4 531
Accumulated amortisation and impairment losses		(216)	(960)	–	(1 176)

10. Future fuel supplies

		Group and company					
			2023			2022	
	Note	Coal Rm	Nuclear Rm	Total Rm	Coal Rm	Nuclear Rm	Total Rm
Carrying value at beginning of the year		5 734	570	6 304	4 349	41	4 390
Net additions		1 595	1 187	2 782	1 914	554	2 468
Provisions capitalised	28	(416)	–	(416)	113	–	113
Basis adjustment – cash flow hedge reserve		–	(8)	(8)	–	(3)	(3)
Transfer to inventories	13	(752)	(743)	(1 495)	(642)	(22)	(664)
Carrying value at end of the year		6 161	1 006	7 167	5 734	570	6 304

11. Investment in equity-accounted investees

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Balance at beginning of the year	418	420	95	95
Share of profit after tax	93	52	–	–
Dividends received	(161)	(54)	–	–
Balance at end of the year	350	418	95	95

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

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

				2023		2022	
				Group	Company	Group	Company
Name	Main business	Country of incorporation	Interest held %	Share of profit after tax for the year Rm	Investment at cost Rm	Share of profit after tax for the year Rm	Investment at cost Rm
Directly held							
Motraco – Mozambique Transmission Company SARL[1]	Electricity transmission	Mozambique	33	91	95	70	95
Indirectly held							
Trans Africa Projects (Pty) Ltd	Engineering services	South Africa	50	2		(18)	
				93		52	

The share capital of the group's investment in joint ventures comprises ordinary shares. The joint ventures are structured as separate vehicles and the group has a residual interest in the net assets. The relevant activities are jointly controlled in accordance with the agreements under which the entities are established. The joint arrangements have therefore been classified as joint ventures.

1. Year end is 31 December.

12. Investment in subsidiaries

Name	Main business	2023 Interest held %	2022 Interest held %
Directly held			
Escap SOC Ltd	Insurance	100	100
Eskom Development Foundation NPC	Corporate social investment	100	100
Eskom Enterprises SOC Ltd	Non-regulated electricity supply industry activities in South Africa and electricity supply and related services outside South Africa	100	100
Eskom Finance Company SOC Ltd[1]	Finance (employee housing loans)	100	100
National Electricity Distribution Company of South Africa SOC Ltd	Distribution of electricity – not trading	100	n/a
National Transmission Company South Africa SOC Ltd	Transmission and trading of electricity – not trading	100	100
PN Energy Services SOC Ltd	Not trading – in liquidation	100	100
Indirectly held			
Eskom Rotek Industries SOC Ltd	Construction and abnormal load transportation	100	100
Eskom Uganda Ltd[2]	Operations management	100	100
Golang Coal SOC Ltd	Coal exports	67	67
Nqaba Finance 1 (RF) Ltd	Residential backed mortgage securities	100	100
Pebble Bed Modular Reactor SOC Ltd	Reactor driven generation project – not trading	100	100
South Dunes Coal Terminal Company SOC Ltd	Coal exports	69	69

	2023		2022		
	Investment at cost Rm	Accumulated impairment Rm	Investment at cost Rm	Accumulated impairment Rm	Dividend declared Rm
Escap SOC Ltd	380	–	380	–	600
Eskom Development Foundation NPC	–	–	–	–	–
Eskom Enterprises SOC Ltd	–[3]	–	–[3]	–	–
Eskom Finance Company SOC Ltd	–[3]	–	–[3]	–	–
National Electricity Distribution Company of South Africa SOC Ltd[4]	–[3]	–	–	–	–
National Transmission Company South Africa SOC Ltd	–[3]	–	–[3]	–	–
PN Energy Services SOC Ltd	4	(4)	4	(4)	–
	384	(4)	384	(4)	600

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

1. The disposal of EFC did not progress to the extent that it can be continued to be classified as held-for-sale at 31 March 2023.
2. Year end is 31 December. The service concession ended on 31 March 2023. Refer to note 23.
3. Nominal.
4. The National Electricity Distribution Company of South Africa SOC Ltd was registered in 2023.

13. Inventories

	Note	2023 Coal and liquid fuel Rm	2023 Nuclear fuel Rm	2023 Maintenance spares and consumables Rm	2023 Total Rm	2022 Coal and liquid fuel Rm	2022 Nuclear fuel Rm	2022 Maintenance spares and consumables Rm	2022 Total Rm
Group									
Carrying value at beginning of the year		17 659	1 920	15 023	34 602	17 474	2 575	13 433	33 482
Changes in working capital		(1 284)	(638)	3 033	1 111	(77)	(768)	2 437	1 592
Transfer from future fuel supplies	10	752	743	–	1 495	642	22	–	664
Provisions capitalised	28	(258)	88	–	(170)	(380)	91	–	(289)
Net writedowns and write offs	35	–	–	(815)	(815)	–	–	(847)	(847)
		16 869	2 113	17 241	36 223	17 659	1 920	15 023	34 602
Maturity analysis		16 869	2 113	17 241	36 223	17 659	1 920	15 023	34 602
Non-current		12 209	–	–	12 209	11 516	–	–	11 516
Current		4 660	2 113	17 241	24 014	6 143	1 920	15 023	23 086
Company									
Carrying value at beginning of the year		17 659	1 920	14 787	34 366	17 474	2 575	13 181	33 230
Changes in working capital		(1 284)	(638)	3 082	1 160	(77)	(768)	2 439	1 594
Transfer from future fuel supplies	10	752	743	–	1 495	642	22	–	664
Provisions capitalised	28	(258)	88	–	(170)	(380)	91	–	(289)
Net writedowns and write offs	35	–	–	(808)	(808)	–	–	(833)	(833)
		16 869	2 113	17 061	36 043	17 659	1 920	14 787	34 366
Maturity analysis		16 869	2 113	17 061	36 043	17 659	1 920	14 787	34 366
Non-current		12 209	–	–	12 209	11 516	–	–	11 516
Current		4 660	2 113	17 061	23 834	6 143	1 920	14 787	22 850

Nuclear fuel of R1 484 million (2022: R1 362 million) will be recovered more than 12 months after the reporting date.

14. Deferred tax

	Note	Group Assets 2023 Rm	Group Assets Restated 2022 Rm	Group Liabilities 2023 Rm	Group Liabilities 2022 Rm	Company Assets 2023 Rm	Company Assets Restated 2022 Rm	Company Liabilities 2023 Rm	Company Liabilities 2022 Rm
Reconciliation of movements in balances									
Balance at beginning of the year		9 326	5 758	348	388	10 261	6 129	–	–
Recognised in profit or loss	41	8 263	3 705	(348)	(48)	7 795	4 270	–	–
Raised/reversal of temporary differences		8 263	4 130	(348)	(38)	7 795	4 730	–	–
Change in tax rate		–	(425)	–	(10)	–	(460)	–	–
Recognised in other comprehensive income	41	(399)	(137)	–	8	(392)	(138)	–	–
Raised/reversal of temporary differences		(399)	(213)	–	7	(392)	(214)	–	–
Change in tax rate		–	76	–	1	–	76	–	–
Balance at end of the year		17 190	9 326	–	348	17 664	10 261	–	–
Comprising		17 190	9 326	–	348	17 664	10 261	–	–
Property, plant and equipment		(101 835)	(95 792)	–	604	(100 693)	(94 858)	–	–
Tax losses		80 834	70 890	–	(146)	80 762	70 890	–	–
Trade and other receivables		15 926	13 468	–	4	15 675	13 476	–	–
Payments made in advance		(178)	(159)	–	–	(182)	(159)	–	–
Insurance investments		(33)	–	–	79	–	–	–	–
Derivatives held for risk management		122	315	–	–	122	315	–	–
Embedded derivatives		(41)	50	–	–	(41)	50	–	–
Provisions		13 407	11 823	–	(17)	13 045	11 814	–	–
Employee benefit obligations		5 374	5 183	–	(176)	5 358	5 184	–	–
Payments received in advance		3 614	3 548	–	–	3 618	3 549	–	–

The group has R299 385 million (2022: R263 096 million) and the company has R299 119 million (2022: R262 556 million) of unused tax losses available for offset against future taxable income. The tax losses do not expire and resulted in the recognition of a deferred tax asset for group and company of R80 834 million (2022: R71 036 million) and R80 762 million (2022: R70 890 million) respectively.

The tax losses mainly arose from favourable tax incentives claimed on the new build projects in terms of the South African income tax law. The tax incentives resulted in the creation of taxable temporary differences in group of R378 100 million (2022: R357 919 million) and in company of R373 763 million (2022: R351 915 million).

The group has a closing deferred tax asset balance of R17 190 million (2022: R9 326 million) and the company R17 664 million (2022: R10 261 million) that was recognised as management concluded that it is probable that the business will generate sufficient future taxable profits. Eskom (significant portion of deferred tax asset) is expected to be profitable by 2026 based on the 2024 to 2028 Corporate Plan and it is expected that the tax losses will be fully utilised by 2030. The balance of an assessed loss carried forward can only be set-off to the extent that the set-off does not exceed 80% of the taxable income determined for that year (before considering the assessed loss). The group only considers substantively enacted tax laws when assessing the amount and availability of tax losses that can offset against future taxable profits.

The financial loss position of Eskom is mainly attributed to:

- inadequate cost reflective tariffs approved by NERSA
- growth in production from IPPs replacing Eskom generation capacity
- increased use of OCGTs, both Eskom and IPPs, to minimise the impact of loadshedding
- increased non-payment by municipalities
- high debt service costs

14. Deferred tax *continued*

The following factors in addition to those listed on the previous page have been considered in the assessment of the future profitability and taxable income of Eskom:

- revenue determination by NERSA for 2024 and 2025 of 18.65% and 12.74% respectively
- favourable court rulings relating to tariff determinations
- current operational challenges, including unprecedented loadshedding
- Eskom debt relief arrangement from government
- impact of the municipality debt relief arrangement
- proposed closure dates of coal-fired power stations and the impact on production
- decline in sales and potential impact of customers moving to alternative energy sources
- Eskom legal separation

The expected return to profitability by 2026 is dependent on revenue determinations (in line with the NERSA pricing methodology), continuing cost containment, addressing current operational challenges, and the reduction of debt service costs because of the debt relief provided by government. The possible impact of additional assessed losses arising from debt writeoffs because of the municipality debt relief arrangement could not yet be determined for the 2023 financial year.

15. Loans receivable

	2023 Gross Rm	2023 Allowance for impairment Rm	2023 Carrying value Rm	2022 Gross Rm	2022 Allowance for impairment Rm	2022 Carrying value Rm
Group						
Home loans	7 827	(62)	7 765	7 955	(55)	7 900
Other	308	(3)	305	252	(3)	249
	8 135	(65)	8 070	8 207	(58)	8 149
Maturity analysis	8 135	(65)	8 070	8 207	(58)	8 149
Non-current	7 887	(64)	7 823	7 887	(57)	7 830
Current	248	(1)	247	320	(1)	319
Company						
Loans to subsidiaries	5 681	(7)	5 674	5 657	(7)	5 650
Maturity analysis						
Non-current	5 681	(7)	5 674	5 657	(7)	5 650

The loan to EFC has been classified as non-current as it was not expected that the loan would be settled within 12 months from the reporting date as the intention and practice has been to extend the loan facility to a future date upon maturity. Interest rates are linked to prevailing market rates.

16. Embedded derivatives

	Note	2023 Asset Rm	2022 Asset/(liability) Rm
Group and company			
Balance at beginning of the year		939	(1 491)
Day-one fair value recognised in deferred income	26	–	808
Net fair value (loss)/gain	38	(116)	1 622
Balance at end of the year		823	939
Maturity analysis		823	939
Non-current		772	822
Current		51	117

17. Derivatives held for risk management

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2023							
Group							
Net (liability)/asset at beginning of the year		(3 924)	2 344	–	(76)	187	(1 469)
Net fair value gain/(loss)		8 070	23 448	(333)	(11)	(1)	31 173
Recognised in profit or loss	38	7 445	22 506	(333)	(11)	(1)	29 606
Recognised in other comprehensive income		625	942	–	–	–	1 567
Finance cost accrued		–	139	–	–	93	232
Cash (received)/paid		(3 928)	(1 147)	102	–	–	(4 973)
Net asset/(liability) at end of the year		218	24 784	(231)	(87)	279	24 963
Hedge exposure covered		218	24 784	(231)	(87)	279	24 963
Debt securities and borrowings		38	24 784	–	(87)	279	25 014
Other		180	–	(231)	–	–	(51)
Assets							
Economic hedging		943	2 661	1	5	280	3 890
Cash flow hedging		145	22 957	–	–	–	23 102
		1 088	25 618	1	5	280	26 992
Maturity analysis		1 088	25 618	1	5	280	26 992
Non-current		–	17 356	–	–	277	17 633
Current		1 088	8 262	1	5	3	9 359
Liabilities							
Economic hedging		842	52	232	92	1	1 219
Cash flow hedging		28	782	–	–	–	810
		870	834	232	92	1	2 029
Maturity analysis		870	834	232	92	1	2 029
Non-current		–	179	–	62	–	241
Current		870	655	232	30	1	1 788

Notional amount in foreign currency	m	m	m	m	m	m
EUR	774	747	–	–	–	1 521
USD	2 905	6 560	–	–	–	9 465
GBP	10	–	–	–	–	10
JPY	143	–	–	–	–	143
SEK	355	–	–	–	–	355
ZAR	–	–	2 089	5 088	1 000	8 177

17. Derivatives held for risk management *continued*

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Comm-odity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2023							
Company							
Net (liability)/asset at beginning of the year		(3 923)	2 344	–	(76)	187	(1 468)
Net fair value gain/(loss)		8 069	23 448	(333)	(11)	(1)	31 172
Recognised in profit or loss	38	7 444	22 506	(333)	(11)	(1)	29 605
Recognised in other comprehensive income		625	942	–	–	–	1 567
Finance cost accrued		–	139	–	–	93	232
Cash (received)/paid		(3 928)	(1 147)	102	–	–	(4 973)
Net asset/(liability) at end of the year		218	24 784	(231)	(87)	279	24 963
Hedge exposure covered		218	24 784	(231)	(87)	279	24 963
Debt securities and borrowings		38	24 784	–	(87)	279	25 014
Other		180	–	(231)	–	–	(51)
Assets							
Economic hedging		943	2 661	1	5	280	3 890
Cash flow hedging		145	22 957	–	–	–	23 102
		1 088	25 618	1	5	280	26 992
Maturity analysis		1 088	25 618	1	5	280	26 992
Non-current		–	17 356	–	–	277	17 633
Current		1 088	8 262	1	5	3	9 359
Liabilities							
Economic hedging		842	52	232	92	1	1 219
Cash flow hedging		28	782	–	–	–	810
		870	834	232	92	1	2 029
Maturity analysis		870	834	232	92	1	2 029
Non-current		–	179	–	62	–	241
Current		870	655	232	30	1	1 788

Notional amount in foreign currency	m	m	m	m	m	m
EUR	773	747	–	–	–	1 520
USD	2 905	6 560	–	–	–	9 465
GBP	10	–	–	–	–	10
JPY	143	–	–	–	–	143
SEK	355	–	–	–	–	355
ZAR	–	–	2 089	5 088	1 000	8 177

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Comm-odity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2022							
Group							
Net (liability)/asset at beginning of the year		(4 193)	8 415	–	(97)	144	4 269
Net fair value (loss)/gain		(4 852)	(4 552)	6	21	(32)	(9 409)
Recognised in profit or loss	38	(4 613)	(4 463)	6	21	(32)	(9 081)
Recognised in other comprehensive income		(239)	(89)	–	–	–	(328)
Finance cost accrued		–	106	–	–	75	181
Cash paid/(received)		5 121	(1 625)	(6)	–	–	3 490
Net (liability)/asset at end of the year		(3 924)	2 344	–	(76)	187	(1 469)
Hedge exposure covered		(3 924)	2 344	–	(76)	187	(1 469)
Debt securities and borrowings		(3 358)	2 344	–	(76)	187	(903)
Other		(566)	–	–	–	–	(566)
Assets							
Economic hedging		24	4 494	–	5	187	4 710
Cash flow hedging		19	3 780	–	–	–	3 799
		43	8 274	–	5	187	8 509
Maturity analysis		43	8 274	–	5	187	8 509
Non-current		–	7 863	–	–	183	8 046
Current		43	411	–	5	4	463
Liabilities							
Economic hedging		3 531	1 403	–	81	–	5 015
Cash flow hedging		436	4 527	–	–	–	4 963
		3 967	5 930	–	81	–	9 978
Maturity analysis		3 967	5 930	–	81	–	9 978
Non-current		–	5 334	–	81	–	5 415
Current		3 967	596	–	–	–	4 563

