2012/13
Annual Report

CEF (SOC) Ltd

Clean Energy for the Future

Clean Energy for the Future

CEF (SOC) Limited

(Registration number 1976/001441/30)

Annual Report

for the year ended 31 March 2013

These Annual Financial Statements were prepared under the supervision of Ms N. Dick CA(SA)
Acting Chief Financial Officer.

General Information

Country of incorporation and domicile South Africa

Nature of business and principal activities The financing and promotion of the acquisition of, research into and exploitation of energy related products and technology.

Directors	Dr S Mthembi-Mahanyele Mr R Boqo Mr S Gamede Mr R Jawoodeen Ms B Mabuza Mr S Mncwango Ms X Mtwa Mr L Mulaudzi Ms T Ramuedzisi (Alternate)
Registered office	152 Ann Crescent Block C, Upper Grayston Office Park Strathavon Sandton 2199
Business address	152 Ann Crescent Block C, Upper Grayston Office Park Strathavon Sandton 2199
Postal address	P O Box 786141 Sandton 2146
Bankers	ABSA Bank Ltd Sandton Branch
Auditors	Auditor-General of South Africa
Company Secretary	Mr A Haffejee
Company registration number	1976/001441/30

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The reports and statements set out below comprise the annual report presented to the shareholder:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Key Abbreviations

AEMFC	African Exploration Mining and Finance Corporation (SOC) Limited
BBBEE	Broad Based Black Economic Empowerment
BBL	Barrel (equal 159 litres)
BEE	Black Economic Empowerment
CCE	Cape Cleaner Energy Solutions (Pty) Limited
CCS	Carbon Capture and Storage
CDC	Coega Development Corporation
CDM	Clean Development Mechanism
CED	Clean Energy Division
CEF	CEF (SOC) Limited
CEF ACT	Central Energy Fund (Act no 38 of 1977) as amended
CER	Carbon Emission Reduction
CFL	Compact Fluorescent Lighting
CIGS	Copper-idium (gallium) - Deselenide
DEAT	Department of Environmental Affairs and Tourism
DST	Department of Science and Technology
DWP	Darling Wind Power
DoE	Department of Energy
EDC	Energy Development Corporation (a division of CEF (SOC) Limited)
EIA	Environmental Impact Assessment
EUETS	European Emission Trading Scheme
GAAP	Generally Accepted Accounting Practice
GEF	Global Environment Facility
GTL	Gas to Liquid
IDZ	Industrial Development Zone
IFRS	International Financial Reporting Standards
IEP	Integrated Energy Plan
IP	Illuminating Paraffin
IPE	International Petroleum Exchange
IRP	Integrated Resource Plan
JST	Johanna Solar Technology
LNG	Liquefied Natural Gas
LSF	Low Smoke Fuels
MOI	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act, 2002 (Act 28 0f 2002)
MW	Mega Watt
NEEA	National Energy Efficiency Agency
NERSA	National Energy Regulator of South Africa
NMBM	Nelson Mandela Bay Metro
NPA	National Ports Authority
Nymex	New York Mercantile Exchange
OPC	Oil Pollution Control South Africa (NPC)
PAMC	Project Appraisal and Monitoring Committee

Key Abbreviations

PAMDC	Pan African Mineral Development Company (Proprietary) Limited
PASA	South African Agency for Promotion of Petroleum Exploration and Exploitation (SOC Limited)
PAT	Project Appraisal Team
PDD	Project Design Document
PFMA	Public Finance Management Act (Act No 1 of 1999) as amended
PPC	Parliamentary Portfolio Committee
PPE	Property, plant and equipment
PV	Photovoltaic
PetroSA	The Petroleum Oil and Gas Corporation of South Africa (SOC) Limited
REEP	Renewable Energy and Energy Efficiency Partnerships
RENAC	Renewables Energy Academy
Rompco	Republic of Mozambique Pipeline Company (Proprietary) Limited
SDA	Swiss Development Agency
SAMSA	South African Maritime Safety Authority
SANEDI	South African National Energy Development Institution
SANERI	South African National Energy Research Institute (SOC) Limited
SAPIA	South African Petroleum Industry Association
SARS	South African Revenue Services
SASDA	South African Supplier Development Agency (NPC)
SFF	SFF Association (NPC)
SLA	Service Level Agreement
SWH	Solar Water Heaters
Simex	Singapore Monetary Exchange
SOS	SOS Children Village
ToR	Terms of Reference
TFST	Thin Film Solar Technology
TNPA	Transnet National Ports Authority
TTT	Technical Task Team
UNDP	United Nations Development Programme
UTT	Upstream Training Trust
VAT	Value Added Tax
VLCC	Very Large Crude Carrier
iGAS	The South African Gas Development Company (SOC) Limited

Executive Summary

Chairperson's Overview

Overview

On behalf of the Board, the management team and the staff at CEF (SOC) Ltd, I hereby present the Minister of Energy and our other important stakeholders with the Group Annual Report for the year ending 31 March 2013.

We are pleased with the financial and operational results contained in this review. During the period under review we held a number of strategy sessions, the outcome of which informed our ongoing comprehensive restructuring plan which in turn seeks to place the Group in a better position to deliver on its mandate.

Our mandate

The Central Energy Fund Act sets out the Group's mandate, which is primarily to finance and promote the acquisition, exploitation, manufacture and marketing of energy.

This broad mandate has led to CEF's involvement in a wide range of activities in the energy sector. These include the storage of crude oil, the development of B-BBEE suppliers in the petrochemical industry, the management of oil spills and the development of renewable and alternative energy technologies.

By diligently pursuing our mandate, CEF can make a significant contribution to the national endeavour to ensure the secure and sustainable provision of energy. This is an essential requirement if our country is to prosper, create jobs and deliver a better future for all our citizens.

Sustainability

The energy industry operates over long-term planning and investment cycles. The benefits of our actions today will be felt over many generations. It is therefore important that we maintain an intense focus on sustainability in all aspects of our business - environmental, financial and social.

For the Group to sustainably deliver on its mandate into the future, we need to be aware of and carefully manage the impacts of our operations on the environment, and the communities around us. Our fossil fuels divisions, PetroSA and the Strategic Fuel Fund Association, consequently have robust environmental management systems in place that align with the provisions of the National Environmental Management Act.

Securing a sustainable future energy supply is the driver behind the Group's strategic plan for our Clean Energy Division, which continues to play an important role in the national efforts to broaden the nation's energy mix.

We are heartened by the success of the Department of Energy's Renewable Energy Independent Power Producer programme which to date has seen 47 bid companies contracted to produce 2450 MW of renewable energy, mainly in hydro, solar and wind.

CEF is proud to have played a significant role over the years in catalysing this industry, as mandated by the Department of Energy. We plan to continue playing a key role in assisting the Government to achieve its objectives in this sector.

Chairperson's Overview

Social sustainability

Our mandate also includes a focus on developmental projects that are primarily aimed at social upliftment. Despite the impressive advances made since 1994 in bringing energy to more of our people, energy poverty remains a reality in certain sections of our community.

CEF continues to play a leading role in addressing these challenges. In the period under review, we launched a new national programme to provide solar-powered lamps to learners in remote villages not yet covered by the national electrification programme.

Educators and community leaders have welcomed this initiative as an important facilitator improving the quality of life in areas where people have no access to electricity.

CEF continued to roll out another of its social projects, Basa Njengo Magogo, during the year. This project drives clean coal use in areas where people still rely on coal fires for space heating and cooking. The health benefits to the greater community from managing smoke emission are enormous.

We are also proud to announce that CEF has developed a 3-year Strategic Youth Development Plan which we believe will go a long way in contributing towards the Government's agenda of youth empowerment.

We have further initiated a Skills Audit which has also contributed to our ability to develop capacity building strategies which will enhance our ability to attract and develop high-calibre talent to ensure organisational sustainability.

In closing, I wish to reiterate that the Board of CEF is committed to managing the Group in an efficient, accountable, responsible, moral and ethical manner. This includes ensuring that the group complies with applicable laws in the conduct of its business and adheres to the highest standards of corporate governance.

Accordingly, CEF subscribes to the principles enshrined in the King Code of Governance for South Africa, 2009 (King III), the Public Finance Management Act of 1999 (PFMA), Companies Act of 2008, the Protocol on Corporate Governance in the Public Sector and other relevant governance instruments.

Acknowledgements

I would like to give thanks to the Minister, Board members and directors of our subsidiaries for their valued contributions to the management of the Group.

I would also like to thank CEF's management and staff for their valuable contribution to the running of the business. Our gratitude also goes out to the Chairperson and members of the Portfolio Committee on Energy for their support and guidance.

Dr. S Mthembi-Mahanyele

Chairperson

29 July 2013

Chief Executive Officer's Report

This report should be read in conjunction with the annual financial statements presented on pages 50 to 154. The purpose of this review is to provide additional insight into the financial performance of CEF (SOC) Limited and the Group in the context of the environment in which we operate.

Overview

Global economic developments and geopolitical instability continued to have a direct bearing particularly on businesses in the energy sector in the period under review. CEF also faced significant domestic challenges that had an impact on the business.

These include the ongoing restructuring of the Group, high-level deliberations on the Strategic Stocks policy (an area that affects the Strategic Fuel Fund Association) and amendments to the Mineral and Petroleum Resources Development Act (MPRDA), which will have a significant impact on a number of subsidiaries.

Group structure

CEF is incorporated in terms of the Central Energy Fund Act. The Group is mandated by the Government to engage in the acquisition, exploration, generation, marketing and distribution of any energy form and to engage in research relating to the energy sector.

While our mandate has not changed, the Group's structure has been realigned to better position the business to deliver on its mandate.

The companies in the Group focus on a number of areas including:

- Exploration, production and marketing of petroleum products and services
- Promoting, marketing and licensing of offshore and onshore exploration and production activities
- Management of strategic stocks
- Tank rentals and tank terminal management
- Renewable energy and energy efficiency
- Low smoke fuels
- Gas infrastructure development
- Oil pollution prevention and control
- Development of BBBEE suppliers in the petrochemical industry

Financial performance

The Group reported a profit after taxation from continuing operations of R1,032 million (2012: R1,816 million) for the year under review. Revenue increased from R14,988 million to R20,197 million mainly due to the decrease in gross profit which is mainly due to the smaller margins realised from purchased products, a decrease in manufactured product volumes and a decrease in crude oil sales.

The operating costs increased 8% to R2,359 million (2012: R2,175 million) the main reason for this can be attributed to the impairment of the Statoil investment of R360 million. The majority of the divisions reported savings for the year. Further contributing factors to the reduced net profit is the lower investment income, affected by the major cash outflows required for Project Ikhwezi and the acquisition of Sabre Oil and Gas Holdings Limited (Sabre), and higher finance costs, which were also affected by the acquisition of Sabre and the increased shareholding in the South Coast Gas joint venture

Chief Executive Officer’s Report (continued)

The Group statement of financial position remains strong with total assets of R43,855 million (2012: R35,648 million).

The cash balance of R13,073 million (2012: R19,145 million) reflects the Group’s strong net cash position as well as the deployment of funds into capital projects during the year. Management continues to investigate ways to optimise the Group’s balance sheet as we embark on several significant capital expansion programs in the short- to medium-term.

Operating subsidiaries

PetroSA and iGas

PetroSA continues to be the biggest contributor to Group earnings. During the period under review, PetroSA continued to invest in the Ikhwezi field development project to complement feedstock for the Mossel Bay plant. The company also made a significant investment in the Jubilee field in Ghana and increased its shareholding in the South Coast Gas joint venture.

The process to consolidate and streamline subsidiary operations within the Group is well underway. To this end, iGas is being merged with PetroSA to leverage synergies between the two companies. The merger is expected to be completed in the next financial year.

South African Agency for Promotion of Petroleum Exploration and Exploitation (SOC) Limited (PASA)

PASA focuses on the promotion, marketing and licensing of offshore and onshore exploration and production activities . We are tracking developments around the amendments to the MPRDA which will have a major impact on the future of the business.

SFF Association and OPC

The operations of Oil Pollution Control South Africa are being merged into the Strategic Fuel Fund Association to streamline processes and achieve greater efficiencies.

African Exploration Mining and Finance Corporation (SOC) Limited (AEMFC)

AE completed its first full year of operation, showing a net profit of R71 million (2012: R23 million loss). The company sold 1,6 million tons of coal during the period under review, 45% ahead of forecast.

Cabinet has made a decision declaring AE a State-owned mining company and a stand-alone entity reporting to the Department of Mineral Resources (DMR). The Department of Energy and DMR are collaborating to manage the hiving off of AE from the CEF Group. This is expected to be completed in the next financial year.

The principal activities of the entity are as follows:

- To aquire and hold prospecting and mining rights
- To perform geological exploration and bankable feasibility studies
- To develop mines, and engage in mining operations.

South African Supplier Development Agency (NPC) (SASDA)

SASDA continues to champion the transformation agenda in the petrochemicals sector by influencing industry stakeholders to engage in enterprise development through preferential procurement initiatives.

Clean Energy Division

The Clean Energy Division of CEF continues to focus on investing in renewable and alternative energy ventures. In the period under review the Division also continued to progress the feasibility study into the Solar Park development in the Northern Cape.

The project is a national priority and forms part of the critical infrastructure programme. It has been put in place to improve the energy mix of the country and has the potential to house up to 5 000 MW of installed renewable electricity.

Chief Executive Officer's Report (continued)

Human Capital

In prior periods, CEF was impacted by the departure of senior personnel. The Group has made good progress in filling key vacancies in the period under review, one of which was my appointment as the new Group CEO.

Outlook

The Group achieved good results in a very difficult environment. We anticipate the new financial year will continue to pose similar challenges, as well as opportunities, both of which we are well prepared to meet.

We are confident that the restructured Group is well positioned to continue to deliver on our mandate.

Acknowledgement

My thanks are extended to the Minister, Board members and Directors of subsidiaries for their valuable contributions to the running of the Group. We are particularly grateful to the Portfolio Committee on Energy for their constructive support.

I would also like to thank management and staff for their continuing efforts as we seek to serve the nation.

Mr. Sizwe Mncwango

Group Chief Executive Officer

29 July 2013

Directors' Responsibilities and Approval

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The external auditors are responsible for the audit on the fair presentation of the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the Companies Act of South Africa of 2008. These annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors are also responsible for the group's system of internal controls. These controls are designed to provide reasonable, but not absolute assurance as to the reliability of the group's annual financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and losses.

The directors have reviewed the budgets and cash flow forecasts for the year ending 31 March 2014. On the basis of this review, and in view of the current financial position and existing borrowing facilities, the directors have every reason to believe that the company will be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the annual financial statements.

To enable the directors to meet the above responsibilities, the board of directors sets standards and implements systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. The group maintains internal financial controls to provide assurance regarding:

- The safeguarding of assets against unauthorised use or disposition.
- The maintenance of proper accounting records and the reliability of financial information used within the business and for publication.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal financial controls may vary over time.

Unless otherwise stated elsewhere in the financial statements nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been audited by the Auditor General of South Africa (AGSA) who was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors, committees of the board, and management. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The AGSA's audit report is attached.

The consolidated annual financial statements set out on pages 50 to 154, for the year ended 31 March 2013, were approved by the board of directors in terms of Section 51(1) (f) of the Public Finance Management Act on 29 July 2013 and was signed on its behalf by:

Dr S Mthembi-Mahanyele	**Mr R Boqo**
Chairperson	**Non-Executive director**

Johannesburg
29 July 2013

Statement on Corporate Governance

Statement on Corporate Governance

1.1 Introduction

The Group Board of Directors (the Board) strives to promote the highest standard of corporate governance, by subscribing to the principles of good corporate governance as outlined in the King III Report on Corporate Governance, Public Finance Management Act of 1999 (PFMA), Companies Act of 2008 and Protocol on Corporate Governance in the Public Sector. Good corporate governance includes the structures, processes and practices that the Board uses to direct and manage operations of CEF and the subsidiaries. This is to ensure proper accountability by the Board to the shareholders and other stakeholders.

It is the Board's understanding and belief that adherence to good corporate governance will improve the confidence of the shareholder, stakeholders and employees in the leadership of the Group. This in turn will allow space for wealth creation and economic well being to the wider community of stakeholders and society.

To ensure that the Group is managed in an efficient, accountable, responsible, moral and ethical manner in compliance with these principles, ongoing monitoring of the developments in the field of corporate governance is maintained and improvements are made to the extent deemed appropriate.

1.2 Highlights on governance for the year under review

The following are highlights of implementations on the group's governance framework during the reporting period:

- Evaluations of the Board and its committees;
- Appointment of the Social and Ethics Committee

2. Continuous implementation of the new governance regime

The Group has, during the period under review, gained further ground in implementing provisions of the King III report and the Companies Act of 2008.

The high level analysis of compliance to the code has indicated that the majority of the recommendations have been implemented with a few areas still outstanding. In line with the 'apply or explain' approach, the group highlights reasons for delays in implementing the following provisions of the King III report:

- **Integrated Reporting and Disclosure:** The Group is in the process of applying this recommendation and a first draft will be implemented during the 2013/2014 year;
- **The Governance of Information Technology (IT):** The Board has assigned the monitoring of IT governance to the Board Audit and Risk committee and the current IT governance framework and processes are being enhanced to ensure further alignment with King III and full compliance. To this end, a dedicated EXCO subcommittee (Information Technology Steering committee) focussing on the review of IT investment and alignment with corporate strategy was formed. These frameworks and committee structures will ensure the improvement in monitoring and evaluation of significant IT investments and expenditure, and that IT forms an integral part of the Company's risk management environment.

3. Board of Directors

In terms of section 49 of the PFMA, the Board is the accounting authority of the group. The group has a unitary Board structure made up of a majority of non executive directors, appointed by the shareholder. The size of the Board is dictated by Section 1 (4) of the Central Energy Fund Act, No. 38 of 1977 ('CEF Act'), as amended, which permits a maximum of 8 directors appointed by the Shareholder. In line with the recommendations of King III the positions of Chairman and Chief Executive Officer are separately held to ensure a clear division of duties.

Statement on Corporate Governance (continued)

The Board retains overall accountability for the running of the group and reserves, for itself, decisions on matters that could have a material impact on the business.

To that end, Executive Management is charged with the day-to-day running of the business, with the Board addressing a range of key issues to ensure that it retains the strategic direction of, and proper control over the group, ensuring that policies and procedures are in place, monitoring the performance of the group against agreed objectives, identifying key performance and risk areas, providing effective leadership on an ethical foundation, ensuring that there is an effective risk based internal audit function, defining levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to the CEO, ensuring that timelines for submission of reports in compliance with the PFMA and other applicable laws affecting the business are adhered to, including submission of financial statements and ensuring that annually a Shareholder's Compact is concluded with the shareholder in respect of agreed performance indicators for the Company in the next year.

The non executive directors are appointed in terms of the CEF Act and re appointment is not automatic. The Board meets at least once every quarter.

Board committees

The Board has established several committees in order to assist it in the discharge of its duties. All committees operate under Board approved terms of reference, which may be updated from time to time to align with the latest developments in corporate governance. Each committee operates within these defined terms of reference and is chaired by a non-executive director or an independent member.

Audit Committee

The audit committee comprises at least three independent non executive directors appointed by the shareholder at each annual general meeting. The committee meets at least four times per annum. The committee is chaired by an independent non executive director who is not the chairperson of the Board.

The committees consist of members with financial, internal and external audit, corporate law and other relevant experience. The committee's terms of reference is reviewed annually by the Board.

The committees functions are shared across all the subsidiaries under the ownership and control of the CEF group and are responsible for ensuring the integrity of financial reporting and monitoring the adequacy and effectiveness of the governance, risk management, and control processes of the group.

The committees is responsible for overseeing the internal audit function and the external audit processes. The External Auditor and Acting Chief Audit Executive have unrestricted access to the committees and attend all meetings.

The Chief Executive Officer and Acting Chief Financial Officer are permanent invitees to these meetings. Other executive managers are invited to the committee meetings when required.

Risk Committee

The Risk committee comprises at least three independent non executive directors appointed by the shareholder at each annual general meeting. The committee meets at least four times per annum. The committee is chaired by an independent non executive director who is not the chairperson of the Board.

The committee is responsible for overseeing the group compliance function and risk management processes within the group.

The Board is accountable for ensuring that there is compliance with laws, regulations, policies and procedures and any adopted standards applicable to the Company. The function of compliance has been delegated throughout the Company based on specialist areas.

As a principle the group does not tolerate non-compliance with laws, regulations and any of its own standards. The group is working on providing combined assurance on compliance to the Board going forward.

Statement on Corporate Governance (continued)

Business continuity management as a discipline, within the compliance function, maintains a collection of plans readily accessible and available for use in the event of a disaster or major disruptions to business activities. These plans are empowered by an approved Business Continuity Management policy. This policy requires that all business continuity plans across the organisation be kept in ready mode for execution and be updated at a minimum every three years or, as and when material changes to business processes occur.

The group philosophy on enterprise wide risk management is that of pro-active management of risks whilst exploiting any related opportunities that could present themselves as risks. The current governance policies in place include:

- Business Continuity Management Plan;
- Fraud Prevention Policy; and
- Code of Ethics Policy.

Some of these governing policies and structures have been supplemented with work procedures, practice frameworks and terms of references. Risks are continuously identified throughout the organisation, including mitigation strategies and where appropriate management action plans. This process is rolled into the development of a corporate strategic risk register that is dynamic in nature and reviewed quarterly by EXCO and the Board.

In line with integrating and embedding a culture of enterprise wide risk management, risk management plays a pivotal role and informs key decisions taken by management and the Board.

The group is committed to the eradication of fraud, corruption, misconduct and any irregularities. The Fraud Prevention Policy addresses fraud risk management from both proactive and reactive perspectives.

The group has outsourced its whistleblower hotline, which is available to staff, various stakeholders and members of the public. All reported cases are treated with utmost confidentiality to protect the rights of both the whistleblower and the alleged party.

Social and Ethics Committee

The committee has been appointed in compliance with the provisions of the Companies Act of 2008 and consists of non executive members of the Board. It is tasked with monitoring the activities of the company having regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regards to matters relating to:

- Social and Economic development;
- Good Corporate Citizenship;
- The environment, health and public safety, including the impact of the Companies activities;
- Consumer relations including advertising and public relations; and
- Labour and employment

Board Human Resource committee

This committee is chaired by a non-executive director and comprises non-executive directors appointed by the Board. The CEO and the Human Resource Manager attend the committee meetings by invitation.

This committee reviews and recommends annual remuneration increases, terms and conditions of employment, the payment of incentives and bonuses, general fringe benefits, human capital related policies and the appointment of senior staff at an executive level.

Project Assessment and Monitoring committee

The Committee is chaired by a non-executive Director and comprises of Directors appointed by the Board. The remaining Board members are standing invitees of the committee. The Committee focuses on Group Projects and monitoring the progress thereof.

Statement on Corporate Governance (continued)

4. Materiality and Significant framework

A materiality and significance framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA that requires ministerial approval. The framework was finalised after consultation with the external auditors and has been formally approved by the board.

5. Internal Audit

The group has an internal audit function that has the support and cooperation of both the board and management. The internal audit function has a written terms of reference, provided by the board of directors, setting out its purpose, authority and responsibilities.

The internal audit department, headed by the Acting Chief Audit Executive, is accountable to the board audit committee and risk committee.

The internal audit function carries out its work in terms of an approved internal work plan based on the risk framework of the company. The annual work plan is approved by the audit committee. The Chief Audit Executive has full access to the chairpersons of the audit committee and the board of directors.

The key responsibilities of internal audit function are to the board, the board audit committee, or both, in discharging its governance responsibilities and to perform the following functions:

- Evaluating the company's governance processes including ethics;
- Performing an objective assessment of the effectiveness of risk management and internal control framework;
- Systematically analysing and evaluating business processes and associated controls; and
- Providing a source of information, as appropriate, regarding instance of fraud, corruption, unethical behaviour and irregularities.

The internal audit function adheres to the International Standards for Professional Practice of Internal Auditing and Code of Ethics. The Chief Audit Executive developed and maintained a quality assurance and improvement program. The internal audit function is subjected to an external quality review at least every 5 years, the last review was conducted during 2013 and the evaluation result was "general conformance", which is the highest level of conformance. The next review will be done during the 2018 financial year.

6. Company Secretary

The Company Secretary is responsible for ensuring that the company's affairs as well as the Board proceedings are properly carried out in accordance with the relevant laws and standards.

The Company Secretary provides the board of directors with guidance and advice on matters of business ethics and good governance, as well as on the nature and extent of their duties and responsibilities and how such duties and responsibilities should be properly discharged.

Each of the directors has unrestricted access to the advice and services of the Company Secretarial team and company information, and are entitled to seek independent professional advice, at the Company's expense in pursuance of their duties as directors. The company secretary is reporting to the Board.

7. Management reporting

Comprehensive management reporting disciplines are in place, which include the preparation of an annual corporate plan and budget approved by the board of directors. Monthly and quarterly results are reported against the approved budget to the executive committee and the board of directors respectively for review.

Statement on Corporate Governance (continued)

There are comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all divisions and reporting thereon on a quarterly basis. The budget and capital expenditure are reviewed and approved by the Board. Quarterly performance results and the financial status of the company and group are reported against approved targets. Profit projections and forecasted cash flows are updated monthly, while working capital and borrowing levels are monitored on an ongoing basis.

Executive management meet on a regular basis to consider day-to-day issues pertaining to the business of the group.

8. Code of Ethics

Entities within the group have codes of ethics which require employees to observe the highest ethical standards thereby ensuring that business practices are conducted in a manner which are beyond reproach.

Directors and employees are required to maintain the highest ethical standards, ensuring that business practices are conducted in a manner which, in all reasonable circumstances, is beyond reproach. The Code of ethics serves as a guide to assist the Board, Executive Management, Staff and Contractors of the group in making ethical decisions and engaging in appropriate and lawful conduct.

The group has contracted the services of an independent hotline service providing for the confidential reporting of fraud and other inappropriate behaviour. Employee breaches are dealt with in accordance with the disciplinary policy. In addition Directors are required to annually declare their interests in contracts as well as Directorships in other companies in accordance with the Companies Act.

Report of the Auditor-General

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the CEF (SOC) Limited, set out on pages 50 to 154, which comprise the consolidated and separate statement of financial position as at 31 March 2013, and the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and for such internal control as management determines necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion the consolidated and separate financial statements present fairly, in all material respects, the financial position of the CEF (SOC) Limited and its subsidiaries as at 31 March 2013 and their financial performance and cash flows for the year then ended, in accordance with SA Statements of GAAP and the requirements of the PFMA and the Companies Act of South Africa.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

8. As disclosed in note 45 to the consolidated financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during 2013 in the separate and consolidated financial statements of CEF (SOC) Limited at, and for the year ended, 31 March 2013.

