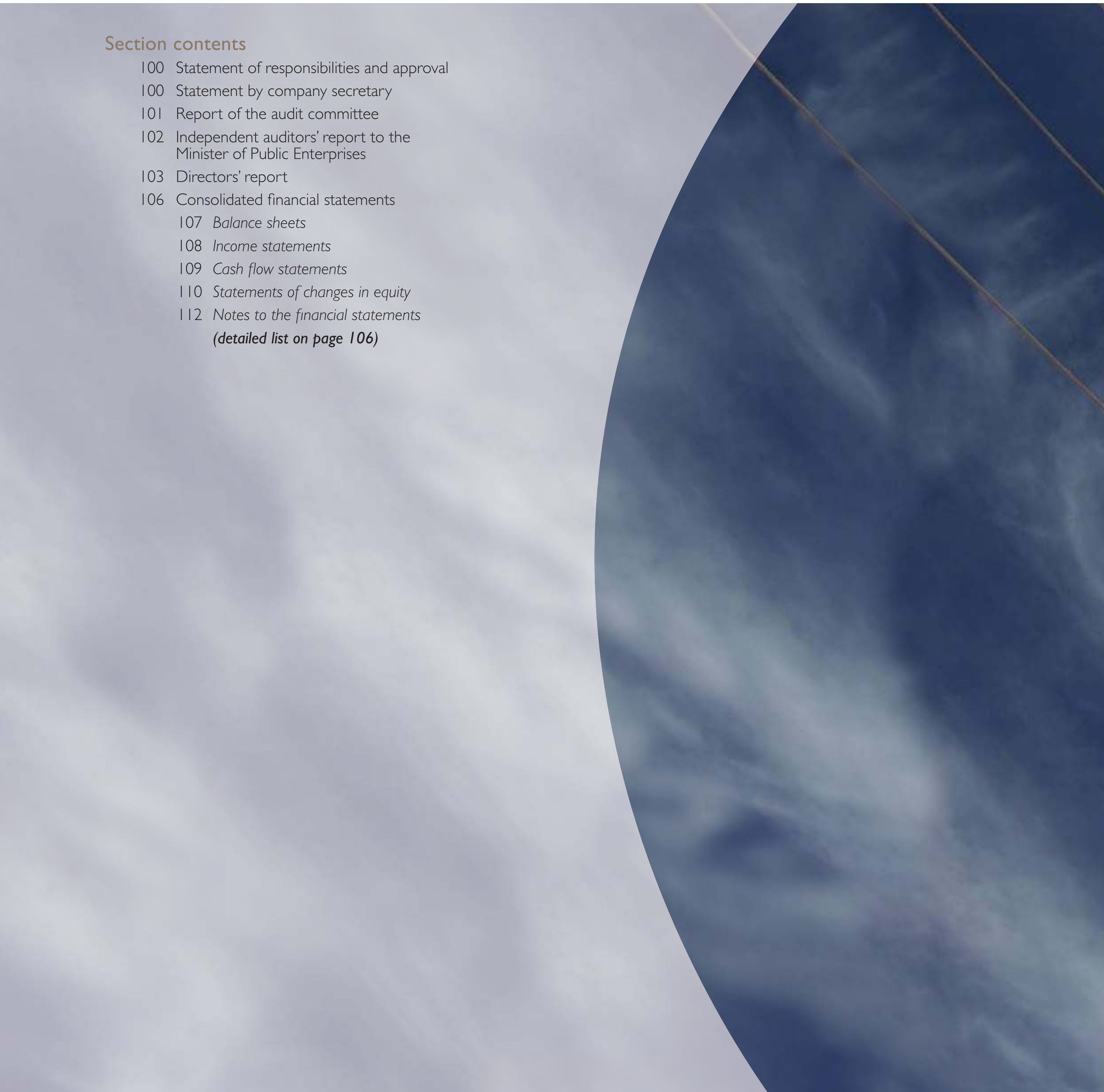
Consolidated group annual financial statements

Financial sustainability is imperative



Section contents

Capital expenditure increased from R17 707 million in 2007 to R24 764 million in 2008.

1.

2.

3.