Notional amount in foreign currency	m	m	m	m	m	m
EUR	989	924	–	–	–	1 913
USD	2 415	5 961	–	–	–	8 376
GBP	7	–	–	–	–	7
JPY	143	230	–	–	–	373
SEK	294	–	–	–	–	294
ZAR	–	–	–	5 088	1 000	6 088

17. Derivatives held for risk management *continued*

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2022							
Company							
Net (liability)/asset at beginning of the year		(4 191)	8 415	–	(97)	144	4 271
Net fair value (loss)/gain		(4 850)	(4 552)	6	21	(32)	(9 407)
Recognised in profit or loss	38	(4 611)	(4 463)	6	21	(32)	(9 079)
Recognised in other comprehensive income		(239)	(89)	–	–	–	(328)
Finance cost accrued		–	106	–	–	75	181
Cash paid/(received)		5 118	(1 625)	(6)	–	–	3 487
Net (liability)/asset at end of the year		(3 923)	2 344	–	(76)	187	(1 468)
Hedge exposure covered		(3 923)	2 344	–	(76)	187	(1 468)
Debt securities and borrowings		(3 358)	2 344	–	(76)	187	(903)
Other		(565)	–	–	–	–	(565)
Assets							
Economic hedging		25	4 494	–	5	187	4 711
Cash flow hedging		19	3 780	–	–	–	3 799
		44	8 274	–	5	187	8 510
Maturity analysis		44	8 274	–	5	187	8 510
Non-current		–	7 863	–	–	183	8 046
Current		44	411	–	5	4	464
Liabilities							
Economic hedging		3 531	1 403	–	81	–	5 015
Cash flow hedging		436	4 527	–	–	–	4 963
		3 967	5 930	–	81	–	9 978
Maturity analysis		3 967	5 930	–	81	–	9 978
Non-current		–	5 334	–	81	–	5 415
Current		3 967	596	–	–	–	4 563
Notional amount in foreign currency		m	m	m	m	m	m
EUR		988	924	–	–	–	1 912
USD		2 415	5 961	–	–	–	8 376
GBP		7	–	–	–	–	7
JPY		143	230	–	–	–	373
SEK		294	–	–	–	–	294
ZAR		–	–	–	5 088	1 000	6 088

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

Derivative	Financial risk hedged	Exposure
Foreign exchange contracts	Market (currency)	Electricity generation, transmission and distribution activity purchases and loans denominated in foreign currencies
Cross-currency swaps	Market (currency and interest rate)	Foreign fixed rate bonds and other foreign fixed or floating borrowings
Commodity forwards	Market (commodity)	Liquid fuel purchases for electricity generation activities and base metal exposure relating to a component of plant, equipment or inventory
Credit default swaps	Credit	Event of default by Eskom on debt securities and borrowings
Inflation-linked swaps	Market (interest rate)	Finance cost that are dependent on current interest rates

Hedging relationships directly affected by interbank offered rate reform

Eskom had exposure to USD foreign loans and cross-currency transactions at 31 March 2023 that were linked to the USD London interbank offered rate with a nominal value of USD3.64 billion and USD1.4 billion on foreign loans and cross-currency interest rate swaps respectively. Cash flow hedge accounting was applied to the foreign loans and USD1.3 billion of the cross-currency interest rate swaps.

The terms of all the loan agreements were renegotiated and agreed on with counterparties to convert to the new interest protocol and all derivative contracts were renegotiated by 28 June 2023.

Cash flow hedges

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

	Group and company					
	Carrying amount Rm	Un-discounted cash flows Rm	0–3 months Rm	4–12 months Rm	1–5 years Rm	>5 years Rm
The periods in which the cash flows of derivatives designated as cash flow hedges are expected to occur are:						
2023						
Foreign exchange contracts						
Assets	145	151	92	59	–	–
Liabilities	(28)	(26)	(6)	(20)	–	–
Cross-currency swaps						
Assets	22 957	34 586	20	5 376	6 969	22 221
Liabilities	(782)	(2 628)	(86)	(2 632)	90	–
	22 292	32 083	20	2 783	7 059	22 221
2022						
Foreign exchange contracts						
Assets	19	19	17	2	–	–
Liabilities	(436)	(438)	(151)	(287)	–	–
Cross-currency swaps						
Assets	3 780	3 699	4	(104)	2 861	938
Liabilities	(4 527)	(4 097)	(84)	(2 910)	(8 396)	7 293
	(1 164)	(817)	(214)	(3 299)	(5 535)	8 231
The periods in which the cash flows associated with derivatives are expected to impact profit or loss are:						
2023						
Foreign exchange contracts						
Assets	145	5 473	92	59	421	4 901
Liabilities	(28)	(26)	(6)	(20)	–	–
Cross-currency swaps						
Assets	22 957	34 586	20	5 376	6 969	22 221
Liabilities	(782)	(2 628)	(86)	(2 632)	90	–
	22 292	37 405	20	2 783	7 480	27 122
2022						
Foreign exchange contracts						
Assets	19	8 978	50	103	686	8 139
Liabilities	(436)	(438)	(151)	(287)	–	–
Cross-currency swaps						
Assets	3 780	3 699	4	(104)	2 861	938
Liabilities	(4 527)	(4 097)	(84)	(2 910)	(8 396)	7 293
	(1 164)	8 142	(181)	(3 198)	(4 849)	16 370

Ineffective cash flow hedges

The change in the fair value of the hedging instrument of R9 470 million (2022: R1 509 million) and for the hedged item (represented by a hypothetical derivative) of R10 208 million (2022: R1 910 million) were used to calculate hedge effectiveness. The cash flow hedge reserve is adjusted to the lower in absolute amounts of the cumulative gain or loss of the hedging instrument and hedged item from inception of each hedge. During the year a loss of R727 million (2022: a gain of R477 million) was recognised in profit or loss as ineffectiveness. Refer to note 38.

17. Derivatives held for risk management *continued*

Hedging relationships directly affected by interbank offered rate reform *continued*

Day-one gain/loss

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

	Group and company		
	Cross-currency swaps Rm	Inflation-linked swaps Rm	Total Rm
Loss at 31 March 2021	(1 516)	(19)	(1 535)
Day-one loss recognised	(267)	–	(267)
Amortised to profit or loss	194	3	197
Loss at 31 March 2022	(1 589)	(16)	(1 605)
Day-one loss recognised	(154)	–	(154)
Amortised to profit or loss	246	3	249
Loss at 31 March 2023	(1 497)	(13)	(1 510)

18. Finance lease receivables

	Group and company							
	2023				2022			
	Gross receivables Rm	Unearned finance income Rm	Allowance for impairment Rm	Carrying value Rm	Gross receivables Rm	Unearned finance income Rm	Allowance for impairment Rm	Carrying value Rm
Non-current	294	(72)	(4)	218	355	(93)	(4)	258
Between one and five years	219	(69)	(3)	147	251	(89)	(2)	160
After five years	75	(3)	(1)	71	104	(4)	(2)	98
Current	60	(28)	(1)	31	68	(32)	(1)	35
	354	(100)	(5)	249	423	(125)	(5)	293

19. Payments made in advance

	2023				2022			
	Securing debt raised Rm	Environmental rehabilitation trust fund Rm	Other Rm	Total Rm	Securing debt raised Rm	Environmental rehabilitation trust fund Rm	Other Rm	Total Rm
Group								
Balance at beginning of the year	778	1 470	565	2 813	1 137	1 361	679	3 177
Payments made	369	–	809	1 178	471	–	265	736
Recognised in profit or loss	–	86	(184)	(98)	–	–	(244)	(244)
Changes in net fund assets	–	–	–	–	–	109	–	109
Transfers	(455)	(300)	(86)	(841)	(830)	–	(135)	(965)
Balance at end of the year	692	1 256	1 104	3 052	778	1 470	565	2 813
Maturity analysis	692	1 256	1 104	3 052	778	1 470	565	2 813
Non-current	589	1 256	141	1 986	529	1 470	65	2 064
Current	103	–	963	1 066	249	–	500	749
Company								
Balance at beginning of the year	778	1 470	563	2 811	1 137	1 361	652	3 150
Payments made	369	–	774	1 143	471	–	265	736
Recognised in profit or loss	–	86	(182)	(96)	–	–	(219)	(219)
Changes in net fund assets	–	–	–	–	–	109	–	109
Transfers	(455)	(300)	(86)	(841)	(830)	–	(135)	(965)
Balance at end of the year	692	1 256	1 069	3 017	778	1 470	563	2 811
Maturity analysis	692	1 256	1 069	3 017	778	1 470	563	2 811
Non-current	589	1 256	139	1 984	529	1 470	64	2 063
Current	103	–	930	1 033	249	–	499	748

20. Trade and other receivables

	2023				2022			
	Receivable before collectability adjustments Rm	Amounts not meeting collectability criteria Rm	Allowance for impairment Rm	Carrying value Rm	Receivable before collectability adjustments Rm	Amounts not meeting collectability criteria Rm	Allowance for impairment Rm	Carrying value Rm
Group								
Financial instruments								
Trade receivables								
International	1 708	–	(246)	1 462	1 625	–	(365)	1 260
Local large power users	74 904	(51 279)	(2 927)	20 698	61 772	(39 930)	(2 322)	19 520
Municipalities	63 780	(51 279)	(2 485)	10 016	50 869	(39 930)	(1 943)	8 996
Other	11 124	–	(442)	10 682	10 903	–	(379)	10 524
Local small power users	5 532	(2 061)	(1 026)	2 445	7 805	(4 214)	(1 013)	2 578
Soweto	2 061	(2 061)	–	–	4 219	(4 213)	(6)	–
Other	3 471	–	(1 026)	2 445	3 586	(1)	(1 007)	2 578
	82 144	(53 340)	(4 199)	24 605	71 202	(44 144)	(3 700)	23 358
Other receivables	2 751	–	(500)	2 251	1 354	–	(327)	1 027
	84 895	(53 340)	(4 699)	26 856	72 556	(44 144)	(4 027)	24 385
Non-financial instruments	3 947			3 947	3 267			3 267
VAT	–			–	31			31
VAT on cash basis receivables	3 947			3 947	3 236			3 236
	88 842	(53 340)	(4 699)	30 803	75 823	(44 144)	(4 027)	27 652
Maturity analysis	88 842	(53 340)	(4 699)	30 803	75 823	(44 144)	(4 027)	27 652
Non-current	4 101	–	–	4 101	2 493	–	(4)	2 489
Current	84 741	(53 340)	(4 699)	26 702	73 330	(44 144)	(4 023)	25 163
Company								
Financial instruments								
Trade receivables								
International	1 708	–	(246)	1 462	1 625	–	(365)	1 260
Local large power users	74 904	(51 279)	(2 927)	20 698	61 772	(39 930)	(2 322)	19 520
Municipalities	63 780	(51 279)	(2 485)	10 016	50 869	(39 930)	(1 943)	8 996
Other	11 124	–	(442)	10 682	10 903	–	(379)	10 524
Local small power users	5 532	(2 061)	(1 026)	2 445	7 805	(4 214)	(1 013)	2 578
Soweto	2 061	(2 061)	–	–	4 219	(4 213)	(6)	–
Other	3 471	–	(1 026)	2 445	3 586	(1)	(1 007)	2 578
	82 144	(53 340)	(4 199)	24 605	71 202	(44 144)	(3 700)	23 358
Other receivables	5 985	–	(515)	5 470	3 343	–	(301)	3 042
	88 129	(53 340)	(4 714)	30 075	74 545	(44 144)	(4 001)	26 400
Non-financial instruments								
VAT on cash basis receivables	3 947			3 947	3 236			3 236
	92 076	(53 340)	(4 714)	34 022	77 781	(44 144)	(4 001)	29 636
Maturity analysis	92 076	(53 340)	(4 714)	34 022	77 781	(44 144)	(4 001)	29 636
Non-current	5 164	–	(30)	5 134	3 113	–	(11)	3 102
Current	86 912	(53 340)	(4 684)	28 888	74 668	(44 144)	(3 990)	26 534

		Group and company	
	Note	2023 Rm	2022 Rm
Reconciliation of movements in amounts not meeting collectability criteria			
Balance at beginning of the year		44 144	37 804
Revenue not meeting collectability criteria	31	15 774	14 215
Finance income not meeting collectability criteria	39	3 416	1 644
Cash basis revenue recognised	31	(7 563)	(6 543)
Writeoffs		(2 431)	(2 976)
Balance at end of the year		53 340	44 144

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

21. Investments and financial trading instruments

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

21.1 Insurance investments

	Group					
	2023			2022		
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
Negotiable certificates of deposit	14 131	(16)	14 115	15 183	(10)	15 173
Floating rate notes	1 022	(4)	1 018	–	–	–
Listed shares	1 514	–	1 514	2 145	–	2 145
	16 667	(20)	16 647	17 328	(10)	17 318
Maturity analysis	16 667	(20)	16 647	17 328	(10)	17 318
Non-current	1 022	(4)	1 018	–	–	–
Current	15 645	(16)	15 629	17 328	(10)	17 318

21.2 Financial trading instruments

	Group and company					
	2023			2022		
	Assets Rm	Liabilities Rm	Net liabilities Rm	Assets Rm	Liabilities Rm	Net liabilities Rm
Eskom bonds	–	–	–	–	2	(2)

Financial trading liabilities – encumbered assets

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

22. Cash and cash equivalents

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Bank balances	7 514	7 877	5 830	6 210
Fixed deposits	2	8 008	2	8 008
	7 516	15 885	5 832	14 218

23. Service concession arrangements

The group operated a service concession for a 20-year period for the generation and transmission of electricity through its operations in Uganda which ended on 31 March 2023.

Eskom Uganda had an operation and maintenance agreement with Uganda Electricity Generation Company Ltd (UEGCL), which was linked to a power purchase agreement with Uganda Electricity Transmission Company Ltd (UETCL). Eskom Uganda operated and maintained two hydro-electric power stations in Uganda from which it supplied electricity to UETCL. The dams, powerhouses, related switchyard facilities, high voltage substations, land and movable property together constituted the energy assets in terms of the agreement.

The company ceased to trade on 31 March 2023 when the concession agreement came to a natural term end. All the energy assets were handed over to UEGCL on 31 March 2023 in terms of the concession agreement.

A portion (USD12.2 million) of the confirmed buyout amount of USD12.6 million (R223.8 million), to affect the transfer of the operations and all rights over the plant on 31 March 2023 in terms of the agreement, has been received in April 2023 by Eskom Uganda from the Government of the Republic of Uganda. This resulted in a loss of R57 million on the transfer of the energy assets. The remaining assets and liabilities of Eskom Uganda with a net asset value of R203 million (including cash and cash equivalents of R225 million) at 31 March 2023 will be settled through a process of voluntary liquidation.

	Group	
	2023 Rm	2022 Rm
Summarised income statements		
Revenue	464	422
Profit before tax	25	41
Taxation	(15)	(13)
Profit after tax	10	28

The information above is included in the respective line items in the group income statement and includes the loss of R57 million on the transfer of the energy assets at the end of the concession period.

The year end of Eskom Uganda is 31 December. The results for the three-month period to 31 March 2023 were included in the 2023 income statement as the service concession came to an end at 31 March 2023.