Report of the Auditor-General (continued)

Significant uncertainties

9. With reference to paragraph 7 of the Directors' report and note 46to the financial statements, the company has disclosed fruitless and wasteful as well as irregular expenditure incurred during the financial period under review. Some of the disclosures were made subsequent to recommendations from the investigations referred to in paragraphs 36 and 37 of this report. As some of the investigations were either still in the process of being finalised or the recommendations of which were still in the process of being implemented further fruitless and wasteful expenditure and/or irregular expenditure may still require disclosure in subsequent periods.

Additional Matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Revision of previously issued financial statements

10. The previously issued consolidated financial statements for the year ended 31 March 2013, on which I issued an auditor's report dated 31 July 2013, have been revised and re-issued due to an error identified in note 46 of the financial statements. The amount disclosed as irregular, fruitless and wasteful expenditure for the group did not include the amounts relating to some of the subsidiaries.

Other reports required by the Companies Act of South Africa

11. As part of my audit of the consolidated and separate financial statements for the year ended 31 March 2013, I have read the Directors' Report, the Audit Committee's Report and the Companies Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. I have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the predetermined objectives report as set out on pages 10 to 15 of the annual report.

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

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

16. The material findings are as follows:

Usefulness of information

17. The National Treasury Framework for managing programme performance information (FMPPI) requires that the indicator should relate logically and directly to an aspect of the institution's mandate, the realisation of strategic goals and objectives. A total of 25% of indicators did not relate logically and directly to an aspect of the institution's mandate and realisation of strategic goals and objectives as per the corporate plan.

Report of the Auditor-General (continued)

Reliability of information

18. The National Treasury Framework for managing programme performance information (FMPPI) requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. A total of 25% of indicators targets with respect to the activity 'To develop education and training programmes that will help change energy utilization behaviours' are not reliable when compared to the evidence provided.

Additional matters

19. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above:

Achievement of planned targets

20. Of the total number of 10 planned targets, 5 targets were not achieved during the year under review. This represents 50% of total planned targets that were not achieved during the year under review.

Material adjustments to the annual performance report

21. Material misstatements, as per the detailed audit findings, in the performance against objectives report were identified during the audit, all of which were corrected by management.

Compliance with laws and regulations

22. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Annual financial statements

23. Material misstatements identified by the auditors in the consolidated financial statements were subsequently corrected. The accounting authority therefore submitted consolidated financial statements financial statements for auditing that were not prepared in all material aspects in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1)(b) of PFMA and section 29(1)(a) of the Companies Act of South Africa.

Expenditure Management

24. The accounting authority did not take effective steps to prevent fruitless and wasteful and irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Audit committee

25. There is a contravention of Section 94(4)(b) of the Companies Act of South Africa in that an audit committee member that served during the current financial period had also been involved in the day-to-day management of the company's business during the current financial period.

26. Contrary to the requirements of The Companies Act 71 of 2008 section 94(4) the members of the audit committee were not appointed directors.

Procurement and contract management

27. Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii).

28. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1(d) and the Preferential Procurement Regulations.

Report of the Auditor-General (continued)

29. Contracts and quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

Internal control

30. We considered internal control relevant to our audit of the financial statements, report on predetermined objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that in findings on the report on predetermined objectives and the findings on compliance with laws and regulations included in this report.

Leadership

31. The internal control objective to "provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity" has been compromised due the investigations referred to below. The matters referred to and arising in these investigations were not detected by the company's system of internal control and have resulted, in certain instance, in fruitless and wasteful and/or irregular expenditure being incurred.

32. Non-compliances with laws and regulations could have been avoided had the accounting authority implemented efficient controls over monitoring of compliance with laws and regulations.

33. Material adjustments to separate and consolidated financial statements could have been avoided has the leadership of the entity implemented adequate policies and procedures suppler chain.

Financial and performance

34. Material adjustments to separate and consolidated financial statements could have been avoided had the entity implemented adequate controls over daily processing and review of transactions.

OTHER REPORTS

Investigations

35. An investigation, mandated by the Board Audit and Risk Committee of Group during the previous financial year, into possible irregularities relating to the procurement policy of Group, was completed subsequent to the end of the reporting period. An extension of scope, relating to this investigation was also completed subsequent to the end of the reporting period. We have been informed by management that the recommendations from this investigation are in the process of being evaluated and implemented by those charged with governance.

36. An investigation, mandated by the Honourable Minister of Energy during the prior financial year, into all significant procurement, for goods and services that are not considered to relate to the day to day operations of CEF Group, was still in-progress at the date of this report.

Auditor-General

Pretoria
7 October 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Board Audit Committee and Risk Committee

CEF supports the National Learners' Focus Week initiative which is managed by the Department of Energy. The project seeks to give learners a better understanding of the energy industry.

Report of the Board Audit Committee and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2013.

1. Charter

The roles and responsibilities for the audit committee and risk committee were split during the financial year to improve and focus attention on risk management activities separately. The members of the two committees are the same members and the committee meetings happened on the same dates.

The audit committee is guided by a detailed charter that is reviewed and approved by the board on an annual basis. The audit committee has regulated their affairs in compliance with this charter and have discharged all their responsibilities as contained therein.

2. Purpose

The Committee's purpose and responsibilities arise from the Public Finance Management Act of 1999; Section 76 (4)(d) and Treasury Regulations 27.1. In performing its responsibilities the committee has reviewed the following:

- the effectiveness of the internal control systems;
- the effectiveness of the internal audit function;
- the risk areas of operations to be covered in the scope of the internal and external audits;
- the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- the accounting and auditing concerns identified as a result of the internal or external audits;
- compliance with applicable legal and regulatory provisions;
- the activities of the internal audit function, including its annual work program, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- the independence and objectivity of the external auditors.

3. Membership

The audit committee and risk committee members were appointed by the board of directors and comprise of at least three non-executive members. The committees consist of the members listed hereunder and should meet on a minimum of two occasions per annum as per the approved Charter. During the financial year 5 meetings were held.

Name of members	Number of meetings attended
Mr R Boqo (Chairperson)	5
Mr D Hlatshwayo	5
Ms B Mabuza	4
Mr L Mulaudzi	0

4. External audit

The audit committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the external audit plan as presented by the Auditor-General of South Africa. We have reviewed the Auditor-General of South Africa Strategic Board Audit Plan for the 2013 financial year and the board audit committee have approved their fees. The audit committee has satisfied itself that the Auditor General of South Africa exercised their duties in an independent and objective manner.

Report of the Board Audit Committee and Risk Committee (continued)

5. Internal Audit

The Committee considered and recommended the internal audit charter for approval to the board and approved the annual work plan for the internal audit function. The internal audit function is responsible for reviewing and providing assurance on the adequacy of the internal control environment across operations. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed audit plan to the Committee on a quarterly basis.

The Chief Audit Executive has direct access to the committee, primarily through its Chairperson. The Committee is also responsible for the assessment of the performance of the internal audit function. In the current financial year, an external effectiveness review was performed by the Institute of Internal Auditors (IIA), reporting positive results and rating the internal audit function as "general conformance" with the IIA Standards, the next external assessment will be done in 2018 financial year.

The internal audit function is independent and has the necessary resources, budget, standing and authority within the organisation to enable it to discharge its functions. The Chief Audit Executive reports functionally to the chairperson and the chairperson must concur with the appointment and dismissal of the Chief Audit Executive. The Chief Audit Executive took an early retirement at the end of September 2012 and the position is currently filled by an acting Chief Audit Executive.

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the company in its audits. We believe Internal Audit has contributed to the improvement of internal controls within the company.

6. Corporate governance

We are of the opinion that the group continues to strive towards complying with sound principles of corporate governance. As per our discussions with management, management confirms that the content and quality of monthly and quarterly reports prepared and issued by the Chief Executive Officer during the year under review were properly formulated and have complied with the PFMA in this regard. The committee is in the process of reviewing its corporate governance practices with a view to complying with the requirements of the Companies Act of 2008 and King III recommendations.

7. Risk management

The Board assigned the oversight of the risk management function to the risk committee. The group implemented a risk management strategy which includes the fraud prevention plan and combined assurance plan. The risk committee monitored the significant risks faced by the company through reviewing risk reporting and participation in the risk assessment workshop. We are satisfied that significant risks were managed to an acceptable level.

Mr R Boqo

Chairperson

24 July 2013

Statement from the Company Secretary

In my capacity as Company Secretary, I hereby confirm, except where otherwise mentioned in the annual financial statements, for the year ended 31 March 2013, that the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a company in terms of the Companies Act 71 0f 2008 and that all such returns are to the best of my knowledge and belief, correct and up to date.

Mr A Haffejee

Group Company Secretary

29 July 2013

Performance Against Objectives

Performance Against Objectives

A summary of CEF's business performance against objectives is contained in the table below:

	Activity	Indicators	Target Description	Target score	Weight%	Achieved score	Comments
1.	**Financial**						
	To develop and implement appropriate systems and planning to facilitate the long-term financial sustainability of CEF.						
1.1	Develop a 10 year business plan, which includes a long-term cash flow plan, that demonstrates long-term financial sustainability.	A business plan which includes a 10 year cash flow plan submitted to the CEF Board for approval by 31 March 2013.	A business plan is submitted to the CEF Board for approval by 31 March 2013.	3	10	2	The business plan (as encapsulated in the corporate plan) was submitted for approval but it did not include a 10-year cash flow plan.
2.	**Internal processes**						
	To design and implement a range of internal business processes, systems and structures to improve the management and effectiveness of the organisation.						
2.1	To reorganise the CEF Group and improve accountability.	Revised Group structure and oversight system developed and implemented.	The CEF Group restructuring plan is finalised and being implemented and an oversight system is operational by the end of the financial year.	3	5	2.5	The revised structure and systems were completed with the exception of activation of the CEO Forum.
2.2	To review past projects in order to identify gaps in the project management system.	Lessons learnt documentation.	Lessons learnt on failed projects have been submitted to the Project Finance Committee by 30 June 2012.	3	5	3	The lessons learnt from failed projects was submitted to the PAMC (formerly the Project Finance Committee).
2.3	To develop systems, which incorporate lessons learned on past projects, that will be used to identify, develop and execute viable projects in pursuit of the CEF mandate.	Market intelligence and project assessment systems.	Develop and implement improved systems that will be used to manage the project development process by 30 June 2012.	3	5	3	A monthly Intelligence Brief is produced. A project development and assessment process has been implemented.

Performance Against Objectives (continued)

	Activity	Indicators	Target Description	Target score	Weight%	Achieved score	Comments
2.4	Complete an internal resource assessment (skills and funding) to support the development of a new resource allocation plan	Resource assessment report; Resource allocation plan	An internal resource assessment is conducted with a report completed by the end of Q2; The results used to develop a new resource allocation plan by the end of the financial year	3	5	1.75	The people skills assessment was only completed in Q4. Competency levels were only partly addressed. The resource allocation plan was thus not completed.
2.5	To develop and implement guidelines and systems to improve treasury performance.	Documented Treasury guidelines and allocation system.	Treasury guidelines are developed and documented, with the allocation system implemented by the end of Q2.	3	5	3	The Treasury guidelines were developed.
2.6	To develop and implement processes and systems to improve oversight of the business.	Documented integrated planning and reporting system.	An integrated planning and reporting system with suitable annual timelines is developed in collaboration with the Board, documented and implemented by the end of Q1.	3	5	2.7	All sub-activities except for the development of a project dashboard were completed.
	External projects						
3.	**To develop a portfolio of projects that will enhance the country's energy security of supply.**						
3.1	To collate and analyse data on hydrocarbons to support policy and strategy to enhance security of supply of hydrocarbon fuels.	Liquid fuel databases; Input into IEP.	Appropriate liquid fuel database to enhance security of supply assessments is developed and implemented by end Q4 subject to appropriate support and approvals from the DoE and the Competition Commission if required; Provide input to IEP regular as needed basis.	3	10	2	Liquid fuels databases were not developed. Inputs into the IEP process were made.

Performance Against Objectives (continued)

	Activity	Indicators	Target Description	Target score	Weight%	Achieved score	Comments
3.2	To develop a pipeline of clean energy and manufacturing projects that will generate commercial returns.	Clean energy and manufacturing project pipeline.	A pipeline of potential clean energy and manufacturing projects is developed with progress against plan reported to EXCO and Board on a quarterly basis.	3	40	3	The project pipeline was developed.
3.3	To develop education and public awareness programmes that will help change energy utilisation behaviours.	Documented Education and public awareness programme.	An appropriate education and public awareness programme is developed by end Q3 and implementation initiated by end Q4.	3	10	3	Awareness and education programmes have been rolled out in Gauteng, Kwa-Zulu and at Prieska.
		Total		**3**	**100**	**2.70**	

Scoring:

1 = Not met

2 = Partially achieved

3 = Achieved

Board of Directors

Dr S Mthembi-Mahanyele
Chairperson

Ms B Mabuza
Non-Executive

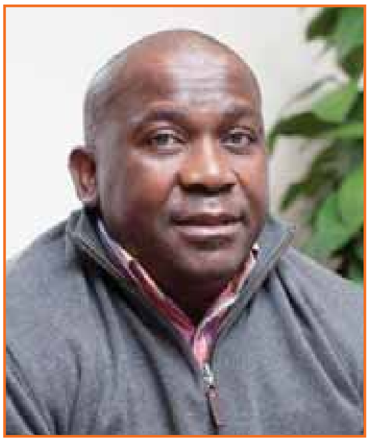
Ms X Mtwa
Non-Executive

Mr S Mncwango
Chief Executive Officer

Mr L Mulaudzi
Non-Executive

Mr R Boqo
Non-Executive

Mr R Jawoodeen
Non-Executive



Mr S Gamede
Non-Executive

Directors’ Report

CEF manages the Basa njengo Magogo project which teaches communities an effective fire-making process which reduces smoke emission.

Directors' Report

The Directors present their annual report that forms part of the audited consolidated annual financial statements for the Group for the year ended 31 March 2013.

CEF is governed by the CEF Act and is listed as a public entity in terms of schedule 2 of the PFMA.

The Board is the accounting authority in terms of the PFMA.

1. Directors

The Directors of the holding company during the year and to the date of this report are as follows:

Name		Appointed	Resigned / Term ended
Dr S Mthembi-Mahanyele	Independent, Non-executive, Chairperson	01 March 2011	
Mr O Aphane	Non-executive	01 June 2010	01 September 2012
Mr R Boqo	Non-executive	01 December 2012	
Mr S Gamede	Non-executive	01 September 2012	
Mr R Jawoodeen	Non-executive	1 March 2011	
Ms B Mabuza	Non-executive	31 January 2012	
Adv L Makatini	Non-executive	09 September 2009	01 September 2012
Mr T Maqubela	Non-executive	1 June 2010	01 December 2012
Mr S Mncwango	Executive	01 January 2013	
Ms X Mtwa	Non-executive	01 December 2012	
Mr L Mulaudzi	Non-executive	01 September 2012	
Ms T Ramuedzisi	Non-executive (alternate)	01 July 2009	
Mr Y Tenza	Non-executive	01 July 2007	30 June 2012

Attendance at meetings:

	03/04/2012	11/04/2012	29/05/2012	21/06/2012	11/07/2012	27/07/2012	14/11/2012	05/02/2013	21/02/2013
Dr. S Mthembi-Mahanyele	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr O Aphane	N	N	N	N	N	Y	N	N	N
Mr R Boqo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y
Mr S Gamede	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y	Y
Mr R Jawoodeen	Y	Y	Y	Y	Y	N	Y	Y	Y
Ms. B Mabuza	Y	Y	Y	Y	Y	Y	N	Y	Y
Mr L Mulaudzi	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y	Y
Adv L Makatini	Y	Y	Y	Y	Y	Y	N/A	N/A	N/A
Mr T Maqubela	Y	Y	Y	Y	N	Y	N	N/A	N/A
Mr S Mncwango	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y
Ms X Mtwa	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms T Ramuedzisi	A	A	A	A	A	A	A	N	N

Directors' Report (continued)

Board Audit committee and Risk committee

The committees consist of the following members:

Name		Appointed
Mr R Boqo	Non-executive Chairperson	01 June 2012
Mr D Hlatshwayo	Non-executive	01 March 2011
Ms B Mabuza	Non-executive	31 January 2012
Mr L Mulaudzi	Non-executive	01 September 2012

Board Audit committee and Risk committee (continued)

Attendance at meetings:

	25/05/2012	23/07/2012	08/11/2012	31/01/2013	20/02/2013
Mr R Boqo	Y	Y	Y	Y	Y
Mr D Hlatshwayo	Y	Y	Y	Y	Y
Ms B Mabuza	Y	Y	Y	Y	N
Mr L Mulaudzi	N/A	N/A	N	N	N

The Board audit committee and risk committee meet on a minimum of twice per annum. The Chief Audit Executive of the Internal Audit Function, the external auditors and such members of management as are deemed necessary also attend these meetings. The Board audit and risk committees are responsible for the internal controls and risk management of the company delegated to them by the board of directors. In order to meet their requirements they review the findings of both internal and external auditors. In addition they review important accounting issues, materials pending litigation if applicable, company insurance, risk management and disclosure requirements in the annual financial statements.

The responsibilities of these sub-committees of the board of directors are set out in the report of the Board audit and risk committee which forms part of these annual financial statements.

Board Human Resource committee

The Board human resource committee consists of the following members:

Name		Appointed
Mr R Jawoodeen	Non-executive	28 July 2011
Ms B Mabuza	Non-executive	28 July 2011
Dr S Mthembi-Mahanyele	Non-executive	28 July 2011

Attendance at meetings:

	12/06/2012	11/07/2012	05/11/2012
Mr R Jawoodeen	Y	Y	Y
Ms B Mabuza	Y	Y	Y
Dr S Mthembi-Mahanyele	Y	Y	Y

The board of directors has delegated its function of ensuring that employees are fairly rewarded in accordance with their contributions to the company's performance to this board human resources committee.

Directors' Report (continued)

Governance and Nominations committee

This committee consists of the following members:

Name		Appointed	Resigned
Ms B Mabuza	Non-executive	01 February 2012	
Mr T Maqubela	Non-executive	01 July 2007	1 December 2012
Dr S Mthembi-Mahanyele	Non-executive Chairperson	01 February 2012	
Ms X Mtwa	Non-executive	01 December 2012	

Attendance at meetings:

	03/04/2012
Ms B Mabuza	Y
Mr T Maqubela	Y
Dr S Mthembi-Mahanyele	Y
Ms X Mtwa	N/A

Project Assessment Monitoring Committee

This committee of the Project Assessment Monitoring committee consists of the following members which is also appointed as Board members:

Name	
Mr R Jawoodeen	Non-executive Chairperson
Dr. S Mthembi-Mahanyele	Non-executive
Mr O Aphane	Non-executive
Mr R Boqo	Non-executive
Mr S Gamede	Non-executive
Ms. B Mabuza	Non-executive
Mr L Mulaudzi	Non-executive
Adv L Makatini	Non-executive
Mr T Maqubela	Non-executive
Mr S Mncwango	Executive
Ms X Mtwa	Non-executive

Attendance at meetings:

	25/04/2012	16/08/2012	20/09/2012	05/11/2012	01/02/2013
Mr R Jawoodeen	Y	Y	Y	Y	Y
Dr. S Mthembi-Mahanyele	Y	Y	N	Y	N
Mr O Aphane	N	N	N	N/A	N/A
Mr R Boqo	Y	N	Y	Y	Y
Mr S Gamede	N/A	N/A	N/A	Y	Y
Ms. B Mabuza	Y	Y	Y	Y	Y
Mr L Mulaudzi	N/A	N/A	N/A	Y	N
Adv L Makatini	N	Y	N/A	N/A	N/A
Mr T Maqubela	N	N	N	N	N
Mr S Mncwango	N/A	N/A	N/A	N/A	Y
Ms X Mtwa	N/A	N/A	N/A	N/A	N

Y = Attended meeting
N = Did not attend meeting
N/A = Not a member at date of meeting

Directors' Report (continued)

2. Secretary

The secretary of the company is Mr A Haffejee:

Business address

152 Ann Crescent
Block C, Upper Grayston Office Park
Strathavon
Sandton
2199

Postal address

P O Box 786141
Sandton
2146

3. Corporate strategy

CEF has continued with the development of its strategy in terms of its mandate. All entities in the group review their corporate strategy on an annual basis and enter into shareholders compacts with their holding company. Performance against these compacts is monitored throughout the year.

4. Nature of business

The principal activities of CEF are:

- the acquisition of coal, the exploitation of coal deposits, the manufacture of liquid fuel, oil and other products from coal, the marketing of the said products and any matter connected with the said acquisition, exploitation, manufacture and marketing;
- the acquisition, generation, manufacture, marketing or distribution of any other forms of energy and research connected therewith;
- any other object for which the Central Energy Fund may be applied, and which has been designated or approved by the Minister of Energy with the concurrence of the Minister of Finance; and
- To deliver sustainable development of the economy and communities through the targeting of skills development, the implementation of competitive supplier development programmes and the investment in social upliftment programmes of targeted groups through Corporate Social Investment programmes

5. Review of financial position

The Group realised a net profit of R1,032 million (2012: R1,816 million profit) for the year under review. Revenue was particularly high at R20,197 million (2012: R 14,988 million).

The Group recorded a pre-tax profit R995 million, which reflects a decrease on the prior year profit of R1,807 million. In the previous financial year Brass Exploration Unlimited, PetroSA Nigeria and CCE Solutions (Pty) Limited were classified as discontinued operations. Revenue is higher mainly due to the higher crude oil price and an increase in crude and finished products trading.

The group statement of financial position remains strong with total assets of R43,855 million (2012: R35,648 million). A cash balance of R13,073 million (2012: R19,145 million) reflects the Group's strong net cash position. The reduction in cash is testimony to the capital expansion program which includes the Ikhwezi offshore development project and the acquisition of a stake in the Jubilee field in Ghana. Various options are also being explored in conjunction with the funding community to optimise our currently low-geared Statement of Financial Position as the organisation embarks on significant capital expansion programs in the short-to-medium term.

Directors' Report (continued)

The increase in non-current liabilities is due to the updated abandonment study that was finalised in the current year. Other Group operating costs have a negative variance of R184 million (2012: R179 million positive variance). The main reason is due to a reduction in expenditure in Equatorial Guinea by R300 million as no drilling occurred in the current year as well as a VAT liability from the previous year which was reversed. This position will be significantly reduced in the coming year due to an aggressive capital expansion program which includes the Ikhwezi offshore development project and the acquisition of a stake in the Jubilee field in Ghana.

6. Authorised and issued share capital

There were neither changes in the authorised nor issued share capital of the Group during the year under review.

Details of the share capital of the company are set out in note 16 to the annual financial statements.

7. Irreglar, Fruitless and Wasteful expenditure

The Directors are not aware of any irregular, fruitless and wasteful expenditure which has been incurred during the year under review other than that disclosed in note 46 of the annual financial statements.

8. Going concern

The directors believe that the group will continue as a going concern in the year ahead.

9. Operating results

The results of the Group and the state of its affairs are set out in the attached Group annual financial statements and do not, in our opinion, require further comment.

Revenue	**Group**			**Company**		
	% Change	**2013 R'000**	**2012 R'000 Restated**	**% Change**	**2013 R'000**	**2012 R'000 Restated**
Sale of goods	42%	19,718,782	13,904,248	- %	-	-
Tank rentals	(60)%	148,938	376,583	- %	-	-
Interest received (trading)	(79)%	22	105	(79)%	22	105
Property rental income	284%	20,747	5,398	- %	-	-
Verification income	955%	4,442	421	- %	-	-
Rendering of services	(57)%	303,919	701,421	(30)%	16,895	24,248
Gross Revenue	35%	20,196,850	14,988,176	(31)%	16,917	24,353

Revenue increased from R14,988 million to R20,197 million due to higher crude oil price and an increase in crude and finished products trading.

Profit for the year from continuing operations	**Group**			**Company**		
	% Change	**2013 R'000**	**2012 R'000 Restated**	**% Change**	**2013 R'000**	**2012 R'000 Restated**
Profit before taxation	(47)%	995,163	1,806,507	(55)%	67,658	148,849
Taxation	336%	37,329	9,885	94%	(19,162)	(25,771)
	45%	1,032,492	1,816,392	(61)%	48,496	123,078

Directors' Report (continued)

The Group reported a profit after taxation from continuing operations of R1,032 million (2012: R1,816 million).

The company reported a net profit of R48 million (2012: R120 million) which resulted from the impairment of loans to subsidiaries which amounted to R17 million (2012: R64 million). The loans are impaired until the subsidiaries are able to become profitable and self-sustainable.

PetroSA

The PetroSA group achieved a net profit of R593 million (2012: R1,282 million) for the year under review. Sales revenues were higher at R19,677 million (2012: R14,444 million) mainly due to the decrease in gross profit and mainly due to the smaller margins realised from purchased products, a decrease in manufactured product volumes and a decrease in crude oil sales.

Although other operating income increased, the higher operating expenses of R1,958 million (2012: R1,675 million) resulted in lower profit from operations than the prior year. The main reason for this can be attributed to the impairment of the Statoil investment of R360 million. The majority of the divisions reported savings for the year. The business is going through several challenges impacting its operating environment. These include highly volatile economic conditions and creeping costs which have forced the business to review its operating model. Further contributing factors to the reduced net profit are the lower investment income, affected by the major cash outflows required for Project Ikhwezi and the acquisition of Sabre Oil and Gas Holdings Limited (Sabre) plus higher finance costs, which were also affected by the acquisition of Sabre and the increased shareholding in the South Coast Gas joint venture.

The PetroSA Group's financial position remains strong with total assets of R34,233 million (2012: R26,487 million). The increase in assets is the result of the Sabre acquisition. A cash balance of R7,444 million (2012: R12,849 million) and a short term loan of R2 million (nil in 2012) reflects the Group's strong net cash position at year-end. The reduction in cash is testimony to the capital expansion program which includes the Ikhwezi offshore development project and the acquisition of a stake in the Jubilee field in Ghana. Various options are also being explored in conjunction with the funding community to optimise our currently low-geared Statement of Financial Position as the organisation embarks on significant capital expansion programs in the short-to-medium term.

The PetroSA Group structure has remained relatively stable and is mostly driven by the company's pursuit of exploration and production opportunities in Africa and elsewhere in line with the company's objectives. The companies within the Group are subsidiaries whose existence is driven by business needs.

Following PetroSA's decision to sell its 100% shareholding in a Nigerian registered company, Brass Exploration Unlimited (BEU), a Sale and Purchase agreement was signed on condition that PetroSA and one of its subsidiaries, PetroSA Brass would sell their respective shareholding in PetroSA Nigeria. The sale of BEU and PetroSA Nigeria was closed on 22 February 2011 and 17 October 2011, respectively. In June 2011, MoniPulo Limited (MPL), instituted a civil suit in the Federal High Court in Lagos, Nigeria, aimed at undoing the sale to the purchaser. Judgment was handed down on 7 May 2012, which failed to provide a definitive ruling on the validity of the sale and purchase agreement. On 19 December 2012, MPL and CAMAC filed their notices of discontinuances in respect of their appeals and cross-appeals respectively. This paved the way for the final settlement of the matter between the parties. PetroSA has presented both CAMAC and MPL with executed versions of the various settlement agreements and awaits the receipt of those parties' executed originals.

