ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

Contents

The annual financial statements were prepared under the supervision of the chief financial officer, C Cassim CA(SA). The financial statements have been audited in compliance with section 30 of the Companies Act of South Africa, 71 of 2008 (Companies Act), and approved by the board of directors (board) on 18 December 2024.

The audited financial statements of the group and company as at and for the year ended 31 March 2024 are available for inspection at the company's registered office and were published on 19 December 2024. 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 2024

The directors are pleased to present their report for the year ended 31 March 2024.

Nature of the business

Eskom Holdings SOC Ltd (Eskom) and its subsidiaries (together the group) is South Africa's primary electricity supplier through the vertically integrated regulated electricity business (Eskom and National Transmission Company South Africa SOC Ltd (NTCSA)) 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. The group also purchases electricity from independent power producers (IPPs) and international suppliers in southern Africa.

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

The group'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 primary business focus of the other subsidiaries is to support the electricity business.

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.

Dr M Nyati was appointed as chairman of the Eskom board of directors with effect from 31 October 2023 after Mr PM Makwana resigned on 30 October 2023.

Cabinet approved the appointment of Mr DL Marokane as the group chief executive in December 2023. He officially joined Eskom from 1 March 2024 and Mr C Cassim then resumed his role as group chief financial officer. These changes contributed to leadership stability which is crucial for the execution of key strategic initiatives relating to financial and operational sustainability, facilitating a competitive energy industry, modernising the power system and the net zero emissions.

Loadshedding was required on 329 days (2023: 280 days) during the year, partly due to the unavailability of three Kusile units resulting from the failure of the flue-gas duct and two Koeberg units on consecutive planned outage. The successful execution of the Generation Recovery Plan, combined with interventions under the President's Energy Action Plan overseen by the National Energy Crisis Committee, have led to a significant improvement in the reliability, efficiency and availability of the coal-fired generation fleet resulting in loadshedding last being implemented on 26 March 2024. Despite the recent stability of the power system, it remains unpredictable and unreliable with the risk of loadshedding expected to remain until the capacity shortfall of 4 000MW to 6 000MW is addressed.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was R43.4 billion (2023: R34.6 billion restated) and the EBITDA margin improved to 14.7% (2023: 13.3% restated) mainly due to the growth in revenue because of the regulatory standard tariff increase of 18.7% for Eskom's direct customers from 1 April 2023 despite a 2.7% decline in sales volume because of loadshedding, load curtailment and a general decline in the economy. This was partially offset by additional expenditure on primary energy related expenses mainly because of operational challenges. The group recorded a net loss after tax of R55 billion for the year (2023: R26.1 billion restated) representing an increase of R28.9 billion that mainly resulted from the derecognition of R36.6 billion deferred tax assets. Refer to note 14.

Liquidity in the long term after the debt relief period remains at risk due to financial sustainability challenges arising from an inadequate tariff path, high debt service costs, escalating arrear debt as well as poor generating plant performance that would require reliance on expensive Eskom and IPP open cycle gas turbines (OCGT) to supplement the electricity supply should the current improved generating plant performance and reliability deteriorate.

A key focus area to improve liquidity and ultimately financial sustainability is to drive savings on the group's annual cost base. The group aims to achieve savings by limiting cost growth and, where possible, reducing costs or identifying income opportunities. Savings and income opportunities of R9.9 billion were recorded for the year against the shareholder compact target of R22.4 billion.

The combat of crime, fraud and corruption remains a priority, including addressing the risks relating to the discovery of the creation of a large number of illicit prepaid electricity tokens in Eskom's online vending environment.

Eskom received R76 billion through the debt relief arrangement during the current year, of which R44 billion was approved for conversion to equity by 31 March 2024 and the remaining R32 billion was approved for conversion to equity on 29 July 2024.

One of the debt relief conditions requires that all net cash proceeds from the sale of non-core assets, including Eskom Finance Company SOC Ltd (EFC), may only be used to settle debt and interest payments. The debt relief support was reduced by R2 billion in both 2024 and 2025 to R76 billion and R64 billion respectively after agreement with National Treasury. Progress has been made to dispose of EFC with the Eskom board accepting an offer from African Bank Limited in October 2024, subject to Public Finance Management Act, 1 of 1999 (PFMA) and other relevant regulatory approvals.

There has been a low level of compliance with the municipal debt relief programme as 46 municipalities out of a total of 71 municipalities that received approval or conditional approval from National Treasury by 31 March 2024 did not comply and failed to fully settle their current accounts. National Treasury is engaging with these municipalities highlighting the risk of their participation in the program being terminated due to non-compliance after which Eskom will be allowed to resume its credit control and debt management policies and any legal proceedings. The programme continues to deliver disappointing results with 61 municipalities not complying with the conditions by 30 November 2024 resulting in these municipalities moving into default. One municipality has met the compliance cycle for 12 consecutive months resulting in a write-off of R0.3 billion in November 2024.

National Treasury issued instruction letters to Eskom on 16 December 2024 to write off one-third of the ringfenced debt for five municipalities to the value of R3.0 billion, even though these municipalities have not fully complied with the conditions of the municipal debt relief programme at the close of their first cycle. National Treasury also confirmed that where these municipalities were not maintaining their current accounts, the shortfall of R3.5 billion should be settled in four instalments from January 2025 to April 2025, failing which National Treasury will consider the removal of the municipality's participation in the municipal debt relief programme. Breach notices have been issued and engagements between all parties, including National Treasury, is underway. Impending termination letters as a warning to non-compliant municipalities were issued by National Treasury in December 2024. Eskom continued with its credit management processes for municipalities that breached their debt relief conditions.

The corporate strategy is being reviewed and improved to ensure the focus remains on addressing significant changes as the dynamic and evolving environment in which the group operates requires a resilient and adaptable strategy. Following workshops between the executive committee (Exco) and the board, three areas of elevated priority were identified for the organisation which include recovering generation operational performance to end loadshedding, driving the unbundling of Eskom by ensuring operationalisation and commencement of trade by NTCSA in 2025 and preparing for the next phase of the legal separation by revising the business models in line with the liberalisation and decarbonisation of the electricity supply industry.

All the suspensive conditions were met and/or waived between Eskom and NTCSA on 31 March 2024 to effect the merger agreement and operationalise NTCSA resulting in the accounting of the disposal of the transmission division to NTCSA on 31 March 2024 as described in note 12. NTCSA commenced trading on 1 July 2024 as a wholly owned subsidiary of Eskom. This signifies a key development in executing the government's policy of creating a restructured, competitive and dynamic electricity market as well as in Eskom's turnaround plan.

The board considered that there are uncertainties and dependencies relating to the going-concern assessment of the group and company that exist both from a timing of intervention perspective as well as whether the plans will materialise as anticipated. The events, conditions and assumptions described in note 3.2 inherently include material uncertainties that may cast significant doubt on the going concern of the group and company.

The board has a reasonable expectation that the risks relating to the going concern 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 during the debt relief period will be funded from cash from operations. The board concluded after carefully considering the progress of the initiatives included 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 and company have 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.

Operational performance

Outage performance and recovery plans have been hampered in recent years by the late release of funds because of the group's constrained liquidity position. The release of funding for planned maintenance was possible because of the debt relief which improved the situation and allowed for key outage readiness activities such as the ordering of spares and other long-lead materials, issuing of task orders, finalising the integrated schedule and the aggressive planned maintenance programme which is part of the Generation Recovery Plan. Performance of the outage readiness indicator at T-3 for the year remained below the shareholder compact target of 80% despite the improved release of funding during the year.

Eskom and IPP-owned OCGTs continues to be used extensively during the year due to the poor performance of the coal-fired generation fleet as well as lower production by renewable energy IPPs. The OCGT load factor for the year increased to 17.0% (2023: 14.3%) against a target of 12.0%. The additional OCGT costs were offset against under expenditure in other primary energy cost categories.

The most significant deterioration in operational performance is evident in the increased number of loadshedding days that were required during the year mainly because of increased planned maintenance and less than expected production by IPPs. Loadshedding and load curtailment were as a result implemented for 6 367 hours (2023: 5 557 hours), reducing supply by an estimated 13 215GWh (2023: 13 476GWh).

Technical performance

Generation performance

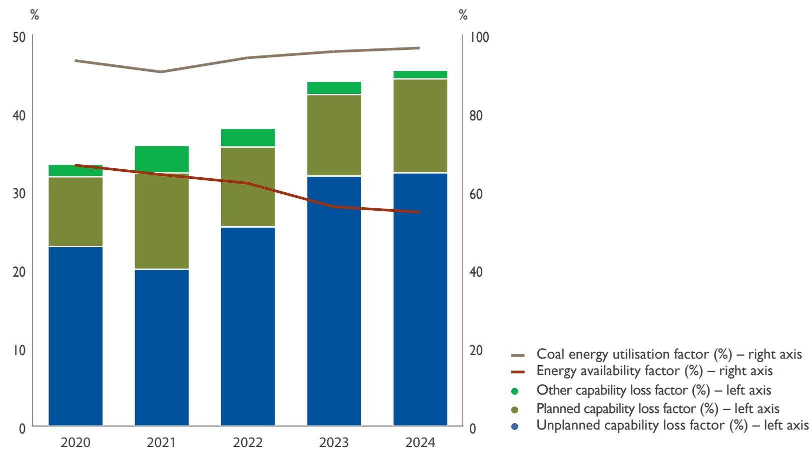
The continued operation of four older power stations (Camden, Hendrina, Grootvlei and Arnot) up to 2030 has been approved to retain their dispatchable capacity due to prioritisation of energy security. The Just Energy Transition strategy has been decoupled from the planned power station shutdown which means that the repurposing and repowering projects at the power stations are planned to be rolled out in parallel with the continued operations.

Plant-related actions were consolidated into an online database through a generation recovery action tracker per station that allows improved and continuous tracking and monitoring against station specific goals. The tracker was rolled out to all 14 coal-fired power stations. Approximately 3 045MW of 3 115MW (98%) of the generation recovery actions were executed and completed.

The energy availability factor (EAF) target of 65% for 2024 was not achieved as the EAF of the generating plant deteriorated to 54.6% (2023: 56.0%) partly due to the unavailability of three units at Kusile and the planned outages of the two Koeberg units. Unplanned partial and full load losses (UCLF) increased to 32.3% (2023: 31.9%). 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 the year ending 31 March 2025 and at least 70% by the end of March 2025.

The energy utilisation factor (EUF) for the entire generation fleet increased to 81.8% (2023: 81.5%). The high average fleet EUF was largely due to coal-fired power stations running at an average EUF of 96.5% (2023: 95.6%) with all coal-fired power stations recording EUF levels above 90%. Coal EUF levels remains above the international norm of around 75% and negative technical consequences remain a risk over the long term due to the age of the fleet.

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



Eskom continues to make progress on the long-term operational activities to operate the Koeberg power station for another 20 years beyond 2024. Koeberg unit 1 was connected to the grid in December 2023 after a planned long-duration outage. The outage of Koeberg unit 2 with a similar long refuelling and maintenance outage as unit 1 to replace the three steam generators began on 11 December 2023. The three steam generators have been successfully placed in position with the return to service of unit 2 expected in January 2025.

Operational performance (continued)

Technical performance (continued)

Generation performance (continued)

The National Nuclear Regulator (NNR) separated the licence expiry dates for Koeberg unit 1 and 2 on 25 January 2024 to ensure alignment with each unit's design life of 40 years. The licence expiry date for unit 1 therefore remained as 21 July 2024 and was extended to 9 November 2025 for unit 2. The NNR also announced its decision to grant Eskom a licence to continue operating unit 1 for another 20 years to 21 July 2044 on 15 July 2024 and deferred the decision on unit 2 as some of the prerequisites for long-term operation are still being implemented in the current outage of unit 2.

All coal power stations had coal inventory above their individual minimum inventory holding levels at 31 March 2024. Normalised coal inventory of 45 days (2023: 29 days) (excluding coal inventory at Medupi power station) improved compared to the prior year. Eskom continues to work with mines on initiatives to improve coal quality with specific initiatives focused on the supply to Matla power station where the majority of the coal quality-related load losses occurred during the year. The coal quality from short- and medium-term suppliers across the system improved, which accounts for around 35% of coal supplied, due to initiatives such as verification sampling.

Network performance

Transmission system reliability improved compared to the prior year with a decrease in system minutes lost <1 minute to 3.3 minutes (2023: 4.7 minutes). This was due to a reduction in the number of interruption incidents, improved restoration response and reduced exposure to theft-related events.

Distribution network performance remained stable. Energy losses increased marginally to 9.9% (2023: 9.7%), totalling 19 166GWh (2023: 19 151GWh) with an increase in the estimated non-technical losses to 13 924GWh (2023: 13 396GWh) for the year. Refer to note 51.3. Distribution continues to execute various initiatives to reduce both technical and non-technical energy losses whilst a review of the loss curtailment strategy is underway.

Theft, vandalism and overloading of both networks and transformers continue to contribute to increased system interruptions that impact on resource availability. The management of overloading of transformers caused by illegal connections is a key focus area. Plans to modernise the grid and sustain the distribution network performance include constructing around 4 000km of medium- and high-voltage lines with a capacity of about 1 400MVA during the next five years.

Environmental performance

Relative particulate emissions performance deteriorated to 0.8kg/MWh sent out (2023: 0.7kg/MWh sent out) due to ash and dust handling plant issues as well as poor performance of electrostatic precipitator and sulphur trioxide plant. Combined Lethabo, Kriel, Matla and Kendal power stations contribute to more than half of the total emitted particulate matter.

The criminal matter regarding the air quality of Kendal power station instituted against Eskom and its board has again been postponed by the court to January 2025. The emission recovery plan continues to be implemented as required by the atmospheric emission licence compliance directive received in 2019.

The Minister of the Department of Forestry, Fisheries and the Environment (DFFE) issued a decision on 23 May 2024 granting Eskom's request for the suspension of the minimum emissions standards limits for power stations operating up to 2030 and provides for an exemption process for plants operating beyond 2030. An exemption application for power stations operating beyond 2030 was submitted in December 2024 after a public consultation process in November 2024.

The target for specific water usage was not met with 1.43ℓ/kWh sent out (2023: 1.39ℓ/kWh sent out) against the target of 1.38ℓ/kWh sent out for the year. Water performance across the fleet continues to be negatively affected by poor water management practices linked to operational challenges as well as low load factors.

Safety

The group is committed to the health, safety and Zero Harm of its employees, contractors and members of the public. Steps are being taken to ensure that risks and opportunities are being managed and that the value of Zero Harm is being entrenched throughout the organisation.

The lost-time injury rate target of 0.30 for the year was achieved with a rate of 0.29 (2023: 0.26). There were two employee fatalities (2023: one), three contractor fatalities (2023: three) and 32 public fatalities (2023: 17) which include 12 (2023: one) coal haulage related incidents during the year. Public fatalities were restated to include coal haulage incidents.

Capacity expansion programme

Significant construction work was completed from inception to 31 March 2024 under Eskom's capacity expansion programme resulting in the addition of 15 529MW (2023: 15 529MW) of installed generation capacity, 8 622km (2023: 8 548km) high-voltage transmission lines and 39 528MVA (2023: 39 505MVA) substation capacity to the national grid. Generation capacity is anticipated to increase by 17 130MW by 2025 with completion of the programme expected by 2028.

The focus 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 at Medupi power station with the target for full project completion of December 2025. There are five units in commercial operation, connected and supplying energy to the national grid while the turbine repairs for unit 4 is currently in progress, following the generator explosion in August 2021.

Commercial operation was achieved for four units at Kusile power station by 31 March 2024. The three units that were offline since October 2022 following the failure of the flue-gas duct were returned to service. Progress was made on the permanent solution to repair the flue-gas duct and is estimated to be completed by March 2025. Commercial operation at unit 5 was achieved on 30 June 2024 contributing 799MW of installed capacity to the grid. The first synchronisation of unit 6 is expected by the end of the 2025 financial year and commercial operation is targeted for six months thereafter with the final completion of the Kusile power station expected in May 2027.

Kusile power station was fitted with wet flue-gas desulphurisation emission abatement technology in line with current international practice to ensure compliance with air quality standards. The Medupi power station flue-gas desulphurisation project is currently in the development phase. The project completion forecast, pending board approval, is targeted for September 2032 with anticipated costs of R41.8 billion which is subject to change.

The interventions to correct major plant defects at new build projects will ultimately ensure that the plant achieves contractual levels of performance. Current interventions resulted in improvements which are evident at Medupi power station where the EAF improved by an average of 20% and at Kusile unit 4 where the reliability and availability is improving steadily.

The target for transmission lines installed was not achieved due to tender delays on one of the lines. The transformer capacity installed and commissioned target was also not achieved due to unforeseen delays resulting from commissioning challenges of transformer protection schemes. Focus remains on accelerating project development and execution as well as closely monitoring contractor performance on projects in execution to strengthen the network through the Transmission Development Plan to support the grid connection with additional capacity.

The National Energy Regulator South Africa (NERSA) issued two licences to Eskom on 29 October 2024 that allow Eskom to operate the Sere and Lethabo solar photovoltaic power plants in the Western Cape and Free State provinces.

Connections of 114 800 (2023: 102 590) households were completed during the financial year under the electrification programme funded by Department of Mineral Resources and Energy (DMRE).

A total of 98 IPP projects with a capacity of 7 638MW (2023: 7 467MW) were connected to the grid since inception of the Renewable Energy IPP Programme in 2011. The group has 119 power purchase agreements in place at 31 March 2024 with a total capacity of 9 645MW. A total of 90 renewable energy IPP projects with a capacity of 6 180MW (2023: 6 106MW) are in operation. Eskom also procured energy from two peaker IPP OCGTs with a capacity of 1 005MW as well as through two short-term programmes and the Risk Mitigation IPP Procurement Programme with capacity of 160MW and 150MW respectively.

Refer to page 70 of the integrated report for more information.

Financial performance

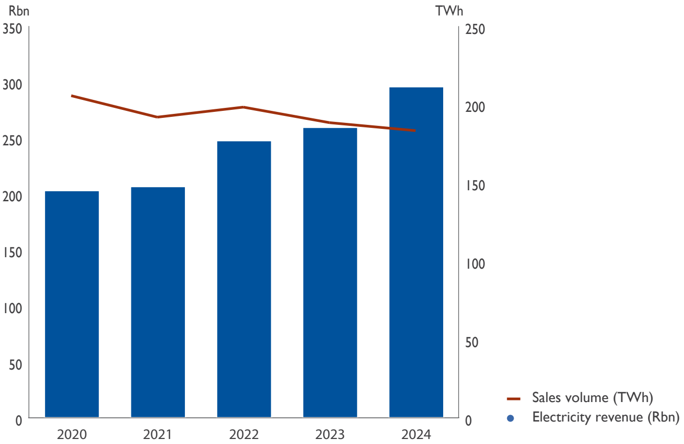
Performance

EBITDA performance of the group improved by R8.8 billion to R43.4 billion (2023: R34.6 billion restated) mainly due to increased revenue in the current year. The net loss before tax of R25.5 billion (2023: R34.6 billion restated) reflected an improvement in performance of R9.1 billion.

The net loss after tax of R55.0 billion (2023: R26.1 billion restated) increased by R28.9 billion compared to 2023 mainly due to the derecognition of the deferred tax asset as it is expected that Eskom will not generate sufficient taxable income against which the unused tax losses can be utilised over the period of the 2025 to 2029 Eskom Corporate Plan even though Eskom is expected to return to a tax paying position over the forecast period. Refer to note 14.

Revenue increased by R36.3 billion to R295.8 billion (2023: R259.5 billion) mainly due to the standard tariff increase of 18.7% allowed by NERSA, offset by a year-on-year decline in total sales volumes of 5 090GWh to 183 311GWh (2023: 188 401GWh). Revenue was negatively impacted by the revenue not recognised of R17.2 billion (2023: R15.8 billion) where collectability criteria were not met offset by R8.3 billion (2023: R7.6 billion) revenue recognised from customers on the cash basis. The average electricity price amounted to 165.43c/kWh (2023: 141.38c/kWh) for the year.

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



Primary energy expenses increased to R173.7 billion (2023: R156.8 billion restated) for the year although there was a decrease in production of 4TWh. Eskom's own generation costs increased to R117.9 billion (2023: R108.6 billion restated) for the year. Expenditure on

Eskom-owned OCGT costs increased to R26.6 billion (2023: R21.4 billion) due to higher production of 3 634GWh (2023: 3 018GWh) because of generation capacity shortages due to poor plant performance, delays in short-term IPP programmes as well as lower imports. IPP expenditure increased to R47.8 billion (2023: R41.8 billion) due to more extensive use of IPP OCGTs and higher generation by renewable IPPs. Primary energy expenses also increased by R2.8 billion during the year because of fuel levy refunds that were disallowed by the South African Revenue Services (SARS). The dispute relating to fuel levy refunds was resolved on 18 October 2024 resulting in a net amount of R9.2 billion payable to Eskom.

The prior year primary energy expense was restated for certain changes in the measurement of power station-related environmental restoration and mine-related closure, pollution control and rehabilitation provisions that were incorrectly credited to profit or loss instead of deducted from the cost of the related assets in terms of International Financial Reporting Interpretations Committee (IFRIC®) 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Employee costs increased by R2.8 billion to R35.1 billion (2023: R32.3 billion) for the year, representing an 8.6% increase compared to the prior year largely due to employee salary adjustments together with a 2.6% increase in headcount to address skills shortages and rebuilding the skills pipeline.

Other expenses increased by R5.0 billion to R41.4 billion (2023: R36.4 billion restated) for the year, mainly due to additional repairs and maintenance and plant operating costs in line with the Generation Recovery Plan.

The impairment on financial assets amounted to R3.0 billion (2023: R1.0 billion) for the year, mainly relating to overdue municipal receivables. The write down on other assets amounted to R0.4 billion (2023: R1.2 billion) which relates mainly to the impairment of the value added tax (VAT) portion on cash receivables of R0.7 billion offset by inventory adjustments.

Depreciation increased by R1.3 billion to R33.2 billion (2023: R31.9 billion restated) representing a 4.1% increase compared to the prior year. The increase is mainly due to commissioning of new generating units and accelerated depreciation because of changes in useful lives and residual values of generating assets.

The group recorded a net fair value and foreign exchange gain on financial instruments, excluding embedded derivatives of R0.9 billion (2023: R0.2 billion loss) 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 gain is largely due to the decreased losses on foreign currency translations related to debt securities and borrowings compared to the prior year. A net fair value gain of R1.7 billion was recorded on embedded derivatives (2023: R0.1 billion loss), mainly because of new embedded derivative contracts entered during the year.

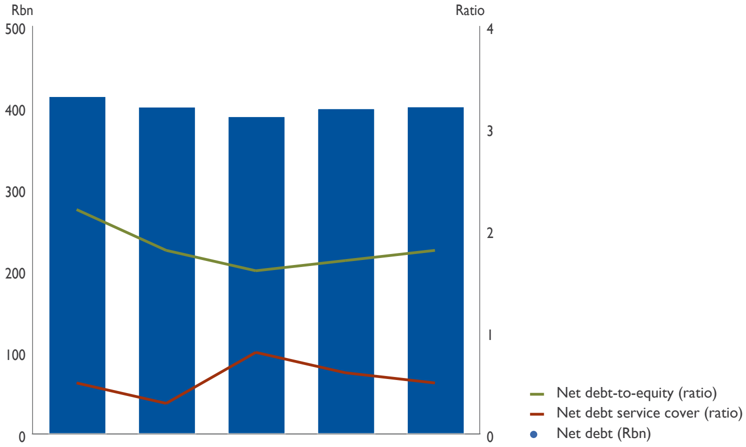
Financial performance (continued)

Performance (continued)

Net finance costs increased to R38.4 billion (2023: R37.0 billion) in 2024 arising mainly from borrowings with development finance institutions and export credit facilities.

The financial solvency ratios improved mainly due to the improvement in EBITDA. The net debt to equity ratio deteriorated to 1.80 (2023: 1.70 restated) at year end with net debt increasing to R401.1 billion (2023: R398.8 billion) and equity decreasing to R222.9 billion (2023: R233.9 billion restated). The net debt service cover ratio deteriorated to 0.46 (2023: 0.58) due to higher debt service costs. Liquidity remains under pressure given Eskom's financial and operational challenges. Cash and cash equivalents increased to R23.6 billion (2023: R7.5 billion), mainly due to government support received.

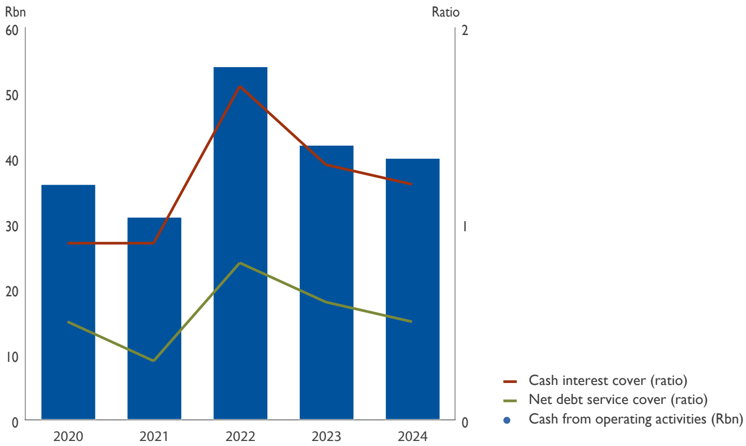
The graph below reflects the movement in net debt as well as the debt-to-equity and net debt service cover ratios over the last five years.



Gross debt securities and borrowings decreased by R11.7 billion to R412.2 billion (2023: R423.9 billion), mainly due to accrued interest partially offset by the impact of the weakening of the rand relating to foreign denominated borrowings. The group repaid R54.6 billion and raised R23.6 billion of debt from existing facilities. Eskom received R76 billion of debt relief from the shareholder of which R44 billion was converted to equity by 31 March 2024.

Total debt servicing of debt securities and borrowings amounted to R89.8 billion for the year. Net cash from operating activities of R40.4 billion (2023: R41.5 billion) remains inadequate to meet debt servicing and fund general capital expenditure requirements.

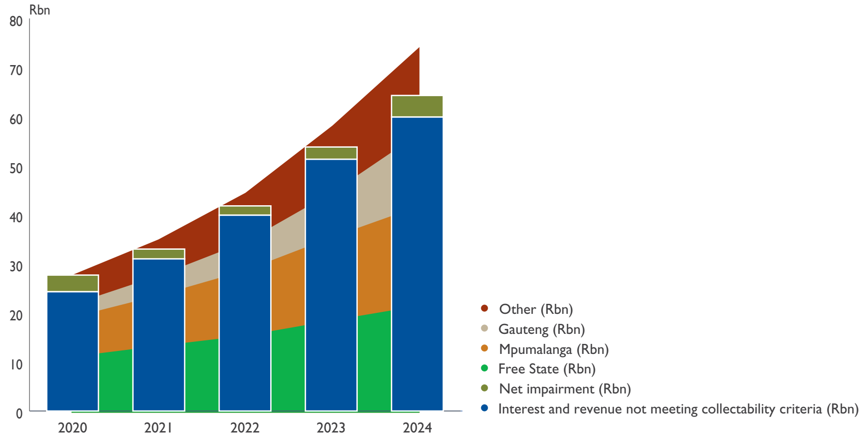
The graph below shows the movement in cash from operating activities as well as the cash interest cover and net debt service cover ratios over the last five years.



Eskom set aside R1.0 billion by 31 March 2024 and an additional R1.4 billion in 2025 after discussions with the NNR to ring-fence funds for nuclear decommissioning activities. This is a temporary measure until the final structure of the fund is agreed with the NNR after which the funds will be transferred into the permanent structure.

The total gross municipal arrear debt increased to R74.4 billion (2023: R58.5 billion) at year end with 29.3% (2023: 32.2%) owed by Free State municipalities. The top 20 defaulting municipalities constitute 75.2% (2023: 78.0%) of total invoiced municipal arrear debt.

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



NERSA tariff and Regulatory Clearing Account decisions

Revenue growth by migrating towards cost reflective tariffs remains a focus area for the group. NERSA awarded Eskom an average standard tariff increase of 18.7% for 2024 and 12.7% for 2025 (multi-year price determination (MYPD) 5 covering 2022 to 2025).

There have been minimal developments relating to tariff and Regulatory Clearing Account (RCA) decisions from NERSA during the year.

The court hearing related to the review of NERSA's revenue decision by the Democratic Alliance and the South African Local Government Association (SALGA) took place in September 2023. The High Court ruling issued on 1 December 2023, dismissed the review applications relating to NERSA's revenue determination. The SALGA application for leave to appeal the High Court ruling on the review application of NERSA's revenue determination was also dismissed with costs in April 2024. SALGA may submit an appeal to the Supreme Court of Appeal.

The MYPD 6 application, covering 2026 to 2028, for the group which included all information per licensee was submitted on 16 August 2024 after consultation with SALGA and National Treasury. It is expected that NERSA will issue its revenue determination (including whether the determination will be per licensee) after a public consultation process has been followed.

NERSA published Eskom's proposed retail tariff plan that details changes to tariff charges and rates to ensure that customers only pay for the costs they incur on 9 November 2024 for public consultation. This is a separate process to the MYPD 6 application so that electricity tariffs reflect the costs approved by NERSA while considering affordability, fairness and transparency.

Eskom review applications submitted to the High Court

Revenue decision for 2020 to 2022 (MYPD 4)

There were no further updates from the previous reporting period. 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. NERSA is required to include an additional R15 billion in allowable revenue per year from 2024 to 2026 and R14 billion in 2027 in terms of the court order. NERSA complied with the court order in its MYPD 5 revenue decision for 2024 and 2025.

Other RCA applications

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. A court date was scheduled for 27 June 2024 for this matter. This date was subsequently withdrawn to allow NERSA to decide on its approach.

RCA decision for 2022 (MYPD 4)

Eskom submitted a RCA application of R23.9 billion in April 2023 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. NERSA released its decision to award Eskom an RCA balance of R8 billion in favour of Eskom on 2 August 2024. The reasons for the decision are awaited.

RCA decision for 2023 (MYPD 5)

Eskom submitted a RCA application of R9 million in favour of Eskom for 2023 to NERSA on 24 January 2024. The application was considerably lower than previous financial years due to the revenue variance arising from the impact of loadshedding. A decision from NERSA is expected in December 2024.

The RCA application for 2024 will be prepared in accordance with the existing MYPD methodology based on the final financial results for the year.

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), RCA decision for 2018 (MYPD 3), revenue and RCA decisions for 2019 as well as 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.

Financial performance (continued)

Funding

The group has a centralised treasury function. The funding and liquidity activities are overseen by a general manager who is the group treasurer and Eskom's debt officer and has the relevant experience and expertise for this role. This role was fulfilled by Mr R Vaughan until his resignation when Mr K Masike was appointed as acting general manager effective from 20 August 2024.

Debt relief of R76 billion (recognised as a loan from the shareholder) was received for the financial year of which R44 billion was approved for conversion to equity by 31 March 2024 and the remaining R32 billion was approved on 29 July 2024. Debt relief of R8 billion was received on 28 June 2024 and approved for conversion to equity on 21 October 2024. The next disbursement is expected in February 2025.

The Eskom Debt Relief Amendment Act, 5 of 2024, enacted on 8 April 2024, requires Eskom to pay interest on future amounts advanced as a loan at the 91-day Treasury Bill rate. Interest is payable prospectively from the first disbursement received in 2025. The Act also provides power to the Minister of Finance to reduce the support for the requirements of Eskom (limited to five percent of the total amount allocated for the applicable financial year) in the event of non-compliance with the conditions.

The repayment profile of existing debt at 31 March 2024 includes interest payments of R120 billion (2023: R195 billion) and debt repayments of R210 billion (2023: R135 billion) over the next five years. The debt relief support from government will assist with the repayment of these commitments until 31 March 2026 after which Eskom's dependency on cash from operations to service or refinance debt as they become due will increase.

The group has limited capacity to absorb any shortfall in revenue or increase in operational or capital expenditure as the conditions relating to the debt relief restricts the group from raising new borrowings from 1 April 2023 (except for drawdowns of existing development finance institutions) unless approved by the Minister of Finance. Existing guarantees issued in terms of the government guarantee facility remain in place until settlement of the guaranteed debt.

Eskom received disbursements of R16 billion in April 2023 related to a private placement facility concluded on 31 March 2023 with the support of National Treasury.

Drawdowns from development finance institutions amounted to R7.5 billion during the year against a target of R10.6 billion because of delays of various projects. Development finance institutions and export credit agency drawdown programme of R23.2 billion has been approved in the 2025 to 2029 Eskom Corporate Plan.

Refer to page 63 of the integrated report for more information.

Legal separation

Non-executive directors were appointed to the NTCSA board effective from 1 February 2024. All the suspensive conditions necessary to effect the merger agreement and operationalise NTCSA were met and/or waived between Eskom and NTCSA on 31 March 2024 resulting in the accounting of the disposal of the transmission division to NTCSA on 31 March 2024 as described in note 12. Trading commenced on 1 July 2024 on the legal implementation date of the merger agreement. Transmission employees were transferred to NTCSA under the same employment contract and with the same conditions of employment as they had with Eskom except for NTCSA chief executive and chief financial officer roles.

The Electricity Regulation Amendment Act, 38 of 2024 was gazetted on 20 August 2024 which lays the legislative foundation for the development of market rules as well as the establishment of an independent state-owned transmission system operator within five years from the date the Act was promulgated. The commencement date of the Act was gazetted on 18 December 2024 to be 1 January 2025. NTCSA will fulfil the role of transmission system operator in the interim and must apply for the relevant licences to carry out the function.

Eskom and NTCSA signed an equity subscription agreement on 28 June 2024 to allow for the allocation of R3.8 billion to NTCSA relating to debt relief received by Eskom from the government to discharge indebtedness incurred by Eskom in connection with transmission assets that were transferred from Eskom to NTCSA on 1 July 2024. NTCSA is in a tax paying position from 2025 onwards based on the latest forecasts and paid provisional tax of R1.4 billion as at 30 September 2024. In the event of NERSA RCA rulings relating to the Transmission business for periods prior to 1 July 2024, whether such ruling are made by NERSA on Eskom or on the NTCSA specific licenses, Eskom will engage in an appropriate manner.

The corporatisation and operationalisation of the National Electricity Distribution Company South Africa SOC Ltd (NEDCSA) is delayed due to external dependencies and the delayed operationalisation of NTCSA. It is expected that the lender engagement for distribution will be more complex than the transmission process mainly because of municipal non-payment and escalating municipal arrear debt. The project timelines will be revised to incorporate the anticipated external dependencies.

The legal separation of generation has also been delayed as it is dependent upon the establishment and operationalisation of a new holding company as government was considering the due diligence report in terms of the appropriate mechanism to establish the new holding company. Awaiting feedback from government impacts the timing of the creation of the new holding company as it is dependent on legislation and government policy.

Governance and compliance

The enhancement of systems, controls, resources, reporting structures, policies and procedures remain key focus areas to address and rectify various governance and compliance challenges that the board is committed to as well as support the fight against fraud, crime and corruption. These enhancements are not yet fully effective as there are still areas that require significant improvement even though some progress has been made.

Non-technical energy losses

Many customers use electricity on a prepaid basis where prepaid electricity tokens are bought through various vending channels (linked to a vending agent) and then loaded onto a prepaid meter at the point of supply. Revenue from prepaid electricity tokens (cash is paid upfront by the customer to the vending agent) is recognised when the electricity is consumed by the customer.

The prepaid sales and revenue collection is managed on the online vending system that issues encrypted prepaid electricity tokens using standard transfer specifications. All online prepaid electricity token requests created by the vending agent are authenticated by Eskom (by validating supplier credit information) which feeds information into the online vending system. The online vending system validates customer information (such as meter numbers) and encrypted prepaid electricity tokens are then generated by the hardware security module which is sent to the customer through the vending agent. The meter verifies key information and decrypts the token if information is valid. No external vending channel is permitted to sell a prepaid electricity token if the vending agent cannot communicate with the Eskom server (such as when the system is offline) or cannot be authenticated via the secure protocol.

An investigation uncovered the bulk generation of illegal prepaid electricity tokens on the online vending systems for both Key Revision Number (KRN) 1 and 2 meters. It is suspected that collusion between Eskom staff and illicit operators breached controls within the prepaid ecosystem to facilitate the creation and sale of fraudulent prepaid electricity tokens. This may result in an increase in the use of illicit prepaid electricity tokens which has the effect of increasing non-technical energy losses.

Other risks identified in the online vending environment include:

- Risks associated with service level agreements with various parties (where Eskom is the customer or service provider) within the prepaid ecosystem.
- Risks associated with the use of retired hardware security modules to create illicit tokens.

The illicit prepaid electricity tokens that have been issued creates an obligation for Eskom to deliver electricity and incur the related cost of providing electricity when a prepaid electricity token is loaded onto a prepaid meter. No revenue can be recognised from illicit consumption of electricity as there is no compensation for the electricity delivered. Redeemed prepaid electricity tokens result in a loss to Eskom (reported as part of the non-technical energy losses) where electricity was consumed without payment and unredeemed prepaid electricity tokens can result in a possible loss in the future.

The possible loss emanating from the exposure that illicit tokens can be used in the future cannot be reliably measured because of uncertainty around the completeness of the data available.

An independent forensic investigation is underway to identify root causes and recommendations for improvement. Two employees have been put on precautionary suspension whilst investigations are ongoing. The investigation report is in the process of being finalised. The recommendations from the report will be evaluated once received and implemented where possible to strengthen the security of the system. The matter has been handed over to the relevant investigative authorities, including to the South African Police Services (SAPS) and an enquiry number has been issued for 22 employees who have potentially benefited from the use of illicit tokens.

Eskom is in the process of implementing action plans to address the risks relating to the prepaid environment to prevent the future creation and use of illicit prepaid electricity tokens as far as possible. The following initiatives are being pursued:

- Management of non-technical losses including:
  - KRN rollover project:

    The change in vending standards from KRN 1 to KRN 2 on prepaid meters was initiated in 2023 to address the expiry of the 30-year lifespan of vending key 1 on 24 November 2024 and ensure that all prepaid meters are recoded to vending key 2. The rollover project has an added benefit that unused illicit prepaid tokens created for KRN 1 and not loaded before conversion are not compatible to meters which have been subsequently updated to KRN 2. There is still a risk that illicit tokens created for meters on KRN 2 can be used. The validity of the prepaid electricity tokens can only be nullified via a physical intervention at the meter.

    The majority of prepaid customers (5.64 million) with meters on KRN 1 were successfully updated to KRN 2 by 24 November 2024 including around 400 000 zero buyers (customers that consume electricity without payment) who became paying customers. It is estimated that there were still around 1.7 million zero buyers by November 2024 that are being investigated.
  - Smart meter installations:

    The roll out of smart meter installations aims to replace all prepaid meters with smart meters over a period of three years from 2026 to eliminate dysfunctional and outdated meters and enable smart grid technology that will allow remote disconnection, load limiting and remote update of related software. Plans are in place to accelerate installation focusing on those users most likely to be involved in the use of illegal prepaid electricity tokens with 735 198 meters installed for new customers by October 2024.
  - Illegal vending initiatives:

    Initiatives include focusing on enhanced security law enforcement and retrieval of illegal credit dispensing units.
- Improvement and enhancement of the online vending ecosystem including:
  - Upgrading of internal-facing firewalls to new technology is currently in commercial process with scheduled completion expected by June 2025. An external service provider conducted a penetration test on the internal online vending system environment. The external firewalls are up to date and are configured to permit access only from authorised national vendors.
  - The revision of data retention policies and implementation of a system to maintain audit logs are underway to ensure extended retention periods and comprehensive evidence of all historical transaction activities for compliance and forensic purposes and will be implemented on the hardware security module and online vending systems.
  - The lack of segregation of duties, over reliance on and conflicting roles of a single supplier for the related software and hardware solutions as well as being a national vending agent are being considered for improvement.
  - The replacement of the entire online vending system in the future is being considered.
- The accreditation of national vendors for new contracts to be implemented from December 2024 is in progress and will include enhanced cyber security requirements. Service organisations will be required to submit assurance reports (ISAE 3402) on their controls.

Governance and compliance (continued)

Addressing crime, fraud and corruption

The independent external assessment of the group's crime risk management landscape was completed. The assessment focused on identifying risks related to bribery, fraud and corruption, financial crime, physical asset crime, cyber-crime and money laundering and provided recommended remedial actions. The findings and recommendations are being considered by the group and will inform the nature and extent of the second phase of the project, being the design, improvement and implementation of appropriate and sustainable control frameworks.

Eskom's Fraud Prevention Plan was implemented in 2024 and the plan incorporated activities carried over from the prior year as well as new activities identified in the current year. An updated fraud prevention plan was developed for 2025 and included in the 2025 to 2029 Eskom Corporate Plan. Some of the key activities and actions of the plan including progress are included in the table below.

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 and backlog reduced.
Implementation of a single investigative unit (forensics, security and investigative functions) to enhance effectiveness and response to allegations of crime and other unethical behaviour.	In progress, to be established as the group investigation and security function which will have the additional mandate of implementing recommendations from investigations.
Implementation of enhanced fraud awareness and training.	Enhanced training material and compulsory training ongoing for both suppliers and employees. It is compulsory for all employees to participate in the programme once every three years. Information sharing sessions on procurement processes held with companies aspiring to become suppliers of the group. Internal awareness publications continually issued to employees.
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.
Enhancing transparency and credibility of procurement process.	Data clean up exercises regarding prices and catalogues and establishing agreements with original equipment manufacturers was initiated.
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.
Enhancing ethical culture and legislative compliance.	Integration of the declaration of interest system and Companies and Intellectual Property Commission information. The declaration of interest system is being enhanced to link private work applications with the declaration of interest.
Whistle-blowing including maintenance of reporting mechanisms.	Continuing, complaints or requests for protection are being investigated and attended to. The revision of fraud prevention and whistle-blowing policies are in progress.
Conducting fraud deep dives.	Data analysis and production of exception reports aid in identifying incidents for assessment and possible investigation. A plan to collaborate and consolidate reporting emanating from data analysis on a regular basis is underway.