24. Share capital

	Group and company	
	2023 Shares	2022 Shares
Authorised ordinary shares	300 000 000 000	300 000 000 000
Issued		
Balance at beginning of the year	219 692 945 001	188 000 000 001
Share capital issued	21 857 331 000	31 692 945 000
Balance at end of the year	241 550 276 001	219 692 945 001
Unissued	58 449 723 999	80 307 054 999

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

25. Debt securities and borrowings

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Eskom bonds	160 218	161 635	165 294	163 622
Commercial paper	896	1 058	–	595
Eurorand zero coupon bonds	7 128	6 318	7 128	6 318
Foreign bonds	75 411	61 916	75 411	61 916
Development financing institutions	137 352	124 438	137 352	124 438
Export credit facilities	15 956	17 735	15 956	17 735
Other loans	26 968	23 194	27 236	23 442
	423 929	396 294	428 377	398 066
Maturity analysis	423 929	396 294	428 377	398 066
Non-current	367 993	345 490	372 195	344 568
Current	55 936	50 804	56 182	53 498

25. Debt securities and borrowings *continued*

	Currency	Security number	Interest rate 2023 %	Interest rate 2022 %	Nominal 2023 m	Nominal 2022 m	Maturity date	Group Carrying value 2023 Rm	Group Carrying value 2022 Rm	Company Carrying value 2023 Rm	Company Carrying value 2022 Rm
Eskom bonds								160 218	161 635	165 294	163 622
	ZAR	ES23[1]	–	9.06	–	21 664	Jan 23	–	20 230	–	22 217
	ZAR	ECN24	–	10.37	–	5 000	Mar 24	–	4 988	–	4 988
	ZAR	ES26[1]	9.26	9.29	37 987	32 950	Apr 26	33 025	32 688	38 101	32 688
	ZAR	EL28[1]	2.55	2.55	6 278	6 278	May 28	10 902	10 140	10 902	10 140
	ZAR	EL29[1]	1.90	1.90	5 370	5 370	Nov 29	8 793	8 150	8 793	8 150
	ZAR	EL30[1]	2.30	2.30	5 136	5 136	Jul 30	8 023	7 446	8 023	7 446
	ZAR	EL31[1]	2.10	2.10	5 699	5 699	Jun 31	8 369	7 749	8 369	7 749
	ZAR	ECN32	2.95	2.95	5 000	5 000	Mar 32	7 257	6 770	7 257	6 770
	ZAR	ES33[1]	9.21	9.21	34 542	34 542	Sep 33	30 789	30 580	30 789	30 580
	ZAR	EL36[1]	2.25	2.25	5 594	5 594	Jan 36	7 698	7 130	7 698	7 130
	ZAR	EL37[1]	2.25	2.25	23 725	5 418	Jan 37	26 416	6 871	26 416	6 871
	ZAR	ES42[1]	10.39	10.39	21 437	21 437	Apr 42	18 946	18 893	18 946	18 893
Commercial paper								896	1 058	–	595
	ZAR	n/a[2]	–	5.07	–	600	Jun 22[3]	–	–	–	595
	ZAR	n/a	–	5.72	–	129	May 22[4]	–	130	–	–
	ZAR	n/a	9.42	5.80	530	621	May 23[4]	536	625	–	–
	ZAR	n/a	9.28	5.65	358	301	May 52[4]	360	303	–	–
Eurorand zero coupon bonds[5]								7 128	6 318	7 128	6 318
	ZAR	n/a	13.33	13.33	8 000	8 000	Aug 27	4 622	4 078	4 622	4 078
	ZAR	n/a	11.89	11.89	7 500	7 500	Dec 32	2 506	2 240	2 506	2 240
Foreign bonds								75 411	61 916	75 411	61 916
	USD	n/a	6.90	6.90	1 000	1 000	Aug 23	17 890	14 710	17 890	14 710
	USD	n/a	7.39	7.39	1 250	1 250	Feb 25	22 259	18 284	22 259	18 284
	USD	n/a[1]	5.42	5.42	500	500	Jul 27	8 471	6 877	8 471	6 877
	USD	n/a	8.47	8.47	500	500	Aug 28	8 947	7 363	8 947	7 363
	USD	n/a[1]	6.37	6.37	1 000	1 000	Aug 28	17 844	14 682	17 844	14 682
Balances carried forward to the next page								243 653	230 927	247 833	232 451

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

	Currency	Security number	Interest rate 2023 %	Interest rate 2022 %	Nominal 2023 m	Nominal 2022 m	Maturity date	Group Carrying value 2023 Rm	Group Carrying value 2022 Rm	Company Carrying value 2023 Rm	Company Carrying value 2022 Rm
Balances carried forward from the previous page								243 653	230 927	247 833	232 451
Development financing institutions[1]								137 352	124 438	137 352	124 438
	ZAR	n/a[2]	8.80	5.47	733	867	Aug 28	744	874	744	874
	USD	n/a[2]	6.24	1.67	107	126	Aug 28	1 906	1 840	1 906	1 840
	EUR	n/a[2]	4.01	–	409	471	Aug 29	7 937	7 630	7 937	7 630
	ZAR	n/a[2]	8.10	4.67	4 642	5 356	Aug 29	4 703	5 396	4 703	5 396
	ZAR	n/a[2]	10.10	10.10	2 557	2 951	Sep 29	2 553	2 946	2 553	2 946
	USD	n/a[2]	3.47	3.47	6	6	Sep 30	99	81	99	81
	ZAR	n/a	10.47	10.47	12 000	12 000	Jan 31	12 149	12 145	12 149	12 145
	EUR	n/a[2]	4.60	1.50	358	403	Feb 31	6 326	5 929	6 326	5 929
	USD	n/a[2]	5.76	1.19	5	6	Aug 31	92	84	92	84
	ZAR	n/a	7.92	4.68	818	912	Mar 32	821	914	821	914
	USD	n/a[2]	7.75	3.33	3 378	3 263	Sep 33	59 237	46 887	59 237	46 887
	USD	n/a[2]	7.99	3.42	7	8	Feb 36	121	105	121	105
	ZAR	n/a[2]	11.45	8.12	3 822	4 116	Feb 36	3 822	4 093	3 822	4 093
	ZAR	n/a[2]	9.14	9.14	27 297	29 063	May 38	28 349	30 127	28 349	30 127
	USD	n/a[2]	4.21	1.39	1	1	Aug 38	15	13	15	13
	ZAR	n/a[2]	8.50	5.07	791	791	Nov 38	806	798	806	798
	USD	n/a[2]	5.71	1.26	102	40	Mar 39	1 803	589	1 803	589
	ZAR	n/a[2]	10.36	10.24	3 173	2 832	Nov 43	3 253	2 903	3 253	2 903
	USD	n/a[2]	0.25	0.25	107	32	May 51	1 889	473	1 889	473
	USD	n/a[2]	0.25	0.25	41	42	Aug 51	727	611	727	611
Export credit facilities								15 956	17 735	15 956	17 735
	JPY	n/a	–	0.88	–	230	May 22	–	28	–	28
	EUR	n/a	4.63	1.25	5	15	Sep 23	91	230	91	230
	EUR	n/a	3.82	0.38	2	4	Jul 24	46	64	46	64
	EUR	n/a	4.76	4.75	258	374	Jan 27	4 803	5 746	4 803	5 746
	EUR	n/a	3.81	2.44	219	314	Jul 27	3 989	4 739	3 989	4 739
	ZAR	n/a	9.74	6.28	902	1 147	Jul 27	842	1 048	842	1 048
	USD	n/a	2.32	2.32	382	449	Mar 31	6 185	5 880	6 185	5 880
Other loans[4]								26 968	23 194	27 236	23 442
	ZAR	n/a	–	6.31	–	14 390	Oct 22	–	14 445	–	14 445
	ZAR	n/a	13.43	6.91	3 451	1 000	Aug 23	3 216	1 010	3 216	1 010
	ZAR	n/a	11.26	9.27	2 000	1 000	Mar 24	2 031	1 002	2 031	1 002
	ZAR	n/a	9.63	–	15 000	–	Apr 24	15 171	–	15 171	–
	ZAR	n/a	12.37	8.82	4 250	4 250	Feb 25	4 318	4 300	4 318	4 300
	ZAR	n/a	12.99	11.88	2 100	2 300	Feb 27	2 198	2 400	2 198	2 400
	ZAR	n/a[3]	7.30	4.08	300	285	On demand	–	–	302	285
	ZAR	n/a	–	–	34	37	On demand	34	37	–	–
								423 929	396 294	428 377	398 066

1. *Latest in a range of maturity dates is indicated for these instruments.*
2. *Government guaranteed.*
3. *Includes, inter alia, instruments issued to subsidiaries.*
4. *Comprises of loans with various banking institutions.*

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

26.1 Payments received in advance

	Note	Customer connections Rm	Government grant Rm	Other Rm	Total Rm
2023					
Group					
Balance at beginning of the year		4 504	1 201	751	6 456
Payments received		1 681	3 120	244	5 045
Transfers to contract liabilities and deferred income	26.2	(206)	(2 384)	–	(2 590)
Income recognised		(397)	(172)	(330)	(899)
Balance at end of the year		5 582	1 765	665	8 012
Maturity analysis		5 582	1 765	665	8 012
Non-current		3 864	–	122	3 986
Current		1 718	1 765	543	4 026
Company					
Balance at beginning of the year		4 504	1 201	763	6 468
Payments received		1 681	3 120	221	5 022
Transfers to contract liabilities and deferred income	26.2	(206)	(2 384)	–	(2 590)
Income recognised		(397)	(172)	(327)	(896)
Balance at end of the year		5 582	1 765	657	8 004
Maturity analysis		5 582	1 765	657	8 004
Non-current		3 864	–	136	4 000
Current		1 718	1 765	521	4 004
2022					
Group					
Balance at beginning of the year		4 125	948	590	5 663
Payments received		1 266	2 456	396	4 118
Transfers to contract liabilities and deferred income	26.2	(455)	(2 071)	–	(2 526)
Income recognised		(432)	(132)	(235)	(799)
Balance at end of the year		4 504	1 201	751	6 456
Maturity analysis		4 504	1 201	751	6 456
Non-current		2 545	–	31	2 576
Current		1 959	1 201	720	3 880
Company					
Balance at beginning of the year		4 125	948	603	5 676
Payments received		1 266	2 456	395	4 117
Transfers to contract liabilities and deferred income	26.2	(455)	(2 071)	–	(2 526)
Income recognised		(432)	(132)	(235)	(799)
Balance at end of the year		4 504	1 201	763	6 468
Maturity analysis		4 504	1 201	763	6 468
Non-current		2 545	–	44	2 589
Current		1 959	1 201	719	3 879

26.2 Contract liabilities and deferred income

	Note	Customer connections Rm	Government grant Rm	Other Rm	Total Rm
2023					
Group and company					
Balance at beginning of the year		4 510	22 182	754	27 446
Transfers of property, plant and equipment from customers		45	–	–	45
Transfers from payments received in advance	26.1	206	2 384	–	2 590
Income recognised	37	(262)	(1 641)	–	(1 903)
Amortisation of day-one fair value	38	–	–	(81)	(81)
Balance at end of the year		4 499	22 925	673	28 097
Maturity analysis		4 499	22 925	673	28 097
Non-current		4 224	21 262	592	26 078
Current		275	1 663	81	2 019
2022					
Group and company					
Balance at beginning of the year		3 994	21 678	–	25 672
Transfers of property, plant and equipment from customers		309	–	–	309
Transfers from payments received in advance	26.1	455	2 071	–	2 526
Day-one fair value gain	16	–	–	808	808
Income recognised	37	(248)	(1 567)	–	(1 815)
Amortisation of day-one fair value	38	–	–	(54)	(54)
Balance at end of the year		4 510	22 182	754	27 446
Maturity analysis		4 510	22 182	754	27 446
Non-current		4 249	20 603	673	25 525
Current		261	1 579	81	1 921

27. Employee benefit obligations

	Note	Post-employment medical benefits Rm	Pension benefits Rm	Bonus Rm	Leave Rm	Total Rm
2023						
Group						
Balance at beginning of the year		17 153	–	430	2 271	19 854
Recognised in profit or loss						
Employee benefit expense – raised		371	2 067	583	1 007	4 028
Finance cost	40	2 058	98	–	–	2 156
Recognised in other comprehensive income						
Re-measurement of benefits		(1 097)	336	–	–	(761)
Cash paid		(757)	(2 501)	(563)	(970)	(4 791)
Balance at end of the year		17 728	–	450	2 308	20 486
Maturity analysis		17 728	–	450	2 308	20 486
Non-current		16 902	–	–	–	16 902
Current		826	–	450	2 308	3 584
Company						
Balance at beginning of the year		16 798	–	375	2 023	19 196
Recognised in profit or loss						
Employee benefit expense – raised		369	1 814	426	931	3 540
Finance cost	40	2 016	98	–	–	2 114
Recognised in other comprehensive income						
Re-measurement of benefits		(1 069)	336	–	–	(733)
Cash paid		(736)	(2 248)	(407)	(881)	(4 272)
Balance at end of the year		17 378	–	394	2 073	19 845
Maturity analysis		17 378	–	394	2 073	19 845
Non-current		16 573	–	–	–	16 573
Current		805	–	394	2 073	3 272

27. Employee benefit obligations *continued*

	Note	Post-employment medical benefits Rm	Pension benefits Rm	Bonus Rm	Leave Rm	Total Rm
2022						
Group						
Balance at beginning of the year		16 121	–	446	2 579	19 146
Recognised in profit or loss						
Employee benefit expense – raised		346	3 086	425	836	4 693
Finance cost	40	2 224	259	–	–	2 483
Recognised in other comprehensive income						
Re-measurement of benefits		(822)	(915)	–	–	(1 737)
Cash paid		(716)	(2 430)	(441)	(1 144)	(4 731)
Balance at end of the year		17 153	–	430	2 271	19 854
Maturity analysis		17 153	–	430	2 271	19 854
Non-current		16 404	–	–	–	16 404
Current		749	–	430	2 271	3 450
Company						
Balance at beginning of the year		15 777	–	386	2 329	18 492
Recognised in profit or loss						
Employee benefit expense – raised		344	2 841	375	718	4 278
Finance cost	40	2 177	259	–	–	2 436
Recognised in other comprehensive income						
Re-measurement of benefits		(803)	(915)	–	–	(1 718)
Cash paid		(697)	(2 185)	(386)	(1 024)	(4 292)
Balance at end of the year		16 798	–	375	2 023	19 196
Maturity analysis		16 798	–	375	2 023	19 196
Non-current		16 067	–	–	–	16 067
Current		731	–	375	2 023	3 129

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

27.1 Post-employment medical benefits

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Actuarial gain				
Financial assumptions	1 204	(406)	1 185	(399)
Experience adjustments	(107)	1 228	(116)	1 202
	1 097	822	1 069	803
Expected maturity analysis of undiscounted benefits				
Non-current	455 911	311 603	452 372	308 578
Between one and two years	900	814	877	793
Between two and five years	3 443	3 122	3 356	3 043
After five years	451 568	307 667	448 139	304 742
Current	826	749	805	731
	456 737	312 352	453 177	309 309

The group expects to pay R826 million and the company R805 million in contributions to this plan in the 2024 financial year. Refer to note 4.2 for the principal actuarial assumptions used and a sensitivity analysis.

