CEF (Pty) Ltd

AR/2009/ANNUAL REPORT

REPORT

COMPANY INFORMATION

VALUES

Energy is a key driver of Africa's economy and CEF's vision is to be the leader in Africa in energy.

Country of incorporation	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	Ms B Mabuza Mr M Damane Dr P Molefe Mr A Nkuhlu (alternate director to Dr P Molefe) Dr Z Rustomjee Mr Y Tenza Ms P Zikalala
Registered office	Block C, Upper Grayston Office Park 152 Ann Crescent Strathavon Sandton 2199
Business address	Block C, Upper Grayston Office Park 152 Ann Crescent Strathavon Sandton 2199
Postal address	P O Box 786141 Sandton 2146
Bankers	ABSA Bank Ltd Sandton Branch
Auditors	Auditor-General Chartered Accountants (S.A.)
Company Secretary	Mr A Haffejee
Company registration number	1976/001441/07

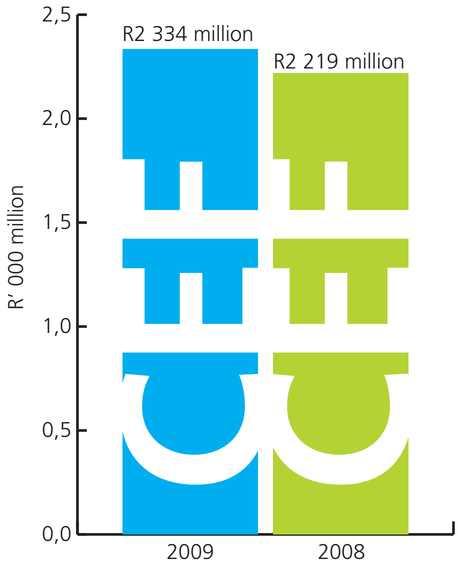
CONTENTS

CHAIRPERSON'S OVERVIEW

From left: Solar panels integrated into the architecture of new developments, Ms B Mabuza, Chairperson.

I hereby present the Minister of Minerals and Energy with the CEF Group Annual report for the year ended 31 March 2009.

CEF Group profit after taxation



Profit after taxation for the Group is R2 334 million (2008: R2 219 million).

During the year, crude oil prices averaged US$83.87/bbl, marginally above the 2008 average price of US$82.29/bbl. In addition to the neutral to positive impact on group revenue, the rise in the crude oil price resulted in escalating demand for crude oil storage space and a concomitant demand for pollution control services in Saldanha Bay.

Group performance was, however, tempered by a marked increase in operational costs, mainly as a result of exploration activities.

The general malaise in the global and local economies had no direct impact on the group in the year under review. We however expect that the continuing economic pressures coupled with the specific challenge of sourcing appropriate and affordable feedstock for PetroSA will have a negative impact on Group results in the near to medium term.

PetroSA recorded a profit after tax of R1 958 million (2008: R1 905 million). This significant decline in performance was due to a substantial increase in operational costs and higher exploration costs. The major challenge for PetroSA remains the sourcing of sustainable feedstock.

iGas received dividends of R75 million (2008: R65 million) from Rompco. The company reported a pleasing profit for the year under review of R27.1 million (2008: R19.8 million).

Petroleum Agency SA recorded profit from ordinary activities after taxation amounting to R66.2 million (2008: R27.3 million). The Petroleum Agency continues to focus on its regulatory, promotional and data management functions.

SFF performance for the year under review was influenced by the price volatility in the crude oil markets. Profit for the year amounted to R161 million (2008: R239 million).

This performance was driven by rental income from crude oil storage services.

African Exploration Mining and Finance Corporation (Proprietary) Limited (African Exploration) recorded a loss of R8.2 million (2008: R0.6 million). The company is mandated by the DME to acquire and hold exploration and mineral rights in respect of all energy related and other minerals on behalf of the state and engage in the mining thereof.

OPC's results for the financial year showed an operating profit of R2.5 million (2008: R1.5 million loss). We are pleased with the progress made by the company in securing the Saldanha TNPA contract.

SANERI made a profit for the year of R0.1 million (2008: R0.7 million). The Institute continues to establish itself in the energy research environment despite its challenge with sourcing the level of funds required to meet its mandate.

The Directors of the holding company and of each of the subsidiaries have served with diligence and commitment during the financial year, for which I am thankful. In addition I would like to thank management and staff for their continued dedication.

Finally, I would like to extend to the Minister and the Department the Board's gratitude for their continued support.

B MABUZA

Chairperson
29 July 2009

CEO's REPORT

Right: Mr MB Damane, Group CEO of CEF (Pty) Ltd.

This report should be read in conjunction with the annual financial statements presented on pages 37 to 119. The purpose of this review is to provide additional insight into the financial performance CEF (Proprietary) Limited and the Group in the context of the environment in which we operate.

Business and trading environment

Group structure

The group structure and the mandate of the CEF Group have remained unchanged.

CEF, incorporated in terms of the Central Energy Fund Act, is mandated by the South African 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.

Above: An oil rig at sea

Thus, the companies in the CEF group focus on a number of areas including:

- Exploration and production
- 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
- Energy efficiency
- Low smoke fuels
- Energy research and development
- Gas infrastructure development
- Oil pollution prevention and control
- Carbon related transactions

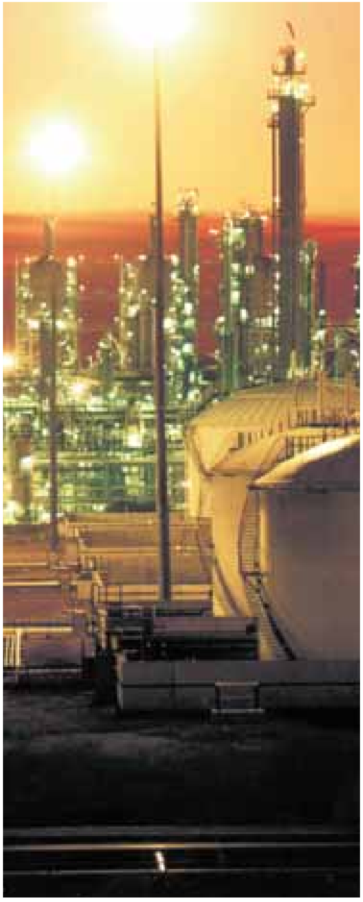
All activities are managed within CEF (Proprietary) Limited itself and its ten active subsidiaries viz. The Petroleum Oil and Gas Corporation of South Africa (Proprietary) Limited (PetroSA), South African Agency for Promotion of Petroleum Exploration and Exploitation (Proprietary) Limited (Petroleum Agency SA), The South African Gas Development Company (Proprietary) Limited (iGas), Oil Pollution Control South Africa (Association incorporated under Section 21) (OPC), South African National Energy Research Institute (Proprietary) Limited (SANERI), African Exploration Mining and Finance Corporation (Proprietary) Limited (AE), SFF Association (Association incorporated under Section 21) (SFF), Cape Cleaner Energy Solutions (Proprietary) Limited (CCE), ETA (Proprietary) Limited and Carbon Stream Africa (Proprietary) Limited.

The CEF Group continues to operate in terms of the mandate contained in a Ministerial Directive issued to CEF by the Minister of Minerals and Energy in December 2003.

CEF is controlled by the Minister of Minerals and Energy. All shares are held by the State and are not transferable.

CEO's REPORT

Below: Oil refinery and a natural gas pipeline from the Temane/Pande gas fields in Mozambique



CEF and its operating subsidiaries

PetroSA

From a financial perspective, PetroSA performed well in light of the current market conditions in which it operates.

The PetroSA group pretax profit reflects R1.52 billion for continuing operation, which indicates a decrease of 36% on the prior year profit of R2.46 billion. Brass Exploration Unlimited, the Nigerian subsidiary has been classified as a discontinuing operation and reflects a profit of R0.12 billion (2008: R0.11 billion) net of taxation.

The increase in group revenue was offset by the increase in operating costs, which is up 33% in comparison to the previous year. The main contributing factors were the increased cost of feedstock purchases as a result of higher oil prices and a weaker Rand.

Salima Petroleum Operating Company was incorporated in Mauritius during the previous financial year in which PetroSA holds 80% of its share capital with the Sudanese National Petroleum Company holding the remaining 20%. The share capital was issued during the 2009 financial year. A board decision was taken to divest from this venture and the company has since been acquired by the Sudanese National Petroleum Company for nil consideration.

During the year PetroSA sold its 30% interest in Süd-Chemie Zeolites (Proprietary) Limited, a South African incorporated company. The group results include the performance of Süd-Chemie Zeolites (Proprietary) Limited until the disposal date thereof.

The PetroSA group recorded a profit after tax of R1 958 million (2008: R1 905 million).

iGas

The South African Gas Development Company (Proprietary) Limited (iGas) continues to fulfil its mandate as per a Ministerial Directive. iGas performed well during the year under review.

The main asset in iGas is a 25% shareholding in the Republic of Mozambique Pipeline Investments Company (Proprietary) Limited (Rompco), where SASOL holds 50% of the shares and the Mozambique Government Company (CMG), the other 25%. Rompco owns a natural gas pipeline from the Temane/Pande gas fields in Mozambique to Secunda in South Africa which is operated by SASOL. We are pleased to report that Rompco continues to operate as planned. During the course of the year, progress has been made in the R1.1 billion first compressor project for Rompco. Engineering contracts were signed and binding gas transportation terms were agreed between Rompco and the shipper of the extra gas. The construction on the Komatipoort compressor station has progressed and will be completed in the last quarter of 2009. The compressor is expected to enable the transportation of 27 million Giga Joules of natural gas to South Africa, which is above the initial 120 million Giga Joules that was planned.

iGas progressed the required studies and engineering work for the Liquefied Natural Gas facility at the Port of Ngqura to the point that commercial terms can be negotiated with all parties. The final engineering and financing plan can be compiled. The anchor project of a 2 400 mega watt power plant at Coega is completed from an engineering point of view and is ready to move into the construction phase. The basic engineering is also complete for a gas transportation pipeline to Mossel Bay.

The company's profit for the year amounted to R27.1 million (2008: R19.8 million). Dividends of R75 million (2008: R65 million) were declared by Rompco in favour of iGas.

Petroleum Agency SA

Petroleum Agency SA, as a Platinum sponsor, played a significant and successful role in the American Association of Petroleum Geologist (AAPG), which was held in Cape Town, South Africa, in October 2008.

The promulgation of the Mineral and Petroleum Resources Royalties Act in December now provides certainty to operators on the fiscal terms under which they will be required to operate. This resulted in an information campaign and the launch of a bid round for offshore acreage on the East and West Coasts of South Africa.

The South African Extended Continental Shelf Claim Project is progressing well. The project is on schedule for submission by prescribed deadline of 13 May 2009.

Petroleum Agency SA reported a net profit of R66.2 million (2008: R27.3 million).

SFF

SFF's financial performance for the year under review was influenced by the following:

PetroSA manages storage facilities in Saldanha and Cape Town (Milnerton) on behalf of SFF. These facilities are marketed throughout the year in order to generate income. Oil Pollution Control South Africa (Association incorporated under section 21) (OPC), a subsidiary of CEF (Proprietary) Limited, manages the pollution prevention and control at Ogies and Saldanha.

Income from the rental of storage facilities cannot be guaranteed at all times as this depends on the fluctuation in the crude oil market. There is an obligation in respect of Milnerton, Ogies and Saldanha for the environmental liabilities of R13.08 million, R 64.4 million and R49.98 million respectively and the post retirement medical aid benefit obligation of R18.5 million that will have to be funded in the future.

Above: Aerial image of PetroSA's Mossel Bay operations. Below: Drilling inside a mine.

Operational Activities:

Saldanha:

The tank farm is used to store about 10.3 million barrels of strategic stocks of which the balance of the available capacity is leased to external customers. PetroSA provides the necessary operational and maintenance service in terms of a SLA.

Milnerton:

The tank farm has not been used to full capacity partly because of its location and the inability to bring in the Very Large Cargo Carriers (VLCC) to the Cape Town harbour. Management initiated the de-sludging of some of the tanks with a view to increasing the available storage capacity. This activity will be completed in the new financial year. Feasibility studies were undertaken to identify the opportunities of converting most of the tanks to be able to store white products. The future of this tank farm will be assessed taking into account that the strategic stock study policy is driven by the DME.

Ogies:

SFF's role is to manage the ongoing environmental liability that resulted from the use of coal mines as crude oil storage facilities. OPC provides the service of:

- Continuously pumping out water from the empty containers
- Monitoring surface and underground water

As part of the prudent management of the Ogies facility, management approached CSIR to do a study on the extent of underground water pollution so that appropriate funds are set aside for the environmental liability.

SFF's profit for the year amounted to R161 million (2008: R238 million).

African Exploration Mining and Finance Corporation (Proprietary) Limited (African Exploration)

African Exploration has been mandated to support ESKOM and PetroSA by ensuring that there is a secure supply of feedstock for sustainable power generation and development of indigenous fuels (Coal to Liquids).

African Exploration's current portfolio includes coal, lime/limestone and uranium that constitute its strategic mineral resources. However, AEMFC has started to capitalise itself through diversification to other unrelated minerals. African Exploration will make strategic equity investments and enter into joint venture partnership. It will seek to:

- Diversify exploration risk
- Consider acquisition of operating entities
- Diversify into non coal mineral resources
- Enter into regional markets (Botswana, Swaziland and Mozambique)

The company is in a start up phase and continues with the mining and exploration activities. African Exploration recorded a loss of R8.2 million (2008: R0.6 million).

CEO's REPORT

Above: The Albatross deploys a boom around a vessel in a training exercise.

OPC

OPC continues to manage oil pollution prevention and control activities in Saldanha Bay, Cape Town and Ogies and provides cleanup services in the event of an oil pollution incident.

The company's net profit for the year amounted to R2.5million (2008: R1.55 million loss).

SANERI

SANERI has five main research and human capital development programmes being:

1. The SANERI Bursary Programme
2. The SANERI Energy Research Programme
3. The Hub and Spokes Programme
4. The Chairs of Energy Research Programme
5. The Green Transport Programme

SANERI has awarded 17 Master's bursaries, 6 PhD bursaries and 2 post doctoral bursaries during the financial year.

In June 2008, the SANERI Board approved the establishment of a Centre for Carbon Capture and Storage. SANERI sees carbon capture and storage research as a priority for clean coal technologies. The establishment of the centre is aimed at reducing South Africa's greenhouse gas emissions. Several parties including the Norwegian Government have pledged support to the research and development that will be conducted by the centre for the next five years. The signing ceremony of the Charter took place on 27th March 2009 at the CEF offices in Sandton and was attended by the Minister of Minerals and Energy, officials from the Norwegian Government as well as industry. Partners who signed the Charter were SANERI, Sasol, Eskom, the British High Commission, AngloCoal, Exxaro, Xstrata Coal, Schlumberger and the Norwegian Government.

The company reported a net profit for the year of R0.1 million (2008: R0.72 million).

Carbon companies

During the current year three companies were established, namely Carbon SA (Proprietary) Limited, Carbon Stream (Proprietary) Limited and Carbon UK.

CEF Carbon SA (Pty) Ltd acts as an agent in delivering and marketing carbon credits from CDM projects undertaken by other CEF subsidiaries as well as third parties. In order to facilitate the transfer of these credits to buyers in the EU, CEF Carbon further has as a subsidiary CEF Carbon UK Ltd (Registered UK company number 06494114), which is the holder of the European Union Emissions Trading Scheme (EU ETS) registry account.

In addition, a partnership with Green Stream (a Finnish company) funded by the Norwegian Agency for Development Cooperation (Norad) will result in the establishment of a further subsidiary to CEF Carbon; Carbon Stream Africa. Carbon Stream Africa will be a specialist entity focused on the development of Project Design Documents (PDDs) which are prescriptive documents required as part of the formal UN approval process for CDM projects.

The principal purpose of Carbon SA is to support both sellers and buyers of carbon credits in Southern Africa through the delivery of a full range of project development and transaction services, including equity investment and financing (via CEF (Pty) Ltd) in exchange for (a share of) the resulting carbon credits.

Carbon SA (Pty) Ltd and Carbon UK was dormant during the year.

ETA

The Company previously traded under the name CEF Sustainability. CEF originally acquired 67% of the shareholding and the Olver Trust held the remaining 33%. During the financial year CEF acquired the 33% in a bid to obtain total control over the company. The projects are managed under EDC and it is anticipated that significant progress will be made during the 2009/10 financial year in taking the projects to bankability.

The company reported a loss of R7.1 million (2008: R2.4 million loss).

Cape Cleaner Energy Solutions

During the financial year CEF acquired 81.5% shareholding in Cape Cleaner Energy Solutions (CCE) and Carbon and Environmental Options holds the remaining 18.5% shareholding. CCE will be involved in the construction, erection and implementation of a Greenfield Biomass to Energy 8MW power generation plant, which will be based in George. It is envisaged that the plant will become operational in the first quarter of the 2010/11 financial year.

The company reported a loss of R1.8 million.

Energy Development Corporation (EDC)

EDC is a division within CEF whose mandate is to focus on renewable and cleaner energy sources. It is now in its fifth year of operation and I am pleased to report that notable progress has been made over the last financial year.

A number of equity investments were also finalised during the year. This includes the CEF carbon business based in London, the Greenstream Joint Venture, the Phillips Manufacturing Joint Venture for compact florescent lamps, the Cradock bio ethanol project, the JST South African plant and the Nelson Mandela Bay renewable energy projects.

I would like to make special mention of the following projects as an indication of the efforts made to fulfill the mandate issued to the Energy Development Corporation:

Below: A Solar Water Heater installation.

1.1. Low Smoke Fuels

1. All Contracts have been frozen pending a final result from the reserve reconciliation exercise;
2. African Exploration has requested a third opinion on the resource statement and we expect a final decision by the end of September 2009.

A child poses with an impressive sample of sugar beet.

1.2. Bio Fuels

The approval of the bio fuels strategy in December 2007 has led to a review of the many projects under development. Together with our joint venture partners, we have reconfigured our approach to bio fuels investments. The refreshed approach resulted in a more economically viable venture capable of enhancing the efforts of government to introduce this patriotic petrol. Together with the IDC, we intend progressing with the policy-compliant bio fuels projects, while ensuring a balanced portfolio of investments, due to the capital intensity of ethanol and bio diesel investments. Given the impact of the bio fuels strategy, only three significant ethanol projects will be progressed.

The pre-engineering work has been completed and investment proposals are being finalised by both the IDC and CEF for eventual implementation. The CEF/IDC strategy seeks to identify optimal projects across the country as mitigation against drought. The regional approach has been retained to ensure compliance within the demarcated land strategy. The Cradock sugar beet project is in implementation phase.

Mr Mputumi Damane, Group CEO of CEF (Pty) Ltd, Ms Buyelwa Sonjica, former Minister of Minerals and Energy, Ms Tasneem Essop, former MEC for Environment, Planning and Economic Development in the Western Cape Provincial Government and Mr Dan Frederiksen, Ambassador of Denmark pictured on site at the Darling Wind Farm

1.3. Bethlehem Hydro and Darling Wind Farm projects

I previously reported that both these new independent power producers would be in generation mode. While we retracted our participation in the hydro project, I am happy to report that the 5.2 MW Wind Farm in Darling became operational on 23rd May 2008. It is hoped that the demonstration status of the project will encourage other private sector developments in the wind sector. DWP board has cancelled the management agreement with Darlipp and the cancellation is being contested. The matter is currently being adjudicated at the high court.

1.4. Methcap SPV1 PetroSA Gas Extraction for Electricity

This waste gas to electricity project at the PetroSA refinery was commissioned in October 2007 and the plant is fully functional supplying about 1% of the refinery's electricity needs.

1.5. Johanna Solar

I previously acknowledged the efforts of the team, linked to the University of Johannesburg in developing the production plant that produced PV panels at a quarter of the cost of the current technology. The team developed an industrial method of producing copperindium (gallium) Diselenide (CIGS) panels as opposed to the silicon-based technologies that are currently used.