PetroSA entered into a share purchase agreement in December 2011 for the acquisition of 100% of the equity shares in Sabre Oil & Gas Holdings (BVI) (Sabre) with the effective date 1 January 2012. The purchase price is USD500 million, with an additional USD65 million contingent upon achieving certain performance milestones. Sabre participates in two petroleum agreements, namely Deep Water Tano and West Cape Three Points. These assets straddle a producing oil and gas field in Ghana, namely the Jubilee field. Conditions precedent were met in the current year and accounted for accordingly.

On 21 February 2012, the PetroSA Board approved the integration of the South African Gas and Development Company (SOC) Ltd (iGas) business into PetroSA. The Board resolved to approve the sale of iGas as a going concern to PetroSA in exchange for nominal consideration (in terms of section 45 of the Income Tax Act), being the net book value. On 14 November 2012 the CEF Board considered the disposal and resolved that iGas be sold at net fair value. The transfer of the iGas business is to be effected from 1 April 2013.

Directors' Report (continued)

In March 2012, PetroSA signed an asset purchase agreement for Pioneer Natural Resources (Pty) Ltd's (PNR) 45% participation in the South Coast Gas joint venture. PetroSA paid a USD60 million consideration, and PNR paid to PetroSA USD8 million in settlement of the gas sales metering dispute. The effective date of the transaction is 1 January 2012. Conditions precedent were met in the current financial year and accounted for accordingly.

PetroSA Equatorial Guinea holds a 75% participating interest in Block Q in Equatorial Guinea. The remaining 25% of the participating interest is held by GEPetrol, the Equatorial Guinea's National Oil Company. A process to divest 55% participating interest and operatorship in Block Q to a suitable company is currently in progress. The expiry date for the licence has been extended to 13 July 2014 in order for PetroSA Equatorial Guinea, together with a partner, to progress the Block Q work programme.

PetroSA was a joint partner in the PetroWorld joint venture. In December 2006 PetroSA requested the termination of PetroWorld. Due to various reasons, the termination was delayed and on 9 May 2012, TransWorld, the joint venture partner, sent a letter of demand to PetroSA for payment of joint venture costs amounting to USD4,8 million. After settlement negotiations the payment was reduced to USD1.5 million was payable by 28 April 2013.

SANERI

The National Energy Act of 2008 makes provision for the establishment of SANEDI (South African National Energy Development Institute), a new entity which includes SANERI and NEEA. The Government Gazette dated 31 December 2010 indicated that SANEDI was listed as a Schedule 3 (A) entity with effect from 1 April 2010. On 18 March 2011, the President of the Republic assented to Chapter 4 of the Energy Act which in essence stipulates that SANEDI is to be operational with effect from 1 April 2011. SANERI, which is a Schedule 2 (A) company is in the process of being wound up and the new company SANEDI incorporated. It is Government's vision though that SANEDI will be an independent entity outside of the CEF group of Companies.

SANERI has applied for a VAT ruling from SARS on whether SANERI should be exempt from VAT, given the current establishment of SANEDI as a Schedule 3A public entity. A ruling is expected to be obtained during mid July 2013. Once the VAT matter has been resolved, SANERI will then commence the process of winding-up the company.

South African Gas Development Company

The Directors note that CEF has been requested by the Minister of Energy to merge iGas with PetroSA. This merger will be completed early in the next financial year. There are currently loans in place with CEF. The company reported a net profit of R79 million (2012: : R70 million).

African Exploration Mining and Finance Corporation

In early December 2010, Cabinet made a decision declaring AEMFC as a state owned mining company that will be a stand-alone company reporting to the Department of Mineral Resources (DMR). The Department of Energy (DoE) and DMR are working together to allow for a smooth transition of AEMFC from the CEF Group to the DMR. The modalities of the hiving off of the company from the CEF Group, although delayed since the first announcement, are currently being worked out with all the affected stakeholders.

The company has made a net profit of R71,2 million and a gross profit of 47% in the current year. This is an improvement from the loss of R22.8 million in the prior year. The prior year audited results showed a loss of R48 million, but due to the prior year adjustments on environmental rehabilitation provision the actual loss was R22,8 million. Total assets increased to R323 million mainly due to the increase in exploration assets. Cash and cash equivalents increased dramatically due to operating activities.

The prior year financial statements were restated due to the Royalty Income of R13,8 million, impairment of the capitalised exploration expenditure of R9,3 million and depreciation for the work in progress asset that was completed in the prior year of R1,6 million. The net effect on the net loss was a decrease of R2,9 million which resulted into the net loss for the prior year of R45,9 million. The net effect on the total assets was an increase of R2.6 million which resulted to the total assets of R212,4 million.

Total sales for the year amounted to 1.6 million tonnes against an expectation of 1.1 million tonnes. The remainder of the sales constitute 5 seam coal sales and low quality coal sales to domestic customers who use the coal for blending purposes. The mine has a contract with Eskom until July 2014 in anticipation of future supplies to the Kusile power station start up. Supply will then be switched to Kusile power station once it's in operation.

Directors' Report (continued)

SFF Association

During the 2012 financial year, the crude oil market experienced some difficulties due to the backwardation and resulted in a significant drop in storage rental income. The company reported a net profit of R154 million (2012: R400 million).

The Minister of Energy issued a Directive authorising the acquisition of diesel for the National Multi Product Pipeline (NMPP). The total volume of diesel acquired is 154,744,400 litres, valued at R1,049 billion. The stock is managed by Transnet on behalf of SFF.

OPC

As of 26 October 2012, a Ministerial Directive was issued in terms of Section 54(2) of the Public Finance Management Act (PFMA) to transfer staff and assets of OPC to SFF. Due to the legal and administrative processes not being finalised yet, the transfer of assets had not been finalised as at 31 March 2013. The company reported a net profit of R9,3 million (2012: R8 million).

ETA Energy

ETA Energy (SOC) Limited's long term objective is to develop projects categorised in two main areas, renewable energy (RE) generation and energy efficiency (EE), as well as hybrids thereof, such as solar water heating (both roll-outs and supporting local manufacturing).

The company's net loss for the year ended 31 March 2012 is R1.5 million (2012: R3,1 million) and as of that date the company's total liabilities exceeded its total assets by R15,9 million (2012: R14,5 million). CEF (SOC) Limited has undertaken to subordinate its loan to the company in favour of external creditors until such time that the company's assets fairly valued, exceed its liabilities. The Directors believe that the entity will continue as a going concern in the year ahead, based on forecasts and available cash resources. The viability of the entity is further supported by the approved budget for 2013.

SASDA

The entity incurred a net loss for the financial year of R15 million (2012: R18 million). The entity's total liabilities exceed its total assets by R58,4 million (2012: R43,7 million). The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the operations of the company and that the subordination agreement will remain in force for so long as it takes to restore the solvency of the company.

CEF (SOC) Ltd has been going through a restructuring process and SASDA as a subsidiary was profoundly affected. The Board decided that SASDA should concentrate on its primary mandate of developing suppliers and thus divest from the verification business. The verification unit was discontinued at 31 March 2013.

Carbon Stream Africa

The company incurred a net loss for the financial year of R0,01 million (2012: R1,2 million) and as of that date the company total liabilities exceeded its total assets by R2,3 million (2012: R2,2 million). CEF procured the outstanding Greenstream shares for a nominal Euro1 and will then determine how to mange the entity in the future. The liquidation basis has been adopted in preparing the annual financial statements.

CEF Carbon

The company incurred a net loss for the financial year of R0,037 million (2012: R3,3 million) and as of that date the company total liabilities exceeded its total assets by R15,4 million (2012: R15,4 million). The liquidation basis has been adopted in preparing the annual financial statements.

CCE Solutions

The entity has spent R81,7 million on the George wood waste plant project to date. This consists of shareholders contribution of R34 million and CEF (SOC) Limited loan of R47,7 million. Assets and liabilities have been classified under discontinued operations. The liquidation basis has been adopted in preparing the annual financial statements.

Directors' Report (continued)

PASA

The Directors believe that the company will continue as a going concern in the year ahead. However, the company has budgeted to fund future operations from cash reserves. These reserves will be sufficient to fund operations for at least a further three years, after which the company will need to obtain funding from the State as provided for in the MPRDA. The company may be adversely affected by amendments to the MPRDA which propose that certain functions currently performed by PASA should be relocated to the Department of Mineral Resources.

The entity reported a net profit for the financial year of R20 million (2012: R56 million). Ongoing production rentals, good data sales and the focus on cost saving resulted in the Agency generating a profit of R8.9 million against a budgeted loss of R69.4 million. The entity's financial position remains strong with total assets of R378 million (2012: : R358 million). A cash balance of R319 million (2012: R313 million).

The company also administers the Extended Continental Shelf Claim Project in terms of a Ministerial Directive. Under the administration of PASA the Upstream Training Trust continued to provide bursaries to students and to contribute monies to various approved and industry related projects.

10. Materiality and significance framework

A materiality and significance framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA that requires ministerial approval. The framework was finalised after consultation with the external auditors and has been formally approved by the board.

11. Subsequent events

CCE

A settlement agreement was reached with the supplier of the equipment amounted to R12 million, this amount included interest and costs in respect of the arbitration proceedings and the supplier shall have no further claims against CCE or CEF.

ETA Energy

An additional twenty percent of the deposits of the carbon credit funds (R9,2 million) received from the Ministry of Foreign Affairs of Finland was paid back in April 2013.

Carbon Stream Africa

Confirmation was received from the Norwegians on 9 July 2013 that the unspent CSA funds of R0,113 million should be refunded to them during the 2014 financial year, as the project has been closed.

Conclusion

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements which significantly affect the financial position of the company or the results of the operations.

12. Other activities administered by CEF

Equalisation Fund

The statutory fund is regulated by Ministerial Directives issued by the Minister of Energy in concurrence with the Minister of Finance as laid down by the Central Energy Fund Act. The company provides treasury, administrative and accounting services to the Fund.

Mine Health and Safety Council

CEF manages some of the cash resources of the Council.

13. Shareholder

The company is controlled by the Department of Energy. All shares are held by the State and are not transferable. This shareholding is in terms of the Central Energy Fund Act.

Directors' Report (continued)

14. CEF Group Challenges

The CEF group challenges experienced in the current financial year and anticipated in the years ahead include:

- The role of CEF needs to be redefined by the shareholder with respect to renewable energy activities.
- CEF group portfolios have increased over the years putting pressure on cash reserves and resulting in a situation where the Group will have to secure external funding.
- With the increase in the portfolios the Group will require additional specialist skills.
- A number of new projects within PetroSA to improve feedstock reserves will need to be successfully completed given the declining gas reserves at Mossel Bay.

15. Investigation

The Minister of Energy instructed the CEF Board to conduct an investigation into the robustness of the procurement systems among Group companies. The investigation uncovered irregularities at PetroSA. The investigation has been completed and a final report submitted to the Minister.

16. Litigations

PetroSA

There are claims against the entity amounting to an estimated R163 million in a number of cases, settlement of which will be finalised depending on the outcome of the cases.

SFF

SFF lodged an application in the High Court for a review and an order setting aside a decision made by the City of Cape Town Municipality to approve a disputed development adjacent to its plant. The reason for the application was to prevent the development of a portion of land which falls in the “separation distance” directly adjacent to the tank farm. Judgement was granted against SFF with costs.

There is also imminent litigation for a claim by SFF from a customer for outstanding cargo dues in respect of the handling and storage of crude oil, under the Storage Agreements for Tanks 2, 5 and 6 at the Saldanha Storage Terminal, and Tanks CT13, CT17, CT23, CT5 and CT6 at the Milnerton Storage Terminal. Lawyers have been engaged to deal with this matter.

There is also claim by a customer for undelivered crude oil and damages, as a result of SFF failing to transfer outstanding crude oil following the expiry of a storage agreement.

Mineral rights were granted by the Department of Mineral Resources (DMR) to a third party and SFF over the same portion of land around the Ogies facility. The third party has brought a High Court application for the review of the decision by DMR and judgement was granted in the third party's favour. An application for leave to appeal by African Exploration on behalf or SFF was refused.

CCE

An Arbitration Notice dated 09 July 2012, was received by CEF (SOC) Limited's legal department, wherein a supplier of CCE is claiming a sum of R15,6 million (excluding VAT) from CCE/CEF. This resulted from a breach of contract by CCE, this matter has now been settled and there is no further claim against CCE or CEF.

Dr S Mthembi-Mahanyele

Chairperson

Johannesburg

29 July 2013

Mr R Boqo

Non-Executive director

Materiality and Significance Framework

Materiality and Significant Framework

For purposes of materiality (as per PFMA sections 50(1) and 55(2)) and significance (as per PFMA section 54(2)) the following framework of acceptable levels were agreed with the Executive Authority in consultation with the Auditor General:

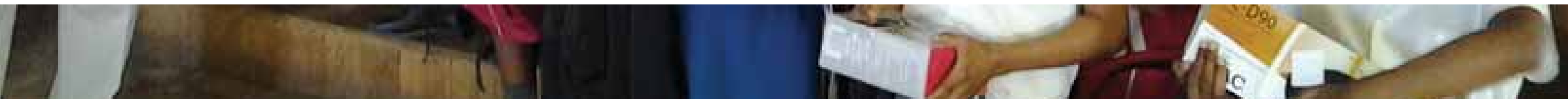
- Section 50(1) - Material facts to be disclosed to the Minister of Energy are considered to be facts that may influence the decisions or actions of the Stakeholders of the Public Entity or the group of companies.
- Section 55(2) - Disclosure of material losses in the annual financial statements will be for all losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year.
- Section 54 (2) - The criteria to determine the level of significance was based upon the guiding principles as set out in the “Practice Note on applications under Section 54 of the PFMA no 1 of 1999 (as amended) by Public Entities” as published by National Treasury during 2006. The significant rand level was determined as being 2% of Total Assets as follows:

APPROVAL LEVELS IN TERMS OF SECTION 54

	CEF Group	PetroSA	iGas	PASA	SFF	OPC	AE
	R ‘000	**R ‘000**	**R ‘000**	**R ‘000**	**R ‘000**	**R ‘000**	**R ‘000**
Public Entity’s board approval levels	<R671 000	<R500 000	<R35 000	<R6 188	<R90 719	<R545	<R2 094
CEF Board to approve	<R671 000	>R500000	>R35 000	>R6 188	<R90 719	<R545	<R2 094
and		<R655 000	<R655 000	<R655 000	<R655 000	<R655 000	<R655 000
Obtain DME approval and inform National Treasury via the top-most holding company	>R671 000						

Statement of Financial Position

Schools in Prieska, Northern Cape, participated in a renewable energy awareness programme presented by CEF.



Statement of Financial Position

For the year ended 31 March

	Note(s)	Group 2013 R '000	Group 2012 R '000 Restated	Company 2013 R '000	Company 2012 R '000 Restated
Assets					
Non-Current Assets					
Property, plant and equipment	2	15,090,067	6,917,939	79,162	85,290
Intangible assets	3	2,133,178	30,921	1,374	2,787
Assets pending determination	4	42,430	35,830	-	-
Deferred tax	5	5,257	17	5,257	17
Investments in subsidiaries	6	-	-	3,482,597	3,573,720
Investments in associates	7	820,529	756,188	56,913	56,913
Other financial assets	9	215,306	192,659	-	7,062
Strategic inventory	11	3,126,074	3,101,842	-	-
Finance lease receivables	10	2,770	3,906	-	-
		21,435,611	**11,039,302**	**3,625,303**	**3,725,789**
Current Assets					
Inventories	12	3,052,384	2,591,028	-	-
Other financial assets	9	2,594,000	-	-	-
Current tax receivable	31	22,524	26,786	-	-
Finance lease receivables	10	815	848	-	-
Trade and other receivables	13	3,676,192	2,843,887	32,933	37,323
Cash and cash equivalents	14	13,073,314	19,144,932	3,743,175	3,610,552
		22,419,229	**24,607,481**	**3,776,108**	**3,647,875**
Assets of disposal groups	15	-	1,598	-	-
Total Assets		**43,854,840**	**35,648,381**	**7,401,411**	**7,373,664**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	16	-	-	-	-
Reserves		146,419	56,107	-	-
Retained income		27,379,009	26,347,164	6,326,305	6,277,809
		27,525,428	26,403,271	6,326,305	6,277,809
Non-controlling interest		12,653	12,963	-	-
		27,538,081	**26,416,234**	**6,326,305**	**6,277,809**

Statement of Financial Position (continued)

For the year ended 31 March

		Group		Company	
		2013	2012	2013	2012
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Liabilities					
Non-Current Liabilities					
Loans from group companies	8	-	-	987,077	973,777
Deferred income	23	10,014	11,823	9,977	11,805
Deferred tax	5	1,744,235	460	460	460
Provisions	19	8,547,811	6,191,807	-	-
		10,302,060	**6,204,090**	**997,514**	**986,042**
Current Liabilities					
Other financial liabilities	17	2,037,200	-	-	-
Current tax payable	31	22,218	13,663	14,805	9,135
Unearned finance income	18	855	1,069	-	-
Operating lease liability		920	1,164	-	-
Trade and other payables	22	3,540,951	2,491,630	49,837	85,293
Deferred income	23	291	1,444	178	269
Provisions	19	317,156	424,066	12,772	15,116
Retention	21	890	890	-	-
		5,920,481	**2,933,926**	**77,592**	**109,813**
Liabilities of disposal groups	15	94,218	94,131	-	-
Total Liabilities		**16,316,759**	**9,232,147**	**1,075,106**	**1,095,855**
Total Equity and Liabilities		**43,854,840**	**35,648,381**	**7,401,411**	**7,373,664**

Statement of Comprehensive Income

Statement of Comprehensive Income

For the year ended 31 March

		Group		Company	
		2013	2012	2013	2012
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Continuing operations					
Revenue	24	20,196,850	14,988,176	16,917	24,353
Cost of sales	25	(17,979,597)	(11,965,889)	-	-
Gross profit		**2,217,253**	**3,022,287**	**16,917**	**24,353**
Other income		819,362	126,689	6,346	4,658
Operating expenses		(2,358,603)	(2,175,435)	(113,638)	(49,876)
Operating Profit / (Loss)	26	**678,012**	**973,541**	**(90,375)**	**(20,865)**
Investment income	28	1,037,056	1,231,680	212,242	232,956
Income from equity accounted investments		159,201	103,794	-	-
Finance costs	30	(879,106)	(502,508)	(54,209)	(66,242)
Profit / (Loss) before taxation		**995,163**	**1,806,507**	**67,658**	**145,849**
Taxation	31	37,329	9,885	(19,162)	(25,771)
Profit / (Loss) from continuing operations		**1,032,492**	**1,816,392**	**48,496**	**120,078**
Discontinued operations					
Loss for the year from discontinued operations	15	(957)	(2,223)	-	-
Profit / (Loss) for the year		**1,031,535**	**1,814,169**	**48,496**	**120,078**
Other comprehensive income:					
Exchange differences on translating foreign operations		90,534	91,675	-	-
Available-for-sale financial assets adjustments		(222)	(5,033)	-	-
Other comprehensive income for the year net of taxation		**90,312**	**86,642**	**-**	**-**
Total comprehensive income / (loss)		**1,121,847**	**1,900,811**	**48,496**	**120,078**

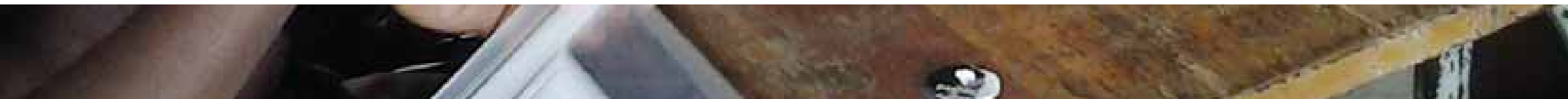
Statement of Comprehensive Income

For the year ended 31 March

		Group		Company	
		2013	2012	2013	2012
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Profit attributable to:					
Owners of the parent:					
Profit for the year from continuing operations		1,032,802	1,817,197	48,496	120,078
Profit for the year from discontinued operations	15	(957)	(2,223)	-	-
Profit / (Loss) for the year attributable to owners of the parent		**1,031,845**	**1,814,974**	**48,496**	**120,078**
Non-controlling interest:					
Profit / (Loss) for the year from continuing operations		(310)	(805)	-	-
Total comprehensive Income / (Loss) attributable to:					
Owners of the parent		1,031,845	1,814,974	48,496	120,078
Non-controlling interest		(310)	(805)	-	-
		1,031,535	**1,814,169**	**48,496**	**120,078**

Statement of Changes in Equity

CEF has embarked on a programme to donate solar-powered lamps to learners in rural areas, as part of the company's drive to create awareness and promote the uptake of renewable energy technologies. Learners at Magongolo Primary School in the Ndwendwe area in KwaZulu-Natal are assembling their lamps.



Statement of Changes in Equity

For the year ended 31 March

	Foreign currency translation reserve	Fair value adjustment assets-available-for-sale reserve	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Group								
Balance at 01 April 2011	**(46,918)**	**(45)**	**-**	**(46,963)**	**24,532,190**	**24,485,227**	**13,768**	**24,498,995**
Changes in equity								
Total comprehensive income for the year	91,675	(5,033)	16,428	103,070	1,814,974	1,918,044	(805)	1,917,239
Total changes	91,675	(5,033)	16,428	103,070	1,814,974	1,918,044	(805)	1,917,239
Balance at 01 April 2011 restated	**44,757**	**(5,078)**	**16,428**	**56,107**	**26,347,164**	**26,403,271**	**12,963**	**26,416,234**
Changes in equity								
Total comprehensive income for the year	90,534	(222)	-	90,312	1,031,845	1,122,157	(310)	1,121,847
Total changes	90,534	(222)	-	90,312	1,031,845	1,122,157	(310)	1,121,847
Balance at 31 March 2013	**135,291**	**(5,300)**	**16,428**	**146,419**	**27,379,009**	**27,525,428**	**12,653**	**27,538,081**

Note(s)

Statement of Changes in Equity (continued)

For the year ended 31 March

	Foreign currency translation reserve	Fair value adjustment assets-available-for-sale reserve	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Company								
Balance at 01 April 2011	**-**	**-**	**-**	**-**	**6,157,731**	**6,157,731**	**-**	**6,157,731**
Changes in equity								
Total comprehensive income for the year	-	-	-	-	120,078	120,078	-	120,078
Total changes	-	-	-	-	120,078	120,078	-	120,078
Balance at 01 April 2012	**-**	**-**	**-**	**-**	**6,277,809**	**6,277,809**	**-**	**6,277,809**
Changes in equity								
Total comprehensive income for the year	-	-	-	-	48,496	48,496	-	48,496
Total changes	-	-	-	-	48,496	48,496	-	48,496
Balance at 31 March 2013	**-**	**-**	**-**	**-**	**6,326,305**	**6,326,305**	**-**	**6,326,305**

Note(s)

Statement of Cash Flows

CEF supports and participates in the Take A Girl Child To Work initiative.

Statement of Cash Flows

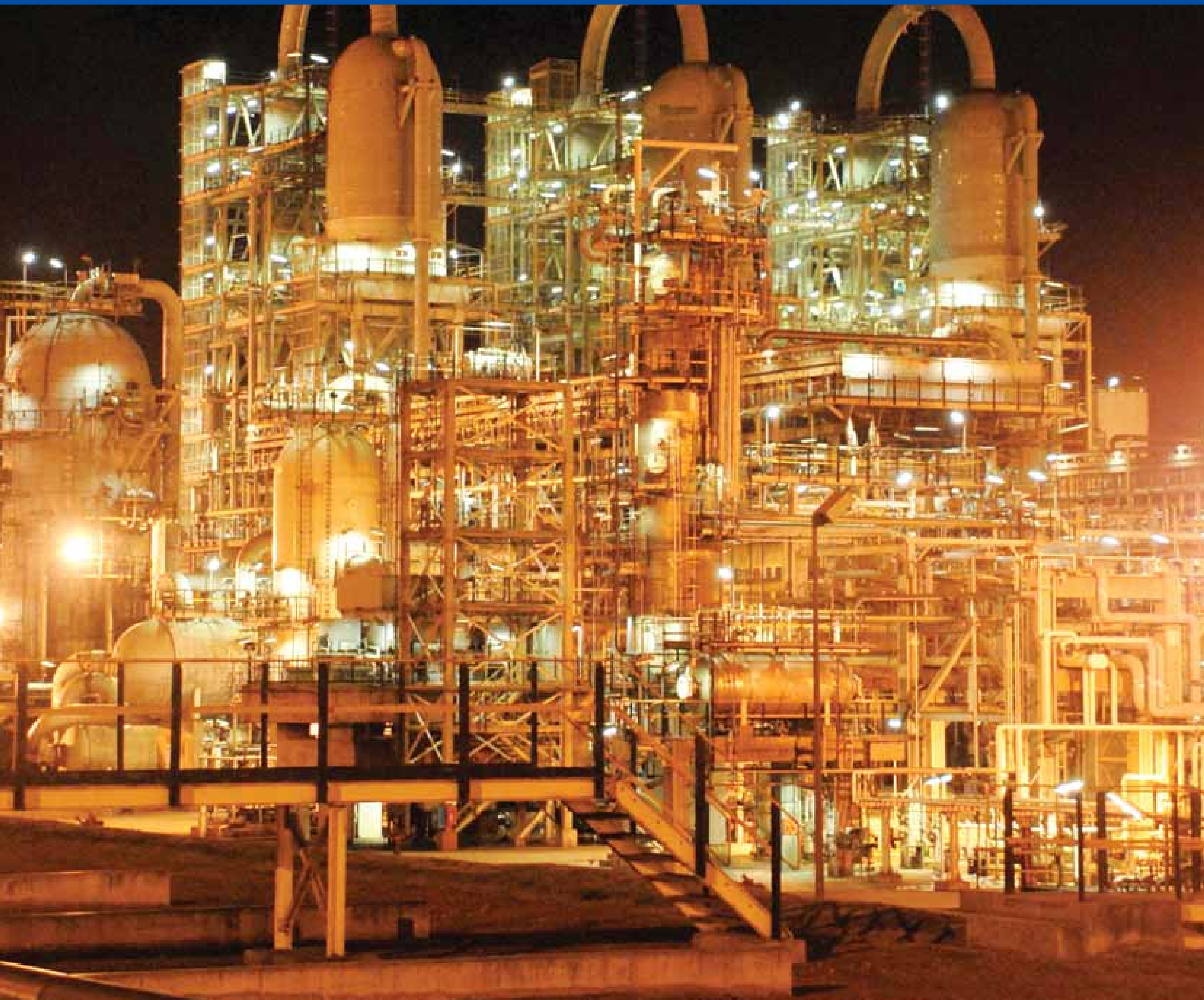
For the year ended 31 March 2013

		Group		Company	
		2013	2012	2013	2012
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Cash flows from operating activities					
Cash generated / (utilised) by operations	33	5,682,688	887,416	(100,744)	(25,289)
Interest income		1,037,056	1,178,624	212,242	232,956
Dividends received		-	-	-	-
Finance costs		(879,106)	(477,349)	(54,209)	(66,248)
Tax received (paid)	35	50,146	386,073	(18,732)	(7,593)
Cash flows of held for sale / discontinued operations	36	728	446,474	-	-
Net cash from operating activities		**5,891,512**	**2,421,238**	**38,557**	**133,826**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(9,216,454)	(708,007)	(772)	(1,067)
Sale of property, plant and equipment	2	173	705	10	146
Purchase of other intangible assets	3	(2,097,415)	(16,287)	(115)	(860)
Sale of other intangible assets	3	-	2	-	-
Investments in associates		(64,342)	(15,962)	-	(3,534)
Investments in subsidiaries		-	-	87,881	(94,114)
Sale/(purchase) of financial assets		(2,616,647)	235,122	7,062	362,244
Purchase of assets pending determination		(6,600)	(3,020)	-	-
Net cash from investing activities		**(14,001,285)**	**(507,447)**	**94,066**	**262,815**

Statement of Cash Flows (continued)

For the year ended 31 March 2013

		Group		Company	
		2013	2012	2013	2012
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Cash flows from financing activities					
Repayment of other financial liabilities		2,037,200	(263,274)	-	(263,274)
Movement in retention		-	890	-	-
Movement in third party funds		-	(34,725)	-	-
Finance lease payments		(214)	1,001	-	-
Finance lease receipts		1,169	(4,483)	-	-
Net cash from financing activities		**2,038,155**	**(300,591)**	**-**	**(263,274)**
Cash and cash equivalents movement for the year		**(6,071,618)**	**1,613,200**	**132,623**	**133,367**
Cash and cash equivalents at the beginning of the year		19,144,932	17,531,732	3,610,552	3,477,185
Cash and cash equivalents at end of the year	14	**13,073,314**	**19,144,932**	**3,743,175**	**3,610,552**



Accounting Policies

Accounting Policies

1. Presentation of annual financial statements

The following are the principal accounting policies of the group which are, in all material respects, consistent with those of the previous year, except as otherwise indicated:

1.1 Basis of preparation

The consolidated annual financial statements are prepared under the historical cost basis, except where otherwise specified.