27.2 Pension benefits

Movement reconciliation

	Group and company							
	2023				2022			
	Fund assets Rm	Asset ceiling adjustment Rm	Fund obligations Rm	Net asset/ (liability) Rm	Fund assets Rm	Asset ceiling adjustment Rm	Fund obligations Rm	Net asset/ (liability) Rm
Asset/(liability) at beginning of the year	176 855	(70 049)	(106 806)	–	162 616	(51 417)	(111 199)	–
Recognised in profit or loss								
Employee benefit expense	–	–	(2 067)	(2 067)	–	–	(3 086)	(3 086)
Finance cost	21 015	(8 407)	(12 706)	(98)	22 253	(7 096)	(15 416)	(259)
Recognised in other comprehensive income								
Re-measurement of benefits	(11 231)	3 926	6 969	(336)	(5 297)	(11 536)	17 748	915
Return on plan assets in excess of finance cost	(11 231)	–	–	(11 231)	(5 297)	–	–	(5 297)
Adjustment to asset ceiling	–	3 926	–	3 926	–	(11 536)	–	(11 536)
Actuarial gain	–	–	6 969	6 969	–	–	17 748	17 748
Payments received by the fund	3 917	–	(1 416)	2 501	3 793	–	(1 363)	2 430
Employer funded	2 501	–	–	2 501	2 430	–	–	2 430
Member funded	1 416	–	(1 416)	–	1 363	–	(1 363)	–
Payments made by the fund	(7 402)	–	7 402	–	(6 510)	–	6 510	–
Benefit and pension payments	(6 713)	–	6 713	–	(6 236)	–	6 236	–
Fund management costs	(345)	–	345	–	(310)	–	310	–
Net transfers (from)/to the fund	(344)	–	344	–	36	–	(36)	–
Asset/(liability) at end of the year	183 154	(74 530)	(108 624)	–	176 855	(70 049)	(106 806)	–

Fund assets composition

	Group and company					
	2023			2022		
	Domestic Rm	International Rm	Total Rm	Domestic Rm	International Rm	Total Rm
Equities	73 127	37 370	110 497	73 550	32 926	106 476
Bonds	33 626	5 809	39 435	34 931	3 113	38 044
Issued by Eskom	2 465	–	2 465	2 707	–	2 707
Other	31 161	5 809	36 970	32 224	3 113	35 337
Property	11 091	–	11 091	11 715	–	11 715
Cash	1 975	1 751	3 726	2 560	2 459	5 019
Hedge funds	1 486	–	1 486	1 400	–	1 400
Collective investment schemes	–	16 919	16 919	–	14 201	14 201
	121 305	61 849	183 154	124 156	52 699	176 855

	Group and company 2023 Rm	Group and company 2022 Rm
Actuarial gain		
Financial assumptions	5 922	10 475
Experience adjustments	1 047	7 273
	6 969	17 748
Expected maturity analysis of undiscounted benefits		
Non-current	1 739 253	1 302 616
Between one and two years	6 679	6 074
Between two and five years	23 055	20 816
After five years	1 709 519	1 275 726
Current	6 104	5 584
	1 745 357	1 308 200

The group expects to pay R2 778 million and the company R2 476 million in contributions to this plan in the 2024 financial year. Refer to note 4.2 for the principal actuarial assumptions used and a sensitivity analysis.

27.3 Bonus

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

28. Provisions

	Note	Power station-related environmental restoration: Nuclear plant Rm	Power station-related environmental restoration: Other generating plant Rm	Mine-related closure, pollution control and rehabilitation Rm	Compensation events Rm	Other Rm	Total Rm
2023							
Group							
Balance at beginning of the year		18 269	16 293	15 303	7 204	1 132	58 201
Recognised in profit or loss		1 307	(1 302)	(2 304)	(285)	916	(1 668)
Raised		1 753	221	–	811	1 144	3 929
Reversed		–	(780)	(1 123)	(1 096)	(228)	(3 227)
Change in discount rate		(446)	(743)	(1 181)	–	–	(2 370)
Capitalised to property, plant and equipment	8	402	(796)	–	(56)	–	(450)
Raised		566	80	–	2 050	–	2 696
Reversed		–	(465)	–	(2 106)	–	(2 571)
Change in discount rate		(164)	(411)	–	–	–	(575)
Capitalised to future fuel supplies	10	–	–	(416)	–	–	(416)
Raised		–	–	194	–	–	194
Reversed		–	–	(82)	–	–	(82)
Change in discount rate		–	–	(528)	–	–	(528)
Capitalised to inventories	13	88	–	(258)	–	–	(170)
Raised		88	–	21	–	–	109
Reversed		–	–	(279)	–	–	(279)
Finance cost	40	1 922	1 668	1 455	–	16	5 061
Transfers		–	–	(300)	–	–	(300)
Cash paid		(164)	–	(367)	(2 820)	(850)	(4 201)
Balance at end of the year		21 824	15 863	13 113	4 043	1 214	56 057
Maturity analysis		21 824	15 863	13 113	4 043	1 214	56 057
Non-current		21 323	15 827	12 875	–	118	50 143
Current		501	36	238	4 043	1 096	5 914
Company							
Balance at beginning of the year		18 269	16 293	15 303	7 204	982	58 051
Recognised in profit or loss		1 307	(1 302)	(2 304)	(285)	934	(1 650)
Raised		1 753	221	–	811	1 141	3 926
Reversed		–	(780)	(1 123)	(1 096)	(207)	(3 206)
Change in discount rate		(446)	(743)	(1 181)	–	–	(2 370)
Capitalised to property, plant and equipment	8	402	(796)	–	(56)	–	(450)
Raised		566	80	–	2 050	–	2 696
Reversed		–	(465)	–	(2 106)	–	(2 571)
Change in discount rate		(164)	(411)	–	–	–	(575)
Capitalised to future fuel supplies	10	–	–	(416)	–	–	(416)
Raised		–	–	194	–	–	194
Reversed		–	–	(82)	–	–	(82)
Change in discount rate		–	–	(528)	–	–	(528)
Capitalised to inventories	13	88	–	(258)	–	–	(170)
Raised		88	–	21	–	–	109
Reversed		–	–	(279)	–	–	(279)
Finance cost	40	1 922	1 668	1 455	–	15	5 060
Transfers		–	–	(300)	–	–	(300)
Cash paid		(164)	–	(367)	(2 820)	(801)	(4 152)
Balance at end of the year		21 824	15 863	13 113	4 043	1 130	55 973
Maturity analysis		21 824	15 863	13 113	4 043	1 130	55 973
Non-current		21 323	15 827	12 875	–	116	50 141
Current		501	36	238	4 043	1 014	5 832

	Note	Power station-related environmental restoration: Nuclear plant Rm	Power station-related environmental restoration: Other generating plant Rm	Mine-related closure, pollution control and rehabilitation Rm	Compensation events Rm	Other Rm	Total Rm
2022							
Group							
Balance at beginning of the year		17 317	14 811	15 259	3 119	2 136	52 642
Recognised in profit or loss		(514)	(245)	(517)	2 746	(659)	811
Raised		–	1	5 326	2 746	156	8 229
Reversed		(648)	(364)	(6 053)	–	(815)	(7 880)
Change in discount rate		134	118	210	–	–	462
Capitalised to property, plant and equipment	8	74	552	–	1 751	–	2 377
Raised		–	–	–	5 911	–	5 911
Reversed		–	–	–	(4 160)	–	(4 160)
Change in discount rate		74	552	–	–	–	626
Capitalised to future fuel supplies	10	–	–	113	–	–	113
Raised		–	–	105	–	–	105
Reversed		–	–	(9)	–	–	(9)
Change in discount rate		–	–	17	–	–	17
Capitalised to inventories	13	91	–	(380)	–	–	(289)
Raised		91	–	42	–	–	133
Reversed		–	–	(422)	–	–	(422)
Finance cost	40	1 383	1 175	1 166	–	17	3 741
Cash paid		(82)	–	(338)	(412)	(362)	(1 194)
Balance at end of the year		18 269	16 293	15 303	7 204	1 132	58 201
Maturity analysis		18 269	16 293	15 303	7 204	1 132	58 201
Non-current		18 163	16 105	14 867	–	122	49 257
Current		106	188	436	7 204	1 010	8 944
Company							
Balance at beginning of the year		17 317	14 811	15 259	3 119	1 992	52 498
Recognised in profit or loss		(514)	(245)	(517)	2 746	(704)	766
Raised		–	1	5 326	2 746	101	8 174
Reversed		(648)	(364)	(6 053)	–	(805)	(7 870)
Change in discount rate		134	118	210	–	–	462
Capitalised to property, plant and equipment	8	74	552	–	1 751	–	2 377
Raised		–	–	–	5 911	–	5 911
Reversed		–	–	–	(4 160)	–	(4 160)
Change in discount rate		74	552	–	–	–	626
Capitalised to future fuel supplies	10	–	–	113	–	–	113
Raised		–	–	105	–	–	105
Reversed		–	–	(9)	–	–	(9)
Change in discount rate		–	–	17	–	–	17
Capitalised to inventories	13	91	–	(380)	–	–	(289)
Raised		91	–	42	–	–	133
Reversed		–	–	(422)	–	–	(422)
Finance cost	40	1 383	1 175	1 166	–	17	3 741
Cash paid		(82)	–	(338)	(412)	(323)	(1 155)
Balance at end of the year		18 269	16 293	15 303	7 204	982	58 051
Maturity analysis		18 269	16 293	15 303	7 204	982	58 051
Non-current		18 163	16 105	14 867	–	115	49 250
Current		106	188	436	7 204	867	8 801

Refer to note 4.5 for relevant critical accounting estimates and assumptions for the power station-related environmental restoration and mine-related closure, pollution control and rehabilitation related provisions and note 44.2 for compensation events.

29. Lease liabilities

	2023 Gross payables Rm	2023 Future finance charges Rm	2023 Carrying value Rm	2022 Gross payables Rm	2022 Future finance charges Rm	2022 Carrying value Rm
Group						
Non-current	11 543	(4 128)	7 415	13 329	(5 297)	8 032
Between one and five years	8 527	(3 742)	4 785	8 581	(4 540)	4 041
After five years	3 016	(386)	2 630	4 748	(757)	3 991
Current	1 859	(1 148)	711	1 811	(1 240)	571
	13 402	(5 276)	8 126	15 140	(6 537)	8 603
Company						
Non-current	11 542	(4 128)	7 414	13 327	(5 296)	8 031
Between one and five years	8 527	(3 742)	4 785	8 580	(4 539)	4 041
After five years	3 015	(386)	2 629	4 747	(757)	3 990
Current	1 773	(1 147)	626	1 811	(1 240)	571
	13 315	(5 275)	8 040	15 138	(6 536)	8 602

	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Movement reconciliation					
Balance at beginning of the year		8 603	8 969	8 602	8 967
Additions		216	51	19	51
Disposals		(6)	–	(6)	–
Finance costs	40	1 267	1 300	1 244	1 300
Cash paid		(1 954)	(1 717)	(1 819)	(1 716)
Capital		(687)	(417)	(575)	(416)
Finance costs		(1 267)	(1 300)	(1 244)	(1 300)
Balance at end of the year		8 126	8 603	8 040	8 602

Refer to note 36 for short-term and low-value lease expenses.

30. Trade and other payables

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Financial instruments	42 817	36 796	44 894	39 551
Trade and other payables	28 491	23 230	28 476	23 704
Accruals	7 593	7 455	9 685	9 736
Deposits	6 733	6 111	6 733	6 111
Non-financial instruments	1 971	2 027	1 914	2 017
VAT	1 398	1 399	1 341	1 389
Environmental levy	573	628	573	628
	44 788	38 823	46 808	41 568
Maturity analysis	44 788	38 823	46 808	41 568
Non-current	524	829	203	1 100
Current	44 264	37 994	46 605	40 468

	Note	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
31. Revenue					
Redistributors (metropolitan and municipal customers)		103 475	98 063	103 475	98 063
Invoiced to customers		111 414	105 369	111 414	105 369
Amounts not meeting collectability criteria	20	(15 421)	(13 849)	(15 421)	(13 849)
Recognised on a cash received basis	20	7 482	6 543	7 482	6 543
Residential		7 016	7 091	7 016	7 091
Invoiced to customers		7 288	7 457	7 288	7 457
Amounts not meeting collectability criteria	20	(353)	(366)	(353)	(366)
Recognised on a cash received basis	20	81	–	81	–
Industrial		53 269	48 204	53 269	48 204
Mining		39 958	36 630	39 958	36 630
Commercial		17 622	16 723	17 622	16 723
Agricultural		11 660	11 600	11 660	11 600
International		10 699	11 450	10 699	11 450
Rail		3 374	3 477	3 374	3 477
Public lighting		279	257	279	257
Post-paid electricity sales		247 352	233 495	247 352	233 495
Prepaid electricity sales		10 485	10 966	10 485	10 966
Total electricity sales		257 837	244 461	257 837	244 461
Connections		1 242	1 459	1 242	1 459
Other		464	1 674	464	1 674
		259 543	247 594	259 543	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.

32. Other income

	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
Insurance proceeds	1 425	60	3 339	437
Insurance premiums	6	98	–	–
Services income	483	439	–	–
Management fee income	–	–	156	151
Operating lease income	274	270	190	190
Dividend income	93	75	161	655
Other	461	552	528	580
	2 742	1 494	4 374	2 013

33. Primary energy

	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
Own generation costs	106 706	92 414	106 706	92 414
International electricity purchases	6 471	5 316	6 471	5 316
Independent power producers	41 765	35 203	41 765	35 203
	154 942	132 933	154 942	132 933

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

	Note	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
34. Employee benefit expense					
Salaries		25 438	24 789	22 821	22 183
Overtime		2 509	2 055	2 021	1 588
Post-employment medical benefits		371	346	369	344
Pension benefits		2 069	3 088	1 814	2 841
Annual bonus[1]		1 368	1 305	1 215	1 148
Production bonus[2]		35	172	31	169
Leave		1 007	836	931	718
Direct costs of employment		32 797	32 591	29 202	28 991
Direct training and development		90	68	76	54
Temporary and contract staff costs		675	1 721	268	285
Other staff costs		724	661	624	584
Gross employee benefit expense		34 286	35 041	30 170	29 914
Capitalised to property, plant and equipment		(1 965)	(2 056)	(1 965)	(2 056)
		32 321	32 985	28 205	27 858
35. Impairment and writedown of assets					
35.1 Financial assets					
Loans receivable		9	(8)	–	(14)
Finance lease receivables		(1)	(6)	(1)	(6)
Trade and other receivables	5	1 023	681	1 058	573
Insurance investments		10	(69)	–	–
		1 041	598	1 057	553
Bad debts recovered – trade and other receivables		(15)	(9)	(15)	(9)
		1 026	589	1 042	544
35.2 Other assets					
Inventories	13	815	847	808	833
Trade and other receivables		341	–	341	–
		1 156	847	1 149	833
		2 182	1 436	2 191	1 377
36. Other expenses					
Managerial, technical and other fees		869	745	835	731
Lease expense		869	998	187	164
Short term		812	943	131	109
Low value		57	55	56	55
Auditors' remuneration[3]		290	152	260	139
Net loss on disposals and writeoffs of property, plant and equipment and intangible assets		3 414	2 772	3 281	2 731
Repairs and maintenance, transport and other expenses		29 353	24 113	35 108	32 496
		34 795	28 780	39 671	36 261
37. Depreciation and amortisation expense					
Depreciation of property, plant and equipment	8	33 960	33 258	33 836	33 405
Amortisation of intangible assets	9	166	375	19	152
Contract liabilities and deferred income recognised (government grant)	26.2	(1 641)	(1 567)	(1 641)	(1 567)
		32 485	32 066	32 214	31 990

1. *The annual bonus represents a thirteenth cheque. Refer to note 27.3.*
2. *The production bonus is self-funded and rewards employees for improved efficiency, operational productivity and performance in the production environment.*
3. *The audit fees for 2023 includes the current year audit fees incurred to 31 March 2023 as well as additional fees incurred to finalise the 2022 audit. There were no non-audit services for 2023 (2022: R0.5 million).*