An independent legal firm was appointed to assist the board to address matters arising from allegations made in the private intelligence dossiers that were commissioned by the former group chief executive. The independent legal firm is consolidating the findings to aid in identifying matters for further investigation and comparing them to those matters that were already subject to active investigations to optimise remediation efforts. The group is cooperating with all external investigations and inquiries related to these matters.

Various proceedings to recover losses have been launched by the Special Investigating Unit (SIU) and the group in response to findings from the Zondo Commission report. A settlement agreement was concluded between SAP, the SIU and Eskom during the year in respect of unlawful and invalid contracts from 2016 and R570 million (including VAT) was recovered from SAP in April 2024. This is a notable recovery in the fight against fraud, crime and corruption.

Automated systems are being implemented in the procurement of goods and services to minimise manual intervention which include price check tools, digitalisation of stock control and e-auction systems to proactively address risks related to crime, fraud and corruption. A service provider has been appointed to assist with the use of data analytics to identify transactions and anomalies that should be investigated for potential crime, fraud and corruption as well as to build this capability within the group's operations.

The board continues to affirm its zero-tolerance approach towards unethical behaviour and is committed to establishing a high-performance ethical culture throughout the organisation. All individuals acting on behalf of the group, including suppliers, are expected to adhere to Eskom's standards of ethical conduct. Suppliers found to be engaging in unethical practices and in contravention of the group's code of ethics are subject to a supplier disciplinary process.

Any unethical behaviour involving crime, fraud and corruption identified by the group is referred to Eskom's forensic function for further investigation. A total of 195 (2023: 278) new cases involving employees and suppliers were registered for internal investigation during the year, with 120 (2023: 227) forensic investigations concluded during the year and 380 (2023: 305) cases under investigation at year end relating to current and prior years.

Disciplinary action was recommended for 167 employees (2023: 223) and 30 suppliers (2023: 54). In addition to recommendations of disciplinary action, 172 (2023:158) criminal cases were registered with the SAPS resulting in a total of 330 registered criminal investigations. Of these criminal cases, 15 are at trial stage at various magistrate and specialist commercial crimes courts across the country and progress is being monitored. A total of 45 (2023: 41) cases have been through the criminal proceedings provided for under the Criminal Procedure Act, 51 of 1977.

The supplier review committee investigates cases of misconduct and institutes disciplinary action against suppliers which may include restricting them from the group's supplier database as well as recommendations to National Treasury for restricting them on the national supplier database. The status of 90 suppliers were considered during the year. A total of 32 suppliers received sanctions for removal from Eskom's database of which 30 were recommended for referral to National Treasury. A total of 30 suppliers received suspended sanctions and could be removed from Eskom's supplier database if any further non-compliance is committed during the suspension period. The remaining 28 suppliers were recommended for no further action. The current focus remains on addressing the backlog of supplier disciplinary cases and responding to new cases as they arise.

Directors and employees are required to declare all conflicts of interests every year irrespective of whether a conflict exists, or as soon as circumstances that may affect their declaration change, the failure of which leads to disciplinary action. Eskom's conflict of interest policy was revised to strengthen and emphasise Eskom's stance that no employee or related parties of employees, are allowed to do business with Eskom or its subsidiaries. The process control and assurance department continues to monitor employee declaration of interests for potential undeclared relationships with external companies (vendors or non-vendors) and issue reports to management for further action. Matters that require further investigation are referred to the forensic and anti-corruption department.

Several interventions have been put in place to improve the effectiveness of consequence management processes, including:
- the establishment of an external disciplinary tribunal, consisting of internal and external experts, to expedite disciplinary action and address the backlog of cases
- training of disciplinary chairs and case presenters
- establishment of a project management office within the forensics function to address findings from investigations timeously
- monitoring and evaluation of long outstanding disciplinary actions at executive and board level

Stakeholders can report suspected incidents of unlawful or irregular conduct involving Eskom's directors, employees or suppliers through the Eskom whistle-blowing hotline, or other reporting mechanisms such as the shareholder's whistle-blowing hotline. These reporting channels are managed by independent service providers to ensure the integrity and confidentiality of the process.

Eskom's overall assessment of the implementation of the King IV™ principles and practices remains partially effective for 2024. The board acknowledged that not all the King IV™ principles have been fully or effectively applied, even though many of the required practices have been in place for many years.

Public Finance Management Act, 1 of 1999 compliance

PFMA incidents are reported in accordance with legislative prescripts set out by National Treasury.

Eskom has once again received a qualified opinion relating to the disclosure of PFMA information as associated financial records were not complete or accurately maintained in line with legislative requirements. The external auditors have raised material findings in respect of compliance with specific matters and key legislation as well as significant internal control deficiencies.

Various initiatives to enhance and strengthen internal controls to improve PFMA compliance continues to be a key focus area to foster a culture of transparency and accountability within Eskom while ensuring that individuals responsible for non-compliance and non-conformance with the PFMA are held accountable.

PFMA procedures and processes are continuously enhanced to align with changes in regulations and best practice. PFMA training is aligned to the latest National Treasury regulations and aims to ensure that employees understand their responsibilities and the importance of PFMA compliance.

A dedicated communication channel has been created to enhance communication on

PFMA-related matters throughout the organisation. The condonation process instruction was approved and is effective from 30 July 2024 for which training has been rolled out from August 2024. This instruction supplements the Eskom PFMA reporting procedure outlining the requirements which are to be adhered to if an incident is deemed to meet the definition of irregular expenditure.

The Eskom PFMA and loss control function is responsible for conducting assessments and investigations into all occurrences of irregular as well as fruitless and wasteful expenditure including oversight of consequence management such as disciplinary action, condonations and recovery of losses.

Irregular expenditure

Irregular expenditure amounted to R4.7 billion (2023: R7.5 billion restated) consisting of new matters incurred in 2024 amounting to R0.4 billion. The balance related to existing multi-year contracts that will continue to attract irregular expenditure until condoned or expired and includes R2.7 billion that was attributable to a non-compliance that occurred in 2023 where the requirements of the National Industrial Participation Programme were not applied. The expenditure for the comparative period was restated due to prior year expenditure that was only confirmed as irregular in the current year.

The process of collecting information and reporting on irregular expenditure continues to be a focus area although it is expected that new instances of irregularities will be detected as the group continues the governance clean-up exercise.

Fruitless and wasteful expenditure and criminal conduct

Fruitless and wasteful expenditure incurred during the year amounted to R1 million (2023: R44 million restated) with 12 (2023: 29 restated) incidents of fruitless and wasteful expenditure for the group. The comparative period was restated due to a reduction of R64 million on overpayments on Kusile power station contracts that were incurred and confirmed in 2023 after revised calculations were performed.

Incidents of fruitless and wasteful expenditure cannot be closed until consequence management has been undertaken or valid reasons to not institute consequence management have been provided. The fruitless and wasteful expenditure must be recovered or written off as irrecoverable to fully address the incident for reporting purposes.

Governance and compliance (continued)

Public Finance Management Act, 1 of 1999 compliance (continued)

Fruitless and wasteful expenditure and criminal conduct (continued)

Losses due to criminal conduct of R6.7 billion (2023: R6.0 billion) were reported during the year for the group which the majority related to estimated non-technical energy losses. Investigations related to non-technical energy losses are ongoing and there is continual collaboration with other state-owned entities that are affected by similar challenges, industry role players, the SAPS and the National Prosecuting Authority to combat these losses.

Board and executive committee changes

The Eskom 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 of 13 directors of which 11 are independent non-executive directors and two executive directors.

Changes to the board include the following:

Non-executive directors	Comment
Dr M Nyati (chairman)	Appointed as chairman effective from 31 October 2023.
Mr PM Makwana (chairman)	Resigned on 30 October 2023.
Dr RDB Crompton	Resigned on 27 February 2024.

The group chief executive announced a new Exco structure in May 2024 which aims to address existing business challenges and entrench operational recovery and efficiencies. The new Exco structure includes a combination of existing and new roles to enable responsive decision-making required to deliver on Eskom's strategic initiatives, navigate the rapidly changing environment in which it operates, focus on the legal separation activities as well as focus on investigations and recommendations to address fraud, crime and corruption.

Changes to Exco include the following:

Executive committee members	Comment
DL Marokane	Appointed as Eskom group chief executive and member of the Eskom board effective from 1 March 2024.
C Cassim	Acted as Eskom group chief executive until he returned to the role of chief financial officer effective from 1 March 2024.
JM Buys	Acted as chief financial officer until he returned to the role of general manager financial and management reporting effective from 1 March 2024.
JA Oberholzer	Retired as group chief operating officer on 30 April 2023.
ML Bala	Appointed as member of Exco in the role of distribution divisional executive effective from 1 June 2023 and acting group executive: human resources effective from 24 June 2024.
FS Burn	Resigned as member of Exco on 31 October 2024 with the appointment of the chief technology and information officer effective from 1 November 2024.
RA Crookes	Appointed as group executive: group capital effective from 1 November 2024.
M Govender	Resigned as group executive: legal and compliance on 30 June 2023.
NY Hadebe	Appointed as group executive: strategy and sustainability effective from 1 November 2024.
D Jackson	Acted as group executive: legal and compliance from 15 December 2023 to 31 January 2024.
W Madonsela	Acted as group executive: legal and compliance from 7 July 2023 to 14 December 2023.
N Minyuku	Resigned as group executive: government and regulatory affairs on 30 April 2023.
PB Mngomezulu	Appointed as group executive: corporate services effective from 1 November 2024. The role incorporates procurement, legal as well as communications and stakeholder management functions.
J Mthembu	Appointed as group executive: legal and compliance effective from 1 May 2024. Resigned as member of Exco on 31 October 2024 with the appointment of the group executive corporate services on 1 November 2024.
S Nassiep	Acted as group executive: government and regulatory affairs from 1 June 2023 until 9 August 2023.
BJ Nxumalo	Appointed as member of Exco in the role of generation divisional executive effective from 1 June 2023.
EM Pule	Resigned as group executive: human resources on 31 July 2024.
J Sankar	Resigned as member of Exco on 31 October 2024 with the appointment of the group executive: corporate services on 1 November 2024.
SM Scheppers	Appointed as member of Exco in the role of transmission divisional executive effective from 1 June 2023 (also serving as interim chief executive officer of NTCSA effective from 1 July 2024).
AE Seema	Appointed as group executive: strategic delivery unit effective from 1 December 2024.
NN Sithole	Acted as group executive: government and regulatory affairs effective from 10 August 2023 until 31 October 2024.
V Tuku	Fixed term contract as group executive: transformation management office ended 30 June 2024.
HS Vezi	Acted as group executive: legal and compliance from 1 April 2024 until 30 April 2024.
LM de Villiers	Appointed on a three-year fixed term contract as chief technology and information officer effective from 1 November 2024.

The divisional executives attended Exco in a participating role until their appointment as members of Exco.

Refer to pages 13 and 43 of the integrated report for more information.

Human resources

Workforce

The group's workforce plan is aimed at ensuring that current and future staffing levels are aligned to the strategic objectives of the organisation with the focus on retaining core and critical skills, driving employment equity transformation targets and meeting training and development needs.

Group headcount increased by 1 024 to 40 625 (2023: 39 601) at year end. This increase is primarily due to the recruitment of core and critical skills in generation and Eskom Rotek Industries SOC Ltd (Rotek). The replacement rate for critical skills was higher than the attrition experienced. Recruitment initiatives are continuously under way to fill critical vacancies across the business.

Industrial relations

A collective agreement with trade unions was reached for a period of three years. The agreement includes a 7% salary increase per year 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 for all bargaining unit employees.

Salary adjustments were implemented for managerial employees from 1 October 2023. The increase consists of a 7% increase in managerial remuneration costs of which a 4% cost-of-living adjustment was guaranteed for all managerial employees and the remaining 3% was available for managers to use at their discretion and award employees based on performance, correcting income differentials and retaining high performers. The shareholder approved a cost-of-living adjustment of 5.5% for executives in December 2023 backdated to 1 April 2023.

The board reinstated the long-term performance incentive scheme that rewards the Exco members in cash for meeting organisational objectives measured over a three-year period effective from 1 April 2023 to 31 March 2026. The performance awards are linked to gatekeeper conditions and key performance indicators that are aligned with the 2025 to 2029 Eskom Corporate Plan and shareholder compact and include both financial and non-financial targets. Refer to note 49 as well as the integrated report.

The board approved a performance management system that recognises and incentivises excellence for implementation in 2025 which aims to deliver improved operational performance and ensure the achievement of the turnaround plan.

Building and retaining strong skills

The skills audit sustainability index indicated good progress on closing the skills audit gaps since completion of the audit in October 2022 and performance is being tracked quarterly to monitor progress and divisional performance.

The total learner pipeline represented 5.9% (2023: 4.6%) of the permanent Eskom workforce against a target of 2.5% with artisan learners making up around 31% of the total pipeline. There were 2 086 learners at year end (2023: 1 568) representing a 32% growth in learner numbers.

Training spend of R1.4 billion (2023: R1.1 billion) was incurred in 2024, representing 4.0% (2023: 3.4%) of gross employee benefit costs.

Eskom is committed to investing in employee development. A total of 930 (2023: 795) employees were enrolled in further studies during the year of which 549 were female and 31 were employees with disabilities. Fields of study range from certificate programmes to doctorates with over two-thirds of these employees pursuing a bachelor's degree or higher qualification.

Improving internal transformation

Transforming the organisation to better reflect the demographics of South Africa through a more diverse and inclusive workforce in line with the group's employment equity plan remains a key focus area. Transformation initiatives include enhancing employment equity through better representation across all levels of employment, optimising learner management and fostering training and development programmes to advance talent from under-represented groups.

There was progress in improving racial and gender representation within senior management but it remains below the target while the targets were met for middle management and professionally qualified positions. Eskom's overall gender ratio improved marginally to 64:36 (2023: 65:35) male to female employees against the target of 50:50 representation by 2030 with four out of 11 Exco members being female at 31 March 2024. The implementation of learning and development programmes targeted for females is expected to aid in the improvement in gender representation in senior and middle management as well as professionally qualified positions.

Group disability equity remained unchanged at 3.0% (2023: 3.0%) with the number of employees with disabilities increasing to 1 201 (2023: 1 171). The group met and exceeded the national target of 2.0% but still falls short compared to the group target of 3.2%. The group continues to focus on efforts to enhance awareness and accessibility such as training, the deployment and use of virtual platforms as well as the provision of tailored physical equipment for persons living with disabilities.

Refer to page 93 of the integrated report for more information.

Shareholder compact performance

The table below 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 30.

All the Key Performance Indicators (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 2024		Actual 2024	Actual 2023
Generation[1]						
Energy availability factor	(a)	%	65.00	🔴	54.56	56.03
Post-philosophy outage unplanned capability loss factor	(b)	%	14.00	🔴	31.61	35.75
Outage readiness indicator at T-3	(c)	%	80.00	🔴	69.89	70.25
Boiler tube failure rate (12-month moving average)	(d)	rate	1.80	🔴	2.37	2.17
Relative particulate emissions	(e)	kg/MWh sent out	0.30	🔴	0.79	0.70
Specific water usage	(f)	ℓ/kWh sent out	1.38	🔴	1.43	1.39
Compliance with atmospheric emission licences	(g)	%	91.00	🔴	80.20	87.40
Coal purchase rand/ton[2]		% increase	10.00	🟢	6.64	12.59
Generation capacity installed and commissioned (commercial operation)	(h)	MW	800	🔴	–	799
Loadshedding implemented	(i)	number of days	≤261	🔴	329	280
Transmission						
System minutes lost <1		minutes	3.53	🟢	3.29	4.71
Transmission lines installed	(j)	km	166.0	🔴	74.4	326.1
Transmission transformers capacity installed and commissioned	(k)	MVA	160	🔴	23	n/a
Distribution						
Payment levels[3]		%	94.90	🟢	94.91	95.03
Distribution total energy losses	(l)	%	9.48	🔴	9.92	9.74
Total electrification connections		number	85 474	🟢	114 800	102 590
System average interruption duration index (SAIDI)		hours	38.00	🟢	34.88	35.51
Legal separation						
Transmission legal separation (trading) – Transmission is a legal operating subsidiary of Eskom[4]	(m)	date	1 November 2023	🔴	No	n/a
Research, testing and development						
Research and development	(n)	% of NERSA-allocated spend	95.00	🔴	91.00	123.64
Group information technology						
Data analytics diffusion rate	(o)	%	40.00	🔴	23.00	n/a
Blockchain adoption rate	(p)	%	45.00	🔴	20.00	n/a
Corporate social investment (CSI)						
CSI committed spend	(q)	R million	137.30	🔴	93.10	63.00
Just Energy Transition (JET)						
Repowering and repurposing – completion of agrivoltaics, microgrid assembly and training facility at Komati	(r)	%	100.00	🔴	–	–
Approved partnership strategy		%	100.00	🟢	100.00	n/a
Risk and sustainability						
Lost-time injury rate (employee)		rate	0.30	🟢	0.29	0.26
Finance						
EBITDA[2]	(s)	R million	54 169	🔴	43 410	34 565
Cash interest cover	(t)	ratio	1.22	🔴	1.18	1.29
Debt service cover		ratio	0.44	🟢	0.46	0.58
Savings from turnaround initiatives	(u)	R billion	22.4	🔴	9.9	27.8
Human resources						
Learner intake: artisans		number	100	🟢	173	135
Learner intake: engineers		number	50	🟢	184	144
Learner intake: technicians		number	50	🟢	184	105
Learner intake: sector specific		number	90	🟢	265	90
Training spend as % of budgeted gross employee benefit expense		%	3.75	🟢	4.19	3.57
Procurement						
Preferential procurement	(v)	% of total measurable procurement spend (TMPS)	80.00	🔴	75.55	73.44
Local content	(w)	%	80.00	🔴	60.34	59.09
B-BBEE score		number	4	🟢	3	4
Enterprise development		R million	5.00	🟢	6.12	0.13
Supplier development		R billion	6.00	🟢	8.31	3.67
National industrial participation programme		%	100.00	🟢	100.00	100.00

1. Measures for planned capability loss factor was not included in the 2024 shareholder compact. Performance for this KPI was still reported to the shareholder in the quarterly shareholder reports.
2. The comparative figure was restated. Refer to note 48 for further information.
3. The definition of payment levels was amended to measure total payments received against total electricity billed including interest. The comparative figure disclosed is based on the previous shareholder compact measure which excluded Soweto interest.
4. The definition of legal separation was changed from operationalisation to trading in the 2024 shareholder compact addendum. Operationalisation referred to all suspensive conditions being met, licences acquired, lender consent obtained and directors appointed before trading can commence.

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

Ref	Key performance indicator	Target 2024	Actual 2024	Reason
Generation				
(a)	Energy availability factor	65.00	54.56	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 as well as an increase in planned maintenance to address plant performance as part of the Generation Recovery Plan. Full load losses at Kusile units 1, 2 and 3 as well as the overrun on the outage at Koeberg unit 1 contributed significantly to unplanned losses for the year. Partial load losses, primarily at Kendal, Majuba, Matimba, Duvha, Kriel and Arnot power stations, also negatively affected generation availability performance.
(b)	Post-philosophy outage unplanned capability loss factor	14.00	31.61	The main contributors to unplanned losses which 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	69.89	Outage readiness is scored based on internal reviews and assessments of various indicators. Performance was negatively affected by delays in ordering of spares and other long-lead materials as well as finalisation of the integrated outage schedule.
(d)	Boiler tube failure rate (12-month moving average)	1.80	2.37	The main contributors to the poor performance were at Lethabo, Majuba, Arnot, Matla and Duvha power stations with failure rates of more than 1.8 failures per unit during the year. Performance was negatively affected by several factors including maintenance backlogs, deferral of midlife refurbishments and operating plant outside design limits.
(e)	Relative particulate emissions	0.30	0.79	Relative particulate emission performance continued to deteriorate due to poor plant performance and system constraints. Kriel, Kendal, Lethabo and Matla power stations were the main contributors to the poor emissions performance during the year. These stations experienced dust handling plant malfunctions and sulphur trioxide plant breakdowns which negatively impacted the efficiency of electrostatic precipitators that limit particulate emissions. The ash handling system at Kendal power station requires repairs and the station is applying alternate emissions values where emissions monitors have maxed out.
(f)	Specific water usage	1.38	1.43	Water performance was negatively affected by low load factors at coal-fired plant and poor water management practices at power stations as well as high raw and demineralised water usage.
(g)	Compliance with atmospheric emission licences	91.00	80.20	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, 107 of 1998 (NEMA), emission monitor test validity, gaseous monitor reliability and general atmospheric emission licence compliance based on internal reviews and assessments completed. Performance was negatively affected due to a total of 16 units operating in non-compliance with average monthly emission limits. This was mainly due to challenges experienced with the dust handling plant and sulphur trioxide plant that negatively impacted performance of electrostatic precipitators.
(h)	Generation capacity installed and commissioned (commercial operation)	800	–	The gas air heater at Kusile unit 5 caught fire on 17 September 2022 while executing the third boiler steam blows which was the last milestone activity prior to first synchronisation. All unit commissioning activities were discontinued as a result. The commissioning of eight key unit commissioning milestone activities had been successfully achieved at the time. A technical investigation was conducted and the investigation report was finalised in February 2023. The incident significantly impacted the unit commissioning schedule as the gas air heater had to be fully repaired before unit commissioning activities, including plant optimisation and capability tests, could resume. Repairs were completed at the end of August 2023. First synchronisation to the grid was successfully achieved on 31 December 2023. The shareholder advised Eskom not to submit a second addendum to the shareholder compact for the 2024 financial year despite the significant schedule delays from the incident. The target for commercial operation of Kusile unit 5 was therefore not revised. The measure and target were instead rolled over to the shareholder compact for the 2025 financial year. Commercial operation of Kusile unit 5 was successfully achieved after year end on 30 June 2024, connecting 799MW to the grid.
(i)	Loadshedding implemented	≤261	329	The poor Eskom generation plant performance, together with delays in other IPP programmes which have not yet delivered capacity in line with expectations as well as lower-than-budgeted power imports, contributed to supply constraints. These constraints required the implementation of prolonged, high stages of loadshedding to ensure the stability of the national grid.

Shareholder compact performance (continued)

Ref	Key performance indicator	Target 2024	Actual 2024	Reason
Transmission				
(j)	Transmission lines installed	166.0	74.4	Performance was negatively affected by procurement delays on line construction projects.
(k)	Transmission transformers capacity installed and commissioned	160	23	Unforeseen delays resulting from commissioning challenges of transformer protection schemes as well as project procurement, commencement and execution delays resulted in the target not being met.
Distribution				
(l)	Distribution total energy losses	9.48	9.92	Non-technical losses resulted largely from electricity theft due to illegal connections, meter tampering and illegal vending. Technical losses were impacted by ageing distribution networks which are constrained, overloaded and exposed to equipment theft.
Legal separation				
(m)	Transmission legal separation (trading) – Transmission is a legal operating subsidiary of Eskom	1 Nov 2023	No	Critical external decisions and key dependencies, including obtaining lender consent, issuing of licenses, designation of NTCSA as IPP buyer and the appointment of non-executive directors delayed trading by NTCSA. Trade commenced on 1 July 2024.
Research, testing and development (RT&D)				
(n)	Research and development	95.00	91.00	Project performance challenges experienced during the year resulted in reduced expenditure on research and development initiatives than planned.
Group information technology				
(o)	Data analytics diffusion rate	40.00	23.00	Performance was negatively affected by challenges in data maturity which also resulted in the review of the measure and target for the 2025 financial year and the measure has therefore not been included in the shareholder compact for the 2025 financial year. Initiatives to roll out data analytics are still maturing.
(p)	Blockchain adoption rate	45.00	20.00	The implementation of blockchain technology for the detection and prevention of fraud in the supply chain system was investigated in line with the shareholder's expectations. Despite some identified areas of use for blockchain technology, none were directly related to the detection and prevention of fraud in supply chain systems. Eskom will continue to focus on leveraging technology to digitalise supply chain processes.
Corporate social investment (CSI)				
(q)	CSI committed spend	137.30	93.10	Leadership instability and limited resources resulted in non-functionality of governance structures, internal misalignment on the CSI strategy and delayed execution thereof resulted in less expenditure incurred on CSI initiatives than planned by the Eskom Development Foundation. Initiatives are underway to ensure effective and efficient execution of projects and compliance to the applicable policies and processes.
Just Energy Transition				
(r)	Repowering and repurposing – completion of agrivoltaics, microgrid assembly and training facility at Komati consisting of: • Construction and commissioning of the agrivoltaics test facility, including raised photovoltaics and aquaponics system as well as conducting community training for the usage of aquaponics. • Complete refurbishment of the training centre at Komati power station and construction of a community training centre, obtaining certification from South African Renewable Energy Technology Centre (SARETEC) for the training programme and conducting community training. • Establish a microgrid assembly business case.	100.00	–	The KPI could not be reasonably measured as a percentage and was measured by way of specific action items. The status of the action items were as follows: • The photovoltaic component of the agrivoltaics plant was commissioned during the year. Construction of the aquaponics system was completed in April 2024. One community member and one Eskom employee were trained on the aquaponics system. Procurement of a training provider is underway. • Refurbishment of the on-site training centre could not be completed due to a legal intervention required for certification by SARETEC. The on-site facility was however in a suitable condition to offer training courses to the surrounding community. Construction of the off-site community training facility could not be completed as the appointed contractor failed to comply with contractual requirements. Further on-site training courses are planned for 2025 and certification of training facilitators are underway. • An initial business case was completed for the assembly of containerised microgrids to support Eskom's electrification programme. Grant funding has been secured by the Development Bank of South Africa for the development of a final business case. Construction of the assembly line was completed during the year and production of microgrid containers commenced in April 2024.

Ref	Key performance indicator	Target 2024	Actual 2024	Reason
Finance				
(s)	EBITDA	54 169	43 410	Eskom generation and IPP supply constraints resulted in loadshedding and load curtailment which affected sales volumes and revenue and required the increased use of Eskom-owned and IPP OCGTs to support the power system. Higher repairs and maintenance costs were also incurred to address poor plant performance. The target also assumed a favourable adjustment relating to the expected extension of the licence to operate Koeberg power station that will decrease the nuclear decommissioning provision because of later cash outflows.
(t)	Cash interest cover	1.22	1.18	Cash interest cover was negatively affected by insufficient operating cash flows due to poor plant performance, non-payment by some customer categories and a lack of cost-reflective tariffs.
(u)	Savings from turnaround initiatives	22.4	9.9	The 2024 target was set using an outdated baseline and methodology. Eskom requested the shareholder in October 2023 to amend the target to R10.5 billion based on a revised methodology using a more reasonable baseline using the 2023 financial results which caters for the decline in sales, worsening generation plant performance, change in production mix (specifically the contribution by OCGTs and IPPs) and growth in the cost base. The request to amend the target was denied. The revised methodology and baseline has been applied in the 2025 shareholder compact target.
Procurement				
(v)	Preferential procurement	80.00	75.55	Preferential procurement was negatively affected by higher spend with non-compliant suppliers, either due to the lack of a valid broad-based black economic empowerment (B-BBEE) certificate or if a B-BBEE status was deemed non-compliant. The calculation of TMPS also included spending on IPP contracts over which Eskom has no control as they were concluded in terms of the DMRE renewable energy IPP programme. These contracts which are not B-BBEE compliant further contribute to the poor performance.
(w)	Local content	80.00	60.34	Local content continues to be negatively affected by the low number of contracts with local content obligations for designated sectors.

Reportable irregularities

The action plans to address reportable irregularities raised in previous years remained a focus area. New reportable irregularities were raised for 2024, while some matters raised previously remained open. It is acknowledged that specific matters will reoccur and remain open until all related aspects are concluded as it takes time to resolve these matters because of the inherent nature thereof, such as environmental regulatory compliance. Detailed progress on reportable irregularities can be found in note 52.

Events after the reporting date

Events after the reporting date are discussed in note 47.

Approval

The group annual financial statements for the year ended 31 March 2024 were prepared under the supervision of the chief financial officer, C Cassim CA(SA), and approved by the board and signed on its behalf by:

M Nyati
Chairman
18 December 2024

DL Marokane
Group chief executive
18 December 2024

C Cassim
Chief financial officer
18 December 2024

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 Public Finance Management Act, 1 of 1999 (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 2024.

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, internal and external audit functions as well as combined assurance including technology and information governance. Information about the mandate, membership composition and attendance of meetings of the committee is set out in the 2024 integrated report under who we are, governance 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 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 NTCSA (terms of reference of NTCSA audit and risk committee approved in May 2024) which have independent audit committees. The governance principles and processes for the effective management of wholly-owned subsidiaries in the group is set out in the Subsidiary Governance Framework. The framework was reviewed and enhanced after 31 March 2024 to address governance gaps relating to the oversight and reporting of subsidiaries and are in the process of being implemented.

The group is applying a combined assurance model to ensure coordinated assurance activities. The committee oversees the assurance activities and the establishment and maintenance of effective systems of internal control which aim 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

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, internal control and security (where a breach resulted in fraud and criminal conduct)
  - 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 internal audit plan, performance of the internal audit department that reports functionally to the committee as well as cooperation and coordination between internal and external auditors.
- Organisational structure, disciplines and reporting lines of the assurance and forensic department for the restructuring of the department into separate assurance and forensic functions.
- Appointment of the external auditors in terms of the Companies Act (tabled at the annual general meeting for approval), Johannesburg Stock Exchange Listings' Requirements and all other applicable legal and regulatory requirements.
- Quality and effectiveness 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. Deloitte & Touche was appointed as external auditors for the 2022 to 2024 financial years with Mr AJ Dennis as the lead engagement partner.
- Decision letters, findings and remedial explanations issued by the Independent Regulatory Board for Auditors as well as any summaries and explanations made available by external auditors to the committee.
- 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 as well as the higher than anticipated audit fees because of more audit work needed as a result of the issues experienced and increased audit risks.
- Feedback from the Auditor-General of South Africa resulting from their oversight of the external audit process including reviews of audit work on identified risk areas as well as understanding of the group to assist, identify and communicate good practises to improve governance, accountability and build public confidence in Eskom.
- Accounting, sustainability and auditing concerns identified as a result of the internal and external audits including reportable irregularities.

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 IFRS® Accounting Standards.
- Considered the appropriateness of key judgements, estimates and the accounting treatment applied to significant transactions in the annual financial statements.
- Considered matters relating to liquidity, cost savings, budgeting and forecasting, future funding and taxation.
- Considered the integrity of the information reported in the integrated report and reviewed the disclosure of non-financial issues, including sustainability and PFMA related information to ensure that it is reliable and does not conflict with the financial information.
- Overseen the risk management function including the process of identifying significant risks and the resulting mitigation strategies.
- 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 the audit recovery action plan including the status and adequacy of corrective action taken by management in response to significant internal and external audit findings.
- Considered progress on forensic investigations, legal matters and other internal and external investigations into allegations of crime, fraud and corruption.
- Overseen the establishment of the group investigation and security function by combining the security, investigations and forensic functions as well as the creation of a dedicated project management office to execute on the recommendations from investigations.
- Considered the expertise, resources and experience of the finance function under the leadership of the group chief financial officer. A detailed assessment of the finance structure and skills has been requested which will be considered by the committee.

The following significant matters were considered:

<table>
<tr><th>Significant matter</th><th>Committee review and conclusion</th></tr>
<tr><td>Going-concern assessment</td><td>
The committee continued to monitor the liquidity and solvency of the group and company 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 continued support from government, including the debt relief arrangement, as well as the strengthening of the financial sustainability and liquidity of the group because of the debt relief arrangement.
The committee acknowledged that the group continues to face liquidity pressure due to long-term financial sustainability challenges arising from an inadequate tariff path, high debt service costs, above-inflationary cost increases, escalating arrear debt, operational inefficiencies, the impact of crime, fraud and corruption (including loss of revenue because of illegal electricity connections and illicit prepaid electricity tokens) as well as sub-standard generating plant performance requiring reliance on expensive Eskom and IPP OCGTs to augment supply.
The committee assessed that the debt relief is a temporary solution and acknowledged that the liquidity in the longer term after the debt relief period remains at risk given the group's financial and operational challenges, including the growth in overdue municipal and metro debt together with the municipal debt relief arrangement that is yielding minimal results, and sourcing of funding for the Transmission Development Plan. Intervention by government is needed to address the root cause of the challenges. It is also imperative that the improved generation plant performance continues going forward.
The going-concern assessment evaluated the liquidity of the group 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.
The committee considered the key aspects, material uncertainties inherent in the events, conditions and assumptions that may cast significant doubt on the going concern of the group as well as the mitigation strategies and actions (aspects and considerations applicable to both group and company). The committee acknowledged, noted and considered the impact of, amongst others, the following matters discussed in note 3.2:

Earnings before interest, tax, depreciation and amortisation (EBITDA) and EBITDA margin improved while the net debt service cover and cash interest cover indicators deteriorated compared to the prior year.
The net loss after tax increased significantly primarily because of the derecognition of the deferred tax asset in the current year. Refer to note 14.
The debt relief from government with the conditions that the group needs to comply with to allow for the conversion of the debt relief to equity continues for 2025 and 2026 together with the takeover of R70 billion of Eskom debt (principal and future interest) in 2026 that still needs to be finalised.
Approval was granted by the Minister of Finance to convert the debt relief loan amounts received during the year and in the first quarter of 2025 to equity.
The Eskom Debt Relief Amendment Act, 5 of 2024, provides authority to the Minister of Finance to reduce the support to Eskom in the event of non-compliance with conditions and the payment of interest by Eskom on amounts advanced as a loan.
The debt relief support for 2024 and 2025 was reduced because of the delay in the disposal of EFC. Progress has been made to dispose of EFC with the board accepting a binding offer from African Bank Limited in October 2024, subject to PFMA and other regulatory approvals.
All other operational and relevant capital expenditure continues to be funded through operational cash flows and drawdowns from existing project related loan agreements.
The existing guarantees issued under the government guarantee facility of R350 billion were not impacted when the availability of the facility expired on 31 March 2023 and will remain in place until settlement of the guaranteed debt.
Overdue electricity receivables continued to increase mainly due to growing municipal debt and the municipal debt relief arrangement is yielding minimal results with most of the municipalities failing to comply with the conditions.
The NNR approved the separation of the licence expiry dates in line with the design life of the units at Koeberg power station.
The NNR also extended the licence for Koeberg unit 1 to 21 July 2044 which will decrease the nuclear decommissioning provision because of later cash outflows.
Funds were set aside as a temporary measure to create a ring-fenced fund for future nuclear decommissioning activities (R1.0 billion during the year and an additional R1.4 billion in 2025) whilst discussions with the NNR regarding a permanent solution are underway.
Eskom and SARS resolved the dispute relating to previously disallowed claims for fuel levy refunds on 18 October 2024, resulting in a net amount of R9.2 billion payable to Eskom. Refer to note 47.
Accounting of the disposal of the transmission division to NTCSA occurred on 31 March 2024 while NTCSA commenced trading on the legal implementation date of the merger agreement on 1 July 2024. Refer to note 12.
NTCSA is in a tax paying position from 2025 onwards based on the latest forecasts and paid provisional tax of R1.4 billion at 30 September 2024.
An equity subscription agreement was signed on 28 June 2024 between Eskom and NTCSA to allow for the allocation of R3.8 billion to NTCSA relating to debt relief received by Eskom from the government. Other mechanisms of support to NTCSA include, amongst others, approval of a short-term credit facility with Eskom Treasury, immediate settlement of intercompany energy purchases and sales as well as issuing of proforma invoices to Eskom for payments in advance should NTCSA experience financial challenges. There is also the benefit to NTCSA in 2025 resulting from transfer pricing associated with the difference between the NERSA MYPD allowed and actual IPP expenditure which will be recovered from future revenue allocations.
The enactment of the Electricity Regulation Amendment Act, 38 of 2024, allows for NERSA to issue licences for new generation capacity and electricity infrastructure and the establishment of the transmission system operator in the future. NTCSA will fulfil the role of the transmission system operator in the interim.
Increases in non-technical energy losses mainly because of illegal connections and selling of illegal tokens which increase the current and future costs incurred by Eskom to produce energy with no corresponding revenue received.

The committee acknowledged that there are various dependencies and uncertainties that exist, both from the perspective of timing of interventions as well as whether the plans to address the risks to manage the going concern will materialise as anticipated.
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.
</td></tr>
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Execution of functions (continued)

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

Significant matter	Committee review and conclusion
Governance	The committee noted that the strategic leadership was restructured with a new Exco structure announced in May 2024, which aims to address the current business challenges and future-proof the organisation to enable growth and long-term sustainability. Progress was made in filling key leadership roles to enhance the leadership stability of the group, including the permanent appointment of the group chief executive, the return of the group chief financial officer to his role under a permanent employment contract and the appointment of various group executives in the new Exco structure. Refer to governance and compliance in the directors' report. The committee noted that the appointment of the group information and technology officer (on a three-year contract) is integral in managing risks identified in the operational technology and information technology environment, allowing for a dedicated focus on the operational and information technology environments with emphasis on shifting to more preventative rather than detective controls. The committee noted that an investigation uncovered the bulk generation of illegal prepaid electricity tokens. An investigation into the prepaid environment started in 2022, but was only brought to the attention of the committee in 2024. The committee acknowledged that the prepaid electricity online vending environment exposes Eskom to various risks including the creation and use of illicit prepaid electricity tokens as well as the over reliance on and conflicting roles of a single supplier in the related software and hardware solutions as well as being a national vending agent. Refer to governance and compliance in the directors' report and note 44.2. The committee focused on and overseen, with the assistance from external service providers, the progress of the investigation into the breach of the online vending system. The committee requested that all service level agreements in the prepaid ecosystem are reviewed and related risks evaluated and appropriately addressed, including possible exit of agreements where the risk is considered too high as well as implementation of a process where national vending agents provide assurance reports (ISAE 3402) on the controls at the service organisation and submit regular independent confirmation that their systems are secure and they are only selling valid prepaid electricity tokens. The committee increased its focus on monitoring the status and action taken on addressing key matters arising from allegations of criminality in the form of crime, fraud and corruption, theft and sabotage, investigations thereof, reportable irregularities and past corporate governance breaches. The committee acknowledged the assessment of Eskom's crime risk management landscape by an independent service provider which focused on identifying risks related to bribery and corruption, financial crime, physical asset crime, cyber-crime and money laundering. The committee met with internal and external assurance service providers on an ongoing basis and acknowledged the findings and observations raised by them. The committee challenged management's assessment of the root causes and immediate actions taken and made recommendations to avoid recurrence. The committee emphasised the need for management to enhance the control environment to move from being detective to preventative focused. The committee implemented processes to actively oversee and monitor the progress and will continue to do so until matters are satisfactorily progressed. The committee considered the use of data analytics to identify transactions and anomalies that should be investigated for potential crime, fraud and corruption. A service provider has been appointed to assist with this process and to build this capability within the group's operations. Robust controls will be developed to address and prevent the findings identified by the service provider. Findings related to forensics and data analytics that emanate from inhouse capabilities will be monitored for timeous execution. The committee recommended the implementation of combining Eskom's security and forensic functions, reporting to the group chief executive officer, to carry out all investigative matters and noted the appointment of the general manager investigations and security in October 2024. Internal and external forensic and data analytics findings will be expedited through a dedicated project management office. The committee considered the progress in implementing Eskom's security vetting programme which aims to ensure appropriate security clearance of Eskom directors, employees, contractors and service providers. The committee noted the status of the annual declaration of interest of all employees and that failure by an employee to submit a declaration is considered to be non-compliance with Eskom's conflict of interest policy and subjected to disciplinary action as well as that the conflict of interest policy was revised to strengthen and emphasise Eskom's stance that no employee or related parties of employees, are allowed to do business with Eskom or its subsidiaries. The committee continues to monitor ongoing enhancement of automated systems to minimise manual intervention in the procurement of goods and services to improve internal controls. The committee considered the reportable irregularities that were raised by the external auditors, the actions taken to address these matters as well as measures taken to prevent any reoccurrence thereof and acknowledged that certain reportable irregularities will reoccur and remain open until all related aspects have been concluded as it takes time to resolve these matters because of the inherent nature thereof, such as environmental regulatory compliance. 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, even though some progress has been made in improving processes, 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 2024. 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. Reporting structures, systems, controls, resources, policies and procedures continued to be enhanced to address the challenges, with specific focus on the PFMA and loss control function and the execution of its mandate. The focus to instil a culture of self-declaration and reporting, and the timeliness thereof, is an area that requires enhancement. Refer to the directors' report for further information.

