2011/12 ANNUAL REPORT

CEF (SOC) Ltd

Clean Energy for the Future

CEF (SOC) Limited

(Registration number 1976/001441/30)

Annual Report

for the year ended 31 March 2012

These Annual Financial Statements were prepared under the supervision of Mr W. Fanadzo (FCMA; FCIS, MBA)
Acting Group Chief Financial Officer

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The financing and promotion of the acquisition of, research into and exploitation of energy related products and technology.
Directors	Dr S Mthembi-Mahanyele
	Adv L Makatini
	Ms T Ramuedzisi
	Mr Y Tenza
	Mr T Maqubela
	Mr O Aphane
	Ms B Mabuza
	Mr R Jawoodeen
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 of South Africa
Company Secretary	Mr A Haffejee
Company registration number	1976/001441/30

Index

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

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

Key Abbreviations

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

Key Abbreviations

NMBM	Nelson Mandela Bay Metro
NPA	National Ports Authority
Nymex	New York Mercantile Exchange
OPC	Oil Pollution Control South Africa (NPC)
PASA	South African Agency for Promotion of Petroleum Exploration and Exploitation (SOC) Limited
PAT	Project Appraisal Team
PDD	Project Design Document
PFMA	Public Finance Management Act (Act No 1 of 1999) as amended
PPE	Property, plant and equipment
PV	Photovoltaic
PetroSA	The Petroleum Oil and Gas Corporation of South Africa (SOC) Limited
REEP	Renewable Energy and Energy Efficiency Partnerships
RENAC	Renewables Energy Academy
Rompco	Republic of Mozambique Investment Company (Proprietary) Limited
SDA	Swiss Development Agency
SAMSA	South African Maritime Safety Authority
SANEDI	South African National Energy Development Institution
SANERI	South African National Energy Research Institute (SOC) Limited
SAPIA	South African Petroleum Industry Association
SARS	South African Revenue Services
SASDA	South African Supplier Development Agency
SFF	SFF Association (NPC)
SWH	Solar Water Heaters
Simex	Singapore Monetary Exchange
SOS	SOS Children Village
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 (SOC) Limited


OECON
UNDP
Science
& technology
Department:
Science and Technology
REPUBLIC OF SOUTH AFRICA
CEF
(Pty) Ltd
UNDP

Executive Summary

Chairperson's Overview

On behalf of the Board, the management team and the staff at CEF (SOC) Ltd, I am pleased to present the Group Annual Report for the year ending 31 March 2012.

Ongoing economic and geopolitical instability will continue to impact the global energy industry and impact our ability to deliver on the five pillars of our strategy. We anticipate lower profitability in the year ahead as the funds currently generating investment returns are deployed into various capital projects in our ambitious investment programme. Sourcing adequate funding at a reasonable price for future projects will continue to be difficult in the current economic climate. The management teams are working diligently for the optimal funding solutions for the group.

Our mandate

The Central Energy Fund Act lays out the mandate of the CEF group which is to finance and promote the acquisition, exploitation, manufacture and marketing of energy. The wide breadth of this mandate has resulted in a similarly broad range of energy-related activities in the group which include the storage of crude oil, the development of B-BBEE suppliers in the petrochemical industry, the management of oil spills and extending to the development of renewable and alternative energy technologies.

Successfully implementing our mandate is an important part of ensuring South Africa's economic success. Without a sustainable supply of energy the country would not be able to grow its industrial base, create jobs and build a better future for its citizenry.

During the year under review we conducted a number of workshops, at subsidiary, group and board levels to review and clarify the direction of the group. The strategic intent of the group was agreed as:

"to provide energy resources for national energy security whilst minimising environmental impact and in pursuit of government policies"

The outcome of the reviews and strategic sessions conducted resulted in the need for us to improve on a number of challenges revealed by the exercise. It is becoming evident that some of the problems we face are caused by the kind of structure we have in the group. The different subsidiaries are operating as individual entities and the absence of a linking mechanism that would ensure that the systems, the policies, the approach to financial reporting, procurement and contract policies are at harmony and monitored through the CEF Executive and Board Committees. The CEF has been working at aligning its operations to the requirements of King 3, the new Companies Act and working out sufficient approaches to the Auditor General's guiding principles. The amount of work done will require the entity to create mechanisms that enhance the functioning of the committees to ensure coherence, consistency and systems that talk to each other.

Chairperson's Overview

The work done offers the group an opportunity to improve on its operations and to co ordinate its work in a manner that will strengthen the monitoring and oversight role of the board in the entire group. The process of establishing these systems and introducing new approaches and schedules may take a while but the ultimate objective is to create an entity that is accountable, efficient and effective enough to deliver on its mandate. The shareholder and the stakeholders will be kept updated on the progress made around these envisaged changes.

Sustainable thinking

The energy industry is a long-term industry. Projects take many years to plan and execute and result in infrastructure that benefits many generations. Accordingly, sustainability plays an important part in our strategic thinking.

Financial sustainability of the group is a key focus area of the group for the current MTEF planning cycle.

Environmental sustainability

Our products can have a severe impact on the environment if environmental safety is not carefully managed. PetroSA and the Strategic Fuel Fund (SFF) both have robust environmental controls in place while Oil Pollution Control South Africa (OPCSA) provides oil prevention, control and clean up services in terms of South Africa's National Environmental Management Act.

Representatives from CEF participated in COP 17 in Durban in December 2012 and were exposed to thought leadership and new trends which will influence the group's strategy process going forward.

The group's activities in renewable and alternative energy are a significant part of our mandate and will contribute significantly to the country's long-term energy security.

Social sustainability

CEF plays an important social role in ensuring that the country's current and future energy needs are met. Energy poverty hinders economic development and social upliftment and we have a crucial part in remedying this. Several of our projects also focus on social upliftment, such as Basa Njengo Magogo, which espouses clean coal use and management initiatives.

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

Acknowledgements

We thank all staff who continue to work tirelessly to ensure that the group delivers on its mandate. We also acknowledge all our key stakeholders especially the Department of Energy and the Parliamentary Portfolio Committee for their guidance and support.

Dr. S Mthembi-Mahanyele (Chairperson)

27 July 2012

Chief Executive Officer’s Report

This report focuses on the review of our operating performance for the period under review. Due to the significant work done in reviewing the mandate and strategy of the group, the report also addresses some of the strategic focus areas that will become key in the near future.

Performance for the year

Global impact on the energy industry

Global economic and geopolitical developments had a significant impact on our industry. The international sanctions against Iran, turmoil in southern Europe and the apparent slowing of the Chinese economy fed into crude oil price volatility and fluctuating exchange rates. These variations make the formulation of long-term plans more challenging and increase risk in the business. Global uncertainty also affects the cost and the ability to raise funding, which are critical for the long-term projects necessary to develop the energy industry.

Overall, our performance against our strategic objectives in the year under review was mixed and the group was affected by the departure of a number of senior staff members.

Financial performance

Our financial performance was pleasing, especially against the backdrop of the challenges we faced. Revenue increased 35% to R 14,988 million (2011: R11,078 million) mainly due to higher crude oil prices and an increase in crude and finished products trading. Operating expenses were down 10% while profit after tax increased 39% to R1,844 million (2011:R 1,324 million) largely due to cost containment measures as well as deferral of certain projects which required more feasibility studies. The group maintained its strong net cash position at R19,145 million (2011: R17,532 million).

The group’s financial position remains solid, with total assets amounting to R35,298 million. An intensive multi-year capital expansion programme is underway across the group which will also entail optimisation of the currently low-geared balance sheet. Major projects under execution or on the brink of finalisation include the offshore Ikhwezi field development project to complement feedstock for the Mossel Bay plant, the acquisition of a stake in the producing Jubilee Field offshore Ghana, as well as entry into the downstream sector of the petroleum value chain. Income diversification is a key focus area for the group in order to mitigate the risks of relying on a single asset.

In pursuit of the group’s mandate to help ensure security of supply, we also saw to the successful filling of the New Multi-Product Pipeline in January 2012 – a network of over 700 kilometers of pipe that will deliver liquid fuel safely, cost effectively and in an environmentally responsible way. Another highlight was the resolution of the feedstock constraints on our largest subsidiary, PetroSA, with significant progress on the Ikhwezi project to secure medium to long-term supply.

Business Development

The CEF group also plays a role as an incubator for businesses in the energy industry. While our investments in renewable and alternative energy projects did not show the progress we had hoped for, our subsidiary The South African National Energy Development Institute (SANEDI), which focuses on research and development within the energy sector, reached the point where it could be spun out of the group at the start of the 2012 financial year.

African Exploration and Mining Finance Company (AEFMC), our nascent coal mining subsidiary, started production during the year under review and the process to transform it into a stand-alone company is well underway.

Outlook and Focus on Our strategic pillars

The mandate highlighted in the Chairperson's report informs our strategy, which comprises five pillars:

1. Reposition PetroSA into a role as the flagship national oil company

The mandate of PetroSA has evolved since its inception in 2002 alongside changing global and local operating environments, developments in the petroleum industry and shifts in government growth policy.

In the year under review, we achieved several important milestones that will raise the profile of PetroSA including:

- Continuing the review of the CEF group structure to consolidate and streamline operations and empower the entities to better fulfil their mandates. iGas is in the process of moving into PetroSA to leverage synergies between the two operations.
- Developing commercial trading of petroleum products which started during this financial year, including imports.

2. Help secure liquid fuels supply for the country

Government's Energy Security Master Plan calls on PetroSA to provide strategic leadership to achieve security of supply. Demand for refined fuel in South Africa already exceeds the country's refining capacity and is forecast to continue to grow. It is estimated that by 2020 the country will have to import 180 000 barrels a day of gasoline and diesel if local refining capacity remains at current levels.

Imports at the forecast rate will not only strain foreign currency reserves but also make the country vulnerable to external factors which may interrupt this supply. Investing in refinery capacity and beneficiation within the country will, in addition aid local development and help to generate employment.

A further milestone in securing supply was the filling of the New Multi-Purpose Pipeline opened in January 2012, where PetroSA and SFF played a significant role by securing over R1,049 million worth of stock.

3. Carve out a meaningful role in the renewable energy space

Beyond increasing the supply of fossil fuels into the country, CEF's mandate includes exploring initiatives that will be able to meet the demand for energy as fossil fuel sources are depleted. There are a range of projects in renewable and alternative energy within the Clean Energy Division that aim to explore opportunities and facilitate commercialisation of these schemes.

These projects are characterised by new processes, unproven technology, unexpected delays in implementation and financial returns that often cannot compete with conventional benchmarks. Despite these risks, it is our responsibility to continue to invest responsibly into projects that have the potential to deliver clean energy for the future.

Progress was slow in these areas and there were impairments of loans to certain subsidiaries of R68 million during the period where projects remain unprofitable or unsustainable.

Our learnings from these experiences – that planning of projects must be improved and that strategic partners must be carefully selected – have been built into evaluation processes for future projects.

4. Drive a transformational agenda in the energy industry

Transformation in the energy industry is a focus area for CEF both as a state owned company and also as part of its mandate from the Department of Energy.

Internal transformation initiatives – where we can drive transformation within our own operations – include skills training, employment equity and empowerment of women and people with disabilities.

We also look to facilitate transformation by influencing our stakeholders through preferential procurement, enterprise development initiatives both within the group and through the activities of SASDA. Transformation also plays a significant role in our choice of partners for joint ventures and strategic projects.

5. Exploring unconventional energy resources in the region

As part of our mandate, CEF has a responsibility to investigate all potential energy resources which may play a role in diversifying the energy sources and thus securing future supply. CEF, through its subsidiaries, continues to identify and develop strategic partnerships with relevant stakeholders to understand the long-term impacts and potential in new projects and to optimise emerging opportunities.

Outlook

The group results were achieved in an economically volatile and difficult environment. Internal challenges including senior staff departures were firmly yet delicately managed by the leadership of the organisation.

We are confident that the group is well poised to continue to deliver on our mandate.

Ms B Mabuza (Executive Director)

27 July 2012

Directors’ Responsibilities and Approval

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

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the Companies Act of South Africa of 2008 and the Corporate Laws Amendment Act. 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’s annual financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and losses.

The directors have reviewed the budgets and cash flow forecasts for the year ending 31 March 2013. On the basis of this review, and in view of the current financial position and existing borrowing facilities, the directors have every reason to believe that the company will be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the annual financial statements.

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

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

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

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

The code of Corporate Practice and Conduct has been adhered to.

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

Directors' Responsibilities and Approval

The consolidated annual financial statements set out on pages 22 to 105, for the year ended 31 March 2012, were approved by the board of directors in terms of Section 51(1) (f) of the Public Finance Management Act on 27 July 2012 and was signed on its behalf by:

Dr S Mthembi-Mahanyele (Chairperson)
Sandton
27 July 2012

Adv L Makatini (Non-Executive director)

Statement on Corporate Governance

Statement on Corporate Governance

1.1 Introduction

The group Board of Directors (the Board) strives to promote the highest standard of corporate governance, by subscribing to the principles of good corporate governance as outlined in the King Reports, Public Finance Management Act of 1999 (PFMA), Companies Act of 2008 and Protocol on Corporate Governance in the Public Sector. Good corporate governance includes the structures, processes and practices that the Board uses to direct and manage operations of CEF and the subsidiaries. This is to ensure proper accountability by the Board to the shareholders and other stakeholders.
Furthermore, the Board is committed to ensure that the company adheres to high standards of corporate governance and complies with applicable laws in the conduct of its business.

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

To ensure that the group is managed in an efficient, accountable, responsible, moral and ethical manner in compliance with these principles, an on-going monitoring of the developments in the field of corporate governance is maintained and improvements are made to the extent determined as appropriate.

In addition, the Board and Management have attended presentations on King III and the new Companies Act of 2008 to gain a better understanding of these principles and related responsibilities imposed by the new Act.

1.2 Highlights on governance for the year under review

The group's governance practices are continuously reviewed to ensure alignment with internal developments and to ensure on-going adherence to legislation, regulation and latest governance trends. The following are highlights of implementations on the group's governance framework during the reporting period:

- The separation of the Audit and Risk committees into specific committees for Risk and Audit to align with the King III and the Companies Act and to facilitate more focus on these two critical areas;
- Evaluations of the Board and its committees
- In accordance with the group's practice of facilitating opportunities for Board members to attend training on governance and development within the industry at the group's cost, some members were engaged in this training.
- Drafting of the new Memorandum of Incorporation (MOI) to replace the existing Memorandum and Articles of Association in accordance with the new Companies Act of 2008. The Board is confident that the shareholder will approve the same, in time to ensure that full compliance in this regard is achieved within the specified transitional period allowed by the Act.

2. Continuous implementation of the new governance regime

The group has, during the period under review, gained grounds in implementing most of the provisions of the King III report and the Companies Act of 2008. It is also important to note that King III is an aspirational code and therefore likely that the Company will take time to be fully compliant. It is acknowledged that one of the continuous challenges is in deciding the optimal level of application required, balancing the costs and benefits to all stakeholders, and then being able to disclose such principles and practices in a manner that is clear and understandable to stakeholders. Hence the decision by King III authors to opt for the more flexible "apply or explain" approach to its principles and recommended practices.

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

- **Integrated Reporting and Disclosure:** The group does not apply this recommendation but attempts are being made to put mechanisms and processes in place to facilitate application;

- **The Governance of Information Technology (IT):** Although the Board has assigned the monitoring of IT governance to both the Board Audit and Compliance committee and the Risk Management committee, the current IT governance framework and processes are being enhanced to ensure further alignment with King III and full compliance. To this end, a dedicated EXCO subcommittee (Information Technology Steering committee) focussing on the review of IT investment and alignment with corporate strategy was formed. These frameworks and committee structures will ensure the improvement in monitoring and evaluation of significant IT investments and expenditure, and that IT forms an integral part of the Company's risk management environment.