	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
38. Net fair value and foreign exchange loss					
Profit/(loss) on items carried at fair value		29 512	(7 139)	29 570	(7 294)
Insurance investments		(59)	157	–	–
Derivatives held for risk management	17	29 606	(9 081)	29 605	(9 079)
Embedded derivatives	16	(116)	1 622	(116)	1 622
Deferred income	26	81	54	81	54
Payments made in advance		–	109	–	109
(Loss)/gain on foreign currency translation of items carried at amortised cost		(30 527)	3 536	(30 523)	3 536
Trade and other receivables		–	(8)	–	(8)
Cash and cash equivalents		37	(43)	37	(43)
Trade and other payables		(230)	20	(226)	20
Debt securities and borrowings		(30 334)	3 567	(30 334)	3 567
Amounts recycled from cash flow hedge reserve		730	477	730	477
Amortisation of effective portion of terminated cash flow hedges		3	–	3	–
Ineffective portion of cash flow hedges		727	477	727	477
		(285)	(3 126)	(223)	(3 281)
39. Finance income					
Insurance investments		1 059	637	–	–
Loans receivable		746	566	354	237
Finance lease receivables		32	37	32	37
Trade and other receivables		739	468	851	468
Invoiced to customers		4 155	2 112	4 267	2 112
Amounts not meeting collectability criteria	20	(3 416)	(1 644)	(3 416)	(1 644)
Cash and cash equivalents		789	656	725	618
		3 365	2 364	1 962	1 360
Cash interest included in finance income comprises:					
Insurance investments		1 014	547	–	–
Loans receivable		746	566	311	223
Finance lease receivables		32	37	32	37
Trade and other receivables		462	441	462	441
Cash and cash equivalents		789	656	725	618
		3 043	2 247	1 530	1 319
40. Finance cost					
Debt securities and borrowings		33 744	29 107	33 874	29 176
Eskom bonds		15 528	14 562	15 711	14 576
Commercial paper		75	67	4	111
Eurorand zero coupon bonds		810	718	810	718
Foreign bonds		5 021	4 268	5 021	4 268
Development financing institutions		8 841	7 059	8 841	7 059
Export credit facilities		1 078	1 204	1 078	1 204
Floating rate notes		–	3	–	3
Other loans		2 391	1 226	2 409	1 237
Derivatives held for risk management		5 147	6 708	5 147	6 708
Employee benefit obligations	27	2 156	2 483	2 114	2 436
Provisions	28	5 061	3 741	5 060	3 741
Lease liabilities	29	1 267	1 300	1 244	1 300
Trade and other payables		464	272	462	272
Gross finance cost		47 839	43 611	47 901	43 633
Capitalised to property, plant and equipment	8	(7 459)	(8 184)	(7 459)	(8 184)
		40 380	35 427	40 442	35 449
Cash interest included in finance cost comprises:					
Debt securities and borrowings		26 425	24 357	26 578	24 449
Derivatives held for risk management[1]		5 379	6 890	5 379	6 890
Lease liabilities		1 267	1 300	1 244	1 300
Trade and other payables		107	25	108	26
		33 178	32 572	33 309	32 665

1. *Includes cash paid relating to opening balance accruals.*

41. Income tax

	Note	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
Recognised in profit or loss					
Current tax		903	434	–	–
Current year		965	404	–	–
(Over)/under provided in prior years		(62)	30	–	–
Deferred tax	14	(8 611)	(3 753)	(7 795)	(4 270)
Reversal of temporary differences		1 187	3 953	2 077	3 290
Raised/reversal of temporary differences		855	6 796	1 651	6 075
Under/(over) provided in prior years		332	(622)	426	(615)
Change in tax rate		–	(2 221)	–	(2 170)
Tax losses		(9 798)	(7 706)	(9 872)	(7 560)
Raised/reversal of temporary differences		(9 458)	(10 938)	(9 435)	(10 786)
(Over)/under provided in prior years		(340)	600	(437)	600
Change in tax rate		–	2 632	–	2 626
		(7 708)	(3 319)	(7 795)	(4 270)
Reconciliation between standard and effective tax rate:					
R million					
Taxation income at standard rate		(8 545)	(4 270)	(8 642)	(5 091)
Non-taxable income		(394)	(292)	(409)	(455)
Government grants		(290)	(271)	(290)	(271)
Dividend income		(24)	(21)	(43)	(184)
Incentive allowances		(80)	–	(76)	–
Expenses not deductible for tax purposes		1 304	825	1 267	806
Non-deductible capital expenditure[1]		1 284	806	1 247	787
Donations		20	19	20	19
Change in tax rate		–	410	–	455
Prior period (over)/under provision		(73)	8	(11)	15
Taxation income per the income statement		(7 708)	(3 319)	(7 795)	(4 270)
%					
Taxation income at standard rate		27.00	28.00	27.00	28.00
Non-taxable income		1.24	1.92	1.28	2.50
Government grants		0.92	1.78	0.91	1.49
Dividend income		0.08	0.14	0.13	1.01
Incentive allowances		0.25	–	0.24	–
Expenses not deductible for tax purposes		(4.11)	(5.41)	(3.96)	(4.44)
Non-deductible capital expenditure[1]		(4.05)	(5.29)	(3.90)	(4.34)
Donations		(0.06)	(0.12)	(0.06)	(0.10)
Change in tax rate		–	(2.69)	–	(2.50)
Adjustments to current tax of prior periods		0.23	(0.05)	0.03	(0.08)
Taxation income per the income statement		24.36	21.77	24.35	23.48

1. *Non-deductible capital expenditure includes expenditure of a capital nature and not incurred in the production of income.*

	2023 Before tax Rm	2023 Tax Rm	2023 Net of tax Rm	2022 Before tax Rm	2022 Tax Rm	2022 Net of tax Rm
Recognised in other comprehensive income						
Group						
Cash flow hedges	717	(194)	523	(950)	255	(695)
Net change in fair value	1 567	(423)	1 144	(328)	89	(239)
Net amount transferred to profit or loss	(730)	197	(533)	(477)	129	(348)
Net amount transferred to initial carrying amount of hedged items	(120)	32	(88)	(145)	37	(108)
Foreign currency translation differences	33	–	33	5	–	5
Re-measurement of benefits	761	(205)	556	1 737	(400)	1 337
	1 511	(399)	1 112	792	(145)	647
Company						
Cash flow hedges	717	(194)	523	(950)	255	(695)
Net change in fair value	1 567	(423)	1 144	(328)	89	(239)
Net amount transferred to profit or loss	(730)	197	(533)	(477)	129	(348)
Net amount transferred to initial carrying amount of hedged items	(120)	32	(88)	(145)	37	(108)
Re-measurement of benefits	733	(198)	535	1 718	(393)	1 325
	1 450	(392)	1 058	768	(138)	630

42. Cash generated from operations

	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
Loss before tax	(31 647)	(15 249)	(32 009)	(18 182)
Adjustments for:	75 936	79 745	76 500	79 737
Depreciation and amortisation expense	32 485	32 066	32 214	31 990
Depreciation expense – primary energy	12	12	12	12
Impairment and writedown of assets (excluding bad debts recovered)	2 197	1 445	2 206	1 386
Net fair value loss on financial instruments	285	3 126	223	3 281
Net loss on disposals and write offs of property, plant and equipment	3 414	2 772	3 281	2 731
Transfer of assets from non-electricity purchasing customers	(583)	(779)	(583)	(779)
Write off of diesel rebate	–	3 466	–	3 466
Dividend income	(93)	(75)	(161)	(655)
Increase in employee benefit obligations	4 028	4 693	3 540	4 278
(Decrease)/increase in provisions	(1 668)	811	(1 650)	766
Decrease in contract liabilities and deferred income	(262)	(248)	(262)	(248)
Payments made in advance recognised in profit or loss	98	244	96	219
Payments received in advance recognised in profit or loss	(899)	(799)	(896)	(799)
Finance income	(3 365)	(2 364)	(1 962)	(1 360)
Finance cost	40 380	35 427	40 442	35 449
Share of profit of equity-accounted investees	(93)	(52)	–	–
	44 289	64 496	44 491	61 555
Changes in working capital:	(2 320)	(9 771)	(3 666)	(8 835)
Payments made in advance	(367)	(265)	(332)	(265)
Increase in inventories	(1 048)	(1 495)	(1 097)	(1 497)
Increase in trade and other receivables	(4 269)	(7 369)	(5 396)	(6 785)
Increase in trade and other payables	5 411	847	4 661	724
Expenditure incurred on employee benefit obligations	(4 791)	(4 731)	(4 272)	(4 292)
Expenditure incurred on provisions	(2 301)	(876)	(2 252)	(837)
Payments received in advance	5 045	4 118	5 022	4 117
	41 969	54 725	40 825	52 720

43. Net debt reconciliation

The net debt reconciliation includes the changes arising from financing activities.

	Debt securities and borrowings[1] Rm	Lease liabilities[2] Rm	Financial trading liabilities[3] Rm	Derivatives held for risk management[4] Rm	Payments made in advance[5] Rm	Cash and cash equivalents[6] Rm	Net debt Rm
Group							
Balance at 31 March 2021	401 826	8 969	2	(4 868)	(1 137)	(4 041)	400 751
Net cash decrease	(5 818)	(417)	–	(2 769)	(471)	(11 882)	(21 357)
Net fair value and foreign exchange (gains)/losses	(3 567)	–	–	8 722	–	43	5 198
Foreign currency translation	–	–	–	–	–	(5)	(5)
Other movements	3 853[7]	51	–	(182)	830	–	4 552
Balance at 31 March 2022	396 294	8 603	2	903	(778)	(15 885)	389 139
Net cash (decrease)/increase	(9 507)	(687)	(2)	4 894	(369)	8 439	2 768
Net fair value and foreign exchange losses/(gains)	30 334	–	–	(30 580)	–	(37)	(283)
Foreign currency translation	–	–	–	–	–	(33)	(33)
Other movements	6 808[7]	210	–	(231)	455	–	7 242
Balance at 31 March 2023	423 929	8 126	–	(25 014)	(692)	(7 516)	398 833
Company							
Balance at 31 March 2021	404 042	8 967	2	(4 868)	(1 137)	(2 503)	404 503
Net cash decrease	(6 238)	(416)	–	(2 769)	(471)	(11 758)	(21 652)
Net fair value and foreign exchange (gains)/losses	(3 567)	–	–	8 722	–	43	5 198
Other movements	3 829[7]	51	–	(182)	830	–	4 528
Balance at 31 March 2022	398 066	8 602	2	903	(778)	(14 218)	392 577
Net cash (decrease)/increase	(6 807)	(575)	(2)	4 894	(369)	8 423	5 564
Net fair value and foreign exchange losses/(gains)	30 334	–	–	(30 580)	–	(37)	(283)
Other movements	6 784[7]	13	–	(231)	455	–	7 021
Balance at 31 March 2023	428 377	8 040	–	(25 014)	(692)	(5 832)	404 879

Financing activities excludes cash and cash equivalents.

44. Guarantees, contingent liabilities and assets

44.1 Financial guarantees

EFC loans to group employees

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

Eskom's guarantee exposure is governed by the default probability of EFC, which is influenced by the risk of significant fluctuations in interest rates that might cause default on repayments. The risk-adjusted credit exposure of EFC is calculated by applying a rating agency's annual default probabilities.

	Unit	Group 2023	Group 2022	Company 2023	Company 2022
Financial guarantee	Rm	–	–	227	104
44.2 Contingent liabilities					
Legal claims There are legal claims in process against Eskom as a result of disputes with various parties. Based on the evidence available, there is no present obligation relating to these claims. The claims are disclosed as a contingent liability and amounted to	Rm	563	525	561	523

1. *Refer to note 25.*
2. *Refer to note 29.*
3. *Refer to note 21.2.*
4. *Refer to note 17 (hedge exposure covering debt securities and borrowings).*
5. *Refer to note 19 (securing debt raised).*
6. *Refer to note 22.*
7. *Mainly constitutes interest accrual.*

Compensation events

The final settlement of open compensation claims is generally far below the amount claimed by contractors. The adjudication rulings are mostly in favour of Eskom, resulting in no additional expenditure being incurred. Eskom recognises a provision based on the best estimate of the potential expenditure required to settle open compensation claims.

There are uncertainties relating to the finalisation of open compensation events which are subject to a contractual adjudication process where the outcome could be different to management's assessment of the probability of an outflow of resources and best estimate of the expenditure. The potential financial impact can therefore not be precisely determined due to the ongoing nature of the negotiations and the complexities involved.

Eskom is actively engaging with the relevant parties to resolve matters in line with the contractual agreements.

The group continuously monitors the developments related to these contingencies and will recognise the liabilities in the financial statements when it becomes probable that an outflow of resources will be required, and the amount can be reasonably estimated.

The estimated potential contingent liabilities at 31 March 2023 arising from compensation events was R4 640 million considering the historical outcomes on similar matters.

44.3 Contingent assets

There are certain negotiation processes underway by the SIU for the recovery of payments by Eskom arising from state capture. Further details are not currently available as Eskom is reliant on the process as controlled by the SIU. The outcome of these processes will be assessed once the details are made available to Eskom.

45. Commitments

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
45.1 Capital expenditure				
Contracted capital expenditure	29 328	25 684	29 232	25 612
Within one year	17 958	16 260	17 863	16 189
One to five years	11 365	9 423	11 365	9 423
After five years	5	1	4	–
Capital expenditure excludes finance costs capitalised and foreign currency fluctuations. The capital expenditure will be financed through drawdowns from existing project related loan agreements and internally generated funds. The capital programme will be reviewed and reprioritised by management in line with the funds available.				
45.2 Leases				
As lessee				
The future minimum lease payments payable under non-cancellable leases are: Within one year	195	234	58	40
Short-term leases	137	192	1	–
Low-value leases	58	41	57	39
Right-of-use leases not yet commenced	–	1	–	1
One to five years	34	52	29	49
Low-value leases	34	50	29	47
Right-of-use leases not yet commenced	–	2	–	2
Total	229	286	87	89
Short-term leases	137	192	1	–
Low-value leases	92	91	86	86
Right-of-use leases not yet commenced	–	3	–	3
The lease payments payable under non-cancellable leases are of a similar nature to the right-of-use, short-term and low-value leases recognised in the statement of financial position and income statement.				
As lessor				
The future minimum lease payments receivable under non-cancellable operating leases are:	274	267	195	182
Within one year	146	137	74	52
One to five years	119	119	112	119
After five years	9	11	9	11

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

46. Related-party transactions and balances

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

Related parties include subsidiaries, associates and joint ventures of the group and post-employment benefit plans for the benefit of employees. It also includes key management personnel of Eskom and close family members of these related parties. Key management personnel for Eskom include the group's board of directors and Exco. Disclosure of related-party transactions with key management personnel is included in note 49 and government guarantees issued to Eskom in note 5.3.2.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Transactions				
Sales of goods and services	13 447	13 340	17 526	13 859
National departments	1 404	1 508	1 404	1 508
Public entities	7 366	7 639	7 344	7 518
Subsidiaries, associates and joint ventures	4 677	4 193	8 778	4 833
Government grant funding received for electrification				
National departments	3 120	2 456	3 120	2 456
Purchases of goods and services	30 023	18 337	43 033	31 396
Constitutional institutions	9	14	9	14
National departments	1 875	1 880	1 875	1 880
Public entities	25 363	13 713	24 384	13 045
Subsidiaries, associates and joint ventures	275	300	14 517	14 272
Eskom Pension and Provident Fund	2 501	2 430	2 248	2 185
Bad debts expense	5	33	5	2
National departments	–	1	–	1
Public entities	5	32	5	1
Net fair value and foreign exchange (loss)/gain				
Subsidiaries, associates and joint ventures	–	–	(1)	1
Finance income	99	64	453	301
National departments	8	8	8	8
Public entities	91	56	91	56
Subsidiaries, associates and joint ventures	–	–	354	237
Finance cost[1]	9 238	8 447	9 443	8 583
National departments	9	7	9	7
Public entities	8 951	8 215	8 951	8 215
Subsidiaries, associates and joint ventures	–	–	205	136
Eskom Pension and Provident Fund	278	225	278	225
Dividend income				
Subsidiaries, associates and joint ventures	–	–	161	654
Lease income	11	5	14	8
National departments	2	–	2	–
Public entities	9	5	9	5
Subsidiaries, associates and joint ventures	–	–	3	3
Lease expenses	10	7	12	11
Public entities	10	7	10	7
Subsidiaries, associates and joint ventures	–	–	2	4
Environmental levy				
Public entities	7 033	7 512	7 033	7 512

1. *Bonds are bearer instruments and it is therefore unknown if the initial counterparty still holds the bonds. Transactions in the secondary market where Eskom is not the counterparty are therefore excluded.*

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Outstanding balances (due by related parties)				
Receivables and amounts owed by related parties	1 877	1 708	6 893	4 254
National departments	131	125	131	125
Public entities	1 322	1 200	1 239	1 131
Subsidiaries, associates and joint ventures	424	383	5 523	2 998
Loans receivable				
Subsidiaries, associates and joint ventures[1]	–	–	5 681	5 657
Total due by related parties	1 877	1 708	12 574	9 911
Outstanding balances (due to related parties)				
Debt securities and borrowings	111 930	112 555	117 308	115 422
National departments	53	22	53	22
Public entities	109 412	109 826	109 412	109 826
Subsidiaries, associates and joint ventures[2]	–	–	5 378	2 867
Eskom Pension and Provident Fund	2 465	2 707	2 465	2 707
Payables and amounts owed to related parties	5 140	3 592	8 326	7 340
Constitutional institutions	6	6	6	6
National departments	356	338	356	338
Public entities	4 462	2 940	4 059	2 710
Subsidiaries, associates and joint ventures	9	18	3 598	3 996
Eskom Pension and Provident Fund	307	290	307	290
Payments received in advance	1 761	1 196	1 775	1 211
National departments	1 761	1 196	1 761	1 196
Subsidiaries, associates and joint ventures	–	–	14	15
Derivative liabilities held for risk management				
Subsidiaries, associates and joint ventures	–	–	1	1
Total due to related parties	118 831	117 343	127 410	123 974

Commitments

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

1. *The effective interest rate on the loans to subsidiaries is 7.91% (2022: 4.75%).*
2. *Refer to note 25 for effective interest rate and maturity date relating to intercompany instruments.*

47. Events after the reporting date

The following significant events occurred after 31 March 2023:

Changes in board and Exco

The group chairman Mr PM Makwana resigned from the Eskom board effective from 30 October 2023. Dr M Nyati has been appointed as the new chairman of the board effective from 31 October 2023.