1. *Live-line workers.*
2. *New turbine delivered to Camden.*
3. *Construction vehicles at Gourikwa power station.*

Statement of responsibilities and approval

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

The financial statements are the responsibility of the directors. The external auditors are responsible for independently auditing and reporting on the financial statements.

The financial statements of Eskom and the group have been prepared in terms of International Financial Reporting Standards and the Companies Act. These financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on the going-concern basis.

The directors have reviewed the group's cash flow forecast for the year ending 31 March 2009 and the five year forecast to 31 March 2013. In assessing this forecast cognisance was taken of the risks and challenges facing the group. In light of this review and the current financial position, the board is satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future based, *inter alia*, on the Nersa tariff increase and indicative shareholder support for additional funding.

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

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

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

In the opinion of the directors, based on the information available to date, the financial statements fairly present the financial position of Eskom and the group at 31 March 2008 and the results of its operations and cash flow information for the year.

The financial statements of Eskom and the group for the year ended 31 March 2008 have been approved by the board of directors and signed on its behalf on 25 June 2008 by

Valli Moosa
Chairman

Jacob Maroga
Chief executive

Statement by company secretary

In terms of section 268G(d) of the Companies Act, 61 of 1973, I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.

M Adam
Company Secretary

25 June 2008

Report of the audit committee

Report of the audit committee in terms of regulation 27.1 of the Public Finance Management Act, (1 of 1999), as amended

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

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

- the effectiveness of the internal control systems
- the risk areas of the entity's operations covered in the scope of internal and external audits
- the adequacy, reliability and accuracy of financial information provided by management and other users of such information
- accounting and auditing concerns identified as a result of internal and external audits
- the entity's compliance with legal and regulatory provisions
- the effectiveness of the corporate audit department
- the activities of the corporate audit department, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations
- the independence of and objectivity of the external auditors

The audit committee is of the opinion, based on the information and explanations given by management and the corporate audit department and discussions with the independent external auditors on the result of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained. Having considered the matters set out in section 270A(5) of the Companies Act as amended by the Company Law Amendment Act, the audit committee is satisfied with the independence and objectivity of the external auditors.

The audit committee notes the possible impact on the internal control environment of the following:

- tight operating during a period of reduced reserve margin
- immense pressure to execute the new build programme
- management of electricity challenges
- adverse stakeholder perceptions

This has increased the challenges and risks for the internal control environment. This is an area that is receiving attention and monitoring on an ongoing basis.

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

The audit committee has evaluated the financial statements of Eskom Holdings Limited and the group for the year ended 31 March 2008 and, based on the information provided to the audit committee, considers that they comply, in all material respects, with the requirements of the Companies Act, (61 of 1973), as amended, and the Public Finance Management Act, (1 of 1999), as amended, and International Financial Reporting Standards. The audit committee concurs with the board of directors and management that the adoption of the going-concern premise in the preparation of the financial statements is appropriate. The audit committee has therefore, at their meeting held on 25 June 2008, recommended the adoption of the financial statements by the board of directors.

JRD Modise
Chairman

25 June 2008

Independent auditors' report to the Minister of Public Enterprises

Report on the financial statements

We have audited the accompanying annual financial statements and group annual financial statements of Eskom Holdings Limited (Eskom), which comprise pages 103 to 105 of the directors' report, the balance sheet and consolidated balance sheet as at 31 March 2008, the income statement and the consolidated income statement, statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 106 to 203.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Public Finance Management Act, (1 of 1999), and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2008 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Public Finance Management Act, (1 of 1999), and the Companies Act of South Africa.

KPMG Inc

Director: Ahmed Jaffer
Registered Auditor
25 June 2008

SizweNtsaluba VSP

Director: Suleman Lockhat
Registered Auditor
25 June 2008

Directors' report

The directors are pleased to present their report for the year ending 31 March 2008.

Principal activities, state of affairs and business review

Principal activities

The principal activities of the Eskom group are described in the profile section.

State of affairs and business review

The operating profit for the year for the Eskom group, before the impact of embedded derivatives and net finance costs, was R3 215 million (2007: R6 452 million) and for the company R3 132 million (2007: R5 815 million) after taking into account the following:

- a dividend of R800 million (2007: R202 million) from a subsidiary is included in the net profit for the company (but eliminated for the group)
- the change in the projected asset lives of coal-fired generation plant from 35 to 50 years impacted the profit by a favourable amount of R484 million
- the increased amount spent on primary energy. The costs of coal and diesel increased from R13 040 million in 2007 to R18 314 million in 2008

The profit for the year for the Eskom group was R974 million (2007: R6 476 million) after taking into account the fair value loss on embedded derivatives of R143 million (2007: fair value gain of R4 305 million).