Significant matter	Committee review and conclusion
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 and notes that the internal control environment requires significant improvement resulting in higher reliance on external assurance providers by the committee. 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 Accounting Standards. The committee noted the continuing breakdown in internal controls over financial reporting including inadequate review and monitoring of financial and reporting processes at component level. This resulted in various material misstatements and a restatement that required correction to ensure reporting in terms of IFRS Accounting Standards as well as an ongoing reportable irregularity and noted the impact it had on the external audit of the financial statements. The committee noted that there are identified inadequacies in information technology and operational technology general controls, and emphasised the need for remedial actions and improvements including segregation of duties, system access management, security of confidential data, cyber security, information technology infrastructure, application issues and third-party supplier management. The committee also noted the need to improve the management of the data center and that action plans be implemented to address accountability, enhancement of skills and expertise, optimisation of infrastructure management and monitoring, physical access controls digitalisation as well as maintaining and upgrading of critical systems. The committee also noted identified control deficiencies relating to weaknesses in the adherence to internal controls involving contract, supply chain, sustainability and plant management as well as legal, regulatory and compliance processes. The committee scrutinised the significant risk areas and their associated remediation plans and mitigating controls implemented. Ongoing improvements to the control environment are being implemented where control deficiencies were identified, including enhancing the culture of adherence and work ethics of employees as well as focusing on strengthening financial control and reporting at component level. The effectiveness of the internal environment is largely dependent on the commitment of employees to adopt and demonstrate an ethical work culture. The committee acknowledged the effort by management to remedy identified weaknesses but is concerned that the internal control environment has not improved significantly and that matters are not addressed at the rate required to reduce the risk exposure to the business. The committee concluded that the design of internal controls is generally adequate although improvement is needed in adherence and monitoring the effectiveness thereof and it continues to be a focus area that requires improvement.
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 the Eskom company (generation and distribution segments) and NTCSA from 31 March 2024 (transmission segment) has been identified as a single CGU (referred to as the Eskom CGU) as it remains a regulated vertically integrated business and the segments do not generate largely independent cash flows. The committee noted that revenue is allocated between the segments in the vertically integrated electricity business calculated on an internal transfer pricing allocation that is based on the NERSA methodology principles. Refer to note 7. The committee acknowledged that the identification of the Eskom CGU may be impacted in the future by the planned legal separation of generation and distribution into separate entities and when the separate legal entities (or some of the legal entities in the vertically integrated electricity business) are fully operational in terms of their individual mandates. Refer to note 2.6. The committee is satisfied that management contemplated impairment indicators for the main CGU of the group (Eskom CGU) such as damaged and unavailability of plant and overdue municipal debt 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 Eskom 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.
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 required 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. 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 as a result of the outcome of internal and external investigations into crime, fraud and corruption that indicated overcapitalisation to assets of past expenditure incurred. Refer to note 2.4.
Recovery of the deferred tax asset	The committee noted that a key development during 2024 related to the progress made in the disposal of the transmission division to NTCSA in terms of the intra group relief provisions of the tax law and Companies Act. This together with the evaluation of the profitability of the company (which no longer includes the expected profits and taxable income of the transmission business which will accrue to NTCSA) resulted in the deferred tax asset in Eskom at 31 March 2024 being derecognised as it is considered that there is no persuasive evidence that Eskom will generate sufficient taxable income over the forecast period against which the unused tax losses can be utilised despite that it is expected that the company will return to a tax paying position within the forecast period. Refer to note 14.

Execution of functions (continued)

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

Significant matter	Committee review and conclusion
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 acknowledged that the municipal debt relief programme is yielding minimal results and that there are claims from some electricity customers because of billing disputes which are being handled with the assistance of external experts. The committee monitored the municipal debt status and level of compliance of municipalities on a quarterly basis and noted the escalating debt and growing number of municipalities not complying with the debt relief conditions. The committee acknowledged that management of municipal debt has been well entrenched throughout all levels of distribution operations and performance management platforms. The committee noted the breach notifications issued to municipalities that are not complying with the conditions of the municipal debt relief programme and failing to settle current account payments. National Treasury is engaging the non-compliant municipalities, highlighting that these municipalities are at risk of being removed from the programme. Eskom continued with its credit management processes for municipalities that breached their debt relief conditions. Refer to note 5.1.1. The committee recognised that the challenges regarding the recovery of outstanding receivables cannot be solved by Eskom alone and that it could have an impact on the successful legal separation of distribution should the situation not improve. The continued support and cooperation from government and other stakeholders are crucial to address the root causes of the problem.
Valuation of financial instruments and hedge accounting	The committee noted that management made use of independent experts to assist with the valuation of specific financial instruments, including derivatives held for risk management and embedded derivatives, to ensure alignment of the valuation curve methodology in determining the fair values of the financial instruments to market practice. The committee acknowledged 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 the process to appoint service providers (management experts) timeously needs to be improved and that improvement is needed in the accountability and understanding by management of the valuation processes, including underlying assumptions and estimates. The committee considered the external review of Eskom's hedging strategy by an independent service provider and noted that the hedging strategy is in line with global practices and that the recommendations were already addressed.
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 with the nuclear plant provision updated every second year) to re-assess the relevant decommissioning and rehabilitation liabilities against the latest international practices and benchmarks as well as compliance to legislation. The committee considered the restatement because of certain changes in the measurement of power station-related environmental restoration and mine-related closure, pollution control and rehabilitation provisions that were incorrectly credited to profit or loss instead of deducted from the cost of the related assets in terms of IFRIC 1. Refer to note 48. 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 the group'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 International Accounting Standard (IAS®) 19 *Employee Benefits*.

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

The committee considered the progress of the legal separation and noted that the lessons learnt from the NTCSA separation will be implemented in the remainder of the unbundling process.

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 group chief financial officer are generally adequate but should be further enhanced with additional financial resources such as subject matter experts to execute complex functions as well as practises that allow for career planning from entry level employees, succession planning and retention of employees. The enhancement of skills in the process control and assurance department to monitor and improve the internal control environment is a key focus area. The need for improved and aligned finance business partnering, improved financial control, review and reporting at component level as well as enhanced cooperation and alignment between group finance and newly formed subsidiaries is a key focus area, especially with the legal separation of Eskom which requires a higher professional skill set at subsidiary level compared to at a division.
- The system and process of risk management is adequate even though the effectiveness thereof needs to be improved.
- The compliance framework requires greater focus to ensure application thereof, especially in terms of PFMA requirements and contract management.
- The information and operational technology control environments are theoretically adequate but in practise susceptible to manual intervention. Ongoing oversight and understanding of the information and operational technology landscapes, including cyber security, logging and retention of data and management of contractors and service providers, is a key focus area for improvement.
- The compensating measures in place to combat any identified breakdown in the internal accounting controls 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 crime, fraud and corruption as well as non-compliance with generally well-documented policies, process control manuals and procedures.
- The expertise, resources and experience of the internal audit and forensic departments were considered. There remains a need to fill key vacancies, acquire additional resources and skills, including specialist skills, and to enhance the value that these functions add to the group.
- The management of the internal audit and forensic departments have been separated. Further improvement is needed in the execution of mandates and proactive addressing of control deficiencies by the business to prevent any reoccurrence of findings.
- The combined assurance model requires enhancement in the internal monitoring and assessment of the execution of controls to proactively address the circumvention of controls, prevent recurrence of findings and improve the functioning of business processes.
- 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.
- 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, noting that there are material uncertainties.
- The information contained in the integrated and sustainability reports is reliable and does not contradict the information in the annual financial statements.

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, other than the breach in cyber security that resulted in fraud and criminal conduct, and that the controls are appropriate with compensating measures to ensure compliance with the requirements of the Companies Act, the PFMA and IFRS Accounting Standards.

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 2024 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 Accounting Standards. 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 16 December 2024, recommended the adoption of the financial statements by the board.

FBB Gany
Chair

18 December 2024

Statement by 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

18 December 2024

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 Limited and its subsidiaries (the group) set out on pages 38 to 135 which comprise the consolidated and separate statements of financial position as at 31 March 2024, 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 material accounting policy information.

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 2024, and their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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, tracking of forensic report findings and abuse of deviation process with a related party. 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 and supporting documents.

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 R4 738 million (2023: R7 548 million restated) and R4 149 million (2023: R5 934 million restated) in note 51.1 to the consolidated and separate financial statements respectively, as it was impracticable to do so.

Fruitless and wasteful expenditure

We were unable to obtain sufficient appropriate evidence to determine that fruitless and wasteful expenditure was fully recorded 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 understatement of fruitless and wasteful expenditure disclosed in the financial statements stated at R1 million (2023: R44 million restated) and R1 million (2023: R43 million restated) disclosed in note 51.2 to the consolidated and separate financial statements respectively, as we could not obtain audit evidence by alternative means.

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. In addition, certain items of inventory (reworks and transfers) were written off as unexplained losses included in impairment and write-down 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 718 million (2023: R6 032 million) and R6 706 million (2023: R6 031 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.

Key audit matters	How the matter was addressed in the audit
Impact of Eskom's forensic investigation into the illicit creation of prepaid tokens (Illicit prepaid tokens)	
Eskom sells prepaid electricity tokens via the online vending system (OVS) and recognizes revenue in line with IFRS 15, *Revenue from contracts with customers* as disclosed in note 2.20. Revenue is recognised for tokens generated for which cash has been received through Eskom's national vending agents. An estimate for the deferral of revenue is processed for electricity that has not been delivered against purchased tokens, based on the historical purchasing patterns of customers. Eskom's accounting and key financial reporting processes related to prepaid electricity is highly dependent on the automated processes within the prepaid information technology (IT) system. In the previous financial period, management commissioned a forensic investigation which led to the identification of unauthorised use of privileged level access within the prepaid IT ecosystem to create illicit usable prepaid tokens, in the current year. The preliminary results were for the period October 2023 – May 2024. Our cyber risk assessment procedures and our IT audit specialists concluded that a material breakdown of internal controls within the prepaid IT ecosystem had occurred. Significant control deficiencies identified included inappropriate user access controls, dated systems with a lack of available data logs, inadequate back-up procedures, and limited understanding by Eskom staff of the prepaid environment including hardware and relevant systems. The significant control deficiencies have resulted in an inability to determine the full extent of illicit prepaid tokens created. In addition, to assess whether the illicit prepaid tokens created have been utilised by outside parties, is a manual process of inspecting meters. The existence of illicit prepaid tokens results in a heightened risk regarding the occurrence and completeness of prepaid revenue recognised in terms of IFRS 15 and disclosed in Note 31. In addition, as disclosed in Note 44, in terms IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, Eskom has a present obligation due to the probability of an outflow of economic benefit through the future use of illicit prepaid tokens by customers managed on the Eskom OVS. As a result of the significant deficiencies to support the accuracy and completeness of data in the online vending operating system and to assess the extent of tokens utilised to date, management is unable to measure this liability with sufficient reliability, resulting in the disclosure of the contingent liability. The key judgements with the most significant impact on the contingent liability are whether the creation and distribution of illicit prepaid tokens creates an obligation for providing electricity for illicit prepaid tokens that could be utilised by customers managed on the Eskom OVS and, from other parties within the prepaid ecosystem arising from service level agreements. We identified this as a key audit matter due to its impact on the prepaid revenue and the contingent liabilities assessment. This required an increased extent of audit effort, including the need for us to involve professionals with expertise in cyber incident response, data analytics and IT. This also required a high degree of auditor judgement in identifying, testing, and evaluating the potential extent and consequences of the information system breach on the Group and Company's IT environment and controls.	Our audit procedures to address the key audit matter were as follows: • Inquired with management's forensic experts, the Chief Information Officer and the Divisional Executive of Eskom Distribution to understand the timeline and events that led to the breach, and the events thereafter. • Assessed the competence, qualifications and objectivity of the group and company's external forensic experts, including an assessment of the scope of their investigation and reviewing conclusions reached. • Engaged specialists with critical skills to undertake the relevant procedures. The specialists include individuals in the fields/disciplines of information systems, cyber and security forensics, data analytics, information system architects, legal technical accounting and technical auditing. • Obtained an understanding and developed a systems architecture of the prepaid IT ecosystem which included the relevant hardware, software, underlying processes, controls and links to key interdependent organisations. • Obtained an understanding of Eskom's prepaid ecosystem including the third-party agents, data centres and the relevant associations. • Performed walkthroughs of the prepaid IT ecosystem. • With the assistance of our IT and cyber incident response specialists, we evaluated the actions taken by management in response to the breach, including procedures to evaluate management's conclusions as to the extent of impacts of the breach on the IT environment and to understand improvements made to the IT security control environment. • Assessed the effects of the breach on the rest of the IT environment, specifically user access controls, and the effectiveness of internal control activities. • Re-assessed areas where control reliance was historically taken on the relevant revenue systems and performed alternative procedures to confirm accuracy and completeness of information. • Obtained independent confirmations from the National Vending Agents on total tokens sold and revenue earned for the financial year. This was reconciled to the prepaid revenue recorded and the commissions paid in the current year. • Assessed the impacts of the breach and management's evaluation and conclusions with respect to possible non-compliance with applicable local legislation, in particular with section 34(1) of the Prevention and Combatting of Corrupt Activities of South Africa (PRECCA). • Obtained a legal opinion on the potential liabilities on Eskom for -illicit tokens created relating to service level agreements with various parties in the prepaid ecosystem. • With the assistance of our technical accounting specialists, we evaluated the impacts arising from the breach on the financial statements. • Consulted with our auditing specialists on the impact on the Group's internal control environment and the sufficiency of the audit work we have performed in response to the breach. Using management's forensic specialist data for the period October 2023 – May 2024, we engaged our data analytics specialists to determine the valid tokens, as well as the illicit tokens created for Eskom. • Obtained written representations from management concerning its intent to limit the exposure emanating from the creation and distribution of illicit tokens, as well as the work to rectify all manual and/or system and general IT control deficiencies identified. • Evaluated the accounting policy disclosure of prepaid revenue. • Evaluated the significant assumptions used by management to estimate the contingent liability and the disclosures thereof. As disclosed in note 51.3, the forensic investigation remains ongoing. We consider the related disclosures of the prepaid revenue accounting policy in note 2.20 and contingent liabilities in note 44.2 to be 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
Valuation of complex financial instruments The group and company are a party to certain derivative financial instruments. These include embedded derivatives in supply contracts, and derivatives entered into for risk management as described below: a) Embedded derivatives in supply contracts: In accordance with IFRS 9 *Financial Instruments*, embedded derivatives that are not closely related to the host contract are separately recognised and measured at fair value through profit or loss. Certain electricity supply contracts entered into by the group and the company have underlyings that are not closely related to the host electricity supply contract, such as commodity prices and foreign currencies. This has resulted in the recognition of embedded derivatives which have been measured at fair value through profit or loss, applying the guidance in IFRS 13 *Fair Value Measurement*. b) Derivatives used for risk management: the group and company entered into forward exchange contracts and cross currency swaps that are designated as hedging instruments. The group and company apply the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. In addition, the group and company are a party to derivatives which do not qualify for hedge accounting but are used for economic hedging. The derivatives used for risk management are measured at fair value through profit or loss as required by IFRS 9. The valuation of both the embedded derivatives and the derivatives used for risk management rely on complex valuations. Inputs include forward curves for valuation adjustments, curve interpolation methodology and forward rate calculation methodology. In addition, where appropriate, the group's valuations include the credit risk of Eskom (known as debit value adjustment "DVA") and counterparties (known as credit value adjustment "CVA"). These inputs have a significant impact on the measurement of the derivatives. As a result, the valuation of the embedded derivatives, and derivatives used for risk management are a key audit matter.	Our procedures to respond to the key audit matter included the following: • Evaluated the design and implementation of certain internal controls over the group and company's valuation of derivative financial instruments. • Assessed the accounting impact of new contracts with large power users entered into to determine the existence of embedded derivatives. • 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. • For selected instruments, with the assistance of our valuation specialists we: – Challenged the appropriateness of the valuation methodology, inputs and technique used by the group and company in the valuation of the instruments, where relevant. – 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. – Evaluated the swap curves, overnight indexed swap curves, ZAR and EUR foreign exchange basis adjusted curves and the ZAR CPI curves used in the valuation of the derivatives. – Reperformed the valuation of commodity forwards used to hedge various commodities. A number of differences were identified with the most material arising from an inadequate consideration of CVA/DVA pertaining to the derivatives. The impact of these inaccuracies resulted in material misstatements in the day-one gain/loss on initial recognition of embedded derivatives and the resultant impact on the evaluation of the instruments at subsequent reporting dates. The 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 In the prior year, 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 are present in the following areas: • IT controls around weighbridge systems at power stations for fuel oil and coal . • Quality assessment of the coal and fuel oil delivered, and at certain stations the monitoring of fuel oil usage at various power stations. • The performance of inventory cycle counts at both power stations and Distribution centres. • The recording of the outcomes of the inventory cycle counts performed. • Investigation and reconciliation of inventory losses. • Existence of stock items registered in the system as off-site for repairs. • The maintenance of accurate and complete inventory valuation reports. 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. • Assessment of weighbridge controls and systems by our forensic and IT specialists. • 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. • Attendance of the year end inventory counts by senior audit personnel. • Obtained the supporting evidence relating to a sample of stock items registered as off-site for repairs to determine whether the item is still in repair with the supplier. • 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 is an improvement in the inventory count processes of consumables within Generation with fewer power stations requiring additional recounts. However, we observed an increase in inventory control weaknesses across Distribution sites. This included some sites not performing counts in line with the group policies, failure to timeously investigate and process stock count differences. 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

Material breakdown in internal controls over financial reporting and the impact on the audit of the financial statements

Key audit matters

Strong internal controls over the financial reporting process are key to ensuring that financial statements are reliable and fairly presented. 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 the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations.

The adherence to policies and procedures and the monitoring thereof continues to be a concern. A significant number of material misstatements were identified in the current year that required correction and restatement.

In areas of complex transactions and accounting, we identified that at component level, the accounting position papers were not appropriately considered and critically evaluated resulting in material misstatements.

Where external specialists were required, these specialists were not timeously appointed. The reliance on external experts on some key estimates, showed that there had been inadequate challenge by management on the assumptions used by the experts resulting in material audit differences being identified and adjusted.

We identified a lack of accountability and consequence management in areas where errors, restatements and write-offs occurred, resulting in recurring errors and significant control deficiencies.

Similar to prior year, we identified that component management did not share critical information with those charged with governance and the auditors. This coupled with the significant control deficiencies resulted in significant management and audit effort to appropriately address the matters identified and delayed the audit process and the resultant reporting on the financial statements.

Due to the significant and pervasive impact the internal controls have on financial reporting and the overall efficiency, level of expertise and effort associated with the audit, we consider this to be a key audit matter.

How the matter was addressed in the audit

The primary response to the audit engagement has been the use and deployment of senior audit personnel, internal and external specialists, 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, whilst, utilising sophisticated analytical tools to better understand and respond to the risks of fraud.

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.

Valuation of the compensation events provisions relating to mega-build projects

Key audit matters

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.

Compensation event liabilities arise where contractors believe that they are due additional amounts from Eskom as a result of either scope changes, design errors, industrial disputes, prolongation claims, contractor swap-out costs, access delays or acceleration incentives, resulting in re-assessment of project prices, key dates or completion dates. There is judgement around the claims value raised as a liability (i.e., the valuation and allocation assertion, as there is a risk that claims are received for which no liability is raised, or insufficient provision raised).

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.

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. This is an ongoing matter, and in the current year the external construction experts continued their assessment on Kusile and began the assessment at Medupi, with no additional overpayment write-offs recorded in the current year.

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.

How the matter was addressed in the audit

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 and 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 reconciling 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.
  - 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 2024.
- With regards to potential overpayments write-offs, we held discussions with management's internal and external experts, to obtain an understanding on the progress made in the current year on the investigation and assessment on the overpayments on the big-build projects.

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)

Impairment assessment of property, plant, and equipment and indefinite useful life intangible assets

Key audit matters

As disclosed in note 3.3, the Directors assessed property, plant and equipment for impairment in line with IAS 36 *Impairment of Assets*. 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 management in assessing the impairment of the group of assets or the CGUs, which is determined with reference to fair value less cost to sell or the value in use, based on the cash flow forecast for the CGU.

The group financial position continued to be impacted by the constrained generation capacity on the back of plant performance challenges resulting in the reliance on more expensive generating capacity from open-cycle gas turbines (OCGTs) and independent power producers (IPPs) which gave rise to an identified impairment indicator.

The key assumptions with the most significant impact on the cash flow forecasts were:

- The evaluation of the appropriateness of the identified cash generating units within the group, considering the progress made on the unbundling activities and related issued legislation;
- Revenue volumes – dependent on electricity sales volumes, forecasted embedded self-generation and generation capacity as well as the forecasted price of electricity, which is based on the tariff increase determined by National Energy 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 and whether it is considered appropriate for the NERSA determined weighted average cost of capital to be applied on the impairment models;
- Long-term growth rates and targeted earnings before interest, taxes, depreciation and amortization (EBITDA) ratio;
- Available generation capacity, including potential additional capacity from current capex and/or maintenance projects. The reliance on IPPs and OCGTs should the projects not materialise as per the forecast production plan;
- Impact of carbon tax from 2026 results in material increases in primary energy costs from 2027; and
- The evaluation of the following key uncertainties and dependencies:
  - Timing of NERSA's determination of price on a per licensee basis;
  - Continued application of NERSA's current multi-year price determination (MYPD) methodology; and
  - Introduction of the system market operator and the impact on the energy trading market in South Africa.

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.

How the matter was addressed in the audit

In evaluating the impairment of property, plant and equipment within the applicable CGU, we reviewed the "fair value less cost to sell" and "value in use" calculation/model prepared by the Directors, with a particular focus on the assumptions with the most significant impact. This included the forecasted sales price, the forecasted available generation capacity, increase in primary energy costs from OCGTs and the implementation of carbon tax, discount rates, the long-term growth rate and consistent implementation of the pricing methodology as identified by management.

Our procedures included the following:

- Evaluating management updated accounting position around the appropriateness of the identified cash generating units within the group.
- 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 is the forecasted sales price and the forecasted available generation capacity identified by the directors, we challenged the expectation as to the electricity price path with a focus on management's forecast price path in comparison to the historic MYPD outcomes;
- Challenged the model assessing the generation capacity, specifically the energy wheel, including the forecasted impact of embedded-self generation;
- 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;
- Recalculated the recoverable amount of the CGU; and
- Considered the appropriateness of the disclosures and sensitivity analyses presented.
- We engaged our internal valuation and engineering specialists to perform the following:
  - Critically evaluated whether management's assertion regarding a single cash-generating unit and the recoverable amount calculation complies with the requirements of IAS 36 *Impairment of Assets* (including the impact of the National Transmission Company South Africa (NTCSA) unbundling on the CGU assessment);
  - Assessed the logic and mathematical accuracy of the valuation models against best practice;
  - Benchmarked the growth rates and forecasted sustainable EBITDA margin;
  - Assessed the weighted average cost of capital (discount rate) and the determination of this rate;
  - Assessed the forecasted available generation capacity and evaluated this against the 2035 Just Energy Programme and the expected impact of the Generation Recovery Plan; and
  - Stress-tested the future projected cash flows specifically in relation to the key assumptions of price and energy availability factor inputs and the suggested reduction of the Energy Availability Factor (EAF) assumptions as suggested by our specialists.

The discount rate and other assumptions were within independently determined acceptable ranges. We note that the recoverable amount of the CGU is significantly dependent on NERSA approving the tariffs in line with the regulatory electricity pricing methodology. This is a significant assumption as in recent determinations, the group has resorted to legal measures to have certain NERSA decisions reassessed post NERSA's announcements. In addition, the determination of the relevant CGUs might be impacted by the corporatisation of the Distribution and Generation divisions and at such time, this could result in different conclusions.

We considered the related disclosures of the key dependencies and the sensitivities in the impairment model to be appropriate.

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 R55 015 million (2023: R26 082 million), and the company incurred a net loss of R57 084 million (2023: R26 357 million) for the year ended 31 March 2024. In addition, the group's current liabilities exceed current assets at year-end by R41 357 million (2023: R33 866 million), and the company's current liabilities exceed current assets at year-end by R50 538 million (2023: R51 300 million).

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

- Eskom remains in a debt-reliant liquidity position over the short, medium, and long term with reliance on the continued support from government.
- Stagnant and contracting sales volumes.
- Increased operational costs and significant losses incurred in the 2024 financial year.
- Extent of requirements in the capital programme to increase and replace generating and transmitting capacity.
- There is uncertainty around the timing of price rulings on separate licenses by the National Electricity Regulator of South Africa (NERSA) and the continued application of the current methodology. The on-going corporatisation activities and alignment of strategies is key to the company and group as a whole.
- The continuous increase in overdue electricity receivables primarily from municipalities and metros. This position has deteriorated more than expected in 2024 and post the end of the financial year.
- The continued success of the generation recovery plan to improve on the generating plant performance. Since March 2024, the generation recovery plan has resulted in a significant improvement in the EAF, as well as the related measures and positively impacted cash flows. The going concern assumption remains fully dependent on the on-going positive and incremental impact of the generation recovery programme; and
- There are above expected increases in technical and non-technical losses (for reasons such as illegal connections, ghost vending, selling of illegal tokens, etc.) which results in an increase in Eskom's current and future cost to produce such energy, with no related billings and cash collections for these production volumes.

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

As disclosed in note 48, to the consolidated and separate financial statements, the corresponding figures for March 2023, were restated due to an error in the prior year.

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.

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.

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. This description, which is located at page 36, forms part of our 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 2024 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 numbers	Purpose
Generation	14	Measurement and monitoring of key indicators specific to the operational efficiency within electricity generation including energy availability at a power station level following from planned and unplanned energy losses. The rate at which boiler tube failure contributes towards unplanned energy losses, the readiness for planned maintenance outages and the success of generation units returning to service post planned maintenance outages. 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, the average increase in coal cost per annum and various indicators emanating from the Atmospheric Emissions License compliance requirements imposed per power station. 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. 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.
Transmission	14	Measurement and monitoring of key indicators specific to the operational efficiency within electricity transmission including the measurement of transmission interruptions experienced as well as transmission infrastructure expansion and strengthening projects.
Distribution	14	Measurement and monitoring of key indicators specific to the operational efficiency within electricity distribution including 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.
Just Energy Transition	14	Measurement and monitoring of key indicators focussed on ensuring the shift towards a low-carbon electricity future is just and occurs without extensive disruptions to socio-economic development. The public entity is required to develop a Just Energy Transition strategic implementation plan that enable the delivery of the government's Just Energy Transition Framework.
Finance	14	Measurement and monitoring of key financial sustainability indicators focussed on operational profitability, operating cash flow availability to service net interest on borrowings as well as interest and capital repayments on borrowings, and progress in identified and targeted operational and capital cost savings/optimisation initiatives, cost avoidance initiatives, working capital optimisation initiatives as well as income recovery 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.
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included.
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so 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 those 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 and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over or underachievement of targets.

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

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

Finance

Savings from turnaround initiatives: Included in the reported achievement of R9.9 billion is an amount of R1.3 billion contributing to the reported achievement as a contributing cost saving initiative measuring the actual cost per ton incurred for uncontracted coal supplied to generation facilities compared to the budgeted cost per ton established as part of the baseline for measurement of this initiative. Management determined the baseline cost per ton based on available market information and management's estimate of coal grading and movement in export coal markets as of December 2022. We are unable to substantiate the estimates and judgements applied in management's estimation of the baseline and consequently, we could not determine the actual achievement associated with this initiative but estimate it to be materially less than reported achievement. Consequently, it is likely that the achievement on the target was less than reported.

Missing indicator

Eskom Distribution is responsible, amongst others, for the ongoing maintenance and strengthening of plant assets and the creation of new assets to support the expansion of the current distribution capacity and improve the ratio of electricity supply in relation to electricity demand. However, an indicator to measure performance on the progress of Eskom Distribution infrastructure expansion and the conversion from conventionally billed post-paid customers to prepaid customers and Smart grid technologies was omitted from the approved planning documents. Consequently, progress towards the achievement of this mandate was not reported on in the shareholders compact performance section of the directors' report.

Other matters

We draw attention to the matters 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 over and under achievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements corrected

We identified material misstatements in the Finance key performance area of the annual performance report submitted for audit resulting from corrections to the underlying financial statements submitted for audit. In addition, we identified material misstatements in our audit of savings from turnaround initiatives under the Finance key performance area. Management did not correct all the misstatements and we reported material findings in this report.

Report on 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 Accounting Standards) as required by section 55(1)(b) of the PFMA. The submitted financial statements contained material misstatements on property, plant and equipment, intangible assets, investment in subsidiaries, future fuel supplies, deferred tax, loan receivable, inventories, embedded derivatives, lease liabilities, trade and other receivables, payment received in advance, contract liabilities and deferred income, trade and other payables, impairment of financial assets and income tax identified by the auditors which were subsequently corrected.

Furthermore, the note disclosures relating to going concern, critical accounting estimates and assumptions- financial risk management - credit and liquidity risk, guarantees and contingent liabilities, related party transactions and balances as well as the restatement of comparatives were subsequently corrected and/or completed. 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 of 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 and the full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with section 51(1)(a)(iii) of the PFMA. A 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. A 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. This non-compliance resulted in a reportable irregularity as reported in the report on other legal and regulatory requirements. A similar non-compliance was reported in the prior year.

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. A similar non-compliance was reported in the prior year.

Furthermore, not all contractual agreements were concluded with a large power user to enable the public entity to bill and collect the revenue due where the supply of electricity took place. The latter non-compliance resulted in a reportable irregularity as described in the report on other legal and regulatory requirements.

Report on compliance with legislation (continued)

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 due proper record keeping was not maintained. A similar limitation was reported in the prior year.

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

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 limitation of scope was reported in the prior year.

We were unable to obtain sufficient appropriate audit evidence that contracts were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and Preferential Procurement Regulation 2017 and/or 2022. A similar limitation was reported in the prior year.

Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and Preferential Procurement Regulation 2017 and/or 2022. A limitation was reported in the prior year.

Tenders for contracts above R30 million, which had a condition for mandatory subcontracting to advance designated groups, were awarded to bidders who did not submit evidence of subcontracting agreements, in contravention of the 2017 Preferential Procurement Regulation 9(1). This non-compliance was identified in the procurement processes for coal contracts amounting to R16 billion. A limitation 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 and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to investigations into irregular and fruitless and wasteful expenditure which were not performed. This limitation resulted in a reportable irregularity as reported in 2022, 2023 and 2024 on the report on other legal and regulatory requirements. A similar limitation was reported in the prior year.

Where investigations were performed, disciplinary steps were not taken against the officials who had permitted irregular and fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This non-compliance resulted in a reportable irregularity as reported in 2022, 2023 and 2024 on the report on other legal and regulatory requirements. A similar non-compliance was reported in the prior year.

Investigations were not conducted into all allegations of financial misconduct committed by officials, as required by Treasury Regulation 33.1.1. The non-compliance was reported as a reportable irregularity in 2022, 2023 and 2024 on the report on other legal and regulatory requirements. A limitation was reported in the prior year.

Disciplinary hearings were not held for confirmed cases of financial misconduct committed by officials, as required by Treasury Regulation 33.1.1. The non-compliance was reported as a reportable irregularity in 2022, 2023 and 2024 on the report on other legal and regulatory requirements. A limitation was reported in the prior year.

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. This limitation is included in a reportable irregularity as reported in 2022, 2023 and 2024 on the report on other legal and regulatory requirements. A similar limitation was also reported in the prior year.

State-owned enterprise oversight and governance

The annual return and the latest approved audited financial statements were not timeously filed, as required by section 33(1)(a) of the Companies Act and 30(2) of the Companies Regulation.

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 2024" 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.

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 years, with irregular expenditure being qualified on the basis of accuracy and completeness and fruitless and wasteful expenditure being qualified on 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 128 to 133 of the Eskom Integrated Report is remains materially misstated. The ageing of matters still under determination for disclosure as either irregular expenditure and fruitless and wasteful expenditure is on average 1.92 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 in the information presented in the Eskom Integrated Report. These matters indicate that the cumulative irregular expenditure disclosed in the integrated report may not be complete and accurate, and the cumulative fruitless and wasteful expenditure disclosed in the integrated report may not be complete.

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.

The significant internal control deficiencies that resulted in negative audit outcomes for at least the previous five years were not addressed by the accounting authority. The reports of current and previous auditors over the same period have consistently highlighted material breakdown in controls over compliance with applicable laws and regulations that have hindered the entity's ability to prevent material non-compliance findings resulting in qualified audit opinions. The commitments made over the years by those charged with governance to address these matters have not materialised due to a lack of accountability at various levels in the organisation, inadequate oversight and monitoring processes and ineffective consequence management. The lack of group monitoring activities of compliance at component level, results in matters surfacing through the external audit process. Management should proactively evaluate findings by obtaining a thorough understanding of the key drivers of the audit outcomes (i.e., symptoms as opposed to the underlying causes), and identify the key areas across the business that require attention. A plan to respond to each area should then be allocated to key individuals to drive, implement and monitor preventative controls. Clear key performance indicators should be assigned to ensure there is appropriate, effective, and sustained change. Management should further design and implement a self-assessment process to identify and drive initiatives specific to enhancing and improving processes and meeting the objectives and commitments made by those charged with governance.

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 accurate registers. Some underlying information supporting registers was not always accurate, sufficient and appropriate and the format of underlying registers at times made it impracticable to allow for an efficient audit process. Management does not have adequate processes in place to remedy the control environment surrounding the accuracy of the information reported on the PFMA disclosure note which results in repeat findings.

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, which results in the remediation dates of prior year findings being extended to the next financial year.

The accounting authority committed in the prior year's integrated report to improving consequence management, by putting a number of interventions in place, which included taking disciplinary action within three months from the date that management becomes aware of any misconduct. Management has not implemented the intervention to improve consequence management and the accounting authority has not followed through to ensure that all the commitments made were achieved. This is also evidenced by the identified instances of non-compliance with applicable legislation on consequence management reported in the current year and prior years.

The accounting authority did not exercise adequate oversight over those responsible for ensuring that all procurement transactions and contracts have followed the appropriate procurement and contract management process in accordance with the appropriate legislative requirements.

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. There are no self-assessments made regarding the procurement transactions concluded in the current year and where contracts were awarded in the past, there were no adequate monitoring controls to ensure that initial contracting conditions were at all times adhered to.

Management did not address the worsening 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 and fruitless and wasteful expenditure with potential fraud and losses are not addressed timeously to prevent further non-compliances and losses and does not promote a culture of compliance in the entity. This was reported in the prior years and no adequate controls have been put in place to ensure compliance with the legislation and actively reduce the backlog resulting in the under reporting of the irregular and fruitless and wasteful expenditure.

The accounting authority did not exercise adequate oversight nor held management accountable for the less than adequate design and implementation of effective action plans to follow up, investigate and address prior year audit findings that led to negative audit outcomes for procurement and contract management for the past two audits. This resulted in not all prior year audit findings being investigated and remediated timeously to act as a deterrent for future possible non-compliances as there has not been notable progress in addressing the issues nor improvement in audit outcomes as transgressions that result in irregular expenditure persist. This is evidenced in the management's reporting on the audit findings status and progress.

Leadership and management again in the current year 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 no progress being made in the current year as audit outcomes remained stagnant. 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.

There is a weak control environment in relation to the monitoring and implementation of consequence management as the reporting of disciplinary matters/alleged misconduct that serves as a trigger to initiate disciplinary processes and the tracking of the disciplinary processes and ultimately reporting to those charged with governance for matters emanating from the irregular and fruitless and wasteful expenditure determination reports issued by the Loss Control Function to the People Relations Department is at the discretion of the line managers who may or may not trigger the process and the lapses are identified through the audit process.

Internal control deficiencies (continued)

There is a lack of accountability and unwillingness to accept responsibility for the outcomes of the audit process within some units of the public entity. In some instances, leadership did not take ownership for the audit findings within their areas of responsibility. Management did not always respond to matters communicated by the auditors in areas of material non-compliance and significant internal control deficiencies. The lack of improvement in the control environment is the result of management and leadership not taking responsibility and committing to addressing all the issues emanating from the audit process, specifically matters relating to significant internal control deficiencies.

Management do not have adequate controls in place to ensure that complete and accurate procurement and contract management registers exist. We found that accurate and complete procurement and contract management registers were not readily available for audit purposes in the current year. This resulted in delays in submission of information impacting the audit process and in certain instances, the audit outcome on compliance of procurement and contract management.

Management did not design and implement adequate controls to ensure that, in accordance with the appropriate legislative requirements, the bids of the winning suppliers were received on or before the closing date and time determined for the bid. The current process is prone to manipulation and abuse of the procurement processes where late bids from suppliers can be accepted and awarded against the legislation. As a result, we could not confirm whether any of the tenders awarded were received from the winning bidders who submitted their bids on or before the closing date and time advertised to the public.

Management and leadership did not design and implement adequate controls to ensure that the initial contracting commitments were adhered to at contract implementation stage and throughout the life cycle of the contracts awarded to related parties. In instances where approved subcontracting thresholds were not adhered to; management did not have internal processes to identify and deal with these breaches of contracts as this was identified through the audit process. This lack of processes also points out to an overarching weakness in the governance mechanisms and oversight on awarding, execution and contract management of contracts which were awarded to related parties within the group without the required capacity and capability to deliver on these contracts.

The accounting authority committed to improving the efficacy of the 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 forensics, and loss control functions to identify PFMA related issues. Furthermore, the accounting authority did not monitor or hold management accountable to ensure that there is improvement in the efficacy of the loss control function.

The non-compliance with procurement processes by the public entity has resulted in irregular expenditure incurred that is not reported in the financial records of the entity. There is a lack of ownership and accountability for these matters that should be referred for assessment and determination between business, supply chain management unit and loss control function. This is because there is lack of accountability between business and loss control function as transgressions that resulted in irregular expenditure are identified through the audit process. Despite the accounting authority's stated commitment to improve the efficacy of the loss control function as mentioned above, in our interactions with the loss control function, it absolves itself from identifying the matters that result in irregular expenditure from the procurement processes. These are the matters that continue to contribute to the qualification of irregular expenditure due to completeness.

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 provide adequate oversight to address the delays in conducting forensic investigations. The delays will impact management's ability to confirm the existence of matters that need to be reported to SAPS in terms of section 34(1) of PRECCA, mitigate any possible future exposures to financial losses, and effective consequence management.

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. The identified material misstatements, which were appropriately corrected in the final audited financial statements, poses of significant risk of modification of the areas that were identified to have material misstatements in future periods.

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 write-offs that could not be adequately substantiated.

Management did not implement adequate internal controls around the management of inventory. Though we have noted an improvement from what was reported in the prior year, Eskom is still susceptible to material losses of inventory due to the poor control environment across all Eskom power stations. The inventory matters described above result in potential losses due to criminal conduct and points to uneconomic use of resources of the public entity.

Revenue collections remain a concern for local power users and municipalities including those on the debt relief programme as the entity continues to struggle to collect the revenue due. The steps taken for collection did not yield the desired results as the revenue collection remain an issue. The accounting authority has not implemented measures to collect all revenues due to the public entity and thus compromising the long-term financial sustainability of the public entity.

The accounting authority failed to enter into a reciprocal and reconciliation agreements for additional generation of power where there were payments made without economic benefits flowing into the public entity resulting in material financial losses incurred.

Management did not implement adequate internal controls for the collection of supporting evidence and the documentation of applied judgments in the establishment of a baseline for measuring savings from uncontracted coal supplies for the year under review. This resulted in the material finding reported within the Report on the audit of the annual performance report.

The accounting authority did not exercise adequate oversight in the development and approval of the annual shareholder compact to ensure that the compact is sufficiently complete to prioritise relevant core functions of its mandate. Performance indicators specific to Distribution plant maintenance, strengthening and expansion has been omitted from the approved plans and has been included in this report as a material missing indicator.

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

Allegations of maladministration regarding supply chain management and other improper conduct highlighted in the state capture report have been brought to the attention of those charged with governance. As at the date of this report, investigations are still ongoing by various state institutions. In addition, there are Presidential proclamations for investigations on alleged maladministration, improper or unlawful conduct by employees, official or agents and unlawful appropriation or expenditure of public money or property. These investigations are conducted by the Special Investigating Unit and are still in progress. As disclosed in note 52.2 and note 2.4 to the financial statements, various matters are reported to be under investigation.

During the financial year under review, the regulatory authorities and the accounting authority conducted investigations into alleged irregularities, fraud and corruption within the procurement environment, capital projects, prepaid revenue and other areas of the entity. In addition, internal and external investigations referenced findings of maladministration associated with supply chain management, improper conduct, manipulation of the prepaid revenue environment, 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. We refer you to the accounting policies note 2.4 and note 44 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 2023. The report was issued to the accounting authority on 30 April 2024.
- 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 verification of historical financial information of the Transmission division included in historical financial statements of Eskom. The report was issued to the accounting authority on 24 November 2024.
- Agreed upon procedures on net sent out power megawatt hours, gross sent out power megawatt hours and actual sent out power production figures of Koeberg to Green Certificate Company for the six months ended 31 December 2023. The report was issued to the accounting authority on 2 September 2024.
- Assurance engagement on the 2022 greenhouse gas emissions results submitted reported to the Department of Forestry, Fisheries and the Environment as part of the National Greenhouse Gas Emission Reporting Regulations. The engagement is in progress at the date of our report.
- Agreed upon procedures on the Home Loan and Mortgage Disclosure Act 63 of 2000, Annual Return Form of Eskom Finance Company SOC Ltd. The report was issued to the accounting authority on 26 June 2024.
- Agreed-upon Procedures Reports on National Credit Regulator Annual Financial Statement Return (Form 40)- for Eskom Finance Company SOC Ltd for the years ended the 31 March 2022 and 31 March 2023. The reports were issued on 12 April 2024.
- Agreed-upon Procedures Report on National Credit Regulator Annual Financial Statement Return (Form 40) for Nqaba Finance 1 (RF) Limited)- for years ended the 31 March 2022 and 31 March 2023. The reports were issued to the accounting authority on 12 April 2024.
- Assurance engagement on the Annual Solo Quantitative reporting template of Escap SOC Ltd in terms of the Insurance Act, 2017 for the Prudential Authority. The report was issued to the accounting authority on 14 August 2024.
- Assurance engagement on the sustainability reporting as included in the Integrated Report for the year ended 31 March 2024. The report will be issued to the accounting authority on the same date as this report.

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 for three years.

DocuSigned by:

Deloitte & Touche

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Deloitte & Touche
Registered Auditor

Per: André J. Dennis
Partner

18 December 2024

5 Magwa Crescent
Waterfall City
Waterfall
2090

Annexure to the auditor's report

The annexure includes the following:

- The auditor's responsibility for the audit; and
- The selected legislative requirements for compliance testing.