CEF made a strategic investment into this sector and remains the senior investor for the South African operations. I am delighted to report that, following the progress made on increasing the efficiency and consistency, the sales of the first units are expected from the second quarter of 2009.

Top: Solar panels capture the Sun's energy

Above: A live demonstration of the Basa Njengo Magogo programme.

1.6. Basa Njengo Magogo

The Minister of Minerals and Energy has directed that the Governments' Basa Njengo Magogo programme be adopted by EDC to enhance the clean coal use and management initiatives. A strategic plan was developed and a joint collaborative effort with the Johannesburg City Council resulted in the rollout of the project in Alexandra township to 10 000 households.

1.7. Safer Illuminating Paraffin (IP) appliance pilot project

The urgency of finding a solution to the crisis created through the unsafe use of IP remains a high ranking priority. CEF in partnership with the DME has implemented a plan to roll out a pilot study during the winter months of 2009.

1.8. Other EDC activities

A number of strategic initiatives have been completed during the financial year. The third annual energy round table was successfully convened and again stimulated dialogue amongst energy players within our country. The United Nations Solar Water Heating Project was formally closed after five years of intensive study and scrutiny by the UNDP/CEF project team. The key findings support the establishment of a viable solar water heating industry.

A number of strategic alliances were further developed during the year. These include the collaboration with the Norwegian Assistance Program and the French Development Agency. A Cooperation Agreement has also been signed with the German Technical Cooperation for assistance on a number of dedicated energy interventions. The coming year will see increased focus on landfill gas developments and energy efficiency investments.

National Energy Efficiency Agency (a division of CEF)

The third year of operation of the National Energy Efficiency Agency was marred by problems in obtaining the requisite funds allocation for start up operations as was envisaged in the Ministerial Directive. It is anticipated that the 2009/10 financial year will be more productive.

CEO's REPORT

South African Supplier Development Agency (SASDA)

SASDA

SASDA was established in March 2005 by Government, represented by the Department of Minerals and Energy, in conjunction with the seven major oil companies, which constitute the South African Petroleum Industry Association (SAPIA), to accelerate the empowerment of BEE suppliers in the petroleum industry, through increased access to industry procurement opportunities, in compliance with the Liquid Fuels Charter of 2000.

SASDA is still in its infancy stage and during the next financial year it is expected to make progress towards achieving the objectives as envisaged by the DME.

SASDA reported a net loss for the financial year of R6 million (2008: R2.8 million).

Conclusion

The year under review has been a very challenging year for the group and the performance was better than expected in light of the global economic crisis in which we operated under. Anticipated in the new financial year are challenges and opportunities which we are prepared for.

Acknowledgement

My thanks are extended to the Minister, Board Members and Directors of subsidiaries for their valuable contributions to the running of the Group. I would also like to thank management and staff for their contribution to a successful year.

M DAMANE
Chief Executive Officer
29 July 2009

BOARD

BOARD OF DIRECTORS

1. Ms B Mabuza
Chairperson, non-executive
BA, MBA

Director at Ethos Private Equity Limited. Previously Chief Operating Officer at Women Private Equity Fund, Director at Still Nascent Ventures and Investment Manager at African Fund Managers.

2. Mr MB Damane
Executive Director
BSc, MBA, CIS, Quality Advisor

Group CEO of CEF (Pty) Ltd. Previously a Special Advisor to the Minister of Minerals and Energy, Architect of the first Empowerment Charter, the Liquid Fuels Charter signed in 2000, Chairman of the Strategic Fuel Fund Association and Interim CEO of NECSA (NUclear Energy Corporation of South Africa).

3. Dr Z Rustomjee
Non-executive Director
PhD - Economics

Presently a Business Consultant and Director of companies. Previously Director: Southern African Energy, BHP Biliton plc., special advisor to the Minister of Trade and Industry and Director-General of the Department.

4, 5, 6, 7.

4. Dr P Molefe
Non-executive Director
Honorary Doctorate from the University of the North West, diplomas in leadership from Pennsylvania and Harvard Universities.

Dr Molefe played a role in the negotiations that led to a democratic South Africa, He is the former Premier of the North West Province and Chairperson of the ANC in the region. He is CEO of Lereko Investments (Pty) Ltd and trustee of the Popo Molefe Foundation.

5. Ms P Zikalala
Non-executive Director
BProc, LLB

Chief Director for Mining and Mineral Policy at the Department of Minerals and Energy.

6. Mr Y Tenza
Non-executive Director
BCom (Hon), MBA, CPA

COO of the Road Accident Fund.

7. Mr A Nkuhlu
Non-executive Director
- alternate to Dr P Molefe
BCom (Hon)

Board member of the Ministerial Black Empowerment Evaluation Committee, the committee tasked with the evaluation of progress of empowerment in the liquid fuels sector.

DIREC

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 reporting 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 and the Companies Act of South Africa, 1973 as amended. 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 control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the group annual financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and losses.

The directors acknowledge their responsibilities as stated above and have established internal financial controls and risk management systems that maintain a strong control environment. These systems are designed to provide reasonable, but not absolute, assurance against material misstatements and losses. Based on information and explanations received from management, and the internal auditors on the maintenance of the internal financial controls, the directors are of the opinion that proper accounting records have been maintained and that reliance can be placed on the financial information used for these annual financial statements.

Nothing has come to the attention of the directors to indicate that any material

TORS’

breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. The viability of the group is supported by the annual financial statements.

The annual financial statements have been audited by the Auditor-General who was given unrestricted access to all financial records and related data, including minutes of all meetings of 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 Auditor General’s audit report is attached.

In the opinion of the directors based on information available to date, the annual financial statements fairly present the financial position of CEF (Proprietary) Limited at 31 March 2009, and the results of its operations and cash flow information for the year under review.

The annual report set out on pages 37 to 119, for the year ended 31 March 2009, which have been prepared on the going concern basis, were approved by the board of directors in terms of Section 51(1) (f) of the Public Finance Management Act on 29 July 2009 and were signed on its behalf by:

MS B MABUZA
Chairperson

DR Z RUSTOMJEE
Director

Sandton
29 July 2009

GOVER

STATEMENT ON CORPORATE GOVERNANCE

1. Introduction

Corporate governance at CEF (Proprietary) Limited reflects an attitude premised on ethos rather than a mere statement. The group has a formalised system of corporate governance which is a catalyst for improved compliance and enhanced performance.

The group is committed to the principles of transparency, integrity and accountability as advocated by the King Committee Report on Corporate Governance for South Africa 2002 (King II), as well as Protocol on Corporate Governance in the Public Sector. Key initiatives undertaken to ensure compliance and good corporate governance:

- An annual review of the Board charter and terms of reference of Board Committees;
- An annual evaluation of the performance of CEF board of directors;
- Putting in place the policy on directors access to independent professional advice;
- Annual update of CEF Levels of authority matrix;
- Compilation and annual review of a comprehensive board induction pack; and
- Development of a CEF subsidiary shareholder compact;
- Ensuring that Board members are continuously exposed to training on corporate governance and developments within the industry.

2. Governing bodies

Board of directors

Separate board of directors for the holding company and each of the operating subsidiaries are appointed.

RNANCE

The board of directors of CEF consists of five non-executive directors and one executive director.

At least four board meetings are held during a year. The framework for the payment of directors' remuneration is approved by the Minister of Minerals and Energy.

The group has a unitary board structure made up of a majority of non-executive directors, appointed by the shareholder. The board of directors (the board) meets at least once every quarter, and executive managers attend by invitation. The board charges executive management with regard to the day-to-day running of 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. The non-executive directors are appointed on a three year cycle unless otherwise stated and reappointment is not automatic. The offices of chairperson and Chief Executive Officer are separated.

In accordance with the Public Finance Management Act (Act No 1 of 1999) the board is the accounting authority of CEF. In keeping with the recommendations of the King Report, the board adopted a board charter which sets out the role of the board as follows.

The Board's primary responsibilities include the appointment of the Chief Executive Officer, determining the company's objectives and values and giving strategic direction to the company, taking effective and appropriate steps to ensure that key risk areas and key performance indicators of the company's business are identified, monitoring the performance of the company against agreed objectives, advising on significant financial matters and reviewing the performance of executive management against defined objectives and applicable industry standards, as well as:

- Approving key policies, investments, risk management and relevant transactions that exceed Managements' levels of authority;
- Reviewing and approving the company's strategy, objectives, and plans;
- Considering and approving annual financial statements and submissions to the shareholder;
- Ensuring adherence to good corporate governance and ethics;
- Monitoring and directing line performance; and
- Reviewing effectiveness of controls.

Company secretary

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 Secretary, company information, and is entitled to seek independent professional advice, at the company's expense in pursuance of their duties as director.

Board committees

The Board established several committees in order to assist it in the discharge of its duties. Each committee operates within the defined terms of reference and is chaired by a non-executive director.

Board audit and risk management committee

The board audit and risk management committee consist of non executive members. The board audit and risk management committee has an agreed terms of reference as approved by its board of directors. The report of the CEF board audit and risk management committee is included in the group annual report. The report sets out the responsibilities covered by the board audit and risk management committee.

This board audit and risk management committee meets at least four times per year and is chaired by an independent non-executive director who is not the chairperson of the board. The Auditor General and Chief Audit Executive have unrestricted access to the board audit and risk management committee and attend board audit and risk management committee meetings. Appropriate executive managers, including those responsible for finance and internal audit attend these meetings by invitation. The board audit and risk management committee reviews the adequacy and effectiveness of internal controls of the group with special reference to the findings of both internal and external auditors. Other areas covered include the review of important accounting and control issues, material pending litigation, specific disclosures in the annual financial statements, and a review of the performance of the Internal Audit department.

Board human resources committee

The Board human resources committee consist of non-executive directors and in some instances independent members and is chaired by a non-executive director appointed by the respective board of directors.

The Board human resources committee reviews and recommends annual staff remuneration increases, terms and conditions of employment, the payment of incentives and bonuses, general fringe benefits, remuneration policies and the appointment of senior staff.

3. Internal audit

The internal audit department functions in terms of an internal audit charter that is approved by the board of directors. The internal audit charter defines the purpose, authority and responsibility of the internal audit function. The internal audit function carries out its work in terms of an approved internal audit work plan based on the risk framework of the company. The Chief Audit Executive of the internal audit department has full access to the chairperson of the board of directors and the chairperson of the board audit and risk management committee.

The primary objective of the Internal Audit Department is to determine whether the organisation's network of risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed;
- Good corporate governance is achieved;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans and objectives are achieved; and
- Quality and continuous improvement are fostered in CEF's control process.

Nothing has come to the attention of the directors, or to the attention of management or the internal auditors, to indicate that any material breakdown in the functioning of the above mentioned internal controls and systems has occurred during the year under review.

4. 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.

Also in place, are comprehensive management reporting disciplines for 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 meets on a regular basis to consider day-to-day issues pertaining to the business of the group.

5. 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 that is 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, are beyond reproach. The Code of ethics also articulates conduct with respect to conflicts of interest, confidentiality, fair dealing etc.

CEF 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.

6. Social responsibility

Employment equity (EE)

The CEF group has been engaged in EE and development processes for the past six years as a merged entity, and prior to this for a number of years as individual companies. This process is designed to increase the number of employees from designated groups and further empower and train such employees at all levels.

7. Non financial information

Black economic empowerment (BEE)

The CEF group is committed to ensuring that it meets the objectives of the Government's broad based black economic empowerment strategy. Group companies have policies and procedures on preferential procurement to support black economic empowerment which have been approved by their respective boards of directors and management.

Corporate social investment

The group's corporate social investment programme covers the group's involvement in the community through the support, financial or in kind, of deserving causes, organisations, institutions or projects. The programmes are designed to support socially constructive projects giving preference to those on which it will have a long term multiplier effect. Increasing participation by employees from all sectors of the group in meaningful community activities will contribute towards improving the standard of living of all South Africans.

Worker participation

All group companies have participative structures at various levels for handling issues that affect employees directly and materially. These structures, which have been set up in consultation with employee representatives, are designed to achieve good employer/employee relations and uphold company values through effective sharing of relevant information, consultation and the identification and resolution of conflict.

REPORT OF THE AUDITOR GENERAL

Report of the Auditor-General to Parliament on the Group Financial Statements and Performance Information of CEF (Proprietary) Limited for the year ended 31 March 2009

Report on the Financial Statements

Introduction

1. I have audited the accompanying group financial statements of CEF (Proprietary) Limited) which comprise the consolidated and separate balance sheet as at 31 March 2009, and the consolidated and separate income statement, the consolidated and separate statement of changes in equity and the consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the director's report as set out on pages 37 to 119.

The accounting authority's responsibilities for the financial statements

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

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), section 300 of the Companies Act of South Africa and section 1E(3) of the Central Energy Fund Act, 1977 (Act No. 38 of 1977) as amended, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the consolidated and separate financial position of CEF (Proprietary) Limited as at 31 March 2009 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the PFMA and the Companies Act of South Africa.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matter:

Restatement of corresponding figures

8. As disclosed in note 42 to the financial statements, the corresponding figures for 31 March 2008 have been restated as a result of errors discovered during 2009 in the group financial statements and financial statements of CEF (Proprietary) Limited at, and for the year ended, 31 March 2008.

Unaudited supplementary schedules

9. The supplementary information set out on pages 110 to 126 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

Other matters

Without qualifying my opinion, I draw attention to the following matters that relates to my responsibilities in the audit of the financial statements:

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below:

Non-compliance with laws and regulations

Companies Act of South Africa

11. An annual general meeting as required by section 179(1) of the Companies Act of South Africa, was not held within nine months of the end of the previous financial year.

Key governance responsibilities

12. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	√	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		√
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	√	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines [section 55 of the PFMA]	√	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	√	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The public entity had an audit committee in operation throughout the financial year.	√	
	• The audit committee operates in accordance with approved, written terms of reference.	√	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8	√	
7.	Internal audit		
	• The public entity had an internal audit function in operation throughout the financial year.	√	
	• The internal audit function operates in terms of an approved internal audit plan.	√	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2	√	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	√	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	√	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	√	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.	√	
12.	Powers and duties have been assigned, as set out in section 56 of the PFMA.	√	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	√	
Issues relating to the reporting of performance information			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	√	
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	√	
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by RTMC against its mandate, predetermined objectives, outputs, indicators and targets [Treasury Regulation 30.1].	√	
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	√	

REPORT OF THE AUDITOR GENERAL

13. CEF (Proprietary) Limited has maintained satisfactory levels of compliance with the relevant legislation relating to governance and continued to comply with good practice principles. The entity has also maintained these levels within the subsidiaries. The result of this discipline within the group is acceptable levels of financial and internal control management. These practices have resulted in unqualified audit reports for the group for the financial year reviewed.

Report on other Legal and Regulatory Requirements

Report on performance information

14. I have reviewed the performance information as set out on pages 33 to 36.

The accounting authority's responsibility for the performance information

15. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

16. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008.*

17. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

18. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

Appreciation

19. The assistance rendered by the staff of the CEF (Proprietary) Limited during the audit is sincerely appreciated.

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Auditor-General

Pretoria
6 August 2009

RISK MA

REPORT OF THE BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

Top right: Gas is extracted from a landfill site.

The board audit and risk management committee has adopted appropriate formal terms of reference, which have been confirmed by the board, and has performed its responsibilities as set out in the terms of reference.

1. Responsibilities

In performing its responsibilities the board audit and risk management committee has reviewed the following:

- the effectiveness of the internal control systems;
- the effectiveness of the internal audit function;
- the risk areas of the group's 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;
- the group's 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;
- the independence and objectivity of the external auditors;
- the scope and results of the external audit function, its cost effectiveness, and
- the adequacy of insurance cover.

The board audit and risk management committee is also responsible for:

- reporting to the Minister of Minerals and Energy and the Auditor-General where a report implicates any member(s) of the accounting authority in fraud, corruption or gross negligence;
- communicating any concerns it deems necessary to the Minister of Minerals and Energy and the Auditor-General;
- confirmation and approval of the internal audit department's charter and internal audit work plan;
- encouraging communication between members of the board, senior executive management, the internal audit department and the Auditor-General;
- conducting investigations within its terms of reference; and
- concurring with the appointment and dismissal of the Chief Audit Executive of the internal audit department.

2. Internal control system

The board audit and risk management committee is satisfied that internal controls and systems have been put in place and that these controls have functioned effectively during the period under review. The board audit and risk management committee considers the group's internal controls and systems appropriate in all material respects to:

- reduce the group's risks to an acceptable level;
- meet the business objectives of the group;
- ensure the group's assets are adequately safeguarded; and
- ensure that the transactions undertaken are recorded in the group's records.

3. Annual financial statements

The board audit and risk management committee is of the opinion based on the information and explanations given by management and the internal audit department and discussions with the Auditor-General on the result of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the board audit and risk management committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The board audit and risk management committee has evaluated the annual financial statements of CEF (Proprietary) Limited and the CEF Group for the period ended 31 March 2009 and, based on the information provided to the board audit and risk management committee, considers that they comply, in all material respects, with the requirements of the Companies Act of South Africa, No. 61 of 1973, as amended, and the Public Finance Management Act, No. 1 of 1999, as amended, and South African Statements of Generally Accepted Accounting Practice. The board audit and risk management committee has therefore, at their meeting held on 23 July 2009, recommended the adoption of the annual financial statements by the board of directors.

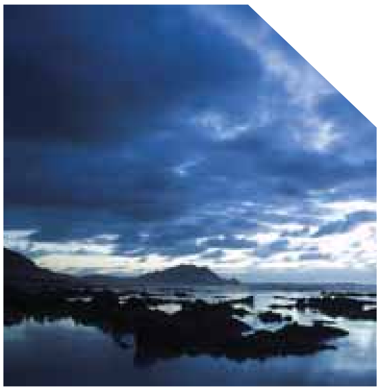
Mr Y Tenza
Chairperson

23 July 2009

Ms K Mthimunye
Mr R Boqo

SECRETA

STATEMENT OF THE COMPANY SECRETARY



Above: Aerial view of the tank farm at Saldanha Bay.

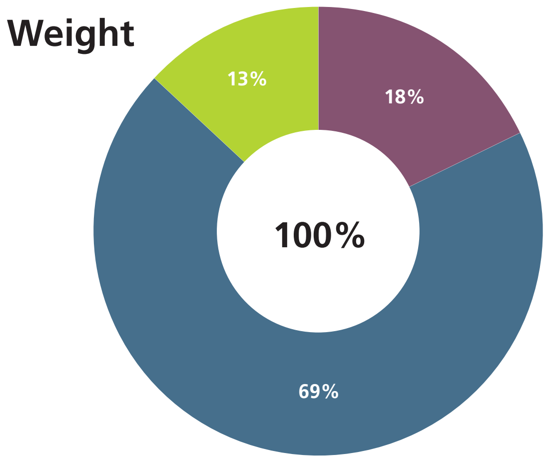
In my capacity as company secretary, I hereby confirm, except where otherwise mentioned in the annual financial statements, that for the year ended 31 March 2009, the company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this act and that all such returns are to the best of my knowledge and belief, correct and up to date.

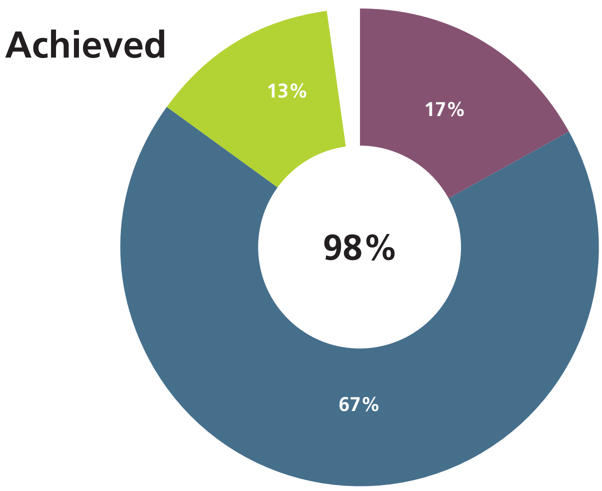
Mr A Haffejee
29 July 2009

OBJECTI

PERFORMANCE AGAINST OBJECTIVES

A summary of the CEF's business performance against objectives is contained in the charts below.