3. Board of Directors

In terms of section 49 of the PFMA, the Board is the accounting authority of the group. The group has a unitary Board structure made up of a majority of non-executive directors, appointed by the shareholder. The Board retains overall accountability for the running of the group and reserves, for itself, decisions on matters that could have a material impact on the business. To that end, Executive Management is charged with the day-to-day running of the business, with the Board addressing a range of key issues to ensure that it retains the strategic direction of, and proper control over the group. The non-executive directors are appointed on a three-year cycle and re-appointment is not automatic. The Board meets at least once every quarter. The Board met eleven times during the period under review.

The Board's primary responsibilities include the appointment of the CEO, giving strategic direction to the group, ensuring that policies and procedures are in place, monitoring the performance of the group against agreed objectives, identifying key performance and risk areas, providing effective leadership on an ethical foundation, ensuring that there is an effective risk based internal audit function, defining levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to the CEO, ensuring that timelines for submission of reports in compliance with the PFMA and other applicable laws affecting the business are adhered to, including submission of financial statements and ensuring that annually a Shareholder's Compact is concluded with the shareholder in respect of agreed performance indicators for the Company in the next year.

Statement on Corporate Governance

Directors' responsibility for the annual financial statements

The directors of the entity are responsible for the entity's annual financial statements. The Auditor-General of South Africa is responsible for performing an independent audit of the annual financial statements.

The annual financial statements and notes thereto are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). Accounting policies are consistently applied except where otherwise stated, in which case full disclosure of changes is made.

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

Board committees

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

Audit and Risk committees

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

The committees consist of three members with financial, internal and external audit, corporate law and other relevant experience. The committees charter is reviewed annually by the Board.

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

The committees are responsible for overseeing the internal audit function, group compliance function, risk management and the external audit process. The External Auditor and Chief Audit Executive have unrestricted access to the committees and attend all meetings.

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

Group compliance risk management function

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

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

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

Board human resource committee

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

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

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

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

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

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

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

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

4. Materiality and significant framework

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

5. Internal Audit

The group has an internal audit function that has the support and cooperation of both the board and management. The internal audit function has a written terms of reference, provided by the board of directors, setting out its purpose, authority and responsibilities. The internal audit function is under the control and direction of the board audit and risk committees and reports at the highest level of authority and at all board audit and risk committee meetings.

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

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

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

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

The internal audit function adheres to the International Standards for Professional Practice of Internal Auditing and Code of Ethics. The Chief Audit Executive developed and maintained a quality assurance and improvement program. The internal audit function is subjected to an external quality review at least every 5 years, the last review was conducted during 2007 and the evaluation result was "general conformance", which is the highest level of conformance. The next review is due in the 2013 financial year..

6. Company Secretary

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

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

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

7. Management reporting

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

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

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

8. Code of Ethics

Entities within the group have codes of ethics which require employees to observe the highest ethical standards thereby ensuring that business practices are conducted in a manner which 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, is beyond reproach. The Code of ethics serves as a guide to assist the Board, Executive Management, Staff and Contractors of the group in making ethical decisions and engaging in appropriate and lawful conduct.

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

Report of the Independent Auditors

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CEF (SOC) LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the CEF (SOC) Limited set out on pages 37 to 158, which comprise the consolidated and separate statement of financial position as at 31 March 2012, the consolidated and separate statement of comprehensive income, statement of changes in equity and of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated financial statements

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

Auditor-General's responsibility

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

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

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the CEF (SOC) Limited and its subsidiaries as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Statements of GAAP and the requirements of the PFMA and the Companies Act.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 47 to the consolidated and separate financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during 2012 in the consolidated and separate financial statements of the CEF (SOC) Limited at, and for the year ended, 31 March 2011.

Material Impairments

9. As disclosed in note 37 to the separate financial statements, material impairments to the intercompany loan accounts to the amount of R68 million (2011:R156 million) were incurred.

Significant uncertainties

10. With reference to note 16 (Discontinued operations, disposal groups and non-current assets held for sale) of the consolidated financial statements the company has recognised the sale of Brass Exploration Unlimited and PetroSA Nigeria (SOC) Ltd during the financial year. The disposals are still the subject of litigation in the Nigerian judicial system.

Additional matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

12. As part of my audit of the consolidated and separate financial statements for the year ended 31 March 2012, I have read the Directors' Report and the Audit Committee's Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited consolidated and separate financial statements. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on performance against objectives as set out on pages 34 to 35, of the annual report.

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

16. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
17. There were no material findings on the report on performance against objectives of the entity concerning the usefulness and reliability of the information.

Additional matter

18. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

19. Of the total number of 13 planned targets, only 7 targets were achieved during the year under review. This represents 46% of total planned targets that were not achieved during the year under review. However in terms of the weights as allocated by the entity these represents targets with a cumulative weight of 35% not achieved.

Compliance with laws and regulations

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

Annual financial statements

21. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 55(1)(b) of the PFMA and section 29(1)(a) of the Companies Act. Material misstatements identified by the AGSA relating to, the classification of assets and impairment of other financial assets were subsequently corrected.

Expenditure management

22. The accounting authority did not take effective and appropriate steps to prevent fruitless and wasteful and irregular expenditure as per the requirements of section 51(1)(b) of the PFMA. As disclosed in note 48 to the consolidated and separate financial statements the public entity incurred fruitless and wasteful expenditure amounting to R35 999 000 and irregular expenditure of R73 762 000.

Procurement and contract management

23. The procurement processes did not comply with the requirements of a fair supply chain management system as per section 51(1)(a)(iii) of the PFMA, in that goods and services of a transaction value above R15 000 for quotations and above R500 000 for tenders were procured without inviting competitive bids.
24. Goods and services were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii) as the use of a sole supplier was either not approved by the delegated officials or no motivation was provided for the deviation from the normal procurement process.

Internal control

27. I considered internal control relevant to my audit of the consolidated and separate financial statements, report on performance against objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

28. Findings relating to expenditure management could have been avoided has the entity implemented adequate controls over the establishment and communication of formal policies and procedures to enable and support the detection and prevention of irregular and fruitless and wasteful expenditure.

Financial and performance management

29. Material adjustments to financial statements could have been prevented has management implemented adequate controls over financial reporting.

OTHER REPORTS

Investigations

30. An investigation, mandated by the Board Audit and Compliance Committee of PetroSA, into possible irregularities relating to the procurement policy of PetroSA, is still ongoing at the reporting date.

31. An investigation, mandated by the Honourable Minister of Energy, into all procurement transactions above R5 million, for goods and services that are not considered to relate to the day to day operations of the Mossel Bay plant, is still ongoing at the reporting date.

Auditor General

Pretoria

30 August 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Board Audit Committee and Risk Committee

Report of the Board Audit Committee and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2012.

1. Charter

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

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

2. Purpose

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

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

3. Membership

The audit committee and risk committee members were appointed by the board of directors and comprise of at least three non-executive members. The committees consist of the members listed hereunder and should meet on a minimum of two occasions per annum as per the approved Charter. During the financial year 4 meetings were held.

Name of members	Number of meetings attended
Mr R Boqo (Chairperson)	4
Mr D Hlatshwayo	2
Ms Mabuza (from 1 February 2012)	1
Dr S Mthembi-Mahanyele (until 31 January 2012)	1
Mr Y Tenza	3

4. External audit

The audit committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the external audit plan as presented by the Auditor-General of South Africa. We have reviewed the Auditor-General of South Africa Strategic Audit Plan for the 2012 financial year and have approved of their fees to the board audit committee. The audit committee has satisfied itself that the Auditor General of South Africa exercised their duties in an independent and objective manner.

5. Internal Audit

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

The Chief Audit Executive has direct access to the committees, primarily through its chairperson. The audit committee is also responsible for the assessment of the performance of the internal audit function. In 2007, an external effectiveness review was performed by the Institute of Internal Auditors (IIA), reporting positive results and rating the internal audit function as “generally conformance” with the IIA Standards, the next external assessment is due in the 2012/13 financial year.

The internal audit function is independent and has the necessary resources, budget, standing and authority within the organisation to enable it to discharge its functions. The Chief Audit Executive reports functionally to the chairperson and the chairperson must concur with the appointment and dismissal of the Chief Audit Executive.

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

6. Corporate governance

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

7. Risk management

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

Mr R Boqo

Chairperson

23 July 2012

Statement from Company Secretary

In my capacity as company secretary, I hereby confirm, except where otherwise mentioned in the annual financial statements, for the year ended 31 March 2012, that 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
27 July 2012


CEF

Performance Against Objectives

Performance Against Objectives

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

	Objectives	Activity	Indicators	Target	Target	Weight%	Score
CEF will play an active role in the governance and planning of all of its subsidiaries and will strategically coordinate the long term future of the group.							
1	To maintain proactive engagement with the DOE	Collaborate with DOE on a feasibility study for the Solar Park	Predetermined milestones	No more than 10 days slippage per quarter, caused by CEF induced delays, on key predetermined milestones	3	10	2
2	To maintain proactive engagement with the DOE	To proactively engage with DOE on a quarterly basis to address issues pertinent to both parties	Minutes of meetings held with DOE	Meetings are held between CEF and DOE on a quarterly basis	3	10	3
3	To reposition CEF in terms of a redefined mandate	Investigation to clarify a repositioned role for CEF and subsidiaries	Repositioning plan	Plan tabled at the February 2012 CEF Board for consideration	3	5	1
4	To reposition CEF in terms of a redefined mandate	To develop a revised mandate for CEF	Submission of new mandate proposals to the Minister	Revised mandate proposals are submitted to the Minister by 31 March 2012	3	5	3
To develop human capacity and invest in relevant energy research and development							
5	To build and maintain an appropriate human capital base	An appropriate human capital base is developed and maintained for CEF	Exco minutes indicating the tabling of a human capital plan	A written plan is tabled at Exco before 30 September 2011 for approval.	3	5	1
To effectively and efficiently manage the energy business							
6	To manage the business efficiently and effectively	Each existing EDC project is evaluated on a quarterly basis as to whether it should be progressed, concluded or exited	A quarterly evaluation of existing EDC projects to determine whether individual projects should continue or be terminated.	A report is issued by EDC on a quarterly basis to Exco and Board	3	10	3
7	To manage the business efficiently and effectively	Sustainability drive/ energy efficiency	Rollout of Basa Ngenjo Magoga	Demonstrate to 30000 households by 31 March 2012	3	5	5
8	To manage the business efficiently and effectively	Service delivered to Subsidiaries	Client satisfaction with services delivered as defined in the relevant service level agreement (SLA)	All clients are on average 90% satisfied with the services, defined in the SLA, they receive from departments as from a survey conducted by the Corporate Planner during Q2 and Q4.	3	15	3.3

Performance Against **Objectives**

	Objectives	Activity	Indicators	Target Description	Target	Weight	Score
9	To manage the business efficiently and effectively	Manage investments in subsidiaries	Adherence to signed shareholders compact	Quarterly report to Exco and Board highlighting any deviations from shareholder compact	3	5	1
10	To manage the business efficiently and effectively	Manage investments in associate companies	Adherence to signed shareholders agreement	Quarterly report to Exco and Board highlighting any deviations from shareholder agreement	3	5	3
11	To manage the business efficiently and effectively	Financial return on cash investments	Return on funds invested relative to JIBAR	Return on an annual basis not less than JIBAR -0.25%. Progress reported on a quarterly basis to Board	3	15	5
To invest in and develop renewable and alternative sources and in energy efficiency							
12	To identify new opportunities for CEF	To investigate opportunities for CEF to initiate poverty alleviation projects	Investigative report on energy poverty alleviation opportunities for CEF including due diligence and risk assessment	The report is ready for submission to the February 2012 CEF Board	3	5	1
13	To identify new opportunities for CEF	To investigate opportunities for the manufacture of energy equipment by CEF or subsidiaries	Investigative report on manufacturing opportunities for CEF including due diligence and risk assessment	The report is ready for submission to the February 2012 CEF Board	3	5	1
		Total			**3**	**100**	**2.85**

Scoring:
1 = Not met
2 = Below target
3 = Achieved
4 = Above target
5 = Excellent (stretch target)

The following explanations are valid for the targets not met:

Objective 1: There has been slippage in the last quarter due to a dispute over access to the identified site. While this was not in CEF's control the team could have been more proactive in attempting to obtain resolution of the matter.

Objective 3: While there has been much discussion there is still work to be done before this item can be completed.

Objective 5: A realistic human capital plan can only be developed once a new corporate structure has been defined and is approved.

Objective 7: The service providers have reported that approximately 40000 demonstrations were conducted during the 2011 winter and completed by 31 August 2011.

Objective 8: The weighted average of all respondents is slightly above the target of 90% satisfaction.

Objective 9: No report was submitted during the fourth quarter.

Objective 11: Returns for the year are JIBAR + 0.439%

Objective 12: A report was tabled at Exco but has not been submitted to the Board

Objective 13: A report was tabled at Exco but has not been submitted to the Board

Board of Directors

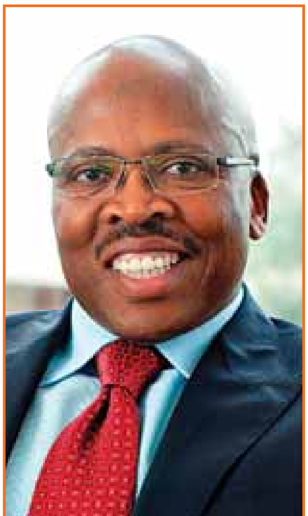
Dr. Sankie Mthembi-Mahanyele
Chairperson

Ms. B Mabuza
Chief Executive Director

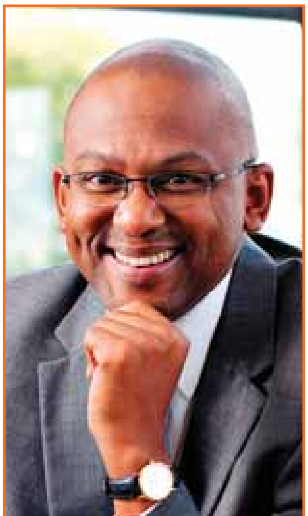
Adv. L Makatini
Non-executive Director

Ms. T Ramuedzisi
Non-executive Director

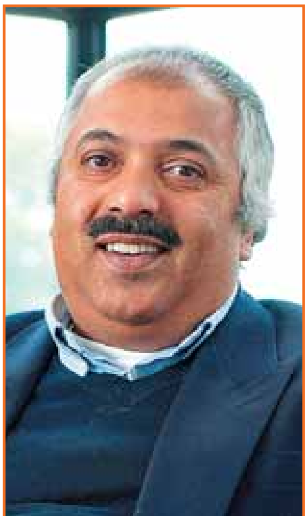
Mr. O Aphane
Non-executive Director



Mr. Y Tenza
Non-executive Director



Mr. T Maqubela
Non-executive Director



Mr. R Jawoodeen
Non-executive Director

Directors' Report

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 2012.

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

The board of directors acts as the accounting authority in terms of the PFMA.