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 public entity'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)(iii); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) 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 (TR)	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); 31.2.7(a) Regulation 33.1.1; 33.1.3
Companies Act No.71 of 2008	Section 30(3)(b)(i); 33(1)(a) Section 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	Section 34(1)
Companies Regulations	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act No.38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; section 25(7A)
Second amendment National Treasury Instruction no. 5 of 2020/21	Paragraph 1
National Treasury Instruction No. 5 of 2020/21	Paragraph 2; 4.8; 4.9; 5.3
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 3 of 2020/21	Paragraph 4.2
National Treasury Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2 Regulation 5.1; 5.3; 5.6; 5.7 Regulation 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Regulation 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Regulation 8.2; 8.5 Regulation 9.1 Regulation 10.1; 10.2 Regulation 11.1; 11.2

Statements of financial position

at 31 March 2024

	Note	Group 2024 Rm	Group Restated[1] 2023 Rm	Company 2024 Rm	Company Restated[1] 2023 Rm
Assets					
Non-current		750 872	741 092	720 243	741 637
Property, plant and equipment	8	680 950	668 339	603 093	670 424
Intangible assets	9	3 438	3 370	816	3 367
Future fuel supplies	10	6 782	5 290	6 782	5 290
Investment in equity-accounted investees	11	346	350	95	95
Investment in subsidiaries	12	–	–	22 697	380
Inventories	13	13 297	12 209	13 297	12 209
Deferred tax	14	81	17 983	–	18 457
Loans receivable	15	7 565	7 823	36 815	5 674
Embedded derivatives	16	10 486	772	10 486	772
Derivatives held for risk management	17	18 881	17 633	18 881	17 633
Finance lease receivables	18	174	218	109	218
Payments made in advance	19	1 793	1 986	1 792	1 984
Trade and other receivables	20	4 031	4 101	4 356	5 134
Investments	21	3 048	1 018	1 024	–
Current		115 450	84 652	99 995	69 028
Inventories	13	28 293	24 014	27 972	23 834
Taxation		11	37	–	–
Loans receivable	15	208	247	2 610	–
Embedded derivatives	16	1 315	51	1 315	51
Derivatives held for risk management	17	8 135	9 359	8 162	9 359
Finance lease receivables	18	37	31	22	31
Payments made in advance	19	1 413	1 066	1 299	1 033
Trade and other receivables	20	35 975	26 702	35 650	28 888
Investments	21	16 478	15 629	–	–
Cash and cash equivalents	22	23 585	7 516	22 965	5 832
Total assets		866 322	825 744	820 238	810 665
Equity					
Capital and reserves		222 858	233 944	200 312	213 492
Liabilities					
Non-current		486 657	473 282	469 393	476 845
Debt securities and borrowings	24	359 692	367 993	363 992	372 195
Derivatives held for risk management	17	27	241	27	241
Deferred tax	14	10 412	–	–	–
Payments received in advance	25	5 013	3 986	2 478	4 000
Contract liabilities and deferred income	25	34 687	26 078	33 688	26 078
Employee benefit obligations	26	17 448	16 902	16 236	16 573
Provisions	27	52 561	50 143	52 561	50 141
Lease liabilities	28	6 553	7 415	252	7 414
Trade and other payables	29	264	524	159	203
Current		156 807	118 518	150 533	120 328
Debt securities and borrowings	24	52 508	55 936	56 293	56 182
Loan from shareholder	30	32 000	–	32 000	–
Derivatives held for risk management	17	566	1 788	566	1 788
Payments received in advance	25	4 300	4 026	4 158	4 004
Contract liabilities and deferred income	25	3 684	2 019	3 645	2 019
Employee benefit obligations	26	3 777	3 584	3 130	3 272
Provisions	27	9 325	5 914	9 177	5 832
Lease liabilities	28	850	711	61	626
Trade and other payables	29	49 664	44 264	41 503	46 605
Taxation		133	276	–	–
Total liabilities		643 464	591 800	619 926	597 173
Total equity and liabilities		866 322	825 744	820 238	810 665

1. Refer to note 48.

Income statements

for the year ended 31 March 2024

		Group		Company	
	Note	2024 Rm	Restated[1] 2023 Rm	2024 Rm	Restated[1] 2023 Rm
Revenue	31	295 814	259 543	295 814	259 543
Other income	32	1 295	2 742	3 046	4 374
Primary energy	33	(173 729)	(156 819)	(173 729)	(156 819)
Employee benefit expense	34	(35 096)	(32 321)	(30 967)	(28 205)
Impairment of financial assets	35	(3 017)	(1 026)	(3 080)	(1 042)
Impairment and write down of other assets	35	(416)	(1 156)	(414)	(1 149)
Other expenses	36	(41 441)	(36 398)	(47 937)	(41 274)
Profit before depreciation and amortisation expense and net fair value and foreign exchange gain/(loss) (EBITDA)		43 410	34 565	42 733	35 428
Depreciation and amortisation expense	37	(33 239)	(31 941)	(33 310)	(31 670)
Net fair value and foreign exchange gain/(loss)	38	2 644	(285)	2 668	(223)
Profit before net finance cost and share of profit of equity-accounted investees		12 815	2 339	12 091	3 535
Net finance cost		(38 389)	(37 015)	(40 590)	(38 480)
Finance income	39	4 859	3 365	2 989	1 962
Finance cost	40	(43 248)	(40 380)	(43 579)	(40 442)
Share of profit of equity-accounted investees after tax	11	105	93	–	–
Loss before tax		(25 469)	(34 583)	(28 499)	(34 945)
Income tax	41	(29 546)	8 501	(28 585)	8 588
Loss for the year[2]		(55 015)	(26 082)	(57 084)	(26 357)

Statements of comprehensive income

for the year ended 31 March 2024

		Group		Company	
	Note	2024 Rm	Restated[1] 2023 Rm	2024 Rm	Restated[1] 2023 Rm
Loss for the year[2]		(55 015)	(26 082)	(57 084)	(26 357)
Other comprehensive (loss)/income		(71)	1 112	(96)	1 058
Items that may be reclassified subsequently to profit or loss		(527)	556	(533)	523
Cash flow hedges					
Changes in fair value	17	(493)	1 567	(493)	1 567
Net amount transferred to profit or loss		(34)	(730)	(34)	(730)
Amortisation of effective portion of terminated cash flow hedges	38	3	(3)	3	(3)
Ineffective portion of cash flow hedges	38	(37)	(727)	(37)	(727)
Net amount transferred to initial carrying amount of hedged items		(203)	(120)	(203)	(120)
Foreign currency translation differences on foreign operations		6	33	–	–
Income tax thereon	41	197	(194)	197	(194)
Items that may not be reclassified subsequently to profit or loss		456	556	437	535
Remeasurement of benefits	26	625	761	601	733
Income tax thereon	41	(169)	(205)	(164)	(198)
Total comprehensive loss for the year[2]		(55 086)	(24 970)	(57 180)	(25 299)

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 2024

	Share capital Rm	Other 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 2022	219 693	–	(858)	(9 671)	14	27 879	237 057
Loss for the year restated[1]	–	–	–	–	–	(26 082)	(26 082)
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 restated	241 550	–	(335)	(12 757)	47	5 439	233 944
Loss for the year	–	–	–	–	–	(55 015)	(55 015)
Other comprehensive (loss)/income, net of tax	–	–	(533)	–	6	456	(71)
Conversion of loan from shareholder	–	44 000	–	–	–	–	44 000
Transfers between reserves	–	–	–	2 444	–	(2 444)	–
Balance at 31 March 2024	241 550	44 000	(868)	(10 313)	53	(51 564)	222 858
Company							
Balance at 31 March 2022	219 693	–	(858)	(9 671)	–	7 770	216 934
Loss for the year restated[1]	–	–	–	–	–	(26 357)	(26 357)
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 restated	241 550	–	(335)	(12 757)	–	(14 966)	213 492
Loss for the year	–	–	–	–	–	(57 084)	(57 084)
Other comprehensive (loss)/income, net of tax	–	–	(533)	–	–	437	(96)
Conversion of loan from shareholder	–	44 000	–	–	–	–	44 000
Transfers between reserves	–	–	–	2 444	–	(2 444)	–
Balance at 31 March 2024	241 550	44 000	(868)	(10 313)	–	(74 057)	200 312

Share capital

Refer to note 23 for details regarding share capital.

Other capital

Other capital comprises of the portions of the loan from the shareholder of R16 billion and R28 billion that were approved for conversion to equity by the Minister of Finance on 13 December 2023 and 20 March 2024 respectively where the share certificates were only issued on 22 April 2024. Refer to note 47.

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/(loss). The unrealised portion of the net change in fair value is not distributable and has been reallocated from a distributable reserve (accumulated profit/(loss)) 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/(loss)

Accumulated profit/(loss) is the amount of cumulative profit/(loss) 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 2024

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Cash flows from operating activities					
Cash generated from operations	42	40 515	41 969	39 912	40 825
Net cash from derivatives held for risk management		794	97	789	97
Finance income received		412	462	412	462
Finance cost paid		(4)	(109)	(4)	(109)
Income taxes paid		(1 321)	(892)	–	–
		40 396	41 527	41 109	41 275
Cash flows used in investing activities					
Disposals of property, plant and equipment		1 082	491	1 076	557
Disposals of intangible assets		–	255	–	–
Acquisitions of property, plant and equipment		(42 492)	(31 698)	(42 339)	(31 754)
Acquisitions of intangible assets		(85)	(167)	(84)	(31)
Acquisitions of future fuel supplies		(2 857)	(3 137)	(2 857)	(3 137)
Acquisitions of investments in subsidiaries		–	–	(116)	–
Acquisitions of treasury investments		(1 002)	–	(1 002)	–
Disposals of insurance investments		25 560	36 850	–	–
Acquisitions of insurance investments		(27 295)	(36 203)	–	–
Payments made in advance		(101)	(442)	(101)	(442)
Cash used in provisions		(135)	(1 900)	(135)	(1 900)
Net cash used in derivatives held for risk management		(221)	(18)	(221)	(18)
Loans receivable repaid		703	816	50	19
Loans receivable advanced		(640)	(746)	–	–
Cash from finance lease receivables		21	39	21	39
Dividends received		74	93	889	161
Dividends received – investment in equity-accounted investees	11	109	161	–	–
Finance income received		2 336	1 792	496	343
		(44 943)	(33 814)	(44 323)	(36 163)
Cash flows from/(used in) financing activities					
Debt securities and borrowings raised	43	23 562	29 603	23 561	34 599
Loan from shareholder raised	43	76 000	–	76 000	–
Payments made in advance	43	(426)	(369)	(426)	(369)
Debt securities and borrowings repaid	43	(54 594)	(39 110)	(54 550)	(41 406)
Share capital issued	23	–	21 857	–	21 857
Net cash from derivatives held for risk management	43	10 992	4 894	10 992	4 894
Cash used in lease liabilities	43	(721)	(687)	(638)	(575)
Net cash used in financial trading liabilities	43	–	(2)	–	(2)
Finance income received		1 110	789	1 030	725
Finance cost paid		(35 255)	(33 069)	(35 564)	(33 200)
Taxes paid		(71)	(58)	(71)	(58)
		20 597	(16 152)	20 334	(13 535)
Net increase/(decrease) in cash and cash equivalents		16 050	(8 439)	17 120	(8 423)
Cash and cash equivalents at beginning of the year		7 516	15 885	5 832	14 218
Foreign currency translation		6	33	–	–
Effect of movements in exchange rates on cash held		13	37	13	37
Cash and cash equivalents at end of the year	22	23 585	7 516	22 965	5 832

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 27.

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.

Notes to the financial statements

for the year ended 31 March 2024

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.

The group is wholly owned by the government with the Minister of Electricity and Energy (previously the Minister of DPE) as the shareholder representative.

The principal activity of the group is the vertically integrated regulated electricity business (Eskom and National Transmission Company South Africa SOC Ltd (NTCSA)) 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. The group also purchases electricity from IPPs and international suppliers in southern Africa. The primary business focus of the other subsidiaries is to support the electricity business.

The business nature of the significant operating subsidiaries is set out in note 12.

The assets and liabilities of the transmission division were transferred to NTCSA as part of a common control transaction within the Eskom group on 31 March 2024. Refer to note 12.

2. Summary of material accounting policies

The 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 2024 comprise the Eskom company, its subsidiaries, joint ventures, associates and structured entities (together the group). The separate and consolidated financial statements have been prepared in accordance with IFRS Accounting Standards 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 18 December 2024.

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 other investments

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.

Common control transactions are accounted for at carrying value in the consolidated and separate financial statements where the acquirer recognises the acquired assets and liabilities at the carrying values reflected in the financial statements of the transferring entity (Eskom company).

The transferring entity recognises the net carrying value of the assets and liabilities transferred as its investment in the subsidiary and the acquirer recognises the same value as equity in their respective financial statements.

Any difference between the acquisition consideration and the net carrying value of the assets and liabilities that form part of the common control transaction is recognised in the respective financial statements as part of the investment in the subsidiary by the transferring entity and as equity by the acquirer.

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 material 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 the group 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.

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 judgement.

The core operating assets of the group (generation, transmission and distribution segments) 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 exit price as determined by NERSA. Revenue is allocated between the segments through internal transfer pricing that is based on the NERSA methodology principles to determine the Eskom allowed revenue and single exit price. Some limited capacity in the grid is sold by the transmission segment to international customers in southern Africa.

Eskom company (generation and distribution segments) and NTCSA from 31 March 2024 (transmission segment) have therefore been identified as a single CGU (referred to as the Eskom CGU) as it currently remains a vertically integrated regulated business and the segments do not generate largely independent cash flows.

The identification of Eskom company and NTCSA as a single CGU may be impacted in the future by the planned legal separation of the generation and distribution divisions into separate entities and when the separate legal entities (or some of the legal entities in the vertically integrated electricity business) are fully operational in terms of their individual mandates. This is presumed to be possible when an active market exists where the market operator (currently housed in NTCSA) can trade independently and generate independent cash flows through the buying and selling of electricity with external customers. This is dependent on the development, approval and implementation of the market code, rules and trading platform (systems) for the market operator which is expected to take some time to finalise as required. The individual licensees will only be able to generate independent cash flows when the market operator is fully operational, even if NERSA approves separate tariffs per licensee.

An impairment loss is recognised for the amount by which the asset's (or CGU's) carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs of disposal 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 net impairment and write down 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 exemption 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. Summary of material accounting policies (continued)

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.

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 events have 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.

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. Summary of material accounting policies (continued)

2.10 Financial instruments (continued)

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 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 capital costs incurred which are associated with the contractual agreements 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 the group.

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 impact of cost-plus mines on 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 Loan from shareholder

The loan from the shareholder in terms of the debt relief arrangement arises from the Debt Relief Act, 7 of 2023, and is accordingly classified as a statutory liability. The group elected to measure the loan at historic cost in terms of the Conceptual Framework for Financial Reporting.

The loan is subsequently measured at amortised cost.

The loan is derecognised when the Minister of Finance confirms that the attached conditions were met and approves that the amounts can be converted to equity. Refer to note 3.1.3.

2.15 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.

2.16 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 to recover or settle the carrying amount of its assets and liabilities at the reporting date.

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.

2.17 Payments received in advance, contract liabilities and deferred income

Customer connections

Customer connections arise when customers make a contribution to the group to construct regular distribution and transmission assets or when the constructed assets are transferred to the group 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 the group.

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 the group to connect to the electricity network are accounted for when the customer hands over the completed assets to the group.

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.

2. Summary of material accounting policies (continued)

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

Customer connections (continued)

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 2.20 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.

2.18 Employee benefit obligations

Post-employment medical benefits

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

The group accounts for its post-employment medical benefits obligation as a defined benefit plan in line with IAS 19. The post-employment medical benefits plan is unfunded. The cost to the employer, in the form of employer contributions, is actuarially determined. Provision is made for the estimated cost over the period until the date of early retirement at age 55 when further service by the employee will lead to no material amount of further benefits to the employee. Actuarial gains or losses are recognised in other comprehensive income within remeasurement 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, 24 of 1956.

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, NTCSA (from 1 July 2024), 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 20.80% of pensionable emoluments of which 13.50% 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 remeasurement 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 bonuses is raised on the estimated amount payable in terms of the scheme.

2.19 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 plants. 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 NNR. 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.

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 is 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.

2.20 Revenue from contracts with customers

The main revenue activity of the group is the sale of electricity which is recognised when electricity is consumed by the user. The subsidiaries, other than NTCSA 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. The group has a statutory obligation to charge VAT for local customers, payable to 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 write-off.

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.

2. Summary of material accounting policies (continued)

2.20 Revenue from contracts with customers (continued)

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). Conventional customers are billed on a monthly basis after electricity is consumed whereas prepaid customers pay for electricity upfront when electricity tokens are purchased resulting in a contract liability to deliver electricity in the future. Prepaid revenue is recognised and the contract liability derecognised for electricity consumed on tokens loaded on the prepaid meter. 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 the group to construct regular distribution and transmission assets or when the constructed assets are transferred to the group to connect customers to the electricity network. 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 before 30 June 2009 were allocated to deferred income when the customer was connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the expected useful life of the related assets. Connections that were completed after 30 June 2009 were recognised as revenue when the customer was connected to the electricity network in terms of IFRIC 18. Connections 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 25 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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 and cash and cash equivalents.

3. Capital management, going concern and impairment

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.

Group funding consists of external debt and equity investments by the shareholder (including those under the Debt Relief Act and Debt Relief Amendment Act), funds generated from operations and funds borrowed on local and foreign debt markets (for borrowings allowed during the debt relief period) with strong government support.

The following capital reserves are managed by the group:

		Group		Company	
	Note	2024 Rm	Restated 2023 Rm	2024 Rm	Restated 2023 Rm
Share capital	23	241 550	241 550	241 550	241 550
Other capital		44 000	–	44 000	–
Accumulated (loss)/profit		(51 564)	5 439	(74 057)	(14 966)
Net debt	43	401 060	398 833	402 675	404 879
		635 046	645 822	614 168	631 463
Facilities available – debt securities and borrowings[1]		22 495	19 374	22 495	19 374

3.1.1 Share capital

Share capital consist of R241 550 million of issued shares.

3.1.2 Accumulated (loss)/profit

Revenue

The group 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 the group 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 profit or loss measures (unaudited) are monitored by management:

	Group		Company	
	2024 %	Restated 2023 %	2024 %	Restated 2023 %
EBITDA margin	14.67	13.32	14.45	13.65
Net loss margin	(18.60)	(10.05)	(19.30)	(10.16)

3.1.3 Net debt

	Group		Company	
	2024 %	2023 %	2024 %	2023 %
Funding used	133 682	105 204	133 407	110 044
Debt repayment and net finance costs	88 739	71 390	89 084	73 881
Investment funding requirements	44 943	33 814	44 323	36 163
Funding raised	133 682	105 204	133 407	110 044
Cash from operations	40 396	41 527	41 109	41 275
Financing activities	109 336	55 238	109 418	60 346
(Used)/obtained cash	(16 050)	8 439	(17 120)	8 423

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

		Group		Company	
	Unit	2024	Restated 2023	2024	Restated 2023
Net debt: equity	Ratio	1.80	1.70	2.01	1.90
Net debt: EBITDA	Ratio	9.24	11.54	9.42	11.43
Net debt service cover	Ratio	0.46	0.58	0.46	0.56
Free funds from operations: net debt	%	13.46	10.99	13.17	11.10

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

	Rating		Outlook	
	2024	2023	2024	2023
Standard & Poor's				
Foreign currency	CCC+	CCC+	Credit watch positive[2]	Credit watch positive
Local currency	CCC+	CCC+	Credit watch positive[2]	Credit watch positive
Moody's				
Foreign currency	Caa1	Caa1	Positive	Positive
Local currency	B1	B1	Positive	Positive
Fitch Ratings				
Local currency	B	B	Stable	Stable

1. Facilities in foreign currency (refer to note 5.3.2) are converted to rand at mid-spot rate (refer to note 5.2.1) at reporting date.
2. The outlook was revised to positive in November 2024.

3. Capital management, going concern and impairment (continued)

3.1 Capital management (continued)

3.1.3 Net debt (continued)

Net debt is sourced globally (when allowed during the period of the debt relief) to ensure the lowest cost of funding. 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 the group'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 the group.

Funds received and not yet spent 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.

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

Debt relief arrangement

The Eskom Debt Relief Act was enacted on 7 July 2023. The arrangement provides debt relief of R254 billion to Eskom over three years, subject to conditions to allow for the conversion of the debt relief to equity, consisting of liquidity support of R184 billion 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 conditions were confirmed by the Minister of Finance in terms of section 2(2)b of the Act. The conditions that are applicable from 1 August 2023 to 31 March 2026 (which can be amended by the Minister from time to time) are as follows:

- 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 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 Eskom shareholder representative and the Minister of Finance.

The loan is settled in Eskom ordinary shares upon confirmation of compliance with the conditions and obtaining written approval from the Minister of Finance in terms of the Debt Relief Act for conversion to equity.

In the event of unconverted loan amounts that fail to qualify for the conversion of debt to equity due to non-compliance with the conditions, these will become due and payable after the debt relief period (from 1 April 2026) and a separate loan agreement will be entered into with specific terms and conditions.

The Eskom Debt Relief Amendment Act was amended and promulgated on 8 April 2024. The Eskom Debt Relief Amendment Act provides for the payment of interest on amounts advanced as a loan at a rate determined by the Minister of Finance and power to the Minister of Finance to reduce the support for the requirements of Eskom (limited to five percent of the total amount allocated for the applicable financial year) in the event of non-compliance with the conditions.

Interest is payable prospectively based on the 91-day Treasury Bill rate in the previous quarter effective from the first disbursement received in the 2025 financial year (8.71% on R8 billion received on 28 June 2024). The debt relief support was reduced by R2 billion in both 2024 and 2025 to R76 billion and R64 billion respectively due to the delays in the sale of EFC. The sale of EFC remained a key focus with the board accepting the binding offer from the approved bidder on 25 October 2024. Refer to note 47.

3.2 Going concern

The board assessed 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 2024 including the net loss after tax of R55 015 million and the net current liabilities of R41 357 million.
- Considered the impact of the cash flow forecast for the 24 months ending 31 March 2026 and the projected net profit before tax for 2025 estimated at R19 819 million (unaudited – information has not been reviewed or reported on by the external auditors).
- Noted an improvement in EBITDA and EBITDA margin and a deterioration in the net debt service cover and cash interest cover of the group's financial indicators compared to 31 March 2023.
- Noted the increase in the cash and cash equivalents balance to R23 585 million from R7 516 million at 31 March 2023 mainly due to the debt relief support received.
- Noted the impact of the debt relief arrangement that resulted in an improved liquidity position, but that liquidity remains under pressure given the group's financial and operational challenges. The liquidity in the longer term after the debt relief period remains at risk because of the financial sustainability challenges arising from an inadequate tariff path, high debt service costs, escalating arrear debt, operational inefficiencies, the impact of fraud and corruption and sub-standard generating plant performance requiring reliance on expensive Eskom and IPP OCGTs to augment supply as well as sourcing of funding for the Transmission Development Plan.
- Noted the remaining portion of the debt relief support from government of R66 billion in 2025 and R40 billion in 2026, including the conditions the group needs to comply with to allow for the conversion of debt relief to equity, 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 (to be finalised), thereby allowing Eskom to better manage its liquidity position as well as the reduction of R2 billion in the debt relief support for 2025 as a result of the delay in the disposal of EFC. The sale of EFC continues to be prioritised with board accepting a binding offer from the approved bidder in October 2024, subject to PFMA approval.
- Noted and considered the implications of the Eskom Debt Relief Amendment Act, that was enacted on 8 April 2024 that provides for the monthly payment of interest by Eskom on amounts advanced as a loan at the 91-day Treasury Bill rate and power to the Minister to reduce the support to Eskom in the event of non-compliance with the conditions. Any loan amount that fails to qualify for the conversion of debt to equity because of non-compliance with the conditions will become due and payable after the debt relief period (from 1 April 2026). Interest is payable prospectively from the first disbursement received in 2025. Refer to note 47.

- 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, and that existing government guarantees issued on borrowings before 31 March 2023 in terms of the government guarantee facility of R350 billion remain in place until settlement of the guaranteed debt. All other operational and relevant capital expenditure spending are financed through operational cash flows and drawdowns from existing project related loan agreements.
- Considered the impact of the continuous increase in overdue electricity receivables mainly due to growing municipal debt (including the impact of non-recoverability of long outstanding electricity receivables) and the municipal debt relief arrangement that is yielding minimal results with most of the municipalities failing to comply with the conditions.
- Noted the approval by the NNR on 25 January 2024 to separate the licence expiry dates in line with the design life of the units at Koeberg power station (licence expiry date for unit 1 remained as 21 July 2024 and was extended to 9 November 2025 for unit 2).
- Considered the impact of the licence extension by the NNR on 15 July 2024 to continue to operate Koeberg unit 1 for another 20 years to 21 July 2044 which will decrease the nuclear decommissioning provision because of later cash outflows. The licence extension decision on unit 2 was deferred until later but prior to the licence expiry date as some of the prerequisites for long-term operation are still being implemented in the current outage of unit 2.
- Considered the impact on future cash flows of ongoing ring-fenced funds set aside (R1.0 billion during the year and an additional R1.4 billion in 2025) for the funding of future nuclear decommissioning activities as directed by the NNR whilst discussions regarding a permanent solution are underway.
- Considered the impact of the dispute between Eskom and SARS that was resolved on 18 October 2024 relating to previously disallowed claims for fuel levy refunds for a net amount of R9.2 billion payable to Eskom. Refer to note 47.
- Considered the impact of improved generating plant performance even though certain challenges remain. A worsening of generating plant performance could negatively impact cash flow due to lost revenue and an increase in costs, including the level of spend required on OCGTs. The group's generation capacity continues to be managed as a critical focus area to ensure appropriate steps are being taken to manage performance.
- Considered the impact of the current economic climate, including that some rating agencies expressed a positive outlook on the group after the enactment of the Eskom Debt Relief Act.
- Acknowledged that an acceptable price increase, uncertainty of timing and impact of separate licence price determinations, continued improved plant performance and addressing payment by municipalities are critical factors in the going-concern assessment.
- Noted the increase in non-technical energy losses because of illegal connections and selling of illegal tokens which increase the current and future costs incurred by Eskom to produce energy with no corresponding revenue received.
- Recognised the progress made with the legal separation of Eskom. All suspensive conditions were met and/or waived on 31 March 2024 to give full effect to the merger agreement resulting in the disposal of the transmission division to NTCSA on 31 March 2024. NTCSA commenced trading on the legal implementation date of the merger agreement on 1 July 2024 (refer to note 12). NTCSA is in a tax paying position from 2025 onwards based on the latest forecasts and paid provisional tax of R1.4 billion at 30 September 2024. The corporatisation and operationalisation of NEDCSA is delayed due to external dependencies and the delayed operationalisation of NTCSA.
- Noted that Eskom and NTCSA signed an equity subscription agreement on 28 June 2024 to allow for the allocation of R3.8 billion to NTCSA relating to debt relief received by Eskom from the government (refer to note 47). Other mechanisms of support to NTCSA include amongst others approval of a short-term credit facility with Eskom Treasury, immediate settlement of intercompany energy purchases and sales as well as issuing of proforma invoices to Eskom for payments to be made in advance should NTCSA experience financial challenges.
- Recognised that the group 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 adherence and timely identification of all issues, taking appropriate corrective action and implementing consequence management remain a challenge.
- 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.

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 the group and company's balance sheet. The Eskom debt relief arrangement is assisting in putting the group on a path to long-term financial stability. Compliance by the municipalities with the requirements of the municipal debt relief programme as set out by National Treasury remains a key focus area as the programme is not yielding the expected results.
- Eskom is working with National Treasury and the shareholder representative regarding Eskom's ongoing compliance with the conditions of the debt relief arrangement to enable the conversion of the loan to equity. A total of R76 billion was received for the year of which R44 billion was approved by 31 March 2024 and the remaining R32 billion was approved on 29 July 2024 for conversion to equity. The first disbursement of R8 billion received on 28 June 2024 for 2025 was approved for conversion to equity on 21 October 2024. Refer to note 47.
- There is continued focus on implementing various strategies to recover overdue trade receivables. The successful outcome of these strategies remains uncertain. Eskom advised National Treasury of the municipalities not compliant with the municipal debt relief arrangement conditions. National Treasury is engaging with these municipalities to highlight the risk of terminating their participation in the debt relief programme. Eskom continued with its credit management processes for municipalities that breached their debt relief conditions. Refer to note 5.1.1.
- Eskom continues to work with the Minister of Electricity and Energy leveraging the National Energy Crisis Committee structures to ensure that the Electricity Action Plan is implemented expeditiously in collaboration with all key stakeholders to resolve the electricity crisis.
- The Electricity Regulation Amendment Act, 38 of 2024, provides for NERSA to consider the application and issue of licences, new generation capacity and electricity infrastructure and the establishment of the transmission system operator in the future to cater for an open market platform that will allow for competitive electricity trading with entity specific revenue determinations by NERSA in line with the approved licenses. It is envisaged that there will be a transition period, most likely between three to five years, as the development, approval and implementation of the market code, rules and trading platform (system) as well as the qualifying criteria for participants is a time-consuming process involving various stakeholder consultations and approval by NERSA.
- 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.

The board considered that there are uncertainties and dependencies that exist both from the perspective of timing of interventions as well as whether the plans will materialise as anticipated. The events, conditions and assumptions described above inherently include material uncertainties that may cast significant doubt on the going concern of the group and company.

3. Capital management, going concern and impairment (continued)

3.2 Going concern (continued)

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 during the debt relief period will be funded from cash from operations. The board concluded after carefully considering the progress of the initiatives included 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 and company have 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

The Eskom CGU (refer to note 2.6) was assessed for impairment because of ongoing liquidity, financial and operational performance challenges. The assessment includes property, plant and equipment and assets with an indefinite useful life of intangible assets (rights).

No impairment loss was recognised on the Eskom 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.

There was no impairment loss in the individual legal entities and the impairment assessment as part of the Eskom CGU remains appropriate.

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

Fair value less cost of disposal

The fair value less cost of disposal (no estimate for the cost of disposal was provided, as this is deemed to not be 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 as the Eskom 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 lives. 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 2025 to 2029, 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 9% in 2025 and 6% in 2026, reducing over time to 3%. The power stations' Energy Availability Factor (EAF) was aligned to the performance as at the reporting date, with a gradual improvement over time.

The price path is based on the NERSA approved price increase of 12.74% for 2025, the 2026 to 2028 NERSA price application (not approved) that was refined for the impairment assessment and an assumed long term estimate for all future price increases not yet applied for.

A conservative view was taken on overdue municipality debt by assuming that it will continue to increase. The possible positive impact of the municipal debt relief arrangement was not taken into account as the majority of the accepted municipalities have not been complying with the conditions. Eskom will only be impacted by carbon tax in 2026 with a substantial increase from 2027.

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

The price increases used for the Eskom CGU were:

	Year ended 31 March					
	2025 %	**2026** %	**2027** %	**2028** %	**2029** %	**2030** %
2024						
Price increase	**13**	**15**	**14**	**18**	**11**	**4**

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

An average long-term negative sales growth rate of 5% (2023: 0.5%) 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% (2023: 16.25%) was used as derived from the NERSA determination.

Outcome of impairment calculation

Price sensitivity

A conservative price path has been assumed. The price already approved by NERSA was used for 2025. A reduction of 1% in the price assumption for 2026 results in the recoverable amount exceeding the carrying amount by 5%. 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 2% in the discount rate will result in a recoverable amount being equal to the carrying value.

Other sensitivities

A 1% cumulative increase in the cost of coal over the 2025 to 2050 periods results in the recoverable amount equal to carrying value.

A 2% cumulative reduction in available total production from coal plants over the 2025 to 2050 periods results in the recoverable amount exceeding the carrying amount by approximately 5%.

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 agreements to supply electricity to electricity-intensive businesses where the revenue from the contracts is based on approved tariffs with a possible upside charge that is applicable when predefined thresholds are exceeded.

These upside charges resulted in option-based embedded derivatives arising from:

- Aluminium market price – applicable if both the aluminium price and foreign exchange rate simultaneously exceed predefined thresholds from August 2021 to July 2031.
- Ferrochrome market price – applicable when the ferrochrome price exceeds predefined thresholds from January 2024 to December 2029.

The valuation of the embedded derivatives reflects the remaining benefit to Eskom attributable to the upside charge when the thresholds are exceeded.

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 commodities (aluminium and ferrochrome) 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 derivatives reflects a probability-weighted estimate of the upside benefit to Eskom in terms of the Monte Carlo method.

Input and valuation assumptions

The key valuation approach and methodology used include the following:

- Aluminium price forecasting was modelled using the Schwartz 1-factor model and is calibrated to the futures prices and at-the-money European options on futures contracts traded on the London Metal Exchange.
- Aluminium price and USD/ZAR correlation was modelled by identifying the correlation between the log returns in outlier scenarios which is driven by global economic shocks, where commodities tend to appreciate as the global economy deteriorates.
- Ferrochrome price forecasting was modelled by using the Schwartz 1-factor model and by establishing a suitable proxy as there is no exchange market for ferrochrome futures. Stainless steel was selected as an appropriate proxy as the majority of global ferrochrome resources are used in the production of stainless steel.
- The aluminium and USD/ZAR volatility was based on implied volatilities of the at-the-money options traded in the market. The volatility data for aluminium was selected as a suitable volatility proxy for ferrochrome because of its proximity in usage by industry participants and common industry alternative to stainless steel (ferrochrome).
- Counterparty credit risk was calculated by using the marginal probability of default (using a hazard rate model and calibrated to the counterparty's credit default swap spread), weighted by the present value of the expected future exposure, at each cash flow date.
- Projected cash flows were weighted and discounted at the appropriate risk-free rate by simulating forward USD/ZAR rates and underlying commodity's price (in USD) and then valuing the payoff using Monte Carlo methods. The average of the simulated upside tariffs across the contract's supply term structure was discounted to the valuation date using the ZAR three-month swap zero curve.
- The United States and South African Producer Price Index (PPI) 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.

4. Critical accounting estimates and assumptions (continued)

4.1 Embedded derivatives (continued)

Valuation (continued)

Input and valuation assumptions (continued)

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

2024		Year ended 31 March					
Input	Unit	2024	2025	2026	2027	2028	2029
Aluminium price	USD per ton	2 295	2 415	2 536	2 627	2 696	2 744
Aluminium volatility	Year-on-year (%)	14.89	17.73	17.95	17.97	17.97	17.97
Ferrochrome price	USD per ton	2 150	2 198	2 176	2 144	2 127	2 091
Stainless steel price	Chinese yuan per ton	13 915	14 020	–	–	–	–
ZAR/USD	ZAR per USD	18.94	19.59	20.34	21.26	22.84	23.86
USD/ZAR volatility	Year-on-year (%)	9.82	14.78	15.17	15.40	15.40	16.07
Rand interest rates	Annual actual/365 days (%)	5.60	9.34	8.56	8.57	8.74	9.08
Dollar interest rates	Annual actual/365 days (%)	5.57	5.11	4.61	4.30	4.13	4.02
South African PPI	Year-on-year (%)	5.00	4.80	4.60	4.50	4.30	4.20
United States PPI	Year-on-year (%)	1.50	1.80	1.60	1.40	1.40	1.30
Electricity usage – aluminium	Electricity usage per maximum capacity (%)	97.64	97.64	97.64	97.64	97.64	97.64
Electricity usage – ferrochrome	Electricity usage per maximum capacity (%)	79.18	79.18	79.18	79.18	79.18	79.18

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
ZAR/USD	ZAR per USD	17.72	19.27	20.00	20.62	21.32	21.98
USD/ZAR 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

Sensitivity analysis

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

			Group and company			
			2024		2023	
Input	Unit	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
Aluminium price	USD per ton	10% relative	545	(375)	258	(218)
Aluminium volatility	Index	1% absolute	51	(55)	–	–
Ferrochrome price	USD per ton	10% relative	2 653	(2 695)	–	–
Rand interest rates	Continuous actual/365 days (%)	100 basis points	(10)	10	43	(48)
South African PPI	Index	1% absolute	38	(43)	(51)	48
United States PPI	Index	1% absolute	(193)	237	3	(13)

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 of beneficiaries.

Valuation assumptions
The principal actuarial assumptions used were:

	Unit	Group 2024	Group 2023	Company 2024	Company 2023
Discount rate	%	**15.0**	13.2	**15.0**	13.2
Medical aid inflation	%	**10.6**	9.3	**10.6**	9.3
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	**17.10**	17.60	**16.70**	17.70

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:

	Change in assumption	Group 2024 increase Rm	Group 2024 decrease Rm	Group 2023 increase Rm	Group 2023 decrease Rm	Company 2024 increase Rm	Company 2024 decrease Rm	Company 2023 increase Rm	Company 2023 decrease Rm
Effect on aggregate current service cost and finance cost									
Discount rate	1%	**(241)**	**293**	(210)	258	**(217)**	**264**	(209)	256
Medical aid inflation	1%	**510**	**(413)**	467	(374)	**466**	**(377)**	462	(369)
Future mortality	1 year	**70**	**(71)**	63	(63)	**66**	**(67)**	62	(62)
Effect on post-employment medical benefits obligation									
Discount rate	1%	**(2 067)**	**2 546**	(2 089)	2 595	**(1 899)**	**2 333**	(2 057)	2 556
Medical aid inflation	1%	**2 579**	**(2 118)**	2 618	(2 133)	**2 363**	**(1 944)**	2 580	(2 100)
Future mortality	1 year	**413**	**(418)**	410	(414)	**388**	**(393)**	402	(406)

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 of pensioners, changes in the age profile of members, equity and debt market risk and foreign exchange risk.

Valuation assumptions
The principal actuarial assumptions used were:

	Unit	Group and company 2024	Group and company 2023
Discount rate	%	**15.0**	13.2
Long-term price inflation rate	%	**8.6**	7.3
Future salary inflation	%	**10.1**	8.8
Future pension increases	%	**8.6**	7.3
Male longevity	years	**13.5**	13.5
Female longevity	years	**19.7**	19.7
Weighted average duration	years	**14.3**	14.4

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:

	Change in assumption	Group and company 2024 increase Rm	Group and company 2024 decrease Rm	Group and company 2023 increase Rm	Group and company 2023 decrease Rm
Discount rate	1%	**(6 834)**	**7 945**	(7 288)	11 429
Inflation rate	1%	**8 345**	**(7 270)**	11 571	(7 682)
Future mortality	1 year	**(1 654)**	**1 612**	(1 471)	1 506

4. Critical accounting estimates and assumptions (continued)

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	
	2024 %	2023 %
Discount rate	15.0	13.2
General price inflation	8.6	7.3
Salary increases	10.1	8.8
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% (2023: 8%) of the leave is utilised. If the rate at which leave is taken is 16% (2023: 16%), then the liability will increase by R103 million (2023: R97 million) for the group and R83 million (2023: R91 million) for the company. If the rate at which leave is taken is 4% (2023: 4%), then the liability will decrease by R58 million (2023: R55 million) for the group and R47 million (2023: R52 million) for the company.

The carrying amount of the occasional and service leave liability for the group is R1 309 million (2023: R1 279 million) and R1 020 million (2023: R1 155 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			
	2024		2023	
	%	Year	%	Year
Nuclear plant	4.4–5.1	2025–2039	3.4–4.6	2025–2039
Coal, pump storage, open cycle gas turbine and renewable stations	4.4–5.1	2026–2099	3.4–4.7	2024–2099
Spent nuclear fuel	4.4–5.1	2025–2100	3.1–4.6	2024–2100
Mine-related closure, pollution control and rehabilitation	4.4–5.1	2025–2151	3.1–4.6	2024–2150

Sensitivity analysis

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

		Group and company			
		2024		2023	
	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
Nuclear plant	1%	(466)	504	(533)	580
Coal, pump storage, open cycle gas turbine and renewable stations	1%	(2 187)	2 735	(2 057)	2 598
Spent nuclear fuel	1%	(1 271)	2 377	(1 647)	2 425
Mine-related closure, pollution control and rehabilitation	1%	(1 180)	1 523	(1 458)	1 935

4.6 Revenue from contracts with customers

Customer connections

Connection charges are charged to customers in exchange for connection to the group's electricity network. This connection enables the group 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 the group 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 the group does not have the ability to manage the credit risk due to external facts and circumstances (for example socio-economic or political reasons). The group 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 x Probability of default x 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 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 for the possible impact of the municipal debt relief arrangement. National Treasury approved for some municipalities that the Eskom arrear debt at 31 March 2023 can be written off over a three-year period subject to them meeting the predetermined conditions. An assessment was performed on the probability of these municipalities meeting the conditions, including consideration of past payment trends and current financial health, which resulted in an additional impairment of R1 903 million (2023: R824 million). None of the municipalities have reached a full 12-month cycle at 31 March 2024 and there have therefore been no write-offs as yet.

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 was calculated as a weighted average of industry benchmarks (Basel Pillar 3 disclosures).
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 was calculated as a weighted average of industry benchmarks (Basel Pillar 3 disclosures).
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 was calculated as a weighted average of industry benchmarks (Basel Pillar 3 disclosures).
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 was calculated as a weighted average of industry benchmarks (Basel Pillar 3 disclosures).
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 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 was calculated as a weighted average of industry benchmarks (Basel Pillar 3 disclosures).

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.