PERFORMANCE AGAINST OBJECTIVES

Right: A solar testing facility.

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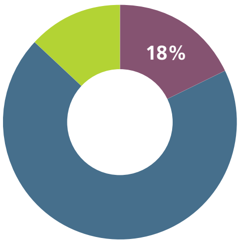

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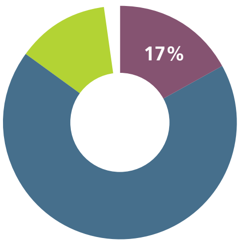
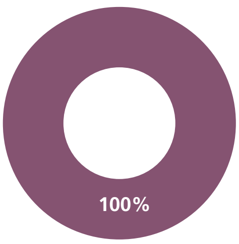
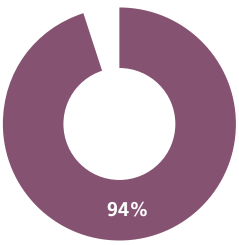


Weight of Objectives



Objectives Achieved



1. Contributing towards meeting renewable energy targets set in White Paper on renewable energy

1.1. Contribute 5 MW (263GWH) towards the South Africa's Renewable Energy target of 10,000GWH by 2013

Progress investment decision with Samancor/Exxaro.

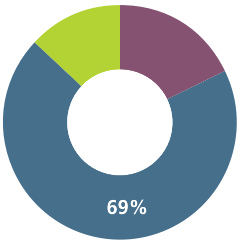
The deliverable required us to progress the investment decision. The new management team at the SAMANCOR plant has divergent views on the power project integration into the plant. While we have built both the technical and financial models thus progressing the investment case we could not conclude the deal favourably (for reasons outside our control), hence, we scored the deliverable for the effort and not the result.

Progress investment for one commercial hydro project.

The financial model and business case was developed. The deliverable required EDC to progress the investment case this was done. However, the sub-deliverable required that we obtain the water use rights from DWAF. While the applications have been made, the rights were not obtained.

Right: A street lamp charged by a photo-voltaic solar panel.

Weight



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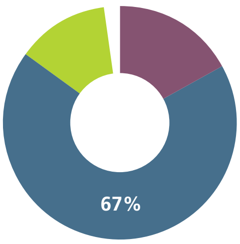
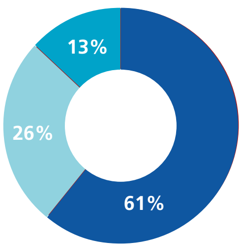
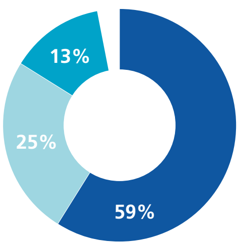


Weight of Objectives



Objectives Achieved



2. Diversity into alternative forms of energy

2.1. Invest in alternative and cleaner technologies that will improve the quality of life for low-income households through more affordable and safer energy sources.

Secure additional resources for the purpose of elevating EDC mandate and renewable energy awareness.

The supporting documents show a R3.5 million benefit to EDC via the Norad and Carbon Stream Africa joint venture funding from the Norwegian Government. Other grants obtained were from RENAC in Berlin of R26k and from the Japanese government R76k.

CEF Carbon – Open appropriate registry account.

The Registry account application has been accepted by the EUETS Registry Administrator, UK Environment Agency. As the directors are based in the UK and South Africa, additional documents were required. These additional documents stating authenticity of the submitted documents were posted for their attention. We are waiting for their final approval. The action was to open an account, and this process has started.

2.2. Ensure long-term profitability of CEF (Proprietary) Limited.

Service level agreement was not signed by African Exploration.

2.3. Develop Carbon Business to capitalise on the opportunities within CEF, South Africa and Africa.

PERFORMANCE AGAINST OBJECTIVES

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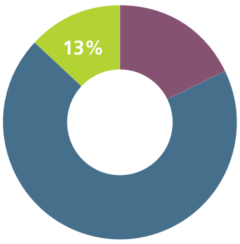

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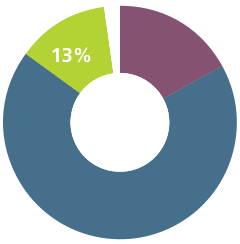
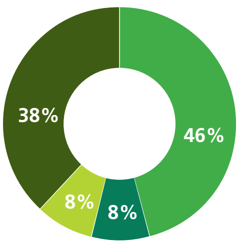
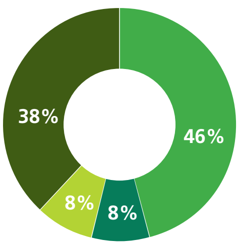


Weight of Objectives



Objectives Achieved



3. Manage business for the benefit of people of South Africa

3.1. **Investments include a range of hydro/solar, wind and energy efficiency investments**

3.2. **Maintain donor collaborations: GTZ, NVE, FDA**

3.3. **Promote EDC brand through strategic market**

3.4. **Participate on Board and other strategic relationships**

DIRECTORS' REPORT

The directors present their annual report that forms part of the audited annual financial statements for the group for the year ended 31 March 2009.

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

1. Directors

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

Name		Appointed	Re-appointed	Resigned
Ms B Mabuza	Independent, Non-executive, Chairperson	15 December 2003	29 January 2007	
Mr MB Damane	Executive	1 February 2007		
Mr N Gumede	Non-executive	29 January 2007		31 October 2008
Dr P Molefe	Non-executive	28 July 2004	20 July 2007	
Mr A Nkuhlu (alternate director to Dr P Molefe)	Non-executive	28 July 2005		
Dr Z Rustomjee	Non-executive	1 July 2004	01 July 2007	
Mr Y Tenza	Non-executive	1 July 2007		
Ms P Zikalala	Non-executive	2 August 2007		

Attendance at meetings:

Name	29/05/2008	30/06/2008	30/07/2008	31/10/2008	27/11/2008	14/01/2009	04/02/2009	25/02/2009
Ms B Mabuza	Y	Y	Y	Y	Y	Y	Y	Y
Mr MB Damane	Y	N	Y	Y	Y	Y	Y	Y
Mr N Gumede	Y	Y	N	N	N/A	N/A	N/A	N/A
Dr P Molefe	Y	N	Y	N	N	N	N	N
Mr A Nkuhlu (alternate director to Dr P Molefe)	Y	N	N	N	N	N	N	Y
Dr Z Rustomjee	Y	Y	Y	Y	Y	Y	Y	Y
Mr Y Tenza	Y	Y	Y	Y	Y	Y	Y	Y
Ms P Zikalala	Y	Y	N	N	Y	N	N	N

Y = Attended meeting
N = Apology received
N/A = Not a member at the date of meeting

Board audit and risk management committee

The committee consists of the following members:

Name		Appointed	Re-appointed	Term ended
Mr Y Tenza	Non-executive chairperson	01 August 2007		
Mr R Boqo	Non-executive	01 June 2006		
Mr J Molobela	Non-executive	01 June 2006		31 May 2009
Ms K Mthimunye	Non-executive	15 February 2005	14 February 2008	

Attendance at meetings:

Name	22/05/2008	28/07/2008	19/11/2008	14/01/2009	19/02/2009
Mr Y Tenza	Y	Y	Y	Y	Y
Mr R Boqo	Y	Y	Y	Y	Y
Mr J Molobela	Y	Y	Y	Y	Y
Ms K Mthimunye	Y	Y	Y	Y	Y

All of the members are independent non-executive members.

The board audit and risk management committee meets on a minimum of two occasions per annum. The Chief Audit Executive of the internal audit department, the external auditors and such members of management as are deemed necessary also attend these meetings. The board audit and risk management committee is responsible for the internal controls and risk management of the company delegated to it by the board of directors. In order to meet its requirements it reviews the findings of both internal and external auditors. In addition it reviews important accounting issues, material pending litigation if applicable, company insurance, risk management and disclosure requirements in the annual financial statements.

The responsibilities of this subcommittee of the board of directors are set out in the report of the board audit and risk management committee which forms part of these annual financial statements.

Board human resources committee

The board human resource committee consists of the following members:

Name		Appointed	Re-appointed	Resigned
Ms B Mabuza	Non-executive chairperson	01 February 2007		
Mr M Leshabane	Non-executive	25 April 2006		29 September 2008
Dr P Molefe	Non-executive	01 January 2009		

Attendance at meetings:

Name	20/05/2008	16/07/2008
Ms B Mabuza	Y	Y
Mr M Leshabane	Y	Y
Dr P Molefe	N	N

Y = **Attended meeting**
N = **Apology received**
N/A = **Not a member at the date of meeting**

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.

2. Secretary

Business address

Block C, Upper Grayston Office Park
152 Ann Crescent
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 the mandate issued to it in the form of a Ministerial Directive dated December 2003. The company focuses on the development of renewable and alternative energy technologies. These activities are largely driven through the EDC division of CEF which has a split commercial and developmental focus.

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

Principal activities of the company

The principal activity of CEF in terms of the Central Energy Fund Act, is to give effect to the objectives of the Central Energy Fund which, to quote the Act, are to finance and promote:

- 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; and
- any other object for which the fund may be applied, and which has been designated or approved by the said Minister with the concurrence of the Minister of Finance.

5. Review of financial position

Group financial results and operating activities

Analysis and review of results and financial position

The group achieved a net profit of R2.3 billion (2008: R2.2 billion) for the year under review. Sales revenues were particularly high at R12 billion (2008: R10 billion) and are attributed to the high oil prices which averaged USD83.87 per barrel versus the previous year's USD82.29.

Overall group operating costs R2.9 billion increased by 52% from the previous year

5. Review of financial position (continued)

(2008: R2.0 billion). This was mainly due to the increased cost of feedstock purchases as a result of the high oil prices and the weaker rand. There was also a significant increase in exploration expenses incurred in PetroSA Gryphon Marin and PetroSA Egypt. The group recorded a pretax profit of R1.9 billion, which reflects a decrease of 19% from the prior year profit of R2.8 billion. Brass Exploration Unlimited has been classified as a discontinuing operation and reflects a profit of R0.12 billion (2008: R0.11 billion) net of taxation.

The group balance sheet remains strong with total assets of R32 billion (2008: R30 billion).

6. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the group during the year under review.

Details of the share capital of the company are set out in note 17 to the annual financial statements. There have been no changes to the share capital of any of the other group companies during the year under review.

7. Significant changes in assets/investments

EDC projects within CEF incurred capital expenditures of R61.0 million (2008: R18.3 million).

8. Dividends

A dividend of R725 million was declared of which R350 million was paid during the financial year (2008: R425 million) and R375 million is still to be paid and has been accrued for.

9. Going concern

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

10. Operating results

The Group's results 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	**2009 R ´000**	**2008 R ´000**	**%**	**2009 R ´000**	**2008 R ´000**
Crude oil sales and fuel production	19%	11 012 918	9 325 358	-%	-	-
Tank rentals	(7)%	156 566	168 756	-%	-	-
Royalty income	27%	11 204	8 849	-%	-	-
Other	17%	1 180 173	1 012 550	-%	-	-
Gross Revenue	**19%**	**12 360 861**	**10 425 540**	**-%**	**-**	**-**

The increase in revenues is due to the higher international oil prices. The average crude oil price for the year was $83.87/bbl against an average of $82.29/bbl in the previous year.

Due to volatile crude oil prices, demand for crude oil storage was high.

Profit for the year from continuing operations

	Group			Company		
	% Change	**2009 R ´000**	**2008 R ´000** Restated	**%**	**2009 R ´000**	**2008 R ´000**
Profit before taxation	(31)%	1 926 144	2 803 525	62%	828 219	511 945
Taxation	(96)%	(29 018)	(695 020)	(20)%	(28 479)	(35 594)
	10%	**1 897 126**	**2 108 505**	**68%**	**799 740**	**476 351**

The profit of the group after taxation from continuing operations was R 1 897 million (2008: R 2 109 million) and of the company, R 800 million (2008: R 476 million). The decrease in group profits can be largely attributed to the higher input costs which were negatively impacted by high crude oil prices and a weaker rand. Company profits have increased mainly as a result of the dividends declared by PetroSA.

Fruitless and wasteful expenditure

SFF has incurred R9 million interest as a result of late payments to Transnet National Ports Authority. This has been classified as fruitless and wasteful expenditure. Due to late payments, SFF earned interest on the cash held of R9.3 Million, which result in a net gain of R0.3 million.

During this financial year a loss of R4 000 was experienced in the petty cash office due to theft, and R193 892 was paid to the South African Revenue Services for penalties and interest incurred. PetroSA also incurred a penalty for late payment of cargo due for the amount of R1 200 and interest for late payment of invoices of R903 761. A further R2 660 207 was incurred for penalties and interest relating to cargo dues in terms of the provisions of the Service Level Agreement between SFF and PetroSA. A contract that was budgeted for was signed by an employee outside of his authorised limit of authority. This was in contravention of company policy and therefore irregular. The value of the contract was R600 000 and management subsequently ratified the contract.

11. Transfer to the State

No transfer to the State was made in respect of the year ended 31 March 2009 (2008: RNil).

12. 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.

13. Post balance sheet events

Subsequent to year end, wharfage expenditure was refunded to SFF after the resolution of a dispute with a supplier. The net effect hereof was an increase in net profit and retained earnings of R53 million respectively. The tax effect of the refund was nil.
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 financial statements which significantly affect the financial position of the company or the results of the operations.

During June 2009 PetroSA successfully obtained the reclassification of two of its products from SARS for Duty at Sources (IDAS) purposes. As a result of this reclassification PetroSA will be able to recover duties paid over the last two years to the amount of R44 million.

14. Other activities administered by CEF

Equalisation Fund

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

Mine Health and Safety Council

CEF manages some of the cash resources of the Council.

South African Supplier Development Agency

A Ministerial Directive was issued in 2007 instructing CEF to manage and finance the operations of the company.

The South African Petroleum Sector Policy Research and Capacity Development Phase II Fund (Norad Fund)

CEF manages the surplus cash and carries out the administration and accounting function of the Fund. This function is in the process of being handed over to the DME. It is anticipated that this will be completed during the next financial year.

15. Shareholder

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

The annual financial statements set out on pages 37 to 119, which have been prepared on the going concern basis, were approved by the board of directors on 29 July 2009 and were signed on its behalf by:

Ms B Mabuza (Chairperson) **Dr Z Rustomjee (Director)**

Sandton
29 July 2009

MATERI

MATERIALITY AND SIGNIFICANCE FRAMEWORK

The criteria for assessing the materiality and significance framework for CEF (Proprietary) Limited are contained in the table below:

QUANTIFICATION OF THE SIGNIFICANT LEVELS

	CEF Group R ´000	PetroSA R ´000	iGAS R ´000	PASA R ´000	SSF R ´000	OPC R ´000	SANERI R ´000
Significant level is determined by elements:							
* Taken from audited AFS and * Reviewed annually							
Elements							
Total Assets: 1-2%	503 291	381 857	19 716	3 957	6 411	348	1 135
Total Revenue: 0.5-1%	90 996	89 517	–	701	1 237	175	635
Profit after tax: 2-5%	150 753	136 499	–	1 819	9 966	266	87
Average of elements	248 347	202 624	–	2 159	75 614	263	619
Qualitative factors such as large scale retrenchments is also significant							
As per 31 March 2008 AFS							
Total Assets	25 164 549	19 092 844	985 802	197 893	3 220 564	17 449	56 729
Total Revenue	9 099 642	8 951 756	–	70 083	123 733	17 534	63 518
Profit/(Loss) after Tax	3 015 064	2 729 087	(917)	36 374	199 321	5 327	1 731
Select the most appropriate element	**2% of Total Assets**	**2% of Total Assets**	**2% of Total Assets**	**2% of Total Assets**	**2% of Total Assets**	**2% of Total Assets**	**2% of Total Assets**
Significant level 2007/8	400 000	300 000	15 000	3 000	60 000	320	480
Significant level 2008/9	500 000	380 000	20 000	4 000	75 000	350	1 000

Disclosure in AFS

For purposes of material (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 Minerals and 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 R ´000	PetroSA R ´000	iGAS R ´000	PASA R ´000	SSF R ´000	OPC R ´000	SANERI R ´000
Public Entity's board approval levels	<500 000	<380 000	<20 000	<4 000	<75 000	<350 000	<1 000
CEF Board to approve	>500 000	<380 000 and <500 000	>20 000 and <500 000	>4 000 and <500 000	>75 000 and <500 000	>350 000 and <500 000	>1 000 and <500 000
Obtain DME approval and inform National Treasury via the topmost holding company				>500 000			

BALANCE SHEET

AT 31 MARCH 2009

	Notes	Group 2009 R '000	Group 2008 R '000 Restated	Company 2009 R '000	Company 2008 R '000 Restated
Assets					
Non-Current Assets					
Property, plant and equipment	2	6 170 426	4 848 611	21 342	4 138
Intangible assets	3	129 248	157 971	29 745	61 909
Assets pending determination	4	82 237	71 291	–	–
Goodwill	5	8 556	–	–	–
Deferred tax	6	1 061 563	630 126	865	624
Investments in subsidiaries	7	–	–	3 453 135	3 499 030
Investments in associates	8	664 450	653 595	–	–
Loans to group companies	9	57	–	–	–
Other financial assets	10	189 090	148 900	55 162	15 494
Strategic inventory	11	2 061 398	2 062 215	–	–
		10 367 025	**8 572 709**	**3 560 249**	**3 581 195**
Current Assets					
Inventories	12	1 500 734	1 847 925	–	–
Loans to group companies	9	–	89 261	–	–
Other financial assets	10	646	2 226	101 654	92 353
Current tax receivable	29	991	6 168	–	6 168
Trade and other receivables	13	2 105 274	2 353 031	464 577	264 690
Cash and cash equivalents	14	16 143 359	15 987 901	3 395 004	2 751 916
		19 751 004	**20 286 512**	**3 961 235**	**3 115 127**
Non-current assets held for sale and assets of disposal groups	15	2 052 302	1 564 096	–	–
Total Assets		**32 170 331**	**30 423 317**	**7 521 484**	**6 696 322**
Equity and Liabilities					
Equity Attributable to Equity Holders of Parent					
Share capital	16	–	–	–	–
Reserves		116 960	57 726	–	–
Retained income		23 380 314	21 046 007	6 175 265	5 375 525
Minority interest		1 227	–	–	–
		23 498 501	**21 103 733**	**6 175 265**	**5 375 52**
Liabilities					
Non-Current Liabilities					
Loans from group companies	9	–	–	879 849	748 774
Other financial liabilities	17	316 123	397 650	316 123	397 650
Deferred tax	6	986 117	976 223	6 584	14 882
Provisions	18	4 111 573	3 885 280	193	–
		5 413 813	**5 259 153**	**1 202 749**	**1 161 306**

BALANCE SHEET

AT 31 MARCH 2009

	Notes	Group 2009 R ´000	Group 2008 R ´000 Restated	Company 2009 R ´000	Company 2008 R ´000 Restated
Current Liabilities					
Other financial liabilities	17	101 009	119 817	101 009	19 817
Current tax payable	29	83 557	338 564	1 410	–
Trade and other payables	20	1 782 421	2 357 660	40 348	39 674
Deferred income	21	22 470	1 812	703	–
Provisions	18	122 932	118 563	–	–
		2 112 389	**2 936 416**	**143 470**	**159 491**
Liabilities of disposal groups	15	1 145 628	1 124 015	–	–
Total Liabilities		8 671 830	9 319 584	1 346 219	1 320 797
Total Equity and Liabilities		**32 170 331**	**30 423 317**	**7 521 484**	**6 696 322**