The consolidated annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the Companies Act of 2008.

These annual financial statements are presented in South African Rands. Rounding is to the nearest Rand in thousands. The consolidated financial statements are prepared on the going concern basis.

1.2 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the entity and enterprises controlled by the entity at 31 March each year.

Control is achieved where the entity has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the annual financial statements of subsidiaries to bring the accounting policies used in line with the group accounting policies.

The most recent audited annual financial statements of associates, joint ventures and subsidiaries are used where available, which are all within three months of the year-end of the group. Adjustments are made to the financial results for material transactions and events in the intervening period. Losses in excess of the group's interest are not recognised unless there is a binding obligation to contribute to the losses.

Company financial statements

Investments in subsidiaries, associates and joint ventures in the financial statements presented by the company are recognised at cost, except where there is a permanent decline in the value in which case they are written down to fair value.

Consolidated financial statements

Business combinations

Subsidiaries are entities controlled by the holding company. The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the company and all entities controlled by the company as if they are a single economic entity.

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- The fair values of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquire; plus If the business combination is achieved in stages, the fair value of pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Accounting Policies (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Interest in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity.

Investments in associates are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

Accounting Policies (continued)

The results and assets and liabilities of associates are incorporated in the financial statements by using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 (AC 142): Non-current Assets Held for Sale and Discontinued Operations.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Interest in joint ventures

A joint venture is a contractual agreement between two or more parties to undertake an economic activity, which is under joint control. This is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 (AC 142): *Non-current Assets Held for Sale and Discontinued Operations*. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.3 Translation of foreign currencies

Transactions

Foreign currency transactions are recognised, initially in Rand by applying the foreign currency amount to the exchange rate between the Rand and the foreign currency at the date of the transaction, and is restated at each reporting date by using the ruling exchange rate at that date.

Accounting Policies (continued)

Statement of Financial Position

At each reporting date:

- foreign currency monetary items are measured using the closing rate;
- non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and
- non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting a company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous annual financial statements, are recognised as income or expenses in the period in which they arise. Exchange differences are capitalised where they relate to the purchase or construction of property, plant and equipment.

Foreign entities

In translating the financial statements of a foreign entity for incorporation in the group financial statements, the following is applied:

(a) The assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing exchange rate at the financial year end date.

(b) Income and expense items of the foreign entity are translated at the weighted average rates of exchange for the year.

(c) All resulting exchange differences are taken directly to the foreign currency translation reserve which is classified as a non-distributable reserve. On disposal the related amount in this reserve will be recognised in profit or loss.

1.4 Comparative figures

Comparative figures are restated in the event of a change in accounting policy or prior period error.

1.5 Property, plant and equipment

Property, plant and equipment represent tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Carrying amounts

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost

Cost includes all costs directly attributable to bringing the assets to the working condition for their intended use. Improvements are capitalised. Maintenance, repairs and renewals which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

Finance costs directly associated with the construction or acquisition of major assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of borrowings is utilised.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use.

Accounting Policies (continued)

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount.

The gain or losses arising from derecognition of an item of property, plant and equipment is included in profit or loss. Gains on disposal will not be classified as revenue.

Depreciation

Depreciation is charged so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives to estimated residual values, using the straight line method to write off the cost of each asset that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The useful lives of the assets are reviewed annually.

The following methods and rates are used during the year to depreciate property, plant and equipment to estimated residual values:

Item	Average useful life
Land	Not depreciated
Buildings and tank farms	5 - 40 years
Production assets	units of production
Plant and equipment	3 - 8 years
Furniture, fittings and communication equipment	3 - 15 years
Motor vehicles	4 - 12 years
Office equipment	6 - 10years
Computer equipment	3 - 5 years
Shutdown costs	3 - 5 years
Drilling rig	13 year
Fire fighting, security and operating equipment	5-10 years
Laboratory and pharmaceutical equipment	5 years
Oil pollution equipment	5-20 years

An exception is made for production assets and restoration costs, where the units of production method is used to calculate depreciation. Reference to the supplementary reserves disclosure can be made for more information on the reserves used.

Improvements to leased premises are written off over the period of the lease.

The methods of depreciation, useful lives and residual values are reviewed annually.

Production assets (oil and gas fields)

Oil and gas production assets are the aggregated exploration and evaluation tangible assets, and development expenditure associated with the production of proved reserves.

Subsequent expenditure which enhances or extends the performance of oil and gas production assets beyond their original specifications is recognised as capital expenditure and added to the original cost of the asset.

Production assets are depreciated over their expected useful lives. This applies from the date production commences, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the end of the period plus the production in the period, on a field-by-field basis. Units of production rates are based on the proved and probable developed reserves, which are oil, gas and other mineral reserves estimated to be recoverable from existing facilities using current operating methods.

Accounting Policies (continued)

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash generating unit for impairment purposes.

Any impairment identified is charged to the Statement of Comprehensive Income as additional depreciation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation that would have been charged since the impairment.

Restoration costs

Cost of property, plant and equipment also includes the estimated costs of dismantling and removing the assets and site rehabilitation costs.

Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. Provision is made for all net estimated abandonment costs as soon as an obligation to rehabilitate the area exists, based on the present value of the future estimated costs. These costs are deferred and are depreciated over the useful life of the assets to which they relate using the unit of production method based on the same reserve quantities as are used for the calculation of depletion of oil and gas production assets.

The amount recognised is the estimated cost of restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the restoration provision is included as a finance cost.

1.6 Assets pending determination

The "successful efforts" method is used to account for natural oil and gas exploration, evaluation and development activities.

Pre-licensing cost

These are costs incurred prior to the acquisition of a legal right to explore for oil and gas. They may include speculative seismic data and subsequent geological and geophysical analysis of this data, but may not be exclusive to such costs. If such analysis suggests the presence of reserves, then the costs are capitalised to an identified structure (field or reservoir). However, if the analysis is not definitive then these costs are expensed in the year they are incurred.

Exploration and evaluation costs

All costs relating to the acquisition of licenses, exploration and evaluation of a well, field or exploration area are initially capitalised. Directly attributable administration costs and interest payable are capitalised insofar as they relate to specific development activities.

These costs are then written off as exploration costs in the Statement of Comprehensive Income unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Assets pending determination

Exploratory wells that discover potentially commercial reserves are capitalised pending a decision to further develop or a firm plan to develop has been approved. These wells may remain capitalised for three years. If no such plan or development exists or information is obtained that raises doubt about the economic or operating viability then these costs will be recognised in the profit or loss of that year. If a plan or intention to further develop these wells or fields exists, the costs are transferred to development costs.

Accounting Policies (continued)

Development costs

Costs of development wells, platforms, well equipment and attendant production facilities are capitalised. The cost of production facilities capitalised includes finance costs incurred until the production facility is completed and ready for the start of the production phase. All development wells are not depreciated until production starts and then they are depreciated on the Units of Production method calculated using the estimated proved and probable reserves.

Dry wells

Geological and geophysical costs, as well as all other costs relating to dry exploratory wells costs are recognised in the profit and loss in the year they are incurred.

Coal mining

Expenditure on producing mines or development properties is capitalised when excavation or drilling is incurred to extend reserves or further delineate existing proved and probable coal reserves. All development expenditure incurred after the commencement of production is capitalised to the extent that it gives rise to probable future economic benefits.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost if acquired separately or internally generated or at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised but tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over its useful life using a straight line basis and tested for impairment if there is an indication that it may be impaired.

Research expenditure relating to new technical knowledge and understanding is recognised in profit or loss when incurred.

Development costs are capitalised only if they result in an asset that can be identified, it is probable that the asset will generate future economic benefits and the development cost can be reliably measured. Otherwise it is recognised in profit or loss.

Purchased software and the direct costs associated with the customization and installation thereof are capitalised.

Computer software	2 - 10 years

1.8 Impairment of non - financial assets

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

Accounting Policies (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Exploration assets are tested for impairment when development of the property commences or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration assets' carrying amount exceeds their recoverable amount.

1.9 Leases

Finance leases are recognised as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments at the date of the acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to the profit and loss over the term of the lease at the interest rates applicable to the lease on the remaining balance of the obligations.

Rentals payable under operating leases are recognised in profit or loss on a straight line basis over the term of the relevant lease where significant or another basis if more representative of the time pattern of the user's benefit.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Contingent rentals are recognised in profit or loss as they accrue.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Strategic inventory

Strategic crude oil is measured at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. In arriving at the net realisable value account is taken of unpumpable crude oil and the crude oil sludge formed at the bottom of the tanks which cannot be removed if the tanks are used for storage and not trading.

Trading inventory

Finished and intermediate inventory is measured at the lower of cost and net realisable value according to the weighted average method. Cost includes production expenditure, depreciation and a proportion of triennial turnaround expenses and replacement of catalysts, as well as transport and handling costs. No account is taken of the value of raw materials and work in progress prior to it reaching intermediate storage tanks. Provision is made for obsolete, slow moving and defective inventories.

Accounting Policies (continued)

Coal inventory

Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. Manufacturing costs include an allocated portion of production overheads which are directly attributable to the cost of manufacturing such inventory.

Spares, catalysts and chemical

These inventories are measured at the lower of cost on a weighted average cost basis and net realisable value less appropriate provision for obsolescence in arriving at the net realisable value.

1.11 Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the group and company's Statement of Financial Position when the group and company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

Financial instruments recognised on the Statement of Financial Position include cash and cash equivalents, trade receivables, investments, trade payables, borrowings, and derivatives.

Measurement

Financial assets and liabilities are initially measured at fair value, plus transaction costs. However transaction costs of financial assets and liabilities classified as fair value through profit or loss are expensed. Subsequent measurement will depend on the classification of the financial instrument as detailed below.

Financial assets

The group's principal financial assets are investments and loans receivable, accounts receivable, cash and cash equivalents.

Investments

The following categories of investments are measured at amortised cost by using the effective interest rate method:

(a) Loans and receivables originated by the group with fixed maturities;

(b) Held-to-maturity investments;

(c) An investment that does not have a quoted market price in an active market and whose fair value cannot be measured reliably using an appropriate valuation model.

Loans and receivables with no fixed maturity period and other investments not covered above are classified as fair value through profit and loss on initial recognition. Fair value for this purpose, is market value if listed or a value derived by using an appropriate valuation model, if unlisted.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method, less an allowance for any uncollectable amounts. An estimate for impairment is made when objective evidence is available that indicates the collection of any amount outstanding is no longer probable. The amount of the impairment loss is charged to profit and loss. Bad debts are written off when identified.

Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and instruments which are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are stated at carrying amount which is deemed to be the fair value.

Financial liabilities

The group's principal financial liabilities are interest bearing borrowings, accounts payable and bank overdraft.

Financial liabilities are stated initially on the transaction date at fair value including transaction costs. Subsequently, all financial liabilities are measured at amortised cost, using the effective interest rate method, comprising original debt less principal payments and amortisation, except for financial liabilities held for trading, borrowings with no fixed maturity period and are classified as at fair value through profit and loss on initial recognition and derivative liabilities, which are subsequently measured at fair value. A change in fair value is recognised in profit or loss.

Trade and other payables

All financial liabilities are measured at amortised cost, comprising original debt less principal payments and amortisation.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Share capital

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all its liabilities.

Derivative financial instruments

Derivative financial instruments, principally interest rate swap contracts and forward foreign exchange contracts, are used by the company in its management of financial risks.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Payments and receipts under interest rate swap contracts are recognised in the profit or loss on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities.

The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

Gains and losses on subsequent measurement

All gains and losses arising from a change in fair value of or on disposal of held for trading financial assets are recognised in profit or loss.

Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the gain or loss is included in the profit or loss for the period.

Accounting Policies (continued)

Gains and losses arising from cash flow hedges are recognised in other comprehensive income.

In relation to fair value hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in profit and loss.

If a hedged firm commitment or forecasted transaction results in the recognition of an asset or a liability, then the associated gains or losses recognised in equity are adjusted against the initial measurement of the asset or liability. For all other cash flow hedges, amounts recognised in equity are included in profit or loss in the same period during which the commitment or forecasted transaction affects profit or loss.

Derecognition

A financial asset or part thereof is derecognised when the group realises the contractual rights to the benefits specified in the contract, the rights expire, the group surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

Fair value considerations

The fair values at which financial instruments are carried at the reporting date have been determined using available market prices. Where market prices are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the group could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short term trading cycle of these items.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement for financial position when, and only when, the Group has a legal right to offset the amounts and intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Accounting Policies (continued)

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

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

1.12 Post-employment benefit costs

Defined contribution costs

The group operates a defined contribution plan, the assets of which are held in a separate trustee administered fund. The plan is funded by payments from the group, and takes into account of the recommendations of independent qualified actuaries.

Contributions to a defined contribution plan in respect of service in a particular period are recognised as an expense in that period.

Defined benefit costs

Current service costs in respect of defined benefit plans are recognised as an expense in the current period.

Past service costs, experience adjustments, the effects of changes in actuarial assumptions and the effects of plan amendments in respect of existing employees in a defined benefit plan are recognised in profit or loss systematically over the remaining work lives of those employees (except in the case of shorter plan amendments where the use of a shorter time period is necessary to reflect the economic benefits by the enterprise).

The effects of plan amendments in respect of retired employees in a benefit plan are measured as the present value of the effect of the amended benefits, and are recognised as an expense or as income in the period in which the plan amendment is made.

The cost of providing retirement benefits under a defined benefit plan is determined using a projected unit credit valuation method.

Accounting Policies (continued)

Actuarial gains and losses are recognised as income or expense in profit or loss immediately.

Other post-employment obligations

Post-employment health care benefits are provided to certain retirees. The entitlement to post retirement health care benefits is based on the employees remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out annually by independent qualified actuaries.

1.13 Provisions

Provisions represent liabilities of uncertain timing or amounts.

Provisions are recognised when a present legal or constructive obligation exists, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

Provision for the cost of environmental and other remedial work such as reclamation costs, close down and restoration costs is made when such expenditure is probable and the cost can be estimated with a reasonable range of possible outcomes.

1.14 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably. The measurement is at the fair value received or receivable net of VAT, cash discounts, rebates and settlement discounts.

Revenue from the rendering of services is measured using the stage of completion method based on the services performed to date as a percentage of the total services to be performed. Revenue from the rendering of services is recognised when the amount of the revenue, the related costs and the stage of completion can be measured reliably and when it is probable that the debtor will pay for the services.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred, when delivery has been made and title has passed, when the amount of the revenue and the related costs can be reliably measured and when it is probable that the debtor will pay for the goods.

1.15 Cost of sales

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

1.16 Income from investments

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Accounting Policies (continued)

1.17 Taxation

The tax expense for the period comprises current and deferred tax.

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred tax is recognised for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, unless specifically exempt. It is measured at the tax rates that have been enacted or substantially enacted at reporting date.

Deferred tax liability

A deferred tax liability is recognised for taxable temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax arising on investments in subsidiaries, associates and joint ventures is recognised except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

1.18 Finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Government grants

When the conditions attaching to government grants have been met and have been received, they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs.

When they are for expenses or losses already incurred, they are recognised in profit or loss immediately. The unrecognised portion at the reporting date is presented as deferred income (as a deduction from the asset to which it relates). No value is recognised for government assistance.

1.20 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Accounting Policies (continued)

The results of discontinued operations are presented separately in the Statement of Comprehensive Income and the assets associated with these operations are included with non-current assets held for sale in the statement of financial position.

They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

1.21 Subsequent events

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

1.22 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation, including:

- the PFMA, or
- Any provisional legislation providing for procurement procedures in that provincial government

When determining whether expenditure shall be classified as fruitless and wasteful or irregular the following will be considered:

- Could reasonable steps have been taken to avoid the expenditure?
- Were there policies and/or procedures governing the incurred expenditure?
- Is it material? (for disclosure purposes).

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular and fruitless and wasteful expenditure is charged against profit and loss in the period in which it is incurred and disclosed as a note to the annual financial statements of the company and group.

When an accounting authority determines the appropriateness of disciplinary steps against an official, the accounting authority must take into account:

- The circumstances of the transgression;
- The extent of the expenditure involved; and
- The nature and seriousness of the transgression.

All unauthorised, irregular or fruitless and wasteful expenditure are disclosed as a note to the annual financial statements of the company and group.

1.23 Adoption of South African Accounting Standards

The Group has adopted the following new and amended IFRS's as of 1 January 2012:

1. IAS 12, 'Income Taxes' (effective 1 January 2012)

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally, be through sale.

As a result of the amendments, SIC-21 Income Taxes—Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Accounting Policies (continued)

The following standards, amendments and interpretations to existing standards have been published and are not yet effective and the group has not adopted them earlier.

1. IFRS 9, 'Financial instruments', issued in November 2009 (effective 1 January 2013).

This standard is the first step in the process to replace IAS39, 'Financial Instruments: Recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013.

2. IFRS 10, 'Consolidated Financial Statements' (effective 1 January 2013).

This new standard replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

3. IFRS 11 'Joint Arrangements' (effective 1 January 2013).

The new standard deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. The standard requires a single method for accounting for interests in jointly controlled entities.

4. IFRS 12, 'Disclosure of Interests in Other Entities' (effective 1 January 2013).

IFRS 12 is a new and comprehensive standard on the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

5. IFRS 13, 'Fair Value Measurement' (effective 1 January 2013).

IFRS13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of the standard is broad; it applies to both financial and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

6. IAS 1, 'Presentation of Financial Statements' (effective 1 July 2012).

This standard provides the new requirements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.

The amendments also introduce new terminology for the statement of comprehensive income and income statement. The 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed 'statement of profit or loss'.

7. IAS 19 'Employee Benefits' (effective 1 January 2013).

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted and accelerates the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of ISA 19 are replaced with a 'net interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Accounting Policies (continued)

8. IAS 27 'Consolidated and Separate Financial Statements' (effective 1 January 2013).

The standard will make provision for all the consequential amendments resulting from the adoption on IFRS 10, 11 and 12.

9. IAS 28 'Investments in Associates' (effective 1 January 2013).

The standard will make provision for all the consequential amendments resulting from the adoption on IFRS 10, 11 and 12.

1.24 Key assumptions made by management in applying accounting policies

Critical accounting estimates and judgements:

In preparing the annual financial statements in terms of South African Generally Accepted Accounting Practice, the group's management is required to make certain estimates and assumptions that may materially affect reported amounts of assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reported period and the related disclosures. As these estimates and assumptions concern future events, due to the inherent uncertainty involved in this process, the actual results often vary from the estimates. These estimates and judgements are based on historical experience, current and expected future economic conditions and other factors, including expectations of the future events that are believed to be reasonable under the circumstances.

Environmental and decommissioning provision

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances.

Other provisions

For other provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted.

Impairments and impairment reversals

Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used. In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information. The discount rates used are pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation.

Accounting Policies (continued)

Evaluation of the useful life of assets

On an annual basis, management evaluate the useful life of all assets. In carrying out this exercise, experience of asset's historical performance and the medium-term business plan are taken into consideration.

1.25 Related parties

The services received or rendered from or to related parties arise mainly from service transactions, including management fees for services performed on behalf of the company.

The receivables from related parties arise mainly from services transactions and are due on month after the date of the services. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

The payables to related parties arise mainly from service transactions, including management fees and are due one month after the date of purchase. The payables bear no interest.

The loans to or from related parties arise from loan agreements entered into for the year under review. These loans may be subordinated by CEF (SOC) Limited.

Notes to the Annual Report

Figures in Rand thousand

2. Property, plant and equipment

Group	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	59,364	-	59,364	58,999	-	58,999
Buildings	164,024	(27,361)	136,663	156,897	(18,601)	138,296
Tanks refurbishment	-	-	-	-	-	-
Production assets	25,786,450	(17,971,425)	7,815,025	19,900,394	(16,836,830)	3,063,564
Furniture and fixtures	635,015	(507,703)	127,312	627,314	(471,910)	155,404
Motor vehicles	13,097	(7,737)	5,360	11,307	(6,062)	5,245
Computer equipment	16,298	(11,333)	4,965	14,524	(10,046)	4,478
Computer software	1,859	(1,859)	-	1,859	(1,742)	117
Shutdown costs	461,705	(461,705)	-	461,705	(461,705)	-
Assets under development	5,065,638	-	5,065,638	2,504,288	-	2,504,288
Restoration expenditure	2,838,991	(963,251)	1,875,740	1,753,864	(766,316)	987,548
Total	**35,042,441**	**(19,952,374)**	**15,090,067**	**25,491,151**	**(18,573,212)**	**6,917,939**

Company	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	94,148	(18,665)	75,483	93,592	(13,574)	80,018
Furniture and fixtures	7,312	(5,116)	2,196	7,315	(4,456)	2,859
Motor vehicles	1,355	(808)	547	1,355	(579)	776
Computer equipment	5,044	(4,108)	936	4,835	(3,198)	1,637
Total	**107,859**	**(28,697)**	**79,162**	**107,097**	**(21,807)**	**85,290**

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2013

	Opening Balance	Additions	Additions through business combinations	Disposals	Written back during year	Transfers / change in estimate	Foreign exchange movements	Depreciation	Impairment reversal	Total
Land	58,999	365	-	-	-	-	-	-	-	59,364
Buildings	138,296	7,299	-	-	-	(166)	-	(8,691)	(75)	136,663
Production assets	3,063,564	874,547	4,664,369	(8)	-	10,753	118,493	(916,693)	-	7,815,025
Furniture and fixtures	155,339	19,303	-	(110)	(37)	33	6	(47,222)	-	127,312
Motor vehicles	5,245	1,790	-	(41)	-	-	-	(1,634)	-	5,360
Computer equipment	4,478	3,325	-	(9)	-	-	-	(2,829)	-	4,965
Computer software	117	-	-	-	-	-	-	(117)	-	-
Assets under development	2,504,288	2,932,379	-	(5)	-	(370,778)	-	-	(246)	5,065,638
Restoration expenditure	987,548	618,619	94,458	-	-	492,472	11,227	(328,584)	-	1,875,740
	6,917,874	**4,457,627**	**4,758,827**	**(173)**	**(37)**	**132,314**	**129,726**	**(1,305,770)**	**(321)**	**15,090,067**

Notes to the Financial Statements (continued)

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2012

	Opening Balance	Additions	Disposals	Classified as held for sale	Transfers	Foreign exchange movements	Change in estimate	Depreciation	Total
Land	26,645	31,424	-	-	930	-	-	-	58,999
Buildings	87,938	38,889	-	-	18,864	-	-	(7,395)	138,296
Production assets	3,569,317	49,176	(303)	-	42,286	-	-	(596,912)	3,063,564
Furniture and fixtures	162,049	39,516	(737)	-	-	1	-	(45,425)	155,404
Motor vehicles	3,012	3,020	(67)	-	-	-	-	(720)	5,245
Computer equipment	3,536	2,011	(54)	-	-	-	-	(1,015)	4,478
Computer software	235	-	(1)	-	-	-	-	(117)	117
Shutdown costs	153,901	-	-	-	-	-	-	(153,901)	-
Assets under development	2,021,698	544,036	-	-	(61,446)	-	-	-	2,504,288
Restoration expenditure	1,307,231	-	-	7,804	-	-	(104,196)	(223,291)	987,548
	7,335,562	**708,072**	**(1,162)**	**7,804**	**634**	**1**	**(104,196)**	**(1,028,776)**	**6,917,939**

Notes to the Financial Statements (continued)

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2013

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings	80,018	293	-	(5,020)	75,291
Furniture and fixtures	2,859	255	-	(726)	2,388
Motor vehicles	776	-	-	(229)	547
Computer equipment	1,637	224	(10)	(915)	936
	85,290	**772**	**(10)**	**(6,890)**	**79,162**

Reconciliation of property, plant and equipment - Company - 2012

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings	84,766	177	-	(4,925)	80,018
Furniture and fixtures	3,291	-	(79)	(353)	2,859
Motor vehicles	487	532	(67)	(176)	776
Computer equipment	948	358	-	331	1,637
	89,492	**1,067**	**(146)**	**(5,123)**	**85,290**

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

The directors of the companies evaluated the estimated useful life of the fixed assets as at 31 March 2013 to ensure that the fixed assets were fairly stated at year end.

Notes to the Financial Statements (continued)

Figures in Rand thousand

2. Property, plant and equipment (continued)

PetroSA

Restoration expenditure relates to the provision for restoration costs and is amortised on a units-of-production basis over the expected useful life of the reserves.