5. Financial risk management (continued)

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

	2024								
	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									
International	1 706	(11)	1 695	691	(586)	105	2 397	(597)	1 800
B- to BB+	1 576	(7)	1 569	691	(586)	105	2 267	(593)	1 674
Below B-	130	(4)	126	–	–	–	130	(4)	126
Local large power users – municipalities	16 496	(838)	15 658	3 783	(3 521)	262	20 279	(4 359)	15 920
0–30 days	10 641	(128)	10 513	–	–	–	10 641	(128)	10 513
30–90 days	5 855	(710)	5 145	–	–	–	5 855	(710)	5 145
More than 90 days or credit impaired	–	–	–	3 783	(3 521)	262	3 783	(3 521)	262
Local large power users – other	12 206	(28)	12 178	662	(566)	96	12 868	(594)	12 274
0–30 days	12 082	(6)	12 076	–	–	–	12 082	(6)	12 076
30–90 days	124	(22)	102	–	–	–	124	(22)	102
More than 90 days or credit impaired	–	–	–	662	(566)	96	662	(566)	96
Local small power users	2 879	(207)	2 672	1 313	(984)	329	4 192	(1 191)	3 001
0–30 days	2 440	(89)	2 351	–	–	–	2 440	(89)	2 351
30–90 days	439	(118)	321	–	–	–	439	(118)	321
More than 90 days or credit impaired	–	–	–	1 313	(984)	329	1 313	(984)	329
	33 287	(1 084)	32 203	6 449	(5 657)	792	39 736	(6 741)	32 995
Other receivables (B- to BB+)	2 489	(53)	2 436	544	(539)	5	3 033	(592)	2 441
	35 776	(1 137)	34 639	6 993	(6 196)	797	42 769	(7 333)	35 436
Company									
International									
B- to BB+	15	–	15	–	–	–	15	–	15
Local large power users – municipalities	16 496	(838)	15 658	3 783	(3 521)	262	20 279	(4 359)	15 920
0–30 days	10 641	(128)	10 513	–	–	–	10 641	(128)	10 513
30–90 days	5 855	(710)	5 145	–	–	–	5 855	(710)	5 145
More than 90 days or credit impaired	–	–	–	3 783	(3 521)	262	3 783	(3 521)	262
Local large power users – other	12 206	(28)	12 178	662	(566)	96	12 868	(594)	12 274
0–30 days	12 082	(6)	12 076	–	–	–	12 082	(6)	12 076
30–90 days	124	(22)	102	–	–	–	124	(22)	102
More than 90 days or credit impaired	–	–	–	662	(566)	96	662	(566)	96
Local small power users	2 879	(207)	2 672	1 313	(984)	329	4 192	(1 191)	3 001
0–30 days	2 440	(89)	2 351	–	–	–	2 440	(89)	2 351
30–90 days	439	(118)	321	–	–	–	439	(118)	321
More than 90 days or credit impaired	–	–	–	1 313	(984)	329	1 313	(984)	329
	31 596	(1 073)	30 523	5 758	(5 071)	687	37 354	(6 144)	31 210
Other receivables (B- to BB+)	4 350	(54)	4 296	257	(254)	3	4 607	(308)	4 299
	35 946	(1 127)	34 819	6 015	(5 325)	690	41 961	(6 452)	35 509

	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	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

ECL percentages used

	2024			2023		
	Stage 2 %	Stage 3 %	Total %	Stage 2 %	Stage 3 %	Total %
Group						
Trade receivables						
International	1	85	25	2	45	14
B- to BB+	–	85	26	1	45	16
Below B-	3	–	3	4	–	4
Local large power users – municipalities	5	93	21	2	92	20
0–30 days	1	–	1	2	–	2
30–90 days	12	–	12	18	–	18
More than 90 days or credit impaired	–	93	93	–	92	92
Local large power users – other	–	85	5	1	67	4
30–90 days	18	–	18	16	–	16
More than 90 days or credit impaired	–	85	85	–	67	67
Local small power users	7	75	28	7	68	30
0–30 days	4	–	4	3	–	3
30–90 days	27	–	27	22	–	22
More than 90 days or credit impaired	–	75	75	–	68	68
	3	88	17	2	77	15
Other receivables	2	99	20	1	91	18

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.1 Trade and other receivables (continued)

ECL percentages used (continued)

	2024 Stage 2 %	2024 Stage 3 %	2024 Total %	2023 Stage 2 %	2023 Stage 3 %	2023 Total %
Company						
Trade receivables						
International	–	–	–	2	45	14
B- to BB+	–	–	–	1	45	16
Below B-	–	–	–	4	–	4
Local large power users – municipalities	5	93	21	2	92	20
0–30 days	1	–	1	2	–	2
30–90 days	12	–	12	18	–	18
More than 90 days or credit impaired	–	93	93	–	92	92
Local large power users – other	–	85	5	1	67	4
30–90 days	18	–	18	16	–	16
More than 90 days or credit impaired	–	85	85	–	67	67
Local small power users	7	75	28	7	68	30
0–30 days	4	–	4	3	–	3
30–90 days	27	–	27	22	–	22
More than 90 days or credit impaired	–	75	75	–	68	68
	3	88	16	2	77	15
Other receivables	1	99	7	2	99	9

Age analysis of trade receivables balances

	2024 <1 year %	2024 >1 year %	2024 >2 years %	2024 >3 years %	2023 <1 year %	2023 >1 year %	2023 >2 years %	2023 >3 years %
Group								
International	87	12	1	–	93	7	–	–
Local large power users – municipalities	90	8	2	–	97	2	1	–
Local large power users – other	97	3	–	–	100	–	–	–
Local small power users	86	8	3	3	82	10	4	4
Company								
International	100	–	–	–	93	7	–	–
Local large power users – municipalities	90	8	2	–	97	2	1	–
Local large power users – other	97	3	–	–	100	–	–	–
Local small power users	86	8	3	3	82	10	4	4

Reconciliation of movements in allowance for impairment

	Note	2024 Stage 2 Rm	2024 Stage 3 Rm	2024 Total Rm	2023 Stage 2 Rm	2023 Stage 3 Rm	2023 Total Rm
Group							
Balance at beginning of the year		441	4 258	4 699	480	3 547	4 027
Raised to the income statement	35	794	2 006	2 800	85	938	1 023
Reversed on payment of opening balance		(343)	(2 557)	(2 900)	(359)	(2 037)	(2 396)
Remeasurement of opening balances held at year end		2	759	761	136	(80)	56
Raised on new balances		1 135	3 804	4 939	308	3 055	3 363
Transfer of balances between stage 2 and 3		(75)	75	–	(101)	101	–
Finance income on stage 3 balances		–	231	231	–	283	283
Write-offs		(23)	(374)	(397)	(23)	(611)	(634)
Balance at end of the year	20	1 137	6 196	7 333	441	4 258	4 699
Company							
Balance at beginning of the year		519	4 195	4 714	519	3 482	4 001
Raised to the income statement	35	715	1 980	2 695	121	937	1 058
Reversed on payment of opening balance		(382)	(2 515)	(2 897)	(356)	(2 019)	(2 375)
Remeasurement of opening balances held at year end		(11)	743	732	139	(80)	59
Raised on new balances		1 108	3 752	4 860	338	3 036	3 374
Transfer of balances between stage 2 and 3		(65)	65	–	(101)	101	–
Finance income on stage 3 balances		–	231	231	–	283	283
Write-offs		(22)	(381)	(403)	(20)	(608)	(628)
Disposal of business		(20)	(765)	(785)	–	–	–
Balance at end of the year	20	1 127	5 325	6 452	519	4 195	4 714

Security held for trade receivables (guarantees and deposits)

	Group and company									
	2024					2023				
	Fair value of security held			Security called upon	Rene-gotiated balances	Fair value of security held			Security called upon	Rene-gotiated balances
	Credit-impaired receivables Rm	Not credit-impaired receivables Rm	Total Rm	Rm	Rm	Credit-impaired receivables Rm	Not credit-impaired receivables Rm	Total Rm	Rm	Rm
International	–	7	7	–	–	–	6	6	–	–
Local large power users	370	17 898	18 268	44	2 331	349	15 569	15 918	46	3 146
Municipalities	329	895	1 224	2	2 309	301	709	1 010	–	3 138
Other	41	17 003	17 044	42	22	48	14 860	14 908	46	8
Local small power users	181	2 972	3 153	152	69	203	2 597	2 800	117	48
Soweto	11	–	11	4	–	13	–	13	1	1
Other	170	2 972	3 142	148	69	190	2 597	2 787	116	47
	551	20 877	21 428	196	2 400	552	18 172	18 724	163	3 194

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

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.1 Trade and other receivables (continued)

Additional information (continued)

Trade receivables (continued)

A large number of residential customers are on a prepaid basis thereby eliminating credit risk relating to these customers. The group 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 write-off of trade receivables. Where balances are assessed to not be collectable (for example deceased customers and businesses in liquidation after completion of business rescue), write-offs 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 for balances in stage 3 increased compared to the prior year because of collection challenges with a customer. Management is engaging with the customer regarding settlement.

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.

The group continues its efforts to ensure maximum collections from non-paying municipalities. Unfortunately these attempts are hampered by drawn out litigation and interdicts granted by the courts in the interest of municipal end-consumers. The group is advocating an active partnering solution whereby Eskom supports municipalities with distribution, reticulation and revenue collection services. The municipal debt relief programme commenced during the current financial year and has been a key focus area for the group in ensuring that the municipalities comply and adhere to the requirements as set out by National Treasury. Interventions include:

- tracking and monitoring compliance status on the municipal debt relief programme
- credit management processes focussing on current accounts
- entering into special payment arrangements
- promoting and implementing an active partnering solution for municipalities
- following the Promotion of Administrative Justice Act, 3 of 2000, processes to restrict, interrupt or terminate supply
- restricting electricity supply if the set maximum demand levels are exceeded
- terminating supply where no other option are available
- issuing of summonses and legal interventions
- government intervention (participation at inter-ministerial task team subcommittees, National Treasury and the Eskom shareholder representative)

There were 72 municipalities, representing 95% of the 31 March 2023 municipal arrear debt, that applied to National Treasury for debt relief at 31 March 2024. Of these applications, 71 were approved and 1 was rejected.

The following actions were taken by Eskom relating to the municipalities approved for debt relief in line with the debt relief conditions:

- arrear debt at 31 March 2023 was ring-fenced (including interest and penalties)
- legal proceedings have been stayed and existing payment arrangements terminated
- interest on arrear debt has been permanently suppressed from 1 April 2023
- interest rate reduced from prime plus 5% to prime plus 2.5% on arrear receivables
- monitoring of municipalities compliance to the conditions in consultation with National Treasury including tracking of unpaid current accounts

The total value of debt that had been identified and ring-fenced for future write-off as part of the programme was R56 billion of which R53.8 billion related to municipalities accounted for on the cash basis in terms of IFRS 15 with no further financial impact expected thereon as any future write-offs will offset against previous revenue and interest not recognised. The remaining arrear debt balance of R2.2 billion (consisting of arrear debt of R1.9 billion and VAT of R0.3 billion) was fully impaired at 31 March 2024. Eskom can potentially recover VAT of R6 billion that was paid over when an invoice was raised for sales from SARS when the related arrear debt is written off.

None of the qualifying municipalities have completed a full compliance cycle of 12 consecutive months and there were therefore no write-offs implemented and approved by National Treasury at 31 March 2024. Only 23 of the 71 qualifying municipalities were still compliant at 31 March 2024 with the number further deteriorating to 10 by 30 November 2024. One municipality has met the compliance cycle for 12 consecutive months resulting in a write-off of R0.3 billion in November 2024.

National Treasury issued instruction letters to Eskom on 16 December 2024 to write off one-third of the ringfenced debt for five municipalities to the value of R3.0 billion, even though these municipalities have not fully complied with the conditions of the municipal debt relief programme at the close of their first cycle. The value of the expected write-off if these municipalities meet the full 12 month compliance cycle in the 2025 financial year relating to the 10 compliant municipalities represents R1.2 billion of the ringfenced debt of which R0.4 billion might be written off in financial year 2025. There is no expected impact on the income statement when the debt is written off as the debt has either been impaired in full or not recognised. Breach notices have been issued and engagements between all parties, including National Treasury, is underway for municipalities that defaulted on the municipal debt relief conditions. Pending termination letters as a warning to non-compliant municipalities were issued by National Treasury in December 2024. Eskom continued with its credit management processes for municipalities that breached their debt relief conditions.

The credit loss model for municipalities has been enhanced to include segmentation of metropolitan versus non-metropolitan accounts. This did not result in any material impact in the current financial year but can result in an increase in the expected credit loss percentages if metropolitan non-payment trend continues to deteriorate.

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 are 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.

5.1.2 Derivatives held for risk management and cash and cash equivalents

Impairment analysis

	2024 Not subject to impairment Rm	2024 Subject to impairment Stage 1 Rm	2024 Total Rm	2023 Not subject to impairment Rm	2023 Subject to impairment Stage 1 Rm	2023 Total Rm
Group						
Derivatives held for risk management	27 016	–	27 016	26 992	–	26 992
BBB- to AAA	11 020	–	11 020	11 042	–	11 042
B- to BB+	15 996	–	15 996	15 950	–	15 950
Cash and cash equivalents	–	23 585	23 585	–	7 516	7 516
BBB- to AAA	–	2 328	2 328	–	2 039	2 039
B- to BB+	–	21 253	21 253	–	5 202	5 202
Unrated	–	4	4	–	275	275
Company						
Derivatives held for risk management	27 043	–	27 043	26 992	–	26 992
BBB- to AAA	11 047	–	11 047	11 042	–	11 042
B- to BB+	15 996	–	15 996	15 950	–	15 950
Cash and cash equivalents	–	22 965	22 965	–	5 832	5 832
BBB- to AAA	–	1 746	1 746	–	661	661
B- to BB+	–	21 215	21 215	–	5 168	5 168
Unrated	–	4	4	–	3	3

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

The Treasury and Risk Committee (previously the Asset and Liability Committee) 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 general manager of treasury, as delegated by the chief financial officer, and reports on a quarterly basis to Exco.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.2 Derivatives held for risk management and cash and cash equivalents (continued)

Impairment analysis (continued)

The Treasury and Risk 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 Treasury and Risk Committee 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 Treasury and Risk Committee 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 value. 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 Investments

Impairment analysis

	Not subject to impairment	Subject to impairment Stage 1			Total		
	Gross Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
2024							
Group							
Treasury investments							
B- to BB+	–	1 028	(4)	1 024	1 028	(4)	1 024
Insurance investments	1 550	16 986	(34)	16 952	18 536	(34)	18 502
BBB- to AAA	–	3 173	–	3 173	3 173	–	3 173
B- to BB+	–	13 813	(34)	13 779	13 813	(34)	13 779
Not subject to credit risk	1 550	–	–	–	1 550	–	1 550
	1 550	18 014	(38)	17 976	19 564	(38)	19 526
Company							
Treasury investments							
B- to BB+	–	1 028	(4)	1 024	1 028	(4)	1 024

	Not subject to impairment Gross	Subject to impairment Stage 1 Gross	Subject to impairment Stage 1 Allowance for impairment	Subject to impairment Stage 1 Carrying value	Total Gross	Total Allowance for impairment	Total Carrying value
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2023							
Group							
Insurance investments							
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

Eskom invested in a long-term fixed deposit to phase in the funding for the nuclear decommissioning provision over the remaining life of Koeberg power station in line with nuclear regulations in South Africa. Investments in fixed deposits are made with banks with an investment-grade credit rating. The credit risk associated with the counterparty's credit rating is managed in line with the treasury risk framework and forms part of the treasury department's activities discussed in note 5.1.2.

There was a slight increase in the expected credit loss percentage because of downgraded counterparty credit ratings in 2024.

Escap invests in listed shares, negotiable certificates of deposit, floating rate notes and inflation-linked bonds 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 group uses the highest available investment grade where investment-grade ratings are not available.

5.1.4 Finance lease receivables

Impairment analysis

	Stage 1 Gross	Stage 1 Allowance for impairment	Stage 1 Carrying value	Stage 3 Gross	Stage 3 Allowance for impairment	Stage 3 Carrying value	Total Gross	Total Allowance for impairment	Total Carrying value
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2024									
Group									
B- to BB+	212	(1)	211	1	(1)	–	213	(2)	211
Company									
B- to BB+	131	–	131	1	(1)	–	132	(1)	131
2023									
Group and company									
B- to BB+	253	(4)	249	1	(1)	–	254	(5)	249

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
2024												
Group												
Home loans	6 979	(15)	6 964	360	(3)	357	336	(265)	71	7 675	(283)	7 392
B- to BB+	6 979	(15)	6 964	360	(3)	357	–	–	–	7 339	(18)	7 321
Below B-	–	–	–	–	–	–	336	(265)	71	336	(265)	71
Other loans	381	(2)	379	1	–	1	3	(2)	1	385	(4)	381
B- to BB+	381	(2)	379	1	–	1	–	–	–	382	(2)	380
Below B-	–	–	–	–	–	–	3	(2)	1	3	(2)	1
	7 360	(17)	7 343	361	(3)	358	339	(267)	72	8 060	(287)	7 773
Company												
Loans to subsidiaries												
B- to BB+	39 847	(422)	39 425	–	–	–	–	–	–	39 847	(422)	39 425
2023												
Group												
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
Company												
Loans to subsidiaries												
B- to BB+	5 681	(7)	5 674	–	–	–	–	–	–	5 681	(7)	5 674

Reconciliation of movements in allowance for impairment

	Note	2024 Stage 1 Rm	2024 Stage 2 Rm	2024 Stage 3 Rm	2024 Total Rm	2023 Stage 1 Rm	2023 Stage 2 Rm	2023 Stage 3 Rm	2023 Total Rm
Group									
Balance at beginning of the year		6	22	37	65	10	3	45	58
Raised to the income statement	35	12	(6)	228	234	(4)	20	(7)	9
Reversed on payment of opening balance		–	1	(3)	(2)	–	–	(2)	(2)
Remeasurement of opening balances held at year end		(7)	(9)	197	181	(4)	(1)	(27)	(32)
Raised on new balances		19	2	34	55	–	21	22	43
Transfer of balances between stages		(1)	(13)	14	–	–	(2)	2	–
Write-offs		–	–	(12)	(12)	–	1	(3)	(2)
Balance at end of the year	15	17	3	267	287	6	22	37	65
Company									
Balance at beginning of the year		7	–	–	7	7	–	–	7
Raised to the income statement	35	416	–	–	416	(7)	–	7	–
Reversed on payment of opening balance		(7)	–	–	(7)	(7)	–	–	(7)
Raised on new balances		423	–	–	423	–	–	7	7
Transfer of balances between stages		–	–	–	–	7	–	(7)	–
Write-offs		(1)	–	–	(1)	–	–	–	–
Balance at end of the year	15	422	–	–	422	7	–	–	7

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 employees to meet various criteria on valuation, affordability and credit history in compliance with the National Credit Act, 34 of 2005, 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.

		Group	
	Unit	2024	2023
Carrying value of credit-impaired balances	Rm	71	288
Fair value of properties held as security for credit-impaired loans	Rm	347	179
Weighted average loan to value ratio	%	86	85
Average repayment period	years	17	17

Eskom guarantees all losses that 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.

Loans to subsidiaries

Loans to subsidiaries consist of loans by Eskom to subsidiaries, mainly to NTCSA and EFC.

The Treasury Risk Committee manages credit risk arising from loans to subsidiaries to reduce the costs for the group and continuously monitor the liquidity and solvency of the group.

The term loan to NTCSA has a maturity date of June 2042 and is repayble quarterly. Finance cost is charged based on Eskom's underlying weighted average cost of servicing the relevant external debt incurred by Eskom to finance the loan. NTCSA provided an upstream guarantee to impacted lenders of Eskom due to the disposal of collaterised assets to NTCSA. The upstream guarantee is limited to the net asset value of NTCSA.

The loan to EFC is a revolving facility with no fixed repayment terms.

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 are consistent with the prior year. Sensitivity analyses assume that only the input being analysed changes with all other variables remaining constant.

Financial instruments mainly managed by the treasury department

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

Financial instruments managed by various divisions of Eskom and subsidiaries

Market risk arises mainly from changes in foreign exchange rates and, to a limited extent, commodity and equity prices. The divisions of Eskom 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. Financial risk management (continued)

5.2 Market risk (continued)

5.2.1 Currency risk

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

Foreign currency exposure (notional amounts in millions per currency)

	EUR	USD	GBP	JPY	NOK	SEK
2024						
Group						
Liabilities						
Debt securities and borrowings	(938)	(8 199)	–	–	–	–
Trade and other payables	(71)	(32)	–	(40)	–	(3)
Gross statement of financial position exposure	(1 009)	(8 231)	–	(40)	–	(3)
Estimated forecast purchases[1]	(246)	(375)	(22)	–	(16)	(313)
Gross exposure	(1 255)	(8 606)	(22)	(40)	(16)	(316)
Derivatives held for risk management[2]	1 238	8 588	22	40	3	312
Net exposure	(17)	(18)	–	–	(13)	(4)
Company						
Liabilities						
Debt securities and borrowings	(938)	(8 199)	–	–	–	–
Trade and other payables	(62)	(26)	–	(40)	–	(2)
Gross statement of financial position exposure	(1 000)	(8 225)	–	(40)	–	(2)
Estimated forecast purchases[1]	(216)	(332)	(22)	–	(16)	(271)
Gross exposure	(1 216)	(8 557)	(22)	(40)	(16)	(273)
Derivatives held for risk management[2]	1 200	8 539	22	40	3	268
Net exposure	(16)	(18)	–	–	(13)	(5)
Mid-spot rate for one unit of the currency to the rand	20.51	18.98	23.99	0.13	1.75	1.78

Foreign currency exposure (notional amounts in millions per currency)

	EUR	USD	GBP	JPY	SEK
2023					
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.

Sensitivity analysis

	Group and company			
	2024		2023	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Profit/(loss) before tax				
ZAR/EUR exposure	37	(37)	32	(32)
ZAR/USD exposure	153	(153)	156	(156)
ZAR/other currency	4	(4)	22	(22)
Equity				
ZAR/EUR exposure	27	(27)	24	(24)
ZAR/USD exposure	13	(13)	10	(10)
ZAR/other currency	8	(8)	5	(5)

The differences between group and company are nominal.

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 and options. Economic hedging is applied where it is practical (a relevant hedging instrument exists) based on the optimal economic solution and in compliance with the South African Reserve Bank 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.

Commodities used indirectly

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

Commodity exposure

		Group and company					
		2024			2023		
	Unit	Estimated forecast purchases	Derivatives held for risk management (notional)	Net exposure	Estimated forecast purchases	Derivatives held for risk management (notional)	Net exposure
Low sulphur gas oil	kilo litres	736 342	(204 000)	532 342	85 000	(85 000)	–
Bunker fuel oil	tons	–	–	–	115 000	(115 000)	–
Copper	tons	22	(22)	–	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			
			2024		2023	
Input	Unit	Change in assumption	increase Rm	decrease Rm	increase Rm	decrease Rm
ZAR/USD	ZAR per USD	10% relative	326	(326)	143	(143)
Low sulphur gas oil price	USD per metric ton	10% relative	326	(326)	69	(69)
Bunker fuel oil price	USD per ton	10% relative	–	–	72	(72)
Copper price	USD per ton	10% relative	–[1]	–[1]	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 exposure to interest rate risk on other financial assets and liabilities is immaterial.

The group's quantitative exposure to interest rate risk is disclosed in note 24.

1. Nominal

5. Financial risk management (continued)

5.2 Market risk (continued)

5.2.3 Interest rate risk (continued)

Sensitivity analysis

The group analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined interest rate shifts. 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			
	2024		2023		2024		2023	
	+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								
ZAR interest rates	1 243	(1 303)	680	(713)	1 236	(1 296)	680	(713)
EUR interest rates	(63)	32	(150)	42	(59)	28	(149)	42
USD interest rates	(1 639)	1 722	(1 008)	1 046	(1 635)	1 718	(1 008)	1 046
Equity								
ZAR interest rates	1 886	(1 975)	2 546	(2 679)	1 886	(1 975)	2 546	(2 679)
EUR interest rates	(325)	342	(464)	488	(325)	342	(432)	456
USD interest rates	(2 429)	2 556	(3 164)	3 350	(2 429)	2 556	(3 164)	3 350

Fixed and floating rate debt

	Group and company			
	2024		2023	
	fixed %	floating %	fixed %	floating %
Proportion of fixed versus floating rate debt at 31 March	54	46	54	46

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			
	2024		2023	
	Rm	portfolio %	Rm	portfolio %
Banks, financial services and insurance	562	36	511	34
Basic materials and resources	297	19	334	22
Consumer goods and services	559	36	546	36
Other	132	9	123	8
	1 550	100	1 514	100

A 1% increase or decrease in share prices would have increased/decreased profit or loss before tax by R16 million (2023: R15 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 and capital expenditure as well as debt commitments 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

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

5.3.1 Key liquidity indicators

	Unit	Group 2024	Group 2023	Company 2024	Company 2023
Weighted average term to maturity of debt securities and borrowings	years	6.07	6.17	6.08	6.18
Working capital	ratio	0.98	0.89	1.12	0.90
Cash interest cover	ratio	1.18	1.29	1.19	1.27
Net debt service cover	ratio	0.46	0.58	0.46	0.56
Liquid assets	Rm	23 585	7 516	22 965	5 832

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 and consists of cash and cash equivalents.

5.3.2 Primary sources of funding and unused facilities

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

	Group and company					
	ZAR		EUR		USD	
	2024 m	2023 m	2024 m	2023 m	2024 m	2023 m
Facilities available						
Development financing institutions	2 035	2 930	–	–	1 065	928
World Bank	–	–	–	–	439	–
African Development Bank	2 035	2 095	–	–	4	25
Clean technology fund – African Development Bank	–	–	–	–	36	58
Clean technology fund – World Bank	–	–	–	–	48	136
New Development Bank	–	–	–	–	60	78
Kreditanstalt für Wiederaufbau	–	–	–	–	91	94
Agence Française de Développement	–	835	–	–	–	–
China Development Bank	–	–	–	–	387	537
Export credit agencies						
Kreditanstalt für Wiederaufbau – Hermes[1]	–	–	12	–	–	–
	2 035	2 930	12	–	1 065	928
Facilities available (rand equivalent)	2 035	2 930	246	–	20 214	16 444

World Bank funding finalised after 31 March 2023 for the repurposing of the Komati power station as part of the 2023 borrowing programme.

	Group and company					
	ZAR		EUR		USD	
	2024 m	2023 m	2024 m	2023 m	2024 m	2023 m
Funds received during the year						
Development financing institutions	895	516	–	–	351	341
World Bank[2]	–	–	–	–	1	–
African Development Bank[3]	60	–	–	–	21	–
Clean technology fund – World Bank[4]	–	–	–	–	135	79
Clean technology fund – African Development Bank[4]	–	–	–	–	22	–
New Development Bank[5]	–	–	–	–	18	62
Kreditanstalt für Wiederaufbau[6]	–	–	–	–	4	–
Agence Française de Développement[7]	835	516	–	–	–	–
China Development Bank[8]	–	–	–	–	150	200
Export credit agencies						
Kreditanstalt für Wiederaufbau – Hermes	–	–	–	4	–	–
	895	516	–	4	351	341
Funds received during the year (rand equivalent)	895	516	–	77	6 662	6 043

1. An extension was granted on the availability period of the existing facility.
2. Funds received were for the Komati project.
3. Funds received were for transmission projects.
4. Funds received were for the battery energy storage system project.
5. Funds received were for the renewable energy integration and transmission augmentation project.
6. Funds received were for the renewable grid integration and strengthening programme.
7. Funds received were for phase 2 of the Namaqualand strengthening project.
8. Funds received were for the Kusile power station.

5. Financial risk management (continued)

5.3 Liquidity risk (continued)

5.3.2 Primary sources of funding and unused facilities (continued)

Government guarantees

	Group and company					
	2024			2023		
	Domestic multi-term note programme Rm	General Rm	Total Rm	Domestic multi-term note programme Rm	General Rm	Total Rm
Opening 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)
Facilities repaid	–	15 000	15 000	21 664	–	21 664
Facilities raised	–	–	–	(23 344)	(25 597)	(48 941)
Reduction in facility granted due to debt relief	(6 232)	(15 000)	(21 232)	–	–	–
Closing balance	–	2 191	2 191	6 232	2 191	8 423
Guarantee granted	145 768	183 000	328 768	152 000	198 000	350 000
Accumulated amounts used	(145 768)	(180 809)	(326 577)	(145 768)	(195 809)	(341 577)

The availability of the unused portion of the government guarantee facility of R350 billion expired on 31 March 2023. Capital repayments on existing government guaranteed debt facilities amounted to R10.4 billion, totalling R25.4 billion capital repayments on government guaranteed debt for the 2024 financial year.

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. The group 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 and interim financial statements submitted within specified timelines: All potential defaulting events were managed. Eskom proactively engaged on a continuous basis with all lenders at the highest level of governance to obtain extensions and waivers for the late submission of the annual and interim financial statements. Eskom received the necessary extensions and waivers timeously and thereby ensured full compliance with all the loan conditions with no default on any of the loan agreements.
  - Unqualified audit opinion of the financial statements and no reportable irregularities: Eskom has one loan agreement where a default event could be triggered with the issue of a qualified audit opinion due to PFMA non-compliance or raising of a reportable irregularity. Eskom proactively engaged with the lender 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 in advance and the 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 the group were 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 have been 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 became operational in November 2023 without using the flue-gas desulphurisation plant. Eskom obtained approval from the DFFE as a mitigation measure to operate the temporary stacks and postpone compliance with emission standards. Eskom engaged with the three impacted lenders in advance regarding the mitigation measures to prevent any potential breach of loan conditions. Eskom has not exceeded any emission standards and is complying with all obligations under the loan agreements. An independent environmental consultant was appointed as requested by two of the lenders to conduct an environmental and social review of the impact of the temporary stacks and to review the mitigation measures. A draft report was issued in October 2024 for review and comment by Eskom before finalisation.
  - Legal separation of Eskom divisions: The legal separation of the transmission division to NTCSA required advance approval from lenders and Eskom received consent from all the lenders that were impacted. A similar process of engaging with lenders in advance started for the future separation of the distribution and generation divisions.

– Voluntary repayment: Eskom voluntarily repaid its loan with the European Investment Bank. No mandatory prepayment provisions were triggered with the early redemption.

- 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 are remedied in time. Independent external reviews were performed on certain facilities to ensure funds were utilised in compliance with the loan conditions and disbursements were received on these 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.

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

	Nominal inflow/outflow Rm	Cash flows 0–3 months Rm	4–12 months Rm	1–5 years Rm	>5 years Rm
2024					
Group					
Financial assets					
Loans receivable	19 037	283	841	4 273	13 640
Derivatives held for risk management	40 116	325	7 698	19 926	12 167
Finance lease receivables	295	16	45	186	48
Trade and other receivables	42 789	40 652	1 607	530	–
Treasury investments	1 559	–	–	1 559	–
Insurance investments	19 702	8 634	8 463	2 605	–
Cash and cash equivalents	23 585	23 585	–	–	–
	147 083	73 495	18 654	29 079	25 855
Financial liabilities					
Debt securities and borrowings	710 255	8 528	67 372	273 137	361 218[1]
Derivatives held for risk management	2 646	496	2 150	–	–
Lease liabilities	11 544	441	1 309	8 488	1 306
Trade and other payables	47 941	39 717	7 926	298	–
	772 386	49 182	78 757	281 923	362 524
Company					
Financial assets					
Loans receivable	63 305	819	4 941	34 495	23 050
Derivatives held for risk management	40 129	338	7 698	19 926	12 167
Finance lease receivables	184	8	27	107	42
Trade and other receivables	42 026	39 320	1 899	807	–
Treasury investments	1 559	–	–	1 559	–
Cash and cash equivalents	22 965	22 965	–	–	–
	170 168	63 450	14 565	56 894	35 259
Financial liabilities					
Debt securities and borrowings	718 992	12 413	67 406	278 047	361 126[1]
Derivatives held for risk management	2 646	496	2 150	–	–
Lease liabilities	467	31	77	324	35
Trade and other payables	39 727	31 717	7 822	188	–
Financial guarantees	206	206	–	–	–
	762 038	44 863	77 455	278 559	361 161

1. The maturity profile of undiscounted contractual payments of debt securities and borrowings due after five years comprise of:
   – between years five and 10: group R202 813 million (2023: R230 196 million) and company R202 721 million (2023: R230 179 million)
   – beyond 10 years: group R158 405 million (2023: R202 531 million) and company R158 405 million (2023: R202 531 million)

5. Financial risk management (continued)

5.3 Liquidity risk (continued)

5.3.3 Contractual cash flows (continued)

	Nominal inflow/outflow Rm	0–3 months Rm	Cash flows 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:
   – between years five and 10: group R202 813 million (2023: R230 196 million) and company R202 721 million (2023: R230 179 million)
   – beyond 10 years: group R158 405 million (2023: R202 531 million) and company R158 405 million (2023: R202 531 million)

6. Accounting classification and fair value

6.1 Accounting classification

	Note	2024 Fair value through profit or loss Rm	2024 Amortised cost Rm	2024 Other assets and liabilities[1] Rm	2024 Total Rm	2023 Fair value through profit or loss Rm	2023 Amortised cost Rm	2023 Other assets and liabilities[1] Rm	2023 Total Rm
Group									
Financial assets									
Loans receivable	15	–	7 773	–	7 773	–	8 070	–	8 070
Home loans		–	7 392	–	7 392	–	7 765	–	7 765
Other loans		–	381	–	381	–	305	–	305
Embedded derivatives	16	11 801	–	–	11 801	823	–	–	823
Derivatives held for risk management	17	5 574	–	21 442	27 016	3 890	–	23 102	26 992
Foreign exchange contracts		209	–	56	265	943	–	145	1 088
Cross-currency swaps		4 819	–	21 386	26 205	2 661	–	22 957	25 618
Commodity forwards		210	–	–	210	1	–	–	1
Commodity options		7	–	–	7	–	–	–	–
Credit default swaps		–	–	–	–	5	–	–	5
Inflation-linked swaps		329	–	–	329	280	–	–	280
Finance lease receivables	18	–	–	211	211	–	–	249	249
Trade and other receivables	20	–	35 436	–	35 436	–	26 856	–	26 856
Treasury investments	21	–	1 024	–	1 024	–	–	–	–
Insurance investments	21	1 550	16 952	–	18 502	1 514	15 133	–	16 647
Negotiable certificates of deposit		–	13 900	–	13 900	–	14 115	–	14 115
Floating rate notes		–	2 024	–	2 024	–	1 018	–	1 018
Inflation-linked bonds		–	1 028	–	1 028	–	–	–	–
Listed shares		1 550	–	–	1 550	1 514	–	–	1 514
Cash and cash equivalents	22	–	23 585	–	23 585	–	7 516	–	7 516
Bank balances		–	10 865	–	10 865	–	7 514	–	7 514
Fixed deposits		–	12 720	–	12 720	–	2	–	2
		18 925	84 770	21 653	125 348	6 227	57 575	23 351	87 153
Financial liabilities									
Debt securities and borrowings	24	–	412 200	–	412 200	–	423 929	–	423 929
Eskom bonds		–	165 809	–	165 809	–	160 218	–	160 218
Commercial paper		–	748	–	748	–	896	–	896
Eurorand zero coupon bonds		–	8 045	–	8 045	–	7 128	–	7 128
Foreign bonds		–	64 551	–	64 551	–	75 411	–	75 411
Development financing institutions		–	139 270	–	139 270	–	137 352	–	137 352
Export credit facilities		–	25 583	–	25 583	–	15 956	–	15 956
Other loans		–	8 194	–	8 194	–	26 968	–	26 968
Derivatives held for risk management	17	358	–	235	593	1 219	–	810	2 029
Foreign exchange contracts		318	–	45	363	842	–	28	870
Cross-currency swaps		12	–	190	202	52	–	782	834
Commodity forwards		–	–	–	–	232	–	–	232
Credit default swaps		27	–	–	27	92	–	–	92
Inflation-linked swaps		1	–	–	1	1	–	–	1
Lease liabilities	28	–	–	7 403	7 403	–	–	8 126	8 126
Trade and other payables	29	–	47 912	–	47 912	–	42 817	–	42 817
		358	460 112	7 638	468 108	1 219	466 746	8 936	476 901

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 R84 981 million (2023: R57 824 million), the total liabilities measured at amortised cost amounts to R467 515 million (2023: R474 872 million).

6. Accounting classification and fair value (continued)

6.1 Accounting classification (continued)

	Note	2024 Fair value through profit or loss Rm	2024 Amortised cost Rm	2024 Other assets and liabilities[1] Rm	2024 Total Rm	2023 Fair value through profit or loss Rm	2023 Amortised cost Rm	2023 Other assets and liabilities[1] Rm	2023 Total Rm
Company									
Financial assets									
Loans receivable									
Loans to subsidiaries	15	–	39 425	–	39 425	–	5 674	–	5 674
Embedded derivatives	16	11 801	–	–	11 801	823	–	–	823
Derivatives held for risk management	17	5 601	–	21 442	27 043	3 890	–	23 102	26 992
Foreign exchange contracts		236	–	56	292	943	–	145	1 088
Cross-currency swaps		4 819	–	21 386	26 205	2 661	–	22 957	25 618
Commodity forwards		210	–	–	210	1	–	–	1
Commodity options		7	–	–	7	–	–	–	–
Credit default swaps		–	–	–	–	5	–	–	5
Inflation-linked swaps		329	–	–	329	280	–	–	280
Finance lease receivables	18	–	–	131	131	–	–	249	249
Trade and other receivables	20	–	35 509	–	35 509	–	30 075	–	30 075
Treasury investments	21	–	1 024	–	1 024	–	–	–	–
Cash and cash equivalents	22	–	22 965	–	22 965	–	5 832	–	5 832
Bank balances		–	10 245	–	10 245	–	5 830	–	5 830
Fixed deposits		–	12 720	–	12 720	–	2	–	2
		17 402	98 923	21 573	137 898	4 713	41 581	23 351	69 645
Financial liabilities									
Debt securities and borrowings	24	–	420 285	–	420 285	–	428 377	–	428 377
Eskom bonds		–	170 931	–	170 931	–	165 294	–	165 294
Eurorand zero coupon bonds		–	8 045	–	8 045	–	7 128	–	7 128
Foreign bonds		–	64 551	–	64 551	–	75 411	–	75 411
Development financing institutions		–	139 270	–	139 270	–	137 352	–	137 352
Export credit facilities		–	25 583	–	25 583	–	15 956	–	15 956
Other loans		–	11 905	–	11 905	–	27 236	–	27 236
Derivatives held for risk management	17	358	–	235	593	1 219	–	810	2 029
Foreign exchange contracts		318	–	45	363	842	–	28	870
Cross-currency swaps		12	–	190	202	52	–	782	834
Commodity forwards		–	–	–	–	232	–	–	232
Credit default swaps		27	–	–	27	92	–	–	92
Inflation-linked swaps		1	–	–	1	1	–	–	1
Lease liabilities	28	–	–	313	313	–	–	8 040	8 040
Trade and other payables	29	–	39 703	–	39 703	–	44 894	–	44 894
		358	459 988	548	460 894	1 219	473 271	8 850	483 340

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 (supported by external specialist) that ultimately reports to the chief financial officer and has overall responsibility for all significant fair value measurements.

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

Principal markets

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

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

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 R99 054 million (2023: R41 830 million), the total liabilities measured at amortised cost amounts to R460 301 million (2023: R481 311 million).

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs.

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

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

Valuation techniques

Financial instrument	Valuation technique
Level 1: Quoted prices (unadjusted) in active markets	
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.
Level 2: Inputs other than quoted prices included within level 1 that are observable	
Loans receivable (excluding home loans), treasury investments, insurance investments (excluding listed shares) and debt securities and borrowings	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 value 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.
Trade and other receivables	Fair value determined using unobservable inputs. The carrying value is equal to the fair value due to the expected short-term maturity of the trade receivables. 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)

Valuation techniques (continued)

The fair value hierarchy of financial instruments is as follows:

	Measured at fair value	2024 Level 1 Rm	2024 Level 2 Rm	2024 Level 3 Rm	2023 Level 1 Rm	2023 Level 2 Rm	2023 Level 3 Rm
Group							
Financial assets							
Loans receivable		–	415	6 646	–	196	7 503
Home loans	No	–	–	6 646	–	–	7 503
Other loans	No	–	415	–	–	196	–
Embedded derivatives	Yes	–	–	11 801	–	–	823
Derivatives held for risk management		–	27 016	–	–	26 992	–
Foreign exchange contracts	Yes	–	265	–	–	1 088	–
Cross-currency swaps	Yes	–	26 205	–	–	25 618	–
Commodity forwards	Yes	–	210	–	–	1	–
Commodity options	Yes	–	7	–	–	–	–
Credit default swaps	Yes	–	–	–	–	5	–
Inflation-linked swaps	Yes	–	329	–	–	280	–
Treasury investments	No	–	1 039	–	–	–	–
Insurance investments		1 550	17 090	–	1 514	15 192	–
Negotiable certificates of deposit	No	–	13 925	–	–	14 126	–
Floating rate notes	No	–	2 112	–	–	1 066	–
Inflation-linked bonds	No	–	1 053	–	–	–	–
Listed shares	Yes	1 550	–	–	1 514	–	–
Financial liabilities							
Debt securities and borrowings		–	385 808	–	–	404 706	–
Eskom bonds	No	–	144 176	–	–	148 395	–
Commercial paper	No	–	748	–	–	887	–
Eurorand zero coupon bonds	No	–	6 348	–	–	5 486	–
Foreign bonds	No	–	63 953	–	–	73 408	–
Development financing institutions	No	–	134 585	–	–	134 921	–
Export credit facilities	No	–	27 622	–	–	14 396	–
Other loans	No	–	8 376	–	–	27 213	–
Derivatives held for risk management		–	593	–	–	2 029	–
Foreign exchange contracts	Yes	–	363	–	–	870	–
Cross-currency swaps	Yes	–	202	–	–	834	–
Commodity forwards	Yes	–	–	–	–	232	–
Credit default swaps	Yes	–	27	–	–	92	–
Inflation-linked swaps	Yes	–	1	–	–	1	–

	Measured at fair value	2024 Level 1 Rm	2024 Level 2 Rm	2024 Level 3 Rm	2023 Level 1 Rm	2023 Level 2 Rm	2023 Level 3 Rm
Company							
Financial assets							
Loans receivable							
Loans to subsidiaries[1]	No	–	38 803	–	–	5 683	–
Embedded derivatives	Yes	–	–	11 801	–	–	823
Derivatives held for risk management		–	27 043	–	–	26 992	–
Foreign exchange contracts	Yes	–	292	–	–	1 088	–
Cross-currency swaps	Yes	–	26 205	–	–	25 618	–
Commodity forwards	Yes	–	210	–	–	1	–
Commodity options	Yes	–	7	–	–	–	–
Credit default swaps	Yes	–	–	–	–	5	–
Inflation-linked swaps	Yes	–	329	–	–	280	–
Treasury investments	No	–	1 039	–	–	–	–
Financial liabilities							
Debt securities and borrowings		–	393 783	–	–	409 155	–
Eskom bonds	No	–	149 189	–	–	153 462	–
Eurorand zero coupon bonds	No	–	6 348	–	–	5 486	–
Foreign bonds	No	–	63 953	–	–	73 408	–
Development financing institutions	No	–	134 585	–	–	134 921	–
Export credit facilities	No	–	27 622	–	–	14 396	–
Other loans	No	–	12 086	–	–	27 482	–
Derivatives held for risk management		–	593	–	–	2 029	–
Foreign exchange contracts	Yes	–	363	–	–	870	–
Cross-currency swaps	Yes	–	202	–	–	834	–
Commodity forwards	Yes	–	–	–	–	232	–
Credit default swaps	Yes	–	27	–	–	92	–
Inflation-linked swaps	Yes	–	1	–	–	1	–

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 assessed 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 were measured in terms of IFRS Accounting Standards. These assets and liabilities were 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 generation, primary energy and group capital functions that respectively: • generates electricity for sale to transmission • procures primary energy • plan, develop, execute and monitor generation-related capital projects
Transmission (NTCSA)	Consists of transmission network, international customers and operator functions that respectively: • operates and maintains the network for transmitting electricity • purchase and sale of bulk electricity to international customers • operates electricity trading system by balancing the supply and demand of electricity, managing voltage levels and purchase of electricity from generation and IPPs and sale of electricity to distribution The segment assessment was not impacted by the transfer of assets and liabilities from Eskom to NTCSA on 31 March 2024 as this was done as a common control transaction within the Eskom group and with no change in the transmission segment. Refer to note 12.
Distribution	Consists of five operating clusters across nine provinces who provides, operates, and maintains the distribution network for distributing electricity and sale of electricity to local large and small power users (including residential customers).
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 values are based on the assumption that there are no changes in the manner of recovery of the loans. It is assumed that the outstanding amount on the loan to:
   – EFC would be recovered based on the collections from the underlying loans and advances in EFC in the normal course of business
   – NTCSA would be recovered through the underlying cost of servicing the debt incurred to fund NTCSA in the normal course of business

7. Segment information (continued)

The revenue earned by subsidiaries in the segment note was presented in line with what was reported in the respective subsidiary financial statements.