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Group 2009 R ´000	Group 2008 R ´000 Restated	Company 2009 R ´000	Company 2008 R ´000 Restated
Assets					
Revenue	22	12 360 861	10 425 540	–	–
Cost of sales	23	(9 486 279)	(7 594 807)	–	–
Gross profit		**2 874 582**	**2 830 733**	**–**	**–**
Other income		222 315	648 355	25 229	23 300
Operating expenses		(2 988 215)	(2 000 903)	(151 187)	(105 056)
Impairment of investments	27	–	(17 000)	(38 180)	(25 300)
Operating profit/ (loss)	24	**108 682**	**1 461 185**	**(164 138)**	**(107 056)**
Investment income	26	2 017 243	1 519 509	1 130 087	754 211
Income from equity accounted investments		94 461	40 945	–	–
Finance costs	28	(294 242)	(218 114)	(137 730)	(135 210)
Profit before taxation		**1 926 144**	**2 803 525**	**828 219**	**511 945**
Taxation	29	(29 018)	(695 020)	(28 479)	(35 594)
Profit for the year from continuing operations		**1 897 126**	**2 108 505**	**799 740**	**476 351**
Profit from discontinued operations	15	436 843	110 227	–	–
Profit for the year		**2 333 969**	**2 218 732**	**799 740**	**476 351**
Attributable to:					
Equity holders of the parent		2 334 307	2 218 732	799 740	476 351
Minority Interest		(338)	–	–	–

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2009

	Share capital	Foreign currency translation reserve	Retained income	Total attributable to equity holders of the group/ company	Minority interest	Total equity
	R ´000	R ´000	R ´000	R ´000	R ´000	R ´000
Group						
Opening balance as previously reported		57 991	18 802 956	18 860 947	–	18 860 947
Adjustments						
Prior year adjustments		(265)	24 319	24 054	–	24 054
Balance at 01 April 2007 as restated		**57 726**	**18 827 275**	**18 885 001**	**–**	**18 885 001**
Changes in equity						
Profit for the year		–	2 218 732	2 218 732	–	2 218 732
Total changes		–	2 218 732	2 218 732	–	2 218 732
Balance at 01 April 2008 as restated		**57 726**	**21 046 007**	**21 103 733**	**–**	**21 103 733**
Changes in equity						
Minority interest		–	–	–	(45)	(45)
Reserves		59 234	–	59 234	–	59 234
Net income (expenses) recognised directly in equity		59 234	–	59 234	(45)	59 189
Profit for the year		–	2 334 307	2 334 307	(338)	2 333 969
Total recognised income and expenses for the year		59 234	2 334 307	2 393 541	(383)	2 393 158
CCE		–	–	–	1 610	1 610
Total changes		59 234	2 334 307	2 393 541	1 227	2 394 768
Balance at 31 March 2009		**116 960**	**23 380 314**	**23 497 274**	**1 227**	**23 498 501**
Note(s)	16					
Company						
Opening balance as previously reported		–	6 666 724	6 666 724	–	6 666 724
Adjustments		–				
Prior period adjustments		–	(1 767 550)	(1 767 550)	–	(1 767 550)
Balance at 01 April 2007 as restated		–	**4 899 174**	**4 899 174**	–	**4 899 174**
Changes in equity						
Profit for the year		–	476 351	476 351	–	476 351
Total changes		–	476 351	476 351	–	476 351
Balance at 01 April 2008		–	**5 375 525**	**5 375 525**	–	**5 375 525**
Changes in equity						
Profit for the year		–	799 740	799 740	–	799 740
Total changes		–	799 740	799 740	–	799 740
Balance at 31 March 2009		–	**6 175 265**	**6 175 265**	–	**6 175 265**
Note(s)	16					

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Group 2009 R ´000	Group 2008 R ´000 Restated	Company 2009 R ´000	Company 2008 R ´000 Restated
Cash flows from operating activities					
Cash receipts from customers	30	13 362 237	10 900 261	(174 658)	(216 178)
Cash paid to suppliers and employees	31	(11 718 489)	(8 343 176)	(105 736)	(109 454)
Cash generated / (utilised) by operations		1 643 748	2 557 085	(280 394)	(325 632)
Interest income	32	2 017 243	1 518 639	405 087	329 211
Dividends received		-	870	725 000	425 000
Finance costs		(294 242)	(218 114)	(137 730)	(135 210)
Tax paid		(700 391)	(691 233)	(29 440)	(24 954)
Net cash from operating activities	34	**2 666 358**	**3 167 247**	**682 523**	**268 415**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(1 987 206)	(1 172 054)	(19 297)	(1 217)
Sale of property, plant and equipment	2	30 305	156	-	(2)
Purchase of other intangible assets	3	(14 284)	(16 966)	(9 626)	(11 321)
Investments in associates and group companies		(10 912)	7 054	-	(17 000)
Movement in disposals of groups		(466 593)	(440 081)	-	-
Other financial assets (current assets)		-	-	(9 301)	(11 540)
Other financial assets (non current assets)		(40 190)	(57 578)	(39 668)	(6 200)
Purchase of assets pending determination	4	(10 946)	(16 498)	-	-
Decrease in investments in subsidiaries	33	-	-	138 792	87 962
Net cash from investing activities		**(2 499 826)**	**(1 695 967)**	**60 900**	**40 682**
Cash flows from financing activities					
Repayment of other financial liabilities		(100 335)	(157 032)	(100 335)	(157 032)
Proceeds from / (repayment of) shareholders loan		89 261	(89 261)	-	-
Net cash from financing activities		**(11 074)**	**(246 293)**	**(100 335)**	**(157 032)**
Cash and cash equivalents movement for the year		**155 458**	**1 224 987**	**643 088**	**152 065**
Cash and cash equivalents at the beginning of the year		15 987 901	14 762 914	2 751 916	2 599 851
Cash and cash equivalents at end of the year	14	**16 143 359**	**15 987 901**	**3 395 004**	**2 751 916**

1. Presentation of Annual Report

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

1.1. Basis of preparation

Accounting Framework

The group and company annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa.

The annual financial statements are prepared on the historical cost basis except where otherwise specified.

1.2. Basis of consolidation

The consolidated financial statements incorporate the annual report 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.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the effective date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

All significant inter-entity transactions, unrealised profit and losses and balances between group enterprises are eliminated on consolidation.

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 yearend 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

Interest in subsidiaries

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.

1.2. Basis of consolidation (continued)

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. Investments in jointly controlled entities are accounted for by way of the proportionate consolidation method whereby the group's proportionate share of assets, liabilities, revenues and expenses of the joint venture are combined, on a line-by-line basis, with similar items in the financial statements of the group. All significant intercompany transactions and balances between group entities are eliminated on proportionate consolidation to the extent of the group's interest in the joint venture.

1.3. Translation of foreign currencies

Foreign currency transactions

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.

Balance Sheet

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was 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.

1.3. Translation of foreign currencies (continued)

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. Post-balance sheet events

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

1.5. Comparative figures

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

1.6. Property, plant and equipment

Property, plant and equipment represents 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 working condition for their intended use. Improvements are capitalised. Maintenance, repairs and renewals that 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.

Disposals

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings

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 life of the assets is reviewed annually.

1.6. Property, plant and equipment (continued)

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

Item	Average useful life
Land	Not depreciated
Land and buildings	40 years
Furniture, fittings and communication equipment	2 - 10 years
Motor vehicles	4 - 5 years
Computer equipment	3 - 6 years
Mainframe software	3 - 14 years
Fire fighting, security and operating equipment	5 - 10 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 reserve 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)

Subsequent expenditure that enhances or extends the performance of property, plant and equipment beyond their original specifications is recognised as capital expenditure and added to the original cost of the asset.

Production assets that represent the capitalised share of total expenditure on the exploration, appraisal and development of oil and gas fields are depreciated over their expected useful lives. This applies from the date production commences, on a unit of production basis, using the proved and probable developed reserves recoverable from these fields

The carrying amount in respect of each field (reservoir) is reviewed for impairment at each balance sheet date. For evaluated fields, the net carrying amounts are compared to the estimated net revenues to be derived from the related proved and probable reserves of oil and gas within that field. Evaluated fields and other assets for which carrying amounts are not expected to be fully recovered are written down to their recoverable amounts.

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 restoration 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 lives 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.

An additional restoration provision charge will be made to income annually, based on the risk free rate of return. Changes in estimates of reserve quantities and restoration costs are recognised prospectively.

1.7. Exploration, evaluation and development of oil and gas wells

The "successful efforts" principle is used to account for oil and gas exploration and evaluation 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 capitalised and reflected as an intangible asset if potential reserves are discovered.

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.

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 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.

1.8. 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 costs are 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 if the development cost can be reliably measured. Otherwise it is recognised in profit or loss.

Item	Useful life
Computer software, other	2 - 10 years

1.9. Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. Subsequent to the recognition of the impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had an impairment loss not been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

1.10. 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 obligation.

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.

1.11. Inventories

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.

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.

Provision is made in arriving at the net realisable value. The provision is made in respect of unsaleable sludge that forms at the bottom of the tanks.

1.11. Inventories (continued)

Spares, catalysts and chemical

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

1.12. Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the group and company's balance sheet when the company and group 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 balance sheet include cash and cash equivalents, trade receivables, investments, trade payables, and borrowings.

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 profits or losses 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 and cash and cash equivalents.

Investments

The following categories of investments are measured at subsequent reporting dates 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, 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. Bad debts are written off when identified.

1.12. Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and instruments which are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Financial liabilities

The group's principal financial liabilities are interest bearing borrowings, accounts payable and bank overdraft. All financial liabilities are measured at amortised cost, comprising original debt less principal payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value. A change in fair value is recognised in profit or loss.

Loans to (from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to (from) group companies are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

1.12. Financial instruments (continued)

Derivative financial instruments

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

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

Payments and receipts under interest rate swap contracts are recognised in the income statement 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.

Interest-bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

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 equity, 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.

Gains and losses arising from cash flow hedges are recognised in profit or loss.

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 equity 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.

1.12. Financial instruments (continued)

Fair value considerations

The fair values at which financial instruments are carried at the balance sheet 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 if there is an intention to either net the asset and liability or to realise the asset and settle the liability simultaneously and a legally enforceable right to set-off exists.

Available for sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment losses recognised in profit or loss for equity investments classified as available for sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available for sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

Interest on available for sale securities calculated using the effective interest method is recognised in the income statement as part of ‘other income’. Dividends on available for sale equity instruments are recognised in the income statement as part of ‘other income’ when the group’s right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost. Impairments on such investments are not reversed.

1.12. Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.13. Post-employment benefit costs

Defined contribution costs

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

The group operates both defined contribution and defined benefit plans, the assets of which are held in separate trustee administered funds. The plans are funded by payments from the group and employees, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the defined benefit obligation, the related current service cost, and where applicable, the past service costs are determined by using the projected unit credit method.

Other post-employment obligations

Post employment health care benefits are provided to retirees. The entitlement to post retirement health care benefits is based on the employee 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. Independent qualified actuaries carry out valuations of these obligations annually.

1.14. Provisions and contingencies

Provisions represent liabilities of uncertain timing or amounts.

Provisions are recognised when the group has a present legal or constructive obligation, 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 pretax 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.

1.15. Revenue

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.

1.16. 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.

1.17. 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 shareholders' right to receive payment has been established.

1.18. Tax

Current tax assets and liabilities

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 balance sheet date. Certain income earned from the State is exempt from tax.

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 balance sheet date.

1.18. Tax (continued)

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 balance sheet 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.

1.19. Finance costs

Interest costs incurred on financing of major projects are capitalised until the project is substantially completed or ready for its intended use. Other finance costs are recognised as an expense when incurred.

1.20. Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

1.21. Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or 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.

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

Any irregular and fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

1.22. Investments in associates

Group annual report

The consolidated annual financial statements incorporate the assets, liabilities, income and expenses of associates using the equity method of accounting, applying the group's accounting policies, from the acquisition date to the disposal date. The most recent audited annual financial statements of associates are used where available, which are all within three months of the yearend of the group. Adjustments are made to the associates' financial results for material transactions and events in the intervening period. Losses of associates in excess of the group's interest are not recognised unless there is a binding obligation to contribute to the losses.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

1.23. Borrowing 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.

1.24. Adoption of South African Accounting Standards

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the entity.

IAS 1 (Revised). Presentation of annual financial statements (effective from financial year beginning 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non owner changes in equity') in the statement of changes in equity, requiring 'non owner changes in equity' to be presented separately from owner changes in equity. All non owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comprehensive information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

IAS 23 Borrowing costs (effective from financial year beginning 1 January 2009) - the amendment requires the entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The entity will apply IAS 23 retrospectively from 1 January 2009 but is currently not applicable to the company as there are no qualifying assets.

IAS 36 (Amendment), 'Impairment of assets' (effective from financial year beginning 1 January 2009) - the amendment is part of the IASB's annual improvements projects published in May 2008.

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made. The entity will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment), 'Intangible assets' (effective from financial year beginning 1 January 2009) - the amendment is part of the IASB's annual improvement project published in May 2008. A prepayment may only be recognised in the event that the payment has been made in advance of obtaining rights if access to goods or receipts of services. The entity will apply IAS 38 (Amendment) from 1 January 2009.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from financial year beginning 1 January 2009) The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

1.25. Significant judgements

In preparing the annual report, management is required to make estimates and assumptions that affect the amounts represented in the annual report and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual report. Significant judgements include:

Going concern

Management considers key financial metrics and loan covenant compliance in its approved medium term budgets, together with its existing term facilities, to conclude that the going concern assumption used in the compiling of its annual financial statements, is relevant.

Evaluation of the useful life of assets

On an annual basis, management evaluates 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.

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.

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.

Impairment testing

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 that 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 Provisions.

1.26. Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

1.27. Non-current assets held for sale (and) (disposal groups)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.28. Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

2. Property, plant and equipment

Group	2009			2008		
	R ´000 Cost/ Valuation	R ´000 Accumulated depreciaton	R ´000 Carrying value	R ´000 Cost/ Valuation	R ´000 Accumulated depreciaton	R ´000 Carrying value
Land and buildings	41 195	(4 131)	37 064	19 671	(4 007)	15 664
Plant and machinery	18 504 252	(15 100 063)	3 404 189	18 238 345	(14 907 191)	3 331 154
Furniture and fixtures	551 435	(288 546)	262 889	452 864	(212 749)	240 115
Motor vehicles	5 397	(3 802)	1 595	4 544	(3 287)	1 257
IT equipment	9 910	(7 198)	2 712	8 218	(4 901)	3 317
Mainframe software	1 859	(1 360)	499	1 859	(1 211)	648
Shutdown cost	365 486	(365 486)	–	371 218	(239 629)	131 589
Assets under development	2 382 040	–	2 382 040	812 239	–	812 239
Restoration expenditure	637 122	(557 684)	79 438	793 789	(481 161)	312 628
Total	**22 498 696**	**(16 328 270)**	**6 170 426**	**20 702 747**	**(15 854 136)**	**4 848 611**

Company	2009			2008		
	R'000 Cost / Valuation	R'000 Accumulated depreciation	R'000 Carrying value	R'000 Cost / Valuation	R'000 Accumulated depreciation	R'000 Carrying value
Land and buildings	16 962	–	16 962	–	–	–
Furniture and fixtures	5 231	(2 181)	3 050	5 813	(3 172)	2 641
Motor vehicles	873	(333)	540	676	(178)	498
IT equipment	3 612	(2 822)	790	3 192	(2 193)	999
Total	**26 678**	**(5 336)**	**21 342**	**9 681**	**(5 543)**	**4 138**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2009

	Opening Balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land and buildings	15 664	21 524	–	–	–	(124)	37 064
Plant and machinery	3 331 154	35 186	(24 030)	254 430	–	(192 551)	3 404 189
Furniture and fixtures	240 115	103 770	(403)	(338)	–	(80 255)	262 889
Motor vehicles	1 257	1 048	(217)	–	–	(493)	1 595
IT equipment	3 317	1 447	(29)	–	–	(2 023)	2 712
Mainframe software	648	–	–	–	–	(149)	499
Shutdown cost	131 589	–	(5 732)	–	–	(125 857)	–
Assets under development	812 239	1 824 231	–	(254 430)	–	–	2 382 040
Restoration expenditure	312 628	–	–	–	(198 574)	(34 616)	79 438
	4 848 611	**1 987 206**	**(30 411)**	**(338)**	**(198 574)**	**436 068)**	**6 170 426**

Reconciliation of property, plant and equipment - Group - 2008

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	15 788	–	–	–	–	–	(124)	–	15 664
Plant and machinery	1 928 263	512 158	–	1 339 817	–	–	(449 050)	(34)	3 331 154
Furniture and fixtures	48 981	213 462	(9)	87	–	–	(22 406)	–	240 115
Motor vehicles	818	767	(65)	–	–	–	(263)	–	1 257
IT equipment	3 841	1 374	(101)	(58)	–	–	(1 739)	–	3 317
Mainframe software	800	–	–	–	–	–	(152)	–	648
Shutdown cost	236 601	16 317	–	–	–	–	(121 329)	–	131 589
Assets under development	1 724 071	427 976	–	(1 339 808)	–	–	–	–	812 239
Restoration expenditure	271 731	–	–	–	260 035	43 106	(262 244)	–	312 628
	4 230 894	**1 172 054**	**(175)**	**38**	**260 035**	**43 106**	**(857 307)**	**(34)**	**4 848 611**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2009

	Opening Balance	Additions	Depreciation	Total
Land and buildings	–	16 962	–	16 962
Furniture and fixtures	2 641	1 718	(1 309)	3 050
Motor vehicles	498	197	(155)	540
IT equipment	999	420	(629)	790
	4 138	**19 297**	**(2 093)**	**21 342**

Reconciliation of property, plant and equipment - Group - 2008

	Opening Balance	Additions	Transfers	Depreciation	Total
Land and buildings	2 731	805	91	(986)	2 641
Motor vehicles	633	_	_	(135)	498
IT equipment	1 354	412	(91)	(676)	999
	4 718	**1 217**	**–**	**(1 797)**	**4 138**

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.

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.

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. The Minerals Act of 1991 requires that amounts for abandonment be set aside as prescribed in the Act. The restoration fund requirement has been met through the issue of a guarantee by CEF (Proprietary) Limited.

Oil Pollution Control South Africa

The buildings of the company at Saldanha Bay are built on land owned by the National Ports Authority (Plan 10128/00/02-17) which is leased to Oil Pollution Control South Africa in terms of a 99 year lease.

SFF Association

The production assets at Saldanha have the engineering life of 40 years of which 12 years is remaining. Milnerton and Ogies tanks are fully impaired.

The directors of the company evaluated the estimated useful life of the fixed assets as at 31 March 2009 to ensure that the fixed assets were fairly stated at year end.