PetroSA entered into a agreement with the Mossel Bay Municipality to jointly construct a desalination plant in Mossel Bay. PetroSA's portion has been included as an asset under construction. Total spend to date amounts to R76.1 million (2012: R66.8 million) (excluding VAT)

The carrying amount of the Fischer-Tropsch Semi-Commercial Unit (FTSCU) which was developed to demonstrate the Low Temperature Fischer-Tropsch technology has been reduced to zero. As the FTSCU is not intended to operate commercially, total development costs capitalised amounting to R360 million have been fully impaired. This loss has been included in other expenses in the statement of comprehensive income.

The units-of-production method is used in calculating depreciation on production assets. Due to the nature of the business the gas and oil reserves at the end of each financial year differs from the previous year. This necessitates a change in the estimated remaining useful lives of these producing assets at the end of each financial year. The effect on the current year is an increase in profit of R1.6 million and the effect in future years is 2014: loss R41 million - 2015 loss R82 million - 2016 loss R47 million - 2017 to 2020 loss R168 million.

Oil Pollution Control South Africa

The buildings of the company at Saldanha Bay are built on land owned by the National Ports Authority (Plan 101-28/00/02-17) which is leased to Oil Pollution Control South Africa in terms of a 25 year lease.

Assets with the gross carrying value of R8,1 million has been fully depreciated to R1 and still in use. These assets will be re-assessed in the next financial year

SFF Association

Registers of land and buildings are available at the registered offices of those subsidiaries that own land and buildings. The register for SFF is unable to be completed in full as required by the Companies Act of South Africa No. 26 of 1973. The cost price of the individual properties cannot be ascertained due to a lack of historical information. In addition all the land paid for by SFF, and reflected in these accounts is registered in the name of the State. SFF merely manages these properties on behalf of the State.

Figures in Rand thousand

3. Intangible assets

Group	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Patents	57,424	(52,133)	5,291	57,424	(51,855)	5,569
Exploration and Appriasal	211	(211)	-	211	(211)	-
Computer software	48,435	(25,838)	22,597	30,378	(18,061)	12,317
Intangible assets under development	13,397	(362)	13,035	13,397	(362)	13,035
Exploration licensing fee	1,993,506	-	1,993,506	-	-	-
Restoration cost	98,749	-	98,749	-	-	-
Total	**2,211,722**	**(78,544)**	**2,133,178**	**101,410**	**(70,489)**	**30,921**

Company	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Patents	50,490	(50,490)	-	50,490	(50,490)	-
Computer software	7,108	(5,734)	1,374	6,993	(4,206)	2,787
Total	**57,598**	**(56,224)**	**1,374**	**57,483**	**(54,696)**	**2,787**

Notes to the Financial Statements (continued)

Figures in Rand thousand

3. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2013

	Opening Balance	Additions	Additions through business combinations	Transfers	Foreign exchange movements	Other changes, movements	Amortisation	Total
Patents	5,569	-	-	-	-	-	(278)	5,291
Computer software	12,317	17,834	-	8	-	-	(7,562)	22,597
Development cost	13,035	-	-	-	-	-	-	13,035
Exploration licensing fee	-	60,692	1,885,000	-	47,814	-	-	1,993,506
Restoration cost	-	4,167	129,722	-	15,934	(51,074)	-	98,749
	30,921	**82,693**	**2,014,722**	**8**	**63,748**	**(51,074)**	**(7,840)**	**2,133,178**
Patents, trademarks and other rights	872	6,934	-	-	-	(2,237)	-	5,569
Computer software	4,580	-	9,353	(2)	3	(1,617)	-	12,317
Intangible assets under development	14,467	-	-	-	-	-	(1,432)	13,035
Exploration licensing fee	79,162	-	-	-	-	-	(79,162)	-
	99,081	**6,934**	**9,353**	**(2)**	**3**	**(3,854)**	**(80,594)**	**30,921**

Reconciliation of intangible assets - Company - 2013

	Opening Balance	Additions	Amortisation	Total
Computer software	2,787	115	(1,528)	1,374

Reconciliation of intangible assets - Company - 2012

	Opening Balance	Additions	Amortisation	Total
Patents	872	-	(872)	-
Computer software	1,185	860	742	2,787
	2,057	**860**	**(130)**	**2,787**

Figures in Rand thousand

4. Assets pending determination

Group	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Exploration expenditure	42,430	-	42,430	35,830	-	35,830

Reconciliation of assets pending determination - Group - 2013

	Opening balance	Additions	Total
Exploration expenditure	35,830	6,600	42,430

Reconciliation of assets pending determination - Group - 2012

	Opening balance	Additions	Transfers	Impairment reversal	Total
Exploration expenditure	43,055	3,020	(930)	(9,315)	35,830

Assets pending determination consist of development expenditure in respect of exploration activities, which has been initially capitalised pending the determination of the economic reserves.

Notes to the Financial Statements (continued)

Figures in Rand thousand

5. Deferred tax

Deferred tax (liability) / asset	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Loans	-	-	-	-
Tax losses available for set off against future taxable income	(1,728,958)	(460)	(460)	(460)
Recognised in other comprehensive income	(15,277)	-	-	-
Provisions	5,257	17	5,257	17
Capital allowances	-	-	-	-
	(1,738,978)	**(443)**	**4,797**	**(443)**

Reconciliation of deferred tax asset

Current				
At beginning of the year	17	5,337	17	5,337
Charged to profit and loss	26	-	26	-
Provisions	5,214	(5,320)	5,214	(5,320)
Balance at end of year	**5,257**	**17**	**5,257**	**17**

Reconciliation of deferred tax liability

At beginning of the year	(460)	(1,957)	(460)	(1,957)
Charged to profit and loss	-	-	-	-
Increase (decrease) in tax losses available for set off against future taxable income	(1,807,796)	-	-	-
Temporary difference	(15,277)	-	-	-
Reversing temporary difference on fair value adjustment	79,298	1,497	-	1,497
Balance at end of year	**(1,744,235)**	**(460)**	**(460)**	**(460)**

6. Investments in subsidiaries

Name of company	Carrying amount	Carrying amount
African Exploration	208,903	240,719
Carbon Stream	390	390
CEF Carbon	-	1
SA Gas Development	513,366	572,672
PetroSA	2,755,936	2,755,936
CCE	1	1
ETA	4,000	4,000
SFF	1	1
	3,482,597	3,573,720

The carrying amounts of subsidiaries are shown net of impairment losses.

Notes to the Financial Statements (continued)

Figures in Rand thousand

6. Investments in subsidiaries (continued)
Details of Subsidiary Companies

Name and nature of business	Issued capital	% held	Voting power %	Profit / (loss) for the year			
	R '000	2013	2012	2013	2012	2013 R '000	2012 R '000
SANERI To undertake research and technology development in order to exploit and utilise the energy resources of the Republic and Southern Africa.	-	100	100	100	100	-	(11,406)
SASDA The empowerment of historical disadvantaged SA suppliers in the petroleum industry.	-	100	100	100	100	(14,972)	(15,316)
OPCSA Containing and countering oil pollution.	-	100	100	100	100	9,302	8,083
Cotec Development Dormant	-	100	100	100	100	-	-
Cotec Patrade Dormant	-	100	100	100	100	-	-
Petroleum Agency SA Acting as an Agent for the State in promoting for and exploration of natural oil and gas in the Republic.	-	100	100	100	100	19,653	55,965
iGas To promote the diversification of energy usage into hydrocarbon gas and enter into ventures which will facilitate the use of hydrocarbon gas in Southern Africa.	-	100	100	100	100	79,663	69,817

Notes to the Financial Statements (continued)

Figures in Rand thousand

6. Investments in subsidiaries (continued)

	Issued capital R '000	% held 2013	Voting power % 2012	Profit / (loss) for the year 2013	2012	2013 R '000	2012 R '000
SFF Management of strategic stocks of crude oil in accordance with ministerial directives.	1	100	100	100	100	154,178	400,022
PetroSA Exploration for and production of oil and gas, refining operations converting gas and gas condensate to liquid fuels, and the production of petrochemicals.	2	100	100	100	100	683,986	1,373,296
African Exploration Mining and Finance Corporation To acquire, hold and develop all exploration and mineral rights.	4	100	100	100	100	65,056	(45,802)
Klippoortje Koolmyne Dormant	1,300	100	100	100	100	-	-
Mahnes Areas Dormant	-	100	100	100	100	-	-
PetroSA Europe BV Management of PetroSA product stock sales in Europe.	3,131	100	100	100	100	13,852	11,903
PetroSA Brass Management of investments in Nigeria.	-	100	100	100	100	-	(1)
PetroSA Gryphon Marin Permit Management of PetroSA hydrocarbon interest.	-	100	100	100	100	-	-
PetroSA Iris Management of PetroSA hydrocarbon interests.	-	100	100	100	100	-	-
PetroSA Nigeria Limited Investment holdings in companies having interests in petroleum prospecting, explorations and production.	1,235	100	100	100	100	-	-
PetroSA Themis Management of PetroSA hydrocarbon interests.	-	100	100	100	100	-	-

Notes to the Financial Statements (continued)

Figures in Rand thousand

6. Investments in subsidiaries (continued)

	Issued capital	% held	Voting power %	Profit / (loss) for the year			
	R '000	2013	2012	2013	2012	2013 R '000	2012 R '000
PetroSA Synfuel International Management of Gas-to liquids project	501	100	100	100	100	-	-
PetroSA Equatorial Guinea Management of PetroSA hydrocarbon interests.	-	100	100	100	100	(190,458)	(161,726)
PetroSA Sudan The company holds PetroSA's interest in the exploration, appraisal, development and production of hydrocarbon reserves in Sudan.	-	100	100	100	100	-	-
Petroleum Oil & Gas Corporation of South Africa (Namibia) The company holds PetroSA's interest in the exploration, appraisal, development and production of hydrocarbon reserves in Namibia.	-	100	100	100	100	-	-
PetroSA North America To operate as a sales and marketing arm of PetroSA to promote its products in USA.	-	100	100	100	100	-	-
PetroSA Egypt The company holds PetroSA's interest in the exploration, appraisal, development and production of hydrocarbon reserves in Egypt.	-	100	100	100	100	(2,729)	(47,228)
ETA Energy To generate and trade of low carbon energy resources.	100	100	100	100	100	(1,550)	(3,128)
Carbon Stream Africa An advisory company delivering solutions and services for carbon emission reduction projects in Africa.	990	60	60	60	60	(10)	(1,236)
CCE Energy Solutions The generate 8.8 MW electricity from biomass.	200	89	89	89	89	(1,678)	(2,918)
Carbon UK Dormant	-	-	-	-	-	-	-

Notes to the Financial Statements (continued)

Figures in Rand thousand

6. Investments in subsidiaries (continued)

	Issued capital	% held	Voting power %	Profit / (loss) for the year			
	R '000	2013	2012	2013	2012	2013 R '000	2012 R '000
CEF Carbon The company provides advisory services as well as financial and operating support to CDM projects developers and purchasers of CER credits.	-	100	100	100	100	(37)	(3,273)
Energy Africa Rehabilitation Hold and manage Energy Africa's contribution for the decommissioning and rehabilitation of the Oribi site	-	-	-	-	-	-	-
Sabre Oil & Gas Holdings The acquisition and development of crude oil and natural gas fields within the Republic of Ghana.	-	100	-	-	-	3,880,651	-
						4,694,907	**1,627,052**

7. Investments in associates

Group

	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Darling Wind Power (Proprietary) Limited	49.00%	49.00%	17,000	17,000
Baniettor Mining (Proprietary) Limited	49.00%	49.00%	24,031	24,031
GTL.F1 AG	50.00%	50.00%	-	-
PAMDC	33.33%	33.33%	5,253	2,756
Rompco	25.00%	25.00%	768,444	701,610
Methcap	19.00%	19.00%	1,329	1,242
Thin Film Solar Technology	45.00%	45.00%	39,124	39,385
Philips Lighting Maseru (Proprietary) Limited	30.00%	30.00%	4,236	5,246
Ener-G Systems (Proprietary) Limited	29.00%	29.00%	3,618	7,424
			863,035	798,694
Impairment of investments in associates			(42,506)	(42,506)
			820,529	756,188

Company

	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Darling Wind Power (Proprietary) Limited	49.00%	49.00%	17,000	17,000
Baniettor Mining (Proprietary) Limited	49.00%	49.00%	24,031	24,031
MethCap SPV	19.00%	19.00%	1,475	1,475
Thin Film Solar Technology	45.00%	45.00%	39,545	39,545
Philips Lighting Maseru (Proprietary) Limited	30.00%	30.00%	9,410	9,410
Ener-G Systems (Proprietary) Limited	29.00%	29.00%	7,958	7,958
Impairment of investments in associates			(42,506)	(42,506)
			56,913	56,913

The carrying amounts of associates are shown net of impairment losses.

7. Investments in associates (continued)

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Darling Wind Power (Proprietary) Limited				
Assets				
Non-current	65,255	68,516	-	-
Current	1,931	1,162	-	-
	67,186	**69,678**	**-**	**-**
Equity and liabilities				
Equity and reserves	(20,139)	(20,638)	-	-
Non-current liabilities	74,110	72,940	-	-
Current liabilities	13,215	17,376	-	-
	67,186	**69,678**	**-**	**-**
Revenue	**3,240**	**3,236**	**-**	**-**
Profit / (Loss)	**499**	**(5,471)**	**-**	**-**

The company's year end is 31 March.

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Baniettor Mining (Proprietary) Limited				
Assets				
Non-current	2,207	2,207	-	-
Current	3,044	2,772	-	-
	5,251	**4,979**	**-**	**-**
Equity and liabilities				
Equity and reserves	(44,189)	(44,410)	-	-
Current liabilities	49,440	49,389	-	-
	5,251	**4,979**	**-**	**-**
Revenue	**163**	**166**	**-**	**-**
Profit	**221**	**28**	**-**	**-**

The company's year end is 30 June.

Notes to the Financial Statements (continued)

Figures in Rand thousand

7. Investments in associates (continued)

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
PAMDC				
Assets				
Non-current	231	318	-	-
Current	2,207	4,587	-	-
	2,438	**4,905**	**-**	**-**
Equity and liabilities				
Equity and reserves	1,193	3,987	-	-
Current liabilities	1,245	918	-	-
	2,438	**4,905**	**-**	**-**
Loss	**(7,933)**	**(7,178)**	**-**	**-**

The company's year end is 31 March.

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Rompco				
Assets				
Non-current	3,643,950	3,655,177	-	-
Current	454,133	386,408	-	-
	4,098,083	**4,041,585**	**-**	**-**
Equity and liabilities				
Equity and reserves	983,274	1,753,374	-	-
Non-current liabilities	2,577,009	1,895,915	-	-
Current liabilities	537,800	392,296	-	-
	4,098,083	**4,041,585**	**-**	**-**
Revenue	**1,346,332**	**1,197,538**	**-**	**-**
Profit	**630,528**	**523,734**	**-**	**-**

The company's year end is 30 June.

Notes to the Financial Statements (continued)

Figures in Rand thousand

7. Investments in associates (continued)

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
MethCap SPV				
Assets				
Non current	15,597	17,818	-	-
Current	3,650	577	-	-
	19,247	**18,395**	**-**	**-**
Equity and liabilities				
Equity and reserves	(4,528)	(6,574)	-	-
Non-current liabilities	20,344	7,545	-	-
Current liabilities	3,431	17,424	-	-
	19,247	**18,395**	**-**	**-**
Revenue	**2,096**	**-**	**-**	**-**
(Loss)	**460**	**(4,674)**	**-**	**-**

The company's year end is 31 December

	Group		Company	
Thin Film Solar Technology				
Assets				
Non-current	32,965	33,348	-	-
Current	42,466	42,184	-	-
	75,431	**75,532**	**-**	**-**
Equity and liabilities				
Equity and reserves	73,494	74,500	-	-
Current liabilities	1,937	1,033	-	-
	75,431	**75,533**	**-**	**-**
Net profit / (loss)	**(580)**	**1,445**	**-**	**-**

The company year end is 31 March.

7. Investments in associates (continued)

Philips Lighting Maseru (Proprietary) Limited

The financials are prepared in US$.

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Assets				
Non current	3,323	3,758	-	-
Current	6,845	8,681	-	-
	10,168	**12,439**	**-**	**-**
Equity and liabilities				
Equity and reserves	1,994	1,597	-	-
Non current liabilities	4,667	5,000	-	-
Current liabilities	3,507	5,842	-	-
	10,168	**12,439**	**-**	**-**
Revenue	**3,729**	**3,275**	**-**	**-**
Profit / (Loss)	**397**	**29**	**-**	**-**

The company's year end is 31 December.

Ener-G Joburg (Proprietary) Limited

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Assets				
Non current	23,955	23,843	-	-
Current	97	1,325	-	-
	24,052	**25,168**	**-**	**-**
Equity and liabilities				
Equity and reserves	(2,496)	789	-	-
Non current liabilities	21,962	-	-	-
Current liabilities	4,586	24,379	-	-
	24,052	**25,168**	**-**	**-**
Revenue	**50**	**-**	**-**	**-**
Loss	**6,561**	**1,542**	**-**	**-**

The company year end is 31 March.

Notes to the Financial Statements (continued)

Figures in Rand thousand

7. Investments in associates (continued)

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
GTL.F1 AG Switzerland				
Assets				
Total assets	117,896	90,871	-	-
Equity and liabilities				
Total liabilities	(170,756)	(106,949)	-	-
Revenue	**1,465**	**3,723**	**-**	**-**
Loss	**(34,509)**	**(22,608)**	**-**	**-**

The company year end is 31 December.

8. Loans to (from) group companies

Owing to Subsidiaries

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
ETA energy	-	-	(18,940)	(30,190)
OPC	-	-	(5,063)	(5,432)
Petroleum Agency SA	-	-	(318,608)	(312,627)
PetroSA	-	-	(489,021)	(489,021)
Carbon Stream Africa	-	-	-	-
iGas	-	-	(155,445)	(136,507)
	-	**-**	**(987,077)**	**(973,777)**

9. Other financial assets

	Group		Company	
Available-for-sale	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Johanna Solar Project	-	10,806	-	10,806
	-	10,806	-	10,806
Available-for-sale (impairments)	-	(3,744)	-	(3,744)
	-	**7,062**	**-**	**7,062**
Cash at bank				
Restricted cash Restricted cash at bank is interest bearing and its use is restricted as a reserve for the servicing of debt under the Group's financing agreements in relation to the Sabre Oil and Gas Holdings Ltd investment.	2,594,000	-	-	-
	2,594,000	**-**	**-**	**-**
Loans and receivables				
GTL.F1 This loan is repayable on the commencement of profit generation by the company.	79,166	68,724	-	-
Lurgi The amount owing by Lurgi is in respect of a purchase of 12.5% share in the PetroSA Statoil Joint Venture. The loan accrues interest at EUROBOR +0.75%. The loan is repayable based on dividends receivable by Lurgi from the GTL.F1 AG technology company.	136,140	116,873	-	-
	215,306	185,597	-	-
Total other financial assets	**2,809,306**	**192,659**	**-**	**7,062**

A decision was taken to write off PetroSA's loan to PetroSA Egypt and PetroSA Equatorial Guinea of R1,142 million (2012: R1,142 million) and R1,599 million (2012: R1,142) respectively, due to its irrecoverability.

PetroSA has subordinated the loans to various subsidiaries in favour of other creditors of the above mentioned companies until such time as the assets fairly valued exceed the liabilities.

Figures in Rand thousand

9. Other financial assets (continued)

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Non-current assets				
Available-for-sale	-	7,062	-	7,062
Held to maturity	-	-	-	-
Loans and receivables	215,306	185,597	-	-
	215,306	**192,659**	**-**	**7,062**
Current assets				
Held to maturity	2,594,000	-	-	-
Loans and receivables	-	-	-	-
	2,594,000	**-**	**-**	**-**
Total	**2,809,306**	**192,659**	**-**	**7,062**

10. Finance lease receivables

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Gross investment in the lease due				
- within one year	815	848	-	-
- inclusive in second to fifth year	2,770	3,906	-	-
- later than five years	-	-	-	-
	3,585	4,754	-	-
less: Unearned finance income	(855)	(1,069)	-	-
	2,730	**3,685**	**-**	**-**
Non-current assets	2,770	3,906	-	-
Current assets	815	848	-	-
	3,585	**4,754**	**-**	**-**

The group entered into finance leasing arrangements for certain of its solar water heating installations with customers in the Nelson Mandela Bay Metropolitan and Ekurhuleni Metropolitan.

The average lease terms are 72 months and the average effective lending rate was 10% (2012: 10%) resulting in unearned finance charges of R0,855 million (2012: R1,069 million)

Figures in Rand thousand

11. Strategic inventory

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Crude oil at cost	2,078,004	2,078,004	-	-
Prior year provision for unpumpable inventory	(15,134)	(15,134)	-	-
Previous year stock adjustment	(10,238)	(3,972)	-	-
Current year stock adjustment for losses	(362)	(6,259)	-	-
White products	1,073,804	1,049,203	-	-
	3,126,074	**3,101,842**	**-**	**-**

A directive issued by the Minister of Treasury dated 8 January 2007, confirmed the strategic stockholding requirement of 10.3 million barrels. If we deduct the line quality of 75 663 barrels and the tank bottoms of 586 200 barrels from the available stock, the actual pumpable stock on hand is 9,6 million barrels (2012: R10,2 million barrels).

For the past ±10 years a loss of 0.35 percent per annum was applied to customers storing oil in Saldanha Terminal due to evaporation and operational losses.

12. Inventories

The amounts attributable to the different categories are as follows:

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Petroleum fuels	2,143,654	1,836,949	-	-
Work in progress	182,990	24,712	-	-
Finished goods	291	490	-	-
Consumable stores, spares and catalysts	719,120	713,603	-	-
Product stock on hand	3,622	3,086	-	-
Run of Mine Stock	2,303	12,188	-	-
Other inventories for sale	404	-	-	-
	3,052,384	**2,591,028**	**-**	**-**

13. Trade and other receivables

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Trade receivables	2,952,318	2,221,507	9,669	8,877
Employee costs in advance	5	45	-	-
Prepayments	198,814	116,352	951	841
Deposits	2,447	791	-	-
VAT	2,736	2,030	635	69
Foreign receivables	105,038	13,779	-	-
Provision for doubtful debts	(56,589)	(58,316)	(2,670)	(2,071)
Sundry receivables	471,423	547,699	24,348	29,607
	3,676,192	**2,843,887**	**32,933**	**37,323**

Notes to the Financial Statements (continued)

Figures in Rand thousand

13. Trade and other receivables (continued)

The provision for doubtful debts consists of a number of customer account balances.

Reconciliation of provision in bad debts in trade and other receivables

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Balance at beginning of year	58,316	88,903	2,071	1,023
Impairment losses recognised on receivables	1,648	18,135	599	1,048
Amounts recovered during the year	(2,455)	(3,191)	-	-
Impairment provision	-	(16,228)	-	-
Amounts reversed	-	(12,144)	-	-
Written off	(920)	(6,593)	-	-
Transferred	-	(10,566)	-	-
	56,589	**58,316**	**2,670**	**2,071**

14. Cash and cash equivalents

Cash and cash equivalents included in the statement of financial position comprise the following:

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Short-term investments in money market	12,914,920	18,962,075	3,731,845	3,549,195
Bank balances	129,661	182,857	11,330	61,357
Short-term deposits	28,733	-	-	-
	13,073,314	**19,144,932**	**3,743,175**	**3,610,552**

Included in the company cash are funds invested on behalf of group companies and third parties.

PetroSA

A term deposit of R28.7 million (2012: R: R27.1 million) is held in the company Energy Africa Rehabilitation (Association incorporated under s21), and is committed solely for the abandonment expenditure for the Oribi/ Oryx field.

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

15. Discontinued operations or disposal groups or non-current assets held for sale

The decision was made by the board of directors to discontinue these operations due to the lack of return on investment. The group has decided to discontinue its operations in CCE Solutions (Pty) Ltd. The assets and liabilities of the disposal group are set out below.

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Profit and loss				
Expenses	(957)	(2,223)	-	-
	(957)	**(2,223)**	**-**	**-**
Assets of disposal groups				
Property, plant and equipment	-	-	-	-
Inventories	-	-	-	-
Trade and other receivables	-	1,598	-	-
Cash and cash equivalents	-	-	-	-
	-	**1,598**	**-**	**-**
Liabilities of disposal groups				
Other financial liabilities	84,555	84,782	-	-
Loans from group companies	9,663	9,349	-	-
Other payables	-	-	-	-
	94,218	**94,131**	**-**	**-**

16. Share capital

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Authorised				
100 Ordinary par value shares of R1 each	-	-	-	-
Issued				
1 Ordinary par value shares of R1 each	-	-	-	-
Share premium	-	-	-	-
	-	**-**	**-**	**-**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
17. Other financial liabilities				
Bank loan The loan is secured by a cash collateral of R2,594 million. The loan accrues interest at USD LIBOR plus a percentage ranging between 0.585% and 1.025%. Interest is compounded quarterly. The loan is repayable in full on 14 September 2013.	2,037,200	-	-	-
	2,037,200	**-**	**-**	**-**

18. Unearned finance income

	Group 2013	Group 2012	Company 2013	Company 2012
Current liabilities	855	1,069	-	-

ETA (SOC) Limited entered into finance leasing arrangement with customers for its solar water heating installations. The average lease term was 72 months and the nominal lending rate is 10% (2012: 10%), resulting in unearned finance charges of R0,9 million (2012: R1.1 million)

19. Provisions

Reconciliation of provisions - Group - 2013

	Opening balance	Additions	Utilised / reverse during the year	Interest expense & exchange differences	Change in discount factor	Additions through business combinations	Total
Abandonment/ Environmental	6,136,957	656,173	7,382	559,668	441,398	259,002	8,060,580
Litigations	54,589	8,418	(701)	-	9,218	-	71,524
Post-retirement medical aid benefits	99,061	(9,026)	-	-	-	-	90,035
Rehabilitation provisions	30,767	-	(21,663)	-	-	-	9,104
Product warranties	152	-	(152)	-	-	-	-
Social investment	-	40,622	-	-	-	-	40,622
De-sludge	460	-	(460)	-	-	-	-
Bonus	293,887	234,281	(256,360)	-	-	-	271,808
Contingent consideration	-	519,694	(221,923)	26,329	(2,806)	-	321,294
	6,615,873	**1,450,162**	**(493,877)**	**585,997**	**447,810**	**259,002**	**8,864,967**

Notes to the Financial Statements (continued)

Figures in Rand thousand

19. Provisions (continued)

Reconciliation of provisions - Group - 2012

	Opening balance	Additions	Utilised during the year	Interest expense	Change in discount factor	Additions through business combinations	Total
Abandonment/ Environmental	5,811,312	1,609	-	(104,196)	428,232	-	6,136,957
Litigations	27,686	54,589	(27,686)	-	-	-	54,589
Post-retirement medical aid benefits	166,883	32,042	(99,864)	-	-	-	99,061
Rehabilitation provision	10,211	20,556	-	-	-	-	30,767
Product warranties	14	138	-	-	-	-	152
De-sludge	5,248	-	(4,788)	-	-	-	460
Bonus	387,507	148,887	(242,507)	-	-	-	293,887
	6,408,861	**257,821**	**(374,845)**	**(104,196)**	**428,232**	**-**	**6,615,873**

Reconciliation of provisions - Company - 2013

	Opening balance	Additions	Utilised / reverse during the year	Total
Bonus	15,144	10,737	(13,109)	12,772

Reconciliation of provisions - Company - 2012

	Opening balance	Additions	Utilised / reverse during the year	Total
Litigations	3,186	-	(3,186)	-
Bonus	12,844	15,116	(12,844)	15,116
	16,030	**15,116**	**(16,030)**	**15,116**

Non-current liabilities	8,547,811	6,191,807	-	-
Current liabilities	317,156	424,066	12,772	15,116
	8,864,967	**6,615,873**	**12,772**	**15,116**

Post-retirement medical aid benefits

PetroSA and SFF contributes to a medical aid scheme for retired and medically unfit employees.