Inter-segment revenue and recoveries (achieved through transfer pricing) for the flow of electricity from generator to consumer was allocated between the generation, transmission and distribution segments as derived from the revenue in the approved corporate plan based on cost recovery plus a return on assets informed by the regulatory methodology principles and adjusted in line with records of decision as well as RCA and court decisions.

The sale of electricity by generation to transmission is based on a two-part tariff (reflective of the generating costs) consisting of fixed capacity (depressed because of an inadequate return on assets on allowable revenue in the NERSA determinations) and variable energy components. Transmission incurs additional energy costs (energy purchases from IPPs and import of energy) and supplies electricity to distribution at a marked-up tariff (costs and return on assets) consisting of fixed and variable components allocated on a ratio that aligns with the ratio in the tariff charged to customers as determined by NERSA. Transmission also charges generation for their portion of transmission network cost (grid code mandates equal recovery from generation and consumer which is recovered via distribution).

Transfer pricing between the segments is adjusted in future periods as a recovery or reduction to account for differences between actual and estimated information. There was a benefit to the transmission segment in 2024 associated with the difference between the estimated and actual IPP expenditure which will be recovered from future revenue allocation. This trend is expected to continue in 2025.

It is expected that NERSA will determine separate revenue determinations per licensee in the future based on similar regulatory methodology principles following the corporatisation of NTCSA.

All direct corporate overhead costs were allocated to the relevant segments based on service consumption and an appropriate cost driver apportionment was used to split the remaining overhead costs on a fair basis between segments. Net finance costs, net fair value and foreign exchange gains/(losses) were allocated to segments based on divisional funding requirements.

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

	Generation Rm	Transmission Rm	Distribution Rm	All other segments Rm	Reallocation and inter-segment transactions Rm	Group Rm
2024						
External revenue	–	11 054	284 760	1 085	(1 085)	295 814
Inter-segment revenue/recoveries	190 236	64 160	(254 358)	15 818	(15 856)	–
Total revenue	190 236	75 214	30 402	16 903	(16 941)	295 814
Other income	597	1 186	290	2 277	(3 055)	1 295
Primary energy	(117 873)	(55 842)	(14)	–	–	(173 729)
Employee benefit expense	(13 332)	(3 283)	(12 407)	(6 074)	–	(35 096)
Reversal of impairment/(impairment) of financial assets	17	(450)	(2 216)	(500)	132	(3 017)
Reversal of impairment/(impairment) and write down of other assets	309	(2)	(720)	(3)	–	(416)
Other expenses	(36 722)	(2 364)	(10 148)	(10 667)	18 460	(41 441)
Profit/(loss) before depreciation and amortisation expense and net fair value and foreign exchange gain/(loss) (EBITDA)	23 232	14 459	5 187	1 936	(1 404)	43 410
Depreciation and amortisation expense	(26 186)	(2 565)	(4 365)	(339)	216	(33 239)
Net fair value and foreign exchange gain/(loss)	522	(70)	2 166	26	–	2 644
(Loss)/profit before net finance (cost)/income and share of profit of equity-accounted investees	(2 432)	11 824	2 988	1 623	(1 188)	12 815
Net finance (cost)/income	(33 582)	(4 861)	(2 024)	1 909	169	(38 389)
Finance income	222	105	1 141	3 603	(212)	4 859
Finance cost	(33 804)	(4 966)	(3 165)	(1 694)	381	(43 248)
Share of profit of equity-accounted investees after tax	–	–	–	105	–	105
(Loss)/profit before tax	(36 014)	6 963	964	3 637	(1 019)	(25 469)
Income tax	–	–	–	(29 793)	247	(29 546)
(Loss)/profit for the year	(36 014)	6 963	964	(26 156)	(772)	(55 015)
Other information						
Segment assets	561 658	85 157	143 681	163 683	(88 203)	865 976
Investment in equity-accounted investees	–	–	–	346	–	346
Total assets	561 658	85 157	143 681	164 029	(88 203)	866 322
Total liabilities	94 159	32 287	65 175	518 964[1]	(67 121)	643 464
Additions and transfers to property, plant and equipment and intangible assets	28 686	5 414	8 486	591	(233)	42 944

	Generation	Transmission	Distribution	All other segments	Reallocation and inter-segment transactions	Group
	Rm	Rm	Rm	Rm	Rm	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	(108 583)[2]	(48 224)	(12)	–	–	(156 819)
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)/reversal of impairment and write down of other assets	(731)	(10)	(410)	(85)	80	(1 156)
Other expenses	(30 686)[2]	(2 502)	(10 213)	(8 643)	15 646	(36 398)
Profit/(loss) before depreciation and amortisation expense and net fair value and foreign exchange (loss)/gain (EBITDA)	19 125	5 409	10 542	1 917	(2 428)	34 565
Depreciation and amortisation expense	(24 731)[2]	(2 274)	(4 472)	(665)	201	(31 941)
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	(6 133)	3 397	6 065	1 236	(2 226)	2 339
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 after tax	–	–	–	93	–	93
(Loss)/profit before tax	(37 462)	(1 036)	3 554	2 382	(2 021)	(34 583)
Income tax	–	–	–	7 992[2]	509	8 501
(Loss)/profit for the year	(37 462)	(1 036)	3 554	10 374	(1 512)	(26 082)
Other information						
Segment assets	549 056[2]	81 373	121 620	102 335[2]	(28 990)	825 394
Investment in equity-accounted investees	–	–	–	350	–	350
Total assets	549 056	81 373	121 620	102 685	(28 990)	825 744
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

	Group			
	Revenue		Non-current assets	
Geographical information	**2024 Rm**	2023 Rm	**2024 Rm**	Restated 2023 Rm
South Africa	**284 357**	248 844	**693 309**	679 335
Foreign countries	**11 457**	10 699	**–**	–
	295 814	259 543	**693 309**	679 335

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.
2. Refer to note 48.

8. Property, plant and equipment

	Note	Land, buildings and facilities Rm	Plant			Spares and other Rm	Equipment and vehicles Rm	Work under construction Rm	Total Rm
			Generating Rm	Transmitting Rm	Distributing Rm				
2024									
Group									
Carrying value at beginning of the year		8 777	388 721	48 007	76 432	14 139	4 368	127 895	668 339
Cost		11 888	559 303	74 597	143 222	16 038	17 975	127 895	950 918
Accumulated depreciation and impairment losses		(3 111)	(170 582)	(26 590)	(66 790)	(1 899)	(13 607)	–	(282 579)
Additions and transfers		38	1 029	343	418	4 145	778	36 108	42 859
Transfers of assets from customers		–	–	2	876	–	–	–	878
Commissioning of assets constructed		78	14 319	4 166	5 765	110	83	(24 521)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(118)	(118)
Finance cost capitalised	40	–	–	–	–	–	–	8 081	8 081
Provisions capitalised	27	–	(2 253)	–	–	–	–	(516)	(2 769)
Disposals and write-offs		(79)	(276)	(146)	(204)	(41)	(43)	(560)	(1 349)
Depreciation		(130)	(26 459)	(1 753)	(5 737)	(91)	(801)	–	(34 971)
Carrying value at end of the year		8 684	375 081	50 619	77 550	18 262	4 385	146 369	680 950
Cost		11 897	568 199	78 705	149 415	20 162	18 273	146 369	993 020
Accumulated depreciation and impairment losses		(3 213)	(193 118)	(28 086)	(71 865)	(1 900)	(13 888)	–	(312 070)
Company									
Carrying value at beginning of the year		8 273	391 578	48 214	76 665	14 139	3 286	128 269	670 424
Cost		11 289	563 463	74 878	143 600	16 038	14 344	128 269	951 881
Accumulated depreciation and impairment losses		(3 016)	(171 885)	(26 664)	(66 935)	(1 899)	(11 058)	–	(281 457)
Additions and transfers		32	1 030	343	418	4 144	471	36 268	42 706
Transfers of assets from customers		–	–	3	875	–	–	–	878
Commissioning of assets constructed		73	14 500	4 210	5 768	110	15	(24 676)	–
Basis adjustment – cash flow hedge reserve		–	–	–	–	–	–	(118)	(118)
Finance cost capitalised	40	–	–	–	–	–	–	8 081	8 081
Provisions capitalised	27	–	(2 253)	–	–	–	–	(516)	(2 769)
Disposals and write-offs		(79)	(276)	(146)	(204)	(41)	(29)	(492)	(1 267)
Depreciation		(128)	(26 684)	(1 766)	(5 754)	(91)	(620)	–	(35 043)
Disposal of business	12	(1 436)	(4 414)	(50 858)	–	(3 143)	(480)	(19 468)	(79 799)
Carrying value at end of the year		6 735	373 481	–	77 768	15 118	2 643	127 348	603 093
Cost		9 540	562 717	–	149 792	16 050	13 097	127 348	878 544
Accumulated depreciation and impairment losses		(2 805)	(189 236)	–	(72 024)	(932)	(10 454)	–	(275 451)

	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	27	–	(1 997)[1]	–	–	–	–	(56)	(2 053)
Disposals and write-offs		(229)	(1 892)	(6)	(270)	(3)	(102)	(1 403)	(3 905)
Depreciation		(648)	(24 511)[1]	(1 457)	(5 568)	(87)	(1 157)	–	(33 428)
Carrying value at end of the year as restated		8 777	388 721[1]	48 007	76 432	14 139	4 368	127 895	668 339
Cost		11 888	559 303[1]	74 597	143 222	16 038	17 975	127 895	950 918
Accumulated depreciation and impairment losses		(3 111)	(170 582)[1]	(26 590)	(66 790)	(1 899)	(13 607)	–	(282 579)
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	27	–	(1 997)[1]	–	–	–	–	(56)	(2 053)
Disposals and write-offs		(228)	(1 892)	(6)	(270)	(3)	(36)	(1 403)	(3 838)
Depreciation		(646)	(24 718)[1]	(1 469)	(5 585)	(86)	(800)	–	(33 304)
Carrying value at end of the year as restated		8 273	391 578[1]	48 214	76 665	14 139	3 286	128 269	670 424
Cost		11 289	563 463[1]	74 878	143 600	16 038	14 344	128 269	951 881
Accumulated depreciation and impairment losses		(3 016)	(171 885)[1]	(26 664)	(66 935)	(1 899)	(11 058)	–	(281 457)

The ongoing internal and external investigations (including by the SIU) into allegations of contract corruption are continuing. No write-offs were done in the current year based on the progress of the investigations into these matters at the time. There were write-offs 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. There could be further write-offs 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 2024 Rm	Group Restated 2023 Rm	Company 2024 Rm	Company Restated 2023 Rm
Depreciation and amortisation expense	37	**34 959**	33 416	**35 031**	33 292
Primary energy		**12**	12	**12**	12
		34 971	33 428	**35 043**	33 304

1. Refer to note 48.

8. Property, plant and equipment (continued)

Average rates of finance cost capitalised to qualifying assets:

	Group and company	
	2024 %	2023 %
General borrowings	10.52	10.08
Specific borrowings	9.51	8.96

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
2024					
Group					
Carrying value at beginning 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)
Additions and transfers	7	–	–	–	7
Disposals and write-offs	(7)	–	–	(4)	(11)
Depreciation	(34)	(651)	(12)	(81)	(778)
Carrying value at end of the year	44	4 414	61	8	4 527
Cost	131	9 769	505	70	10 475
Accumulated depreciation and impairment losses	(87)	(5 355)	(444)	(62)	(5 948)
Company					
Carrying value at beginning 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)
Additions	7	–	–	–	7
Disposals and write-offs	(7)	–	–	–	(7)
Depreciation	(34)	(651)	(13)	(14)	(712)
Disposal of business	(15)	(4 414)	–	–	(4 429)
Carrying value at end of the year	29	–	61	8	98
Cost	88	–	505	67	660
Accumulated depreciation and impairment losses	(59)	–	(444)	(59)	(562)
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 write-offs	(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 write-offs	(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)

9. Intangible assets

	Note	2024 Rights Rm	2024 Computer software Rm	2024 Total Rm	2023 Rights Rm	2023 Computer software Rm	2023 Concession assets Rm	2023 Total Rm
2024								
Group								
Carrying value at beginning of the year		3 328	42	3 370	3 299	57	268	3 624
Cost		3 544	1 351	4 895	3 515	1 346	821	5 682
Accumulated amortisation and impairment losses		(216)	(1 309)	(1 525)	(216)	(1 289)	(553)	(2 058)
Additions and transfers		22	63	85	29	5	133	167
Write-offs		–	–	–	–	–	(255)	(255)
Amortisation	37	–	(17)	(17)	–	(20)	(146)	(166)
Carrying value at end of the year		3 350	88	3 438	3 328	42	–	3 370
Cost		3 566	624	4 190	3 544	1 351	–	4 895
Accumulated amortisation and impairment losses		(216)	(536)	(752)	(216)	(1 309)	–	(1 525)
Company								
Carrying value at beginning of the year		3 328	39	3 367	3 299	56	–	3 355
Cost		3 544	1 018	4 562	3 515	1 016	–	4 531
Accumulated amortisation and impairment losses		(216)	(979)	(1 195)	(216)	(960)	–	(1 176)
Additions and transfers		22	62	84	29	2	–	31
Amortisation	37	–	(16)	(16)	–	(19)	–	(19)
Disposal of business	12	(2 618)	(1)	(2 619)	–	–	–	–
Carrying value at end of the year		732	84	816	3 328	39	–	3 367
Cost		805	288	1 093	3 544	1 018	–	4 562
Accumulated amortisation and impairment losses		(73)	(204)	(277)	(216)	(979)	–	(1 195)

10. Future fuel supplies

	Note	Group and company					
		2024 Coal Rm	2024 Nuclear Rm	2024 Total Rm	2023 Coal Rm	2023 Nuclear Rm	2023 Total Rm
Carrying value at beginning of the year		4 284	1 006	5 290	5 734	570	6 304
Additions		1 763	1 094	2 857	1 595	1 187	2 782
Provisions capitalised/(reversed)	27	382	–	382	(2 293)[1]	–	(2 293)
Basis adjustment – cash flow hedge reserve		–	(85)	(85)	–	(8)	(8)
Transfer to inventories	13	(665)	(997)	(1 662)	(752)	(743)	(1 495)
Carrying value at end of the year		5 764	1 018	6 782	4 284	1 006	5 290

11. Investment in equity-accounted investees

	Group		Company	
	2024 Rm	2023 Rm	2024 Rm	2023 Rm
Balance at beginning of the year	350	418	95	95
Share of profit after tax	105	93	–	–
Dividends received	(109)	(161)	–	–
Balance at end of the year	346	350	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:

Name	Main business	Country of incorporation	Interest held %	Group 2024 Share of profit/(loss) after tax for the year Rm	Group 2023 Share of profit after tax for the year Rm	Company 2024 Investment at cost Rm	Company 2023 Investment at cost Rm
Directly held							
Motraco – Mozambique Transmission Company SARL	Electricity transmission	Mozambique	33	112	91	95	95
Indirectly held							
Trans Africa Projects (Pty) Ltd	Engineering services	South Africa	50	(7)	2		
				105	93		

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.

12. Investment in subsidiaries

Name	Main business	2024 Interest held %	2023 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	Finance (employee housing loans)	100	100
National Electricity Distribution Company South Africa SOC Ltd	Distribution of electricity – not trading	100	100
National Transmission Company South Africa SOC Ltd	Transmission and trading of electricity	100	100
PN Energy Services SOC Ltd	Deregistered	–	100
Indirectly held			
Eskom Rotek Industries SOC Ltd	Construction and abnormal load transportation	100	100
Eskom Uganda Ltd[2]	Operations management – not trading	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

1. Refer to note 48.
2. Eskom Uganda Ltd is in the process of unwinding after the service concession arrangement in Uganda ended on 31 March 2023.

	2024 Investment at cost Rm	2023 Investment at cost Rm	2023 Accumulated impairment Rm
Escap SOC Ltd	**380**	380	–
Eskom Development Foundation NPC	**–**	–	–
Eskom Enterprises SOC Ltd	**–[1]**	–[1]	–
Eskom Finance Company SOC Ltd	**–[1]**	–[1]	–
National Electricity Distribution Company South Africa SOC Ltd	**–[1]**	–[1]	–
National Transmission Company South Africa SOC Ltd	**22 201**	–[1]	–
PN Energy Services SOC Ltd	**–**	4	(4)
	22 581	384	(4)
Other	**116**	–	–
	22 697	384	(4)

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.

Disposal of transmission division assets and liabilities to NTCSA

The assets and liabilities of the transmission division were transferred from Eskom to NTCSA, a wholly owned subsidiary of Eskom, on 31 March 2024 as part of a common control transaction within the group.

Eskom and NTCSA concluded binding merger and subscription agreements on 21 December 2021 for the disposal of the transmission business from Eskom to NTCSA and subscription of shares in NTCSA. Suspensive conditions with statutory formalities were specified in the merger agreement (original and amended) that had to be fulfilled and or waived to give full effect to the merger agreement and to operationalise NTCSA, resulting in the legal implementation of the merger agreement and operationalisation of NTCSA on 1 July 2024.

Management applied judgement in determining the accounting of the disposal of the transmission division from Eskom to NTCSA. The principles in IFRS 3 *Business Combinations* and IFRS 10 *Consolidated Financial Statements* were applied as common control transactions are not specifically addressed in IFRS Accounting Standards. The accounting principle of substance over form in terms of the Conceptual Framework for Financial Reporting was also considered.

Management concluded that the acquisition date was 31 March 2024 when NTCSA as the acquirer obtained control over the transmission business. The accounting acquisition date is therefore not aligned to the legal implementation date of 1 July 2024. The following were considered at the reporting date:

- The relevant parties to the merger agreement as well as the Minister of DPE as the shareholder representative confirmed that the agreement had become unconditional by 31 March 2024. All suspensive conditions were either fulfilled as required or the parties waived the remaining suspensive conditions.
- The transaction was deemed to be substantively concluded by 31 March 2024 as the remaining outstanding statutory requirements as specified in the merger agreement were considered administrative. The statutory formalities included the following:
  - Statutory notice to creditors of the merger in terms of section 116 of the Companies Act

    Deemed low probability that any creditor will be successful in objecting to the merger by proving material prejudice as consent was obtained from impacted lenders and Eskom was replaced with NTCSA as the designated buyer for IPPs as part of meeting the suspensive conditions. The remaining creditors were insignificant in value and of a short-term nature.
  - Notice to impacted employees in terms of section 197 of the Labour Relations Act, 66 of 1995

    Deemed low probability that it will prevent the conclusion of the transaction as employees were not adversely impacted since all conditions and benefits remained the same before and after the merger.
  - Lodging of required documents with Companies and Intellectual Property Commission
- Approval was not required from the Take-Over Regulation Panel in terms of the Competition Act, 89 of 1998, and an exemption was granted in this regard.
- The key control considerations include the following:
  - NTCSA obtained power over the transmission business on 31 March 2024. The transaction was substantively concluded. The remaining statutory formalities were administrative in nature.
  - NTCSA had exposure and rights to variable returns through the business activities and operation of the transmission business as all profits and losses for the period between 1 April 2024 to 30 June 2024 were for the account of NTCSA and will be reported in the NTCSA income statement. These profits and losses will still be taxed in Eskom as the legal owner and there will therefore be a difference between the share capital from an accounting perspective and issued capital on the effective date for tax purposes. As the transmission business effectively belonged to NTCSA, Eskom operated the business on behalf of NTSCA between 1 April 2024 and 30 June 2024.
  - NTCSA had the ability to use its power over the transmission business to affect returns considering that there was no change in the business activities and decision-making processes between 1 April 2024 and 30 June 2024 as NTCSA is fulfilling its role and is still part of the Eskom group in the vertically integrated electricity business. Eskom continued to operate the transmission facility on behalf of NTCSA in the ordinary course of business during this period in the best interest of Eskom and NTCSA as the NTCSA license (same rights and obligations as the Eskom license that expired on 30 June 2024) only became effective on 1 July 2024 when NTCSA commenced trading per the legal merger agreement.

1. Nominal.

12. Investment in subsidiaries (continued)

The transaction was accounted for at carrying value. Refer to note 2.2.

	Note	Company 2024 Rm
Statements of financial position at 31 March 2024		
Assets		
Non-current		82 859
Property, plant and equipment	8	79 799
Intangible assets	9	2 619
Finance lease receivables		65
Trade and other receivables		376
Current		2 298
Inventories	13	145
Finance lease receivables		15
Payments made in advance	19	23
Trade and other receivables		2 115
		85 157
Liabilities		
Non-current		20 870
Deferred tax	14	10 095
Payments received in advance	25	2 548
Contract liabilities and deferred income	25	1 000
Employee benefit obligations	26	885
Lease liabilities	28	6 301
Trade and other payables		41
Current		11 417
Derivatives held for risk management	17	27
Payments received in advance	25	51
Contract liabilities and deferred income	25	38
Employee benefit obligations	26	330
Provisions	27	29
Lease liabilities	28	788
Trade and other payables		10 154
		32 287
Net assets disposed		52 870
Consisting of:		
Investment in subsidiaries		22 201
Loans receivable		34 199
Debt securities and borrowings		(3 530)
		52 870

13. Inventories

	Note	2024 Coal and liquid fuel Rm	2024 Nuclear fuel Rm	2024 Maintenance spares and consumables Rm	2024 Total Rm	2023 Coal and liquid fuel Rm	2023 Nuclear fuel Rm	2023 Maintenance spares and consumables Rm	2023 Total Rm
Group									
Carrying value at beginning of the year		16 869	2 113	17 241	36 223	17 659	1 920	15 023	34 602
Changes in working capital		4 144	(614)	(15)	3 515	(1 284)	(638)	3 033	1 111
Transfer from future fuel supplies	10	665	997	–	1 662	752	743	–	1 495
Provisions capitalised	27	(185)	98	–	(87)	(258)	88	–	(170)
Reversal of write down/(write down)	35	–	–	277	277	–	–	(815)	(815)
		21 493	2 594	17 503	41 590	16 869	2 113	17 241	36 223
Maturity analysis		21 493	2 594	17 503	41 590	16 869	2 113	17 241	36 223
Non-current		13 297	–	–	13 297	12 209	–	–	12 209
Current		8 196	2 594	17 503	28 293	4 660	2 113	17 241	24 014
Company									
Carrying value at beginning of the year		16 869	2 113	17 061	36 043	17 659	1 920	14 787	34 366
Changes in working capital		4 144	(614)	(13)	3 517	(1 284)	(638)	3 082	1 160
Transfer from future fuel supplies	10	665	997	–	1 662	752	743	–	1 495
Provisions capitalised	27	(185)	98	–	(87)	(258)	88	–	(170)
Reversal of write down/(write down)	35	–	–	279	279	–	–	(808)	(808)
Disposal of business	12	–	–	(145)	(145)	–	–	–	–
		21 493	2 594	17 182	41 269	16 869	2 113	17 061	36 043
Maturity analysis		21 493	2 594	17 182	41 269	16 869	2 113	17 061	36 043
Non-current		13 297	–	–	13 297	12 209	–	–	12 209
Current		8 196	2 594	17 182	27 972	4 660	2 113	17 061	23 834

Nuclear fuel of R1 961 million (2023: R1 484 million) will be recovered more than 12 months after the reporting date.

14. Deferred tax

	Note	Group Net assets/(liabilities) 2024 Rm	Group Net assets/(liabilities) 2023 Rm	Company Assets 2024 Rm	Company Assets 2023 Rm
Reconciliation of movements in balances					
Balance at beginning of the year		17 983	8 978	18 457	10 261
Recognised in profit or loss					
Raised/(reversal) of temporary differences	41	8 304	9 404[1]	8 061	8 588[1]
Recognised in other comprehensive income					
Raised/(reversal) of temporary differences	41	28	(399)	33	(392)
Disposal of business	12	–	–	10 095	–
Derecognition of deferred tax asset		(36 646)	–	(36 646)	–
Balance at end of the year		(10 331)	17 983	–	18 457
Comprising		(10 331)	17 983	–	18 457
Property, plant and equipment		(117 017)	(111 694)[1]	(104 996)	(110 552)[1]
Revenue not recognised		12 482	10 145[2]	12 482	10 145[2]
Tax losses		88 276	80 834	88 127	80 762
Derecognition of deferred tax asset		(36 646)	–	(36 646)	–
Trade and other receivables		18 380	15 926	18 357	15 675
Payments made in advance		(198)	(178)	(198)	(182)
Insurance investments		(10)	(33)	–	–
Derivatives held for risk management		320	122	320	122
Embedded derivatives		(626)	(41)	(626)	(41)
Provisions		14 815	13 914[1]	14 771	13 552[1]
Employee benefit obligations		6 055	5 374	5 553	5 358
Payments received in advance		3 838	3 614	2 856	3 618

The total net assets/(liabilities) for the group consist of assets of R81 million (2023: R17 983 million) and liabilities of R10 412 million (2023: R0).

1. Refer to note 48.
2. In the prior year R10 145 million was incorrectly disclosed as deferred tax balances relating to property, plant and equipment instead of revenue not recognised.

14. Deferred tax (continued)

The group has R326 948 million (2023: R299 385 million) and the company has R326 396 million (2023: R299 119 million) of unused tax losses available for offset against future taxable income. The tax losses do not expire.

The financial loss position of the company is mainly attributed to:

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

In terms of IAS 12 *Income Taxes*, when an entity has a history of recent losses, the entity recognises a deferred tax asset from unused tax losses or credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or credits can be utilised by the entity.

The following factors and possible uncertainties have been considered in the assessment of sufficient future taxable income over the forecast period (2025 to 2029) of the company:

- revenue determination in terms of the NERSA tariff path which will be impacted by future MYPD applications and approvals which will impact the future profitability of the company
- favourable court rulings relating to tariff determinations which will impact the future profitability of the company
- sustaining the current level of generation plant performance and the action plans addressing other operational challenges
- the company will be required to pay interest on the loan advanced by the government in terms of the Eskom Debt Relief Amendment Act which will result in additional finance costs incurred by the company and deductible for tax purposes
- proposed closure dates of coal-fired power stations and the impact on production
- decline in sales volumes and potential impact of customers moving to alternative energy sources which impacts the future profitability of the group and company
- increased trend of non-payment by municipalities will result in greater amounts of revenue not recognised hence impacting the future profitability of the company

A key development during 2024 related to the progress made in the disposal of the transmission division into NTCSA in terms of the intra group relief provisions of the tax law and the Companies Act. Eskom transferred the assets and liabilities of the transmission division to NTCSA for accounting purposes on 31 March 2024 as detailed in note 12. The legal implementation of the merger agreement and operationalisation of NTCSA was 1 July 2024. The corporatisation and operationalisation of NEDCSA is delayed due to external dependencies and the delayed operationalisation of NTCSA.

Management critically evaluated and assessed the various factors to determine the possible impact on the company's future taxable income and the likely timing thereof. The profitability of the company had to be evaluated by excluding expected profits and taxable income of the transmission business which will accrue to NTCSA. The legal separation resulted in the transfer of taxable temporary differences of R37 387 million to NTCSA which reduces the taxable temporary differences that remain in the company.

The company is expected to return to profitability by 2027 as per the 2025 to 2029 Eskom Corporate Plan. Based on management's assessment, it is probable that future taxable profits will be available due to the implementation of Eskom's turnaround plan, NERSA's revenue determination over the forecast period and the debt relief from government. However, the cumulative assessed loss is not expected to unwind in the forecasted period and a significant portion of the tax losses will remain unused at the end of the forecast period by 2029.

There is no persuasive evidence that the generation business will generate sufficient taxable income over the forecast period against which the unused tax losses can be utilised based on the deferred tax asset recoverability assessment at 31 March 2024, despite the company expecting to return to a tax paying position within the forecast period. Future taxable income together with the reversal of taxable temporary differences will be insufficient in the five-year forecasted period to recognise the deferred tax asset position in terms of IAS 12.

The deferred tax asset relating to the unused tax losses should only be recognised to the extent that there are taxable temporary differences as at 31 March 2024. Accordingly, the deferred tax asset of R36 646 million arising from unused tax losses (R135 726 million) as at 31 March 2024 has been derecognised.

15. Loans receivable

	2024 Gross Rm	2024 Allowance for impairment Rm	2024 Carrying value Rm	2023 Gross Rm	2023 Allowance for impairment Rm	2023 Carrying value Rm
Group						
Home loans	7 675	(283)	7 392	7 827	(62)	7 765
Other	385	(4)	381	308	(3)	305
	8 060	(287)	7 773	8 135	(65)	8 070
Maturity analysis	8 060	(287)	7 773	8 135	(65)	8 070
Non-current	7 850	(285)	7 565	7 887	(64)	7 823
Current	210	(2)	208	248	(1)	247
Company						
Loans to subsidiaries						
NTCSA term loan	34 199	(416)	33 783	–	–	–
EFC revolving credit facility	5 648	(6)	5 642	5 681	(7)	5 674
	39 847	(422)	39 425	5 681	(7)	5 674
Maturity analysis	39 847	(422)	39 425	5 681	(7)	5 674
Non-current	37 155	(340)	36 815	5 681	(7)	5 674
Current	2 692	(82)	2 610	–	–	–

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. Refer to note 5.1.5 for details regarding the loans.

16. Embedded derivatives

	Note	Group and company 2024 Asset Rm	Group and company 2023 Asset Rm
Balance at beginning of the year		823	939
Day-one fair value recognised in deferred income	25	9 279	–
Net fair value gain/(loss)	38	1 699	(116)
Balance at end of the year		11 801	823
Maturity analysis		11 801	823
Non-current		10 486	772
Current		1 315	51

17. Derivatives held for risk management

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Commodity options Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2024								
Group								
Net asset/(liability) at beginning of the year		218	24 784	(231)	–	(87)	279	24 963
Net fair value gain/(loss)		1 625	10 639	499	(51)	65	(28)	12 749
Recognised in profit or loss	38	1 361	11 396	499	(51)	65	(28)	13 242
Recognised in other comprehensive income		264	(757)	–	–	–	–	(493)
Transfers		–	–	–	51	–	–	51
Finance cost accrued		–	153	–	–	(5)	77	225
Cash (received)/paid		(1 941)	(9 573)	(58)	7	–	–	(11 565)
Net (liability)/asset at end of the year		(98)	26 003	210	7	(27)	328	26 423
Hedge exposure covered		(98)	26 003	210	7	(27)	328	26 423
Debt securities and borrowings		1	26 003	–	–	(27)	328	26 305
Other		(99)	–	210	7	–	–	118
Assets								
Economic hedging		209	4 819	210	7	–	329	5 574
Cash flow hedging		56	21 386	–	–	–	–	21 442
		265	26 205	210	7	–	329	27 016
Maturity analysis		265	26 205	210	7	–	329	27 016
Non-current		–	18 543	12	–	–	326	18 881
Current		265	7 662	198	7	–	3	8 135
Liabilities								
Economic hedging		318	12	–	–	27	1	358
Cash flow hedging		45	190	–	–	–	–	235
		363	202	–	–	27	1	593
Maturity analysis		363	202	–	–	27	1	593
Non-current		–	–	–	–	27	–	27
Current		363	202	–	–	–	1	566

Notional amount per currency		m	m	m	m	m	m	m
EUR		655	579	–	–	–	–	1 234
USD		2 294	6 252	–	–	–	–	8 546
GBP		22	–	–	–	–	–	22
JPY		40	–	–	–	–	–	40
SEK		312	–	–	–	–	–	312
ZAR		–	–	–	–	372	1 000	1 372

Notional amount per commodity[1]	Unit							
Group and company								
Copper	tons	–	–	22	–	–	–	22
Low sulphur gas oil	kilo litres	–	–	278 000	(74 000)	–	–	204 000

1. Enhanced disclosure has been included to present the notional amount per commodity, opposed to the aggregated amount previously included under notional amount per currency. The comparative information has been adjusted accordingly.

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity forwards Rm	Commodity options Rm	Credit default swaps Rm	Inflation-linked swaps Rm	Total Rm
2024								
Company								
Net asset/(liability) at beginning of the year		218	24 784	(231)	–	(87)	279	24 963
Net fair value gain/(loss)		1 621	10 639	499	(51)	65	(28)	12 745
Recognised in profit or loss	38	1 357	11 396	499	(51)	65	(28)	13 238
Recognised in other comprehensive income		264	(757)	–	–	–	–	(493)
Transfers		–	–	–	51	–	–	51
Finance cost accrued		–	153	–	–	(5)	76	224
Cash (received)/paid		(1 937)	(9 573)	(58)	7	–	1	(11 560)
Disposal of business	12	27	–	–	–	–	–	27
Net (liability)/asset at end of the year		(71)	26 003	210	7	(27)	328	26 450
Hedge exposure covered		(71)	26 003	210	7	(27)	328	26 450
Debt securities and borrowings		1	26 003	–	–	(27)	328	26 305
Other		(72)	–	210	7	–	–	145
Assets								
Economic hedging		236	4 819	210	7	–	329	5 601
Cash flow hedging		56	21 386	–	–	–	–	21 442
		292	26 205	210	7	–	329	27 043
Maturity analysis		292	26 205	210	7	–	329	27 043
Non-current		–	18 543	12	–	–	326	18 881
Current		292	7 662	198	7	–	3	8 162
Liabilities								
Economic hedging		318	12	–	–	27	1	358
Cash flow hedging		45	190	–	–	–	–	235
		363	202	–	–	27	1	593
Maturity analysis		363	202	–	–	27	1	593
Non-current		–	–	–	–	27	–	27
Current		363	202	–	–	–	1	566

Notional amount per currency	m	m	m	m	m	m	m
EUR	615	579	–	–	–	–	1 194
USD	2 246	6 252	–	–	–	–	8 498
GBP	22	–	–	–	–	–	22
JPY	40	–	–	–	–	–	40
SEK	268	–	–	–	–	–	268
ZAR	–	–	–	–	372	1 000	1 372

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
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 per 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		–	–	–	5 088	1 000	6 088

Notional amount per commodity[1]	Unit						
Group and company							
Copper	tons	–	–	135	–	–	135
Low sulphur gas oil	kilo litres	–	–	85 000	–	–	85 000
Bunker fuel oil	tons	–	–	115 000	–	–	115 000

1. Enhanced disclosure has been included to present the notional amount per commodity, opposed to the aggregated amount previously included under notional amount per currency. The comparative information has been adjusted accordingly.

	Note	Foreign exchange contracts Rm	Cross-currency swaps Rm	Commodity 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 per 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	–	–	–	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 instrument	Financial risk hedged	Exposure
Foreign exchange contracts	Market (currency)	Electricity generation, transmission and distribution activity purchases and loans denominated in foreign currencies
Cross-currency swaps	Market (currency and interest rate)	Foreign fixed rate bonds and other foreign fixed or floating borrowings
Commodity forwards and options	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

17. Derivatives held for risk management (continued)

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:						
2024						
Foreign exchange contracts						
Assets	56	62	13	49	–	–
Liabilities	(45)	(43)	(27)	(16)	–	–
Cross-currency swaps						
Assets	21 386	31 606	120	6 573	17 094	7 819
Liabilities	(190)	(1 293)	(48)	(1 245)	–	–
	21 207	30 332	58	5 361	17 094	7 819
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
The periods in which the cash flows associated with derivatives are expected to impact profit or loss are:						
2024						
Foreign exchange contracts						
Assets	56	5 509	36	123	544	4 806
Liabilities	(45)	(43)	(27)	(16)	–	–
Cross-currency swaps						
Assets	21 386	31 606	120	6 573	17 094	7 819
Liabilities	(190)	(1 293)	(48)	(1 245)	–	–
	21 207	35 779	81	5 435	17 638	12 625
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

Ineffective cash flow hedges

The change in the fair value of the hedging instrument of R2 603 million (2023: R9 470 million) and for the hedged item (represented by a hypothetical derivative) of R2 326 million (2023: R10 208 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 gain of R37 million (2023: R727 million) was recognised in profit or loss as ineffectiveness. Refer to note 38.

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 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)
Day-one loss recognised	(168)	–	(168)
Amortised to profit or loss	262	3	265
Loss at 31 March 2024	(1 403)	(10)	(1 413)

18. Finance lease receivables

	2024 Gross receivables Rm	2024 Unearned finance income Rm	2024 Allowance for impairment Rm	2024 Carrying value Rm	2023 Gross receivables Rm	2023 Unearned finance income Rm	2023 Allowance for impairment Rm	2023 Carrying value Rm
Group								
Non-current	234	(58)	(2)	174	294	(72)	(4)	218
Between one and five years	186	(51)	(2)	133	219	(69)	(3)	147
After five years	48	(7)	–	41	75	(3)	(1)	71
Current	61	(24)	–	37	60	(28)	(1)	31
	295	(82)	(2)	211	354	(100)	(5)	249
Company								
Non-current	149	(39)	(1)	109	294	(72)	(4)	218
Between one and five years	107	(32)	(1)	74	219	(69)	(3)	147
After five years	42	(7)	–	35	75	(3)	(1)	71
Current	35	(13)	–	22	60	(28)	(1)	31
	184	(52)	(1)	131	354	(100)	(5)	249

19. Payments made in advance

	Note	2024 Securing debt raised Rm	2024 Environmental rehabilitation trust fund Rm	2024 Other Rm	2024 Total Rm	2023 Securing debt raised Rm	2023 Environmental rehabilitation trust fund Rm	2023 Other Rm	2023 Total Rm
Group									
Balance at beginning of the year		692	1 256	1 104	3 052	778	1 470	565	2 813
Payments made		426	–	912	1 338	369	–	809	1 178
Recognised in profit or loss		–	60	(386)	(326)	–	86	(184)	(98)
Transfers		(465)	–	(393)	(858)	(455)	(300)	(86)	(841)
Balance at end of the year		653	1 316	1 237	3 206	692	1 256	1 104	3 052
Maturity analysis		653	1 316	1 237	3 206	692	1 256	1 104	3 052
Non-current		154	1 316	323	1 793	589	1 256	141	1 986
Current		499	–	914	1 413	103	–	963	1 066
Company									
Balance at beginning of the year		692	1 256	1 069	3 017	778	1 470	563	2 811
Payments made		426	–	843	1 269	369	–	774	1 143
Recognised in profit or loss		–	60	(374)	(314)	–	86	(182)	(96)
Transfers		(465)	–	(393)	(858)	(455)	(300)	(86)	(841)
Disposal of business	12	–	–	(23)	(23)	–	–	–	–
Balance at end of the year		653	1 316	1 122	3 091	692	1 256	1 069	3 017
Maturity analysis		653	1 316	1 122	3 091	692	1 256	1 069	3 017
Non-current		154	1 316	322	1 792	589	1 256	139	1 984
Current		499	–	800	1 299	103	–	930	1 033

20. Trade and other receivables

	2024				2023			
	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	2 397	–	(597)	1 800	1 708	–	(246)	1 462
Local large power users	93 022	(59 875)	(4 953)	28 194	74 904	(51 279)	(2 927)	20 698
Municipalities	80 154	(59 875)	(4 359)	15 920	63 780	(51 279)	(2 485)	10 016
Other	12 868	–	(594)	12 274	11 124	–	(442)	10 682
Local small power users	5 860	(1 668)	(1 191)	3 001	5 532	(2 061)	(1 026)	2 445
Soweto	1 668	(1 668)	–	–	2 061	(2 061)	–	–
Other	4 192	–	(1 191)	3 001	3 471	–	(1 026)	2 445
	101 279	(61 543)	(6 741)	32 995	82 144	(53 340)	(4 199)	24 605
Other receivables	3 033	–	(592)	2 441	2 751	–	(500)	2 251
	104 312	(61 543)	(7 333)	35 436	84 895	(53 340)	(4 699)	26 856
Non-financial instruments	4 570			4 570	3 947			3 947
VAT	73			73	–			–
VAT on cash basis receivables	4 497			4 497	3 947			3 947
	108 882	(61 543)	(7 333)	40 006	88 842	(53 340)	(4 699)	30 803
Maturity analysis	108 882	(61 543)	(7 333)	40 006	88 842	(53 340)	(4 699)	30 803
Non-current	4 090	–	(59)	4 031	4 101	–	–	4 101
Current	104 792	(61 543)	(7 274)	35 975	84 741	(53 340)	(4 699)	26 702
Company								
Financial instruments								
Trade receivables								
International	15	–	–	15	1 708	–	(246)	1 462
Local large power users	93 022	(59 875)	(4 953)	28 194	74 904	(51 279)	(2 927)	20 698
Municipalities	80 154	(59 875)	(4 359)	15 920	63 780	(51 279)	(2 485)	10 016
Other	12 868	–	(594)	12 274	11 124	–	(442)	10 682
Local small power users	5 860	(1 668)	(1 191)	3 001	5 532	(2 061)	(1 026)	2 445
Soweto	1 668	(1 668)	–	–	2 061	(2 061)	–	–
Other	4 192	–	(1 191)	3 001	3 471	–	(1 026)	2 445
	98 897	(61 543)	(6 144)	31 210	82 144	(53 340)	(4 199)	24 605
Other receivables	4 607	–	(308)	4 299	5 985	–	(515)	5 470
	103 504	(61 543)	(6 452)	35 509	88 129	(53 340)	(4 714)	30 075
Non-financial instruments								
VAT on cash basis receivables	4 497			4 497	3 947			3 947
	108 001	(61 543)	(6 452)	40 006	92 076	(53 340)	(4 714)	34 022
Maturity analysis	108 001	(61 543)	(6 452)	40 006	92 076	(53 340)	(4 714)	34 022
Non-current	4 368	–	(12)	4 356	5 164	–	(30)	5 134
Current	103 633	(61 543)	(6 440)	35 650	86 912	(53 340)	(4 684)	28 888

		Group		Company	
	Note	2024 Rm	2023 Rm	2024 Rm	2023 Rm
Reconciliation of movements in amounts not meeting collectability criteria					
Balance at beginning of the year		53 340	44 144	53 340	44 144
Revenue not meeting collectability criteria	31	17 245	15 774	17 245	15 774
Finance income not meeting collectability criteria[1]	39	(242)	3 416	(242)	3 416
Cash basis revenue recognised	31	(8 347)	(7 563)	(8 347)	(7 563)
Write-offs		(453)	(2 431)	(453)	(2 431)
Balance at end of the year		61 543	53 340	61 543	53 340

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

1. The net credit resulted from the reversal of interest raised during March 2023 for municipalities approved on the debt relief programme in the current year. No interest was raised on these municipalities from 1 April 2023.