3. Intangible assets

Group	2009			2008		
	R ´000 Cost/ Valuation	R ´000 Accumulated amortisation	R ´000 Carrying value	R ´000 Cost/ Valuation	R ´000 Accumulated amortisation	R ´000 Carrying value
Patents, trademarks and other rights	50 490	(44 883)	5 607	50 490	(42 487)	8 003
Computer software	13 963	(7 844)	6 119	8 184	(4 907)	3 277
Exploration licensing fee	79 162	–	79 162	79 162	–	79 162
Mineral & servitude rights	–	–	–	134	–	134
Development costs	38 360	–	38 360	67 395	–	67 395
Total	**181 975**	**(52 727)**	**129 248**	**205 365**	**(47 394)**	**157 971**

Company	2009			2008		
	R'000 Cost / Valuation	R'000 Accumulated amortisation	R'000 Carrying value	R'000 Cost / Valuation	R'000 Accumulated amortisation	R'000 Carrying value
Patents, trademarks and other rights	50 490	(44 883)	5 607	50 490	(42 487)	8 003
Computer software	4 268	(3 644)	624	3 629	(2 410)	1 219
Development costs	23 514	–	23 514	52 687	–	52 687
Total	**78 272**	**(48 527)**	**29 745**	**106 806**	**(44 897)**	**61 909**

Reconciliation of intangible assets - Group - 2009

	Opening Balance	Additions	Transfers	Amortisation	Impairment reversal	Total
Patents, trademarks and	8003	–	–	(2 396)	–	5 607
other rights	3 277	5 174	366	(2 698)	–	6 119
Computer software	79 162	–	–	–	–	79 162
Exploration licensing fee	134	–	–	–	(134)	–
Mineral & servitude rights	67 395	9 110	–	–	(38 145)	38 360
Development costs	**157 971**	**14 284**	**366**	**(5 094)**	**(38 279)**	**129 248**

	Opening Balance	Additions	Transfers	Amortisation	Impairment reversal	Total
Patents, trademarks and	10 399	–	–	–	(2 396)	8 003
other rights	4 023	1 229	20	336	(2 331)	3 277
Computer software	79 162	–	–	–	–	79 162
Exploration licensing fee	–	–	–	134	–	134
Mineral & servitude rights	51 658	15 737	–	–	–	67 395
Development costs	**145 242**	**16 966**	**20**	**470**	**(4 727)**	**157 971**

3. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2009

	Opening Balance	Additions	Amortisation	Impairment loss	Total
Patents, trademarks and other rights	8 003	–	(2 396)	–	5 607
Computer software	1 219	654	(1 249)	–	624
Development costs	52 687	8 972	–	(38 145)	23 514
	61 909	**9 626**	**(3 645)**	**(38 145)**	**29 745**

Reconciliation of intangible assets - Group - 2008

	Opening Balance	Additions	Amortisation	Total
Patents, trademarks and other rights	10 399	–	(2 396)	8 003
Computer software	2 159	355	(1 295)	1 219
Development costs	41 721	10 966	–	52 687
	54 279	**11 321**	**(3 691)**	**61 909**

4. Assets pending determination

Group	2009			2008		
	R ´000 Cost/ Valuation	R ´000 Accumulated depreciation	R ´000 Carrying value	R ´000 Cost/ Valuation	R ´000 Accumulated depreciation	R ´000 Carrying value
Exploration expenditure	82 237	–	82 237	71 291	–	71 291

Reconciliation of assets pending determination - Group - 2009

	Opening Balance	Additions	Total
Exploration expenditure	71 291	10 946	82 237

Reconciliation of assets pending determination - Group - 2008

	Opening Balance	Additions	**Total**
Exploration expenditure	54 793	16 498	71 291

4. Assets pending determination (continued)

Assets pending determination at 31 March 2009, consist of expenditure in respect of exploration activities, which have been capitalised pending the determination of the economic reserves. The accounting policy (refer to Note 1.7) recommends that intangible assets of this nature should be recognised as production assets after a period of 3 years or expended. Assets pending the determination consists of the well A X1, which is within Block 2A. A development plan and was sent to the Petroleum Agency of South Africa for approval.

Expenditure of R27 million (2008: R16 million) relates to African Exploration Mining and Finance Corporation (Proprietary) Limited and consists of expenditure in respect of mining activities, which has been capitalised pending the determination of the economic reserves.

5. Goodwill

Group	2009			2008		
	R ´000 Cost/ Valuation	R ´000 Accumulated amortisation	R ´000 Carrying value	R ´000 Cost/ Valuation	R ´000 Accumulated amortisation	R ´000 Carrying value
Goodwill	8 556	–	8 556	–	–	–

Reconciliation of assets pending determination - Group - 2008

	Opening Balance	Additions through business combinations	Total
Goodwill	–	8 556	8 556

CEF acquired majority shareholding in ETA (Proprietary) Limited, for R4 million. The consideration paid was higher than the net asset value, which has created a goodwill.

6. Deferred tax

Deferred tax asset (liability)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Comprises:				
Provision against equity	(45 039)	(22 882)	–	–
Tax losses available for set off against future taxable income	378 641	(39 661)	(6 584)	(14 882)
Recognised in equity	201	–	–	–
Provisions	675 272	629 502	–	–
Capital allowances	(934 494)	(913 680)	–	–
Provisions	865	624	865	624
	75 446	(346 097)	(5 719)	(14 258)

6. Deferred tax (continued)

Reconciliation of deferred tax asset

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
At beginning of the year	630 126	1 288	624	1 288
Charged to profit and loss	442	(664)	241	(664)
Provisions	430 995	629 502	–	–
Balance at end of year	**1 061 563**	**630 126**	**865**	**624**

Reconciliation of deferred tax liability

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
At beginning of the year	(976 223)	(139 958)	(14 882)	–
Temporary difference	(9 894)	(811 489)	8 298	(14 882)
Unrealised exchange differences	–	(24 776)	–	–
Balance at end of year	**(986 117)**	**(976 223)**	**(6 584)**	**(14 882)**

7. Investments in subsidiaries

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

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
African Exploration Mining and Finance Corporation				
Loans:				
Balance at the beginning of the year	–	–	37 815	2 134
Less: Impairment provision	–	–	(37 815)	(2 134)
Balance at the end of the year	**–**	**–**	**–**	**–**
Shares:				
Balance at the beginning of the year	–	–	4	4
Shares	–	–	4	4

CEF has issued a subordination agreement in favour of the creditors of African Exploration Mining and Finance Corporation.

7. Investments in subsidiaries (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA				
Loans:				
Balance at the beginning of the year	–	–	(195 752)	(256 934)
Advances/ (repayments) during the year	–	–	118 537	(28 952)
Less: Proportion repayable in less than 1 year transferred to current assets	–	–	101 008	90 134
Balance at the end of the year	**–**	**–**	**23 793**	**(195 752)**
Shares:				
Balance at the beginning of the year	–	–	2	2
Share premium:				
Balance at the beginning of the year	–	–	2 755 935	2 755 935
Loans	–	–	23 793	105 617
Shares	–	–	2	2
Share premium	–	–	2 755 935	2 755 935
Carrying amount of investment	**–**	**–**	**2 779 730**	**2 861 554**

Included in these loans are amounts reflected under note 8, which reflect amounts borrowed by CEF on behalf of PetroSA.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Cotec Patrade				
Loans:				
Balance at the beginning of the year	–	–	3 744	3 744
Less: Impairment provision	–	–	(3 744)	(3 744)
Balance at the end of the year	**–**	**–**	**–**	**–**
iGas				
Loans:				
Balance at the beginning of the year	–	–	637 460	682 309
Advances/ (repayments) during the year	–	–	10 060	(44 849)
Balance at the end of the year	**–**	**–**	**647 520**	**637 460**
Loans	–	–	647 520	637 460
OPC				
Loans:				
Balance at the beginning of the year	–	–	21 870	15 703
Advances/ (repayments) during the year	–	–	(1 587)	6 167
Less: Impairment provision	–	–	(12 594)	(21 870)
Balance at the end of the year	**–**	**–**	**7 689**	**–**
Loans	–	–	7 689	–

CEF has issued a subordination agreement in favour of the creditors of OPC.

7. Investments in subsidiaries (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
SFF				
Loans:				
Advances/ (repayments) during the year	–	–	8	11
Shares:				
Balance at the beginning of the year	–	–	1	1
Loans	–	–	8	11
Shares	–	–	1	1
Carrying amount of investment	**–**	**–**	**9**	**12**
CCE				
Share premium:				
Additional shares issued	–	–	14 183	–
Share premium	–	–	14 183	–
ETA				
Loans:				
Advances/ (repayments) during the year	–	–	11 775	–
Less: Impairment provision	–	–	(11 775)	–
Balance at the end of the year	**–**	**–**	**–**	**–**
Share premium:				
Balance at the beginning of the year	–	–	4 000	–
Share premium	–	–	4 000	–
Total				
Loans	–	–	679 010	743 088
Shares	–	–	7	7
Share premium	–	–	2 774 118	2 755 935
Carrying amount of investment	**–**	**–**	**3 453 135**	**3 499 030**

7. Investments in subsidiaries (continued)

Details of Subsidiary Companies **Name and nature of business**	Issued capital R '000	% held 2009	% held 2008	Voting power % 2009	Voting power % 2008	Profit (loss) for the year 2009	Profit (loss) for the year 2008
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	1	722
OPC Containing and countering oil pollution.	–	100	100	100	100	2 506	(1 551)
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	66 263	27 369
iGas To promote the diversification of energy usage into hydrocarbon gas and enter into ventures which will facilitate the use of hydrocarbon gas in S.A.	–	100	100	100	100	27 109	19 826
SFF Management of strategic stocks of crude oil in accordance with ministerial directives.	1	100	100	100	100	161 162	238 086
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	1 957 565	1 905 344
African Exploration Mining and Finance Corporation To acquire, hold and develop all exploration and mineral rights.	4	100	100	100	100	(8 239)	(566)
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	570	308
PetroSA Brass Management of investments in Nigeria.	–	100	100	100	100	–	–
PetroSA Gryphon Marin Permit Management of PetroSA hydrocarbon interests.	–	100	100	100	100	(137 280)	(14 154)
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	–	–

7. Investments in subsidiaries (continued)

Details of Subsidiary Companies Name and nature of business	Issued capital R '000	% held 2009	% held 2008	Voting power % 2009	Voting power % 2008	Profit (loss) for the year 2009	Profit (loss) for the year 2008
PetroSA Themis Management of PetroSA hydrocarbon interests.	–	100	100	100	100	–	–
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	(116 428)	(99 358)
PetroSA Sudan The company holds PetroSA's interest in the exploration, appraisal, development and production of hydrocarbon reserves in Sudan.	–	–	–	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	–	–
ETA Energy To generate and trade of low carbon energy resources.	100	67	–	67	–	(7 145)	–
Carbon Stream Africa An advisory company delivering solutions and services for carbon emission reduction projects in Africa.	990	60	–	60	–	–	–
CCE Energy Solutions To generate 8.8 MW electricity from biomass.	200	–	81	–	–	(1 830)	–
						1 944 254	**2 076 026**

8. Investments in associates

Group	% Holding 2009	% Holding 2008	Carrying amount 2009	Carrying amount 2008
Name of company				
Darling wind Power (Proprietary) Limited	49.00%	49.00%	16 397	17 151
Süd-Chemie Zeolites (Proprietary) Limited	– %	30.00%	–	10 108
Baniettor Mining (Proprietary) Limited	49.00%	49.00%	24 031	24 031
Rompco	25.00%	25.00%	665 053	642 425
GTL.F1 AG	37.50%	37.50%	–	911
			705 481	694 626
Impairment of investments in associates			(41 031)	(41 031)
			664 450	**653 595**

Company	% Holding 2009	% Holding 2008	Carrying amount 2009	Carrying amount 2008
Name of company				
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
			41 031	41 031
Impairment of investments in associates			(41 031)	(41 031)
			–	–

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

Associates with different reporting dates

The reporting date of Rompco is 30 June and the annual financial statements have been adjusted for all material transactions to 31 March 2009.

9. Loans to (from) group companies

Subsidiaries				
Petroleum Agency SA	–	–	(273 981)	(189 565)
PetroSA	–	–	(537 648)	(537 648)
Carbon Stream Africa	–	–	(1 317)	–
SANERI	–	–	(29 952)	(21 561)
iGas	–	–	(36 951)	–
	57	**–**	**(879 849)**	**(748 774)**
Joint ventures				
Salima	–	89 261	–	–
	57	**89 261**	**(879 894)**	**(748 774)**

The Salima loan relates to PetroSA Sudan's interest in the exploration joint venture with the Sudanese national petroleum company. A board decision was taken to divest from this joint venture and as a result of the divestment the loan to Salima has been written off in this financial year. The value of the write off is R219 million.

10. Other financial assets

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Held for trading				
Foreign exchange contract	646	2 226	646	2 219
Available for sale				
EDC project development costs	55 162	15 494	55 162	15 494
Loans and receivables				
Current portion of long term loans	–	–	101 008	90 134
GTL.F1	34 171	18 517	–	–
The loan is interest free and has no fixed repayment terms.				
Lurgi	99 757	113 286	–	–
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 + 3%. The loan is repayable based on dividends receivable by Lurgi from the GTL. F1 AG technology company.				
Forest Oil Gryphon Marine	–	1 603	–	–
The loan to Forest Oil Gryphon Marine is interest free.				
	133 928	**133 406**	**101 008**	**90 134**
Total other financial assets	**189 736**	**151 126**	**156 816**	**107 847**
Non current assets				
Available for sale	55 162	15 494	55 162	15 494
Loans and receivables	133 928	133 406	-	-
	189 090	**148 900**	**55 162**	**15 494**
Current assets	646	2 226	646	2 219
Held for trading	-	-	101 008	90 134
Loans and receivables	646	2 226	101 654	92 353
	189 736	**151 126**	**156 816**	**107 847**

11. Strategic inventory

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Crude oil at cost	2 076 532	2 078 004	–	–
Prior year provision for unpumpable inventory	(15 134)	(26 136)	–	–
Reversal of provision for unpumpable inventory	–	11 003	–	–
Current year stock adjustment for losses	–	(656)	–	–
	2 061 398	**2 062 215**	**–**	**–**

Strategic crude oil on hand is 10.3 million barrels (2008: 10.3 million barrels), excluding unpumpable stock. The fair value of strategic stock as at 31 March 2009 is R4 835 million (2008: R8 852 million).

12. Inventories

The amounts attributable to the different categories are as follows:

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Raw materials, components	633 811	1 221 413	–	–
Work in progress	262 512	31 875	–	–
Finished goods	184	235	–	–
Production supplies	604 227	594 402	–	–
	1 500 734	**1 847 925**	**–**	**–**

13. Trade and other receivables

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Trade receivables	1 241 350	1 643 650	5 776	2 621
Prepayments	170 527	141 041	405	590
Deposits	6 478	6 360	6 249	6 282
VAT	75 637	7 798	6 461	–
Dividends - Intercompany	–	–	375 000	205 000
Provision for doubtful debts	(48 076)	(25 562)	–	–
Sundry receivables	659 358	579 744	70 686	50 197
	2 105 274	**2 353 031**	**464 577**	**264 690**

14. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments.
Cash and cash equivalents included in the balance sheet comprise the following:

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Short term investments in money market and cash on hand	16 119 693	15 959 381	3 395 004	2 751 916
Short term deposits	21 779	22 975	–	–
USD dollar account	1 887	5 545	–	–
	16 143 359	**15 987 901**	**3 395 004**	**2 751 916**

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

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

Strategic crude oil on hand is 10.3 million barrels (2008: 10.3 million barrels), excluding unpumpable stock. The fair value of strategic stock as at 31 March 2009 is R4 835 million (2008: R8 852 million).

Profit and loss	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Revenue	1 457 141	735 347	–	–
Expenses	(821 956)	(394 097)	–	–
Net profit before tax	635 185	341 250	–	–
Tax	(198 342)	(231 023)	–	–
	436 843	**110 227**	**–**	**–**
Assets and liabilities				
Assets of disposal groups	280 512	326 862	–	–
Property, plant and equipment	18 954	22 635	–	–
Inventories	78 995	270 745	–	–
Trade and other receivables	1 673 841	943 854	–	–
Cash and cash equivalents	**2 052 302**	**1 564 096**	**–**	**–**
Liabilities of disposal groups	150 705	186 423	–	–
Other financial liabilities	994 923	937 592	–	–
Other payables	**1 145 628**	**1 124 015**	**–**	**–**
Cashflow movement	**(466 593)**	**(440 081)**	**–**	**–**

16. Share capital

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Authorised				
100 Ordinary par value shares of R1 each	–	–	–	–
Issued				
1 Ordinary par value shares of R1 each	–	–	–	–

17. Other financial liabilities

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
All the US dollar loans below are secured by a guarantee from the State.				
EIB51 Installments of 3 658 178 USD made 6 monthly at an interest rate of 2.976% (2008: 3.00%). Final installment was paid in September 2008	–	29 683	–	29 683
EIB40 Installments of 2 456 286 USD made 6 monthly at an interest rate of 1.72% (2008: 3.00%) commencing on 15 March 2004. Final installment 09/2010	53 762	95 631	53 762	95 631
ECGD231 Installment of 3 097 879 USD made 6 monthly at an interest rate of 2.0975% (2008: 3.57%). Final installment 08/2010	70 870	99 653	70 870	99 653
Caylon Final installment 28 July 2010 with an option to extend for a further 5 years at an average interest rate of 9.9380% (2008:12.758%)	292 500	292 500	292 500	292 500
	417 132	**517 467**	**417 132**	**517 467**
Non-current liabilities				
At amortised cost	316 123	397 650	316 123	397 650
Current liabilities				
At amortised cost	101 009	119 817	101 009	119 817
	417 132	**517 467**	**417 132**	**517 467**

18. Provisions

Reconciliation of provisions - Group - 2009

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Interest expense	Total
Abandonment/Environmental	3 657 641	86 259	–	–	(232 245)	268 041	3 779 696
De-sludging	11 000	–	–	–	–	–	11 000
Litigation	4 146	4 225	–	–	–	–	8 371
Rehabilitation	1 544	7 583	–	–	–	–	9 127
Post-retirement medical aid benefit	226 095	161 887	(66 541)	(204)	739	–	321 976
Demurrage	12 888	–	(12 888)	–	–	–	–
Bonus	90 500	95 421	(81 615)	–	–	–	104 306
Audit fees	29	–	–	–	–	–	29
	4 003 843	**355 375**	**(161 044)**	**(204)**	**(231 506)**	**268 041**	**4 234 505**

Reconciliation of provisions - Group - 2008

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Abandonment/Environmental	3 073 618	302 659	(7 012)	–	288 376	3 657 641
De-sludging	23 813	11 000	–	(23 813)	–	11 000
Litigation	–	4 146	–	–	–	4 146
Rehabilitation	1 423	–	(6)	–	127	1 544
Post-retirement medical aid benefit	195 737	36 611	(5 661)	(1 258)	666	226 095
Demurrage	–	12 888	–	–	–	12 888
Bonus	134 000	–	–	–	(43 500)	90 500
Audit fees	–	29	–	–	–	29
	3 428 591	**367 333**	**(12 679)**	**(25 071)**	**245 669**	**4 003 843**

Reconciliation of provisions - Company - 2009

	Opening Balance	Additions	Total
Legal fees	–	193	193

Reconciliation of provisions - Company - 2008

	Opening Balance	Utilised during the year	Total
Post-retirement medical aid benefit	2 587	(2 587)	–

Non-current liabilities	4 111 573	3 885 280	193	–
Current liabilities	122 932	118 563	–	–
	4 234 505	**4 003 843**	**193**	**–**

18. Provisions (continued)

Abandonment/Environmental

The provision relates to the abandonment of Milnerton tanks and PetroSA restoration costs and environmental rehabilitation at Ogies.

De-sludge provision

This is in respect of the de sludging of the tanks at the Milnerton terminal.

Post-retirement medical aid benefits

Certain subsidiaries within the group contribute to a medical aid scheme for retired and medical unfit employees.

Rehabilitation provision

This amount is in respect of funds held for the rehabilitation of the Klippoortje dump and Voorbaai terminal. The Klippoortje fund is held in a trust account by Werkmans Attorneys.

Demurrage provision

This is in respect of a claim from customers relating to ships that have docked at the harbour and have not been attended to within the time specified in the laycam.

Litigation provision

The provision for litigation is in respect of the claim against the company for the termination of contracts.

Bonus

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

19. Employee benefits

Pensions and Retirement Funds

Defined benefit pension plan

The company operates a defined benefit pension plan for the benefit of employees. The plan is governed by the Pension Funds Act, 1956 (Act no. 24 of 1956). The assets of the plan are administered by trustees in a fund independent of the company.

The Mossgas pension fund was closed to new entrants during 1996 and currently covers 38 (3.1%) of its employees. Contributions to the fund commenced in March 1990.The pension fund is actuarially valued every three years with the most recent actuarial valuation being performed as at 31 January 2007. The independent actuary was of the opinion that the fund was financially sound. The actuarial present value of promised retirement benefits as at 31 January 2007 was R46.5 million. The fair value of the plan assets had an actuarial value of R44.7 million and a market value of R44.7 million as at 31 January 2007, excluding the annuity policy. The value of the annuity policy for pensioners was R26.1 million. The Fund was valued using the "attained age method".

It was assumed that investment returns (after taxation and asset management fees) would exceed general salary increases (excluding promotional increases) by some 3% per annum over the long term. It was further assumed that if investment returns were 5% per annum in excess of inflation, pensioners would receive fully inflation linked pensions. Mortality assumptions were in line with standard tables PA(90) after retirement. These assumptions were materially changed from the previous valuation.