The profit for the year for the company was R1 333 million (2007: R6 030 million) after taking into account the fair value loss on embedded derivatives of R149 million (2007: fair value gain of R4 131 million).

The forward electricity price curve used to value the embedded derivatives was 27,5% for the 2008/9 year, 25% for the next three years, 18% for the 2012/13 year and CPI+2% thereafter. A sensitivity analysis for the embedded derivatives appears in note 3 to the annual financial statements.

Property, plant and equipment is disclosed in note 6 of the annual financial statements. An amount of R24 764 million (2007: R17 536 million) (includes interest capitalised) was spent on property, plant and equipment during the year. The funding of the capital expansion programme is discussed on page 39.

The electricity regulator granted a 14,2% increase for the 2008/9 year. During March 2008 we submitted to Nersa an application for a revision of the price increase for 2008/9 from 14,2% to a nominal 60% (53% real) in order for Eskom to recover the full primary energy costs and other operating costs. Nersa allowed an increase of 27,5% against the 60% requested by Eskom.

For more detailed information on the performance for the year, refer to the annual financial statements and to the business and sustainability performance review on pages 26 and 97.

In order to manage the current electricity capacity shortage situation more effectively, the board decided to rationalise the structure of Exco, details of which are to be found on page 22 and page 211 in the corporate governance report.

Share capital and shareholder

The government of the Republic of South Africa is the sole shareholder of Eskom Holdings Limited. The shareholder's representative is the Minister of Public Enterprises.

Dividends

No dividend was declared during the year under review after taking into account the resource impact of the future build programme, the current capital structure, and the dividend policy.

Financial instruments

The disclosure of financial instruments has been expanded significantly compared to previous years and is detailed in note 3 and notes 12 to 14 of the annual financial statements.

Going concern

The board has given particular attention to the assessment of the going concern of the group and is of the view that the group has access to adequate resources to continue in operational existence for the foreseeable future. For further information refer to page 100 in the statement of responsibility of directors.

Directors

Mr TS Gcabashe was a member of the board and chief executive, until 30 April 2007 and Mr PJ Maroga was appointed in his place from 1 May 2007. The board of directors and their details are discussed on page 14 and on page 208 in the corporate governance report.

Remuneration of directors and members of Exco

The remuneration of the directors and the executives who were members of Exco during the financial year, is disclosed in note 43 of the annual financial statements, on page 198.

Company secretary

The details of the company secretary and his declaration in terms of section 268G(d) of the Companies Act are disclosed in his statement on page 100.

Auditors

The statutory auditors for the forthcoming financial year will be appointed at the annual general meeting scheduled for 17 July 2008.

Directors' report continued

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

Events subsequent to balance sheet date

Nersa announced on 18 June 2008 an additional increase in the electricity tariff of 13,3% for the year ending March 2009 which resulted in an 27,5% average increase year-on-year. Nersa also ruled that the price increase to "poor" residential customers be limited to 14,2%.

The fair value of embedded derivatives was calculated at 31 March 2008 based on the Nersa announcement of 18 June 2008 as well as the principle established in the previous determination of 20 December 2007 relating to the electricity prices reaching full economic levels. The forward electricity price curve used to value the embedded derivatives was 27,5% for the 2008/09 year, 25% for the next three years, 18% for the 2012/13 year and CPI+2% thereafter. A sensitivity analysis for the embedded derivatives appears in note 3 to the annual financial statements.

Subsidiaries, associates and joint venture companies

The investment of Eskom in subsidiaries and equity accounted investees is disclosed in note 8 and 9 in the annual financial statements.

Interests of directors and officers

Details of directors' and officers' interests in quasi shares and options are disclosed in note 43 in the annual financial statements. Refer to page 212 for Eskom's ethics policies and their application regarding interests in contracts.

Research and development activities

Research and development activities are discussed in the research blocks within each section of the business and sustainability performance review on page 26 to page 97.