21. Investments

Portfolio	Managed by	Purpose
Treasury	Treasury division	To maintain ring-fenced funds over the remaining life of Koeberg power station for nuclear decommissioning activities in line with the requirements of the National Nuclear Regulator Act, 47 of 1999.
Insurance	Escap	To maintain adequate ring-fenced capital reserves to meet the statutory solvency requirements of the Insurance Act, 18 of 2017.

		2024			2023	
	Gross Rm	Allowance for impairment Rm	Carrying value Rm	Gross Rm	Allowance for impairment Rm	Carrying value Rm
21.1 Treasury investments						
Group and company						
Fixed deposits	1 028	(4)	1 024	–	–	–
Maturity analysis						
Non-current	1 028	(4)	1 024	–	–	–
21.2 Insurance investments						
Group						
Negotiable certificates of deposit	13 911	(11)	13 900	14 131	(16)	14 115
Floating rate notes	2 038	(14)	2 024	1 022	(4)	1 018
Inflation-linked bonds	1 037	(9)	1 028	–	–	–
Listed shares	1 550	–	1 550	1 514	–	1 514
	18 536	(34)	18 502	16 667	(20)	16 647
Maturity analysis	18 536	(34)	18 502	16 667	(20)	16 647
Non-current	2 038	(14)	2 024	1 022	(4)	1 018
Current	16 498	(20)	16 478	15 645	(16)	15 629
Group						
Total investments	19 564	(38)	19 526	16 667	(20)	16 647
Maturity analysis	19 564	(38)	19 526	16 667	(20)	16 647
Non-current	3 066	(18)	3 048	1 022	(4)	1 018
Current	16 498	(20)	16 478	15 645	(16)	15 629

22. Cash and cash equivalents

	Group		Company	
	2024 Rm	2023 Rm	2024 Rm	2023 Rm
Bank balances	10 865	7 514	10 245	5 830
Fixed deposits	12 720	2	12 720	2
	23 585	7 516	22 965	5 832

23. Share capital

	Group and company	
	2024 Shares	2023 Shares
Authorised ordinary shares	300 000 000 000	300 000 000 000
Issued		
Balance at beginning of the year	241 550 276 001	219 692 945 001
Share capital issued	–	21 857 331 000
Balance at end of the year	241 550 276 001	241 550 276 001
Unissued	58 449 723 999	58 449 723 999

The unissued share capital is under the control of the Government of the Republic of South Africa, represented by the Minister of Energy and Electricity (previously DPE), as the shareholder representative.

24. Debt securities and borrowings

	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Eskom bonds	165 809	160 218	170 931	165 294
Commercial paper	748	896	–	–
Eurorand zero coupon bonds	8 045	7 128	8 045	7 128
Foreign bonds	64 551	75 411	64 551	75 411
Development financing institutions	139 270	137 352	139 270	137 352
Export credit facilities	25 583	15 956	25 583	15 956
Other loans	8 194	26 968	11 905	27 236
	412 200	423 929	420 285	428 377
Maturity analysis	412 200	423 929	420 285	428 377
Non-current	359 692	367 993	363 992	372 195
Current	52 508	55 936	56 293	56 182

	Currency	Security number	Interest rate 2024 %	Interest rate 2023 %	Nominal 2024 m	Nominal 2023 m	Maturity date	Group Carrying value 2024 Rm	Group Carrying value 2023 Rm	Company Carrying value 2024 Rm	Company Carrying value 2023 Rm
Eskom bonds								165 809	160 218	170 931	165 294
	ZAR	ES26[1,2]	9.26	9.26	37 987	37 987	Apr 26	33 392	33 025	38 514	38 101
	ZAR	EL28[1]	2.55	2.55	6 278	6 278	May 28	11 494	10 902	11 494	10 902
	ZAR	EL29[1]	1.90	1.90	5 370	5 370	Nov 29	9 304	8 793	9 304	8 793
	ZAR	EL30[1]	2.30	2.30	5 136	5 136	Jul 30	8 478	8 023	8 478	8 023
	ZAR	EL31[1]	2.10	2.10	5 699	5 699	Jun 31	8 864	8 369	8 864	8 369
	ZAR	ECN32	2.95	2.95	5 000	5 000	Mar 32	7 629	7 257	7 629	7 257
	ZAR	ES33[1]	9.21	9.21	34 542	34 542	Sep 33	31 019	30 789	31 019	30 789
	ZAR	EL36[1]	2.25	2.25	5 594	5 594	Jan 36	8 151	7 698	8 151	7 698
	ZAR	EL37[1]	2.25	2.25	23 725	23 725	Jan 37	28 473	26 416	28 473	26 416
	ZAR	ES42[1]	10.39	10.39	21 437	21 437	Apr 42	19 005	18 946	19 005	18 946
Commercial paper								748	896	–	–
	ZAR	n/a	10.70	9.28	291	358	May 52[3]	294	360	–	–
	ZAR	n/a	11.16	9.42	449	530	May 55[3,4]	454	536	–	–
Eurorand zero coupon bonds[5]								8 045	7 128	8 045	7 128
	ZAR	n/a	13.33	13.33	8 000	8 000	Aug 27	5 240	4 622	5 240	4 622
	ZAR	n/a	11.89	11.89	7 500	7 500	Dec 32	2 805	2 506	2 805	2 506
Foreign bonds								64 551	75 411	64 551	75 411
	USD	n/a	–	6.90	–	1 000	Aug 23	–	17 890	–	17 890
	USD	n/a	7.39	7.39	1 250	1 250	Feb 25	23 904	22 259	23 904	22 259
	USD	n/a[1]	5.42	5.42	500	500	Jul 27	19 122	8 471	19 122	8 471
	USD	n/a	8.47	8.47	500	500	Aug 28	9 588	8 947	9 588	8 947
	USD	n/a[1]	6.37	6.37	1 000	1 000	Aug 28	9 185	17 844	9 185	17 844
	ZAR	n/a[1]	14.15	–	2 753	–	Mar 31	2 752	–	2 752	–
Balances carried forward to the next page								239 153	243 653	243 527	247 833

1. Government guaranteed.
2. Includes, *inter alia*, instruments issued to subsidiaries.
3. 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.
4. The maturity dates were renegotiated for an additional 32 years.
5. Holders have a right to first charge against revenue and assets of Eskom in terms of section 7 of the Eskom Conversion Act, 13 of 2001.

	Currency	Security number	Interest rate		Nominal		Maturity date	Group		Company	
								Carrying value		Carrying value	
			2024 %	2023 %	2024 m	2023 m		2024 Rm	2023 Rm	2024 Rm	2023 Rm
Balances carried forward from the previous page								239 153	243 653	243 527	247 833
Development financing institutions[1]								139 270	137 352	139 270	137 352
	ZAR	n/a[2]	9.74	8.80	600	733	Aug 28	610	744	610	744
	USD	n/a[2]	6.95	6.24	87	107	Aug 28	1 672	1 906	1 672	1 906
	EUR	n/a[2]	4.33	4.01	346	409	Aug 29	7 142	7 937	7 142	7 937
	ZAR	n/a[2]	8.96	8.10	3 928	4 642	Aug 29	3 986	4 703	3 986	4 703
	ZAR	n/a[2]	10.10	10.10	2 164	2 557	Sep 29	2 162	2 553	2 162	2 553
	USD	n/a[2]	3.47	3.47	2	6	Sep 30	36	99	36	99
	ZAR	n/a	10.47	10.47	12 000	12 000	Jan 31	12 156	12 149	12 156	12 149
	EUR	n/a[2]	5.39	4.60	313	358	Feb 31	5 845	6 326	5 845	6 326
	USD	n/a[2]	6.39	5.76	5	5	Aug 31	87	92	87	92
	ZAR	n/a	–	7.92	–	818	Mar 32[3]	–	821	–	821
	USD	n/a[2]	8.01	7.75	3 313	3 378	Sep 33	62 238	59 237	62 238	59 237
	USD	n/a[2]	8.70	7.99	7	7	Feb 36	121	121	121	121
	ZAR	n/a[2]	12.39	11.45	3 528	3 822	Feb 36	3 534	3 822	3 534	3 822
	ZAR	n/a[2]	9.14	9.14	25 531	27 297	May 38	26 519	28 349	26 519	28 349
	USD	n/a[2]	6.56	4.21	21	1	Aug 38	400	15	400	15
	ZAR	n/a[2]	9.39	8.50	837	791	Nov 38	857	806	857	806
	USD	n/a[2]	6.88	5.71	120	102	Mar 39	2 275	1 803	2 275	1 803
	USD	n/a[2]	6.36	–	1	–	Jun 42	21	–	21	–
	ZAR	n/a[2]	10.56	10.36	3 833	3 173	Nov 43	3 930	3 253	3 930	3 253
	USD	n/a[2]	0.25	0.25	237	107	May 51	4 496	1 889	4 496	1 889
	USD	n/a[2]	0.25	0.25	62	41	Feb 62[4]	1 183	727	1 183	727
Export credit facilities								25 583	15 956	25 583	15 956
	EUR	n/a	–	4.63	–	5	Sep 23	–	91	–	91
	EUR	n/a	4.81	3.82	1	2	Jul 24	17	46	17	46
	EUR	n/a	4.81	4.76	147	258	Jan 27	2 928	4 803	2 928	4 803
	EUR	n/a	5.16	3.81	123	219	Jul 27	2 490	3 989	2 490	3 989
	ZAR	n/a	10.67	9.74	630	902	Jul 27	592	842	592	842
	USD	n/a[2]	10.99	–	750	–	Mar 29	14 076	–	14 076	–
	USD	n/a	2.32	2.32	315	382	Mar 31	5 480	6 185	5 480	6 185
Other loans and bonds[5]								8 194	26 968	11 905	27 236
	ZAR	n/a	11.90	11.26	1 000	2 000	Apr 24	1 023	2 031	1 023	2 031
	ZAR	n/a	–	9.63	–	15 000	Oct 23	–	15 171	–	15 171
	ZAR	n/a	14.84	13.43	791	3 451	Feb 25[6]	717	3 216	717	3 216
	ZAR	n/a	13.29	12.37	4 250	4 250	Feb 25	4 326	4 318	4 326	4 318
	ZAR	n/a	13.19	12.99	2 000	2 100	Feb 27	2 098	2 198	2 098	2 198
	ZAR	n/a[7]	10.50	7.30	3 740	300	On demand	–	–	3 741	302
	ZAR	n/a[7]	–	–	30	34	On demand	30	34	–	–
								412 200	423 929	420 285	428 377

1. Latest in a range of maturity dates is indicated for these instruments.
2. Government guaranteed.
3. The loan was voluntarily repaid before the maturity date.
4. Later maturity date due to additional drawdown.
5. Comprises of loans with various banking institutions.
6. The maturity date was incorrectly disclosed as August 2023 in the prior year.
7. Includes, *inter alia*, current accounts with subsidiaries that have no repayment terms.

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

	Note	Customer connections Rm	Government grant Rm	Other Rm	Total Rm
25.1 Payments received in advance					
2024					
Group					
Balance at beginning of the year		5 582	1 765	665	8 012
Payments received		1 977	3 060	238	5 275
Transfers to contract liabilities and deferred income	25.2	(296)	(2 897)	–	(3 193)
Income recognised		(401)	(165)	(215)	(781)
Balance at end of the year		6 862	1 763	688	9 313
Maturity analysis		6 862	1 763	688	9 313
Non-current		4 891	–	122	5 013
Current		1 971	1 763	566	4 300
Company					
Balance at beginning of the year		5 582	1 765	657	8 004
Payments received		1 977	3 060	168	5 205
Transfers to contract liabilities and deferred income	25.2	(296)	(2 897)	–	(3 193)
Income recognised		(401)	(165)	(215)	(781)
Disposal of business	12	(2 585)	–	(14)	(2 599)
Balance at end of the year		4 277	1 763	596	6 636
Maturity analysis		4 277	1 763	596	6 636
Non-current		2 343	–	135	2 478
Current		1 934	1 763	461	4 158
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	25.2	(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	25.2	(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

	Note	Customer connections Rm	Government grant Rm	Embedded derivatives Rm	Total Rm
25.2 Contract liabilities and deferred income					
2024					
Group					
Balance at beginning of the year		4 499	22 925	673	28 097
Transfers of property, plant and equipment from customers		288	–	–	288
Transfers from payments received in advance	25.1	296	2 897	–	3 193
Day-one fair value gain	16	–	–	9 279	9 279
Income recognised	37	(282)	(1 737)	–	(2 019)
Amortisation of day-one fair value	38	–	–	(467)	(467)
Balance at end of the year		4 801	24 085	9 485	38 371
Maturity analysis		4 801	24 085	9 485	38 371
Non-current		4 520	22 310	7 857	34 687
Current		281	1 775	1 628	3 684
Company					
Balance at beginning of the year		4 499	22 925	673	28 097
Transfers of property, plant and equipment from customers		288	–	–	288
Transfers from payments received in advance	25.1	296	2 897	–	3 193
Day-one fair value gain	16	–	–	9 279	9 279
Income recognised	37	(282)	(1 737)	–	(2 019)
Amortisation of day-one fair value	38	–	–	(467)	(467)
Disposal of business	12	(1 038)	–	–	(1 038)
Balance at end of the year		3 763	24 085	9 485	37 333
Maturity analysis		3 763	24 085	9 485	37 333
Non-current		3 521	22 310	7 857	33 688
Current		242	1 775	1 628	3 645
2023					
Group					
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	25.1	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
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	25.1	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

26. Employee benefit obligations

	Note	Post-employment medical benefits Rm	Pension benefits Rm	Bonus Rm	Leave Rm	Total Rm
2024						
Group						
Balance at beginning of the year		17 728	–	450	2 308	20 486
Recognised in profit or loss						
Employee benefit expense – raised		396	1 952	1 051	987	4 386
Finance cost	40	2 338	82	–	–	2 420
Recognised in other comprehensive income						
Remeasurement of benefits		(1 252)	627	–	–	(625)
Cash paid		(836)	(2 661)	(1 024)	(921)	(5 442)
Balance at end of the year		18 374	–	477	2 374	21 225
Maturity analysis		18 374	–	477	2 374	21 225
Non-current		17 448	–	–	–	17 448
Current		926	–	477	2 374	3 777
Company						
Balance at beginning of the year		17 378	–	394	2 073	19 845
Recognised in profit or loss						
Employee benefit expense – raised		395	1 689	740	909	3 733
Finance cost	40	2 293	82	–	–	2 375
Recognised in other comprehensive income						
Remeasurement of benefits		(1 228)	627	–	–	(601)
Cash paid		(815)	(2 398)	(715)	(843)	(4 771)
Disposal of business	12	(885)	–	(44)	(286)	(1 215)
Balance at end of the year		17 138	–	375	1 853	19 366
Maturity analysis		17 138	–	375	1 853	19 366
Non-current		16 236	–	–	–	16 236
Current		902	–	375	1 853	3 130
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						
Remeasurement 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						
Remeasurement 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

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

26.1 Post-employment medical benefits

	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Actuarial gain				
Financial assumptions	1 134	1 204	1 136	1 185
Experience adjustments	118	(107)	92	(116)
	1 252	1 097	1 228	1 069
Expected maturity analysis of undiscounted benefits				
Non-current	792 379	455 911	716 252	452 372
Between one and two years	1 018	900	989	877
Between two and five years	3 932	3 443	3 785	3 356
After five years	787 429	451 568	711 478	448 139
Current	926	826	902	805
	793 305	456 737	717 154	453 177

The group expects to pay R926 million and the company R902 million in contributions to this plan in the 2025 financial year.

The increase in the medical inflation assumption resulted in higher undiscounted benefits. Refer to note 4.2 for the principal actuarial assumptions used and a sensitivity analysis.

26.2 Pension benefits

Movement reconciliation

	Group and company 2024 Fund assets Rm	2024 Asset ceiling adjustment Rm	2024 Fund obligations Rm	2024 Net asset/ (liability) Rm	2023 Fund assets Rm	2023 Asset ceiling adjustment Rm	2023 Fund obligations Rm	2023 Net asset/ (liability) Rm
Asset/(liability) at beginning of the year	183 154	(74 530)	(108 624)	–	176 855	(70 049)	(106 806)	–
Recognised in profit or loss								
Employee benefit expense	–	–	(1 952)	(1 952)	–	–	(2 067)	(2 067)
Finance income/(cost)	23 933	(9 838)	(14 177)	(82)	21 015	(8 407)	(12 706)	(98)
Recognised in other comprehensive income								
Remeasurement of benefits	(5 883)	4 007	1 249	(627)	(11 231)	3 926	6 969	(336)
Return on plan assets in excess of finance cost	(5 883)	–	–	(5 883)	(11 231)	–	–	(11 231)
Adjustment to asset ceiling	–	4 007	–	4 007	–	3 926	–	3 926
Actuarial gain	–	–	1 249	1 249	–	–	6 969	6 969
Payments received by the fund	4 154	–	(1 493)	2 661	3 917	–	(1 416)	2 501
Employer funded	2 661	–	–	2 661	2 501	–	–	2 501
Member funded	1 493	–	(1 493)	–	1 416	–	(1 416)	–
Payments made by the fund	(7 848)	–	7 848	–	(7 402)	–	7 402	–
Benefit and pension payments	(7 040)	–	7 040	–	(6 713)	–	6 713	–
Fund management costs	(378)	–	378	–	(345)	–	345	–
Net transfers (from)/to the fund	(430)	–	430	–	(344)	–	344	–
Asset/(liability) at end of the year	197 510	(80 361)	(117 149)	–	183 154	(74 530)	(108 624)	–

26. Employee benefit obligations (continued)

26.2 Pension benefits (continued)

Fund assets composition

	Group and company					
	2024			2023		
	Domestic Rm	International Rm	Total Rm	Domestic Rm	International Rm	Total Rm
Equities	72 735	48 778	121 513	73 127	37 370	110 497
Bonds	34 482	6 922	41 404	33 626	5 809	39 435
Issued by Eskom	2 148	–	2 148	2 465	–	2 465
Other	32 334	6 922	39 256	31 161	5 809	36 970
Property	11 058	–	11 058	11 091	–	11 091
Cash	2 256	3 332	5 588	1 975	1 751	3 726
Hedge funds	1 787	–	1 787	1 486	–	1 486
Collective investment schemes	–	16 161	16 161	–	16 919	16 919
	122 318	75 193	197 511	121 305	61 849	183 154

	Group and company	
	2024 Rm	2023 Rm
Actuarial gain		
Financial assumptions	425	5 922
Experience adjustments	824	1 047
	1 249	6 969
Expected maturity analysis of undiscounted benefits		
Non-current	2 872 110	1 739 253
Between one and two years	7 680	6 679
Between two and five years	27 009	23 055
After five years	2 837 421	1 709 519
Current	6 958	6 104
	2 879 068	1 745 357

The group expects to pay R3 107 million and the company R2 370 million in contributions to this plan in the 2025 financial year.

The increase in the long-term price and future salary inflation assumptions resulted in higher undiscounted benefits. Refer to note 4.3 for the principal actuarial assumptions used and a sensitivity analysis.

26.3 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 receiving the full amount in November.

27. Provisions

	Note	Power station-related environmental restoration Nuclear plant Rm	Other generating plant Rm	Mine-related closure, pollution control and rehabilitation Rm	Compensation events Rm	Other Rm	Total Rm
2024							
Group							
Balance at beginning of the year		21 824	15 863	13 113	4 043	1 214	56 057
Recognised in profit or loss		(192)	470	(1 074)	702	4 040	3 946
Raised		421	2 124	156	702	4 057	7 460
Reversed		(284)	(1 198)	(305)	–	(17)	(1 804)
Change in discount rate		(329)	(456)	(925)	–	–	(1 710)
Capitalised to property, plant and equipment	8	(289)	(1 988)	–	(492)	–	(2 769)
Raised		–	18	–	2 412	–	2 430
Reversed		(24)	(1 893)	–	(2 904)	–	(4 821)
Change in discount rate		(265)	(113)	–	–	–	(378)
Capitalised to future fuel supplies	10	–	–	382	–	–	382
Raised		–	–	814	–	–	814
Reversed		–	–	(392)	–	–	(392)
Change in discount rate		–	–	(40)	–	–	(40)
Capitalised to inventories	13	98	–	(185)	–	–	(87)
Raised		98	–	–	–	–	98
Reversed		–	–	(185)	–	–	(185)
Finance cost	40	2 296	1 741	1 351	–	900	6 288
Cash paid		(58)	–	(307)	(729)	(837)	(1 931)
Balance at end of the year		23 679	16 086	13 280	3 524	5 317	61 886
Maturity analysis		23 679	16 086	13 280	3 524	5 317	61 886
Non-current		23 153	16 086	13 055	–	267	52 561
Current		526	–	225	3 524	5 050	9 325
Company							
Balance at beginning of the year		21 824	15 863	13 113	4 043	1 130	55 973
Recognised in profit or loss		(192)	470	(1 074)	702	3 946	3 852
Raised		421	2 124	156	702	3 963	7 366
Reversed		(284)	(1 198)	(305)	–	(17)	(1 804)
Change in discount rate		(329)	(456)	(925)	–	–	(1 710)
Capitalised to property, plant and equipment	8	(289)	(1 988)	–	(492)	–	(2 769)
Raised		–	18	–	2 412	–	2 430
Reversed		(24)	(1 893)	–	(2 904)	–	(4 821)
Change in discount rate		(265)	(113)	–	–	–	(378)
Capitalised to future fuel supplies	10	–	–	382	–	–	382
Raised		–	–	814	–	–	814
Reversed		–	–	(392)	–	–	(392)
Change in discount rate		–	–	(40)	–	–	(40)
Capitalised to inventories	13	98	–	(185)	–	–	(87)
Raised		98	–	–	–	–	98
Reversed		–	–	(185)	–	–	(185)
Finance cost	40	2 296	1 741	1 351	–	901	6 289
Cash paid		(58)	–	(307)	(729)	(779)	(1 873)
Disposal of business	12	–	–	–	(15)	(14)	(29)
Balance at end of the year		23 679	16 086	13 280	3 509	5 184	61 738
Maturity analysis		23 679	16 086	13 280	3 509	5 184	61 738
Non-current		23 153	16 086	13 055	–	267	52 561
Current		526	–	225	3 509	4 917	9 177

27. Provisions (continued)

	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		2 328[1]	(720)[1]	(427)[1]	(285)	916	1 812
Raised		2 774[1]	651[1]	800[1]	811	1 144	6 180
Reversed		–	(628)[1]	(46)[1]	(1 096)	(228)	(1 998)
Change in discount rate		(446)	(743)	(1 181)	–	–	(2 370)
Capitalised to property, plant and equipment	8	(619)[1]	(1 378)[1]	–	(56)	–	(2 053)
Raised		–[1]	76[1]	–	2 050	–	2 126
Reversed		(455)[1]	(1 043)[1]	–	(2 106)	–	(3 604)
Change in discount rate		(164)	(411)	–	–	–	(575)
Capitalised to future fuel supplies	10	–	–	(2 293)[1]	–	–	(2 293)
Raised		–	–	141[1]	–	–	141
Reversed		–	–	(1 906)[1]	–	–	(1 906)
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		2 328[1]	(720)[1]	(427)[1]	(285)	934	1 830
Raised		2 774[1]	651[1]	800[1]	811	1 141	6 177
Reversed		–	(628)[1]	(46)[1]	(1 096)	(207)	(1 977)
Change in discount rate		(446)	(743)	(1 181)	–	–	(2 370)
Capitalised to property, plant and equipment	8	(619)[1]	(1 378)[1]	–	(56)	–	(2 053)
Raised		–[1]	76[1]	–	2 050	–	2 126
Reversed		(455)[1]	(1 043)[1]	–	(2 106)	–	(3 604)
Change in discount rate		(164)	(411)	–	–	–	(575)
Capitalised to future fuel supplies	10	–	–	(2 293)[1]	–	–	(2 293)
Raised		–	–	141[1]	–	–	141
Reversed		–	–	(1 906)[1]	–	–	(1 906)
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

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.

1. Refer to note 48.

28. Lease liabilities

	2024 Gross payables Rm	2024 Future finance charges Rm	2024 Carrying value Rm	2023 Gross payables Rm	2023 Future finance charges Rm	2023 Carrying value Rm
Group						
Non-current	9 794	(3 241)	6 553	11 543	(4 128)	7 415
Between one and five years	8 488	(3 154)	5 334	8 527	(3 742)	4 785
After five years	1 306	(87)	1 219	3 016	(386)	2 630
Current	1 750	(900)	850	1 859	(1 148)	711
	11 544	(4 141)	7 403	13 402	(5 276)	8 126
Company						
Non-current	359	(107)	252	11 542	(4 128)	7 414
Between one and five years	324	(105)	219	8 527	(3 742)	4 785
After five years	35	(2)	33	3 015	(386)	2 629
Current	108	(47)	61	1 773	(1 147)	626
	467	(154)	313	13 315	(5 275)	8 040

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Movement reconciliation					
Balance at beginning of the year		8 126	8 603	8 040	8 602
Additions		8	216	6	19
Disposals		(11)	(6)	(7)	(6)
Finance costs	40	1 142	1 267	1 135	1 244
Cash paid		(1 862)	(1 954)	(1 772)	(1 819)
Capital		(721)	(687)	(638)	(575)
Finance costs		(1 141)	(1 267)	(1 134)	(1 244)
Disposal of business	12	–	–	(7 089)	–
Balance at end of the year		7 403	8 126	313	8 040

Refer to note 36 for short-term and low-value lease expenses.

29. Trade and other payables

	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Financial instruments	47 912	42 817	39 703	44 894
Trade and other payables	31 555	28 491	23 891	28 476
Accruals	8 926	7 593	8 381	9 685
Deposits	7 431	6 733	7 431	6 733
Non-financial instruments	2 016	1 971	1 959	1 914
VAT	1 437	1 398	1 380	1 341
Environmental levy	579	573	579	573
	49 928	44 788	41 662	46 808
Maturity analysis	49 928	44 788	41 662	46 808
Non-current	264	524	159	203
Current	49 664	44 264	41 503	46 605

30. Loan from shareholder

	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Balance at beginning of the year	–	–	–	–
Amounts advanced	76 000	–	76 000	–
Converted to equity	(44 000)	–	(44 000)	–
Balance at end of the year	32 000	–	32 000	–
Maturity analysis				
Current	32 000	–	32 000	–

The Minister of Finance approved the conversion of R16 billion on 13 December 2023 and R28 billion on 20 March 2024 of the loan to equity. Shares for the conversion to equity were issued on 22 April 2024. Refer to note 47.

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
31. Revenue					
Redistributors (metropolitan and municipal customers)		115 460	103 475	115 460	103 475
Invoiced to customers		124 302	111 414	124 302	111 414
Amounts not meeting collectability criteria	20	(17 081)	(15 421)	(17 081)	(15 421)
Recognised on a cash received basis	20	8 239	7 482	8 239	7 482
Residential		7 615	7 016	7 615	7 016
Invoiced to customers		7 671	7 288	7 671	7 288
Amounts not meeting collectability criteria	20	(164)	(353)	(164)	(353)
Recognised on a cash received basis	20	108	81	108	81
Industrial		61 367	53 269	61 367	53 269
Mining		47 923	39 958	47 923	39 958
Commercial		20 900	17 622	20 900	17 622
Agricultural		13 858	11 660	13 858	11 660
International		11 457	10 699	11 457	10 699
Rail		3 835	3 374	3 835	3 374
Public lighting		317	279	317	279
Post-paid electricity sales		282 732	247 352	282 732	247 352
Prepaid electricity sales		11 329	10 485	11 329	10 485
Total electricity sales		294 061	257 837	294 061	257 837
Connections		1 273	1 242	1 273	1 242
Other		480	464	480	464
		295 814	259 543	295 814	259 543

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

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
32. Other income					
Insurance proceeds		31	1 425	762	3 339
Insurance premiums		–	6	–	–
Services income		22	483	–	–
Management fee income		–	–	146	156
Operating lease income		277	274	207	190
Dividend income		74	93	889	161
Other[1]		891	461	1 042	528
		1 295	2 742	3 046	4 374

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
33. Primary energy					
Own generation costs		117 873	108 583[2]	117 873	108 583[2]
International electricity purchases		8 081	6 471	8 081	6 471
Independent power producers		47 775	41 765	47 775	41 765
		173 729	156 819	173 729	156 819

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 and Sanitation to reimburse the department for the cost incurred in supplying water to Eskom.

1. Includes a recovery of R500 million from a supplier in 2024. Refer to note 47.
2. Refer to note 48.

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
34. Employee benefit expense					
Salaries		27 083	25 438	24 387	22 821
Overtime		3 029	2 509	2 505	2 021
Post-employment medical benefits		396	371	395	369
Pension benefits		1 952	2 069	1 689	1 814
Annual bonus[1]		1 470	1 368	1 276	1 215
Production bonus[2]		439	35	322	31
Leave		986	1 007	908	931
Direct costs of employment		35 355	32 797	31 482	29 202
Direct training and development		136	90	117	76
Temporary and contract staff costs		484	675	301	268
Other staff costs		1 124	724	1 070	624
Gross employee benefit expense		37 099	34 286	32 970	30 170
Capitalised to property, plant and equipment		(2 003)	(1 965)	(2 003)	(1 965)
		35 096	32 321	30 967	28 205
35. Net impairment and write down/(reversal of write down) of assets					
35.1 Financial assets					
Loans receivable		234	9	416	–
Finance lease receivables		(2)	(1)	(2)	(1)
Trade and other receivables	5	2 800	1 023	2 695	1 058
Treasury investments		4	–	4	–
Insurance investments		14	10	–	–
		3 050	1 041	3 113	1 057
Bad debts recovered – trade and other receivables		(33)	(15)	(33)	(15)
		3 017	1 026	3 080	1 042
35.2 Other assets					
Inventories	13	(277)	815	(279)	808
Trade and other receivables		693	341	693	341
		416	1 156	414	1 149
		3 433	2 182	3 494	2 191
36. Other expenses					
Managerial, technical and other fees		837	869	812	835
Lease expense		803	869	195	187
Short term		752	812	139	131
Low value		51	57	56	56
Auditors' remuneration[3]		293	290	265	260
Audit of financial statements		286	284	259	254
Other assurance and related services		6	5	6	5
Regulatory related services		1	1	–	1
Net loss on disposals and write-offs of property, plant and equipment and intangible assets		275	3 414	203	3 281
Repairs and maintenance, transport and other expenses		39 233	30 956[4]	46 462	36 711[4]
		41 441	36 398	47 937	41 274
37. Depreciation and amortisation expense					
Depreciation of property, plant and equipment	8	34 959	33 416[4]	35 031	33 292[4]
Amortisation of intangible assets	9	17	166	16	19
Contract liabilities and deferred income recognised (government grant)	25.2	(1 737)	(1 641)	(1 737)	(1 641)
		33 239	31 941	33 310	31 670

1. The annual bonus represents a thirteenth cheque. Refer to note 26.3.
2. The production bonus is self-funded and rewards employees for improved efficiency, operational productivity and performance in the production environment.
3. Enhanced disclosure for fees paid to the auditors is presented in line with the International Ethics Standards Board for Accountants Code Disclosure Requirements.
4. Refer to note 48.

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
38. Net fair value and foreign exchange gain/(loss)					
Profit/(loss) on items carried at fair value		15 387	29 512	15 404	29 570
Insurance investments		(21)	(59)	–	–
Derivatives held for risk management	17	13 242	29 606	13 238	29 605
Embedded derivatives	16	1 699	(116)	1 699	(116)
Deferred income	25	467	81	467	81
(Loss)/gain on foreign currency translation of items carried at amortised cost		(12 777)	(30 527)	(12 770)	(30 523)
Cash and cash equivalents		13	37	13	37
Trade and other payables		(33)	(230)	(26)	(226)
Debt securities and borrowings		(12 757)	(30 334)	(12 757)	(30 334)
Amounts recycled to profit or loss from cash flow hedge reserve		34	730	34	730
Amortisation of effective portion of terminated cash flow hedges		(3)	3	(3)	3
Ineffective portion of cash flow hedges		37	727	37	727
		2 644	(285)	2 668	(223)
39. Finance income					
Treasury investments		26	–	26	–
Insurance investments		1 535	1 059	–	–
Loans receivable		928	746	486	354
Finance lease receivables		28	32	28	32
Trade and other receivables		1 232	739	1 419	851
Invoiced to customers		990	4 155	1 177	4 267
Amounts not meeting collectability criteria	20	242	(3 416)	242	(3 416)
Cash and cash equivalents		1 110	789	1 030	725
		4 859	3 365	2 989	1 962
Cash interest included in finance income comprises:					
Insurance investments		1 380	1 014	–	–
Loans receivable		928	746	468	311
Finance lease receivables		28	32	28	32
Trade and other receivables		412	462	412	462
Cash and cash equivalents		1 110	789	1 030	725
		3 858	3 043	1 938	1 530
40. Finance cost					
Debt securities and borrowings		37 263	33 744	37 644	33 874
Eskom bonds		14 683	15 528	15 126	15 711
Commercial paper		87	75	–	4
Eurorand zero coupon bonds		917	810	917	810
Foreign bonds		5 077	5 021	5 077	5 021
Development financing institutions		11 649	8 841	11 649	8 841
Export credit facilities		2 652	1 078	2 652	1 078
Other loans		2 198	2 391	2 223	2 409
Derivatives held for risk management		3 705	5 147	3 705	5 147
Employee benefit obligations	26	2 420	2 156	2 375	2 114
Provisions	27	6 288	5 061	6 289	5 060
Lease liabilities	28	1 142	1 267	1 135	1 244
Trade and other payables		511	464	512	462
Gross finance cost		51 329	47 839	51 660	47 901
Capitalised to property, plant and equipment	8	(8 081)	(7 459)	(8 081)	(7 459)
		43 248	40 380	43 579	40 442
Cash interest included in finance cost comprises:					
Debt securities and borrowings		30 184	26 425	30 500	26 578
Derivatives held for risk management		3 929	5 379	3 929	5 379
Lease liabilities		1 140	1 267	1 134	1 244
Trade and other payables		4	107	4	108
		35 257	33 178	35 567	33 309

41. Income tax

	Note	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Recognised in profit or loss					
Current tax		1 204	903	–	–
Current year		1 282	965	–	–
Over provided in prior years		(78)	(62)	–	–
Deferred tax	14	28 342	(9 404)[1]	28 585	(8 588)[1]
(Reversal)/raised of temporary differences		(862)	394[1]	(696)	1 284[1]
(Reversal)/raised of temporary differences		(1 254)	62[1]	(1 089)	858[1]
Under provided in prior years		392	332	393	426
Tax losses		(7 442)	(9 798)	(7 365)	(9 872)
(Reversal)/raised of temporary differences		(7 063)	(9 458)	(6 987)	(9 435)
Over provided in prior years		(379)	(340)	(378)	(437)
Derecognition of deferred tax asset		36 646	–	36 646	–
		29 546	(8 501)	28 585	(8 588)
Reconciliation between standard and effective tax rate:					
R million					
Taxation income at standard rate		(6 877)	(9 338)[1]	(7 695)	(9 435)[1]
Non-taxable income		(369)	(394)	(590)	(409)
Government grants		(322)	(290)	(322)	(290)
Dividend income		(18)	(24)	(240)	(43)
Incentive allowances		(29)	(80)	(28)	(76)
Expenses not deductible for tax purposes		211	1 304	209	1 267
Non-deductible capital expenditure[2]		183	1 284	181	1 247
Donations		28	20	28	20
Prior period (over)/under provision		(65)	(73)	15	(11)
Derecognition of deferred tax asset[3]		36 646	–	36 646	–
Taxation expense/(income) per the income statement		29 546	(8 501)	28 585	(8 588)
%					
Taxation income at standard rate		27.00	27.00	27.00	27.00
Non-taxable income		1.44	1.13[1]	2.07	1.18[1]
Government grants		1.26	0.83[1]	1.13	0.84[1]
Dividend income		0.07	0.07[1]	0.84	0.12[1]
Incentive allowances		0.11	0.23[1]	0.10	0.22[1]
Expenses not deductible for tax purposes		(0.83)	(3.76)[1]	(0.73)	(3.63)[1]
Non-deductible capital expenditure[2]		(0.72)	(3.70)[1]	(0.63)	(3.57)[1]
Donations		(0.11)	(0.06)[1]	(0.10)	(0.06)[1]
Adjustments to current tax of prior periods		0.26	0.21[1]	(0.05)	0.03[1]
Derecognition of deferred tax asset[3]		(143.88)	–	(128.59)	–
Taxation (expense)/income per the income statement		(116.01)	24.58	(100.30)	24.58

1. Refer to note 48.
2. Non-deductible capital expenditure includes expenditure of a capital nature and not incurred in the production of income.
3. Deferred tax assets not recognised related to the deferred tax balance previously recognised on unused tax losses raised through the income statement. Refer to note 14.

41. Income tax (continued)

	2024 Before tax Rm	2024 Tax Rm	2024 Net of tax Rm	2023 Before tax Rm	2023 Tax Rm	2023 Net of tax Rm
Recognised in other comprehensive income						
Group						
Cash flow hedges	(730)	197	(533)	717	(194)	523
Net change in fair value	(493)	133	(360)	1 567	(423)	1 144
Net amount transferred to profit or loss	(34)	9	(25)	(730)	197	(533)
Net amount transferred to initial carrying amount of hedged items	(203)	55	(148)	(120)	32	(88)
Foreign currency translation differences	6	–	6	33	–	33
Remeasurement of benefits	625	(169)	456	761	(205)	556
	(99)	28	(71)	1 511	(399)	1 112
Company						
Cash flow hedges	(730)	197	(533)	717	(194)	523
Net change in fair value	(493)	133	(360)	1 567	(423)	1 144
Net amount transferred to profit or loss	(34)	9	(25)	(730)	197	(533)
Net amount transferred to initial carrying amount of hedged items	(203)	55	(148)	(120)	32	(88)
Remeasurement of benefits	601	(164)	437	733	(198)	535
	(129)	33	(96)	1 450	(392)	1 058

42. Cash generated from operations

	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Loss before tax	(25 469)	(34 583)[1]	(28 499)	(34 945)[1]
Adjustments for:	79 563	78 872	80 331	79 436
Depreciation and amortisation expense	33 239	31 941[1]	33 310	31 670[1]
Depreciation expense – primary energy	12	12	12	12
Impairment and write down of assets (excluding bad debts recovered)	3 466	2 197	3 527	2 206
Net fair value (loss)/gain on financial instruments	(2 644)	285	(2 668)	223
Net loss on disposals and write-offs of property, plant and equipment	275	3 414	203	3 281
Transfer of assets from non-electricity purchasing customers	(590)	(583)	(590)	(583)
Dividend income	(74)	(93)	(889)	(161)
Increase in employee benefit obligations	4 386	4 028	3 733	3 540
Increase in provisions	3 946	1 812[1]	3 852	1 830[1]
Decrease in contract liabilities and deferred income	(282)	(262)	(282)	(262)
Payments made in advance recognised in profit or loss	326	98	314	96
Payments received in advance recognised in profit or loss	(781)	(899)	(781)	(896)
Finance income	(4 859)	(3 365)	(2 989)	(1 962)
Finance cost	43 248	40 380	43 579	40 442
Share of profit of equity-accounted investees	(105)	(93)	–	–
	54 094	44 289	51 832	44 491
Changes in working capital:	(13 579)	(2 320)	(11 920)	(3 666)
Increase in payments made in advance	(811)	(367)	(742)	(332)
Increase in inventories	(3 498)	(1 048)	(3 500)	(1 097)
Increase in trade and other receivables	(11 788)	(4 269)	(10 840)	(5 396)
Increase in trade and other payables	4 481	5 411	4 466	4 661
Expenditure incurred on employee benefit obligations	(5 442)	(4 791)	(4 771)	(4 272)
Expenditure incurred on provisions	(1 796)	(2 301)	(1 738)	(2 252)
Increase in payments received in advance	5 275	5 045	5 205	5 022
	40 515	41 969	39 912	40 825

43. Net debt reconciliation

The net debt reconciliation includes the changes arising from financing activities.