The reason for the change at this valuation date was due to the impending termination of the Fund and the resulting requirements to secure pension rights for all in service members. In terms of the approved surplus apportionment scheme at 31 January 2004, PetroSA is entitled to receive R1.7 million of the surplus, net of R0.3 million termination expenses, which has been recognised as an income. The amount recognised as an expense during the year under review was R1 million (2008: R1.5 million) for the pension fund.

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. The trustees are in the process of securing the members' accrued benefit outside the Pension Fund.

19. Employee benefits (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Defined benefit pension plan				
SFF				
Present value of funded obligations	–	–	–	–
Fair value of plan assets	(2 227)	(17 875)	–	–
	(2 227)	(17 875)	–	–
Unrecognised actuarial losses	–	–	–	–
Unrecognised surplus	2 227	17 875	–	–
Liability in the balance sheet	**–**	**–**	**–**	**–**
The movement in the defined benefit obligation was as follows:				
Defined benefit obligation at beginning of year	–	2 720	–	–
Current service cost	–	21	–	–
Interest cost	–	32	–	–
Benefits paid	–	(2 312)	–	–
Settlements	–	–	–	–
Actuarial loss	–	(461)	–	–
Contingency reserves	–	–	–	–
Defined benefit obligation at end of year	**–**	**–**	**–**	**–**
The movement in plan assets was as follows:				
Market value of assets at beginning of year	17 875	19 843	–	–
Expected return on plan assets	1 713	1 943	–	–
Actuarial gain / loss	(4 345)	(1 469)	–	–
Employer contributions	–	10	–	–
Member contributions	–	7	–	–
Benefits paid	–	(534)	–	–
Settlements	(13 006)	–	–	–
Expenses	(10)	(147)	–	–
Tax	(20)	–	–	–
Actual assets held	2 207	19 653	–	–
Allowance for late claims	–	(1 778)	–	–
Market value of assets at end of year	**2 207**	**17 875**	**–**	**–**
Actual return on plan assets at end of year (Expected return less actuarial loss)	**(2 632)**	**474**	**–**	**–**
The amounts recognised in the income statement are as follows:				
Current service cost	–	21	–	–
Interest cost	–	32	–	–
Expected return on plan assets	(1 713)	(1 943)	–	–
Net actuarial losses recognised during the year	4 345	1 008	–	–
Contingency reserves	–	–	–	–
Movement in unrecognised surplus	(15 648)	752	–	–
Total included in staff costs	**(13 016)**	**(130)**	**–**	**–**
Assumptions used:				
Investment returns	9.00%	8.00%	– %	– %
Discount rate	9.00%	9.00%	– %	– %

19. Employee benefits (continued)

Defined contribution pension plan

The group contributions for the year amounted to R62.6 million (2008: R60.2 million). The company contributions for the year amounted to R3.0 million (2008: R2.6 million).

Soekor Retirement Fund

The valuation of the Soekor Retirement Fund as at 1 January 2002 shows a surplus as at that date of R35 million, reflecting assets of approximately R82 million and liabilities of approximately R46 million. No contribution was recognised as an expense during the year as all employees were transferred to the PetroSA Retirement Fund. The company is uncertain of the extent of it's entitlement to the surplus and has not accounted for its portion pending finalisation of the actuarial valuation.

The trustees surplus apportionment in terms of the Pension Funds Second Amendment Act, has been completed.

PetroSA Retirement Fund

The amount recognised as an expense during the year under review was R52.3 million (2008: R43.9 million) for the 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 R52.3 million (2008: R43.9 million) for the retirement fund.

Petroleum Agency Retirement Fund

The company contributions for the year amounted to R3.4 million (2008: R2.8 million). The fair value of funds invested at 31 March 2009 was R30 million (2008: R93 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 contributes to medical aid schemes for retired employees. The liability in respect of future contributions to the schemes in respect of retirees is actuarially valued every year, using the projected unit credit method.

PetroSA

The group has provided an amount of R300.2 million (2008: R206.3 million) towards the funding of post retirement medical scheme costs for all employees and pensioners. This commitment is actuarially valued annually, the most recent valuation performed as at 31 March 2009. The actuary's recommendation that redemption of R1,7 million be made for the previous financial year was implemented, with the credit made against income.

The actuarial present value of promised retirement medical benefits at 31 March 2009 is R300.2 million. The obligation is unfunded and was valued using the projected unit method. A discount rate of 8.5% and medical aid inflation rate of 7% was assumed. Mortality assumptions were in line with standard tables SA56/62 (in service) and PA(90) (in retirement). A sensitivity analysis was performed on the medical aid inflation rate assumption used in the valuation. A 8% and 6% medical aid inflation rate assumption would result in an accumulated obligation at 31 March 2009 of R508.7 million and R352.2 million respectively. The combined interest and service costs vary according to the medical aid inflation assumptions and are R58.1 million (7%); R71.2 million (8%) and R48 million (6%).

CEF, OPC, Saneri and iGas

CEF, OPC, Saneri and iGas decided to reduce its future liability in line with the group and made an offer to qualifying staff where they can receive an actuarially determined lump sum paid into their current provident fund. All staff members have exercised this option and payment was made in February 2008.

19. Employee benefits (continued)

SFF Association

The company contributions to a medical aid scheme for retired employees amounted to R1.4 million (2008: R0.4 million). 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 funded. The last actuarial valuation was carried out on 31 March 2008 and the process to be updated. The principal assumptions adopted are disclosed below.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Current services cost	–	–	–	(147)

20. Trade and other payables

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Trade payables	726 050	1 484 570	3 263	1 132
VAT	1 037	2 091	–	1 362
3rd Party funds	24 755	34 793	35 626	30 885
Accrued leave pay	50 801	44 072	–	–
Accrued expenses	943 604	789 178	1 459	4 169
Sundry creditors	36 174	2 956	–	2 126
	1 782 421	**2 357 660**	**40 348**	**39 674**

21. Deferred income

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Deferred income	22 470	1 812	703	–

South African National Energy Research Institute (Proprietary) Limited received grants from the Department of Science and Technology to fund future related costs.

Petroleum Agency and CEF (Proprietary) Limited received some monies from foreign donors for future related costs.

22. Revenue

Major classes of revenue comprise:	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Sale of goods	11 012 918	9 235 385	–	–
Rendering of services	1 180 173	1 012 550	–	–
Royalty income	11 204	8 849	–	–
Tank rentals	156 566	168 756	–	–
	12 360 861	**10 425 540**	**–**	**–**

23. Cost of sales

Sale of goods	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Cost of goods sold	9 486 279	7 594 807	–	–

24. Operating profit/ (loss)

Operating profit for the year is stated after accounting for the following:	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Operating lease charges				
Premises				
• Contractual amounts	10 999	16 198	2 744	1 891
Motor vehicles				
• Contractual amounts	217	–	–	–
Equipment				
• Contractual amounts	2 162	2 074	–	–
Lease rentals on operating lease				
Other				
• Contractual amounts	–	4	–	–
	13 378	**18 276**	**2 744**	**1 891**
Loss on sale of property, plant and equipment	(106)	(19)	–	(2)
Impairment on businesses (or subsidiaries, joint ventures and associates)	–	17 000	38 180	25 300
PetroSA - Impairment on loans to group companies	220 605	–	–	–
Profit on exchange differences	37 179	43 606	1 023	2 532
Amortisation on intangible assets	5 094	4 727	3 645	3 691
Depreciation on property, plant and equipment	436 068	857 307	2 093	1 797
Employee costs	174 185	132 703	52 875	47 503
Research and development	76 064	36 400	45 695	3 459

25. Auditors' remuneration

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Fees	3 465	2 721	1 230	1 098
Adjustment for previous year	–	152	–	152
Expenses	103	133	69	104
	3 568	**3 006**	**1 299**	**1 354**

26. Investment income

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Dividend income				
Subsidiaries - Local	–	–	725 000	425 000
Associates - Local	–	870	–	–
	–	**870**	**725 000**	**425 000**
Interest income				
Back-to-back loans	9 542	17 152	47 237	56 547
Interest on money market and bank	1 979 578	1 483 936	355 672	271 780
Sundry interest	204	–	–	–
Other interest	27 919	17 551	2 178	884
	2 017 243	**1 518 639**	**405 087**	**329 211**
	2 017 243	**1 519 509**	**1 130 087**	**754 211**

27. Impairment of investments

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Decrease/(Increase) in provision against loan to DWP	–	(17 000)	–	(17 000)
Decrease/(Increase) in provision against loan to African Exploration	–	–	(35 681)	(2 134)
Decrease/(Increase) in provision against loan to OPC	–	–	9 276	(6 166)
Decrease/(Increase) in provision against loan to ETA Energy	–	–	(11 775)	–
	–	**(17 000)**	**(38 180)**	**(25 300)**

28. Finance costs

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Interest paid to subsidiaries	7 811	13 575	91 555	76 020
Back to back loans	44 476	51 395	44 476	56 481
Bank	6 924	7 762	–	–
Abandonment & Wharfage interest	277 638	154 122	–	–
Revaluations of Loans	(42 607)	(8 740)	1 699	2 709
	294 242	**218 114**	**137 730**	**135 210**

29. Taxation

Major components of the tax expense	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Current				
Local income tax - current period	430 854	378 197	44 820	20 048
Tax adjustment	(7 802)	–	(7 802)	–
Foreign income tax or withholding tax - current period	2 730	1 398	–	–
	425 782	**379 595**	**37 018**	**20 048**
Deferred				
Originating and reversing temporary differences	(201)	–	–	–
Other deferred tax	(396 563)	315 425	(8 539)	15 546
	(396 764)	315 425	(8 539)	15 546
	29 018	**695 020**	**28 479**	**35 594**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group 2009	Group 2008	Company 2009	Company 2008
Applicable tax rate	28.00%	29.00%	28.00%	29.00%
Exempt income	-%	(6.30)%	-%	2.00%
Permanent difference	3.55%	-%	-%	-%
Foreign taxes	0.12%	7.30%	(0.05)%	-%
Timing difference	(30.38)%	-%	-%	-%
Dividends	-%	-%	(24.51)%	(24.10)%
	1.29%	**30.00%**	**3.44%**	**6.90%**

PetroSA

Due to a change in the tax legislation pertaining to provisional tax, the tax liabilities in South Africa for PetroSA and its European operations are calculated based on actual financial performance. The 2nd provisional tax payment was made 31 March 2009.

The reduction in tax payable in 2009 is ascribed to a reduction in profit, in conjunction with increased capital expenditure on South African mining. Capital expenditure on South African mining enjoys additional deductions of 50% or 100% in terms of the 10th Schedule.

The foreign tax charge relates mainly to the Nigerian operations of Brass Exploration Unlimited where the Nigerian tax rate is 85%, versus 28% in South African.

Petroleum Agency SA

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

Taxation	Group 2009	Group 2008	Company 2009	Company 2008
Opening balance	332 396	536 035	(6 168)	(1 261)
Income tax for the year	29 018	695 020	28 479	35 594
Deferred portion	421 533	(207 427)	8 539	(15 546)
Payment made	(700 391)	(691 232)	(29 440)	(24 955)
Net tax payable/ (receivable)	**82 556**	**332 396**	**1 410**	**(6 168)**

29. Taxation (continued)

Taxation summary as per balance sheet	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Tax payable	83 557	338 564	1 410	–
Tax receivable	(991)	(6 168)	–	(6 168)
	82 566	**332 396**	**1 410**	**(6 168)**

30. Cash receipts from customers

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Sales	12 360 861	10 425 540	–	–
Other revenue	753 619	799 527	25 229	23 300
Movement in trade and other receivables	247 757	(324 806)	(199 887)	(239 478)
	13 362 237	**10 900 261**	**(174 658)**	**(216 178)**

31. Cash paid to suppliers and employees

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Cost of sales	9 486 279	7 594 807	–	–
Operating costs	2 988 215	2 000 903	151 187	105 056
Movement in inventories	(348 008)	885 588	–	–
Movement in trade and other payables	553 001	(1 080 367)	(1 377)	7 311
Non-cash items	(960 998)	(1 057 755)	(44 074)	(2 913)
	11 718 489	**8 343 176**	**105 736**	**109 454**

32. Cash generated from (used in) operations

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Profit before taxation	1 926 144	2 803 525	828 219	511 945
Adjustments for:				
Depreciation and amortisation	441 162	862 034	5 738	5 488
Loss on sale of assets	106	19	–	12
Profit from discontinued operations	436 843	110 227	–	–
Income from equity accounted investments	38 279	–	38 143	–
Dividends received	–	(870)	(725 000)	(425 000)
Interest received	(2 017 243)	(1 518 639)	(405 087)	(329 211)
Finance costs	294 242	218 114	137 730	135 210
Impairment loss	–	17 000	38 180	25 300
Movements in provisions	230 662	481 256	193	(2 587)
Transfer of assets	(366)	(490)	–	–
Minority interest	1 565	–	–	–
Transfer and other movement in assets	198 912	(303 145)	–	–
Goodwill	(8 556)	–	–	–
Foreign currency translation reserve	59 234	18 081	_	–
Changes in working capital:				
Inventories	348 008	(885 588)	–	–
Trade and other receivables	247 757	(324 806)	(199 887)	(239 478)
Trade and other payables	553 001	(1 080 367)	(1 377)	7 311
	1 643 748	**2 557 085**	**(280 394)**	**(325 632)**

33. Increase in investment in subsidiaries and associates	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA				
Equity accounted profits	–	–	–	–
Provision against loan	–	–	–	–
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)
Movement in investment	–	–	–	–
OPCSA				
Provision against investment	–	–	(9 276)	6 166
African Exploration				
Provision against investment	–	–	35 681	2 134
ETA Energy (Pty) Ltd				
Provision against investment	–	–	11 775	–
Net movement on investment in subsidiaries and associates	–	–	**38 180**	**8 300**
Opening carrying amount of loans to group companies:				
SANERI	–	–	(21 561)	(55 429)
Petroleum Agency SA	–	–	(189 565)	(174 775)
SFF	–	–	11	–
PetroSA	–	–	(432 029)	(361 527)
iGas	–	–	637 460	682 309
	–	**–**	**(5 684)**	**90 578**
Closing carrying amount of loans to group companies:				
Petroleum Agency SA	–	–	(273 981)	(189 565)
SFF	–	–	8	11
PetroSA	–	–	(513 853)	(432 029)
South African Gas Development	–	–	610 569	637 460
SANERI (Pty) Ltd	–	–	(30 040)	(21 561)
CCE	–	–	14 183	–
ETA	–	–	11 775	–
Carbon Stream	–	–	(1 317)	–
	–	**–**	**(182 656)**	**(5 684)**
Movement in carrying amount of loans	–	–	176 972	96 262
Net investment in associates	–	–	(38 180)	(8 300)
Cash effect of investments in subsidiaries and associates	**–**	**–**	**138 792**	**87 962**

34. Tax paid

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Balance at beginning of the year	(332 396)	(536 035)	6 168	1 261
Income tax as per income statement	(29 018)	(695 020)	(28 479)	(35 594)
Deferred tax movement for the year	(421 543)	207 426	(8 539)	15 547
Balance at end of the year	82 566	332 396	1 410	(6 168)
	(700 391)	**(691 233)**	**(29 440)**	**(24 954)**

35. Contingencies

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Guarantees				
DME for Rehabilitation of E-BT/E-AR mining lease	27 100	27 100	27 100	27 100
Eskom for payment of guarantee for electrical supply	9 485	9 485	9 485	9 485
Eskom for payment of guarantee for electrical supply	2 435	2 435	2 435	2 435
Department of Minerals and Energy for rehabilitation of FA mining lease	450 000	450 000	450 000	450 000
ABSA Bank for iGas to acquire a 25% interest in Rompco	260 000	300 000	260 000	300 000
Performance guarantees - Egyptian General Petroleum Corporation iro minimum work obligations for exploration operations in Egypt.	171 018	170 396	–	–
Performance guarantees - Republic of Sudan in respect of minimum work obligations for exploration in Sudan	173 115	64 912	–	–
Bluewater (UK) Limited - PetroSA for rental contract.	55 021	46 420	55 021	46 420
Various financial institutions - housing and motor loans - employees	11 028	24 842	–	–
ABSA Bank for OPCSA's Deed of Suretyship	2 000	2 000	2 000	2 000
Group share of 55% of costs ($3.356 million) payable from PetroSA's share of revenues from future production within E-P tract, should the tract be successful	32 276	27 231	–	–
The group has issued guarantees for the rehabilitation of land disturbed by mining on the Sable field, amounting to:	180 000	180 000	–	–
The group has issued a parent company guarantee in favour of Aban Abraham in respect of rig hire for PetroSA Equatorial Guinea for $24.4 m valid until 15 March 2010.	234 667	–	–	–
The group has issued a manufacture and excursiveable bond in favour of the South African Revenue Services	5 000	5 000	–	–
The group has issued an evergreen VAT guarantee in favour of the Dutch VAT Authorities (Euro 0.455m)	5 810	–	–	–
The group has issued an evergreen VAT guarantee in favour of the Belgium VAT Authorities ($1.488m)	14 311	–	–	–
ABSA Bank for SANERI Deed of Suretyship	2 100	–	2 100	–
ABSA Bank for iGas Deed of Suretyship	2 100	–	2 100	–
	1 637 466	**1 309 821**	**810 241**	**837 440**
Claims				
PetroSA is in the process of negotiating a settlement on a contractual dispute with a supplier.	–	4 000	–	–
PetroSA is considering settling various claims made by ex employees.	600	–	–	–
Estimated legal fees in representing PetroSA that are irrecoverable.	6 177	–	–	–
	6 777	**4 000**	**–**	**–**

35. Contingencies (continued)

Rehabilitation of mining leases

In addition to the guarantees in respect of the rehabilitation of mining leases issued to the Department of Minerals and Energy, adequate provision for the expected future cost of rehabilitation of these leases has been made.

Cession and pledge to Absa Bank Limited of R181 million

iGas (Proprietary) Limited, a subsidiary of CEF (Proprietary) Limited has acquired a 25% interest in Rompco (Proprietary) Limited. In order for iGas (Proprietary) 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 R490 million). CEF (Proprietary) Limited has issued a counter guarantee to Absa Bank Limited to the same value. CEF (Proprietary) Limited has ceded and pledged an amount of R181 million (2008: R190 million) to Absa Bank Limited for the guarantee facility.

36. Commitments

Authorised capital expenditure	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Approved by the directors				
Contracted for	2 492 263	1 722 319	–	–
Not contracted for	862 630	3 372 862	–	–
	3 354 893	5 095 181	–	–

The group commitments include R88 million for PetroSA Equatorial Guinea for a drilling rig and R268 million for PetroSA Egypt (Proprietary) Limited for various drilling and logistical contracts.

All other contract relates to transactions in the normal course of the operation of the business.