Employee information

The Eskom group has increased its complement of employees from 32 674 to 35 404 during the year in an endeavour to address the skills shortage. The management of human resources is discussed in the business and sustainability performance review on page 86.

Safety

Safety remains a major area of concern for Eskom, as regrettably we have to report the deaths of 17 employees and 12 contract workers in the past year. Much work and effort has been put into safety awareness.

Environmental issues

Eskom's response to climate change and limiting the impact on the environment is discussed on page 70 in the business and sustainability performance review.

Political, religious and charitable donations

Eskom is committed to good corporate citizenship through its corporate social investment (CSI) initiatives. Eskom does not make donations and grants to political party activities, trade union activities or religious organisations unless it is a non-profit organisation and has an outreach programme that directly benefits the community, for example, Aids hospice. Refer also to page 45 in the business and sustainability performance review.

Information required by the Public Finance Management Act

Performance in terms of the shareholder compact

The performance of Eskom against the shareholder compact key performance indicators is shown in the table on page 30 in the business and sustainability performance review.

The capital and financial efficiency targets in the compact were not met due to the significant increase in the cost of primary energy. This was mainly due to the increase in coal costs and the increased use of the open cycle gas turbines. Although the amount spent on capital was exceeded, two targets of the capital expansion section were not achieved. The operating efficiency and effectiveness targets were in many cases not met for the following reasons:

- Generation experienced a reduction in energy availability, reflecting a decline in plant performance due to an increase in unit trips and increases of both planned and unplanned maintenance
- equipment failure contributed to the many incidents on the transmission network
- the distribution performance has not improved since the previous year and the business plan target was not achieved due to a higher number of planned interruptions for maintenance and refurbishment and an increase in unplanned interruptions, caused by an increase in conductor theft, energy theft and bad weather. Load shedding also had a negative impact on operational performance.

Losses through irregular or fruitless and wasteful expenditure

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

No material irregular or fruitless and wasteful expenditure has occured during the period.

Losses through criminal conduct – conductor theft

Losses due to conductor theft (including copper and cable) totalled R25 million (2007: R16 million), and involved 1 832 incidents (2007: 1 142 incidents).

Actions to combat conductor theft are managed by the Eskom conductor theft committee in collaboration with other affected state-owned enterprises and the police. The combined effort resulted in 520 arrests (2007: 372 arrests) and R5 million (2007: R2,7 million) was recovered during the year.

Losses through criminal conduct – fraud

No significant incidents of fraud occurred during the financial period. During the year an amount of R9,3 million was recovered relating to a fraud that was reported during the previous financial period.

Management of energy losses

Energy losses reflect the difference between the quantity of energy sent out from the power stations and the quantity metered as sold. Losses are categorised as technical or non-technical in nature:

- technical losses naturally occur when energy is transmitted through the network power lines depending on the type of power systems used and components being used
- non-technical losses are the difference between total losses and technical losses. These are typically caused by
  - electricity theft, for example illegal connections and meter-bypass
  - errors in technical losses calculation or estimation
  - data quality or errors that distort technical information

Actual losses compared to Nersa MYPD allowed losses are as follows:

Energy losses	2008 GWh	2007 GWh
Nersa MYPD allowance	**21 428**	21 401
Actual achieved	**20 027**	20 033

The distribution and transmission energy losses for 2008 totalled 12 195GWh (5,45% of the energy purchased) and 7 832GWh (3,1% of the energy purchased) respectively. In total the line losses decreased from 8,4% in 2007 to 8,0% in 2008.

We have also independently benchmarked the Eskom energy loss percentage against other international utilities.

Based on the 2007 information, Eskom compared favourably against the participating distribution utilities and the results were within the first quartile of the best performing distribution utilities. The Eskom result was within the international benchmarked parameters of 5,6% to 12,07%.

For internal evaluation purposes, we estimate distribution technical losses range between 50% and 60% of total losses. The actual percentage is influenced by factors such as load growth, network design, network ageing and illegal connections.

Eskom instituted the energy losses management programme to manage total losses from a holistic, integrated and best practice perspective. The implemented energy losses management programme has realised positive results. The level of energy losses has improved due to the increased interventions in the management of energy losses. These actual results achieved are better than the target energy losses allowed for by Nersa.