The group chief operating officer Mr JA Oberholzer retired on 30 April 2023 and was on a fixed-term contract until 31 July 2023. The position was removed as it is no longer considered to be required. The divisional executives for generation, transmission and distribution, Mr SM Scheppers, Mr BJ Nxumalo and Mr ML Bala respectively, are attending Exco in a participating role from 1 April 2023.

The group executive: government and regulatory affairs, Ms N Minyuku, and group executive: legal and compliance, Ms M Govender, resigned on 30 April 2023 and 30 June 2023 respectively. Ms W Madonsela acted as the group executive: legal and compliance from 1 July 2023. Ms S Nassiep acted as the group executive: government and regulatory affairs from 1 June 2023 until 9 August 2023 and Ms N Sithole acted from 10 August 2023 in this position.

Debt relief

The Eskom Debt Relief Act, 7 of 2023, was enacted on 7 July 2023. The Minister of Finance confirmed the conditions in terms of section 2(2)b of the act on 31 July 2023. Eskom must comply with the following conditions that are applicable from 1 August 2023 to 31 March 2026 (conditions can be amended by the Minister from time to time):

- The debt relief may only be used to settle debt and interest payments.
- Capital expenditure may only be incurred for transmission and distribution as well as generation relating to minimum emission standards, flue-gas desulphurisation, outages and maintenance of existing plant and a greenfield generation project with the written approval from the Minister of Finance.
- All net cash proceeds from the sale of non-core assets, including the EFC and any property sales, may only be used to settle debt and interest payments.
- Eskom may only borrow new facilities with the written approval of the Minister of Finance.
- The Eskom guarantee framework agreement for the R350 billion facility (which expired on 31 March 2023) must, subject to the terms of that agreement, be reduced as the relevant redemptions fall due.
- Positive equity balances in Eskom's derivative contracts may not be used to structure new debt or loan agreements or be used as margin financing for another derivative contract or derivative overlays, without the written approval of the Minister of Finance.
- Eskom must continue to prioritise and expedite the implementation of the legal separation process, including for example, obtaining the required lender consent.
- Eskom may not implement remuneration adjustments that negatively affect its overall financial position and sustainability.
- Any transaction undertaken in terms of section 54 of the PFMA must be subject to joint approval by the Minister of Public Enterprises and the Minister of Finance.

Eskom received debt relief of R16 billion on 3 August 2023, R12 billion on 26 October 2023 and R8 billion on 30 October 2023.

Borrowing activities

Eskom concluded two funding arrangements on 31 March 2023 as part of its 2023 borrowing programme where the cash funds were only received on 4 April 2023. These consisted of a six-year USD750 million (R13 295 million) foreign loan agreement and an eight-year USD155 million (R2 757 million) foreign bond.

Plant incidents

A fire incident was experienced at Grootvlei power station unit 1 on 6 May 2023. Investigations are under way into the cause of the incident, the extent of the damage as well as the scope of work for recovery.

Environmental compliance

Eskom received postponement from the Department of Forestry, Fisheries and the Environment relating to the minimum emission standards pertaining to sulphur dioxide (SO_2) emission levels at Kusile power station on 5 June 2023. The atmospheric emission licence for Kusile power station was updated and issued on 13 June 2023 in line with the postponement.

The licence allows Eskom to operate the three units that were damaged at Kusile power station after the flue-gas duct failure at unit 1 on 22 October 2022 without using the flue-gas desulphurisation plant (equipped with emission-abatement technology for SO_2) until 31 March 2025 while the flue-gas ducts in the permanent stacks are being repaired (expected completion by December 2024).

The repairs to the temporary stack structures were completed ahead of schedule with Kusile unit 3 returned to service on 30 September 2023 and unit 1 on 16 October 2023. Eskom will continue to implement the necessary steps to mitigate the impact of SO_2 emissions on air quality during the repair process.

Legal separation

NERSA approved the license to operate the transmission system on 28 July 2023 and the trading and import/export licences on 14 September 2023 for NTCSA. The granting of the requisite operating licences to NTCSA is one of the key dependencies required to enable the operationalisation of the NTCSA.

The Minister of Public Enterprises granted approval of the PFMA application in terms of section 54(2)(a) and 54(2)(d) on 7 August 2023 for the transfer of the distribution business to NEDCSA, subject to further discussions on the preferred model and financial sustainability of the new distribution company.

48. Restatement of comparatives

The pre-commissioning 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 or loss in terms of the amendment to IAS 16 that became effective from 1 April 2022. Refer to note 50.2. The 2021 and 2022 statements of financial position, income statements and statements of cash flows have been restated as a result of the amendment to IAS 16 as follows:

	Group			Company		
	Previously reported Rm	Adjustments Rm	Restated Rm	Previously reported Rm	Adjustments Rm	Restated Rm
Statements of financial position at 31 March 2021						
Assets						
Non-current						
Property, plant and equipment	661 694	1 865	663 559	663 654	1 865	665 519
Deferred tax	6 280	(522)	5 758	6 651	(522)	6 129
Equity						
Capital and reserves	215 304	1 343	216 647	197 180	1 343	198 523
Statements of financial position at 31 March 2022						
Assets						
Non-current						
Property, plant and equipment	665 070	2 388	667 458	667 105	2 388	669 493
Deferred tax	9 971	(645)	9 326	10 906	(645)	10 261
Equity						
Capital and reserves	235 314	1 743	237 057	215 191	1 743	216 934
Income statements for the year ended 31 March 2022						
Revenue	246 520	1 074	247 594	246 520	1 074	247 594
Primary energy	(132 439)	(494)	(132 933)	(132 439)	(494)	(132 933)
Depreciation and amortisation expense	(32 009)	(57)	(32 066)	(31 933)	(57)	(31 990)
Loss before tax	(15 772)	523	(15 249)	(18 705)	523	(18 182)
Income tax	3 442	(123)	3 319	4 393	(123)	4 270
Loss for the year	(12 330)	400	(11 930)	(14 312)	400	(13 912)
Statements of cash flows for the year ended 31 March 2022						
Cash flows from operating activities	53 444	580	54 024	51 660	580	52 240
Cash flows used in investing activities	(31 823)	(580)	(32 403)	(29 613)	(580)	(30 193)
Cash flows used in financing activities	(9 739)	–	(9 739)	(10 289)	–	(10 289)
Cash and cash equivalents at beginning of the year	4 041	–	4 041	2 503	–	2 503
Foreign currency translation	5	–	5	–	–	–
Effect of movements in exchange rates on cash held	(43)	–	(43)	(43)	–	(43)
Cash and cash equivalents at end of the year	15 885	–	15 885	14 218	–	14 218

The impacted notes to the annual financial statements have been updated where relevant because of the restatements, including where a movement reconciliation has been presented. The restatements also resulted in various restatements in the capital management, financial risk management, fair value and segment reporting disclosures.

Refer to note 51.3(b) for details of the restatement to non-technical energy losses included in losses due to criminal conduct.

49. Directors' remuneration

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

49.1 Executive directors and group executives

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

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

Name	2023 Salary R'000	2023 Other payments R'000	2023 Total remuneration earned and cash paid R'000	2022 Salary R'000	2022 Notice payment R'000	2022 Other payments R'000	2022 Total remuneration earned and cash paid R'000
Executive directors	11 522	1 065	12 587	11 940	–	222	12 162
AM de Ruyter	6 453	457	6 910	7 040	–	71	7 111
C Cassim	4 900	608	5 508	4 900	–	151	5 051
JM Buys	169	–	169	–	–	–	–
Group executives	23 883	885	24 768	22 938	169	1 084	24 191
JA Oberholzer	5 496	127	5 623	5 496	–	161	5 657
FS Burn	3 519	134	3 653	3 400	–	80	3 480
M Govender	3 100	84	3 184	1 550	–	35	1 585
N Minyuku	3 100	157	3 257	3 100	–	92	3 192
N Otto	–	–	–	1 017	–	10	1 027
EM Pule	3 339	224	3 563	3 339	–	536	3 875
J Sankar	2 468	157	2 625	1 795	–	162	1 957
MS Tshitangano	–	–	–	380	169	6	555
V Tuku	2 861	2	2 863	2 861	–	2	2 863
	35 405	1 950	37 355	34 878	169	1 306	36 353

Salaries

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

Notice payments

These consist of payments made in terms of contractual agreements.

Other payments

Other payments include accumulated leave paid out, sign-on bonuses, long service awards and expenditure related to telephone, security services, operating vehicle, professional subscriptions as well as spouse funeral and dreaded disease cover.

Bonuses

Short-term bonus

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

Long-term bonus

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

	2023 R'000	2022 R'000
Housing loans		
C Cassim	2 906	3 032
J Sankar	4 004	695
	6 910	3 727

Home loan balances are disclosed when an individual is in the role of an executive director or group executive. The interest rate on the loans from EFC at 31 March 2023 was 9% (2022: 5.75%). The loans are repayable over a maximum period of 30 years. The terms and conditions applicable to ex-employees are applied on resignation.

49.2 Non-executive directors

	2023 R'000	2022 R'000
Non-executive directors receive a fixed fee and are reimbursed for out-of-pocket expenses incurred in fulfilling their duties. Their emoluments were as follows:		
PM Makwana	799	–
RDB Crompton	724	717
FBB Gany-Ahmed	459	–
LL Goqwana	296	–
CR le Roux	400	–
APZ Mafuleka	314	–
NVB Magubane	–	255
MW Makgoba	799	1 599
BCE Makhubela	341	682
B Mavuso	296	593
L Mkhabela	366	–
PE Molokwane	355	711
TH Mongalo	361	717
TL Mthombeni	348	–
B Ntshalintshali	393	–
M Nyati	445	–
T Ramano	393	–
B Vilakazi	366	–
C von Eck	462	–
	7 917	5 274

50. New standards and interpretations

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

The following new standards, interpretations and amendments to existing standards have been published and are applicable for future accounting periods that have not been adopted early by the group. These standards and interpretations will be applied in the first year that they are applicable to the group which is the financial period beginning on or after the effective date.

Topic	Summary of requirements	Impact
IFRS 17 *Insurance contracts* and amendments to IFRS 17 (1 January 2023)	IFRS 17 will replace IFRS 4 *Insurance contracts* and introduces one accounting model for all insurance contracts in all jurisdictions that apply IFRS. It requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will have to reflect the time value of money of estimated payments required to settle incurred claims. Insurance contracts will be measured only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.	The standard will mainly impact the individual financial statements of Escap. There will be no material impact on the group as the insurance activities undertaken by Escap are mainly for the benefit of the group and the key account balances affected by the new standard do not impact the results of the group.
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 practice statement provides guidance and examples on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	No material impact on the group as the group discloses significant accounting policies for transactions that have a material impact. The group continues to consider materiality in its disclosure.
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.

50. New standards and interpretations *continued*

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

Topic	Summary of requirements	Impact
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.
Classification of liabilities as current or non-current – amendments to IAS 1 *Presentation of financial statements* (1 January 2024)	IAS 1 has been amended to clarify the requirements of determining if a liability is current or non-current. The amendments clarify: • what is meant by a right to defer settlement • that a right to defer must exist at the end of the reporting period • that classification is unaffected by the likelihood that an entity will exercise its deferral right • that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification These amendments have to be applied retrospectively.	No material impact as there are currently no financial liabilities with a right to defer settlements. The group will continue to consider the impact where applicable.
Sale or contribution of assets between an investor and its associate or joint venture – amendments to IFRS 10 and IAS 28 (optional adoption, effective date deferred indefinitely)	These amendments address the conflict between the guidance on consolidation and equity accounting when a parent loses control of a subsidiary in a transaction with an associate or joint venture. The parent recognises the full gain on the loss of control under the consolidation standard, but under the standard on associates and joint ventures, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or joint venture. The amendments require the full gain to be recognised when the assets transferred meet the definition of a business under IFRS 3 *Business combinations*.	No impact as the group is currently not disposing of any of its investments in associates or joint ventures.
Onerous contracts: cost of fulfilling a contract – amendments to IAS 37 *Provisions, contingent liabilities and contingent assets* (1 January 2022)	The amendments clarify that the costs of fulfilling a contract comprise both: • the incremental costs – direct labour and materials • an allocation of other direct costs – an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract The amendments apply to open contracts on adoption without the need to restate comparatives.	No material impact as the group already accounts for onerous contracts on the full cost approach.
Proceeds before intended use – amendments to IAS 16 *Property, plant and equipment* (1 January 2022)	The amendments prohibit entities from deducting any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment. The proceeds from selling such items and the costs of producing those items are instead recognised in profit or loss.	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 or loss in terms of the amendment to IAS 16. The accounting and taxation treatments relating to proceeds before intended use are now aligned with no temporary differences and deferred tax from the effective date.
	The amendments are applicable retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the amendments are first applied.	The impact of the restatement is disclosed in note 48.
Annual improvements 2018–2020 cycle – amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (1 January 2022)	The amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS standards later than its parent.	The amendments to IFRS 1 are not applicable as all subsidiaries of the group apply IFRS.
	The amendments to IFRS 9 *Financial instruments* clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments.	No material impact on the group as fees are normally taken into account in line with the amendment when assessing whether the terms of a new or modified financial liability are substantially different to the original liability.
	The amendments to IAS 41 *Agriculture* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair value measurement*.	The amendment to IAS 41 is not applicable as the group does not have any agricultural assets as defined in IAS 41.
	The amendments deleted references to reimbursements relating to leasehold improvements in illustrative example 13 in IFRS 16. The amendments remove the potential for confusion in identifying lease incentives.	The impact of the amendment is not material as contracts with leasehold improvements have been considered in terms of the measurement guidance of IFRS 16 and the assessment was not impacted by the update to the illustrative example.
Amendments to IFRS 3 – reference to the *Conceptual framework for financial reporting* (1 January 2022)	Amendments were made to replace older references that referred to the *Framework for the preparation and presentation of financial statements* with *Conceptual framework for financial reporting*. The *Conceptual framework for financial reporting* is applicable from 1 January 2020 and the references and related details were aligned accordingly.	No impact as there are currently no business combinations.

51. Information required by the Public Finance Management Act

Section 55(2)(b)(i) of the PFMA requires that the particulars of any irregular expenditure, any fruitless and wasteful expenditure as well as material losses due to criminal conduct be disclosed in the annual financial statements and annual report (integrated report). The National Treasury Instruction 4 of 2022/23 on PFMA Compliance and Reporting Framework was applied in this regard when compiling the disclosure in the 2023 annual financial statements and integrated report. The instruction applies to all departments, trading entities, constitutional institutions and public entities listed in Schedules 2 and 3 to the PFMA and is effective from 3 January 2023.

The instruction requires that detailed information be reported in the integrated report and only expenditure relating to the current and comparative financial years be reported in the annual financial statements. All information reported previously in the annual financial statements is therefore still reported in the integrated report. The instruction also requires reporting of amounts inclusive of VAT. The group has historically reported all amounts excluding VAT and continued to do so in the current year due to limited time and resources to recalculate amounts, particularly on opening balances and multi-year contracts where continued expenditure was incurred in the current and comparative years.