Operating lease commitments

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
CEF				
- within one year	–	1 369	–	–
- in second to fifth year inclusive	–	1 369	–	–
	–	2 738	–	–

Leases the office space at 158 Jan Smuts Avenue. The period of the lease is 4 years from Gensec Property Services Limited. The lease expires on 31 March 2010, and CEF negotiated with the landlord to be released early from the contract on 31 March 2009.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
SANERI				
- within one year	212	258	–	–
- in second to fifth year inclusive	–	136	–	–
	212	394	–	–

Leases the office space at 158 Jan Smuts Avenue, 4th floor, office 22 23 & 28 and 31 for a period of 4 years from Gensec Property Services Limited. The lease will expire on the 31 March 2010. Furthermore SANERI has another lease with Holding 16 properties that is used as a showroom for Green Transport, the lease is for three months starting from 1 March 2009 with options to renew it on a month to month basis.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
OPC				
- within one year	499	26	–	–
- in second to fifth year inclusive	588	–	–	–
	1 087	26	–	–

36. Commitments (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000

OPC (continued)

The company has entered into a property lease for its administrative offices. The non-cancelable lease was for a period of 3 years ending 30 April 2011. An option to extend the lease for another 2 years was taken.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
African Exploration Mining and Finance Corporation				
- within one year	–	73	–	–

The company had entered into a property lease for its administrative offices. The lease was for a period of 11 months ending 31 January 2009, and has not been renewed.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA Europe BV - Office space				
- within one year	329	389	–	–
- in second to fifth year inclusive	-	259	–	–
	329	648	**–**	**–**

Leases office space at 3011XB Willemswerf, 13th Floor, Boomjes, effective 1 December 2004. The lease payment is fixed at Euro 23,360 per annum, with an inflationary escalation per annum. The period of the lease agreement is five years and ends on 30 November 2009, at which time PetroSA Europe BV has the option to renew the lease for a further five-year period.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA Europe BV - motor vehicles				
- within one year	425	335	–	–
- in second to fifth year inclusive	136	108	–	–
	561	**443**	**–**	**–**

Leases motor vehicles on behalf of its employees. The standard contract period is 48 months. The effective start date was October 2004 and ends November 2009.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA Europe BV - apartments				
- within one year	129	101	**–**	**–**

Leases apartments for its employees. The effective starting dates were 1 October and 1 November 2005 for a period of 2 years and ended 30 September 2007 and 15 November 2007. The rental is now on a month-to-month basis with a notice period of one month. The annual rental will be adjusted in line with CPI all household series.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Equatorial Guinea				
- within one year	776	941	–	–
- in second to fifth year inclusive	-	784	–	–
	776	**1 725**	**–**	**–**

Leases office space in Malaba for a one-year period, effective from 1 February 2008 to 31 January 2010. The lease payments are CFA 4 000 000 per month, and is paid in advance for a year.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA Egypt				
- within one year	1 567	2 050	–	–
- in second to fifth year inclusive	314	2 722	–	–
	1 881	**4 772**	**–**	**–**

Leases office space and accommodation for its employees at Building No 3, Road 259, Maadi, Cairo. The lease period is 36 months with a monthly payment of USD 20 700 and an escalation of 5% at the beginning of the third year is applicable to the office space, with the two accommodation leases having 5% and 10% escalation annually. The company has an option to renew the leases.

36. Commitments (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA Sudan				
- within one year	–	2 045	–	–
- in second to fifth year inclusive	–	4 090	–	–
	–	**6 135**	**–**	**–**

Leases office space and accommodation for its employees at no 45A, Square 2, Garden City District, Mugran. The lease period is 12 months with a monthly payment of EUR 8 427.50 and an escalation of 10% for office space and 5% for accommodation for employees at the beginning of the second year.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
PetroSA North America				
- within one year	494	414	–	–
- in second to fifth year inclusive	329	690	–	–
	823	**1 104**	**–**	**–**

PetroSA North America leases office space at Lyric Centre Office Building, 440 Louisiana Street, Houston, Harris County, Texas, 77002. The lease period is 36 months with a monthly payment of USD 4251.99 and an escalation of 0.692% linked to the increase in taxes; operating expenses and utility costs.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Petroleum Agency SA				
- within one year	897	2 289	–	–
- in second to fifth year inclusive	51	125	–	–
	948	**2 414**	**–**	**–**

Petroleum House in Parow

Extended the lease of office space from PetroSA for a further period of two years ending 31 July 2009. The lease payment is fixed at R115 571 per month, with a 12% escalation per annum.

Suite 3 Tygerpoort in Bellville

Petroleum Agency SA extended the lease of office space from Sulnisa Property for a further period of two years ending 30 June 2009. The lease payment is fixed at R94 484 per month for the remainder of the lease. Petroleum Agency SA was leased the majority of the building with effect from 1 July 2009 for a period of five years with a option to renew. The lease payment is R371 565 per month with an annual escalation of 8%.

Milnerton

Petroleum Agency SA extended the lease for storage space from SFF Association for a further period of three years ending 31 March 2010. The lease payment is fixed at R10 414 per month, with a CPIX linked escalation per annum. The company has an option to renew the lease.

Roy Beamish Centre

Petroleum Agency SA leases storage space at Modderdam Road, Airport Industria from EJB Creations, which expires on 30 September 2010. The lease payment is fixed at R7 687 per month, with a 10% escalation per annum. The company has an option to renew the lease.

36. Commitments (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
ETA				
- within one year	14	162	–	–
- in second to fifth year inclusive	–	27	–	–
	14	**189**	**–**	**–**

The entity sub let Unit 109B, The Foundry, Prestwich street, Green Point. The period of the lease is from 1 November 2007 to 30 June 2008 with an option to renew the lease from July 2008 to 30 April 2009.

Rental
The lease payment was a fixed R12 950 per month, with an 8% escalation.

ETA Energy (Proprietary) Limited agreed to pay Galetti Commercial and Industrial Property commission at the rate of 5% gross value for each subsequent year (excluding VAT) with a minimum of one months rental (excluding VAT). Commission was due on occupation of the premises by the tenant.

A deposit of R12 950 (1 month) was paid.

37. Financial instruments

Risk profile

The group has a risk management and a treasury department in CEF (Proprietary) 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.

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 in 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, cost of sales and expenses. The weakening or strengthening of the Rand/ Dollar exchange rate by R1 based on actual revenue and cost will increase or decrease profits by R789.5 million (2008: R 909.8 million) respectively.

Cross currency interest rate swap

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

37. Financial instruments (continued)

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

As at 31 March 2009, the interest rate and foreign exchange derivative position relating to the cross currency interest rate swap was in the money to an amount of R11.8 million (2008:out of the-money to an amount of R7.9 million).

Financial Assets

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

As at 31 March 2009 a 10% strengthening in ZAR against the relevant currencies would have resulted in a decrease in foreign currency denominated assets of R131.6 million (2008: R122.7 million) and a 10% weakening in ZAR against the relevant currencies would have resulted in an increase in foreign currency denominated assets of R131.6 million (2008:R122.7 million).

37. Financial instruments (continued)

Financial Liabilities

As at 31 March 2009 a 10% strengthening in ZAR against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities of R37.5 million (2008:R30.7 million) and a 10% weakening in ZAR against US Dollar would have resulted in an increase in foreign currency denominated liabilities of R37.5 million (2008:R30.7 million).

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The group manages this risk by entering into forward foreign exchange contracts.

Exchange rates used for conversion of foreign items were:

Closing rate:	**2009**	**2008**
USD	9.6175	8.1141
Euro	12.7700	12.851
Average:		
USD	8.33012	7.1035
Euro	12.44463	10.07569

Forward foreign exchange contracts

2009		
Total foreign currency	Average forward exchange rate	Maturity date
Liabilities		
884,948USD	9.6331	Less than 3 months
3,156,178 USD	13.8639	3 to 6 months
61,101 GBP	9.7256	3 to 6 months
636,083GBP	13,7657	Less than 3 months
Asset		
1890 GBP	13.7498	Less than 3 months

2008		
Total foreign currency	Average forward exchange rate	Maturity date
9,481,024 USD	8.2171	3 to 6 months
87,046,658 USD	16.1594	Less than 3 months
866,175GBP	8.1238	Less than 3 months

As at 31 March 2009, a 10% relative change in the USD to the ZAR would have impacted profit and loss for the year by R3.9 million (2008: R72.1 million).

As at 31 March 2009, a 10% relative change in the GBP to the ZAR would have impacted profit and loss for the year by R0.96 million.

As at 31 March 2009, a 10% relative change in the EUR to the ZAR would have impacted profit and loss for the year by R7.7 million.

	Fair value		**Estimated fair value gain**	
R'000	**2009**	**2008**	**2009**	**2008**
Forward exchange contracts - assets	3 462	2 232	3 436	2 232
Forward exchange contracts - liabilities	(53 282)	(799 057)	(2 790)	(7)
	(49 820)	**(796 825)**	**646**	**2 225**

37. Financial instruments (continued)

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 exposures arising from money market and derivative financial instruments by only dealing with well established financial institutions of a high credit rating. Losses as a result of non-performance by these counter parties, are not expected. Credit limits with financial institutions are revised and approved by the board on a quarterly basis.

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 2009 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.

Investments

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

Trade payables

The carrying amounts of trade payables approximate 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.

37. Financial instruments (continued)

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 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 balance sheet date are as follows:

Group

At 31 March 2009

Assets	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash	16 143 359	–	–	–	16 143 359
Loans receivable	–	133 928	–	–	133 928
Trade receivables	1 859 110	–	–	–	1 859 110
Total financial assets	**18 002 469**	**133 928**	**–**	**–**	**18 136 397**
Liabilities					
Trade payables	1 781 383	–	–	–	1 781 383
Interest bearing borrowings	101 009	316 123	–	–	417 132
Total financial liabilities	**1 882 392**	**316 123**	**–**	**–**	**2 198 515**

At 31 March 2008

Assets	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash	15 987 901	–	–	–	15 987 901
Loans receivable	–	133 406	–	–	133 406
Trade receivables	2 204 192	–	–	–	2 204 192
Total financial assets	**18 192 093**	**133 406**	**–**	**–**	**18 325 499**
Liabilities					
Trade payables	2 355 570	–	–	–	2 355 570
Interest bearing borrowings	119 817	397 650	–	–	517 467
Total financial liabilities	**2 475 387**	**397 650**	**–**	**–**	**2 873 037**

37. Financial instruments (continued)

Company

At 31 March 2009

Assets	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash	3 395 004	–	–	–	3 395 004
Loans receivable	101 009	–	–	–	101 009
Trade receivables	457 711	–	–	–	457 711
Total financial assets	**3 953 724**	**–**	**–**	**–**	**3 953 724**
Liabilities	40 347	–	–	–	40 347
Trade payables	101 009	316 123	–	–	417 132
Interest bearing borrowings	879 849	–	–	–	879 849
Total financial liabilities	**1 021 205**	**316 123**	**–**	**–**	**1 337 328**

At 31 March 2008

Assets	Less than 1 year	Between 1 and 5 years	Over 5 years	Non interest bearing	Total
Cash	2 751 916	–	–	–	2 751 916
Loans receivable	90 134	–	–	–	90 134
Trade receivables	264 100	–	–	–	264 100
Total financial assets	**3 106 150**	**–**	**–**	**–**	**3 106 150**
Liabilities					
Trade payables	38 311	–	–	–	38 311
Interest bearing borrowings	119 817	397 650	–	–	517 467
Total financial liabilities	**158 128**	**397 650**	**–**	**–**	**555 778**

Liquidity risk

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

37. 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 R74.6 million (2008: R70.9 million) respectively, based on the 2008/9 financial results.

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 2009

Fixed rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Cash and cash equivalents (11.53%)	7 970 223	–	–	7 970 223
Floating Rate				
Cash and cash equivalents	8 173 136	–	–	8 173 136
Foreign loan USD (2.13%)	(101 008)	(23 623)	–	(124 631)
Brass Exploration Unlimited loan (15.97%)	–	–	339 229	339 229
Lurgi (4.51%)	–	–	99 757	99 757
PetroSA Egypt (15.%)	–	–	523 919	523 919
PetroSA North America (3.92%)	–	–	2 629	2 629
PetroSA Sudan (15.%)	–	–	2 572	2 572
GTL.F1 (0%)	–	–	34 171	34 171
PetroSA Europe (3.51%)	–	–	3 206	3 206
PetroSA Gryphon Marin (15.%)	–	–	189 120	189 120
PetroSA Equatorial Guinea (16.5%)	–	–	408 666	408 666

37. Financial instruments (continued)

At 31 March 2009	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Fixed rate				
Cash and cash equivalents (11.53%)	6 501 359	–	–	6 501 359
Cash on deposit (9.07%)	537 648	–	–	537 648
Floating Rate				
Cash and cash equivalents	8 948 894	–	–	8 948 894
Foreign loan USD (2.13%)	–	–	220 161	220 161
Brass Exploration Unlimited loan (15.97%)	(90 134)	(105 149)	–	(195 283)
Lurgi (4.51%)	–	–	289 747	289 747
PetroSA Egypt (15.%)	–	–	113 286	113 286
PetroSA North America (3.92%)	–	–	19 382	19 382
PetroSA Sudan (15.%)	–	–	2 118	2 118
	–	–	135 903	135 903

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 analysis 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 2009 a 10% relative change in the:

- ZAR interest rate would have impacted profit and loss for the year by R146 million (2008: R147 million)
- EURIBOR interest rate would have impacted profit and loss for the year by R0.46 million (2008: R 0.59 million)
- USD LIBOR interest rate would have impacted profit and loss for the year by R5.4 million (2007: R 5.6 million)

Financial Liabilities

As at 31 March 2009 a 10% relative change in the USD LIBOR interest rate would have impacted profit and loss for the year by R0.26 million (2008: R0.67 million).

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.

38. Financial assets by category

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

Group - 2009

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity	Total
Loans to group companies	–	–	133 928	–	133 928
Trade receivable	1 859 110	–	–	–	1 859 110
Other financial assets	–	55 162	–	133 928	189 090
Cash and cash equivalents	16 143 359	–	–	–	16 143 359
	18 002 469	**55 162**	**133 928**	**133 928**	**18 325 487**

Group   2008

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity	Total
Loans to group companies	–	–	133 406	–	133 406
Trade receivable	2 204 192	–	–	–	2 204 192
Other financial assets	–	15 494	–	133 406	148 900
Cash and cash equivalents	15 987 901	–	–	–	15 987 901
	18 192 093	**15 494**	**133 406**	**133 406**	**18 474 399**

Company - 2009

	Loans and receivables	Fair value through profit or loss - held for trading	Held to maturity	Total
Trade receivable	457 711	–	–	457 711
Other financial assets	–	15 494	133 406	148 900
Cash and cash equivalents	3 395 004	–	–	3 395 000
	3 852 715	**15 494**	**133 406**	**4 001 615**

Company - 2008

	Loans and receivables	Fair value through profit or loss - held for trading	Held to maturity	Total
Trade receivable	264 100	–	–	264 100
Other financial assets	–	15 494	90 134	105 628
Cash and cash equivalents	2 751 916	–	–	2 751 916
	3 016 016	**15 494**	**90 134**	**3 121 644**

39. Financial liabilities by category

Company - 2009

	Financial liabilities and amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Other financial liabilities	417 132	–	–	417 132
Trade and other payables	1 781 383	–	–	1 781 383
	2 198 515	**–**	**–**	**2 198 515**

Company - 2008

	Financial liabilities and amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Other financial liabilities	517 467	–	–	517 467
Trade and other payables	2 355 570	–	–	2 355 570
	2 873 037	**–**	**–**	**2 873 037**

Company - 2009

	Financial liabilities and amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Other financial liabilities	417 132	–	–	417 132
Trade and other payables	40 347	–	–	40 347
	457 479	**–**	**–**	**457 479**

Company - 2008

	Financial liabilities and amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Other financial liabilities	517 467	–	–	517 467
Trade and other payables	38 311	–	–	38 311
	555 778	**–**	**–**	**555 778**

40. Directors' emoluments

2009

Executive Directors:	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Mr MB Damane	2 506	1 079	30	3 615

Non executive Directors:	Salary/ Fee	Bonuses and performance payment	Expenses	Total
Ms B Mabuza	459	–	10	469
Dr P Molefe	108	–	–	108
Dr Z Rustomjee	175	–	5	180
Mr Y Tenza	164	–	17	181
		–		
Total	**906**	**–**	**32**	**938**

Executive Management:	Salary/ Fee	Bonuses and performance payment	Expenses	Total
Mr C Cooper**	707	–	11	718
Mr A Haffejee	891	318	24	1 233
Ms M Joubert	1 077	481	18	1 576
Mr S Mkhize	1 074	479	24	1 577
Ms A Osman	1 161	419	24	1 604
Mr M Singh	1 571	688	24	2 283
Total	**6 481**	**2 385**	**125**	**8 991**

Board Audit and Risk management committee	Salary/ Fee	Total
Mr Y Tenza	71	71
Mr R Boqo	44	44
Mr J Molobela	49	49
Mrs K Mthimunye	55	55
Total	**219**	**219**

** Not employed for the full year

40. Directors' emoluments (continued)

2008	Salary/ Fee	Bonuses and performance payment	Pension contributions	Other contributions	Expenses	Compensate for loss of office	Other	Total
Executive Directors:								
Mr MB Damane	**2 035**	**889**	**–**	**–**	–	**–**	**–**	**2 924**
Executive Management								
Mr A Haffejee	798	293	–	–	22	–	–	1 113
Ms M Joubert	965	446	–	–	17	–	–	1 428
Ms O Mans**	622	591	–	–	93	–	–	1 306
MS A Osman	929	436	–	–	–	–	–	1 365
Mr M Singh	1 382	637	–	–	22	–	–	2 041
Total	**4 696**	**2 403**	**–**	**–**	**154**	**–**	**–**	**7 253**
Non Executive Directors								
Ms B Mabuza	396	–	–	**–**	–	–	–	396
Mr T Feketha	28	–	–	**–**	–	–	–	2
Ms N Mazwai	79	–	–	**–**	–	–	–	79
Dr P Molefe	116	–	–	**–**	–	–	–	116
Dr Z Rustomjee	146	–	–	**–**	–	–	–	146
Mr Y Tenza	157	–	–	**–**	–	–	–	157
Total	**922**	**–**	**–**	**–**	**–**	**–**	**–**	**922**
Board Audit and Risk Management Committee								
Mr Y Tenza	–	–	–	–	–	–	–	–
Mr R Boqo	45	–	–	–	–	–	–	45
Mr J Molobela	56	–	–	–	–	–	–	56
Ms K Mthimunye	61	–	–	–	–	–	–	61
Total	**162**	**–**	**–**	**–**	**–**	**–**	**–**	**162**

** Not employed for the full year

41. Related parties

Related party transactions	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
African Exploration (Pty) Ltd	–	–	597	183
Services received/ rendered	–	–	337	-
Amounts owing to	–	–	37 815	10 501
Loan from				
DWP				
Loan to	–	–	(17 000)	(17 000)
Cash on call	–	–	2 772	3 535
Services received/ rendered	–	–	261	121
Interest paid	–	–	161	781
CCE				
Services received/ rendered	–	–	28	–
Investment	–	–	14 183	–
PetroSA				
Loan to	–	–	(101 008)	(105 149)
Dividends received/ Paid	–	–	(725 000)	(425 000)
Cash on call	–	–	537 648	537 648
Recoveries	–	–	424	205
Services rendered	–	–	365	15
Interest received	–	–	54 126	(15 266)
Amounts owing to	–	–	124 632	195 283
Interest paid	–	–	–	54 077
Trade receivable	–	–	60	150
Trade payable	–	–	77	–
SANERI				
Cash on call	–	–	29 952	21 561
Amounts owing from	–	–	183	87
Services received/ rendered	–	–	850	433
Interest received/ paid	–	–	2 846	1 668
Cotec Patrade (Pty) Ltd				
Loan to	–	–	3 744	3 744
iGas				
Loan to	–	–	647 520	637 460
Trade receivable/ (trade payable)	–	–	615	201
Amounts owing from	–	–	–	216
Services received/ rendered	–	–	2 621	2 144
Interest received/ paid	–	–	37 694	39 302
Interest paid	–	–	1 607	2 071
OPCSA				
Loan to	–	–	20 282	21 870
Amounts owing from	–	–	648	686
Services received/ rendered	–	–	74	44
Amounts owing to	–	–	27	8

41. Related parties (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Petroleum Agency SA				
Funds	–	–	273 981	189 565
Amounts owing from	–	–	70	45
Services received/ rendered	–	–	668	441
Interest received/ paid	–	–	25 474	18 478
SFF				
Services received/ rendered	–	–	2 887	3 700
Amounts owing to	–	–	1 726	1 331
Department of Minerals and Energy				
Services received/ rendered	–	14	–	–
Baniettoir Mining (Pty) Ltd				
Loan to	23 936	23 936	23 936	23 936
SAA				
Services received/ rendered	13 398	14 270	–	–
Rebates	562	–	–	–
Mine Health and Safety Council				
Services received/ rendered	157	163	157	163
ETA				
Loan to	–	–	11 775	2 287
Services received/ rendered	–	–	229	57
SARS				
Payments	3 714 049	2 824 884	–	–
Department of Science and Technology				
Grants received	4 500	42 000	–	–
Council for Geoscience				
Amounts owing to	–	31	–	–
Extended continental Shelf claim project				
Loan	9 559	5 880	–	–
SABC				
Services received/ rendered	51	12	–	–
Airports Company				
Services received/ rendered	138	133	–	–
Eskom Group				
Services received/ rendered	289 730	177 260	–	13 132
Rental received	3 327	–	–	–
Upstream Training Trust				
Loan	2	78	–	–

41. Related parties (continued)

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
National Treasury				
Amounts owing to	–	3 749	–	3 749
IDC				
Services received/ rendered	–	294	–	–

The above transactions were carried out on commercial terms and conditions.
Key management personnel refer to note 43.
A loan of R53k was provided to Mr Madondo (CEO) of African Exploration and the loan was repayed over 12 months.
At 31 March 2009 the balance was Rnil.