1. Directors

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

Name		Appointed	Re-appointed	Resigned / Term ended
Dr S Mthembi-Mahanyele**	Independent, Non-executive, Chairperson	01 March 2011		
Mr M Damane	Executive	01 February 2007		16 September 2011
Adv L Makatini	Non-executive	09 September 2009		
Ms T Ramuedzisi	Non-executive (alternate to Mr T Maqubela)	01 July 2009		
Mr Y Tenza	Non-executive	01 July 2007		
Mr T Maqubela	Non-executive	1 June 2010		
Ms B Mabuza *	Non-executive	15 December 2003	31 January 2011	
Mr O Aphane	Non-executive			
Mr R Jawoodeen	Non-executive	1 March 2011		

* **Ms B Mabuza**

* Appointed 15 December 2003 to 15 December 2006 as Non-executive director.

* Appointed 1 February 2007 to 31 January 2012 as Chairperson.

* Appointed 31 January 2012 as Non-executive director.

**** Dr S Mthembi-Mahanyele**

** Appointed as BAC from 28 July 2011 to 31 January 2012.

** Appointed as Non-executive memeber on 1 March 2011

** Appointed as Chairperson of the Board from 1 February 2012.

Attendance at meetings:

	06/04/2011	11/04/2011	30/05/2011	28/07/2011	07/09/2011	07/09/2011	27/10/2011	28/11/2011	06/12/2011	31/01/2012	28/02/2012
Ms B Mabuza	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr M Damane	Y	N	Y	N	N	N	N/A	N/A	N/A	N/A	N/A
Adv L Makatini	N	N	Y	Y	N	N	Y	Y	Y	Y	Y
Mr T Maqubela	N	N	N	Y	N	Y	Y	Y	Y	Y	Y
Ms T Ramuedzisi (alternate to Mr T Maqubela)	A	A	A	N	Y	A	A	Y	Y	A	A
Dr. S Mthembi-Mahanyele	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mr R Jawoodeen	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr Y Tenza	Y	Y	Y	N	N	Y	N	Y	N	N	N
Mr O Aphane	Y	Y	N	N	Y	Y	N	N	N	N	N

Y = Attended meeting

N = Apology received

N/A = Not a member at the date of meeting

A = Alternate attended meeting

Board Audit and Risk committees

The committees consist of the following members:

Name		Appointed	Re-appointed	Resigned / Term ended
Mr R Boqo	Non-executive Chairperson	01 June 2006	01 June 2009	
Mr D Hlatshwayo	Non-executive	01 March 2011		
Ms B Mabuza	Non-executive	31 January 2012		
Dr S Mthembi-Mahanyele	Non-executive	28 July 2011		31 January 2012
Mr Y Tenza	Non-executive	01 August 2007	16 February 2011	

Attendance at meetings:

	23/05/2011	25/07/2011	24/10/2011	17/02/2012
Mr R Boqo	Y	Y	Y	Y
Mr D Hlatshwayo	N/A	Y	Y	Y
Ms B Mabuza	N/A	N/A	N/A	Y
Dr. S Mthembi-Mahanyele	N/A	N/A	Y	N/A
Mr Y Tenza	Y	Y	N	N

Y=Attended meeting

N=Apology received

N/A=Not a member at date of meeting

Directors' Report

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

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

Board Human Resource committee

The Board human resource committee consists of the following members:

Name		Appointed	Resigned
Ms B Mabuza *	Non-executive Chairperson until 31 January 2012 thereafter non-executive director	01 February 2007	31 January 2012
Mr Y Tenza	Non-executive	25 February 2009	
Dr S Mthembi-Mahanyele	Non-executive Chairperson from	 1 February 2012	31 January 2012
Mr R Jawoodeen	Non-executive	20 October 2011	

Attendance at meetings:

	27/06/2011	20/10/2011
Ms B Mabuza	Y	Y
Mr Y Tenza	Y	Y
Dr S Mthembi-Mahanyele	N/A	Y
R Jawoodeen	N/A	Y

Y=Attended meeting

N=Apology received

N/A=Not a member at 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.

Governance and Nominations committee

		Appointed
Ms B Mabuza	Non-executive Chairperson	01 February 2007
Mr M Damane	Non-executive	01 February 2007
Dr S Mthembi-Mahanyele	Non-executive	01 February 2012
Mr T Maqubela	Non-executive	01 July 2007

	26/07/2011	20/10/2011	22/11/2011	26/11/2012	27/03/2012
Ms B Mabuza	Y	Y	Y	Y	Y
Mr T Maqubela	Y	N	Y	N	Y
Dr S Mthembi-Mahanyele	N/A	Y	Y	Y	Y
Mr M B Damane	N	N/A	N/A	N/A	N/A

Y=Attended meeting

N=Did not attend meeting

N/A=Not a member at date of meeting

2. Secretary

The secretary of the company is Mr A Haffejee of:

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

4. Nature of business

The principal activities of CEF are to:

- 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 of Energy with the concurrence of the Minister of Finance.
- To deliver sustainable development of the economy and communities through the targeting of skills development, the implementation of competitive supplier development programmes and the investment in social upliftment programmes of targeted groups through Corporate Social Investment programmes

5. Review of financial position

The group realised a net profit of R1,838 million (2011: R1,256 million profit) for the year under review. Revenue was particularly high at R14,988 million (2011: R 11,078 million).

The group recorded a pre-tax profit R1,834 million, which reflects an increase on the prior year profit of R1,049 million. In the previous financial year Brass Exploration Unlimited, PetroSA Nigeria and CCE Solutions (SOC) Limited were classified as discontinued operations. The CCE financial statements have been prepared on the liquidation basis. Revenue is higher mainly due to the higher crude oil price and an increase in crude and finished products trading.

The group statement of financial position remains strong with total assets of R35,298 million (2011: R33,594 million). A cash balance of R19,145 million (2011: R17,532 million) reflects the group's strong net cash position. Various options are being explored to optimise are currently low-geared as the organisation embarks on significant capital expansion programs in the short-to-medium term.

The increase in non-current liabilities is due to the updated abandonment study that was finalised in the current year. Other group operating costs have a positive variance of R2,129 million (2011: R2,354 million). The main reason is due to a reduction in expenditure in Equatorial Guinea by R300 million as no drilling occurred in current year as well as a VAT liability from the previous year which was reversed. This position will be significantly reduced in the coming year due to an aggressive capital expansion program which includes the Ilhwezi offshore development project and the acquisition of a stake in the Jubilee field in Ghana.

6. Authorised and issued share capital

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

Details of the share capital of the company are set out in note 17 to the annual financial statements.

7. Fruitless and Wasteful expenditure

The company's holding company is incorporated in the RSA.

The holding company is CEF (SOC) Ltd (CEF) and the ultimate shareholder is the South African Government. All shares held by the Government in CEF are not transferable in terms of the Central Energy Fund Act (Act No. 37 of 1977).

The directors are not aware of any fruitless, wasteful and irregular expenditure which has been incurred during the year under review other than that disclosed in note 48 of the annual financial statements.

8. Going concern

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

9. Operating results

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

Revenue	Group			Company		
	% Change	2012 R'000	2011 R'000 Restated	% Change	2012 R'000	2011 R'000 Restated
Sale of goods	39%	13,904,248	10,022,857	-%	-	-
Tank rentals	(10)%	376,591	418,466	-%	-	-
Property rental income	52%	5,398	3,558	-%	-	-
Verification income	100%	421	-	-%	-	-
Rendering of services	11%	701,421	633,108	9%	24,248	22,183
Gross Revenue	35%	14,988,079	11,077,989	9%	24,248	22,183

Revenue increased from R11,078 million to R14,988 million due to higher crude oil price and an increase in crude and finished products trading.

Profit for the year from continuing operations	Group			Company		
	% Change	2012 R'000	2011 R'000 Restated	% Change	2012 R'000	2011 R'000 Restated
Profit before taxation	75%	1,834,050	1,049,072	(1,847)%	148,505	(8,499)
Taxation	(96)%	10,306	274,767	24%	(25,771)	(33,752)
	40%	1,844,356	1,323,839	(390)%	122,734	(42,251)

The group reported a profit after taxation from continuing operations of R1,844 million (2011: R1,324 million).

The company reported a net profit of R123 million (2011: R42 million loss) which resulted from the impairment of loans to subsidiaries and a project, which amounted to R64 million. The impairment of the AEFC of R241 million was reversed due to the positive business outcomes for next financial year. The loans are impaired until the subsidiaries are able to become profitable and self-sustainable.

PetroSA

The PetroSA group achieved a net profit of R1,282 million (2011: R831 million) for the year under review. Sales revenues were higher at R14,444 million (2011: R10,565 million) mainly due to the high crude oil price and an increase in crude and finished product trading. However, cost of sales increased by 35% to R11,941 million mainly due to the smaller margins realised from purchased products and increased feedstock costs.

Other PetroSA group operating costs have a positive variance of R1,675 million (2011:R1,904 million). The main reason is due to a reduction in expenditure in Equatorial Guinea by R300 million as no drilling occurred in current year as well as a VAT liability from the previous year which was reversed.

The PetroSA group's financial position remains strong with total assets of R26,487 million (2011: R25,006 million). A cash balance of R12 849 million (2010: R11,852 million) and a long term loan of nil (also zero in 2011) reflects the group's strong net cash position at year-end. This position will be significantly reduced in the coming year due to an aggressive capital expansion program which includes the Ikhwezi offshore development project and the acquisition of a stake in the Jubilee field in Ghana. Various options are also being explored in conjunction with the funding community to optimise our currently low-geared balance sheet as the organisation embarks on significant capital expansion programs in the short-to-medium term.

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

PetroSA had a 37.5% interest in the associate company GTL.F1 AG, a Swiss incorporated technology company which holds the licenses of the GTL technology. The group results include the performance of GTL.F1 AG for the year ended 31 December 2011. One of the joint venture partners has withdrawn from GTL.F1 with the result that PetroSA's share increased from 37.5% to 50%.

PetroSA entered into a share purchase agreement in December 2011 for the acquisition of 100% of the equity shares in Sabre Oil and Gas Holdings (BVI) (Sabre) with the effective date 1 January 2012 subject to conditions precedent. The purchase price is USD500 million, with an additional USD65 million contingent upon achieved certain performance milestones. Sabre participates in two petroleum agreements, namely Deep Water Tano and West Cape Three Points. These assets straddle a producing oil and gas field in Ghana, namely the Jubilee field. The accounting treatment will follow once all the conditions precedent have been met.

The Minister of Energy, at the annual general meeting of CEF in December 2010 requested that CEF consider ways in which the South African Gas and Development Company (SOC) Ltd (iGas) may be incorporated into PetroSA. Plans are currently underway to integrate iGas into PetroSA in terms on a ministerial directive issued on 8 March 2011.

In March 2012, PetroSA signed an asset purchase agreement for Pioneer Natural Resources (Pty) Ltd's (PNR) 49% participation in the South Coast Gas joint venture. PetroSA will pay USD60 million consideration, and PNR will pay to PetroSA USD8 million in settlement of the gas sales metering dispute. The effective date of the transaction is 1 January 2012 subject to conditions precedent. The accounting treatment will follow once all the conditions precedent have been met.

PetroSA Equatorial Guinea holds a 75% participating interest in Block Q in Equatorial Guinea. The remaining 25% of the participating interest is held by GEPetrol, the Equatorial Guinea's National Oil Company. The expiry date for the licence was 13 July 2012. PetroSA Equatorial Guinea applied for an extension to the licence period via a Production Sharing Contract amendment on the 11 May 2012 from the Ministry of Mines Industry and Energy in order for PetroSA Equatorial Guinea to conclude assignment of 55% of its participating interest in Block Q to a suitable company. This extension would allow PetroSA Equatorial Guinea together with a partner to progress the Block Q work programme. As no formal communication had been received by 13 July 2012 from the Minister for approval of the Production Sharing Contract amendment and extension, it was decided to impair the intercompany loan from PetroSA to PetroSA Equatorial Guinea.

SANERI

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

SANERI is in the process of being wound up.

South African Gas Development Company

The directors note that CEF has been requested by the Minister of Energy to merge iGas with PetroSA. This merger will be completed early in the next financial year. There are currently loans in place with CEF.

African Exploration Mining and Finance Corporation

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

The matters receiving attention include the timing of the transition and financing arrangements for prior and ongoing operations. It is expected that the full hiving-off process will be finalised during the next financial year.

Construction work of the Vlakfontein mine started at the beginning of the financial year and included the construction of the access roads, crushing and screening plant, pollution control dam, weighbridge and change houses. The last key item of the infrastructure programme, crushing and screening plant, was completed and commissioned in January 2012.

SFF Association

During the 2012 financial year, the crude oil market experienced some diffulties and resulted in a significant drop in storage rental income.

10. Materiality and significance framework

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

PetroSA

Diesel imported for sale into a Cape Town tankfarm was cleared incorrectly for customs purposes as a bonded tankfarm resulting in penalties of R1.2 million for late payment of customs duties. The cancellation of a contract incurred a cancellation penalty of R19 million. Interest and penalties of R16.4 million raised in PetroSA Equatorial Guinea in the prior year for the late payment of VAT was reversed in the current year. Legal fees amounting to R15.4 million could have been avoided had due care been exercised. Other fruitless and wasteful expenditure incurred by the group amounts to R 0.2 million.

11. Subsequent events

PetroSA

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

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ETA Energy

An additional thirty percent (R119 million) of the conditional grants/carbon income received from the Ministry of Foreign Affairs of Finland; Nordic Carbon Fund; Carbon Opportunity Fund and Fine Carbon Fund was paid back by the end of April 2012.

CEF Carbon

The company incurred a net loss for the year ended 31 March 2012 of R3,2 million (2011: R5,4 million) and as of that date the company's total liabilities exceeded its total assets by R15,4 million (2011: R12,1 million). The future prospects for operation as an independent entity are not optimistic and the CEF board agreed that all Carbon activities will be managed within the EDC Division of CEF (SOC) Limited as from 1 April 2012.

The liquidation basis has been adopted in preparing the annual financial statements. The directors have reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. The non-viability of the company is supported by the annual financial statements.

The proposal is that CEF Carbon will then become a dormant company.

Carbon Stream Africa

The company incurred a net loss for the year ended 31 March 2012 of R1,2 million (2011: R1,3 million) and as of that date the company's total liabilities exceeded its total assets by R 2,221 million (2011: R985 million).

A decision to cease activities has been taken. CEF will procure the outstanding Greenstream shares for a nominal €1 and will then determine how to manage the entity in the future. The liquidation basis has been adopted in preparing the annual financial statements. The directors have reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. The non-viability of the company is supported by the annual financial statements. A decision to cease activities has been taken.

Conclusion

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

12. Other activities administered by CEF

Equalisation Fund

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

Mine Health and Safety Council

CEF manages some of the cash resources of the Council.

13. Shareholder

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

14. CEF Group Challenges

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

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

15. Litigations

CEF

A criminal case of fraud was opened on 02 March 2012 against former CEF employees. The charges relate to the approval for payment of duplicate invoices submitted to CEF by the Project Developer amounting to R0,101 million. The detective investigating the case is in the process of interviewing potential witnesses and settling affidavits in support of the charges before the case is presented to a state prosecutor to make a decision to prosecute or not to prosecute.

PetroSA

Pursuant to a PetroSA Executive Management and Board decision, the shareholders of Brass Exploration Unlimited (BEU) sold their share in the company in order to dispose of its interest in Oil Mining Lease 114 (OML114). The sale and purchase agreement for the BEU shares was subject to a resolutive condition that PetroSA and its subsidiary, in turn, sell their respective shareholding in PetroSA Nigeria, the legal owner of OML114. The purchase price of the BEU and PetroSA Nigeria shares is the indivisible amount of US$55 million. The sale of BEU and PetroSA Nigeria was closed on 22 February 2011 and 17 October 2011, respectively and has been accounted for in the current year.