The programme incorporates the following key activities:

- audit, measure and repair faulty customer meter installations
- disconnect illegal connections and meter bypasses
- ring-fence electrical networks to balance energy delivered with sales
- implement tested technologies to manage energy losses
- improve data accuracy
- stakeholder communication strategies
- introduction of pricing penalties for customers at both transmission and distribution level who are in breach of contractual/grid code requirements

Refer to www.eskom.co.za/annreport08/048 for more detail of the investment in new technologies to reduce energy losses.

Consolidated financial statements

for the year ended 31 March 2008

Currency of financial statements

The financial statements are expressed in South African rand (R).

	March 2008	March 2007
The following are approximate values of R1,00 for selected currencies at:		
USD	**0,12**	0,14
GBP	**0,06**	0,07
EUR	**0,08**	0,10
CHF	**0,12**	0,17
JPY	**12,25**	16,14
The following are approximate values of 1 unit of the selected currencies to the rand:		
USD	**8,13**	7,29
GBP	**16,16**	14,35
EUR	**12,85**	9,75
CHF	**8,17**	6,01
JPY	**0,08**	0,06

Currency	Abbreviation
Euro	EUR
United States dollar	USD
Pound Sterling (United Kingdom)	GBP
Japanese yen	JPY
Swedish krona	SEK

Currency	Abbreviation
Swiss franc	CHF
Canadian dollar	CAD
Australian dollar	AUD
Norwegian krone	NOK

Balance sheets

at 31 March 2008

	Note	Group 2008 Rm	Group Restated[1] 2007 Rm	Company 2008 Rm	Company Restated[1] 2007 Rm
Assets					
Non-current assets		**120 114**	105 614	**121 815**	106 581
Property, plant and equipment	6	**96 418**	76 962	**95 792**	76 211
Intangible assets	7	**470**	412	**457**	410
Investments in equity accounted investees	8	**173**	171	**95**	96
Investment in subsidiaries	9	**–**	–	**2 341**	2 358
Future fuel supplies	10	**2 585**	2 557	**2 585**	2 557
Deferred tax assets	11	**6**	4	**–**	–
Investment in securities	12	**5 882**	15 674	**6 136**	15 115
Embedded derivatives	12	**10 447**	6 882	**10 447**	6 882
Derivatives held for risk management	12	**3 538**	2 412	**3 538**	2 412
Finance lease receivables	12	**415**	536	**415**	536
Trade and other receivables	12	**180**	4	**9**	4
Current assets		**47 647**	33 873	**45 857**	31 809
Loans to subsidiaries	9.1	**–**	–	**530**	746
Deferred tax assets	11	**2**	1	**–**	–
Inventories	17	**3 929**	3 637	**3 628**	3 499
Finance lease receivables	12	**10**	17	**10**	15
Trade and other receivables	12	**5 433**	4 760	**5 332**	4 566
Taxation		**50**	–	**50**	–
Payments made in advance	19	**4 256**	597	**4 197**	524
Investment in securities	12	**9 137**	9 918	**8 379**	9 892
Financial trading assets	12	**2 539**	3 386	**2 017**	2 897
Cash and cash equivalents	12	**10 893**	9 542	**10 322**	7 656
Embedded derivatives	12	**2 266**	1 804	**2 260**	1 803
Derivatives held for risk management	12	**9 132**	211	**9 132**	211
Non-current assets held-for-sale	20	**3 420**	3 825	**–**	–
Total assets		**171 181**	143 312	**167 672**	138 390
Equity					
Capital and reserves attributable to equity holder of the company		**64 532**	58 192	**62 330**	55 581
Minority interest		**206**	165	**–**	–
Total equity		**64 738**	58 357	**62 330**	55 581
Liabilities					
Non-current liabilities		**72 915**	61 080	**72 451**	60 875
Debt securities issued	12	**39 788**	34 561	**39 788**	34 561
Borrowings	12	**1 480**	1 194	**1 224**	1 063
Embedded derivatives	12	**5 077**	908	**5 077**	908
Derivatives held for risk management	12	**947**	1 375	**947**	1 375
Deferred tax liabilities	11	**8 479**	7 149	**8 322**	7 081
Deferred income	21	**4 913**	3 863	**4 913**	3 863
Retirement benefit obligations	22	**5 409**	5 035	**5 286**	4 922
Provisions	23	**5 607**	6 029	**5 540**	6 026
Finance lease liabilities	12	**539**	546	**678**	656
Trade and other payables	12	**676**	420	**676**	420
Current liabilities		**31 694**	22 300	**32 891**	21 934
Amounts owing to subsidiaries	9.2	**–**	–	**1 300**	820
Trade and other payables	12	**10 223**	8 253	**9 843**	7 218
Payments received in advance	26	**1 328**	851	**1 281**	815
Finance lease liabilities	12	**9**	4	**36**	28
Taxation		**55**	515	**–**	437
Debt securities issued	12	**2 491**	583	**2 491**	583
Borrowings	12	**6 920**	3 992	**7 465**	4 164
Financial trading liabilities	12	**4 087**	3 701	**4 087**	3 701
Embedded derivatives	12	**7**	6	**7**	5
Derivatives held for risk management	12	**1 475**	587	**1 475**	587
Deferred tax liabilities	11	**3 152**	2 214	**3 300**	2 213
Deferred income	21	**269**	193	**269**	193
Retirement benefit obligations	22	**161**	144	**161**	144
Provisions	23	**1 517**	1 257	**1 176**	1 026
Non-current liabilities held-for-sale	20	**1 834**	1 575	**–**	–
Total liabilities		**106 443**	84 955	**105 342**	82 809
Total equity and liabilities		**171 181**	143 312	**167 672**	138 390