42. Prior period errors

PetroSA

Expenses relating to PetroSA Sudan; PetroSA Gryphon Marin and PetroSA Egypt were previously expensed incorrectly. They have been reversed and debited to the various subsidiary loan accounts respectively.

Tax credits relating to foreign operations in Nigeria were not previously accounted for. This has been corrected with a prior year adjustment.

Sudan

All expenses relating to the joint venture operation in Sudan were incorrectly accounted for. With the incorporation of a separate company, Salima, this error was corrected and the expenses removed from PetroSA Sudan's accounts.

Gryphon Marin

The joint operating agreement was signed in the name of PetroSA Gryphon Marin, however the costs relating to this operation were incorrectly expensed in the accounts of PetroSA. This was corrected by reversing such expenses and debiting a subsidiary loan account for PetroSA Gryphon Marin.

Egypt

The comparatives have been restated to address an error in the accounts of PetroSA Egypt. The correction resulted in trade and other payables being increased with opening retained income being adjusted accordingly.

The correction of the errors results in adjustments as follows:

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Balance sheet				
Property, plant and equipment	–	(4 136)	–	–
Strategic inventory	–	(15 183)	–	–
Loans receivable	–	89 260	–	–
Trade payables	–	55 268	–	–
Opening retained earnings	–	24 319	–	–
Income statement				
Investment income	–	5 465	–	–
Other expenses	–	(84 695)	–	–

SFF
The 2008 annual financial statements were adjusted to make provision for an unpumpable strategic stock of R15 million.

42. Prior period errors

Balance Sheet adjustments

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Intangible assets				
Previously stated	–	90 576	–	9 222
Adjustment	–	67 395	–	52 687
	–	**157 971**	**–**	**61 909**
Deferred tax				
Previously stated (Loans rec. and other investments)	–	216 296	–	68 179
Adjustment	–	(67 396)	–	(52 685)
	–	**148 900**	**–**	**15 494**
Trade and other receivable				
Previously stated	–	2 658 422	–	59 704
Adjustment	–	(305 391)	–	204 986
	–	**2 353 031**	**–**	**264 690**
Dividends receivable				
Previously stated	–	–	–	205 000
Adjustment	–	–	–	(205 000)
	–	**–**	**–**	**–**
FEC				
Previously stated	–	340	–	2 226
Adjustment	–	306	–	(2 226)
	–	**646**	**–**	**–**
Other financial assets				
Previously stated	–	–	–	90 134
Adjustment	–	–	–	2 219
	–	**–**	**–**	**92 353**
FEC				
Previously stated	–	247	–	2 133
Adjustment	–	(247)	–	(2 133)
	–	**–**	**–**	**–**
Trade and other payables				
Previously stated	–	2 589 666	–	37 562
Adjustment	–	(232 006)	–	2 112
	–	**2 357 660**	**–**	**39 674**
Property, plant and equipment				
Previously stated	–	5 179 613	–	–
Adjustment	–	(331 002)	–	–
	–	**4 848 611**	**–**	**–**
Cash and Cash equivalent				
Previously stated	–	16 931 755	–	–
Adjustment	–	(943 854)	–	–
	–	**15 987 901**	**–**	**–**

42. Prior period errors (continued)

Income statement	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Revenue				
Previously stated	–	11 219 679	–	–
Adjustment	–	(794 139)	–	–
	–	**10 425 540**	**–**	**–**
Cost of sales				
Previously stated	–	(7 901 372)	–	–
Adjustment	–	306 565	–	–
	–	**(7 594 807)**	**–**	**–**
Investment income				
Previously stated	–	1 587 129	–	329 211
Adjustment	–	(67 620)	–	425 000
	–	**1 519 509**	**–**	**754 211**
Profit on foreign exchange				
Previously stated	**–**	**1 587 129**	**–**	–
Other income				
Previously stated	–	663 930	–	–
Adjustment	–	(15 575)	–	–
	–	**648 355**	**–**	**–**
Operating cost				
Previously stated	–	(3 598 309)	–	(105 042)
Adjustment	**–**	1 597 406	–	(14)
	–	**(2 000 903)**	**–**	**(105 056)**
Finance cost				
Previously stated	–	(318 851)	–	–
Adjustment	–	100 737	–	–
	–	**(218 114)**	**–**	**–**
Taxation				
Previously stated	–	926 044	–	–
Adjustment	–	(231 024)	–	–
	–	**695 020**	**–**	**–**
Dividends received				
Previously stated	–	–	–	425 000
Adjustment	–	–	–	(425 000)
	–	**–**	**–**	**–**
Profit from discontinued operations				
Adjustment	**–**	**110 227**	**–**	–

The above changes on the income statement and balance sheet resulted in the restatement of the cashflow statement and statement in change in equity.

43. Fruitless and wasteful expenditure

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000

Fruitless and wasteful expenditure

SFF has incurred R9 million interest as a result of late payments to Transnet National Ports Authority. This has been classified as fruitless and wasteful expenditure. Due to late payments, SFF earned interest on the cash held of R9.3M,which result in a net gain of R0.3 million.

During this financial year a loss of R4 000 was experienced in the petty cash office due to theft, and R193 892 was paid to the South African Receiver of Revenue for penalties and interest incurred. PetroSA also incurred a penalty for late payment of cargo due, for the amount of R1 200 and interest for late payment of invoices of R903 761. A further R2 660 207 was incurred for penalties and interest relating to cargo dues in terms of the provisions of the Service Level Agreement between SFF and PetroSA. A contract that was budgeted for was signed by an employee outside of his authorised limit of authority. This was in contravention of company policy and therefore irregular. The value of the contract was R600 000 and management subsequently ratified the contract.

44. Changes in accounting estimates

Oil Pollution Control

The directors of the company evaluated the estimated useful life of certain items of pollution equipment by additional years as at 31 March 2009, to ensure that the fixed assets were fairly valued at year-end.

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
	–	142	–	–

SFF Association

The useful life of tanks was 30 years and management has estimated the tank life to be 40 years. The result of the change in the estimated useful life is as follows:

	Group 2009 R ´000	Group 2008 R ´000	Company 2009 R ´000	Company 2008 R ´000
Effect on current profit and loss	–	7 894	–	–
Effect on current assets and liabilities	–	(7 894)	–	–
Effect on future profit and loss	–	2 532	–	–
Effect on future assets and liabilities	–	2 532	–	–

45. Going concern

The amounts reported in the balance sheet, income statement and statement of changes in equity has been restated due to adjustments in mapping.

46. 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 2009 financial year (2008: R3 million) in order to provide specialised training on the project.

47. 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:

			Percentage Holding / Tracts			
2009	55%	55%	55%	55%	55%	55%
R´000	E-AA	E-AG	E-W	E-CB	E-CN	E-DC
Current assets	54	52	216	37	56	–
Current liabilities	60	15	89	65	37	–
Retained income	(1 010)	(917)	(82)	(37 238)	(1 878)	(44 183)
Company contribution to venture	1 004	954	209	37 210	1 897	44 183
Total liabilities	**54**	**52**	**216**	**37**	**56**	**–**
Revenue	3	12	–	5	18	–
Expenses	(130)	(124)	(84)	(293)	(147)	(213)
Net profit / (loss)	**(127)**	**(112)**	**(84)**	**(288)**	**(129)**	**(213)**

			Percentage Holding / Tracts			
2009	55%	55%	55%	60%	55%	24%
R'000	E-CC	SCG Explore	E-P	Sable	Namibia South	Block 2A
Current assets	763	248	–	19 282	–	54 793
Current liabilities	16	–	–	9 789	–	–
Retained income	(178 383)	(74 891)	(36 533)	(1 529 248)	(18 436)	(172 998)
Company contribution to venture	179 130	75 139	36 533	1 538 741	(18 436)	227 791
Total liabilities	**763**	**248**	**–**	**19 282**	**(36 872)**	**54 793**
Revenue	84	24	–	740 905	–	–
Expenses	(292)	(7)	(35 409)	(542 804)	(927)	(10 448)
Net profit / (loss)	**(208)**	**17**	**(35 409)**	**198 101**	**(927)**	**(10 448)**
Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 40%	Pioneer 45%	Anschutz 22.8% Forest 53.2%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

			Percentage Holding / Tracts			
2009	24%	10%	10%	30%	25%	55%
R'000	Block 2C	Namibia North	Namibia 1711	BLOCK 3A/4A	ZAMBEZI	F-Q
Current assets	–	–	–	–	–	–
Current liabilities	–	–	–	–	–	–
Retained income	(8 877)	(1 795)	(109 719)	(1 928)	(172 082)	(1 181)
Company contribution to venture	8 877	1 795	109 719	1 928	172 082	1 181
Total liabilities	–	–	–	–	–	–
Revenue	–	–	–	–	–	–
Expenses	(6 537)	(808)	(26 035)	(1 294)	(51 913)	(253)
Net profit / (loss)	**(6 537)**	**(808)**	**(26 035)**	**(1 294)**	**(51 913)**	**(253)**
	Anschutz 22.8% Forest 53.2%	Burlington Resources 75% Mitsui 15%	Sintez 70% Energulf 10% Namcor 7% Kunene Energy 3%	BHP Billington 60% Sasol 10%	Petronas 42.5% PetroBras 17% ENH 15%	Pioneer 45%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

47. Interest in joint operating agreements (continued)

2009	55%
R'000	SCG Capex
Production facilities	2 687 159
Current assets	28 923
Total Assets	**2 716 082**
Current liabilities	5 194
Company contribution to venture	2 710 888
Total liabilities	**2 716 082**
Revenue	–
Expenses	–
Net profit / (loss)	–
Partners:	Pioneer 45%
Nature of project	Production

	Percentage Holding / Tracts					
2008	55%	55%	55%	55%	55%	55%
R´000	E-AA	E-AG	E-W	E-CB	E-CN	E-DC
Production facilities	–	–	–	–	–	–
Current assets	36	134	89	53	121	–
Total assets	**36**	**134**	**89**	**53**	**121**	**–**
Current liabilities	37	–	–	40	24	–
Retained income	(2 161)	(705)	(424)	(31 152)	(1 483)	(43 970)
Company contribution to venture	2 160	839	513	31 165	1 580	43 970
Total liabilities	**36**	**134**	**89**	**53**	**121**	**–**
Revenue	2	12	7	6	8	–
Expenses	(209)	(17)	(10)	(315)	(707)	(274)
Net profit / (loss)	**(207)**	**(5)**	**(3)**	**(309)**	**(699)**	**(274)**
Partners	Pioneer 45% Exploration	Pioneer 45% Exploration	Pioneer 45% Exploration	Pioneer 45% Exploration	Pioneer 45% Exploration	Pioneer 45% Exploration

47. Interest in joint operating agreements (continued)

	Percentage Holding / Tracts					
2008	55%	55%	22.86%	22.86%	10% Namibia	31.25%
R'000	E-CC	E-AO	Iris	Themis	North	Gryphon Marin
Production facilities	–	–	–	–	–	–
Current assets	801	8	–	–	–	–
Total Assets	**801**	**8**	**–**	**–**	**–**	**–**
Current liabilities	–	–	–	–	–	–
Retained income	(153 050)	(280)	(26 259)	(10 747)	(987)	(987)
Company contribution to venture	153 851	288	26 259	10 747	987	987
Total liabilities	**801**	**8**	**–**	**–**	**–**	**–**
Revenue	70	1	–	–	–	–
Expenses	(97)	(36)	(2)	(27)	(5)	(1)
Net profit / (loss)	**(27)**	**(35)**	**(2)**	**(27)**	**(5)**	**(1)**
Partners:	Pioneer 45%	Pioneer 45%	Sterling 38.57% Afren 12.86% Pan Africa 25.71%	Sterling 20.57% Pan Africa 25.71% Afren12.86% Premier 18%	Burlington Resources 75% Mitsui 15%	Forest 50% Tullow Oil 18.75%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

47. Interest in joint operating agreements (continued)

	Percentage Holding / Tracts					
2008	55%	60%	55%	24%	24%	55%
R'000	E-P	Sable	E-BB	Block 2A	Block 2C	F-Q
Production facilities	–	51 629	–	53 812	–	–
Current assets	–	69 307	113	–	–	–
Total Assets	**–**	**120 936**	**113**	**53 812**	**–**	**–**
Current liabilities	–	68 749	–	–	–	–
Retained income	(1 124)	(1 294 860)	(57 538)	(162 550)	(2 340)	(928)
Company contribution to venture	1 124	1 347 047	57 651	216 362	2 340	928
Total liabilities	**–**	**120 936**	**113**	**53 812**	**–**	**–**
Revenue	–	578 860	8	–	–	–
Expenses	(849)	(408 045)	(6)	(6)	(2)	(381)
Net profit / (loss)	**(849)**	**170 815**	**2**	**(6)**	**(2)**	**(381)**
Partners:	Pioneer 45%	Pioneer 40%	Pioneer 45%	Anschutz 22.8% Forest 53.2%	Anschutz 22.8% Forest 53.2%	Pioneer 45%
Nature of project	Exploration	Production	Exploration	Exploration	Exploration	Exploration

	Percentage Holding / Tracts					
2008	24%	55%	55%	10%	60%	25.5%
R'000	Ibhubezi	E-AA	SCG Capex	Namibia South	Sable Capex	Zambezi Block
Production facilities	–	–	2 272 183	–	66 177	–
Current assets	–	33	59 009	–	–	–
Total Assets	**–**	**33**	**2 331 192**	**–**	**66 177**	**–**
Current liabilities	–	–	61 919	–	–	–
Retained income	(2 325)	(736)	–	(17 509)	–	(5 833)
Company contribution to venture	2 325	769	2 269 273	17 509	–	5 833
Total liabilities	**–**	**33**	**2 331 192**	**–**	**–**	**–**
Revenue	–	21	–	–	–	–
Expenses	(1 961)	(700)	–	(6)	–	(114)
Net profit / (loss)	**(1 961)**	**(679)**	**–**	**(6)**	**–**	**(114)**
Partners:	Anschutz 22.8% Forest 53.2%	Pioneer 45%	Pioneer 45%	Burlington Resources 75% Mitsui 15%	Pioneer 40%	Petronas 42.50% ENH 15% Petrobras 17%
Nature of project	Exploration	Exploration	Development	Exploration	Development	Exploration

1. Movement in net remaining proved and probable reserves

	Crude oil/ Condensate MMbbl	Gas Bscf	Crude oil/ Condensate MMbbl	Gas Bscf
At beginning of year	11.40	129.40	16.00	162.20
Revisions of previous estimates	(0.90)	14.70	–	–
Production	(4.20)	(46.20)	(4.60)	(52.80)
Additions	0.10	8.20	–	20.00
At end of year	**6.40**	**106.10**	**11.40**	**129.40**

2. Proved and probable reserve by type of field

	Crude oil/ Condensate MMbbl	Gas Bscf	Crude oil/ Condensate MMbbl	Gas Bscf
Fields in production	6.40	106.10	10.90	101.10
Fields under development	–	–	0.50	28.30
	6.40	**106.10**	**11.40**	**129.40**

3. Reserves by category

	Crude oil/ Condensate MMbbl	Gas Bscf	Crude oil/ Condensate MMbbl	Gas Bscf
Proved	4.90	76.10	7.90	85.10
Proved and probable	6.40	106.10	11.40	129.40
Total proved and probable reserves at end of year	**6.40**	**106.10**	**11.40**	**129.40**

Notes

Oil

Fields in production and under development comprise the Oribi (80%) and Oryx (100%) and Sable (60%) oil fields.

Gas

Fields in production and under development comprise the F-A and F-A Satellite and E-M and E-M Satellite gas fields respectively. The additions in 2008 relate to the South Coast Gas project.

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 working interest basis (100%).

Oil and gas reserves cannot be measured exactly since estimation of reserves involves subjective judgment 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.

The supplementary information presented does not form part of the annual report and is unaudited

Definitions

Proved reserves
Oil
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.
Gas
Means the amount of gas 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
Oil
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.
Gas
Means proved reserves plus the amount of gas 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
Oil
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.
Gas
Comprise quantities of gas, 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.

The supplementary information presented does not form part of the annual report and is unaudited

Below is a list of definitions of financial terms used in the annual report of CEF (Proprietary) Limited (the company) and the 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.

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.

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 uncollectability.

Asset
A resource controlled by the entity as a result of a past event from which future economic benefits are expected to flow.

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 is not control or joint control over those policies.

Borrowing costs
Interest and other costs incurred in connection with the borrowing of funds.

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.

The supplementary information presented does not form part of the annual report and is unaudited

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.

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.

De-recognition
The removal of a previously recognised asset or liability from the balance sheet.

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 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 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.

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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 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.

Going concern basis
The assumption that the entity will continue in operation for the foreseeable future.

Gross investment in lease
The aggregate of the minimum lease payments receivable by the lessor under a finance lease and any non-guaranteed 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 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.

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SUPPLEMENTARY INFORMATION

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 with the authority and responsibility for planning, directing and controlling the activities of the entity. In terms of this definition, the members of the board of directors of CEF (Proprietary) Limited qualify as key management personnel of the group. In individual companies, the board of directors and executive management committees qualify.

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.

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.

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.

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.

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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 higher of an asset's or cash generating unit's fair value less cost to sell and its value in use.

Research
The original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

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 during 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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KEY TO ABBREVIATIONS

BBL	Barrel (equal 159 litres)
BEE	Black Economic Empowerment
CCE	Cape Cleaner Energy Solutions (Proprietary) Limited
CDM	Clean Development Mechanism
CEF	CEF (Proprietary) Limited
CEF ACT	Central Energy Fund (Act no 38 of 1977) as amended
CER	Carbon Emission Reduction
CIGS	Copper Indium Deselenide
DME	Department of Minerals and Energy
DST	Department of Science and Technology
EDC	Energy Development Corporation (a division of CEF (Proprietary) Limited)
EEA	Energy Efficiency Agency
EUETS	European Emission Trading Scheme
GAAP	Generally Accepted Accounting Practice
GEF	Global Environment Facility
GTL	Gas to Liquid
IL	Illuminating Paraffin
IPE	International Petroleum Exchange
JSF	Johanna Solar Technology
LNG	Liquefied Natural Gas
LSF	Low Smoke Fuels
MPRDA	Mineral and Petroleum Resources Development Act, 2002 (Act 28 0f 2002)
NPA	National Ports Authority
Nymex	New York Mercantile Exchange
OPC	Oil Pollution Control South Africa (Association incorporated under Section 21)
PASA	South African Agency for Promotion of Petroleum Exploration and Exploitation (Proprietary) Limited
PDD	Project Design Document
PFMA	Public Finance Management Act (Act No 1 of 1999) as amended
PPE	Property, plant and equipment
PV	Photovoltaic
PetroSA	The Petroleum Oil and Gas Corporation of South Africa (Proprietary) Limited
RENAC	Renewables Energy Academy
Rompco	Republic of Mozambique Investment Company (Proprietary) Limited
SAMSA	South African Maritime Safety Authority
SANERI	South African National Energy Research Institute (Proprietary) Limited
SAPIA	South African Petroleum Industry Association
SARS	South African Revenue Services
SASDA	South African Supplier Development Agency
SFF	SFF Association (Association incorporated under Section 21)
SWH	Solar Water Heaters
Simex	Singapore Monetary Exchange
TFST	Thin Film Solar Technology
TNPA	Transnet National Ports Authority
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 (Proprietary) Limited

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