Moni Pulo Ltd, PetroSA's joint venture partner, is contesting the sale and has approached the Nigerian High Court to obtain relief on the matter. PetroSA is defending its case and is confident of success in this regard.

SFF

City of Cape Town and Investments company

SFF applied for an interdict to stop development adjacent to the Milnerton facility. Judgement was granted against SFF with costs.

NERSA licence

This relates to a High Court Application by Visigro for the review of the Licence granted to SFF by NERSA.

Arbitration claim by customer

There is an imminent litigation matter for a claim from a customer for undelivered crude oil and damages and for the outstanding cargo dues in respect of the handling and storage of crude oil under the storage agreement.

Mineral rights

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

African Exploration Mining and Finance Corporation (SOC) Limited

Royalty Dispute

The dispute relates to an exchange agreement concluded between a mining company and SFF Association prior to the existence of the MPRD Act and Royalty Act. AEMFC as a mining subsidiary company of CEF is responsible for the lodging of the Declaratory Order with the High Court.

Prospecting Right Dispute

A mining company lodged an application with the High Court seeking to nullify the converted old order prospecting right that was granted to AEMFC on the grounds that they also have a valid prospecting right on the same area as well as mining rights on some of the farm portions on the same area under dispute.

16. Interim Appointment - Office of the CEO

The Group Chief Executive of the company resigned on the 16th September 2011. The Group CFO was appointed as the acting CEO until the end of January 2012.

The Board resolved on the 30th January 2012 that Ms Mabuza a non executive director be appointed as the Acting CEO pending the appointment of a new CEO for the organisation.

Dr S Mthembi-Mahanyele (Chairperson)

Sandton

27 July 2012

Adv L Makatini

(Non-Executive director)

Materiality and Significance Framework

Materiality and Significance Framework

Disclosure in AFS

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

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

APPROVAL LEVELS IN TERMS OF SECTION 54

	CEF (SOC) Ltd Group	PetroSA	iGas	PASA	SFF	OPCSA	SANERI	AE	CCE	Carbon SA	CSA	Carbon UK	ETA	SASDA
Public Entity's board approval levels	<R655 million	<R467 million	<R26 million	<R5,9 million	<R81 million	<R504 000	< R325 000	< R1 million	< R1.6 million	R32 000	< R27 000	R0	< R926 000	< R19 000
CEF Board to approve	<R655 million	>R467 million and < R 655 million	> R26 million and < R655 million	> R5,9 million and < R655 million	< R81 million and < R655 million	> R504 000 and < R655 million	> R325 000 and < R655 million	> R1 million and < R655 million	> R1.6 and < R655 million	> R32 000 and < R655 million	> R27 000 and < R655 million	> R0 and < R655 million	> R926 000 and < R 655 million	> R19 000 and < R655 million
Obtain DOE approval and inform National Treasury via the top-most holding company							> R655 million							

Statement of Financial Position

Statement of Financial Position

At 31 March

		Group		Company	
		2012	2011	2012	2011
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Assets					
Non-Current Assets					
Property, plant and equipment	2	6,896,213	7,335,791	85,290	89,492
Intangible assets	3	110,083	97,838	2,787	2,057
Assets pending determination	5	45,145	43,915	-	-
Deferred tax	6	17	5,337	17	5,337
Investments in subsidiaries	7	-	-	3,573,720	3,378,639
Investments in associates	8	756,188	740,226	56,913	53,379
Loans to group companies	9	-	-	-	-
Other financial assets	10	192,659	427,781	7,062	310,806
Strategic inventory	12	3,101,834	2,058,890	-	-
Finance lease receivables	11	3,906	226	-	-
		11,106,045	**10,710,004**	**3,725,789**	**3,839,710**
Current Assets					
Inventories	13	2,591,028	1,578,572	-	-
Other financial assets	10	-	-	-	58,500
Current tax receivable	33	26,786	418,602	-	5,220
Finance lease receivables	11	848	45	-	-
Trade and other receivables	14	2,428,415	2,185,987	37,352	39,902
Cash and cash equivalents	15	19,144,932	17,531,732	3,610,552	3,477,185
		24,192,009	**21,714,938**	**3,647,904**	**3,580,807**
Assets of disposal groups	16	94	1,168,838	-	-
Total Assets		**35,298,148**	**33,593,780**	**7,373,693**	**7,420,517**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	17	-	-	-	-
Reserves		61,140	(46,963)	-	-
Retained income		26,370,698	24,532,269	6,280,463	6,157,729
		26,431,838	24,485,306	6,280,463	6,157,729
Non-controlling interest		12,963	13,768	-	-
		26,444,801	**24,499,074**	**6,280,463**	**6,157,729**
Liabilities					
Non-Current Liabilities					
Loans from group companies	9	-	-	973,777	940,878
Other financial liabilities	18	-	204,774	-	204,774
Deferred income	25	12,172	-	12,154	-
Deferred tax	6	460	1,957	460	1,957
Provisions	20	6,191,860	5,991,566	-	3,186
		6,204,492	**6,198,297**	**986,391**	**1,150,795**

Statement of Financial Position (continued)

At 31 March

		Group		Company	
		2012	2011	2012	2011
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Current Liabilities					
Other financial liabilities	18	-	58,500	-	58,500
Current tax payable	33	10,254	26,303	6,149	-
Unearned finance income	19	1,069	68	-	-
Trade and other payables	24	2,078,137	1,545,580	85,305	40,328
Deferred income	25	1,423	3,476	269	335
Provisions	20	462,540	417,677	15,116	12,830
Retention	22	890	-	-	-
Third party funds	23	-	34,725	-	-
		2,554,313	**2,086,329**	**106,839**	**111,993**
Liabilities of disposal groups	16	94,542	810,080	-	-
Total Liabilities		**8,853,347**	**9,094,706**	**1,093,230**	**1,262,788**
Total Equity and Liabilities		**35,298,148**	**33,593,780**	**7,373,693**	**7,420,517**


POLLUTION CONTROL
NO UNAUTHORISED ENTRY
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Statement of Comprehensive Income

Statement of Comprehensive Income

For the year ended 31 March

		Group		Company	
		2012	2011	2012	2011
	Note(s)	R '000	R '000	R '000	R '000
			Restated		Restated
Continuing operations					
Revenue	26	14,988,079	11,077,989	24,248	22,183
Cost of sales	27	(11,965,282)	(8,810,814)	-	-
Gross profit		**3,022,797**	**2,267,175**	**24,248**	**22,183**
Other income		131,268	286,363	4,658	3,103
Operating expenses		(2,128,579)	(2,354,381)	(47,109)	(231,355)
Operating Profit / (Loss)	28	**1,025,486**	**199,157**	**(18,203)**	**(206,069)**
Investment income	30	1,178,798	1,221,927	232,956	278,116
Income from equity accounted investments		103,794	87,343	-	-
Finance costs	32	(474,028)	(459,355)	(66,248)	(80,546)
Profit / (Loss) before taxation		**1,834,050**	**1,049,072**	**148,505**	**(8,499)**
Taxation	33	10,306	274,767	(25,771)	(33,752)
Profit / (Loss) from continuing operations		**1,844,356**	**1,323,839**	**122,734**	**(42,251)**
Discontinued operations					
Loss for the year from discontinued operations	16	(6,732)	(68,312)	-	-
Profit / (Loss) for the year		**1,837,624**	**1,255,527**	**122,734**	**(42,251)**
Other comprehensive income:					
Exchange differences on translating foreign operations		91,675	(32,159)	-	-
Total comprehensive income / (loss)		**1,929,299**	**1,223,368**	**122,734**	**(42,251)**
Profit attributable to:					
Owners of the parent:					
Profit for the year from continuing operations		1,845,161	1,314,638	122,734	(42,251)
Profit for the year from discontinued operations	16	(6,732)	(68,312)	-	-
Profit / (Loss) for the year attributable to owners of the parent		**1,838,429**	**1,246,326**	**122,734**	**(42,251)**
Non-controlling interest:					
Profit / (Loss) for the year from continuing operations		(805)	9,201	-	-
Total comprehensive Income / (Loss) attributable to:					
Owners of the parent		1,838,429	1,246,326	122,734	(42,251)
Non-controlling interest		(805)	9,201	-	-
		1,837,624	**1,255,527**	**122,734**	**(42,251)**

Statement of Changes in Equity

Statement of Changes in Equity

For the year ended 31 March

	Foreign currency translation reserve	Fair value adjustment assets-available-for-sale reserve	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Group								
Balance at 01 April 2010	**(80,759)**	**(45)**	**-**	**(80,804)**	**23,285,943**	**23,205,139**	**4,568**	**23,209,707**
Changes in equity								
Total comprehensive income for the year	33,841	-	-	33,841	1,246,326	1,280,167	9,201	1,289,368
Total changes	33,841	-	-	33,841	1,246,326	1,280,167	9,201	1,289,368
Balance at 01 April 2011 restated	**(46,918)**	**(45)**	**-**	**(46,963)**	**24,532,269**	**24,485,306**	**13,768**	**24,499,074**
Changes in equity								
Total comprehensive income for the year	91,675	-	16,428	108,103	1,838,429	1,946,532	(805)	1,945,727
Total changes	91,675	-	16,428	108,103	1,838,429	1,946,532	(805)	1,945,727
Balance at 31 March 2012	**44,757**	**(45)**	**16,428**	**61,140**	**26,370,698**	**26,431,838**	**12,963**	**26,444,801**

Note(s)

Statement of Changes in Equity

For the year ended 31 March

	Share capital	Foreign currency translation reserve	Fair value adjustment assets-available-for-sale reserve	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Minority interest	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Company									
Balance at 01 April 2010		**-**	**-**	**-**	**-**	**6,199,980**	**6,199,980**	**-**	**6,199,980**
Changes in equity									
Total comprehensive loss for the year		-	-	-	-	(42,251)	(42,251)	-	(42,251)
Total changes		-	-	-	-	(42,251)	(42,251)	-	(42,251)
Balance at 01 April 2011		**-**	**-**	**-**	**-**	**6,157,729**	**6,157,729**	**-**	**6,157,729**
Changes in equity									
Total comprehensive income for the year		-	-	-	-	122,734	122,734	-	122,734
Total changes		-	-	-	-	122,734	122,734	-	122,734
Balance at 31 March 2012		**-**	**-**	**-**	**-**	**6,280,463**	**6,280,463**	**-**	**6,280,463**

Note(s)

Statement of Cash Flows

Statement of Cash Flows

For the year ended 31 March 2012

		Group		Company	
		2012	2011	2012	2011
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Cash receipts from customers	34	14,981,170	12,813,631	31,456	35,586
Cash paid to suppliers and employees	35	(14,116,735)	(11,091,579)	(50,015)	(84,414)
Cash generated / (utilised) by operations	36	864,435	1,722,052	(18,559)	(48,828)
Interest income		1,178,798	1,221,926	232,956	278,116
Dividends received		-	1	-	-
Finance costs		(474,028)	(459,355)	(66,248)	(80,546)
Tax received (paid)	38	389,896	217,327	(10,579)	(40,549)
Cash flows of held for sale / discontinued operations	39	446,474	33,246	-	-
Net cash from operating activities		**2,405,575**	**2,735,197**	**137,570**	**108,193**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(686,514)	(235,784)	(1,067)	(1,496)
Sale of property, plant and equipment	2	651	2,008	146	-
Purchase of other intangible assets	3	(16,092)	(3,211)	(860)	(1,007)
Sale of other intangible assets	3	2	1,484	-	-
Investments in associates		(15,962)	(74,372)	(3,534)	(3,551)
Investments in subsidiaries		-	-	(94,114)	(64,212)
Sale/(purchase) of financial assets		231,378	7,318	358,500	(9,012)
Purchase of assets pending determination	5	(2,160)	(3,401)	-	-
Repayment of amounts held by holding company	5	-	-	-	-
Net cash from investing activities		**(488,697)**	**(305,958)**	**259,071**	**(79,278)**
Cash flows from financing activities					
Repayment of other financial liabilities		(263,274)	(48,792)	(263,274)	(48,792)
Movement in retention		890	-	-	-
Movement in third party funds		(34,725)	22,254	-	-
Repayment of shareholders loan		-	-	-	-
Finance lease payments		1,001	68	-	-
Finance lease receipts		(4,483)	(271)	-	-
Loans to group companies repaid		-	-	-	-
Net cash from financing activities		**(300,591)**	**(26,741)**	**(263,274)**	**(48,792)**
Cash and cash equivalents movement for the year		**1,616,287**	**2,402,498**	**133,367**	**(19,877)**
Cash and cash equivalents at the beginning of the year		17,531,732	15,183,657	3,477,185	3,497,062
Effect of exchange rate movement on cash balances		(3,087)	(54,423)	-	-
Cash and cash equivalents at end of the year	**15**	**19,144,932**	**17,531,732**	**3,610,552**	**3,477,185**

Accounting Policies

Accounting Policies

1. Presentation of annual financial statements

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

1.1 Basis of preparation

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

The group annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice; the Companies Act of 2008 and the Corporate Laws Amendment Act.

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

Assets and liabilities or income and expenditure will not be offset, unless it is required or permitted by a standard.

1.2 Basis of consolidation

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

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

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, associates and joint ventures acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 year-end of the group. Adjustments are made to the financial results for material transactions and events in the intervening period. Losses in excess of the group's interest are not recognised unless there is a binding obligation to contribute to the losses.

Company financial statements

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

Consolidated financial statements

Business combinations

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

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (AC 140): Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 (AC 142): Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interests in the acquiree over the acquisition-date fair values of net identifiable assets. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Interest in associates

An associate is an enterprise in which the group has significant influence, through participation in the financial and operating policy decisions of the investee, but not control.

The results and assets and liabilities of associates are incorporated in the financial statements by using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 (AC 142): Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Interest in joint ventures

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

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

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

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

All significant inter-company 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

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.

Statement of Financial Position

At each reporting date:

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

Exchange differences

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

Foreign entities

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

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

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

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

1.4 Comparative figures

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

1.5 Property, plant and equipment

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

Carrying amounts

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

Cost

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

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

Derecognition

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

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

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

Depreciation

Depreciation is charged so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives to estimated residual values, using the straight line method or other acceptable 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 following methods and rates are used during the year to depreciate property, plant and equipment to estimated residual values:

Item	Average useful life
Land	Not depreciated
Buildings	5 - 40 years
Production assets	units of production
Plant, equipment and exploration	3 - 8 years
Furniture, fittings and communication equipment	3 - 15 years
Motor vehicles	4 - 12 years
Computer equipment	3 - 5 years
Shutdown costs	3 - 5 years

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

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

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

Production assets (oil and gas fields)

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

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

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

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

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

Restoration costs

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

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

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

1.6 Assets pending determination

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

Pre-licensing cost

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

Exploration and evaluation costs

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

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

Assets pending determination

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

Development costs

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

Dry wells

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

Coal mining

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

1.7 Intangible assets

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

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

Research 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 the development cost can be reliably measured. Otherwise it is recognised in profit or loss.

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

Computer software	2 - 10 years

1.8 Impairment of non - financial assets

At each reporting 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 discounted by the weighted average cost of capital.

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.

1.9 Leases

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

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

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

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

1.10 Inventories

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.