[1] *Refer to note 42.*

Income statements

for the year ended 31 March 2008

	Note	Group 2008 Rm	Group Restated[1] 2007 Rm	Company 2008 Rm	Company Restated[1] 2007 Rm
Continuing operations					
Revenue	27	**44 448**	40 068	**43 584**	39 399
Other income	28	**231**	359	**1 744**	1 315
Net fair value loss on financial instruments, excluding embedded derivatives	29	**(684)**	(862)	**(729)**	(862)
Primary energy[2]		**(18 314)**	(13 040)	**(18 314)**	(13 040)
Employee benefit expense	30	**(11 353)**	(9 451)	**(10 576)**	(8 997)
Depreciation and amortisation expense	31	**(4 284)**	(4 709)	**(4 118)**	(4 597)
Net impairment (loss)/reversal	32	**(446)**	196	**(440)**	(50)
Other operating expenses	33	**(6 383)**	(6 109)	**(8 019)**	(7 353)
Operating profit before net fair value (loss)/gain on embedded derivatives and net finance cost		**3 215**	6 452	**3 132**	5 815
Net fair value (loss)/gain on embedded derivatives		**(143)**	4 305	**(149)**	4 131
Operating profit before net finance cost		**3 072**	10 757	**2 983**	9 946
Net finance cost		**(1 788)**	(1 348)	**(2 004)**	(1 509)
– Finance income	34	**2 933**	2 884	**2 811**	2 814
– Finance cost	35	**(4 721)**	(4 232)	**(4 815)**	(4 323)
Share of profit of equity accounted investees	8	**30**	41	**–**	–
Profit before tax		**1 314**	9 450	**979**	8 437
Income tax expense	36	**205**	(2 512)	**354**	(2 407)
Profit for the year from continuing operations		**1 519**	6 938	**1 333**	6 030
Discontinued operations					
Loss for the year from discontinued operations	20	**(545)**	(462)	**–**	–
Profit for the year		**974**	6 476	**1 333**	6 030
Attributable to:					
Equity holder of the company		**932**	6 481	**1 333**	6 030
Minority interest		**42**	(5)	**–**	–
		974	6 476	**1 333**	6 030

[1] *Refer to note 42.*

[2] *Primary energy relates to the acquisition of coal, uranium, water, gas and diesel that are used in the generation of electricity.*