Litigation provision

SFF has instituted an application to the high court for the review and an order setting aside the decision made by the City of Cape Town Municipality in approving certain sub divisions as well as an interdict against the developer for the development of the proposed estate. The reason for the application is to prevent the developer from developing the portion of land which falls in the “separation distance” directly adjacent to the tank farm. Judgement was granted against SFF with costs. A review application is in process. SFF and Morgan Stanley

19. Provisions (continued)

There is a claim by a customer for undelivered crude oil and damages as a result of SFF failing to transfer outstanding crude following the expiry of a storage agreement. Barrels claimed amount to 50 596 barrels of crude oil plus damages amounting to approximately USD 5 .9 million.

Rehabilitation

This amount is for the rehabilitation of the land at the Voorbaai terminal and Klippoortje. The amount is in respect of funds held for the rehabilitation of the Klippoortje dump on behalf of High Carbon Products (Pty) Limited. The fund is held in an attorneys trust account. Contractually these funds will only be released to High Carbon Products (Pty) Limited after the issuing of a closure certificate by DME.

Social investment

This provision is for commitments to community investment projects as a pre-condition for the issuing of exploration licences.

Bonus

The provision is for incentives for employees who qualify in terms of their performance during the financial year.

Contingent consideration

The provision was raised to account for the financial implication of production target and approvals which may be met in term of the Sabre share purchase agreement. Refer to note 38.

Abandonment/Environmental

Assumptions for abandonment costs for SFF

Saldanha Terminal

The 6 Saldanha In-Ground tanks will be decommissioned and withdrawn from service but not demolished. The scope of work includes for the cleaning, decommissioning and mothballing of the equipment within the perimeter fences of the tank-farm.The value of any recovered material including steel from tanks, steel piping, transformers and electrical cabling will not be used to offset the cost of demolition of the various facilities. Allowance will be made for potentially recoverable material to be placed in waste skips after demolition. The cost of removal from the tank-farm to a scrap yard will be deemed to be offset by the value of the recovered materials. The decommissioning cost estimate will not include the removal or mothballing of the Chevron facilities as it is assumed that this would be undertaken by Chevron at their expense.

Milnerton Terminal

The allowance with respect to earthworks within the tankfarm boundary is to be as follows:

a. Earth bund walls are to be demolished and the material spread over the bund floors and compacted.

b. No further allowance will be made to return the area to its original ground level i.e. the existing terracing will remain.

The following items will be assumed to remain:

a. The tankfarm perimeter demarcation fence.

b. The main valve feed from the City of Cape Town.

Figures in Rand thousand

19. Provisions (continued)

The cost of removal of all of the following from the servitude between the Chevron tie-in and the Milnerton facility is to be included:

a. Removal of crude oil pipelines including valves up to the Chevron boundary.

b. Backfill and compact excavated trenches.

c. Reinstatement of servitude and road crossings.

d. Within the Chevron boundary, allowance has been made to leave this section of the pipeline in place and cap the ends of the pipeline.

The value of any recovered material including steel from tanks, steel piping, transformers and electrical cabling will not be used to offset the cost of demolition of the various facilities. Allowance will be made for potentially recoverable material to be placed in waste skips after demolition. The cost of removal from the tankfarm to a scrap yard will be deemed to be offset by the value of the recovered materials.

It should be noted that this exercise was merely done to determine the cost of abandonment should the tanks no longer be required. SFF has no intention of abandoning the Saldanha or Milnerton terminals.

PetroSA

With the purchase of 100% equity in Sabre Oil and Gas Limited and a 45% increase the South Coast Gas joint venture shareholding to 100%, PetroSA assumed additional abandonment liabilities. The additions can be ascribed as follows, Sabre Oil and Gas Limited (R295 million) and South Coast Gas joint venture (R619 million). Major assumptions included in the provisions calculation is that the South African inflation increased from 5.2% to 5.3% and US inflation decreased from 2.01% to 1.59%.

A sensitivity analysis indicates that an increase of 1% in the inflation and risk-free rates will result in a movement in the interest charge and a change in estimate of the abandonment provision. The quantitative effect would be an increase of R44.8 million (2012: R37.5 million) with respect to the inflation rate and a decrease of R384.3 million (2012: R392.3 million) for the risk-free rate.

The resulting provision could also be influenced by changing technologies and political, environmental, safety, business and statutory considerations.

PetroSA commissioned additional research into the requirements to fully close or decommission redundant exploration wells. No reliable estimate of the cost can currently be made. Therefore no amounts have been provided for these items.

The total cost of future restoration is estimated at R7 311million. This cost includes the net expenditure to abandon and to rehabilitate both the onshore and offshore facilities as well as other related closure costs. The costs are expected to be incurred as follows:

Financial year	R'million
- within one year	-
- in second to tenth year inclusive	7,311

Figures in Rand thousand



19. Provisions (continued)

Funding of abandonment/environmental rehabilitation

The Group has set aside funds towards the cost of abandonment/environmental rehabilitation. These funds are not available for the general purposes of the Group. The funds are comprised of the following investments:

Rand millions	2013	2012
Portion of cash deposit with CEF (SOC) Ltd	477	477
Cash in escrow account	29	27
Financial guarantee	180	180
	686	**684**

20. Employee benefits

Pensions and Retirement Funds -Defined benefit pension plan

Defined benefit pension plan

The group operates defined benefit retirement plans for the benefit of all employees. The plans are governed by the Pension Funds Act, 1956 (Act no. 24 of 1956). The assets of the plans are administered by trustees in funds independent of the entity.

PetroSA

The company operated a defined benefit pension plan, the Mossgas Pension Fund, for the benefit of employees. The plan was governed by the Pension Funds Act, 1956 (Act no. 24 of 1956). The assets of the plan were administered by trustees in a fund independent of the company.

The fund was closed to new entrants during 1996. With effect from 1 October 2007 all in-service members were transferred out of the fund to the PetroSA Retirement Fund, and future accrual of benefits under the Pension Fund ceased. Application was made to the Registrar to transfer the accrued benefits of in-service members to the PetroSA Retirement Fund, and to transfer the pensioner liabilities to individual annuity policies with Old Mutual. The Registrar's approval was granted and all liabilities have been fully transferred. The trustees have appointed a liquidator, the Registrar approved of this appointment and the fund was placed into liquidation in October 2010. The liquidation process is not yet finalised.

The last actuarial valuation was performed as at 31 January 2010 and the independent actuary was of the opinion that the fund was financially sound. As the fund has been placed into liquidation, the actuarial present value of promised retirement benefits as at 31 January 2010 was zero.

Defined contribution pension plan

The group contributions for the year amounted to R19.3 million (2012: R21 million). The company contributions for the year amounted to R3.9 million (2012: R4 million).

PetroSA Retirement Fund

The company operates a defined contribution retirement plan for the benefit of employees who are not members of the Mossgas Pension Fund. All employees who commenced employment after 1 April 1996 qualify for membership of this fund. The amount recognised as an expense during the year under review was R96.9 million (2012: R87,7 million) for the retirement fund.

20. Employee benefits (continued)

Petroleum Agency Retirement Fund

The company contributions for the year amounted to R5.6 million (2012: R5,1 million). The fair value of funds invested at 31 March 2013 was R66.5 million (2012: R62,8 million). The fair value of the funds invested is their market value at the end date.

Medical benefits

Post-employment medical benefits

Some of the companies within the group contribute to medical aid schemes for retired employees. The liability in respect of future contributions to the schemes in respect of retirees are actuarially valued every year, using the projected unit credit method.

PetroSA

The group has provided an amount of R167 million of which R107 million was funded (2012: R170 million of which R99.8 million was funded). This is the funding of post-retirement medical scheme costs for all employees and pensioners. The commitment is actuarially valued annually, with the most recent valuation performed as at 31 March 2013.

The post-employment medical arrangement provides health benefits to retired employees and certain dependents. The benefit was applicable and on offer only to employees in the services of PetroSA before 1 May 2012.

During the 2012 financial year, PetroSA funded a portion of the post-retirement medical liability through the purchase of a company-funded annuity policy. As this annuity policy is CPI linked, the company is exposed to revaluation risks if medical inflation is higher than the CPI increases granted. During the current year, the company paid a top-up amount of R5.8 million to cover the revaluation. The current value of the annuity policy is R107 million.

The actuarial net present value of promised retirement medical benefits as at 31 March 2013 is R60.5 million. The obligation is unfunded and was valued using the “projected unit method”. A discount rate of 8.0% and a health care cost inflation of 7.0% were assumed. Mortality assumptions were in line with standard table SA56/62 ultimate (pre-retirement) and PA(90) rated down by two years (post-retirement). A sensitivity analysis was performed on the health care cost inflation rate assumption used in the valuation. An 8.0% and 6.0% health care cost assumption would result in a net obligation of R85.5 million and R40.0 million respectively. The combined interest and service cost vary according to the health care cost inflation and are R15.0 million (6.0%), R17.3 million (7.0%) and R20.2 million (8.0%).

Furthermore, a sensitivity analysis was also performed on the post-retirement mortality rate assumption. A PA(90) and PA(90) rated down two years assumption would result in the net obligation as at 31 March 2013 being R50.3 million and R65.6 million, respectively. The combined interest and service cost vary according to the mortality assumption and are R16.2 million (PA(90)) , R17.3 million (PA(90)-2) and R17.8 million (PA(90)-3).

SFF Association

The company contributes to a medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of retirees is actuarially valued annually, using the projected unit credit method. The plan is unfunded. The last actuarial valuation was carried out on 31 March 2013. The principal assumptions adopted are disclosed below.

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

20. Employee benefits (continued)

	%	%			
Valuation interest rate:	8	8.70	-	-	-
Medical aid contribution increase rate:	8.13	8.00	-	-	-
	-	-	-	-	-
Projected benefit obligation					
Projected benefit obligation as at the beginning of the year	28,893	23,295	-	-	-
Interest costs	2,212	2,097	-	-	-
Benefit paid (estimate)	(1,757)	(1,532)	-	-	-
Current service costs	-	-	-	-	-
Actuarial (gain) / loss due to assumption changes	(4,972)	1,498	-	-	-
	5,194	3,535	-	-	-
	-	-	-	-	-
Projected Benefit Obligation	**29,570**	**28,893**	**-**	**-**	**-**

21. Retention

This relates to the infrastructure work done by PLD at the Vlakfontein mine, of R0,89 million this amount will be retained until the guarantee period expires, which is in September 2013 or when the supplier provides African Exploration with the bank guarantee.

22. Trade and other payables

	Group 2013	Group 2012	Company 2013	Company 2012
Trade payables	2,475,881	1,760,616	7,019	4,489
VAT	6,804	4,074	-	-
Other payables	45,544	93,925	42,818	80,804
Accrued leave pay	110,972	81,935	-	-
Accrued expenses	809,087	535,446	-	-
Sundry creditors	92,663	15,634	-	-
	3,540,951	**2,491,630**	**49,837**	**85,293**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

23. Deferred income

Solar Park and Vaal Dam projects	9,977	11,805	9,977	11,805
Donor Funds	113	145	-	32
Guarantee fees	178	237	178	237
Income in advance	-	1,062	-	-
Environmental deposits	37	18	-	-
	10,305	**13,267**	**10,155**	**12,074**

Non-current liabilities	10,014	11,823	9,977	11,805
Current liabilities	291	1,444	178	269
	10,305	**13,267**	**10,155**	**12,074**

24. Revenue

Gross revenue represents the invoiced value of crude oil, fuel sales, tank rentals and other goods and services supplied, excluding value added tax.

Sale of goods	19,718,782	13,904,248	-	-
Rendering of services	303,919	701,421	16,895	24,248
Tank rentals	148,938	376,583	-	-
Rental Income	20,747	5,398	-	-
Interest received (trading)	22	105	22	105
Verification Income	4,442	421	-	-
	20,196,850	**14,988,176**	**16,917**	**24,353**

25. Cost of sales

Sale of goods				
Cost of goods sold	17,979,597	11,965,889	-	-

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

26. Operating Profit / (Loss)

Operating profit for the year is stated after accounting for the following:

Operating lease charges				
Premises				
• Contractual amounts	17,559	16,710	107	111
Equipment				
• Contractual amounts	2,515	2,284	1,013	1,031
	20,074	**18,994**	**1,120**	**1,142**

Profit / (loss) on sale of property, plant and equipment	(1,328)	(457)	(1,230)	54
Loss on sale of other financial assets	-	-	-	-
Impairment on property, plant and equipment	321	-	-	-
Impairment on intangible assets	-	79,162	-	-
Impairment on businesses (or subsidiaries and associates)	-	-	1,569	(68,034)
Impairment of projects	-	3,744	-	3,744
Loss / (profit) on exchange differences	(423)	(3,075)	(2,508)	(1)
Amortisation on intangible assets	7,840	3,854	1,528	130
Depreciation on property, plant and equipment	1,305,770	1,029,590	6,890	5,123
Employee costs	244,331	254,661	63,095	67,196
Research and development	3,558	16,374	3,558	16,374

27. Auditors' remuneration

Fees and expenses	6,479	6,201	1,884	2,303

28. Investment income

Interest income				
Back-to-back loans	-	17,960	12,226	17,814
Associates	2,715	1,818	-	-
Loans	-	-	-	6,790
Interest on money market	949,827	1,135,167	199,826	208,064
Finance leases	275	176	-	-
Other interest	84,239	76,559	190	288
Total	**1,037,056**	**1,231,680**	**212,242**	**232,956**

Interest on money market in the company relates to interest for CEF and subsidiaries.

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

29. Retention

This relates to the infrastructure work done by PLD at the Vlakfontein mine, this amount will be retained until the guarantee period expires, which is September 2013 or when the supplier provides African Exploration with the bank guarantee.

30. Finance costs

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Interest paid to subsidiaries	-	-	50,623	49,650
Non-current borrowings	12,557	24,860	-	13,754
Loss on foreign currency borrowings	1,121	(64)	-	-
Other interest	7,842	7,414	3,586	2,838
Notional interest	597,672	423,895	-	-
Revaluations of foreign loans	258,295	46,403	-	-
	879,106	**502,508**	**54,209**	**66,242**

31. Taxation

Major components of the tax (income) / expense

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Current				
Local income tax - current period	25,364	(18,252)	24,402	21,947
Local income tax - recognised in current tax for prior periods	201	(70)	-	-
Tax adjustment	1,489	12	-	-
Tax adjustment prior period error	4,867	4,163	-	-
Foreign income tax or withholding tax - recognised in current tax for prior periods	11	15	-	-
	31,932	**(14,132)**	**24,402**	**21,947**
Deferred				
Originating and reversing temporary differences	(64,021)	-	-	-
Other deferred tax	(5,240)	3,824	(5,240)	3,824
	(69,261)	**3,824**	**(5,240)**	**3,824**
	(37,329)	**(10,308)**	**19,162**	**25,771**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

31. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group 2013	Group 2012	Company 2013	Company 2012
Applicable tax rate	28.00%	28.00%	29.01%	28.00%
Permanent difference	- %	5.13%	7.14%	5.13%
Assessed loss not recognised	- %	- %	- %	- %
Foreign taxes	- %	- %	- %	- %
Timing difference	(24.22)%	(32.45)%	- %	(17.58)%
Under / (over) provision	- %	- %	6.13%	- %
	3.78%	**0.68%**	**42.28%**	**15.55%**

PetroSA

PetroSA is an oil and gas company as defined in the Tenth Schedule to the Income Tax Act. As an oil and gas company, PetroSA qualifies for additional tax deductions in respect of its capital expenditure on exploration and production activities. This assessed loss position is directly attributable to PetroSA's oil and gas activities.

PetroSA is engaged in a development programme of the F-O field, known as project Ikhwezi. Project Ikhwezi will contribute toward further increasing PetroSA's tax assessed loss position. As it is unlikely that the assessed loss will be utilised in the foreseeable future, no deferred tax asset has been recognised. The current value of the deferred tax asset is R1,728 million.

The unused tax loss for the year is R7,900 million.

Petroleum Agency SA and SFF

Petroleum Agency SA is exempt from paying taxation due to it being an agent of the State.

Taxation	Group 2013	Group 2012	Company 2013	Company 2012
Opening balance	(13,546)	(392,299)	6,149	(5,220)
Income tax for the year	(35,638)	(10,308)	22,148	28,757
Deferred portion	(1,728,958)	(3,823)	5,240	(3,823)
Payment made	1,800,088	392,884	(18,732)	(10,579)
Net tax payable/ (receivable)	**21,946**	**(13,546)**	**14,805**	**9,135**

Taxation summary as per Statement of Financial Position	Group 2013	Group 2012	Company 2013	Company 2012
Current tax payable	38,764	13,240	14,805	9,135
Current tax receivable	(22,452)	(26,786)	-	-
	16,312	**(13,546)**	**14,805**	**9,135**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

32. Operating lease income

SFF has various lease rental contracts with customers for the rental of premises. These contracts' terms range from three to four years.

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Algoa Oil and Pipeline Services				
Not later than one year	4,642	4,259	-	-
Later than one year and not later than five years	1,185	5,827	-	-
	5,827	**10,086**	**-**	**-**
Capetel SA (Pty) Limited				
Not later than one year	168	154	-	-
Later than one year and not later than five years	115	284	-	-
	283	**438**	**-**	**-**
Hydrotek Specialised Cleaning Systems				
Not later than one year	24	22	-	-
Later than one year and not later than five years	4	28	-	-
	28	**50**	**-**	**-**
Independent Oil Tools South Africa (Pty) Limited				
Not later than one year	400	450	-	-
Later than one year and not later than five years	-	400	-	-
	400	**850**	**-**	**-**
Petroleum Agency of South Africa (SOC) Limited				
Not later than one year	410	377	-	-
Later than one year and not later than five years	447	857	-	-
	857	**1,234**	**-**	**-**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
33. Cash generated from (used in) operations				
Profit before taxation	995,163	1,806,507	67,658	145,849
Adjustments for:				
Depreciation and amortisation	1,313,610	1,109,370	8,418	5,253
Loss on sale of assets	-	-	-	(54)
Deferred income	(2,962)	10,140	(1,919)	11,739
Loss on foreign exchange	-	1	-	-
Loss / (profit) on sale of non-current assets	-	108,103	-	-
Dividends received	-	-	-	-
Interest received	(1,037,056)	(1,231,680)	(212,242)	(232,956)
Finance costs	879,106	502,508	54,209	66,242
Fair value adjustments	-	(805)	-	-
Impairment loss	321	-	16,541	(68,064)
Movements in operating lease assets and accruals	(244)	221	-	-
Movements in provisions	1,797,598	235,609	(2,344)	(886)
Other non-cash items	-	-	1	25
Foreign currency translation reserve	90,312	1	-	-
Transfer / change in estimate of property, plant and equipment	189,558	100,000	-	-
Intangible assets foreign exchange & other movements	(12,682)	-	-	-
Changes in working capital:				
(Increase) / decrease in inventories	(485,588)	(2,055,408)	-	-
(Increase) / decrease in trade and other receivables	(830,686)	(673,734)	4,390	2,579
Prepayments	-	-	-	-
Deferred Tax	1,738,535	3,823	-	-
Goodwill	-	9,315	-	-
Transfer of intangible assets	-	(3)	-	-
Transfer of pending determination	-	930	-	-
(Decrease) / increase in trade and other payables	1,047,703	962,518	(35,456)	44,984
	5,682,688	**887,416**	**(100,744)**	**(25,289)**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

34. Increase in investment in subsidiaries and associates

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Carbon Stream Africa				
Provision against investment	-	-	2,110	2,045
Provision against loan	-	-	(2,110)	(2,045)
Movement in investment	**-**	**-**	**-**	**-**
DWP				
Provision against investment	17,000	17,000	17,000	17,000
Provision against loan	(17,000)	(17,000)	(17,000)	(17,000)
	-	**-**	**-**	**-**
CEF Carbon				
Provision against investment	-	-	15,589	15,257
Provision against loan	-	-	(15,589)	(15,257)
Movement in investment	**-**	**-**	**-**	**-**
SASDA				
Provision against investment	-	-	55,571	40,598
Provision against loan	-	-	(55,571)	(40,598)
Movement in investment	**-**	**-**	**-**	**-**
Cotec Patrade (Proprietary) Limited				
Provision against investment	-	-	3,731	3,731
Provision against loan	-	-	(3,731)	(3,731)
Movement in investment	**-**	**-**	**-**	**-**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
34. Increase in investment in subsidiaries and associates (continued)				
ETA Energy (Proprietary) Limited				
Provision against investment & Share premium	-	-	29,461	28,612
Provision against loan	-	-	(29,461)	(28,612)
Movement in investment	**-**	**-**	**-**	**-**
CCE Solutions (Proprietary) Limited				
Provision against investment	-	-	81,758	81,444
Provision against loan	-	-	(81,758)	(81,444)
Movement in investment	**-**	**-**	**-**	**-**
Net movement on investment in subsidiaries and associates	**-**	**-**	**-**	**-**
Opening carrying amount of loans to group companies:				
African Exploration	-	-	240,715	-
Petroleum Agency SA	-	-	(312,627)	(250,741)
SFF	-	-	-	-
PetroSA	-	-	(489,021)	(489,021)
South African Gas Development	-	-	436,165	450,125
Sasda	-	-	-	25,783
SANERI	-	-	-	(29,556)
CCE	-	-	-	-
ETA	-	-	(30,190)	(47,718)
OPC	-	-	(5,432)	6,127
Carbon Stream	-	-	389	880
CEF Carbon SA	-	-	-	11,963
	-	**-**	**(160,001)**	**(322,158)**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
34. Increase in investment in subsidiaries and associates (continued)				
Closing carrying amount of loans to group companies:				
Petroleum Agency SA	-	-	(318,608)	(312,627)
PetroSA	-	-	(489,021)	(489,021)
South African Gas Development	-	-	357,921	436,165
Sasda	-	-	-	-
SANERI	-	-	-	-
ETA	-	-	(18,940)	(30,190)
OPC	-	-	(5,063)	(5,432)
Carbon Stream	-	-	389	389
CEF Carbon SA	-	-	-	-
African Exploration	-	-	208,899	240,715
	-	**-**	**(264,423)**	**(160,001)**
Movement in carrying amount of loans	-	-	104,422	(162,157)
Net investment in subsidiaries/associates and impairment movements	-	-	(16,541)	64,290
Cash effect of investments in subsidiaries and associates	**-**	**-**	**87,881**	**(97,867)**

35. Tax refunded / (paid)

	Group 2013	Group 2012	Company 2013	Company 2012
Balance at beginning of the year	13,123	392,299	(9,135)	5,220
Current tax for the year recognised in profit or loss	37,329	10,308	(19,162)	(25,771)
Deferred tax movement for the year	1,723,258	3,823	(5,240)	3,823
Balance at end of the year	(306)	(13,123)	14,805	9,135
	1,773,404	**393,307**	**(18,732)**	**(7,593)**

36. Cash flows of held for sale / discontinued operations

	Group 2013	Group 2012	Company 2013	Company 2012
Non-current assets held for sale	1,598	1,168,744	-	-
Liabilities of disposal groups	87	(715,538)	-	-
Profit/(loss) from discontinuing operations	(957)	(6,732)	-	-
	728	**446,474**	**-**	**-**

37. Business combinations

Sabre Oil and Gas Holdings Ltd

On 14 September 2012 the group acquired 100% of the voting equity interest of Sabre Oil and Gas Holdings Ltd which resulted in the group obtaining control over Sabre Oil and Gas Holdings Ltd for a purchase price of US$500 million. This was partly financed by a back-to-back bank loan facility of US$220 million. Sabre Oil and Gas Holdings Ltd is principally involved in the oil and gas industry with minority interests in assets offshore Ghana. As a result of the acquisition, the group is expecting to increase its share in those markets. It is also expecting to reduce costs through economies of scale.

Acquisition-related costs have been charged to administrative expenses in the consolidated Statement of Comprehensive Income.

The contingent consideration arrangement requires the group to pay an amount of $ 60million to the former owners of Sabre Oil and Gas Holdings Ltd should various production targets and approvals be met before 30 June 2014. The fair value of the contingent consideration arrangement of R321.3 million was estimated by using a present value calculation. The fair value estimates are based on a discount rate of 11% and assumed productions targets and approvals would be reached based on the most reliable information available. The reporting date of the company is 31 December which is not the same as that of the Group. The Group results include the performance of Sabre Oil and Gas Holdings Ltd for the intervening period until 31 March 2013.