Coal inventory

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

Spares, catalysts and chemical

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

1.11 Financial instruments

Recognition

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

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

Financial instruments recognised on the Statement of Financial Position include cash and cash equivalents, trade receivables, investments, trade payables 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 profit or loss are expensed. Subsequent measurement will depend on the classification of the financial instrument as detailed below.

Financial assets

The group's principal financial assets are investments and loans receivable, accounts receivable and cash and cash equivalents. All financial assets except for those at fair value through profit or loss are subject to review for impairment at each reporting date.

Investments

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

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

(b) Held-to-maturity investments;

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

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

Trade and other receivables

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

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. Cash and cash equivalents are stated at carrying amount which is deemed to be the fair value.

Financial liabilities

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

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

Trade and other 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 uncollectible, 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 amortisation.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

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

Derivative financial instruments

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

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

Payments and receipts under interest rate swap contracts are recognised in the Statement of Comprehensive Income on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities.

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

Gains and losses on subsequent measurement

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

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

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

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

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

Derecognition

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

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

Fair value considerations

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

Offsetting

Financial assets and financial liabilities are offset 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.

1.12 Post-employment benefit costs

Defined contribution costs

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

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

Defined benefit costs

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

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

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

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

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

Other post-employment obligations

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

1.13 Provisions

Provisions represent liabilities of uncertain timing or amounts.

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

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

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

1.14 Revenue recognition

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

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

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

Revenue from royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.15 Cost of sales

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

1.16 Income from investments

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

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

1.17 Taxation

Current tax assets and liabilities

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

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

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

Deferred tax assets

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

Deferred tax liability

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

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

1.18 Finance costs

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

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

1.19 Government grants

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

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

1.20 Discontinued operations

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

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

1.21 Subsequent events

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

1.22 Irregular and fruitless and wasteful expenditure

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

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

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

All irregular and fruitless and wasteful expenditure is charged against profit and loss in the period in which they are incurred.

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

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

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

1.23 Adoption of Generally Accepted Accounting Practice

The group has adopted the following new and amended IFRS's as of 1 January 2011:

1. IFRS 3 (amended), 'Business combinations' (effective from 1 July 2010)

When IFRS 3 (2008) was issued, it was unclear as to whether the new requirement for contingent consideration should be applied to contingent consideration arising from business combinations that took place before the application of IFRS 3. Consequently, the IASB amended IFRS 3 as part of Improvements to IFRSs issued in 2010 to clarify that the new requirements for contingent consideration set out in IFRS 3 should not be applied to business combinations whose acquisition date preceded the application of IFRS 3. The amendments are effective for annual periods beginning on or after 1 July 2010, with earlier application permitted. At the date of the application of IFRS 3, where entities have outstanding contingent consideration arrangements arising from business combinations whose acquisition dates preceded the application of IFRS 3, they should consider early application of the amendments.

As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition (see above) is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

In addition, as part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').

2. IFRS 7, (amended) 'Financial Instruments – Disclosures' (effective from 1 January 2011)

The first amendment to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The amendments have been applied retrospectively. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The second amendments to this standard require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

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

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

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

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

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

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

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

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

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

This standard provides new guidance on fair value measurement and its disclosure requirements.

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

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

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

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

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

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

The standard provides the amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.

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

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

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

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

1.24 Key assumptions made by management in applying accounting policies

Critical accounting estimates and judgements:

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

Environmental and decommissioning provision

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

Other provisions

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

Impairments and impairment reversals

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

Contingent liabilities

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

Evaluation of the useful life of assets

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

1.25 Related parties

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

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

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

The loans to or from related parties arise from loan agreements entered into for the year under review.

1.26 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.

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Carbon Markets
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Notes to the Annual Report

Figures in Rand thousand

2. Property, plant and equipment

Group	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	58,999	-	58,999	26,645	-	26,645
Buildings	101,569	(17,795)	83,774	100,970	(13,032)	87,938
Plant and machinery	19,886,865	(16,838,285)	3,048,580	19,781,080	(16,239,499)	3,541,581
Furniture and fixtures	639,898	(484,559)	155,339	601,529	(439,134)	162,395
Motor vehicles	11,159	(6,207)	4,952	8,206	(5,487)	2,719
Computer equipment	15,065	(10,587)	4,478	13,214	(9,572)	3,642
Computer software	1,859	(1,742)	117	1,859	(1,624)	235
Shutdown costs	461,705	(461,705)	-	461,705	(307,804)	153,901
Assets under development	2,552,426	-	2,552,426	2,049,504	-	2,049,504
Restoration expenditure	1,792,963	(805,415)	987,548	1,889,355	(582,124)	1,307,231
Total	**25,522,508**	**(18,626,295)**	**6,896,213**	**24,934,067**	**(17,598,276)**	**7,335,791**

Company	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	93,592	(13,574)	80,018	93,414	(8,648)	84,766
Furniture and fixtures	7,315	(4,456)	2,859	7,715	(4,424)	3,291
Motor vehicles	1,355	(579)	776	1,207	(720)	487
Computer equipment	4,835	(3,198)	1,637	4,477	(3,529)	948
Total	**107,097**	**(21,807)**	**85,290**	**106,813**	**(17,321)**	**89,492**

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2012

	Opening Balance	Additions	Disposals	Written back during year	Transfers	Foreign exchange movements	Change in estimate	Depreciation	Impairment loss	Total
Land	26,645	31,424	-	-	930	-	-	-	-	58,999
Buildings	87,938	599	-	-	-	-	-	(4,763)	-	83,774
Plant and machinery	3,541,581	65,973	(303)	-	41,115	-	-	(599,786)	-	3,048,580
Furniture and fixtures	162,395	39,451	(737)	-	(279)	1	-	(45,425)	(67)	155,339
Motor vehicles	2,719	3,020	(67)	-	-	-	-	(720)	-	4,952
Computer equipment	3,642	2,011	(3)	-	(113)	-	-	(1,015)	(44)	4,478
Computer software	235	-	(1)	-	-	-	-	(117)	-	117
Shutdown costs	153,901	-	-	-	-	-	-	(153,901)	-	-
Assets under development	2,049,504	544,036	-	-	(41,114)	-	-	-	-	2,552,426
Restoration expenditure	1,307,231	-	-	7,804	-	-	(104,196)	(223,291)	-	987,548
	7,335,791	**686,514**	**(1,111)**	**7,804**	**539**	**1**	**(104,196)**	**(1,029,018)**	**(111)**	**6,896,213**

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2011

	Opening Balance	Additions	Disposals	Classified as held for sale	Transfers	Foreign exchange movements	Change in estimate	Depreciation	Impairment reversal	Total
Land	16,715	9,930	-	-	-	-	-	-	-	26,645
Buildings	92,600	233	-	-	-	-	-	(4,895)	-	87,938
Plant and machinery	3,286,373	14,973	(912)	-	989,394	-	-	(672,485)	(75,762)	3,541,581
Furniture and fixtures	235,145	14,074	(278)	-	31	(1)	2	(86,562)	(16)	162,395
Motor vehicles	4,866	1,964	(40)	-	(1)	-	-	(4,070)	-	2,719
Computer equipment	3,242	2,104	(11)	-	1	-	28	(1,688)	(34)	3,642
Computer software	354	-	-	-	-	-	-	(119)	-	235
Shutdown costs	307,803	-	-	-	-	-	-	(153,902)	-	153,901
Assets under development	2,846,672	192,506	(816)	-	(988,858)	-	-	-	-	2,049,504
Restoration expenditure	18,906	-	-	107,292	-	-	1,518,956	(337,923)	-	1,307,231
	6,812,676	**235,784**	**(2,057)**	**107,292**	**567**	**(1)**	**1,518,986**	**(1,261,644)**	**(75,812)**	**7,335,791**

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2012

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

Reconciliation of property, plant and equipment - Company - 2011

	Opening Balance	Additions	Depreciation	Total
Buildings	89,299	233	(4,766)	84,766
Furniture and fixtures	3,795	540	(1,044)	3,291
Motor vehicles	354	334	(201)	487
Computer equipment	1,165	389	(606)	948
	94,613	**1,496**	**(6,617)**	**89,492**

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

The directors of the companies evaluated the estimated useful life of the fixed assets as at 31 March 2012 to ensure that the fixed assets were fairly stated at year end.

Figures in Rand thousand

2. Property, plant and equipment (continued)

PetroSA

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

PetroSA entered into a agreement with the Mossel Bay Municipality to jointly construct a desalination plant in Mossel Bay. PetroSA's portion has been included as an asset under construction. Total spend at 31 March 2012 amounts to R66.8 million (2011: R53 million) (excluding VAT).

The units-of-production method is used in calculating depreciation on production assets. Due to the nature of the business the gas and oil reserves at the end of each financial year differs from the previous year. This necessitates a change in the estimated remaining useful lives of these producing assets at the end of each financial year. The effect on the current year is an increase in profit of R75 million and the effect in future years is 2013: R46 million - 2014 R80 million - 2015 R102 million - 2016 to 2021 loss R303 million.

During the year, the useful lives of non-production assets were revised to more accurately reflect the pattern in which benefits are expected to flow to the Group. The revisions were accounted for prospectively, as a change in estimate. The effect on the current period is a increase in profits of R39 million. The effect on future periods has not been disclosed since it is impracticable to calculate a reliable estimate.

Oil Pollution Control South Africa

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

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

SFF Association

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

Assets with the gross carrying value of R0,158 million has been fully depreciated and still in use. These assets will be re-assessed in the next financial year.

Figures in Rand thousand

3. Intangible assets

Group	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Patents	57,424	(51,855)	5,569	50,490	(49,618)	872
Computer software	30,418	(18,061)	12,357	18,627	(13,818)	4,809
Exploration licensing fee	79,162	-	79,162	79,162	-	79,162
Development cost	12,995	-	12,995	13,357	(362)	12,995
Total	**179,999**	**(69,916)**	**110,083**	**161,636**	**(63,798)**	**97,838**

Company	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Patents	50,490	(50,490)	-	50,490	(49,618)	872
Computer software	6,993	(4,206)	2,787	6,133	(4,948)	1,185
Total	**57,483**	**(54,696)**	**2,787**	**56,623**	**(54,566)**	**2,057**

Reconciliation of intangible assets - Group - 2012

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Total
Patents	872	6,934	-	-	(2,237)	5,569
Computer software	4,809	9,158	(2)	9	(1,617)	12,357
Exploration licensing fee	79,162	-	-	-	-	79,162
Development cost	12,995	-	-	-	-	12,995
	97,838	**16,092**	**(2)**	**9**	**(3,854)**	**110,083**

Figures in Rand thousand

3.Intangible assets (continued)

Reconciliation of intangible assets - Group - 2011

	Opening Balance	Additions	Disposals	Amortisation	Impairment loss	Total
Patents, trademarks and other rights	3,227	-	-	(2,355)	-	872
Computer software	5,015	2,998	(52)	(3,152)	-	4,809
Exploration licensing fee	79,162	-	-	-	-	79,162
Development costs	16,440	213	(1,432)	-	(2,226)	12,995
	103,844	**3,211**	**(1,484)**	**(5,507)**	**(2,226)**	**97,838**

Reconciliation of intangible assets - Company - 2012

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

Reconciliation of intangible assets - Company - 2011

	Opening Balance	Additions	Amortisation	Total
Patents	3,227	-	(2,355)	872
Computer software	793	1,007	(615)	1,185
	4,020	**1,007**	**(2,970)**	**2,057**

5.Assets pending determination

Group	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Exploration expenditure	45,145	-	45,145	43,915	-	43,915
Energy Renewal Projects	-	-	-	-	-	-
Total	**45,145**	**-**	**45,145**	**43,915**	**-**	**43,915**

Figures in Rand thousand

5.Assets pending determination (continued)

Reconciliation of assets pending determination - Group - 2012

	Opening balance	Additions	Transfers	Total
Exploration expenditure	43,915	2,160	(930)	45,145

Reconciliation of assets pending determination - Group - 2011

	Opening balance	Additions	Transfers	Other changes, movements	Impairment loss	Total
Exploration expenditure	41,559	2,819	(463)	-	-	43,915
Energy Renewal Projects	14,016	582	-	(6,129)	(8,469)	-
	55,575	**3,401**	**(463)**	**(6,129)**	**(8,469)**	**43,915**

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

6. Deferred tax

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Deferred tax (liability) asset				
Loans	-	-	-	-
Tax losses available for set off against future taxable income	(460)	(1,957)	(460)	(1,957)
Provisions	17	5,337	17	5,337
Capital allowances	-	-	-	-
	(443)	**3,380**	**(443)**	**3,380**
Reconciliation of deferred tax asset				
Current				
At beginning of the year	5,337	1,012,038	5,337	20,653
Current provision	-	-	-	-
Charged to profit and loss	-	(93,417)	-	(20,653)
Provisions	(5,320)	(923,958)	(5,320)	5,337
Balance at end of year	**17**	**5,337**	**17**	**5,337**
Reconciliation of deferred tax liability				
At beginning of the year	(1,957)	(929,983)	(1,957)	(11,362)
Charged to profit and loss	-	11,362	-	11,362
Capital allowance	-	918,621	-	-
Temporary difference	1,497	(1,957)	1,497	(1,957)
Balance at end of year	**(460)**	**(1,957)**	**(460)**	**(1,957)**
Deferred tax - Current portion	-	-	-	-
Deferred tax - Non - current portion	(443)	3,380	(443)	3,380
	(443)	**3,380**	**(443)**	**3,380**

7. Investments in subsidiaries

Name of company	**Carrying amount**	**Carrying amount**
African Exploration	240,719	-
Carbon Stream	390	875
CEF Carbon	1	11,960
SASDA	-	26,350
SA Gas Development	572,672	573,389
OPC	-	6,128
PetroSA	2,755,936	2,755,936
CCE	1	-
ETA	4,000	4,000
SFF	1	1
	3,573,720	3,378,639

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

Figures in Rand thousand

7. Investments in subsidiaries (continued)

Details of Subsidiary Companies

Name and nature of business	Issued capital R '000	% held 2012	% held 2011	Voting power % 2012	Voting power % 2011	Profit / (loss) for the year 2012 R '000	Profit / (loss) for the year 2011 R '000
SANERI To undertake research and technology development in order to exploit and utilise the energy resources of the Republic and Southern Africa.	-	100	100	100	100	(11,406)	(12,121)
SASDA The empowerment of historical disadvantaged SA suppliers in the petroleum industry.	-	100	100	100	100	(18,313)	(12,013)
OPCSA Containing and countering oil pollution.	-	100	100	100	100	6,867	10,796
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	55,966	7,264
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	69,858	47,689
SFF Management of strategic stocks of crude oil in accordance with ministerial directives.	-	100	100	100	100	370,458	451,557
PetroSA Exploration for and production of oil and gas, refining operations converting gas and gas condensate to liquid fuels, and the production of petrochemicals.	-	100	100	100	100	1,360,783	831,355
African Exploration Mining and Finance Corporation To acquire, hold and develop all exploration and mineral rights.	-	100	100	100	100	(48,718)	(23,413)
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	(47,228)	(3,037)
PetroSA Brass Management of investments in Nigeria.	-	100	100	100	100	(1)	1
PetroSA Gryphon Marin Permit Management of PetroSA hydrocarbon interest.	-	100	100	100	100	-	(106)
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	(407,817)	394,843