Cash flow statements

for the year ended 31 March 2008

		Group		Company	
	Note	2008 Rm	Restated[1] 2007 Rm	2008 Rm	Restated[1] 2007 Rm
Cash flows from operating activities					
Cash generated from operations	37	**7 371**	15 666	**6 960**	14 187
Net cash flows from financial trading assets		**1 204**	8 175	**1 204**	8 175
Net cash flows from financial trading liabilities		**65**	(8 285)	**65**	(8 285)
Net cash flows from derivative instruments		**(347)**	(79)	**(347)**	(79)
Income taxes paid		**(638)**	(1 523)	**(417)**	(1 377)
Net cash from operating activities		**7 655**	13 954	**7 465**	12 621
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**235**	188	**145**	151
Proceeds from disposal of investment in equity accounted investees		**–**	9	**–**	–
Expenditure on property, plant and equipment		**(24 037)**	(17 362)	**(23 891)**	(17 088)
Expenditure on intangible assets		**(221)**	(171)	**(208)**	(168)
Expenditure on future fuel supplies		**(658)**	(382)	**(658)**	(382)
(Investment in)/repayment from associates, joint ventures and subsidiary companies		**(11)**	(6)	**17**	(200)
Cash inflow on acquisition of subsidiary		**–**	26	**–**	–
Non-current trade and other receivables		**(176)**	47	**(5)**	8
Decrease/(increase) in finance lease receivables		**128**	95	**126**	(8)
Loans granted to related parties – subsidiaries		**–**	–	**216**	1 565
Non-current assets and liabilities held-for-sale		**131**	211	**–**	–
Dividends received		**31**	17	**800**	202
Increase in long-term trade and other payables		**256**	420	**256**	420
Net cash used in investing activities		**(24 322)**	(16 908)	**(23 202)**	(15 500)
Cash flows from financing activities					
Debt raised		**16 831**	13 633	**17 060**	13 633
Debt securities issued		**11 327**	12 197	**11 327**	12 197
Borrowings		**5 504**	1 436	**5 733**	1 436
Debt repaid		**(9 092)**	(5 166)	**(9 073)**	(5 166)
Debt securities issued		**(6 414)**	(2 032)	**(6 414)**	(2 032)
Borrowings		**(2 678)**	(3 134)	**(2 659)**	(3 134)
Decrease/(increase) in investment in securities		**10 326**	(5 980)	**10 215**	(4 942)
Increase in amounts owing to subsidiaries		**–**	–	**480**	79
(Decrease)/increase in finance lease liabilities		**(2)**	(4)	**30**	52
Interest received		**3 109**	1 951	**2 939**	1 909
Interest paid		**(3 154)**	(2 167)	**(3 248)**	(2 095)
Net cash from financing activities		**18 018**	2 267	**18 403**	3 470
Net increase/(decrease) in cash and cash equivalents		**1 351**	(687)	**2 666**	591
Cash and cash equivalents at beginning of the year		**9 542**	10 229	**7 656**	7 065
Cash and cash equivalents at end of the year	12.1	**10 893**	9 542	**10 322**	7 656

[1] *Refer to note 42.*

Statements of changes in equity

for the year ended 31 March 2008

		Attributable to equity holder of the company								
	Note	Issued capital[1] Rm	Cash flow hedge reserve[2] Rm	Available-for-sale reserve[3] Rm	Unrealised fair value reserve[4] Rm	Insurance reserve[5] Rm	Accumu-lated profit[6] Rm	Total Rm	Minority interest Rm	Total equity Rm
Group										
Balance at 31 March 2006		–	(175)	112	–	66	50 196	50 199	172	50 371
– Prior year adjustment		–	–	–	–	–	2 150	2 150	–	2 150
– Deferred tax thereon		–	–	–	–	–	(624)	(624)	–	(624)
Restated balance at 31 March 2006		–	(175)	112	–	66	51 722	51 725	172	51 897
Available-for-sale financial assets										
– Net change in fair value		–	10	(263)	–	–	–	(253)	(6)	(259)
– Net amount transferred to profit or loss		–	–	61	–	–	–	61	–	61
– Deferred tax		–	–	59	–	–	–	59	–	59
Cash flow hedges										
– Effective portion of changes in fair value		–	502	–	–	–	–	502	–	502
– Deferred tax thereon		–	(402)	–	–	–	–	(402)	–	(402)
– Net amount transferred to initial carrying amount of hedged items		–	19	–	–	–	–	19	–	19
Restated profit for the year	42	–	–	–	–	–	6 481	6 481	(5)	6 476
Other movements on minority interest		–	–	–	–	–	–	–	4	4
Transfer from accumulated profit to non-distributable reserve		–	–	–	(562)	–	562	–	–	–
Restated balance at 31 March 2007		–	(46)	(31)	(562)	66	58 765	58 192	165	58 357
Available-for-sale financial assets										
– Net change in fair value		–	–	(153)	(1)	–	–	(154)	–	(154)
– Deferred tax thereon		–	–	43	–	–	–	43	–	43
Cash flow hedges										
– Effective portion of changes in fair value		–	8 182	–	–	–	–	8 182	–	8 182
– Deferred tax thereon		–	(2 669)	–	–	–	–	(2 669)	–	(2 669)
– Net amount transferred to initial carrying amount of hedged items		–	(8)	–	–	–	–	(8)	–	(8)
Profit for the year		–	–	–	–	–	932	932	42	974
Other movements on minority interest		–	–	–	–	–	–	–	(1)	(1)
Deferred tax change in tax rate		–	10	4	–	–	–	14	–	14
Transfer from accumulated profit to non-distributable reserve		–	–	–	78	20	(98)	–	–	–
Balance at 31 March 2008		–	5 469	(137)	(485)	86	59 599	64 532	206	64 738