The group is required to report quarterly to National Treasury on current and historical irregular expenditure and fruitless and wasteful expenditure that has not been fully addressed.

51.1 Irregular expenditure

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

		2023	2022			
		Current year	Previously reported	Prior year errors	Confirmed during the current year	Restated
	Note	Rm	Rm	Rm	Rm	Rm
Group						
PFMA		975	2 095	(314)	901	2 682
Use of sole source	(a)	108	929	(56)	11	884
Incorrect classification as emergency procurement	(b)	–	12	(6)	–	6
Tender processes not adhered to and insufficient delegation of authority	(c)	729	851	(231)	886	1 506
Modifications exceeding allowed amounts	(d)	138	303	(21)	4	286
PPPFA		257	862	(744)	2	120
Incorrect tender process applied	(e)	2	24	(19)	2	7
Tax clearance certificates	(f)	142	626	(548)	–	78
Designated sectors	(g)	113	212	(177)	–	35
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	47	5	277	–	282
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	–	–	–	1	1
Various commercial requirements						
Breach of more than one legislative requirement	(j)	3 751	5 483	(347)	2 176	7 312
Other		–	6	(1)	–	5
		5 030	8 451	(1 129)	3 080	10 402

		2023	2022			
		Current year	Previously reported	Prior year errors	Confirmed during the current year	Restated
	Note	Rm	Rm	Rm	Rm	Rm
Company						
PFMA		653	1 454	(244)	270	1 480
Use of sole source	(a)	55	601	(56)	–	545
Incorrect classification as emergency procurement	(b)	–	5	–	–	5
Tender processes not adhered to and insufficient delegation of authority	(c)	460	545	(167)	270	648
Modifications exceeding allowed amounts	(d)	138	303	(21)	–	282
PPPFA		245	857	(744)	–	113
Incorrect tender process applied	(e)	–	19	(19)	–	–
Tax clearance certificates	(f)	142	626	(548)	–	78
Designated sectors	(g)	103	212	(177)	–	35
CIDB regulations						
Contracts awarded without following CIDB requirements	(h)	39	2	283	–	285
National Treasury instructions						
Expenditure not in accordance with National Treasury instructions	(i)	–	–	–	1	1
Various commercial requirements						
Breach of more than one legislative requirement	(j)	3 744	5 437	(304)	1 815	6 948
Other		–	6	(1)	–	5
		4 681	7 756	(1 010)	2 086	8 832

The National Treasury Instruction Note 4 of 2022/23 requires that expenditure must be disclosed in the year it was incurred. The expenditure that was reported previously in 2022 was therefore adjusted to only include the irregular expenditure incurred in the year. The allocation of additional identified expenditure to the relevant reporting period was previously done based on general principles applied at a summarised level. This led to instances where expenditure was reported in the incorrect reporting period. This shortcoming has been addressed in 2023 with reporting of expenditure in the correct period at a divisional level.

There were also 63 matters of irregular expenditure relating to 2022 that were confirmed and quantified in the current year.

Details of the material restatements have been included in the notes below where relevant.

(a) Use of sole source

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

The irregular expenditure reported in the current year relates to costs incurred in 2023 on non-compliant contracts from prior years.

Sole source requests are scrutinised to confirm compliance with criteria before approval through the relevant governance processes. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA Supply Chain Management (SCM) National Treasury Instruction No. 3 of 2021/22, effective 1 April 2022. All procurement through other means are reported to National Treasury within 14 days of transaction approval.

(b) Incorrect classification as emergency procurement

Irregular expenditure was incurred where emergency purchases did not meet the National Treasury requirements for emergency procurement. Four new incidents of irregular expenditure which occurred during 2022 were reported in this category. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA SCM National Treasury Instruction No. 3 of 2021/22, effective 1 April 2022. All procurement through other means are reported to National Treasury within 14 days of transaction approval.

(c) Tender processes not adhered to and insufficient delegation of authority

Irregular expenditure was incurred where incorrect tender processes were followed and/or transactions were executed without the appropriate approvals. A procurement-specific delegation of authority, extracted from the Eskom delegation of authority, is being created.

(d) Modifications exceeding allowed amounts

National Treasury required that their approval be obtained for any modification made during 1 May 2016 to 1 April 2022 to an original contract where the value of the modification was more than 20% or R20 million for construction-related goods, works or services and 15% or R15 million for all other goods or services. The group did not initially comply with this requirement, predominately due to a misinterpretation of the instruction note. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA SCM National Treasury Instruction No. 3 of 2021/22, effective 1 April 2022. Expansions and variations of contracts are reported to National Treasury on a monthly basis.

51. Information required by the Public Finance Management Act *continued*

51.1 Irregular expenditure *continued*

(e) Incorrect tender process applied

The Preferential Procurement Policy Framework Act, No. 5 of 2000 (PPPFA) requires that the preferential points calculation is determined inclusive of VAT. Certain procurement was incorrectly done where the preferential points calculation was determined exclusive of VAT. The controls continue to be effective as the number of findings in this category has dramatically decreased.

(f) Tax clearance certificates

The PPPFA regulations stipulate that suppliers must be compliant with SARS regulations. Internal processes require that the tax status of all successful tenderers is confirmed to be compliant prior to concluding a contract. This continues to be an area of concern.

(g) Designated sectors

Where local production and content is of critical importance in the award of tenders in designated sectors, such tenders must be advertised with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods that meet the stipulated minimum threshold for local production and content will be considered. Contracts were awarded to suppliers despite having declared a local content threshold that was below the required stipulated threshold as per the Department of Trade and Industry list of designated materials. Internal processes make it mandatory for commercial practitioners to indicate whether the transaction has designated elements or not.

(h) Contracts awarded without following CIDB requirements

The group did not always comply with the Construction Industry Development Board (CIDB) regulations regarding the advertising of tenders, grading of contractors and publishing of awards. One new incident was reported during the year, while the rest of the current year expenditure relates to existing multi-year contracts.

(i) Expenditure not in accordance with National Treasury instructions

One new incident relating to 2022 of insignificant value was reported during the year.

(j) Breach of more than one legislative requirement

Transgression of more than one legislative requirement was identified in certain instances. Continuous improvements are made to processes to address breaches. Expenditure of R2 630 million incurred in the current year relates to new matters, of which 78% comprised of an isolated incident relating to the non-application of the requirements of the National Industrial Participation Programme. The remaining amount incurred in 2023 relates to existing multi-year contracts that will continue to attract irregular expenditure until condoned.

51.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure made in vain that could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is reported in the annual financial statements when it is confirmed.

	2023	2022		
	Current year	Previously reported	Adjustments	Restated
	Rm	Rm	Rm	Rm
Group				
Project management	102	17	(17)	–
Procurement and contract management	–	1	(1)	–
Interest and penalties	–	7	(6)	1
Other	3	1	1	2
	105	26	(23)	3
Company				
Project management	102	8	(8)	–
Procurement and contract management	–	1	(1)	–
Interest and penalties	–	7	(6)	1
Other	2	1	(1)	–
	104	17	(16)	1

The group experienced 9 (2022: 40, restated) and the company 5 (2022: 20, restated) incidents of fruitless and wasteful expenditure during the year. Overpayments of R1 632 million on Kusile contracts dating back to 2014 were confirmed in the current year, of which R102 million was incurred in 2023. Fruitless and wasteful expenditure must be disclosed in the year it was incurred in terms of the National Treasury Instruction No. 4 of 2022/23. The 2022 expenditure previously disclosed for the group was reduced because of a reallocation of expenses to the correct accounting period.

51.3 Criminal conduct

Material losses caused by criminal conduct and any disciplinary, civil or criminal action taken in respect of such losses are reported in terms of the significance and materiality framework as agreed upon with the Minister of Public Enterprises. Incidents that exceeded the materiality threshold individually or as a type of closely related items are disclosed. All losses, regardless of materiality, were disclosed in previous financial years.

		Group		Company	
	Note	2023	Restated 2022	2023	Restated 2022
Losses incurred (Rm)					
Theft of conductors, cabling and network-related equipment	(a)	197	316	197	315
Estimated non-technical energy losses	(b)	5 607	5 343	5 607	5 343
Fraud and corruption	(c)	81	14	80	10
Malicious damage to property	(a)	122	49	122	49
Attempted theft	(a)	25	5	25	5
		6 032	5 727	6 031	5 722
Losses recovered (Rm)					
Theft of conductors, cabling and network-related equipment	(a)	9	18	9	18
Estimated non-technical energy losses	(b)	225	447	225	447
Fraud and corruption	(c)	–	1	–	1
Malicious damage to property	(a)	–	–	–	–
Attempted theft	(a)	1	1	1	1
		235	467	235	467
Number of incidents					
Theft of conductors, cabling and network-related equipment	(a)	2 522	3 226	2 519	3 220
Estimated non-technical energy losses	(b)	–	–	–	–
Fraud and corruption	(c)	56	65	36	20
Malicious damage to property	(a)	342	226	342	225
Attempted theft	(a)	116	121	116	119
		3 036	3 638	3 013	3 584
Number of arrests					
Theft of conductors, cabling and network-related equipment	(a)	167	244	167	243
Estimated non-technical energy losses	(b)	39	16	39	16
Fraud and corruption	(c)	3	7	3	6
Malicious damage to property	(a)	26	10	26	10
Attempted theft	(a)	59	25	59	24
		294	302	294	299

(a) Theft of conductors, cabling and network-related equipment, malicious damage to property and attempted theft

Actions to combat losses through criminal conduct are managed in collaboration with other affected state-owned companies, industry role players, the National Prosecuting Authority and SAPS, including:

- realignment of security contracts (scope and resources) and optimisation of deployment
- improve the Eskom asset disposal process and strategies
- focus on asset management and protection – researching and implementation of innovative solutions, i.e. unique marking and tracking capabilities
- drive policy and legislative changes to address scrap and market regulation
- introduction of integrated, intelligent and SMART security technologies and systems to reduce dependence on the human factor such as use of drones, intelligent cameras, alarm systems
- focused strategies and projects on revenue losses – metering, vending, tampering, disruptive operations, etc.
- minimising breaches that allow easy access to sites and assets by improving housekeeping, appropriate storing of material and equipment with well-functioning delay and deterring solutions to prevent or minimise impact
- deploying robust security systems that can detect and prevent crime and provide evidence that can be used for disciplinary or criminal processes
- ensuring consistent and continuous screening and vetting of contractors and staff to prevent and minimise insider threat involvement and collusion
- arrests and working with relevant role players to build strong cases and dockets leading to convictions

51. Information required by the Public Finance Management Act *continued*

51.3 Criminal conduct *continued*

(b) Estimated non-technical energy losses

Non-technical energy losses relate to losses due to electricity theft through illegal connections, tampering and bypassing of electricity meters as well as the purchase of electricity tokens from unregistered or illegal vendors. The management of non-technical losses focuses on ensuring that all energy supplied is accounted, including initiatives to minimise non-technical energy losses.

The reported losses represent the estimated cost of non-technical energy lost.

Total energy losses were as follows:

	2023		2022	
	%	GWh	%	GWh
Technical	**2.93**	**5 755**	2.89	5 943
Non-technical	**6.81**	**13 396**	6.73	13 835

Non-technical energy losses are determined by applying a scientific approach to measure total energy losses as the difference between energy produced and energy sold. Technical energy losses are derived based on known factors of the electrical grid such as conductor resistance, transformer and equipment losses. The residual of losses is attributed to non-technical losses.

A review was conducted of the methodology to split energy losses into technical and non-technical losses. The non-technical energy losses previously reported were restated as it was found that the pattern of the change in non-technical losses already existed at 31 March 2022.

	2022		
	Previously reported Rm	Adjustments Rm	Restated Rm
Non-technical energy losses	2 291	3 052	5 343

Eskom invoiced R346 million (2022: R752 million) of revenue relating to these losses during the year, of which R225 million (2022: R447 million) has been received.

(c) Fraud and corruption

Eskom concluded 56 (2022: 65) investigations into fraud during the year. The internal control measures in the affected areas have been reviewed and enhancements recommended to the accountable line managers for implementation. This includes controls, disciplinary, criminal and civil proceedings against those involved.

52. Reportable irregularities and matters under investigation

52.1 Reportable irregularities

The external auditors raised certain reportable irregularities in terms of section 45 of the Auditing Profession Act. Progress was made in clearing these reportable irregularities.

The table below reflects the status of the reportable irregularities at 31 March 2023. The discussion focused on items that were open at the previous year end and new items identified in the current year.

Description	Response	Status
Reportable irregularities – 31 March 2022		
1. Eskom failed to effect corrective action for identified non-compliance to the National Environmental Management Act, No. 107 of 1998 (NEMA) thereby breaching fiduciary duties.	• Response discussed in reportable irregularity number 7 below.	Encapsulated in finding 7
2. Certain financial records were not complete or accurately maintained in line with legislative requirements of the PFMA and Companies Act. This includes: • Incomplete registers relating to required PFMA disclosure which resulted in scope limitations relating to information not provided by management to the auditors. • Keeping of accurate and complete accounting records for preparing the annual financial statements. • Multiple non-compliances of PFMA (section 40, 51 and 55) and the Companies Act (section 28, 29 and 93). The inaccurate and incomplete financial record keeping is a material breach of the fiduciary duties of management.	• Response discussed in reportable irregularities number 10 and 13 below.	Encapsulated in findings 10 and 13
3. Tender documents were requested for audit purposes. These documents were purposefully destroyed in a fire. Management was made aware of the matter and failed to investigate whether there are additional circumstances around whether the documents were destroyed to avoid audit findings, and to ensure appropriate consequence management.	• The implicated employee was dismissed from Eskom's service. • The record management standards were updated to ensure record keeping is adequately covered and communicated to procurement practitioners and relevant business employees during December 2022. • The ethics training material will be updated to cover destroying of documents. It is compulsory for all employees to attend ethics training annually. • Awareness communication regarding the importance of retention of records were issued to all employees.	Closed
4. Allegations of financial misconduct against the accounting authority was not reported to the executive authority. Thus, the relevant executive authority could not ensure that an appropriate investigation process was followed and that disciplinary proceedings are initiated in terms of National Treasury regulations section 33.1.3.	• The matters have been reported to the accounting authority.	Re-reported in 2023 and subsequently closed
5. Due to the backlog of forensic cases, management are not meeting the requirements of section 33.1.2 of the National Treasury regulations and have not met the 30-day investigation deadline as required. In addition, management is not meeting its fiduciary duty requirements as delays in investigations will impact on Eskom's ability to mitigate any possible future exposures to financial losses and to implement effective consequence management. This results in the accounting authority not being in a position to confirm that all relevant matters are reported in terms of section 34(1) of the Prevention and Combatting of Corrupt Activities Act (PRECCA).	• Response discussed in reportable irregularity number 8 below.	Encapsulated in finding 8