Figures in Rand thousand

7. Investments in subsidiaries (continued)

Details of Subsidiary Companies

Name and nature of business	Issued capital R '000	% held 2012	% held 2011	Voting power % 2012	Voting power % 2011	Profit / (loss) 2012 R '000	for the year 2011 R '000
PetroSA Themis	-	100	100	100	100	-	-
Management of PetroSA hydrocarbon interests.							
PetroSA Synfeul International	501	100	100	100	100	-	-
Management of Gas-to liquids project							
PetroSA Equatorial Guinea	-	100	100	100	100	(47,228)	(3,037)
Management of PetroSA hydrocarbon interests.							
PetroSA Sudan	-	100	100	100	100	-	(14)
The company holds PetroSA's interest in the exploration, appraisal, development and production of hydrocarbon reserves in Sudan.							
Petroleum Oil & Gas Corporation of South Africa (Namibia)	-	100	100	100	100	-	-
The company holds PetroSA's interest in the exploration, appraisal, development and production of hydrocarbon reserves in Namibia.							
PetroSA North America	-	100	100	100	100	-	1,183
To operate as a sales and marketing arm of PetroSA to promote its products in USA.							
PetroSA Egypt	-	100	100	100	100	(47,228)	(3,037)
The company holds PetroSA's interest in the exploration, appraisal, development and production of hydrocarbon reserves in Egypt.							
ETA Energy	100	100	100	100	100	(3,187)	7,619
To generate and trade of low carbon energy resources.							
Carbon Stream Africa	990	60	60	60	100	(1,236)	(1,283)
An advisory company delivering solutions and services for carbon emission reduction projects in Africa.							
CCE Energy Solutions	200	89	89	89	89	(2,917)	(89,993)
The generate 8.8 MW electricity from biomass.							
Carbon UK	-	-	-	-	-	-	-
Dormant							
CEF Carbon	-	100	100	100	100	(3,273)	(5,430)
The company provides advisory services as well as financial and operating support to CDM projects developers and purchasers of CER credits.							
						1,225,380	**1,598,823**

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

8. Investments in associates

Group	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Darling Wind Power (Proprietary) Limited	49.00%	49.00%	17,000	17,000
Baniettor Mining (Proprietary) Limited	49.00%	49.00%	24,031	24,031
GTL.F1 AG	50.00%	37.50%	-	-
PAMDC	33.33%	33.33%	2,756	2,756
Rompco	25.00%	25.00%	701,610	688,860
Methcap	19.00%	19.00%	1,242	1,242
Thin Film Solar Technology	45.00%	45.00%	39,385	38,735
Philips Lighting Maseru (Proprietary) Limited	30.00%	30.00%	5,246	5,770
Ener-G Systems (Proprietary) Limited	29.00%	29.00%	7,424	4,338
			798,694	782,732
Impairment of investments in associates			(42,506)	(42,506)
			756,188	740,226

Company	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Darling Wind Power (Proprietary) Limited	49.00%	49.00%	17,000	17,000
Baniettor Mining (Proprietary) Limited	49.00%	49.00%	24,031	24,031
MethCap SPV	19.00%	19.00%	1,475	1,475
Thin Film Solar Technology	45.00%	45.00%	39,545	39,545
Philips Lighting Maseru (Proprietary) Limited	30.00%	30.00%	9,410	9,410
Ener-G Systems (Proprietary) Limited	29.00%	29.00%	7,958	4,424
			99,419	95,885
Impairment of investments in associates			(42,506)	(42,506)
			56,913	53,379

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

Darling Wind Power (Proprietary) Limited

Assets				
Non-current	68,516	71,789	-	-
Current	1,162	491	-	-
	69,678	**72,280**	**-**	**-**
Equity and liabilities				
Equity and reserves	(20,638)	(27,192)	-	-
Non-current liabilities	72,940	81,401	-	-
Current liabilities	17,376	9,046	-	-
	69,678	**63,255**	**-**	**-**
Revenue	**3,236**	**2,919**	**-**	**-**
Loss	**(5,471)**	**(3,196)**	**-**	**-**

The company's year end is 31 March.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

8. Investments in associates (continued)

Baniettor Mining (Proprietary) Limited

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Assets				
Non-current	2,207	2,207	-	-
Current	2,772	2,718	-	-
	4,979	**4,925**	**-**	**-**
Equity and liabilities				
Equity and reserves	(44,410)	(44,438)	-	-
Current liabilities	49,389	49,363	-	-
	4,979	**4,925**	**-**	**-**
Revenue	**166**	**167**	**-**	**-**
Profit	**28**	**253**	**-**	**-**

The company's year end is 30 June.

PAMDC

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Assets				
Non-current	319	425	-	-
Current	6,160	7,444	-	-
	6,479	**7,869**	**-**	**-**
Equity and liabilities				
Equity and reserves	5,723	7,113	-	-
Current liabilities	756	756	-	-
	6,479	**7,869**	**-**	**-**
Loss	**(7,005)**	**(5,667)**	**-**	**-**

The company's year end is 31 March.

Rompco

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Assets				
Non-current	3,655,177	3,710,843	-	-
Current	386,408	279,618	-	-
	4,041,585	**3,990,461**	**-**	**-**
Equity and liabilities				
Equity and reserves	1,753,374	358,174	-	-
Non-current liabilities	1,895,915	3,334,981	-	-
Current liabilities	392,296	297,306	-	-
	4,041,585	**3,990,461**	**-**	**-**
Revenue	**1,197,538**	**944,522**	**-**	**-**
Profit	**523,734**	**413,087**	**-**	**-**

The company's year end is 30 June.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

8. Investments in associates (continued)

MethCap SPV

Assets				
Non current	17,818	19,228	-	-
Current	577	3,756	-	-
	18,395	**22,984**	**-**	**-**
Equity and liabilities				
Equity and reserves	(6,574)	(1,899)	-	-
Non-current liabilities	7,545	8,938	-	-
Current liabilities	17,424	15,946	-	-
	18,395	**22,985**	**-**	**-**
Revenue	**-**	**3,797**	**-**	**-**
(Loss)	**(4,674)**	**(4,922)**	**-**	**-**

The company's year end is 31 December.

Thin Film Solar Technology

Assets				
Non-current	33,348	34,527	-	-
Current	42,184	44,106	-	-
	75,532	**78,633**	**-**	**-**
Equity and liabilities				
Equity and reserves	74,500	74,396	-	-
Current liabilities	1,033	4,237	-	-
	75,533	**78,633**	**-**	**-**
Net profit / (loss)	**1,445**	**817**	**-**	**-**

The company year end is 31 March.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

8. Investments in associates (continued)

Philips Lighting Maseru (Proprietary) Limited

The financials are prepared in US$.

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Assets				
Non current	3,758	3,999	-	-
Current	8,681	7,212	-	-
	12,439	**11,211**	**-**	**-**
Equity and liabilities				
Equity and reserves	1,597	1,626	-	-
Non current liabilities	5,000	5,000	-	-
Current liabilities	5,842	4,585	-	-
	12,439	**11,211**	**-**	**-**
Revenue	**3,275**	**2,049**	**-**	**-**
Loss	**29**	**4**	**-**	**-**

The company's year end is 31 December.

Ener-G Joburg (Proprietary) Limited

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Assets				
Non current	23,843	11,112	-	-
Current	1,325	676	-	-
	25,168	**11,788**	**-**	**-**
Equity and liabilities				
Equity and reserves	789	(933)	-	-
Current liabilities	24,379	(10,855)	-	-
	25,168	**(11,788)**	**-**	**-**
Loss	**1,542**	**299**	**-**	**-**

The company year end is 31 March.

GTL.F1 AG Switzerland

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Assets				
Total assets	90,871	83,029	-	-
Equity and liabilities				
Total liabilities	(106,949)	(102,155)	-	-
Revenue	**3,723**	**25,032**	**-**	**-**
Loss	**(22,608)**	**(10,554)**	**-**	**-**

The company year end is 31 December.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

9. Loans to (from) group companies

Owing to Subsidiaries

SASDA	-	-	-	(567)
ETA energy	-	-	(30,190)	(47,718)
OPC	-	-	(5,432)	-
Petroleum Agency SA	-	-	(312,627)	(250,741)
PetroSA	-	-	(489,021)	(489,021)
SANERI	-	-	-	(29,556)
iGas	-	-	(136,507)	(123,273)
	-	**-**	**(973,777)**	**(940,876)**
Non-current assets	-	-	-	-
Non-current liabilities	-	-	(973,777)	(940,878)
	-	**-**	**(973,777)**	**(940,878)**

10. Other financial assets

Available-for-sale				
Johanna Solar Project	10,806	10,806	10,806	10,806
	10,806	10,806	10,806	10,806
Available-for-sale (impairments)	(3,744)	-	(3,744)	-
	7,062	**10,806**	**7,062**	**10,806**
Held to maturity				
Rompco	-	300,000	-	300,000
	-	**300,000**	**-**	**300,000**
Loans and receivables				
GTL.F1 This loan is interest free and has no fixed repayment terms.	68,724	30,367	-	-
Lurgi The amount owing by Lurgi is in respect of a purchase of 12.5% share in the PetroSA Statoil Joint Venture. The loan accrues interest at EUROBOR +0.75%. The loan is repayable based on dividends receivable by Lurgi from the GTL.F1 AG technology company.	116,873	86,608	-	-
Short term portion on loans and receivables	-	-	-	58,500
	185,597	116,975	-	58,500
Loans and receivables	-	-	-	-
	185,597	**116,975**	**-**	**58,500**
Total other financial assets	**192,659**	**427,781**	**7,062**	**369,306**

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

10. Other financial assets (continued)

During the year, a decision was taken to write off PetroSA's loan to PetroSA Egypt and PetroSA Equatorial Guinea of R1,142 million (2011: R1,157 million) and R1,142 million (2011: R0) respectively, due to its irrecoverability. PetroSA's loan to PetroSA Gryphon Marin was written off in the prior year.

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

	Group 2012	Group 2011	Company 2012	Company 2011
Non-current assets				
Available-for-sale	7,062	10,806	7,062	10,806
Held to maturity	-	300,000	-	300,000
Loans and receivables	185,597	116,975	-	-
	192,659	**427,781**	**7,062**	**310,806**
Current assets				
Loans and receivables	-	-	-	58,500
Total	**192,659**	**427,781**	**7,062**	**369,306**

11. Finance lease receivables

	Group 2012	Group 2011	Company 2012	Company 2011
Gross investment in the lease due				
- within one year	848	45	-	-
- inclusive in second to fifth year	3,906	181	-	-
- later than five years	-	45	-	-
	4,754	271	-	-
less: Unearned finance income	(1,069)	(68)	-	-
	3,685	**203**	**-**	**-**
Non-current assets	3,906	226	-	-
Current assets	848	45	-	-
	4,754	**271**	**-**	**-**

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

The average lease terms are 72 months and the average effective lending rate was 10% (2011: 10%).

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

12. Strategic inventory

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Crude oil at cost	2,078,004	2,078,004	-	-
Prior year provision for unpumpable inventory	(15,134)	(15,134)	-	-
Previous year stock adjustment	(3,980)	-	-	-
Current year stock adjustment for losses	(6,259)	(3,980)	-	-
White products	1,049,203	-	-	-
	3,101,834	**2,058,890**	**-**	**-**

The fair value of strategic stock as at 31 March 2012 is R9,700 million (2011: R8,730 million). A directive issued by the Minister of Treasury dated 8 January 2007, confirmed the strategic stockholding requirement of 10.3 million barrels. The actual pumpable stock on hand is 10,271,890 barrels, the strategic stock will be acquired in the 2013 financial year to comply with the directive.

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

The last commercial crude stocks in Saldanha were exported in January 2012 and the remaining crude in the tank farm is strategic and a customer stocks (Tank1). After SFF loaded the last cargo from the tank 3, 4 and 5 the calculations on 31 March 2012 month end showed a difference of 0.31 percent. The difference can be explained as evaporation losses over the past ± 10 years, as well as inaccurate measurements due to the size of the tanks. The manual dipping of the tanks for calculation purposes is a challenge, and tanks are "over reading". In future the metering system that is currently under construction will address these challenges.

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

13. Inventories

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
The amounts attributable to the different categories are as follows:				
Petroleum fuels	1,836,949	923,146	-	-
Work in progress	24,712	84,276	-	-
Finished goods	490	221	-	-
Consumable stores, spares and catalysts	713,603	570,929	-	-
Product stock on hand	3,086	-	-	-
Run of Mine Stock	12,188	-	-	-
	2,591,028	**1,578,572**	**-**	**-**

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

14. Trade and other receivables

Trade receivables	1,979,784	1,566,606	8,877	5,191
Prepayments	360,219	328,318	841	734
Deposits	791	552	-	-
VAT	3,597	24,531	69	2,938
Provision for doubtful debts	(75,614)	(102,066)	(2,071)	(1,023)
Sundry receivables	159,638	368,046	29,636	32,062
	2,428,415	**2,185,987**	**37,352**	**39,902**

The provision for doubtful debt consist of a number of customer accounts balances and the balance is aged as R416 million (2011: R101 million) at over 120 days and R2.1 million (2011: R1 million) is between 90-120 days.

Reconciliation of provision in bad debts in trade and other receivables

Balance at beginning of year	102,066	171,959	(1,023)	-
Impairment losses recognised on receivables	6,217	26,680	(1,048)	(1,023)
Amounts recovered during the year	(3,366)	(2,282)	-	-
Amounts reversed	(12,144)	(82,882)	-	-
Written off	(6,593)	(11,409)	-	-
Transferred	(10,566)	-	-	-
	75,614	**102,066**	**(2,071)**	**(1,023)**

15. Cash and cash equivalents

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

Short-term investments in money market	18,962,075	17,436,120	3,549,195	3,467,049
Bank balances	155,676	70,075	61,357	10,136
Short-term deposits	27,181	25,537	-	-
USD dollar account	-	-	-	-
Bank overdraft	-	-	-	-
	19,144,932	**17,531,732**	**3,610,552**	**3,477,185**

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

A term deposit of R27.1 million (2011: R: R25.5 million) is held in the company Energy Africa Rehabilitation (Association incorporated under s21), and is committed solely for the abandonment expenditure for the Oribi/Oryx field.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

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

Following PetroSA's decision to sell its 100% shareholding in a Nigerian registered Company, Brass Exploration Unlimited (BEU), a company with 40% interest in Oil Mining Lease 114 (OML114), a Sale and Purchase agreement was signed on condition that PetroSA and one of its subsidiaries, PetroSA Brass will sell their respective shareholding in PetroSA Nigeria, the legal owner of OML114 (as per records of Ministry of Oil in Nigeria). The purchase price of the BEU and PetroSA Nigeria shares is the indivisible amount of US$ 55 million. The sale of BEU and PetroSA Nigeria was closed on 22 February 2011 and 17 October 2011, respectively. Since PetroSA no longer controls these entities, the sale has been recognised in the current financial year in accordance with International Financial Reporting Standards.

In June 2011, MoniPulo Limited (MPL), instituted a civil suit in the Federal High Court in Lagos, Nigeria, aimed at undoing the sale to the purchaser. Judgment was handed down on 7 May 2012, which failed to provide a definitive ruling on the validity of the sale and purchase agreement. PetroSA has sought Nigerian legal counsel's advice and is confident of its prospects of launching a successful appeal against the High Court judgment; and in so doing obtaining a definitive ruling on the validity of the transaction.

PetroSA has obtained an indemnity from the purchaser, which in the unlikely event that should the sale be undone, will mitigate and potential exposure emanating from this transaction.