The following table summarises the consideration paid for Sabre Oil and Gas Holdings Ltd, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Aggregated business combinations

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Net cash outflow on acquisition				
Cash consideration paid	(3,880,651)	-	-	-
Cash acquired	525,027	-	-	-
	(3,355,624)	**-**	**-**	**-**

38. Contingencies

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Guarantees				
1. DME for Rehabilitation of E-BT/E-AR mining lease.	27,100	27,100	27,100	27,100
2. Eskom for payment of guarantee for electrical supply.	2,435	2,435	2,435	2,435
3. Eskom for payment of guarantee for electrical supply	9,485	9,485	9,485	9,485
4. Department of Energy for rehabilitation of FA mining lease.	450,000	450,000	450,000	450,000
5. ABSA Bank for iGas to acquire a 25% interest in Rompco.	100,000	180,000	100,000	180,000

Notes to the Financial Statements (continued)

Figures in Rand thousand

38. Contingencies (continued)

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
6. Performance guarantees - Republic of Equatorial Guinea in respect of minimum work obligations for exploration (USD 18 million).	-	-	-	-
7. ABSA Bank for OPCSA's Deed of Suretyship.	2,000	2,000	2,000	2,000
8. The Group's share of 55% of costs being USD 3.356 million would be payable from PetroSA's share of revenues from future production within E-P tract, should the tract be successful thus representing a contingent liability.	-	25,802	-	-
9. The group has issued guarantees for the rehabilitation of land disturbed by mining on the Sable field.	180,000	180,000	-	-
10. The group has issued a manufacture and excisable bond in favour of the South African Revenue Services.	5,000	5,000	-	-
11. The group has issued an evergreen VAT guarantee in favour of the Dutch VAT Authorities (Euro 0.455m).	5,376	4,667	-	-
12. ABSA Bank for SANERI Deed of Suretyship.	-	2,100	-	2,100
13. ABSA Bank for iGas Deed of Suretyship.	2,100	2,100	2,100	2,100
14. Rehabilitation of land disturbed by mining.	15,900	15,900	-	-
15. DEG - Deutsche Investitions - Und Entwicklungsgesellschaft MBH as lender to Rompco	41,700	62,500	41,700	62,500
16. Standard Bank Of South Africa Ltd as lender to Rompco	58,300	87,500	58,300	87,500
	899,396	**1,056,589**	**693,120**	**825,220**

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

38. Contingencies (continued)

Cession and pledge to Absa Bank Limited of R16,9 million - Rehabilitation of mining leases

African Exploration Mining and Finance Corporation (SOC) Limited has obtained mining rights from the Department of Mineral Resources. African Exploration Mining and Finance Corporation (SOC) Limited had to issue a financial guarantee for the rehabilitation of the land disturbed by mining (execution of environmental management programme) concerning the responsibility in terms of the Mineral and Petroleum Development Act 2002 (Act 28 of 2002), which is incumbent on African Exploration Mining and Finance Corporation (SOC) Limited (referred to as "the mine owner" to execute the Environmental Management Programme approved in terms of the provisions of the said Act for the mine known as Vlakfontein Mine, situated in the magisterial district of eMalahleni, Mpumalanga Province. ABSA Bank Limited issued a financial guarantee of R15,9 million to the Department of Mineral Resources in the previous financial period.

Cession and pledge to Absa Bank Limited of R95,2 million

iGas (SOC) Limited, a subsidiary of CEF (SOC) Limited has acquired a 25% interest in Rompco (Proprietary) Limited. In order for iGas (SOC) Limited to give effect to the above mentioned acquisition it was obliged to procure guarantees from a financial institution in support of its obligation as Debt Service Support provider to Rompco (Proprietary) Limited. Absa Bank Limited has issued guarantees to the value of R590 million (current outstanding amount R195,2 million). CEF (SOC) Limited has issued a counter guarantee to Absa Bank Limited to the same value. CEF (SOC) Limited has ceded and pledged an amount of R95,2 million (2012: R114,2 million) to Absa Bank Limited for the guarantee facility.

	Group 2013	Group 2012	Company 2013	Company 2012
Claims				
PetroSA is considering setting a claim made in terms of a contract	61,266	16,023	-	-
	61,266	**16,023**	**-**	**-**

PetroSA

PetroSA purchased depots in Tzaneen and Bloemfontein. Studies are currently underway to determine the costs of any rehabilitation and risk reduction activities. A provision will be raised for any future costs arising from these studies, for which PetroSA will be liable.

PetroSA may be liable for any soil contamination resulting from the dispensing of fuel at the Mbizana Integrated Energy Centre. The estimated financial impact is R1 million.

39. Commitments

Authorised capital expenditure

	Group 2013	Group 2012	Company 2013	Company 2012
Approved by the directors				
Contracted for	4,962,223	2,425,672	3,283	-
Not contracted for	9,055,540	15,628,157	-	-
	14,017,763	**18,053,829**	**3,283**	**-**

All other contracts relate to transactions in the normal course of the operation of the business.

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
39. Commitments (continued)				
Operating lease commitments				
CEF				
- within one year	1,338	1,338	1,338	1,338
- in second to fifth year inclusive	4,076	4,076	4,076	4,076
	5,414	**5,414**	**5,414**	**5,414**

The entity entered into a lease agreement for various copy machines for a period 60 month, commencing 2010 and 2011. The rental is payable monthly and has no escalation clauses.

OPC				
- within one year	-	908	-	-
- in second to fifth year inclusive	-	1,526	-	-
- later than five years	-	5,883	-	-
	-	**8,317**	**-**	**-**

The company has entered into a property lease for its administrative offices. The non-cancellable lease is for a period of 3 years ending 30 April 2011. In the 2011 financial year OPC has extended the lease for another 1 year from 1 May 2011 until 30 April 2012. In the 2012 financial year the lease agreement has been further extended for an additional period of 1 year from 1 May 2012 until 30 April 2013. OPC's operations were merged into SFF on 26 October 2012.

Has entered into a property lease for portion of farm 1185 and Saldanha inner-bay sea water area for equipment store with ablution, office and boathouse facilities. The lease is for a period of 15 years ending 31 December 2025 with a rental review every five years with escalation per annum of 9%.

AEMFC				
- within one year	8,128	627	-	-
- in second to fifth year inclusive	7,098	1,159	-	-
- later than five years	654	880	-	-
	15,880	**2,666**	**-**	**-**

The entity has leased Block E, Upper Grayston Office Park, 150 Linden street, Strathavon, Sandton The agreement commenced during the financial year and the rent payable shall annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. Either party shall be entitled to terminate this lease on six months written notice to the other party.

The entity has a servitude agreement with Anglo American, the surface owners of Portion 3 of the farm Vlakfontein 569 JR, for the period of 11 years amiunted to R2 million and capital expenditure relates to the depoist required to secure supply of electricity for the T Project of R6,4 million.

Figures in Rand thousand

39. Commitments (continued)

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
PetroSA				
- within one year	1,400	1,284	-	-
- in second to fifth year inclusive	4,057	5,457	-	-
	5,457	**6,741**	**-**	**-**

Office space was leased at the Tyger Valley Chambers in Parow, Cape Town, effective from 1 June 2008. The lease payment was fixed at R178,345 per month, with a 8% escalation per annum. The period of the lease agreement was three years and ended on 31 May 2011. Office space is leased at 1 Protea Place in Sandton, Johannesburg, effective from 1 October 2011. The lease payment is fixed at R 102,420 per month with a 9% escalation per annum. The lease period is five years and ends on 30 September 2016.

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
PetroSA Europe BV - Office space				
- within one year	642	546	-	-
- in second to fifth year inclusive	428	910	-	-
	1,070	**1,456**	**-**	**-**

Office space is leased at 3011XB Willemswerf, 13th Floor, Boomjes, effective 1 December 2004. The lease payment is fixed at Euro 44,791 per annum, with an inflationary escalation per annum. The period of the lease agreement was initially five years and was extended for a further five year period ending on 30 November 2014, at which time PetroSA Europe BV has the option to renew the lease for a further five year period.

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
PetroSA Europe BV - motor vehicles				
- within one year	33	254	-	-
- in second to fifth year inclusive	-	28	-	-
	33	**282**	**-**	**-**

Motor vehicles are leased on behalf of the company's employees. The standard contract period is 48 months. The expiry dates are 18 January 2013 and 27 May 2013.

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
PetroSA Europe BV - apartments				
- within one year	433	580	-	-

PetroSA Europe BV leases apartments for its employees. The company entered into a lease for a period of 1 year commencing on 1 December 2012 to 30 November 2013. The annual rental will be adjusted in July 2013 in line with CPI - all household series.

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

39. Commitments (continued)

Equatorial Guinea				
- within one year	722	625	-	-

The company entered into a lease for office space in Malabo for a one year period, effective from 1 February 2013 to 31 January 2014. The lease payments are CFA 4,000,000 per month, and is paid in advance for a year.

PetroSA - Mozambican office space				
- within one year	43	-	-	-

The company leases furnished office space in Mozambique at a monthly rental fee of 48,000Mtn. The lease term is for one year starting on 1 July 2012.

PetroSA Egypt				
- within one year	37	250	-	-
- in second to fifth year inclusive	-	-	-	-
	37	**250**	**-**	**-**

PetroSA Egypt leases office space in Egypt for a period of one year commencing on 1 January 2012 to 31 December 2012. The monthly lease instalments are $1,200 with an annual escalation of 10%. The lease was renewed for three months ending 31 March 2013 and 30 June 2013 respectively, with monthly instalments of $1,320. The lease instalments were paid in advance.

Petroleum Agency SA				
- within one year	6,612	6,237	-	-
- in second to fifth year inclusive	3,437	9,191	-	-
	10,049	**15,428**	**-**	**-**

Suite 3 Tygerpoort in Bellville

Petroleum Agency SA leases office space from Sulnisa Property for a period of five years ending 30 September 2014. The lease payment is fixed at R389 631 per month, with an escalation of 8% per annum. The company has an option to renew the lease for a further five years and option to buy on expiry of the first five years.

Notes to the Financial Statements (continued)

Figures in Rand thousand

39. Commitments (continued)

Milnerton

Petroleum Agency SA extended the lease for storage space from SFF Association for a further period of three years ending 31 March 2014. The lease payment is fixed at R28 791 per month, with a CPIX linked escalation per annum. The company has an option to renew the lease.

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
SFF				
- within one year	6,007	2,821	-	-
- in second to fifth year inclusive	30,037	14,067	-	-
- later than five years	60,074	54,230	-	-
	96,118	**71,118**	**-**	**-**

The entity has leased the terminal (oil jetty), terminal infrastructure (super structure) and berths. The agreement commenced on 1 January 2010 and the rent payable shall annually, on the anniversary date, escalate by 9% or alternatively shall be reviewed every five years. The lease period amounts to a total of sixteen years.

40. Financial instruments

Introduction

The group has a risk management and a treasury department in CEF (SOC) Limited and in PetroSA, that manages the financial risks relating to the group's operations. The group's liquidity, credit, foreign exchange, interest rate and crude oil price risks are monitored continually. Approved policies exist for managing these risks.

Risk profile

In the course of the group's business operations it is exposed to liquidity, credit, foreign exchange, interest rate and crude oil price risk. The risk management policy of the group relating to each of these risks is discussed below.

Risk management objectives and policies

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in foreign exchange, interest rates and crude oil prices. Throughout the year under review it has been, and remains, the group's policy that no speculative trading in derivative financial instruments be undertaken.

Foreign currency management

The Group is exposed to foreign currency fluctuations as it raises funding on the offshore financial markets, imports raw material and spares and furthermore exports finished product and crude oil. All local sales of finished products are sold on a foreign currency denominated basis.

The group takes cover on foreign exchange transactions where there is a future currency exposure. The group also makes use of a natural hedge situation to manage foreign currency exposure.

A sensitivity analysis was done for the net effect on revenue and expenses, and the weakening or strengthening of the Rand/Dollar exchange rate by R1 based on actual revenue and cost will increase or decrease profit by R910 million (2012: R935 million) respectively.

Figures in Rand thousand

40. Financial instruments (continued)

Foreign currency instruments

The group is mainly exposed to fluctuation in the EUR, GBP and USD. The group measures its market risk exposure by running various sensitivity analyses including 10% favourable and adverse changes in key variables. The sensitivity analysis include outstanding foreign currency denominated monetary items and adjust translation at the period end for a 10% change in foreign currency rates.

Financial Assets

As at 31 March 2013 a 10% strengthening in ZAR against the relevant currencies would have resulted in a decrease in foreign currency denominated assets of R232 million (2012: R32.1 million) and a 10% weakening in ZAR against the relevant currencies would have resulted in an increase in foreign currency denominated assets of R232 million (2012: R32.1 million).

Financial Liabilities

As at 31 March 2013 10% strengthening in ZAR against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities of R59 million (2012: R88 million) and a 10% weakening in ZAR against US Dollar would have resulted in an increase in foreign currency denominated liabilities of R59 million (2012: R88 million).

Currency risk

The group has entered into certain forward exchange contracts which do not relate to specific items appearing on the statement of financial position but which were entered into to cover foreign commitments not yet due and proceeds not yet received. The contracts will be utilised for purposes of trade.

Exchange rates used for conversion of foreign items were:

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	2013	2012
Closing rate:		
USD	9.2600	7.6884
Euro	11.8157	10.2573
Average:		
USD	8.5131	7.4580
Euro	10.9609	10.2485

Forward foreign exchange contracts

2013

Amount in foreign currency purchased	Average forward exchange rate	Maturity date
Assets		
EUR 9 536 327	11.8209	Less than 3 months
Liabilities		
EUR 16 520 661	11.8232	Less than 3 months
GBP 17 659 056	14.0604	Less than 3 months
USD 131 823 078	9.3053	Less than 3 months
USD 27 887 672	9.3998	Less than 6 months

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Notes to the Financial Statements (continued)

Figures in Rand thousand

40. Financial instruments (continued)

2012

Total foreign currency	Average forward exchange rate	Maturity date
Liabilities		
USD 56 817 759	7.6965	Less than 3 months
EUR 4 500 000	10.2630	Less than 3 months

As at 31 March 2013, a 10% relative change in the USD to the ZAR would have impacted profit and loss for the year by R149 million (2012: R43.7 million).

As at 31 March 2013, a 10% relative change in the EUR to the ZAR would have impacted profit and loss for the year by R20 million (2012: R4.6 million).

As at 31 March 2013, a 10% relative change in the GBP to the ZAR would have impacted profit and loss for the year by R25 million (2012: R0).

R'000	2013	2012	2013	2012
Forward exchange contracts - assets	112,728	-	285	-
Forward exchange contracts - liabilities	(1,932,393)	(483,483)	43,445	(3,723)
	(1,819,665)	**(483,483)**	**43,730**	**(3,723)**

Credit risk

Financial assets, which potentially subject the group to concentrations of credit risk, pertain principally to trade receivables and investments in the South African money market. Trade receivables are presented net of the allowance for doubtful debts.

The exposure to credit risk with respect to trade receivables is not concentrated due to a large customer base.

The group manages counter-party exposure arising from money market and derivative financial instruments by only dealing with well-established financial institutions of a high credit rating. Losses are not expected as a result of non-performance by these counter parties.

Credit limits with financial institutions are revised and approved by the board quarterly.

Fair value

The group's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables and long-term debt.

As at 31 March 2013 no financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading.

The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amounts of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets

Trade receivables

The carrying amounts of trade receivables net of provision for bad debt, approximates fair value due to the relatively short-term maturity of this financial asset.

Figures in Rand thousand

40. Financial instruments (continued)

Investments

The carrying amounts of short-term investments approximates fair value due to the relatively short-term maturity of these assets.

Trade payables

The carrying amounts of trade payables approximates fair value due to the relatively short-term maturity of these liabilities.

Interest-bearing borrowings

The carrying value of short-term borrowings approximates fair value due to the relatively short-term maturity of these liabilities.

Derivatives

The fair value of foreign exchange forward contracts represent the estimated amounts (using rates quoted by the group's bankers) that the group would pay / receive to terminate the contracts at the reporting date, thereby taking into account the unrealised gains / losses on open contracts.

Maturity profile

At least half or more of long-term finance, i.e. more than 3 years (or less in more volatile environments) should be at fixed rates of interest, even though such long-term rates are usually higher than the short-term rates ruling at the time that the long-term rates are negotiated. In mitigating the volatility risk, therefore, at least half of long-term finance is raised at fixed rates and other commitments will, if strong volatility threatens, be mitigated by the use of forward rate agreements, futures, interest rate options, interest rate swaps, caps, floors and collars.

The maturity profiles of financial assets and liabilities at reporting date are as follows:

Group

At 31 March 2013
Assets

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	13,073,314	-	-	-	13,073,314
Other financial assets	2,594,000	215,306	-	-	2,809,306
Trade and other receivables	3,446,416	-	-	-	3,446,416
Total financial assets	**19,113,730**	**215,306**	**-**	**-**	**19,329,036**
Liabilities					
Trade and other payables	3,398,784	-	-	-	3,398,784
Other financial liabilities	2,037,200	-	-	-	2,037,200
Total financial liabilities	**5,435,984**	**-**	**-**	**-**	**5,435,984**

Figures in Rand thousand

40. Financial instruments (continued)

At 31 March 2012
Assets

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	19,144,932	-	-	-	19,144,932
Other financial assets	-	192,659	-	-	192,659
Trade and other receivables	2,481,662	-	-	-	2,481,662
Total financial assets	**21,626,594**	**192,659**	**-**	**-**	**21,819,253**

Liabilities

Trade and other payables	2,411,299	-	-	-	2,411,299

Company

At 31 March 2013
Assets

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	3,743,175	-	-	-	3,743,175
Trade and other receivables	31,347	-	-	-	31,347
Total financial assets	**3,774,522**	**-**	**-**	**-**	**3,774,522**

Liabilities

Trade and other payables	49,837	-	-	-	49,837
Owing to subsidiaries	-	987,077	-	-	987,077
Total financial liabilities	**49,837**	**987,077**	**-**	**-**	**1,036,914**

At 31 March 2012

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	3,610,552	-	-	-	3,610,552
Other financial assets	-	7,062	-	-	7,062
Trade and other receivables	36,413	-	-	-	36,413
Total financial assets	**3,646,965**	**7,062**	**-**	**-**	**3,654,027**

Liabilities

Trade and other payables	85,293	-	-	-	85,293
Owing to subsidiaries	-	973,777	-	-	973,777

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are available to meet cash commitments.

Figures in Rand thousand

40. Financial instruments (continued)

Price risk

External sales and purchases are subject to price and basis risks associated with volume and timing differences.

Price risk is mitigated using various operational and financial instruments. Instruments used are liquid and can be traded and valued at any time. The hedge portfolio may consist of exchange-traded options and futures as well as non-exotic over the counter options and swaps. Options, however, are only traded within zero cost collars. The selling prices are hedged using the International Petroleum Exchange (IPE), New York Mercantile Exchange (Nymex), or Singapore Monetary Exchange (Simex).

A sensitivity analysis was performed for revenue and every $1 increase or decrease in the Brent crude oil price will increase or decrease profit by R61.4 million (2012: R54.5 million) respectively, based on the 2012/13 financial results.

SFF Pipeline Inventory

Interest rate risk

Exposure to interest rate risk on liabilities and investments is monitored on a proactive basis. The financing of the group is structured on a combination of floating and fixed interest rates.

The following table sets out the carrying amount, by maturity, of the group's financial instruments that are exposed to interest rate risk and the effective interest rates applicable:

At 31 March 2013
Fixed rate

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Cash and cash equivalents (5.45%)	8,861,727	-	-	8,861,727
Floating Rate				
Cash and cash equivalents	4,211,587	-	-	4,211,587
Trade receivables	3,676,192	-	-	3,676,192
Trade payables	(3,540,951)	-	-	(3,540,951)
Lurgi (1.23%)	-	-	136,140	136,140
PetroSA Egypt (10.5.%)	-	-	1,141,619	1,141,619
GTL.F1 (0%)	-	-	79,166	79,166
Sabre Oil and Gas Holdings (0.8651%)	-	-	1,517,538	1,517,538
PetroSA Equatorial Guinea (10.5%)	-	-	1,598,885	1,598,885

Notes to the Financial Statements (continued)

Figures in Rand thousand

40. Financial instruments (continued)

At 31 March 2012
Fixed rate

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Cash and cash equivalents (6.25%)	9,342,797	-	-	9,342,797
Floating Rate				
Cash and cash equivalents	9,802,135	-	-	9,802,135
Trade receivables	2,600,019	-	-	2,600,019
Trade payables	(2,491,624)	-	-	(2,491,624)
Lurgi (4.24%)	-	-	116,873	116,873
PetroSA Egypt (11%)	-	-	1,142,457	1,142,457
GTL.F1 (0%)	-	-	68,724	68,724
PetroSA Equatorial Guinea (11%)	-	-	1,412,475	1,412,475

Interest rate instruments

The group is mainly exposed to fluctuation in USD LIBOR, EURIBOR and ZAR interest rates. The group measures its interest rate risk exposure by running various sensitivity analys1s including 10% favourable and adverse changes in the key variables. The sensitivity analysis include only interest bearing monetary items and adjusts their value at the period end for a 10% change in interest rates.

Financial Assets

As at 31 March 2013 a 10% relative change in the:

- ZAR interest rate would have impacted profit and loss for the year by R81 million (2012: R107.1 million)
- EURIBOR interest rate would have impacted profit and loss for the year by R0.2 million (2012: R1.73 million)
- USD LIBOR interest rate would have impacted profit and loss for the year by R0.5 million (2010: R0.0 million)

Market risk

The group's activities expose it primarily to the financial risks of changes in commodity prices and foreign currency exchange rates.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are available to meet cash commitments. The group has an overdraft facility as part of managing the liquidity risk.

Notes to the Financial Statements (continued)

Figures in Rand thousand

41. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2013

	Loans and receivables	Fair value through profit or loss - held for trading	Available for sale	Total
Other financial assets	215,306	-	-	215,306
Trade and other receivables	3,545,670	-	-	3,545,670
Cash and cash equivalents	13,073,314	-	-	13,073,314
	16,834,290	**-**	**-**	**16,834,290**

Group - 2012

	Loans and receivables	Fair value through profit or loss - held for trading	Available for sale	Total
Other financial assets	185,597	-	7,062	192,659
Trade and other receivables	2,481,662	-	-	2,481,662
Cash and cash equivalents	19,144,932	-	-	19,144,932
	21,812,191	**-**	**7,062**	**21,819,253**

Company - 2013

	Loans and receivables	Fair value through profit or loss - held for trading	Available for sale	Total
Trade and other receivables	31,347	-	-	31,347
Cash and cash equivalents	3,743,175	-	-	3,743,175
	3,774,522	**-**	**-**	**3,774,522**

Company - 2012

	Loans and receivables	Fair value through profit or loss - held for trading	Total
Other financial assets	10,806	-	10,806
Trade and other receivables	36,413	-	36,413
Cash and cash equivalents	3,610,552	-	3,610,552
	3,657,771	**-**	**3,657,771**

Notes to the Financial Statements (continued)

Figures in Rand thousand

42. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2013

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Other financial liabilities	2,037,200	-	2,037,200
Trade and other payables	3,398,753	-	3,398,753
	5,435,953	**-**	**5,435,953**

Group - 2012

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Trade and other payables	2,411,299	-	2,411,299

Company - 2013

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Owing to subsidiaries	987,077	-	987,077
Trade and other payables	49,534	-	49,534
	1,036,611	**-**	**1,036,611**

Company - 2012

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Loans from shareholders	973,777	-	973,777
Trade and other payables	85,305	-	85,305
	1,059,082	**-**	**1,059,082**

Figures in Rand thousand

43. Directors' emoluments for the company

Year ended 31 March 2013

Executive Directors	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Mr S Mncwango*	529	-	-	529
Ms B Mabuza***	-	-	-	-
Total	**529**	**-**	**-**	**529**

Year ended 31 March 2013

Non executive Directors: Board	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms B Mabuza	352	-	1	353
Ms X Mtwa*	-	-	6	6
Mr S Gamede	170	-	34	204
Adv L Makatini	190	-	60	250
Mr R Boqo**	122	-	7	129
Dr S Mthembi-Mahanyele	601	-	118	719
Mr R Jawoodeen	347	-	184	531
Total	**1,782**	**-**	**410**	**2,192**

Year ended 31 March 2013

Board Human Resources committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms B Mabuza	40	-	-	40
Dr S Mthembi-Mahanyele	59	-	-	59
Mr R Jawoodeen	40	-	-	40
Total	**139**	**-**	**-**	**139**

Year ended 31 March 2013

Board Audit and Risk committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Mr Y Tenza*	-	-	-	-
Mr D Hlatshwayo	72	-	-	72
Mr S Gamede	82	-	-	82
Ms B Mabuza	145	-	-	145
Adv L Makatini	6	-	-	6
Mr R Jawoodeen	18	-	-	18
Dr S Mthembi-Mahanyele	12	-	-	12
Total	**335**	**-**	**-**	**335**

Figures in Rand thousand

43. Directors' emoluments for the company (continued)

Year ended 31 March 2013

Project Finance committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms B Mabuza	52	-	-	52
Mr Y Tenza	-	-	-	-
Dr S Mthembi-Mahanyele	32	-	-	32
Mr R Jawoodeen	79	-	-	79
Mr S Gamede	40	-	-	40
Adv L Makatini	13	-	-	13
Total	**216**	**-**	**-**	**216**

Year ended 31 March 2013

Governance and Nominations committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms B Mabuza	13	-	-	13
Dr S Mthembi-Mahanyele	20	-	-	20
Total	**33**	**-**	**-**	**33**

Due to the synchronisation of the corporate calender there were more meetings convened during the financial year

Year ended 31 March 2012

Executive Directors	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Mr M Damane*	2,560	-	22	2,582
Total	**2,560**	**-**	**22**	**2,582**

Year ended 31 March 2012

Non executive Directors Board	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms. B Mabuza	522	-	43	565
Mr R Jawoodeen	306	-	64	370
Dr. S Mthembi-Mahanyele	314	-	8	322
Adv L Makatini	243	-	13	256
Mr Y Tenza	118	-	-	118
Ms N Magubane**	-	-	-	-
MS T Ramudzisi**	-	-	6	6
Mr T Maqubela**	-	-	5	5
Mr O Aphane**	-	-	7	7
Mr R Boqo	-	-	-	-
Total	**1,503**	**-**	**146**	**1,649**

Notes to the Financial Statements (continued)

Figures in Rand thousand

43. Directors' emoluments for the company (continued)

Year ended 31 March 2012

Executive Management	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Dr C Cooper	1,306	493	16	1,815
Ms M Joubert*	1,352	545	18	1,915
Mr S Mkhize*	1,347	567	24	1,938
Ms A Osman*	1,987	679	56	2,722
Total	**5,992**	**2,284**	**114**	**8,390**

Year ended 31 March 2012

Board Audit and Risk committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Mr Y Tenza	46	-	-	46
Mr D Hlatshwayo	83	-	8	91
Mr R Boqo	94	-	8	102
Ms. B Mabuza	30	-	-	30
Adv L Makatini	24	-	-	24
Mr R Jawoodeen	6	-	-	6
Dr. S Mthembi-Mahanyele	12	-	-	12
Total	**295**	**-**	**16**	**311**

Year ended 31 March 2012

Board Human Resources cimmittee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms. B Mabuza	40	-	-	40
Mr Y Tenza	14	-	-	14
Dr. S Mthembi-Mahanyele	13	-	-	13
Mr R Jawoodeen	13	-	-	13
Total	**80**	**-**	**-**	**80**

Year ended 31 March 2012

Governance and Nominations committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms. B Mabuza	58	-	-	58
Mr M Damane**	-	-	-	-
Dr. S Mthembi-Mahanyele	33	-	-	33
Total	**91**	**-**	**-**	**91**

Notes to the Financial Statements (continued)

Figures in Rand thousand

43. Directors' emoluments for the company (continued)

Year ended 31 March 2012

Project Finance committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms. B Mabuza	12	-	-	12
Mr R Jawoodeen	12	-	-	12
Dr. S Mthembi-Mahanyele	6	-	-	6
Total	**30**	**-**	**-**	**30**