52. Reportable irregularities and matters under investigation *continued*

52.1 Reportable irregularities *continued*

Description	Response	Status
Reportable irregularities – 31 March 2022 *continued*		
6. Management has not complied with sections 51(1)(a)(i), 51(1)(e)(iii) and 55(1)(a) of the PFMA as they failed to: • Conduct investigations of instances of irregular and fruitless and wasteful expenditure reported in previous years to determine if disciplinary steps need to be taken against liable officials. • Take disciplinary actions against any official who made or permitted irregular and fruitless and wasteful expenditure based on the outcome of investigations. • Provide supporting documentation to confirm that disciplinary steps were taken against all the officials who made or permitted irregular and fruitless and wasteful expenditure based on the outcome of investigations and whether the outcome of disciplinary processes were executed.	• Response discussed in reportable irregularity number 11 below.	Encapsulated in finding 11
Reportable irregularities – 31 March 2023		
7. Eskom failed to effect corrective action for identified non-compliance to the NEMA, National Water Act (NWA) and National Environmental Management: Air Quality Act (NEM: AQA) at multiple power stations, specifically the following: • section 28 and 30 of NEMA • section 19, 20, 21, 22 and 53 of NWA • section 21, 22 ,47, 51 ,52 and 53 of NEM: AQA Notices have been levied by the authorities for some of these non-compliances, resulting in a risk of sanctions from the authorities as well as referral to the National Prosecuting Authority for criminal investigation. These breaches lead the auditors to believe the non-compliance with NEMA, NWA and NEM:AQA are breaches of the fiduciary duties of the directors of the company.	• Incidents of non-compliance are reported to the authorities and investigations are undertaken to ensure that appropriate corrective and preventative measures are put in place. The risks relating to the non-compliances are appropriately reported and tracked at the relevant management levels. Progress of all open actions is tracked by the power stations and reported both internally and to the authorities. • No further correspondence has been received on the criminal investigation at Tutuka power station. The matters raised in the compliance notice (water use licence audit findings) are being addressed and progress has been made with addressing the root causes of non-compliance. The flow of polluted water from the dirty water dam has been stopped since May 2023. • A water improvement plan is being implemented which aims to address the root causes that result in unlawful water overflows. • The criminal case against Eskom in respect of the atmospheric emission licence non-compliance at Kendal power station between April 2015 and April 2019 is ongoing. The matter has been set down to commence trial on 1 November 2023. The emission recovery plan agreed to as a condition of the atmospheric emission licence compliance directive issued in 2019 continues to be implemented at Kendal power station. • An air quality implementation plan is being implemented that includes key objectives to: – Minimise the impact of Eskom's emissions on human health and the natural environment. – Maintain Eskom's licence to operate by ensuring compliance with air quality legislation, including power station atmospheric emission licences and minimum emission standards. • Poor technical performance and ageing of coal-fired stations remain a risk and continue to lead to the unlawful release of water and unlawful air emissions.	Open, pending outcome of court case and implementation of action items

Description	Response	Status
Reportable irregularities – 31 March 2023 *continued*		
8. Certain duties have not been fulfilled. These include: • Contravention with the requirements of National Treasury regulation section 33.1.2 as there were delays within the investigative functions of the organisation in initiating and finalising forensic investigations and allegations of misconduct of individuals in key roles. • Management also did not meet its fiduciary duty requirements as delays in investigations will impact Eskom's ability to mitigate any possible future exposures to financial losses in contravention to the requirements of section 50 (1) of the PFMA. • The aggregate of these matters led the auditors to believe that management and the board have not acted in good faith, in the best interest of the company and with the appropriate diligence and skill expected of a person carrying out the same function in breach of section 76 of the Companies Act. • The accounting authority was, as a result, not in a position to confirm that all relevant matters are reported in terms of section 34(1) of PRECCA.	• Weaknesses and opportunities for improvement have been identified. • Some of the investigations have not been finalised in line with the National Treasury regulations due to the complexity thereof. • The use of panels and other mechanisms have been implemented to assist with addressing the backlogs in investigations. • The use of external firms from the forensics panel has been increased and has yielded significant progress towards closing of cases. It is envisaged that the backlog will be addressed by the end of the 2024 financial year. • Disciplinary processes where there have been allegations of misconduct have been instituted against individuals within the organisation. • Suitable individuals with the necessary qualifications have been appointed and provided with the necessary delegation to act in positions where individuals were suspended or exited the business. Permanent appointments can only be made once investigations have been completed.	Open, pending finalisation of forensic backlog and disciplinary inquiries
9. A procurement contract was awarded to a close family member (related party) of a member of management of the company. This conflict of interest contravened PFMA sections 50(3)(a) and 51(1)(b)(ii), PRECCA provision 17 and Public Service regulations clause 91.	• An independent legal opinion has been obtained. • A disciplinary process has been initiated. • The matter has been reported in terms of PRECCA requirements. • The process is expected to be concluded by the end of November 2023 and all related legal reporting requirements will be considered and actioned.	Open, pending conclusion of action items
10. Certain financial records were not complete or accurately maintained in line with legislative requirements of the PFMA and Companies Act. This includes: • Incomplete registers relating to required PFMA disclosure which resulted in scope limitations relating to information not provided by management to the auditors. • Inadequate management action commitment to address PFMA disclosure deficiencies identified in the prior period. • Multiple non-compliances of PFMA (section 49, 51 and 55) and the Companies Act (section 28, 29 and 93). The inaccurate and incomplete financial record keeping is a material breach of the fiduciary duties of management.	• Addressing the PFMA reporting challenge is a key priority of the Eskom board that is actively being overseen by the Audit and Risk Committee. • Management acknowledged that there are significant internal control deficiencies in the PFMA reporting process and are taking steps as a key focus area to improve controls, enhance compliance with relevant regulations, and foster a culture of accountability and transparency within the organisation. • The role of the loss control function and the execution of its mandate will be reviewed to ensure that it is adequately positioned and resourced to address the weaknesses in the PFMA reporting process. • A review is currently being conducted on the number of resources necessary to fulfil the role of the loss control function and management also plan to review the reporting structure of the loss control function. • The role and accountability of business in the PFMA reporting process will be reviewed to ensure that it is clearly defined with enhanced management and reporting processes. Reliance on business to identify non-compliance is critical and managers must play an active role in overseeing controls and reporting of PFMA information. It will be re-confirmed that it is the responsibility of the respective divisional and subsidiary boards to oversee this process. • Quarterly feedback on the status and progress in improving internal controls will be provided to Exco and Audit and Risk Committee. • All managerial and executive employees are required to attend PFMA training annually. An attendance tracking process is in place. • Quarterly reporting to National Treasury is in place. Information is submitted from a divisional level and is consolidated by the loss control function into the final reports.	Open, pending addressing of PFMA reporting challenges

52. Reportable irregularities and matters under investigation *continued*

52.1 Reportable irregularities *continued*

Description	Response	Status
Reportable irregularities – 31 March 2023 *continued*		
11. Investigations into alleged financial misconduct relating to instances of irregular, fruitless and wasteful expenditure and performing the necessary disciplinary procedures and consequence management was not done timeously in line with the legislative (sections 51(1)(e)(iii) and 55(1)(a)) of the PFMA and related treasury regulations (paragraph 31.1.1 and 33.1.2). This includes: • Conducting investigations into instances of irregular and fruitless and wasteful expenditure to determine if disciplinary steps needed to be taken against liable officials. • Following inadequate investigation processes to arrive at conclusions. • Taking disciplinary actions against any official(s) who made or permitted irregular and fruitless and wasteful expenditure based on the outcome of investigations. • Providing supporting documentation to confirm that disciplinary steps were taken against all the officials who made or permitted irregular and fruitless and wasteful expenditure based on the outcome of investigations. • Providing evidence to confirm that recommendations of completed disciplinary hearings were implemented. • Conducting investigations into alleged financial misconduct within 30 days of the incidents being reported.	• Management acknowledged that there are internal control deficiencies in the consequence management process and is in the process of developing a plan to address the shortcomings. • A focus area will be to strengthen a culture around accountability and implementtation of effective policies as well as responding consistently and fairly to incidences of non-compliance. It is important that the consequence management process is applied consistently to all employees, regardless of their position or status within the organisation. • A review will be conducted on the reporting structure and number of resources necessary in the business to improve the consequence management process. • An interconnected process between the loss control function and divisional, forensic and people relations department will be developed to address the non-compliances. • The escalation process to a higher level of matters that are not adequately addressed will be redefined to ensure accountability at all levels. • Policies and procedures will be amended to include consideration of a progressive disciplinary approach in cases of repeat non-compliance. • Training will be provided to staff to ensure understanding of the policies and the implications thereof. • A detailed record of non-compliant incidents with the actions taken and consequence management applied will be maintained as proper record keeping is crucial in legal and ethical proceedings. • Quarterly feedback on the status and progress of consequence management will be provided to Exco, the Audit and Risk Committee, Human Capital and Remuneration Committee and Social, Ethics and Sustainability Committee.	Open, pending implementation of improvements
12. Management has not complied with section 17(2) of the Powers, Privileges and Immunities of Parliaments and Provincial Legislatures Act (Act 4 of 2004) regarding misleading information provided to the Standing Committee on Public Accounts (SCOPA). Management omitted to correct the misrepresentations made.	• The incorrect reporting in past submissions have been investigated. The process is impacted by the short notice and turnaround period of information requests, even though the submitted information was clearly indicated as being based on draft information at the time of submitting. • Feedback will be provided to SCOPA to clarify incorrect reporting. • A register and history of submitted information will be implemented. • The review and approval process for submissions to the parliamentary committees will be improved. • Information with supporting evidence will be signed-off by the relevant divisional and group management before submission. • Information will be reviewed for accuracy by internal audit before submission.	Open, pending implementation of improvements and reporting to SCOPA.

Description	Response	Status
Reportable irregularities – 31 March 2023 *continued*		
13. Management did not discharge their fiduciary duty as they failed to ensure that the entity's complete and accurate financial statements were submitted to National Treasury and the auditors on 31 May 2023, as required by the PFMA section 55. The same matter was identified in the prior year which highlights that there are failures within the financial reporting controls which have not been rectified and put in place as required by the PFMA section 51.	• It has been challenging in recent years for Eskom to meet the deadline for complete and accurate draft annual financial statements by 31 May due to the size and complexity of the group's operations, as well as the material risks and challenges that Eskom is facing, including the impact of ongoing investigations into the challenge of criminality. • The extent and effort to address the PFMA reporting challenges also impacts on the practicality of meeting the May reporting deadline. • Additional financially skilled resources are required to deal with the complex and stressful challenges of Eskom's current operating environment. The need for identified additional financial resources will be addressed, particularly for expert technical and process control monitoring skills. • The finance business partnering matrix will be improved and aligned. • Review and discipline around reporting will be strengthened to ensure timeous and complete submissions, including a focused hard-close before year end. • A process is underway to implement the use of artificial intelligence to assist with identifying areas of control deficiencies. • A workshop will be held between management and auditors to review and identify areas for improvement in the reporting and auditing process.	Open, pending implementation of improvements

52.2 Matters under investigation

There are currently various internal and external investigations being conducted into alleged fraud and malfeasance by current and former Eskom employees as well as external parties. Eskom is working with relevant authorities regarding these matters.

Appendix – abbreviations, acronyms and definitions

Accounting, audit and other financial terms	
CGU	Cash Generating Unit
DRC	Depreciated Replacement Cost
EBITDA	Profit before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain
GDP	Gross Domestic Product
IAS	International Accounting Standard/(s)
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard/(s)
ISA	International Standards on Auditing
PPI	Producer Price Index
R	Rand
Rm	Rand millions
VAT	Value Added Tax
WACC	Weighted Average Cost of Capital

Currencies	
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	Pound Sterling (United Kingdom)
JPY	Japanese Yen
SEK	Swedish Krona
USD	United States Dollar
ZAR	South African Rand

Entities	
Company	Eskom Holdings SOC Ltd
EFC	Eskom Finance Company SOC Ltd
EPPF	Eskom Pension and Provident Fund
Escap	Escap SOC Ltd
Eskom Uganda	Eskom Uganda Ltd
Group	Eskom Holdings SOC Ltd and its subsidiaries
Motraco	Mozambique Transmission Company SARL
NEDCSA	National Electricity Distribution Company South Africa SOC Ltd
NTCSA	National Transmission Company South Africa SOC Ltd
Nqaba	Nqaba Finance 1 (RF) Ltd
Rotek	Eskom Rotek Industries SOC Ltd
UEGCL	Uganda Electricity Generation Company Ltd
UETCL	Uganda Electricity Transmission Company Ltd

Legislation	
Companies Act	Companies Act, No. 71 of 2008
Insurance Act	Insurance Act, No. 18 of 2017
MFMA	Municipal Finance Management Act
NEMA	National Environmental Management Act, No. 107 of 1998
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
PPPFA	Preferential Procurement Policy Framework Act, No. 5 of 2000
PRECCA	Prevention and Combating of Corrupt Activities Act, No.12 of 2004

Measures	
GWh	Gigawatt hour
kg	Kilogram
km	Kilometre
kWh	Kilowatt hour
kWhSO	Kilowatt hour Sent Out
ℓ	Litre
Mt	Million tons
MVA	Mega volt ampere
MW	Megawatt
MWh	Megawatt hour
MWhSO	Megawatt hour Sent Out
TWh	Terawatt hour

Other	
Alco	Asset and Liability Committee
Board	Board of Directors
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant of South Africa
CIDB	Construction Industry Development Board
CSI	Corporate Social Investment
DFFE	Department of Forestry, Fisheries and Environment
DMRE	Department of Mineral Resources and Energy
DPE	Department of Public Enterprises
EAF	Energy Availability Factor
EUF	Energy Utilisation Factor
Exco	Executive Committee
GE	Group Executive
IPP	Independent Power Producer
KPI	Key Performance Indicator
MTBPS	Medium-term Budget Policy Statement
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
NPA	National Prosecuting Authority
OCGT	Open Cycle Gas Turbine
OCLF	Other Capacity Loss Factor
RAB	Regulatory Asset Base
RCA	Regulatory Clearing Account
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Services
SCOPA	Standing Committee on Public Accounts
SIU	Special Investigations Unit
TMPS	Total Measured Procurement Spend
UCLF	Unplanned Capacity Loss Factor
Zondo Commission	Judicial Commission of Inquiry into Allegations of State Capture

Definitions	
Cash interest cover ratio	Net cash flows from operating activities divided by the aggregate of interest paid and received from financing activities
EBITDA	Revenue plus other income minus primary energy, employee benefit expense, impairment of financial assets, impairment of other assets and other expenses
EBITDA margin	EBITDA divided by revenue
Free funds from operations	Net cash flows from operating activities minus cash flows from changes in working capital
Liquid assets	Treasury investments plus cash and cash equivalents
Net debt	Debt securities and borrowings plus lease liabilities minus treasury investments minus financial trading assets plus financial trading liabilities plus derivative liabilities held for risk management (used to hedge other items of net debt) minus derivative assets held for risk management (used to hedge other items of net debt) minus payments made in advance (used to secure borrowings raised) minus cash and cash equivalents
Net debt service cover	Net cash flows from operating activities divided by the aggregate of debt repaid and interest paid and received from financing activities
Net profit margin	Net profit divided by revenue
Working capital current assets	Inventories plus payments made in advance (current portion) plus trade and other receivables (current portion) plus taxation asset
Working capital current liabilities	Trade and other payables (current portion) plus payments received in advance (current portion) plus provisions (current portion) plus employee benefit obligations (current portion) plus taxation liability
Working capital ratio	Working capital current assets divided by working capital current liabilities

Refer to the integrated report for definitions relating to the shareholder compact key performance indicators.

Contact details

Telephone numbers		Websites and email addresses	
Eskom head office	+27 11 800 8111	Eskom website	www.eskom.co.za Contact@eskom.co.za
Eskom Media Desk	+27 11 800 3343 +27 11 800 3378 +27 11 800 6103	Eskom Media Desk	MediaDesk@eskom.co.za
Investor Relations	+27 11 800 2775	Investor Relations	InvestorRelations@eskom.co.za
Eskom whistle-blowing hotline	0800 112 722	Forensic investigations	Investigate@eskom.co.za
DPE whistle-blowing hotline	0800 111 628	DPE whistle-blowing website	www.thehotlineapp.co.za DPE@thehotline.co.za
Eskom Development Foundation	+27 11 800 8111	Eskom Development Foundation	www.eskom.co.za/csi CSI@eskom.co.za
National call centre	08600 ESKOM or 08600 37566	Promotion of Access to Information Act requests	PAIA@eskom.co.za
Customer SMS line	35328	Customer Service	CustomerServices@eskom.co.za
Facebook	EskomSouthAfrica	YouTube	EskomOfficialSite
Twitter	Eskom_SA	MyEskom Customer app	App Store / Google play

Physical address	Postal address
Eskom Megawatt Park 2 Maxwell Drive Sunninghill Sandton 2157	PO Box 1091 Johannesburg 2000
Group Company Secretary	**Company registration number**
Office of the Company Secretary PO Box 1091 Johannesburg 2000	Eskom Holdings SOC Ltd 2002/015527/30

Feedback on or queries relating to our report may be directed to IRfeedback@eskom.co.za
Our suite of reports covering our integrated results for 2023 is available at
https://www.eskom.co.za/investors/integrated-results/