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

Profit and loss

	Group 2012	Group 2011	Company 2012	Company 2011
Revenue	-	594,770	-	-
Expenses	(6,732)	(434,121)	-	-
Net (loss) profit before tax	(6,732)	160,649	-	-
Tax	-	(228,961)	-	-
	(6,732)	**(68,312)**	**-**	**-**

	Group 2012	Group 2011	Company 2012	Company 2011
Assets of disposal groups				
Property, plant and equipment	61	80,499	-	-
Inventories	-	6,604	-	-
Trade and other receivables	33	145,522	-	-
Cash and cash equivalents	-	936,213	-	-
	94	**1,168,838**	**-**	**-**

	Group 2012	Group 2011	Company 2012	Company 2011
Liabilities of disposal groups				
Other financial liabilities	84,782	268,076	-	-
Loans from group companies	9,349	-	-	-
Other payables	411	542,004	-	-
	94,542	**810,080**	**-**	**-**

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000
17. Share capital				
Authorised				
100 Ordinary par value shares of R1 each	-	-	-	-
Issued				
1 Ordinary par value shares of R1 each	-	-	-	-
18. Other financial liabilities				
All the US dollar loans below are secured by a guarantee from the State.				
NVE Projects	-	24	-	24
Credit Agricol Credit Agricole has given notice that they are closing the local branch. This loan was repaid in full on 30 January 2012.	-	263,250	-	263,250
	-	**263,274**	**-**	**263,274**
Non-current liabilities				
At amortised cost	-	204,774	-	204,774
Current liabilities				
At amortised cost	-	58,500	-	58,500
	-	**263,274**	**-**	**263,274**
19. Unearned finance income				
Current liabilities	1,069	68	-	-

ETA (SOC) Limited entered into finance leasing arrangement with customers for its solar water heating installations. The average lease term was 72 months and the nominal lending rate is 10% (2011: 10%), resulting in unearned finance charges of R1,1 million (2011: R0,068 million).

20. Provisions

Reconciliation of provisions - Group - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Abandonment/ Environmental	5,812,396	33,532	-	454,241	(104,196)	6,195,973
Litigation	27,686	51,094	(27,686)	-	-	51,094
Rehabilitation	9,127	-	-	-	-	9,127
Post-retirement medical aid benefit	166,883	32,042	(99,864)	-	-	99,061
De-sluding	5,248	-	(4,788)	-	-	460
Bonus	387,864	148,283	(236,422)	(1,217)	-	298,508
Product warranties	39	138	-	-	-	177
	6,409,243	**265,089**	**(368,760)**	**453,024**	**(104,196)**	**6,654,400**

Reconciliation of provisions - Group - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Interest expense	Total
Abandonment/ Environmental	3,822,473	50,998	-	-	1,518,956	419,969	5,812,396
Litigation	58,121	27,686	(325)	(57,796)	-	-	27,686
Rehabilitation	9,127	-	-	-	-	-	9,127
Post-retirement medical aid benefits	364,497	83,011	(280,625)	-	-	-	166,883
De-sludging	11,000	-	(5,752)	-	-	-	5,248
Bonus	122,406	405,468	(140,010)	-	-	-	387,864
Product warranties	-	39	-	-	-	-	39
	4,387,624	**567,202**	**(426,712)**	**(57,796)**	**1,518,956**	**419,969**	**6,409,243**

Reconciliation of provisions - Company - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Litigations	3,186	-	(2,459)	(727)	-
Bonus	12,830	15,116	(12,830)	-	15,116
	16,016	**15,116**	**(15,289)**	**(727)**	**15,116**

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

20. Provisions (continued)

Reconciliation of provisions - Company - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Litigations	58,121	3,186	(325)	(57,796)	3,186
Bonus	12,108	12,830	(12,108)	-	12,830
	70,229	**16,016**	**(12,433)**	**(57,796)**	**16,016**

Summary

	2012	2011	2012	2011
Non-current liabilities	6,191,860	5,991,566	-	3,186
Current liabilities	462,540	417,677	15,116	12,830
	6,654,400	**6,409,243**	**15,116**	**16,016**

Product Warranties

The warranty provision represents management's best estimate of the group's liability under one period warranties granted on the solar water heaters, based on prior experience and industry averages for defective products.

De-sludge provision

The provision relates to 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 Attorneys.

Abandonment/Environmental

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

The R5,848 million provided for is based on the present value of the results of a new study conducted in 2010. The year under review has seen an increase of R350 million to the provision balance due to the following assumptions: The prior year base cost was R6,924 million compared to R6,893 million in the current year, resulting in a decrease of R32.1 million. Other major assumptions include the risk-free rate increasing from 8.3% to 8.45%, South African inflation decreased from 5.5% to 5.2% and US inflation increased from 1.5% to 2.01%.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

20. Provisions (continued)

A sensitivity analysis indicates that an increase of 1% in the inflation and risk-free rates will result in a movement in the interest charge and a change in estimate of the abandonment provision. The quantitative effect would be an increase of R37,5 million (2011: R51,9 million) with respect to the inflation rate and a decrease of R392,3 million (2011: R400,9 million increase) for the risk-free rate.

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

PetroSA's total cost of future restoration is estimated at R5,858 million. This cost includes the net expenditure to abandon and to rehabilitate both the onshore and offshore facilities as well as other related closure costs. The costs are expected to be incurred as follows:

Financial year	**R'million**
within one year	-
in second to tenth year inclusive	5,858

Funding of abandonment/environmental rehabilitation

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

Rand millions	**2012**	**2011**
Cash deposit - for PetroSA guarantees	477	477
Cash in escrow account	27	25
Financial guarantee (refer to note 40)	180	180
	684	**682**

Litigation provision

The provision for litigation is in respect of the claim against the company by former employees and for litigation in respect of the case against property developers for encroachment around the terminal as well as a claim by a customer for underdelivered crude oil and damages as a result of failing to transfer outstanding crude following the expiry of a storage agreement.

Bonus

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

21. Employee benefits

Pensions and Retirement Funds -Defined benefit pension plan

Defined benefit pension plan

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

PetroSA

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

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

The last actuarial valuation was performed as at 31 January 2010 and the independent actuary was of the opinion that the fund was financially sound. As the fund has been placed into liquidation, the actuarial present value of promised retirement benefits as at 31 January 2010 was zero. The fair value of the plan assets had an actuarial value of R12.2 million and a market value of R12.2 million as at 31 January 2010, which also equates to the actuarial surplus. The Fund was valued using the "attained age method".

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

21. Employee benefits (continued)

Defined benefit pension plan

SFF				
Present value of the defined benefit obligation	-	-	-	-
Fair value of plan assets	-	-	-	-
Benefit asset - non current	**-**	**-**	**-**	**-**

Movements in the benefit asset during the year

Opening balance	-	2,912	-	-
Benefits expense	-	(2,912)	-	-
Other	-	-	-	-
	-	**-**	**-**	**-**

Net benefit expense				
Net actuarial (gains) and losses	-	-	-	-
Expected return on plan assets	-	-	-	-
Net benefit expense	**-**	**-**	**-**	**-**

Movements in present value of defined benefit obligation

At beginning of year	-	-	-	-
Actuarial gain/loss	-	-	-	-
Change of funding vehicle/buy out of the fund	-	-	-	-
At end of year	**-**	**-**	**-**	**-**

Movements in fair value of plan assets				
At beginning of year	-	-	-	-
Expected return on assets	-	-	-	-
Actuarial gain/(loss)	-	-	-	-
Expenses paid	-	-	-	-
At end of year	**-**	**-**	**-**	**-**

SFF Association (continued)

Assumptions used: .

Investment returns	-%	-%	-%	-%
Salary increase	-%	-%	-%	-%
Pension increases	-%	-%	-%	-%
Discount rate	-%	-%	-%	-%

Defined contribution pension plan

The group contributions for the year amounted to R21 million (2011: R16,1 million). The company contributions for the year amounted to R4 million (2011: R3,9 million).

21. Employee benefits (continued)

PetroSA Retirement Fund

The company operates a defined contribution retirement plan for the benefit of employees who are not members of the Mossgas Pension Fund. All employees who commenced employment after 1 April 1996 qualify for membership of this fund. The amount recognised as an expense during the year under review was R87,7 million (2011: R81,9 million) for the retirement fund.

Petroleum Agency Retirement Fund

The company contributions for the year amounted to R5,1 million (2011: R4,3 million). The fair value of funds invested at 31 March 2011 was R62,8 million (2011: R52 million). The fair value of the funds invested is their market value at the end date.

Medical benefits

Post-employment medical benefits

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

PetroSA

The group has provided an amount of R70,1 million (2011: R143,6 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 2012.

During the year, PetroSA have funded a portion of the post-retirement medical aid liability through the purchase of a company funded annuity policy to the value of R99.8 million. The policy has guaranteed CPI linked increases and PetroSA will only be exposed to revaluation risks if medical aid inflation exceeds CPI. An annual top up payment for the difference will be required in this event.

The actuarial present value of promised retirement medical benefits at 31 March 2012 is R70.1 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 7.3% 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 8.3% and 6.3% medical aid inflation rate assumption would result in an accumulated obligation at 31 March 2012 of R96.4 million and R70.1 million respectively. The combined interest and service costs vary according to the medical aid inflation assumptions and are R14.5 million (7.3%); R16.8 million (8.3%) and R12.6 million (6.3%).

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

21. Employee benefits (continued)

SFF Association

The company contributes to a medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of retirees is actuarially valued annually, using the projected unit credit method. The plan is funded. The last actuarial valuation was carried out on 31 March 2012 and the process to be updated. The principal assumptions adopted are disclosed below.

	2012 %	2011 %		
Valuation interest rate:	8.70	9.30	-	-
Medical aid contribution increase rate:	8.00	8.10	-	-
	-	-	-	-
Projected benefit obligation				
Projected benefit obligation as at the beginning of the year	23,295	21,152	-	-
Interest costs	2,097	1,966	-	-
Benefit paid (estimate)	(1,532)	(1,383)	-	-
Current service costs	-	-	-	-
Actuarial (gain) / loss due to assumption changes	1,498	1,649	-	-
	3,535	(89)	-	-
	-	-	-	-
Net benefit (income) / expense	**28,893**	**23,295**	**-**	**-**

22. Retention

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

23. Third Party funds

South African Carbon Capture and Storage Centre	-	11,694	-	-
Carbon Storage Atlas	-	131	-	-
Biofuels	-	487	-	-
SA Coal Roadmap	-	489	-	-
Wind Resource Mapping	-	23	-	-
Centre of Energy Systems Analysis and Research	-	-	-	-
European Union Project - COCATE	-	497	-	-
Norway CCS Capacity Building	-	407	-	-
Seventh Framework Program	-	89	-	-
SOS Childrens Village	-	-	-	-
Working for Energy Programme	-	17,775	-	-
SDC EE Monitoring and Implementation Project	-	3,133	-	-
	-	**34,725**	**-**	**-**

The funds can only be used for the specific projects once the project have been commissioned. All current project of SANERI has been moved to SANEDI from 1 April 2011.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

24. Trade and other payables

Trade payables	1,356,473	611,262	4,493	6,050
VAT	4,074	11,761	-	-
Other payables	83,753	144,248	80,812	31,005
Accrued leave pay	82,144	69,243	-	-
Accrued expenses	535,446	519,547	-	3,273
Sundry creditors	16,247	189,519	-	-
	2,078,137	**1,545,580**	**85,305**	**40,328**

25. Deferred income

Solar Park and Vaal Dam projects	12,154	-	12,154	-
Donor Funds	124	3,173	32	32
Guarantee fees	237	303	237	303
Income in advance	1,062	-	-	-
Environmental deposits	18	-	-	-
	13,595	**3,476**	**12,423**	**335**

Non-current liabilities	12,172	-	12,154	-
Current liabilities	1,423	3,476	269	335
	13,595	**3,476**	**12,423**	**335**

26. Rendering of services

Major classes of revenue comprise:				
Sale of goods	13,904,248	10,022,857	-	-
Rendering of services	701,421	633,108	24,248	22,183
Tank rentals	376,591	418,466	-	-
Rental Income	5,398	3,558	-	-
Verification Income	421	-	-	-
	14,988,079	**11,077,989**	**24,248**	**22,183**

27. Cost of sales

Sale of goods				
Cost of goods sold	11,965,282	8,810,814	-	-

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

28. Operating Profit / (Loss)

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

Operating lease charges				
Premises				
• Contractual amounts	17,576	15,701	111	111
• Recovered from sub-lease	(68)	-	-	-
Motor vehicles				
• Contractual amounts	-	16	-	-
Equipment				
• Contractual amounts	1,341	2,457	1,031	610
	18,849	**18,174**	**1,142**	**721**

Profit / (loss) on sale of property, plant and equipment	(457)	(49)	54	-
Impairment on property, plant and equipment	111	75,812	-	-
Impairment on intangible assets	-	(2,226)	-	-
Impairment on businesses (or subsidiaries and associates)	-	-	(68,034)	156,377
Impairment of projects	3,744	28,246	3,744	28,246
Loss / (profit) on exchange differences	(3,087)	(54,423)	(1)	93
Amortisation on intangible assets	3,854	5,507	130	2,970
Depreciation on property, plant and equipment	1,029,018	1,261,644	5,123	6,617
Employee costs	259,400	232,383	67,196	64,955
Research and development	16,374	16,183	16,374	2,948

29. Auditors' remuneration

Fees and expenses	6,031	5,952	2,303	2,307

30. Investment income

Dividend income				
Subsidiaries - PetroSA Brass	-	1	-	-
Interest income				
Back-to-back loans	17,960	89	17,814	22,520
Loans	-	32,276	6,790	32,276
Interest on money market	1,138,336	1,113,034	208,064	221,478
Finance leases	176	-	-	-
Other interest	22,326	76,527	288	1,842
	1,178,798	**1,221,926**	**232,956**	**278,116**
Total	**1,178,798**	**1,221,927**	**232,956**	**278,116**

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

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000

31. Retention

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

32. Finance costs

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Interest paid to subsidiaries	-	-	49,650	55,993
Non-current borrowings	24,858	21,862	13,754	21,773
Other interest	7,414	9,888	2,132	1,301
Late payment of tax	-	2,144	-	-
Notional interest	454,242	419,976	-	-
Revaluations of foreign loans	(12,486)	5,485	712	1,479
	474,028	**459,355**	**66,248**	**80,546**

33. Taxation

Major components of the tax (income) / expense

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Current				
Local income tax - current period	(18,250)	29,206	21,947	28,055
Local income tax - recognised in current tax for prior periods	(70)	(386,526)	-	-
Tax adjustment	12	1,104	-	-
Tax adjustment prior period error	4,163	3,211	-	-
Foreign income tax or withholding tax - recognised in current tax for prior periods	15	62	-	-
	(14,130)	**(352,943)**	**21,947**	**28,055**
Deferred				
Originating and reversing temporary differences	-	-	-	-
Benefit of unrecognised tax loss / tax credit / temporary difference used to reduce deferred tax expense	-	-	-	-
Other deferred tax	3,824	78,176	3,824	5,697
	3,824	**78,176**	**3,824**	**5,697**
	(10,306)	**(274,767)**	**25,771**	**33,752**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group 2012	Group 2011	Company 2012	Company 2011
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Permanent difference	5.13%	(0.84)%	5.13%	344.06%
Assessed loss not recognised	-%	0.13%	-%	-%
Foreign taxes	-%	6.34%	-%	-%
Timing difference	(32.45)%	(7.22)%	(17.58)%	25.63%
Re-measurement of 10th schedule	-%	-%	-%	-%
	0.68%	**26.41%**	**15.55%**	**397.69%**

33. Taxation (continued)

PetroSA

Tax Amendment Act promulgated in November 2010, retrospectively inserted a new paragraph into the Tenth Schedule which allows for the deduction of PetroSA's unredeemed capital expenditure balance, carried forward from the OP26 regime, a legislative predecessor to the Tenth Schedule. The effect of this amendment is a deduction of R10,800 million in 2008. Upon reopening of PetroSA's 2008 Corporate Tax return it is expected that South African Revenue Services will refund R385 million (PetroSA's provisional tax payments in 2008) together with accumulated interest.