		Attributable to equity holder of the company						
	Note	Issued capital[1] Rm	Cash flow hedge reserve[2] Rm	Available-for-sale reserve[3] Rm	Unrealised fair value reserve[4] Rm	Insurance reserve[5] Rm	Accumulated profit[6] Rm	Total equity Rm
Company								
Balance at 31 March 2006		–	(168)	90	–	–	48 127	48 049
– Prior year adjustment		–	–	–	–	–	2 150	2 150
– Deferred tax thereon		–	–	–	–	–	(624)	(624)
Restated balance at 31 March 2006		–	(168)	90	–	–	49 653	49 575
Available-for-sale financial assets								
– Net change in fair value		–	–	(263)	–	–	–	(263)
– Net amount transferred to profit or loss		–	–	61	–	–	–	61
– Deferred tax		–	–	59	–	–	–	59
Cash flow hedges								
– Effective portion of changes in fair value		–	502	–	–	–	–	502
– Deferred tax		–	(402)	–	–	–	–	(402)
– Net amount transferred to initial carrying amount of hedged items		–	19	–	–	–	–	19
Restated profit for the year	42	–	–	–	–	–	6 030	6 030
Transfer from accumulated profit to non-distributable reserve		–	–	–	(575)	–	575	–
Restated balance at 31 March 2007		–	(49)	(53)	(575)	–	56 258	55 581
Available-for-sale financial assets								
– Net change in fair value		–	–	(153)	–	–	–	(153)
– Deferred tax thereon		–	–	43	–	–	–	43
Cash flow hedges								
– Effective portion of changes in fair value		–	8 189	–	–	–	–	8 189
– Deferred tax thereon		–	(2 669)	–	–	–	–	(2 669)
– Net amount transferred to initial carrying amount of hedged items		–	(8)	–	–	–	–	(8)
Profit for the year		–	–	–	–	–	1 333	1 333
Deferred tax change in tax rate		–	10	4	–	–	–	14
Transfer from accumulated profit to non-distributable reserve		–	–	–	78	–	(78)	–
Balance at 31 March 2008		–	5 473	(159)	(497)	–	57 513	62 330

Dividends proposed

No dividend has been proposed.

[1] *Nominal amount.*

[2] *The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (comprising forward exchange contracts and the cross-currency swap) related to hedged transactions that have not yet occurred. The cross-currency swap hedges foreign exchange rate risk of the future interest payments and the principal repayment on a euro-denominated loan.*

[3] *The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised.*

[4] *The cumulative net change in the fair value of derivatives that have not been designated as cash flow hedging instruments is recognised in the income statement. The unrealised portion of the net change in fair value is not distributable and has been reallocated from a distributable reserve (accumulated profit) to a non-distributable reserve.*

[5] *The insurance reserve is a contingency reserve created in terms of the Short-term Insurance Act, 1998.*

[6] *Accumulated profit is the amount of profit retained in the business after tax. This amount includes cumulative effects of embedded derivatives of R7 629 million (2007: R7 772 million) in the group and R7 623 million (2007: R7 772 million) in the company.*