* Not for a full year

** Directors are not remunerated in their personal capacity

*** Not remunerated as Acting CEO

44. Related parties

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Subsidiaries * Refer to note 6				
Associates ** Refer to note 7				
Related party transactions				
African Exploration *				
Office Rental	-	-	196	418
Services rendered	-	-	1,623	1,466
Accounts receivable	-	-	585	674
Loan to	-	-	208,899	240,758
Interest received	-	-	204	985
DWP **				
Loan to	17,000	17,613	17,000	17,613
Cash on call	597	-	597	-
Services rendered	525	476	525	476
Accounts receivable	-	2,071	2,670	2,071
Interest paid	48	5	48	5
Interest received	-	29	-	29
CCE *				
Services rendered	-	-	805	695
Accounts receivable	-	-	138	67
Loan to	-	-	81,758	81,444
PetroSA *				
Interest payable	-	-	2,710	2,320
Services received	-	-	-	-
Cash on call	-	-	489,021	489,021
Office rentals	-	-	-	-
Services rendered	-	-	89	90
Interest received	-	-	-	-

Figures in Rand thousand

44. Related parties (continued)

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Interest paid	-	-	23,828	23,828
Accounts payable	-	-	91	87
Accounts receivable	-	-	73	68
Cotec Patrade (Pty) Ltd *				
Loan to	-	-	3,731	3,731
iGas *				
Term Loan to	-	-	455,366	572,672
Loan	-	-	58,500	58,500
Cash on call	-	-	155,445	136,498
Accounts receivable	-	-	436	2,105
Services rendered	-	-	3,256	4,529
Interest paid on dividends received	-	-	6,303	5,794
Office Rental	-	-	198	218
Guarantee fees paid/ recieved	-	-	-	1,072
Interest income	-	-	12,022	16,824
OPCSA *				
Loan to	-	-	-	-
Cash on call	-	-	5,063	5,429
Accounts payable	-	-	10	9
Accounts receivable	-	-	21	316
Services rendered	-	-	736	1,111
Interest received	-	-	-	110
Interest paid	-	-	258	149
Office Rental to	-	-	9	111
Petroleum Agency SA *				
Cash on call	-	-	318,608	312,627
Accounts receivable	-	-	94	25
Services rendered	-	-	402	235
Interest paid	-	-	17,409	14,802
Accounts payable	-	-	358	465
SFF *				
Sanlam medical aid pensioners	-	-	99	-
Office rental received	-	-	47	92
Services rendered	-	-	5,157	6,051
Services received	-	-	3,285	3
Accounts receivable	-	-	1,681	1,631
Office rental paid	-	-	39	-
Trade payable	-	-	45	-

44. Related parties (continued)

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Baniettoir Mining **				
Loan	23,933	23,933	23,933	23,933
Carbon Stream *				
Loan	-	-	2,110	2,045
Accounts receivable	-	-	-	31
Services rendered	-	-	-	141
Interest paid	-	-	-	-
CEF Carbon *				
Loan to	-	-	15,589	15,257
Accounts receivable	-	-	-	103
Services rendered	-	-	-	917
Office Rental	-	-	-	68
Recoverable costs	-	-	-	4

Additional text

	Group 2013 R '000	Group 2012 R '000	Company 2013 R '000	Company 2012 R '000
Mine Health and Safety Council				
Services rendered	224	203	224	203
Accounts receivable	21	-	21	-
SASDA *				
Loan	-	-	55,571	40,598
Trust funds	-	-	-	-
Accounts receivable	-	-	886	330
Services rendered	-	-	1,667	1,485
Interest paid	-	-	-	-
Office Rental	-	-	535	369
Accounts payable	-	-	-	32
Rompco				
Accounts receivable	9	-	9	-
ETA *				
Loan to	-	-	29,461	28,612
Cash on call	-	-	18,940	30,190
Accounts receivable	-	-	-	184
Services rendered	-	-	-	1,787
Interest paid	-	-	681	1,612
Office Rental	-	-	-	129
Equalisation Fund				
Accounts receivable	395	-	395	-
Services rendered	1,214	2,410	1,214	2,410
Dormant	-	-	-	-

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

44. Related parties (continued)

Fund under the control of CEF

SASDA Verifications - Dormant				
SANEDI				
Services received/ rendered	1,969	1,695	1,969	1,695
Office Rental	556	510	556	510
Interest paid	1,939	1,725	1,939	1,725
Interest received	27	-	27	-
Extended continental Shelf claim project				
Projects to	771	-	771	-
Ener-G Systems **				
Investment in Associates	7,958	7,958	7,958	7,958
DOE				
Project funding	-	-	10,000	20,191
Methcap**				
Investment in Associates	1,475	1,475	1,475	1,475
Upstream Training Trust				
Cash on call	22,511	15,358	22,511	15,358
Interest received/ paid	958	706	958	706
PAMDC				
Loan to	-	-	-	3
Amounts owing from	-	-	-	-
Services rendered	991	840	991	840
Interest received	-	1	-	1
Accounts receivable	517	139	517	139
Accounts payable	-	114	-	114
Office rental	72	83	72	83
Recoverable costs	18	109	18	109
Thin Film solar Technology**				
Investment in Associates	39,545	39,545	39,545	39,545
Philips Lighting Maseru**				
Investment in Associates	9,410	9,410	9,410	9,410
CEF Carbon UK				
Dormant	-	-	-	-

The above transactions were carried out on commercial terms and conditions. Key management personnel refer to note 43.

45. Prior period errors

PetroSA

During the previous year, it was identified that the denomination of subsidiary loans should change from US dollars to Rand the effect on this is R6,371 million. The comparatives figures for PetroSA, PetroSA Eqypt and PetroSA Equatorial Guinea have been restated to address this matter. The correction resulted in a decrease in Revaluations in the Statement of Comprehensive Income and an increase in Other Financial Assets in the Statement of Financial Position in the prior year.

CEF 2012

The comparatives have been restated as supplier invoices were received in 2013 financial year for services rendered in 2012 of R0.037 million and an adjustment to bonus provision of R0.015 million whereby a staff member was short paid on performance bonus. Penalties of R2 million and interest of R0.8 million to SARS for underestimation of provision tax for period 2 result and underpayment of provision tax for 2012 financial year.

African Exploration

The comparative figures have been restated for exploration assets R9.3 million an impairment loss of R9,3 million was recognised, a feasibility studies concluded that exploration of certain projects was not viable. Assets under development was restated by R20.5 million. In the prior year assets under development reached their intended use and were put to use and should have been transferred and depreciated. The comparative figures have been restated for trade and other receivables for royalties income of R13.8 million.

A decrease in accumulated loss summarised as follows:

Decrease in accrual for consulting fees R0.250

Impairment loss on exploration assets R9.3 million

Depreciation and impairment loss on PPE R1.8 million

Increase in royalties income R13.8 million

Decrease in the accumulated loss R2.9 million

ETA

Two credit notes were incorrectly raised on the same invoice. An audited adjustment was processed to correct the error in 2012. However the audit adjustment resulted variance between the age analyst and the general ledger. To correct this variance the audit adjustment was reversed and a debit note was raised on the duplicated credit note. The error was in respect of warrantee provision in the prior year of R0,024 million which has been corrected.

Carbon Stream Africa 2012

Carbon Stream Africa have restated trade and other payables of R0,011 million due to an error.

SFF

Services provided by suppliers were accounted for twice, amounting to R1 100 867. This resulted from an accrual raised as a sundry creditor, and when the actual invoices were received, the amounts were expensed a second time, instead of clearing against the accrual raised.

Provision for bonus was calculated incorrectly, error of R1 637 050 not recorded in the 2012 financial statements.

Bonus over-payments to employees during the 2012 financial year, amounting to R231 996 was discovered in 2013.

Notes to the Financial Statements (continued)

Figures in Rand thousand

45. Prior period errors (continued)

Bonus short-payments to employees during the 2012 financial year, amounting to R26 863 was discovered in 2013.

Travel expenses reimbursed to employees were incorrectly accounted for as deductions from employee payable accounts, instead of being recognised as travel expenses in the 2012 financial year, amounting to R2 272.

R7 985 was recognised as a receivable from a customer in the 2012 financial year, when in fact it related to a payable amount with regards to crude oil.

Pension amounts received from Sanlam (paid to CEF), was provided for as a receivable at the end of the 2011 financial year (R868 165), but when the money was paid over by CEF during the 2012 financial year, it was recognised as income, instead of being cleared against the receivable created.

Penalties on late payment of employee taxes in 2012 to the South African Revenue Services, amounting to R2 042, were recognised as a payable amount in 2012, instead of being recognised as an expense.

Fixed assets acquired to the amount of R82 602, were incorrectly expensed as repairs and maintenance. This was subsequently identified and the assets were added to the fixed asset register in the 2012 financial year.

No interest was provided for the Morgan Stanley litigation claim - according to letter received from attorneys, interest is payable at 15.5% per annum, calculated from 30 September 2011 until date of final payment. Resulting interest from this date until 31 March 2012 = R3 494 809.

Invoices for security services and consulting services received, amounting to R255 718, were not accrued for. These invoices were only received for processing in 2013

Carbon Stream

Carbon Stream has incurred interest and penalties as a result of late payments to South African Revenue Service relating to VAT. The situation arose as a result of the company revenue in 2010 exceeding R1 million and the company is obliged to register for VAT in terms of the VAT Act.

The correction of the errors results in adjustments as follows:

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Statement of Financial Position				
Property, plant and equipment	-	(21,726)	-	-
Trade receivables	-	(415,472)	-	29
Assets pending determination	-	9,315	-	-
Assets of disposal groups	-	1,504	-	-
Reserves	-	5,033	-	-
Intangile assets	-	79,162	-	-
Inventories	-	8	-	-
Trade payables	-	(413,493)	-	12
Opening balance	-	23,534	-	2,656
Operating lease liability	-	(1,164)	-	-
Liability of disposal groups	-	411	-	-
Taxation	-	(3,409)	-	(2,986)
Deferred income	-	329	-	359
Provisions	-	38,527	-	(15)

Notes to the Financial Statements (continued)

Figures in Rand thousand

45. Prior period errors (continued)

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000
Statement of Comprehensive Income				
Revenue	-	(97)	-	105
Investment income	-	(52,882)	-	-
Finance cost	-	28,480	-	(6)
Other income	-	4,579	-	-
Operating expenses	-	46,856	-	2,767
Taxation	-	421	-	-
Discontinued operations	-	(4,509)	-	-
Cost of sales	-	607	-	-

Notes to the Financial Statements (continued)

Figures in Rand thousand

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

46. Public Finance Management Act (PFMA)

Irregular Expenditure

Opening balance	75,402	-	-	-
Expenditure relating to current year	871,923	75,402	1,285	-
Expenditure relating to prior years	3,281	-	-	-
Less: Amounts recovered	-	-	-	-
Less: Amounts condoned	-	-	-	-
	950,606	**75,402**	**1,285**	**-**

Details of irregular expenditure current year for the group

	Disciplinary steps taken	
Contravention of legislation (PPPFA)	In progress	608,393
Contravention of company policy	In progress	266,811
		875,204

2013

Contravention of company policy

The appointment of a consultant at R16.6 million was not in terms of the tender/procurement procedure.

A contract totalling R241 million was approved by the project procurement committee. The value of the contract falls outside of the delegated level of authority of the committee. The awarding of the contract must be approved by a subcommittee of the Board.

Two contracts classified as irregular transaction in the prior year, incurred further expenditure in the current year amounting to R3.3 million.

Deviation from procurement (competitive bidding) process without motivations for the deviation and the necessary approval of R5.9 million.

Contravention of legislation

Tenders and quotations to the value of R608 million for the purchases of goods and services were awarded in contravention of the Preferential Procurement Policy Framework Act (PPPFA).

Fruitless and Wasteful Expenditure

Opening balance	20,214	39,659	63	18
Expenditure relating to current year	35,492	164	-	-
Expenditure relating prior years	3,120	-	3,120	63
Less: Amounts recovered	(10)	(16,433)	-	-
Less: Amounts condoned	-	(3,176)	-	(18)
	58,816	**20,214**	**3,183**	**63**

Figures in Rand thousand

46. Public Finance Management Act (PFMA) (continued)

Details of fruitless expenditure – current year of the group

	Disciplinary steps taken	
Interest paid on late payments to suppliers and SARS	In progress	13
SARS penalties and interest on underestimation and underpayment of provisional tax	In progress	3,120
Interest on late payment of cargo dues	A waiver have been requested	881
Items individually <R50 000	None, administrative problem	11
Mine Stock destroyed	None, actual loss	4,132
Repudiation of disability claim	Investigation underway	142
Legal & consulting fees	In progress	30,313
		38,612

2013

Interest of R12 968.18 was levied due to late settlement of supplier invoices within payment terms of invoices. Penalties were incurred in the current period due to late payments of PAYE. The administrative challenges are being addressed to avoid recurrence of such incidents

The South African Revenue Services raised penalties and interest of R3,1 million on taxation for a underpayment and underestimation of the second payment of provisional tax for the year ended 31 March 2012.

Interest of R0.9 million was levied by SARS for imported diesel cargo which was incorrectly cleared. The cargo was cleared as being discharged in a tank classified as a bonded warehouse and a duty differential was paid. It was discovered that the tank was not a bonded warehouse and the full Duty at Source should have been paid. A waiver of interest has been requested. The outcome of the request will determine the disciplinary action required.

The late submission of a disability claim by a Human Capital wellness practitioner resulted in the insurer repudiating the claim of R142 000. To avoid litigation the outstanding claim was settled with the company. A disciplinary investigation is currently underway, the results of which will determine the disciplinary action to be taken.

A tender for consulting services was awarded to a company over another competitor at an additional cost of R30.3 million, which could have been avoided had reasonable care been exercised. Legal action is currently underway to recover any losses

54 409 tonnes of run of mine stock pile burnt during the year. The coal was not insured and this loss could have been avoided had insurance been taken. The value of the coal was R4.1 million.

	Group		Company	
	2013 R '000	2012 R '000	2013 R '000	2012 R '000

47. Changes in accounting estimates

Property, plant and equipment and Intangible assets

The directors of the group have evaluated the estimated useful life of the fixed assets and intangible assets as at 31 March 2012 to ensure that the fixed and intangible assets were fairly valued at year end. The total change in estimate amounted to R4.0 million.

	2013	2012	2013	2012
Decrease in operating expenditure	-	4,076	-	267

48. Government grants

PetroSA receives a government grant for training on projects. In terms of the signed agreement, PetroSA will receive a refund based on the cost incurred of R4 million for the 2013 financial year (2012: R3 million) in order to provide specialised training on the project.

49. Interest in joint operating agreements

The Group's proportionate share in the assets and liabilities of unincorporated joint ventures, which are included in the financial statements are as follows:

2013 R'000	Percentage Holding / Tracts	24% Block 2A	24% Block 2C	10% NAMIBIA 1711	20% Block 5/6/7	40% Block 1
Production facilities	-	-	-	-	-	-
Current assets	-	54,793	-	-	-	-
Total Assets	**-**	**54,793**	**-**	**-**	**-**	**-**
Retained income	-	(205,271)	(10,934)	(113,059)	(10,694)	-
Company contribution to venture	-	260,064	10,934	113,059	10,694	-
Total liabilities	**-**	**54,793**	**-**	**-**	**-**	**-**
Expenses	-	(3,465)	(530)	(425)	(6,777)	-
Partners:		Anschutz 22.80% Forest 53.20%	Anschutz 22.80% Forest 53.20%	Nakor 70% Energulf 10% Namcor 7%	Anadarko 80%	Cairn 40%
Nature of project		Exploration	Exploration	Exploration	Exploration	Exploration

Notes to the Financial Statements (continued)

Figures in Rand thousand

49. Interest in joint operating agreements (continued)

2012 R'000	Percentage Holding / Tracts 55% E-AA	55% E-AG	55% E-W	55% E-CB	55% E-CN	55% SCG Explore
Current assets	87	145	564	1,268	856	289
Current liabilities	46	25	318	2,041	354	263
Retained income	(1,463)	(1,010)	(3,156)	(36,938)	(3,417)	(61,201)
Company contribution to venture	1,504	1,130	3,402	36,165	3,919	61,227
Total liabilities	**87**	**145**	**564**	**1,268**	**856**	**289**
Revenue	4	3	13	16	15	7
Expenses	(167)	(99)	(843)	(4,463)	(901)	(851)
Net profit / (loss)	**(163)**	**(96)**	**(830)**	**(4,447)**	**(886)**	**(844)**
Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

2012 R'000	Percentage Holding / Tracts 55% E-CC	55% SCG Capex	55% E-P	60% Sable	24% Block 2A	24% Block 2C
Current assets	235	998	-	52,061	54,793	-
Current liabilities	35	-	-	-	-	-
Retained income	(142,734)	(2,039,455)	(40,186)	(1,633,840)	(201,806)	(10,404)
Company contribution to venture	142,734	2,040,453	40,186	1,685,903	256,599	10,404
Total liabilities	**35**	**998**	**-**	**52,063**	**54,793**	**-**
Revenue	5	7,032	-	-	-	-
Expenses	(31)	-	(221)	(1)	(17,303)	(313)
Net profit / (loss)	**(26)**	**7,032**	**(221)**	**(1)**	**(17,303)**	**(313)**
Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Anschutz 22.8% Forest 53.2%	Anschutz 22.8% Forest 53.2%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

49. Interest in joint operating agreements (continued)

	Percentage Holding / Tracts					
2012 **R'000**	55% F-Q	30% Block 3A/4A	55% E-DC	10% Namibia 1711	20% Block 5/6	
Production facilities	-	-	-	-	-	-
Retained income	(3,707)	(6,793)	(44,723)	(109,910)	(3,917)	-
Company contribution to venture	3,707	6,793	44,723	109,910	3,917	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Expenses	(221)	(3,118)	(221)	(2,299)	(3,917)	-
Net profit / (loss)	**(221)**	**(3,118)**	**(221)**	**(2,299)**	**(3,917)**	**-**
Partners:	Pioneer 45%	BHP Biliton 60% Sasol 10%	Pioneer 45%	Nakor 70% Energulf 10% Namcor 7% Kunene Energy 3%	Anadarko 80%	
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

GTL.F1 joint venture

PetroSA and Lurgi, bought the Statoil ASA shareholding in GTL.F1 in May 2011 and are now equal joint shareholders. GTL.F1, the Process Licensor of the Low Temperature Fischer Tropsch (LTFT) Technology, declared the Technology ready for Licensing in May 2011 and has already conducted a number of studies for prospective clients. Total assets amount to R118 million (2012: R91 million) at year end.

Fields in Production and Under Development

Fields in production and under development

1. Movement in net remaining proved and probable reserves

	Crude oil/ Condensate MMbbl 2013	Gas Bscf 2013	Crude oil/ Condensate MMbbl 2012	Gas Bscf 2012
At beginning of year	3.90	514.90	7.90	526.10
Revisions of previous estimates	2.20	(205.70)	-	-
Production	(2.40)	(40.20)	(1.30)	(38.60)
Additions	7.70	19.20	(2.70)	27.40
At end of year	**11.40**	**288.20**	**3.90**	**514.90**

2. Proved and probable reserve by type of field

Fields in production	11.40	133.50	3.90	213.60
Fields under development	-	154.70	-	301.30
	11.40	**288.20**	**3.90**	**514.90**

3. Reserves by category

Proved	2.60	173.90	2.30	388.50
Proved and probable	11.40	288.20	3.90	514.90
Total proved and probable reserves at end of year	**11.40**	**288.20**	**3.90**	**514.90**

Notes

Oil

Fields in production and under development comprise the Jubilee (2.73%), Oribi (100%) and Oryx (100%) oil fields.

Gas

Fields in production and under development comprise the F-A and F-A Satellite, E-M and E-M Satellite and FO gasfields respectively.

Fields under appraisal comprise discoveries. The reserves shown are either all oil or all gas, excluding gas liquids. Oil includes condensate and LPG.

Reserves and production are shown on a working interest basis (100%).

Reserves were generated using a reservoir simulator that incorporated PetroSA's production philosophy. Oil and gas reserves cannot be measured exactly since the estimation of reserves involves subjective judgement and arbitrary determinations and therefore all estimations are subject to revision. The gas and oil reserves reflected above have been determined by an independent surveyor.

Definitions

Proved reserves

Proved reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Fields in production and under development (continued)

Means the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable to a high degree of certainty. For the purposes of this definition, there is a 90% chance that the actual quantity will be more than the amount estimated as proved and a 10% chance that it will be less.

Proved and probable reserves

Proved and probable reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Means proved reserves plus the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable but with a greater element of risk than in the case of proved. For the purposes of this definition, there is a 50% chance that the actual quantity will be more than the amount estimated as proved and probable and a 50% chance that it will be less.

Reserves under appraisal

Comprise quantities of petroleum, which are considered, on the basis of information currently available and current economic forecasts, to be commercially recoverable by present producing methods from fields that have been discovered but which require further appraisal prior to commerciality being established.

Definition of Financial Terms

Definitions of financial terms

Below is a list of definitions of financial terms used in the annual report of CEF Group:

Accounting policies

The specific principles, bases, conventions, rules and practices applied in preparing and presenting annual financial statements.

Accrual accounting

The effects of transactions and other events are recognised when they occur rather than when the cash is received.

Acquiree

The business or businesses that the acquirer obtains control of in a business combination.

Acquirer

The entity that obtains control of the acquiree.

Acquisition date

This is the date on which the acquirer obtains control of the acquiree.

Actuarial gains and losses

The effects of differences between the previous actuarial assumptions and what has actually occurred as well as changes in actuarial assumptions.

Amortisation (depreciation)

The systematic allocation of the depreciable amount of an asset over its useful life.

Amortised cost

The amount at which a financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Asset

A resource controlled by the entity as a result of a past event from which future economic benefits are expected to flow.

Assets under construction

A non-current asset which includes expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.

Associate

An entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but has no control or joint control over those policies.

Borrowing costs

Interest and other costs incurred in connection with the borrowing of funds.

Business combination

A transaction or other event in which an acquirer obtains control of one or more businesses.

Definitions of financial terms (continued)

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation or amortisation and accumulated impairment losses.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash flow hedge

A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset, or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss.

Change in accounting estimate

An adjustment to the carrying amount of an asset, liability or the amount of the periodic consumption of an asset that results from new information or new developments.

Consolidated annual financial statements

The annual financial statements of a group presented as those of a single economic entity.

Contingent asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent consideration

Usually, an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Contingent liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Date of transaction

The date on which the transaction first qualifies for recognition in accordance with Generally Accepted Accounting Practice.

Deferred tax assets

The amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

Deferred tax liabilities

The amounts of income taxes payable in future periods in respect of taxable temporary differences.

Definitions of financial terms (continued)

Depreciation (or amortisation)

The systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of an asset, or other amount substituted for cost, less its residual value.

Derecognition

The removal of a previously recognised asset or liability from the Statement of Financial Position.

Derivative

A financial instrument whose value changes in response to an underlying item, requires no initial or little net investment in relation to other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

Development

The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before starting commercial production or use.

Discontinued operation

A component that has either been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or a subsidiary acquired exclusively with a view to resale.

Employee benefits

All forms of consideration (excluding share options granted to employees) given in exchange for services rendered by employees.

Equity instrument

A contract or certificate that evidences a residual interest in the total assets after deducting the total liabilities.

Equity method

A method in which the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the share of net assets of the investee. Profit or loss includes the investor's share of the profit or loss of the investee.

Expenses

The decreases in economic benefits in the form of outflows or depletions of assets or incurrence's of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair value hedge

A hedge of exposure to changes in fair value of a recognised asset, liability or firm commitment.

Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Definitions of financial terms (continued)

Financial asset

Any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity, or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial asset or liability at fair value through profit or loss

A financial asset or financial liability that is classified as held for trading or is designated as such on initial recognition other than investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Financial instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Firm commitment

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Forecast transaction

An uncommitted but anticipated future transaction.

Foreign operation

An entity that is a subsidiary, associate, joint venture or branch of the reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency

The currency of the primary economic environment in which the group operates.

Going concern basis

The assumption that the entity will continue in operation for the foreseeable future. The financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Definitions of financial terms (continued)

Gross investment in lease

The aggregate of the minimum lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

Hedged item

An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

Hedging instrument

A designated derivative or non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedge effectiveness

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Held for trading financial asset or financial liability

One that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative (except for a derivative that is a designated and effective hedging instrument).

Held-to-maturity investment

A non-derivative financial asset with fixed or determinable payments and fixed maturity where there is a positive intention and ability to hold it to maturity.

Immaterial

If individually or collectively it would not influence the economic decisions of the primary users of the annual financial statements.

Impairment loss

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Impracticable

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Income

Increase in economic benefits in the form of inflows or enhancements of assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Joint venture

A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Key management personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity. ie. the members of the Board of Directors of PetroSA and within the individual companies, the Board of Directors and Executive Management committees.

Definitions of financial terms (continued)

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Legal obligation

An obligation that derives from a contract, legislation or other operation of law.

Liability

A present obligation of the entity arising from a past event, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Minimum lease payments

Payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor including in the case of a lessee, any amounts guaranteed by the lessee or by a party related to the lessee or in the case of a lessor, any residual value guaranteed to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

Net assets

Net operating assets plus cash and cash equivalents.

Operating lease

Any lease other than a finance lease.

Other comprehensive income

Comprises items of income and expense (including reclassification adjustments) that are not recognized in profit and loss and includes the effect of translation of foreign operations, cash flow hedges, available-for-sale financial assets and changes in revaluation reserves.

Owner-occupied property

Property held by the owner or by the lessee under a finance lease for use in the production or supply of goods or services or for administrative purposes.

Past service cost

The increase or decrease in the present value of the defined benefit obligation for employee service in prior periods resulting from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

Post-employment benefits

Employee benefits (other than termination benefits) that are payable after the completion of employment.

Definitions of financial terms (continued)

Post-employment benefit plans

Formal or informal arrangements under which an entity provides post-employment benefits to employees. Defined contribution benefit plans are where there are no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Presentation currency

The currency in which the annual financial statements are presented.

Prior period error

An omission from or misstatement in the annual financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when annual financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation of those annual financial statements.

Prospective application

Applying a new accounting policy to transactions, other events and conditions occurring after the date the policy changed or recognising the effect of the change in an accounting estimate in the current and future periods.

Recoverable amount

The amount that reflects the greater of the fair value less costs to sell and the value in use that can be attributed to an asset or cash generating unit as a result of its ongoing use by the entity. In determining the value in use, expected future cash flows are discounted to their present values using the discount rate.

Related party

A person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

- The entity and the reporting entity are members of the same group.
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Research

The original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Definitions of financial terms (continued)

Residual value

The estimated amount which an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Restructuring

A programme that is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted.

Retrospective application

Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Retrospective restatement

Correcting the recognition, measurement and disclosure of amounts as if a prior period error had never occurred.

Tax base

The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or is the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods. The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Temporary differences

The differences between the carrying amount of an asset or liability and its tax base.

Transaction costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, i.e. those that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Useful life

The period over which an asset is expected to be available for use or the number of production or similar units expected to be obtained from the asset.

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