	Debt securities and borrowings[2] Rm	Loan from shareholder[3] Rm	Lease liabilities[4] Rm	Financial trading liabilities Rm	Derivatives held for risk management[5] Rm	Payments made in advance[6] Rm	Cash and cash equivalents[7] Rm	Net debt Rm
Group								
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[8]	–	210	–	(231)	455	–	7 242
Balance at 31 March 2023	423 929	–	8 126	–	(25 014)	(692)	(7 516)	398 833
Net cash (decrease)/increase	(31 032)	76 000	(721)	–	10 992	(426)	(16 050)	38 763
Net fair value and foreign exchange losses/(gains)	12 757	–	–	–	(12 057)	–	(13)	687
Foreign currency translation	–	–	–	–	–	–	(6)	(6)
Other movements	6 546[8]	(44 000)	(2)	–	(226)	465	–	(37 217)
Balance at 31 March 2024	412 200	32 000	7 403	–	(26 305)	(653)	(23 585)	401 060
Company								
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[8]	–	13	–	(231)	455	–	7 021
Balance at 31 March 2023	428 377	–	8 040	–	(25 014)	(692)	(5 832)	404 879
Net cash (decrease)/increase	(30 989)	76 000	(638)	–	10 992	(426)	(17 120)	37 819
Net fair value and foreign exchange losses/(gains)	12 757	–	–	–	(12 057)	–	(13)	687
Disposal of business	–	–	(7 089)	–	(27)	(23)	–	(7 139)
Other movements	10 140[8]	(44 000)	–	–	(199)	488	–	(33 571)
Balance at 31 March 2024	420 285	32 000	313	–	(26 305)	(653)	(22 965)	402 675

Financing activities excludes cash and cash equivalents.

44. Financial 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.

	Group		Company	
	2024 Rm	2023 Rm	**2024 Rm**	2023 Rm
Financial guarantee	–	–	206	227
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	6	563	3	561

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.

1. Refer to note 48.
2. Refer to note 24.
3. Refer to note 30.
4. Refer to note 28.
5. Refer to note 17 (hedge exposure covering debt securities and borrowings).
6. Refer to note 19 (securing debt raised).
7. Refer to note 22.
8. Mainly constitutes interest accrual.

44. Financial guarantees, contingent liabilities and assets (continued)

44.2 Contingent liabilities (continued)

Compensation events (continued)

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 2024 arising from compensation events were R6 683 million (2023: R4 640 million) considering the historical outcomes on similar matters.

Claims from customers

Some electricity customers occasionally submit claims against Eskom because of billing disputes. These claims are subject to a dispute investigations process of which the outcome is uncertain and the potential financial impact cannot be reliably determined.

Non-technical energy losses

The Eskom online vending system environment was compromised resulting in the creation of illicit prepaid electricity tokens for Eskom and those municipalities that make use of Eskom's online vending platform.

When an illicit token is loaded into a prepaid meter, the token will be accepted and update the meter with the available credit kilowatt hours. There is a cost associated with delivering electricity against the credit kilowatt hours for customers using illicit tokens. This results in non-technical losses for delivery against illicit tokens used and will also result in future non-technical losses for unused illicit tokens, as no corresponding revenue will be received. Refer to note 51.3 for the current non-technical losses experienced.

The potential obligations emanating from the exposure that illicit tokens can be used in the future cannot be reliably measured because of the high level of uncertainty around the completeness of the number of illicit prepaid electricity tokens created as well as the number of tokens already utilised and those that remain compatible with Eskom meters after the key revision standard rollover (KRN 1 change to KRN 2).

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		Company	
	2024 Rm	2023 Rm	2024 Rm	2023 Rm
45.1 Capital expenditure				
Contracted capital expenditure	28 999	29 328	23 712	29 232
Within one year	17 417	17 958	16 949	17 863
One to five years	11 275	11 365	6 763	11 365
After five years	307	5	–	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.

	Group		Company	
	2024 Rm	2023 Rm	2024 Rm	2023 Rm
45.2 Leases				
As lessee				
The future minimum lease payments payable under non-cancellable leases are:				
Within one year	646	195	31	58
Short-term leases	614	137	1	1
Low-value leases	32	58	30	57
One to five years				
Low-value leases	5	34	5	29
Total	651	229	36	87
Short-term leases	614	137	1	1
Low-value leases	37	92	35	86

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.

	Group		Company	
	2024 Rm	2023 Rm	2024 Rm	2023 Rm
As lessor				
The future minimum lease payments receivable under non-cancellable operating leases are:	247	274	175	195
Within one year	153	146	90	74
One to five years	88	119	79	112
After five years	6	9	6	9

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

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 directors and key management personnel is included in note 49 and government guarantees issued to Eskom in note 5.3.2.

	Group		Company	
	2024 Rm	2023 Rm	2024 Rm	2023 Rm
Transactions				
Sales of goods and services	15 353	13 447	16 539	17 526
National departments	1 654	1 404	1 654	1 404
Public entities	8 764	7 366	8 736	7 344
Subsidiaries, associates and joint ventures	4 935	4 677	6 149	8 778
Government grant funding received for electrification				
National departments	3 059	3 120	3 059	3 120
Purchases of goods and services	28 186	30 023	42 592	43 034
Constitutional institutions	12	9	12	9
National departments	1 807	1 875	1 807	1 875
Public entities	23 579	25 363	22 344	24 384
Subsidiaries, associates and joint ventures	127	275	16 031	14 517
Eskom Pension and Provident Fund	2 661	2 501	2 398	2 249
Bad debts expense	4	5	4	5
National departments	1	–	1	–
Public entities	1	5	1	5
Subsidiaries, associates and joint ventures	2	–	2	–
Net fair value and foreign exchange loss				
Subsidiaries, associates and joint ventures	–	–	(4)	(1)
Finance income	126	99	612	453
National departments	11	8	11	8
Public entities	115	91	115	91
Subsidiaries, associates and joint ventures	–	–	486	354
Finance cost[1]	9 144	9 238	9 612	9 443
National departments	18	9	18	9
Public entities	8 895	8 951	8 895	8 951
Subsidiaries, associates and joint ventures	–	–	468	205
Eskom Pension and Provident Fund	231	278	231	278
Dividend income				
Subsidiaries, associates and joint ventures	–	–	888	161
Lease income	12	11	16	14
National departments	1	2	1	2
Public entities	11	9	11	9
Subsidiaries, associates and joint ventures	–	–	4	3
Lease expenses	8	10	12	12
Public entities	8	10	8	10
Subsidiaries, associates and joint ventures	–	–	4	2
Environmental levy				
Public entities	6 817	7 033	6 817	7 033

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.

46. Related-party transactions and balances (continued)

	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Outstanding balances (due by related parties)				
Receivables and amounts owed by related parties	2 507	1 877	5 202	6 893
National departments	212	131	203	131
Public entities	1 899	1 322	1 598	1 239
Subsidiaries, associates and joint ventures	396	424	3 401	5 523
Loans receivable				
Subsidiaries, associates and joint ventures[1]	–	–	39 847	5 681
Total due by related parties	2 507	1 877	45 049	12 574
Outstanding balances (due to related parties)				
Debt securities and borrowings	121 892	111 930	130 755	117 308
National departments	–	53	–	53
Public entities	119 744	109 412	119 744	109 412
Subsidiaries, associates and joint ventures[2]	–	–	8 863	5 378
Eskom Pension and Provident Fund	2 148	2 465	2 148	2 465
Loan from shareholder				
National departments	32 000	–	32 000	–
Payables and amounts owed to related parties	3 450	5 140	6 740	8 326
Constitutional institutions	9	6	–	6
National departments	323	356	323	356
Public entities	2 791	4 462	2 674	4 059
Subsidiaries, associates and joint ventures	9	9	3 463	3 598
Eskom Pension and Provident Fund	318	307	280	307
Payments received in advance	1 760	1 761	1 773	1 775
National departments	1 760	1 761	1 760	1 761
Subsidiaries, associates and joint ventures	–	–	13	14
Derivative liabilities held for risk management				
Subsidiaries, associates and joint ventures	–	–	–	1
Total due to related parties	159 102	118 831	171 268	127 410
Equity				
Capital and reserves				
National departments	44 000	–	44 000	–

Commitments

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

47. Events after the reporting date

The following significant events occurred after 31 March 2024:

Changes in Exco

The following changes occurred in Exco:

- Mr ML Bala was appointed as the acting group executive human resources effective from 24 June 2024.
- Ms PB Mngomezulu was appointed as group executive corporate services effective from 1 November 2024. The role incorporates procurement, legal as well as communications and stakeholder management functions.
- Ms NY Hadebe was appointed as group executive strategy and sustainability effective from 1 November 2024.
- Mr RA Crookes was appointed as group executive group capital effective from 1 November 2024.
- Mr LM de Villiers was appointed as chief technology and information officer effective from 1 November 2024 (appointed on a three-year fixed term contract).
- Mr AE Seema was appointed as group executive strategic delivery unit effective from 1 December 2024.
- Mr J Mthembu was appointed as group executive legal and compliance effective from 1 May 2024. He resigned as a member of Exco on 31 October 2024 with the appointment of the group executive corporate services.
- Ms J Sankar resigned as a member of Exco on 31 October 2024 with the appointment of the group executive corporate services.
- Ms FS Burn resigned as a member of Exco on 31 October 2024 with the appointment of the chief technology and information officer.
- Mr HS Vezi acted as group executive legal and compliance from 1 April 2024 until 30 April 2024.
- Ms NN Sithole acted as group executive government and regulatory affairs until 31 October 2024.
- Ms EM Pule group executive human resources resigned on 31 July 2024.
- The fixed-term contract of Mr V Tuku group executive transformation management officer expired on 30 June 2024.

Debt relief

The Eskom Debt Relief Amendment Act was enacted on 8 April 2024 to provide for the payment of interest by Eskom on amounts advanced as a loan at the rate determined by the Minister of Finance (91-day Treasury Bill) and power to the Minister to reduce the amount of the annual Eskom requirement in the event of non-compliance with the conditions (limited to five percent of the total amount allocated for the applicable financial year). The payment of interest is effective prospectively starting with the first disbursement of R8 billion received on 28 June 2024 in the 2025 financial year as communicated by the Minister of Finance.

1. The effective interest rate on the loans to subsidiaries is 7.15% (2023: 7.91%).
2. Refer to note 24 for the effective interest rate and maturity date relating to intercompany instruments.

The Minister of Finance approved the conversion to equity of the outstanding loan balance of R32 billion at 31 March 2024 on 29 July 2024 and the R8 billion received in the 2025 financial year on 21 October 2024.

Authorisation and issue of shares
The Department of Public Enterprises approved an amendment to the Memorandum of Incorporation to increase the authorised share capital to 500 billion ordinary shares on 18 April 2024. Shares to the value of R44 billion were issued on 22 April 2024 for the loan amounts that were approved for conversion to equity by the Minister of Finance prior to the end of the financial year.

Plant performance
Commercial operation was achieved for Kusile unit 5 on 30 June 2024 contributing an additional 799MW to the national grid.

Licences to operate solar photovoltaic power plants
NERSA issued two licences to operate solar photovoltaic generation facilities on 29 October 2024 for Sere and Lethabo solar photovoltaic power plants in the Western Cape and Free State.

Funds recovered by the SIU
Eskom recovered an amount of R500 million (excluding VAT) on 25 April 2024 through a collaborative effort with the SIU stemming from a settlement agreement between the SIU and SAP on the validity of two contracts awarded by Eskom to the service provider in 2016. A special tribunal order dated 20 March 2024 declared that the two contracts are constitutionally invalid and therefore set aside.

Diesel rebate from SARS
Eskom and SARS resolved the dispute relating to previously disallowed claims for fuel levy refunds on 18 October 2024 resulting in a net amount of R9.2 billion payable to Eskom.

Legal separation
NTCSA commenced trading on 1 July 2024 in terms of the legal merger agreement concluded between Eskom and NTCSA. Refer to note 12.

Eskom and NTCSA signed an equity subscription agreement on 28 June 2024 to allow for the allocation of R3.8 billion to NTCSA relating to debt relief received by Eskom from the government to discharge indebtedness incurred by Eskom in connection with the transmission assets that were transferred from Eskom to NTCSA on 1 July 2024.

Electricity Regulation Amendment Act
The Electricity Regulation Amendment Act, 38 of 2024, was enacted on 20 August 2024. The Act provides for NERSA to consider the application and issue of licences, new generation capacity and electricity infrastructure. The Act also provides for the establishment of transmission system operator to provide an open market platform that will allow for competitive electricity trading. NTCSA will fulfil the role of the transmission system operator in the interim from the effective date of the Act until the transmission system operator is established and must apply for the relevant licences to carry out the function for a period not exceeding five years. The commencement date of the Act was gazetted on 18 December 2024 to be 1 January 2025.

EFC disposal
An updated strategy for the disposal of EFC was approved by the investment and finance committee on 23 April 2024. A request for proposal was issued on 1 May 2024 with the preferred bidder approved by the investment and finance committee on 19 June 2024. A binding offer was received from African Bank Limited on 15 October 2024 and approved by the board on 25 October 2024, subject to PFMA approval. Approval for the transaction also needs to be obtained from the Competition Commission, Prudential Authority and the South African Reserve Bank.

Payment arrangement with City of Tshwane metropolitan municipality
Eskom and City of Tshwane concluded a payment arrangement for the settlement of R6.7 billion overdue debt over a five-year period on 26 November 2024. Interest will be suppressed for the duration of the payment arrangement, subject to settlement of current amounts receivable.

Municipal debt write off
National Treasury instructed Eskom on 16 December 2024 to write off one-third of the overdue ringfenced debt in terms of the municipal debt relief programme for five municipalities to the value of R3.0 billion within 30 days, even though these municipalities have not fully complied with the conditions of the municipal debt relief programme at the close of their first cycle. National Treasury also confirmed that where these municipalities were not maintaining their current accounts, the shortfall of R3.5 billion should be settled in four instalments from January 2025 to April 2025, failing which National Treasury will consider the removal of the municipality's participation in the municipal debt relief programme.

48. Restatement of comparatives

Certain changes in the measurement of power station-related environmental restoration and mine-related closure, pollution control and rehabilitation provisions were incorrectly credited to profit or loss instead of deducted from the cost of the related generating plant and future fuel supplies assets in terms of IFRIC 1. The 2023 statement of financial position and income statement have been restated to correct the error 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 2023						
Assets						
Non-current	705 964	(2 143)	703 821	708 523	(2 143)	706 380
Property, plant and equipment	669 398	(1 059)	668 339	671 483	(1 059)	670 424
Future fuel supplies	7 167	(1 877)	5 290	7 167	(1 877)	5 290
Inventories	12 209	–	12 209	12 209	–	12 209
Deferred tax	17 190	793	17 983	17 664	793	18 457
Equity						
Capital and reserves	236 087	(2 143)	233 944	215 635	(2 143)	213 492
Income statements for the year ended 31 March 2023						
Primary energy	(154 942)	(1 877)	(156 819)	(154 942)	(1 877)	(156 819)
Other expenses	(34 795)	(1 603)	(36 398)	(39 671)	(1 603)	(41 274)
Depreciation and amortisation expense	(32 485)	544	(31 941)	(32 214)	544	(31 670)
Loss before tax	(31 647)	(2 936)	(34 583)	(32 009)	(2 936)	(34 945)
Income tax	7 708	793	8 501	7 795	793	8 588
Loss for the year	(23 939)	(2 143)	(26 082)	(24 214)	(2 143)	(26 357)

48. Restatement of comparatives (continued)

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, segment reporting and provisions disclosures. The restatement had no impact on the statement of cash flows outside of the note disclosure relating to cash generated from operations with no overall impact on cash generated from operating activities.

49. Remuneration of directors and executives

The background to the remuneration of directors and executives 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 management

The remuneration of the group chief executive and the chief financial officer (executive directors) and Exco members (executive management) are disclosed below. The members of Exco are regarded as Eskom's prescribed officers. The group chief executive has a fixed-term contract. The chief financial officer was appointed as a permanent employee with effect from 1 January 2024 (on fixed-term contract previously). The executive management have permanent contracts based on Eskom's standard conditions of service, except for one Exco member who is on a fixed-term contract.

The emoluments for the executive directors and management were as follows:

Name	2024 Salary R'000	2024 Other payments R'000	2024 Total remuneration earned and cash paid R'000	2023 Salary R'000	2023 Other payments R'000	2023 Total remuneration earned and cash paid R'000
Executive directors	8 877	299	9 176	11 522	1 065	12 587
DL Marokane	750	3	753	–	–	–
AM de Ruyter	–	–	–	6 453	457	6 910
C Cassim	5 377	209	5 586	4 900	608	5 508
JM Buys	2 750	87	2 837	169	–	169
Executive management	25 345	2 566	27 911	23 883	885	24 768
JA Oberholzer	458	1 038	1 496	5 496	127	5 623
ML Bala	2 831	132	2 963	–	–	–
FS Burn	3 765	120	3 885	3 519	134	3 653
M Govender	775	180	955	3 100	84	3 184
D Jackson	238	10	248	–	–	–
W Madonsela	750	28	778	–	–	–
N Minyuku	258	107	365	3 100	157	3 257
S Nassiep	435	115	550	–	–	–
BJ Nxumalo	2 831	216	3 047	–	–	–
EM Pule	3 523	145	3 668	3 339	224	3 563
J Sankar	2 641	102	2 743	2 468	157	2 625
SM Scheppers	2 831	192	3 023	–	–	–
NN Sithole	1 148	13	1 161	–	–	–
V Tuku	2 861	168	3 029	2 861	2	2 863
	34 222	2 865	37 087	35 405	1 950	37 355

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.

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

Long-term incentive scheme

The board reinstated the long-term performance incentive scheme that rewards the Exco members in cash for meeting organisational objectives measured over a three-year period effective from 1 April 2023.

Performance awards with a vesting period of three years from the date of grant are awarded to Exco members at the beginning of a financial year. The vesting of the performance awards are dependent on the scheme participant remaining employed by Eskom throughout the vesting period. The award lapses if employment ceases during the vesting period (other than for permitted reasons).

The performance awards are linked to gatekeeper conditions and key performance indicators that are aligned with the Eskom Corporate Plan and shareholder compact and include both financial and non-financial targets. Awards only vest if the key performance indicator targets are met. Potential vesting percentages range from 0% to 100%. Each measure has a threshold and a stretch target with an expected (on target) vesting of 50%. The final vesting percentage is reduced with the corresponding weight of the gatekeeper conditions should one or more of the conditions not be met.

The gatekeeper conditions with a weight of 25% per condition were as follows:
- unplanned load losses below 14 000MW
- cash from operations of at least R55 700 million
- lost-time injury rate below 0.30
- unqualified IFRS audit report excluding PFMA

The value of each performance award is deemed to be R1 at grant date and a money market rate is used to determine the value at reporting date.

The award payment is recommended by the Human Capital and Remuneration Committee to the board for approval at the end of the vesting period. The board retains discretion to adjust the vesting percentages even if targets are met.

A total of 16 191 510 performance awards were granted to Exco members on 1 April 2023 (grant 13). The vesting values of the outstanding performance awards at 31 March 2024 were as follows:

Name	Outstanding performance awards vesting on 31 March 2026 Number	Performance awards vesting on 31 March 2026 at a rate of 50% Number	Performance awards payable on 31 August 2026 at R1.31 per share R'000
C Cassim	6 000 000	3 000 000	3 930
ML Bala	3 397 170	1 698 585	2 225
BJ Nxumalo	3 397 170	1 698 585	2 225
SM Scheppers	3 397 170	1 698 585	2 225
	16 191 510	8 095 755	10 605

Housing loans

Housing loans to Exco members were as follows:

	2024 R'000	2023 R'000
C Cassim	2 792	2 906
ML Bala	2 358	–
J Sankar	3 204	4 004
NN Sithole	101	–
	8 455	6 910

Home loan balances are disclosed when an individual is in the role of an executive director or management at financial year end. The interest rate on the loans from EFC at 31 March 2024 was 10% (2023: 9%). 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

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

	2024 R'000	2023 R'000
M Nyati	1 358	445
PM Makwana	933	799
RDB Crompton	676	724
FBB Gany	1 081	459
LL Goqwana	754	296
CR le Roux	1 061	400
APZ Mafuleka	820	314
MW Makgoba	–	799
BCE Makhubela	–	341
B Mavuso	–	296
L Mkhabela	823	366
PE Molokwane	–	355
TH Mongalo	–	361
TL Mthombeni	849	348
B Ntshalintshali	873	393
T Ramano	1 018	393
CB Vilakazi	881	366
C Von Eck	1 058	462
	12 185	7 917

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 that are applicable for future accounting periods that have not been adopted early by the group. These standards and interpretations will be applied in the first year that they are applicable to the group which is the financial period beginning on or after the effective date.

Topic	Summary of requirements	Impact
Supplier finance arrangements – amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 (1 January 2024)	The amendments introduce additional disclosure requirements for companies that enter into supplier finance arrangements. The amendment to IAS 7 describes the characteristics of a supplier finance arrangement and requires entities to provide qualitative and quantitative information about its supplier finance arrangements. The amendment to IFRS 7 added supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. These amendments have to be applied retrospectively.	No impact as there are currently no supplier finance arrangements.
Lease liability in a sale and leaseback – amendment to IFRS 16 *Leases* (1 January 2024)	The amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction by specifying that a seller-lessee measures the lease liability arising from a sale and leaseback transaction in such a way that it does not recognise any amount of the gain or loss that relates to the retained right-of-use asset. These amendments have to be applied retrospectively.	No impact as there are currently no sale and leaseback transactions.
Classification of liabilities as current or non-current and non-current liabilities with covenants – amendments to IAS 1 *Presentation of Financial Statements* (1 January 2024)	The amendments 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 impact as there are currently no financial liabilities with a right to defer settlement.
Lack of exchangeability – amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* (1 January 2025)	The amendments specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. The amendments clarify: • when a currency is exchangeable into another currency • how a company estimates a spot rate when a currency lacks exchangeability • the disclosure requirements for users to understand the impact of the currency not being exchangeable These amendments have to be applied prospectively.	No impact on the group as all foreign currency transactions are exchangeable.
IFRS 18 *Presentation and Disclosure in Financial Statements* (1 January 2027)	IFRS 18 will replace IAS 1 while carrying forward many of the requirements in IAS 1 and introduces new requirements relating to: • presentation of specified categories and defined subtotals in the statement of profit or loss • disclosures on management-defined performance measures in the notes to the financial statements • improved aggregation and disaggregation Some of the requirements in IAS 1 moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7.	The group is assessing the impact of these presentation requirements and will be adopted as required.
Sale or contribution of assets between an investor and its associate or joint venture – amendments to IFRS 10 and IAS 28 *Investments in Associates and Joint Ventures* (optional adoption, effective date deferred indefinitely)	The 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 amendments require that the full gain to be recognised when the assets are transferred meet the definition of a business under IFRS 3.	No impact as the group is currently not disposing of any investments in associates or joint ventures.

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

Topic	Summary of requirements	Impact
IFRS 17 *Insurance Contracts* and amendments to IFRS 17 (1 January 2023)	IFRS 17 introduced one accounting model for all insurance contracts in all jurisdictions that apply IFRS Accounting Standards. IFRS 17 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 reflect the time value of money of estimated payments required to settle incurred claims. Insurance contracts are measured only on the obligations created by the contracts. An entity is required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.	The adoption of IFRS 17 did not have any material financial or disclosure impact on the group and only impacted the financial statements of the Escap subsidiary as the insurance activities undertaken by Escap are self-insurance arrangements for the group. The reinsurance receivables after consolidation in the group is measured as a financial asset in terms of IFRS 9.
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. The group continues to consider materiality and disclosed accounting policies for transactions that have a material impact.
Definition of accounting estimate – amendments to IAS 8 (1 January 2023)	The amendments introduced a definition of accounting estimates by clarifying 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 were also clarified.	No impact as the group applies the definitions where applicable.
Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 *Income Taxes* (1 January 2023)	The amendments provide a further exception from the initial recognition exemption where an entity cannot apply the initial recognition exemption for transactions that give rise to equal taxable and deductible 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. The amendments apply retrospectively.	No impact as the group recognises a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning provisions.

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 No. 4 of 2022/23 on the PFMA Compliance and Reporting Framework was applied in this regard when compiling the disclosure in the 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.

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. The instruction further requires reporting inclusive of VAT. Eskom has historically reported all amounts excluding VAT and has continued to do so in the current year, due to the impracticability of recalculating amounts, particularly on opening balances and multi-year contracts that continued to incur expenditure 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. Irregular expenditure is incurred when the related transaction is recognised in terms of IFRS Accounting Standards. The irregular expenditure is removed from the note through a process of condonation by the relevant authority, removal, recovery or write-off.

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

51.1 Irregular expenditure (continued)

	Note	2024 Current year Rm	2023 Previously reported Rm	Prior year errors Rm	Restated Rm
Group					
PFMA		1 159	975	1 291	2 266
Use of sole source	(a)	12	108	(3)	105
Tender processes not adhered to and insufficient delegation of authority	(b)	1 130	729	1 297	2 026
Modifications exceeding allowed amounts	(c)	17	138	(3)	135
PPPFA		239	257	208	465
Incorrect tender process applied	(d)	–	2	–	2
Tax clearance certificates	(e)	239	142	207	349
Designated sectors	(f)	–	113	1	114
CIDB regulations					
Contracts awarded without following CIDB requirements	(g)	15	47	16	63
Various commercial requirements					
Breach of more than one legislative requirement	(h)	3 272	3 751	958	4 709
Other		53	–	45	45
		4 738	5 030	2 518	7 548
Company					
PFMA		764	653	828	1 481
Use of sole source	(a)	–	55	(3)	52
Tender processes not adhered to and insufficient delegation of authority	(b)	747	460	834	1 294
Modifications exceeding allowed amounts	(c)	17	138	(3)	135
PPPFA		116	245	11	256
Tax clearance certificates	(e)	116	142	10	152
Designated sectors	(f)	–	103	1	104
CIDB regulations					
Contracts awarded without following CIDB requirements	(g)	2	39	8	47
Various commercial requirements					
Breach of more than one legislative requirement	(h)	3 267	3 744	406	4 150
		4 149	4 681	1 253	5 934

(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 meet the National Treasury requirements for limited bidding where awards were incorrectly allocated to predetermined suppliers.

The irregular expenditure reported in the current year also includes cost incurred in 2024 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 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) Tender processes not adhered to and insufficient delegation of authority

Irregular expenditure was incurred where incorrect tender processes were followed in a manner that is not fair, equitable, transparent, competitive and cost-effective and/or the transactions were executed without appropriate approvals.

(c) 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 Instruction No. 3 of 2016/17. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA Supply Chain Management National Treasury Instruction No. 3. Expansions and variations of contracts are reported to National Treasury on a monthly basis.

(d) Incorrect tender process applied

The Preferential Procurement Policy Framework Act, 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 decreased.

(e) 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 a focus area.

(f) 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. Eskom has not transgressed in this category in the current financial year.

(g) 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. The irregular expenditure incurred in 2024 relates to one new matter and two matters where the non-compliance occurred in prior years.

(h) 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 R41 million incurred in the current year relates to new matters. The remaining amount relates to existing multi-year contracts that will continue to attract irregular expenditure until condoned, of which R2.7 billion can be attributed to an isolated incident that took place in 2023 due to the non-application of the requirements of the National Industrial Participation Programme.

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.

	2024 Current year Rm	2023 Previously reported Rm	Adjustments Rm	Restated Rm
Group				
Project management	–	102	(63)	39
Procurement and contract management	–	–	2	2
Other	1	3	–	3
	1	105	(61)	44
Company				
Project management	–	102	(63)	39
Procurement and contract management	–	–	2	2
Other	1	2	–	2
	1	104	(61)	43

The group experienced 12 (2023: 29 restated) and the company seven (2023: 14 restated) incidents of fruitless and wasteful expenditure during the year. Overpayments of R102 million on Kusile power station contracts that were incurred and confirmed in 2023 were reduced by R64 million following calculations performed by internal and external parties as the amount originally disclosed was based on professional judgement.

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

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 shareholder representative. Incidents that exceeded the materiality threshold individually or as a type of closely related items are disclosed.

		Group		Company	
	Note	2024	2023	2024	2023
Losses incurred (Rm)					
Theft of conductors, cabling and network-related equipment	(a)	120	197	120	197
Estimated non-technical energy losses	(b)	6 441	5 607	6 441	5 607
Fraud and corruption	(c)	64	81	64	80
Malicious damage to property	(a)	67	122	67	122
Common theft	(a)	26	–	14	–
Attempted theft	(a)	–	25	–	25
		6 718	6 032	6 706	6 031
Losses recovered (Rm)					
Theft of conductors, cabling and network-related equipment	(a)	3	9	3	9
Estimated non-technical energy losses	(b)	229	225	229	225
Fraud and corruption	(c)	1	–	1	–
Malicious damage to property	(a)	13	–	13	–
Common theft	(a)	2	–	2	–
Attempted theft	(a)	–	1	–	1
		248	235	248	235
Number of criminal incidents where direct financial losses were incurred					
Theft of conductors, cabling and network-related equipment	(a)	2 380	2 428	2 379	2 427
Fraud and corruption	(c)	2	16	2	–
Malicious damage to property	(a)	238	294	238	294
Common theft	(a)	274	–	246	–
Attempted theft	(a)	–	74	–	74
		2 894	2 812	2 865	2 795
Total number of criminal incidents					
Theft of conductors, cabling and network-related equipment	(a)	2 417	2 522	2 415	2 519
Fraud and corruption	(c)	26	56	26	36
Malicious damage to property	(a)	263	342	262	342
Common theft	(a)	293	–	264	–
Attempted theft	(a)	–	116	–	116
		2 999	3 036	2 967	3 013
Number of arrests					
Theft of conductors, cabling and network-related equipment	(a)	130	167	130	167
Estimated non-technical energy losses	(b)	22	39	22	39
Fraud and corruption	(c)	7	3	7	3
Malicious damage to property	(a)	12	26	12	26
Common theft	(a)	35	–	35	–
Attempted theft	(a)	–	59	–	59
		206	294	206	294

The total number of criminal incidents includes some incidents where a financial loss was prevented through early detection or no direct financial loss can be established. This reflects the extent of crime impacting the organisation.

(a) Theft of network-related equipment, malicious damage to property, common and attempted theft

Theft of network-related equipment includes theft of cable (including airdac cable), batteries, tower members and transformers.

Unlawful and intentional damage to property belonging to another is reported as malicious damage to property. Vandalism is the action involving deliberate destruction of or damage to public or private property. Damage towards any property without permission of the owner is reported as vandalism.

Common theft consists of the unlawful appropriation of moveable property belonging to another with intent to deprive the owner permanently of the property. Property includes laptops, tools, cellphones, equipment, air-conditioners and all other items not included in the Eskom list of essential infrastructure or security crime categories. The losses incurred in this category were below the materiality threshold in 2024.

Attempted theft is defined as an attempted crime or unlawful action, which is an unsuccessful effort to commit crime or carry out the action, ie an attempt to steal something but not succeeding or being prevented. The losses incurred in this category were below the materiality threshold in 2024.

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:

- realigning of security contracts (scope and resources) and optimisation of deployment
- improving of the Eskom asset disposal process and strategies
- focusing on asset management and protection – researching and implementation of innovative solutions, ie unique marking and tracking capabilities
- implementing policy and legislative changes to address scrap and market regulation
- introducing integrated, intelligent and smart security technologies and systems to reduce dependence on the human factor such as use of drones, intelligent cameras and alarm systems
- implementing 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
- making arrests and working with relevant role players to build strong cases and dockets leading to convictions

(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.

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 and occur over a 24-hour period and is therefore seen to be baseload (coal-fired) orientated as the power stations are designed to respond to consumption patterns. The measurement of losses is therefore based on the variable cost of coal-fired stations that include coal and water usage as well as environmental levy costs. Other coal production costs are excluded as they are not directly related to energy sent out. The production cost of peaking plant, including OCGTs, are excluded as they are normally only operated during periods of peak demand.

The reported losses represent the estimated cost of non-technical energy lost.

Total energy losses were as follows:

	2024		2023	
	%	GWh	%	GWh
Technical	2.71	5 242	2.93	5 755
Non-technical	7.21	13 924	6.81	13 396

Eskom invoiced R307 million (2023: R346 million) of revenue relating to non-technical energy losses during the year, of which R229 million (2023: R225 million) has been received.

There is a risk that non-technical energy losses could increase in the future because of the recent investigations that uncovered the bulk generation of illegal prepaid tokens on Eskom's online vending system. The matter is currently under forensic investigation and has been handed over to the relevant investigative authorities including the SAPS. Refer to note 44.2.

(c) Fraud and corruption

Eskom concluded 26 (2023: 56) 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, 26 of 2005. Progress was made in clearing these reportable irregularities.

The table below reflects the status of the reportable irregularities at 31 March 2024. The discussion focused on items that were open at the previous year end and new items identified in the current year.

52. Reportable irregularities and matters under investigation (continued)

52.1 Reportable irregularities (continued)

Description	Response	Status
1. Eskom failed to effect corrective action for identified non-compliance to the NEMA, National Water Act, 36 of 1998 (NWA) and National Environmental Management: Air Quality Act, 39 of 2004 (NEM: AQA) at multiple power stations, specifically the following: • section 30 of NEMA • section 19, 20, 21 and 22 of NWA • section 51 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. Reported: 2021–2024	• The continued implementation of the generation recovery plan led to a significant improvement in the condition and reliability of the coal-fired power stations. • An integrated approach, consisting of improved governance, performance management, skills development and detailed operational plans, has been instituted to address risks and root causes of incidents leading to environmental non-compliance. • 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 and committee levels. Progress of all open actions is tracked per power station and reported internally and to the relevant authorities. • No criminal charges have been received following the referral for 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. A key action includes the amendment of the water use licence which was submitted to the Department of Water and Sanitation in September 2023 and is currently in the last stage of the application process. • The implementation of a water improvement plan which aims to address the root causes that resulted in unlawful water overflows continues. • 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 commenced trial on 1 November 2023 where Eskom pleaded not guilty. The matter was adjourned to March 2024, whereafter it was postponed to November 2024. 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. • The implementation of an air quality plan continues that include 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. – Minimise financial and legal liabilities associated with emissions and non-compliance to legislation. – Support Eskom's Just Energy Transition with regards to a transition from the existing dependence on fossil fuels towards a mix of energy sources for electricity generation.	Open, pending implementation of action items and outcome of court case

Description	Response	Status
2. Certain duties relating to investigations have not been fulfilled including: • 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 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 and effective consequence management. • 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 Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA). Reported: 2022–2024	• Executive support and commitment in place to enhance and centralise the forensic investigation function. • The forensic staff headcount is being increased to address the delay in initiating and finalising investigations and enable a quicker response to identified incidents of fraud, corruption and financial irregularities. • Increased the use of the forensic panel to assist with addressing the backlog in forensic cases. • A dedicated project management office was created to execute on recommendations from investigations. • Processes and relationships with law enforcement agencies have been strengthened.	Open, pending finalisation of forensic backlog and disciplinary inquiries
3. Certain financial records were not complete or accurately maintained in line with legislative requirements of the PFMA and Companies Act, including: • 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 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. Reported: 2022–2024	• Management acknowledged that there are significant internal control deficiencies in the PFMA reporting process and continue to take steps as a key focus area to strengthen governance, improve processes and procedures, enhance compliance with relevant regulations and foster a culture of accountability and transparency within the organisation. • A reporting system is being developed to automate and streamline the PFMA reporting process. • Accountability mechanisms are being established by Exco to track and escalate PFMA disclosure deficiencies. • 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 (including procurement irregularities) is critical. Managers must actively oversee 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. • Alignment and collaboration between cross-functional teams will be enhanced to improve control.	Open, pending addressing of PFMA reporting challenges

52. Reportable irregularities and matters under investigation (continued)

52.1 Reportable irregularities (continued)

Description	Response	Status
4. 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 PFMA (sections 51(1)(e)(iii) and 55(1)(a)) 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. • 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. Reported: 2022–2024	• Management is in the process of developing a plan to address the shortcomings in the consequence management process. • A focus area will be to strengthen the culture around accountability and implementation of effective policies as well as responding consistently and fairly to incidences of non-compliance regardless of the position or status of an employee within the organisation. • Recruitment processes are in progress to obtain additional resources to capacitate the PFMA and loss control function. • Group executives have committed to increase the number of PFMA champions within divisions and to develop action plans which must be monitored and reported to executive committees to improve PFMA compliance. • There is alignment between the people relations and loss control functions that the relevant line management will be engaged to confirm any concerns with a preliminary report before it is issued to avoid any disagreement with findings and possible impact on disciplinary actions. • The loss control function will copy the people relations department when final reports are issued to line management and provide the department with a monthly consolidated report to assist with monitoring. • The PFMA procedure has been reviewed while the disciplinary procedures for bargaining and managerial staff have been amended. Condonation process awareness sessions have commenced. • Continuous training and master classes are conducted on the Eskom disciplinary and grievance procedures to enhance capacity building. • A work instruction on the requirements for compiling a financial misconduct report was developed to strengthen governance. • A panel of external case disciplinary chairpersons and case presenters have been appointed to assist with disciplinary procedures. • Monthly reporting will be done on the status of PFMA cases to enhance monitoring and escalation. Financial misconduct reports are presented quarterly to Exco with an annual report submitted to the Auditor General of South Africa and National Treasury. • Quarterly feedback on the status and progress of consequence management, including PFMA consequence management, will be provided to Exco and relevant board committees.	Open, pending implementation of improvements
5. 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 2024, as required by PFMA section 55. The same matter was identified in prior years which highlights that there are failures within the financial reporting controls which have not been rectified and put in place as required by PFMA section 51. Reported: 2022–2024	• 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 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.	Open, pending implementation of improvements

Description	Response	Status
6. 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. Reported: 2023	• A disciplinary process was completed and concluded that there was no conflict of interest. • The matter has been reported in terms of PRECCA requirements. • No further action required from a disciplinary perspective.	Closed
7. Management has not complied with section 17(2) of the Powers, Privileges and Immunities of Parliaments and Provincial Legislatures Act, 4 of 2004 regarding misleading information provided to the Standing Committee on Public Accounts (SCOPA). Management omitted to correct the misrepresentations made. Reported: 2023	• The incorrect reporting in past submissions have been investigated. The process was 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. • A register and history of submitted information have been implemented. • Information with supporting evidence are signed-off by the relevant divisional and group management before submission. • Information is reviewed for accuracy by internal audit before submission. • The process to provide feedback to SCOPA via Eskom's shareholder representative to clarify incorrect reporting is in progress. The previous shareholder representative unfortunately did not finalise the matter with the chair of SCOPA.	Open, pending finalisation of reporting to SCOPA
8. Certain prescribed officers of the group have not complied with Section 76 (3)(c) of the Companies Act resulting in a material breach in fiduciary duty and a potential material financial loss to the entity. This includes: • A standard offer programme contract was concluded without a reconciliation agreement. This resulted in only the supply side of the contract being in effect, with no allowance for the billing of revenue. The contract lacks commercial substance. • The contract was changed to an emergency generation programme contract at less favourable conditions to the group without an addendum to the end-user distributor agreement and therefore revenue could still not be recovered. Reported: 2024	• The standard offer programme and emergency generation programme were approved by the board investment and finance committee subject to the fulfilment of certain conditions which transmission management confirmed at the time were concluded. The gap occurred during implementation where due processes were not fulfilled. • A reconciliation agreement has been concluded and recovery of revenue is underway with a substantial amount already recovered. • The necessary consequence management actions to be taken are being addressed.	Open, pending finalisation of feedback

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
IAS®	International Accounting Standard/(s)
IFRIC®	International Financial Reporting Interpretations Committee
IFRS® Accounting Standards	International Financial Reporting Standards as issued by the International Accounting Standards Board
ISA	International Standards on Auditing
PPI	Producer Price Index
R	Rand
Rm	Rand millions
VAT	Value Added Tax

Accounting standards and interpretations

IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 28	Investments in Associates and Joint Ventures
IAS 36	Impairment of Assets
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 18	Transfers of Assets from Customers
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held-for-Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRS 18	Presentation and Disclosure in Financial Statements
IFRS practice statement 2	Making Materiality Judgements

Currencies

EUR	Euro
GBP	Pound sterling (United Kingdom)
JPY	Japanese yen
NOK	Norwegian krone
SEK	Swedish krona
USD	United States dollar
ZAR	South African rand

Entities

EFC	Eskom Finance Company SOC Ltd
EPPF	Eskom Pension and Provident Fund
Escap	Escap SOC Ltd
Eskom	Eskom Holdings SOC Ltd
Eskom Uganda	Eskom Uganda Ltd
Group	Eskom Holdings SOC Ltd and its subsidiaries
Motraco	Mozambique Transmission Company SARL
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

Legislation	
Companies Act	Companies Act, 71 of 2008
Insurance Act	Insurance Act, 18 of 2017
King IV™	Report on Corporate Governance for South Africa
NEMA	National Environmental Management Act, 107 of 1998
NWA	National Water Act, 36 of 1998
NEM: AQA	National Environment Management: Air Quality Act, 39 of 2004
PAA	Public Audit Act, 25 of 2004
PFMA	Public Finance Management Act, 1 of 1999
PPPFA	Preferential Procurement Policy Framework Act, 5 of 2000
PRECCA	Prevention and Combating of Corrupt Activities Act, 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	
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
DPME	Department of Planning, Monitoring and Evaluation
EAF	Energy Availability Factor
EUF	Energy Utilisation Factor
Exco	Executive Committee
IPP	Independent Power Producer
JET	Just Energy Transition
KPI	Key Performance Indicator
KRN	Key Revision Number
MTBPS	Medium-term Budget Policy Statement
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
NNR	National Nuclear Regulator
OCGT	Open Cycle Gas Turbine
OCLF	Other Capacity Loss Factor
RAB	Regulatory Asset Base
RCA	Regulatory Clearing Account
SALGA	South African Local Government Association
SAPS	South African Police Service
SARETEC	South African Renewable Energy Technology Centre
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

Appendix – abbreviations, acronyms and definitions

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 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.

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Our suite of reports covering our integrated results for 2024 is available at https://www.eskom.co.za/investors/integrated-results/

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