As a direct result of the unredeemed capital expenditure deduction claimed in 2008, PetroSA was in an assessed loss position for 2011. PetroSA's tax assessed loss continues to increase due to ongoing development expenditure on Project Ikhwezi. The tax legislation provides for a 200% tax uplift on development expenditure. Forecasts are that PetroSA will remain in its assessed loss position until 2016.

The unused tax loss for the year is R6,200 million.

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.

SFF

SFF is no longer liable for the payment of Income Tax and VAT, as it was declared an Agent of the State. The status was declared after receipt of an income tax assessment from SARS in the 2010 financial year relating to the 2006 financial year. A settlement agreement was subsequently signed with SARS, which resulted in the exemption from Income Tax and VAT in terms of Section 10(1)(c) of the Income Tax Act.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

33. Taxation (continued)

Taxation				
Opening balance	(392,299)	(256,176)	(5,220)	7,488
Income tax for the year	(10,306)	(274,767)	25,771	33,752
Deferred portion	(3,823)	(78,675)	(3,823)	(5,911)
Payment made	389,896	217,319	(10,579)	(40,549)
Net tax payable/ (receivable)	**(16,532)**	**(392,299)**	**6,149**	**(5,220)**

Taxation summary as per Statement of Financial Position				
Current tax payable	10,254	26,303	6,149	-
Current tax receivable	(26,786)	(418,602)	-	(5,220)
	(16,532)	**(392,299)**	**6,149**	**(5,220)**

34. Cash receipts from customers

Revenue	14,988,079	11,077,989	24,248	22,183
Other income	235,062	305,394	4,604	3,103
Profit and loss on sale of assets and liabilities	457	49	54	93
Movement in trade and other receivables	(242,428)	1,430,199	2,550	10,207
	14,981,170	**12,813,631**	**31,456**	**35,586**

35. Cash paid to suppliers and employees

Cost of sales	11,965,282	8,810,814	-	-
Operating costs	2,128,579	2,354,381	47,109	231,355
Movement in inventory	2,055,400	157,324	-	-
Movement in trade and other payables	(532,557)	1,674,232	(44,977)	(7,990)
Non-cash items	(1,499,969)	(1,905,172)	(52,147)	(307,779)
	14,116,735	**11,091,579**	**(50,015)**	**(84,414)**

36. Cash generated from (used in) operations

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Profit (loss) before taxation	1,834,050	1,049,072	148,505	(8,499)
Adjustments for:				
Depreciation and amortisation	1,032,872	1,265,247	5,253	9,587
Loss (profit) on sale of assets	457	49	(54)	93
Deferred income	10,119	(45,345)	12,088	(775)
Loss on foreign exchange	-	-	-	-
Finance costs	474,028	459,355	66,248	80,546
Loss / (profit) on sale of non-current assets	108,103	(54,423)	-	-
Dividends received	-	(1)	-	-
Interest received	(1,178,798)	(1,221,926)	(232,956)	(278,116)
Fair value adjustments	(805)	(1)	-	-
Impairment loss (reversal)	3,855	-	(64,290)	184,623
Movements in provisions	245,157	2,021,619	(900)	(54,213)
Other non-cash items	(270)	-	20	(270)
Foreign currency translation reserve	3,087	33,841	-	-
Transfer of property, plant and equipment	97,860	(1,394,860)	-	-
Changes in working capital:				
(Increase) / decrease in inventories	(2,055,400)	(157,324)	-	-
(Increase) / decrease in trade and other receivables	(242,428)	1,430,199	2,550	10,206
Goodwill	-	8,556	-	-
Transfer of intangible assets	(9)	2,226	-	-
(Decrease) / increase in trade and other payables	532,557	(1,674,232)	44,977	7,990
	864,435	**1,722,052**	**(18,559)**	**(48,828)**

37. Increase in investment in subsidiaries and associates

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Carbon stream Africa				
Provision against investment	-	-	2,045	-
Provision against loan	-	-	(2,045)	-
DWP				
Provision against investment	17,000	17,000	17,000	17,000
Provision against loan	(17,000)	(17,000)	(17,000)	(17,000)
	-	-	-	-
CEF Carbon				
Provision against investment	-	-	15,257	-
Provision against loan	-	-	(15,257)	-
Movement in investment	**-**	**-**	**-**	**-**
SASDA				
Provision against investment	-	-	40,598	-
Provision against loan	-	-	(40,598)	-
Movement in investment	**-**	**-**	**-**	**-**
African Exploration				
Provision against investment	-	-	-	138,324
Provision against loan	-	-	-	(138,324)
Movement in investment	**-**	**-**	**-**	**-**
Cotec Patrade (Proprietary) Limited				
Provision against investment	-	-	3,731	3,731
Provision against loan	-	-	(3,731)	(3,731)
Movement in investment	**-**	**-**	**-**	**-**
ETA Energy (Proprietary) Limited				
Provision against investment & Share premium	-	-	28,612	20,596
Provision against loan	-	-	(28,612)	(20,596)
Movement in investment	**-**	**-**	**-**	**-**
CCE Solutions (Proprietary) Limited				
Provision against investment	-	-	81,444	77,061
Provision against loan	-	-	(81,444)	(77,061)
Movement in investment	**-**	**-**	**-**	**-**
Net movement on investment in subsidiaries and associates	**-**	**-**	**-**	**-**

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

37. Increase in investment in subsidiaries and associates (continued)

Opening carrying amount of loans to group companies:				
Petroleum Agency SA	-	-	(250,741)	(262,589)
SFF	-	-	-	-
PetroSA	-	-	(489,021)	(537,640)
South African Gas Development	-	-	450,125	555,958
Sasda	-	-	25,783	14,682
SANERI	-	-	(29,556)	(21,302)
CCE	-	-	-	72,099
ETA	-	-	(47,718)	(45,003)
OPC	-	-	6,127	16,373
Carbon Stream	-	-	880	(189)
CEF Carbon SA	-	-	11,963	5,864
	-	**-**	**(322,158)**	**(201,747)**
Closing carrying amount of loans to group companies:				
Petroleum Agency SA	-	-	(312,627)	(250,741)
PetroSA	-	-	(489,021)	(489,021)
South African Gas Development	-	-	436,165	450,125
Sasda	-	-	-	25,783
SANERI	-	-	-	(29,556)
CCE	-	-	-	-
ETA	-	-	(30,190)	(47,718)
OPC	-	-	(5,432)	6,127
Carbon Stream	-	-	389	880
CEF Carbon SA	-	-	-	11,963
African Exploration	-	-	240,715	-
	-	**-**	**(160,001)**	**(322,158)**
Movement in carrying amount of loans	-	-	(162,157)	120,411
Net investment in subsidiaries/associates and impairment movements	-	-	64,290	(184,623)
Cash effect of investments in subsidiaries and associates	**-**	**-**	**(97,867)**	**(64,212)**

38. Tax refunded / (paid)

Balance at beginning of the year	392,299	256,176	5,220	(7,488)
Current tax for the year recognised in profit or loss	10,306	274,767	(25,771)	(33,752)
Deferred tax movement for the year	3,823	78,683	3,823	5,911
Balance at end of the year	(16,532)	(392,299)	6,149	(5,220)
	389,896	**217,327**	**(10,579)**	**(40,549)**

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

39. Cash flows of held for sale / discontinued operations

	2012	2011	2012	2011
Non-current assets held for sale	1,168,744	(180,652)	-	-
Liabilities of disposal groups	(715,538)	282,210	-	-
Profit/(loss) from discontinuing operations	(6,732)	(68,312)	-	-
	446,474	**33,246**	**-**	**-**

40. Contingencies

Guarantees

	2012	2011	2012	2011
1. DME for Rehabilitation of E-BT/E-AR mining lease.	27,100	27,100	27,100	27,100
2. Eskom for payment of guarantee for electrical supply.	2,435	2,435	2,435	2,435
3. Eskom for payment of guarantee for electrical supply	9,485	9,485	9,485	9,485
4. Department of Energy for rehabilitation of FA mining lease.	450,000	450,000	450,000	450,000
5.ABSA Bank for iGas to acquire a 25% interest in Rompco.	180,000	180,000	180,000	180,000
6. Performance guarantees - Republic of Equatorial Guinea in respect of minimum work obligations for exploration (USD 18 million).	-	122,107	-	-
7. ABSA Bank for OPCSA's Deed of Suretyship.	2,000	2,000	2,000	2,000
8. The Group's share of 55% of costs being USD 3.356 million would be payable from PetroSA's share of revenues from future production within E-P tract, should the tract be successful thus representing a contingent liability.	25,802	22,766	-	-
9. The group has issued guarantees for the rehabilitation of land disturbed by mining on the Sable field.	180,000	180,000	-	-
10. The group has issued a manufacture and excisable bond in favour of the South African Revenue Services.	5,000	5,000	-	-
11. The group has issued an evergreen VAT guarantee in favour of the Dutch VAT Authorities (Euro 0.455m).	4,667	4,386	-	-
12. ABSA Bank for SANERI Deed of Suretyship.	2,100	2,100	2,100	2,100
13. ABSA Bank for iGas Deed of Suretyship.	2,100	2,100	2,100	2,100
14. Rehabilitation of land disturbed by mining.	15,900	15,900	-	-
15. DEG - Deutsche Investitions - Und Entwicklungsgesellschaft MBH as lender to Rompco	62,500	-	62,500	-
16. Standard Bank Of South Africa Ltd as lender to Rompco	87,500	-	87,500	-
	1,056,589	**1,025,379**	**825,220**	**675,220**

Rehabilitation of mining leases

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

Cession and pledge to Absa Bank Limited of R114.2 million

iGas (SOC) Limited, a subsidiary of CEF (SOC) Limited has acquired a 25% interest in Rompco (Proprietary) Limited. In order for iGas (SOC) Limited to give effect to the above mentioned acquisition it was obliged to procure guarantees from a financial institution in support of its obligation as Debt Service Support provider to Rompco (Proprietary) Limited. Absa Bank Limited has issued guarantees to the value of R590 million (current outstanding amount R323 million). CEF (SOC) Limited has issued a counter guarantee to Absa Bank Limited to the same value. CEF (SOC) Limited has ceded and pledged an amount of R114,2 million (2011: R143 million) to Absa Bank Limited for the guarantee facility.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

40. Contingencies (continued)

Claims				
Pending litigations	-	72,317	-	-
Saneri interest and penalties on VAT claim	-	16,395	-	-
PetroSA is considering setting a claim made in terms of a contract	16,023	14,317	-	-
SFF Tax liability, interest & penalties	-	488,278	-	-
	16,023	**591,307**	**-**	**-**

PetroSA

PetroSA purchased depots in Tzaneen and Bloemfontein. Studies are currently underway to determine the costs of any rehabilitation and risk reduction activities. The estimated financial impact R2,5 million for both the Tzaneen and Bloemfontein depots. A provision will be raised for any future costs arising from these studies, for which PetroSA will be liable.

41.Commitments

Authorised capital expenditure

Approved by the directors				
Contracted for	2,425,672	1,924,174	-	-
Not contracted for	11,783,957	9,814,029	-	-
	14,209,629	**11,738,203**	**-**	**-**

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

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

Operating lease commitments

CEF				
- within one year	1,338	-	-	-
- in second to fifth year inclusive	4,076	-	-	-
	5,414	**-**	**-**	**-**

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

SANERI				
- within one year	-	867	-	-
- in second to fifth year inclusive	-	941	-	-
	-	**1,808**	**-**	**-**

The entity has leased Portion 13, remaining Extent of Erf 14, Portion 1 of Erf 14 Simba Township at Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton together with the building erected thereon from CEF (SOC) Limited. The agreement commenced on 1 April 2009 and the rent payable annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. The lease was not renewed as all SANERI activities were taken over by SANEDI on 1 April 2011.

41. Commitments (continued)

The entity has leased office and showroom space for the Green Transport project located at Erf 665, Aiken Street, Halfway House, from Holding 16 Properties CC. The lease commenced on 1 December 2009 and has a term of three years, with the option to renew for a further three years.

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
OPC				
- within one year	908	833	-	-
- in second to fifth year inclusive	1,526	1,400	-	-
- later than five years	5,883	6,315	-	-
	8,317	**8,548**	**-**	**-**

The company has entered into a property lease for its administrative offices. The non-cancellable lease is for a period of 3 years ending 30 April 2011. There is an option to extend the lease for another 1 year whereby OPC renews the lease agreement for a period of 1 year from 1 May 2012 until 30 April 2013.

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

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
AEMFC				
- within one year	627	593	-	-
- in second to fifth year inclusive	1,159	1,129	-	-
- later than five years	880	1,106	-	-
	2,666	**2,828**	**-**	**-**

The entity has leased Portion 13, remaining Extent of Erf 14, Portion 1 of Erf 14 Simba Township at Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton together with the building erected thereon from CEF (SOC) Limited. The agreement commenced on 1 April 2009 and the rent payable shall annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. Either party shall be entitled to terminate this lease on six months written notice to the other party.

The entity has a servitude agreement with Anglo American, the surface owners of Portion 3 of the farm Vlakfontein 569 JR, for the period of 11 years.

The entity has an agreement with Fintech-Finance Technology for Business to lease a printer for 36 months. The contract commenced on 11 May 2011.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

41. Commitments (continued)

PetroSA

- within one year	1,284	443	-	-
- in second to fifth year inclusive	5,457	-	-	-
	6,741	**443**	**-**	**-**

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

PetroSA Europe BV - Office space

- within one year	546	470	-	-
- in second to fifth year inclusive	910	1,253	-	-
	1,456	**1,723**	**-**	**-**

Office space is leased at 3011XB Willemswerf, 13th Floor, Boomjes, effective 1 December 2004. The lease payment is fixed at Euro 40,960 per annum, with an inflationary escalation per annum. The period of the lease agreement was initially five years and was extended for a further five year period ending on 30 November 2014, at which time PetroSA Europe BV has the option to renew the lease for a further five year period.

PetroSA Europe BV - motor vehicles

- within one year	254	253	-	-
- in second to fifth year inclusive	28	265	-	-
	282	**518**	**-**	**-**

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

PetroSA Europe BV - apartments

- within one year	580	535	-	-
- in second to fifth year inclusive	-	-	-	-
	580	**535**	**-**	**-**

Apartments are leased for its employees. There are currently two apartment leases. One is operated on a month-to-month basis with a notice period of one month and the other is renewable on a six monthly basis with 1 May 2011 being the date of renewal. The annual rental will be adjusted in line with CPI - all household series.

Equatorial Guinea

- within one year	625	583	-	-

The company leases office space in Malaba for a one year period, effective from 1 February 2011 to 31 January 2012. The lease payments are CFA 4,000,000 per month, and is paid in advance for a year. The company renewed the lease during the current financial year for a period of 1 year effective from 1 February 2012 to 31 January 2013. The lease payments are CFA 4,000,000 per month.

41. Commitments (continued)

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Equatorial Guinea				
- within one year	-	153	-	-

The company entered into two lease agreements during the prior year for the housing of staff. One lease agreement expired on 31 August 2010, and was not renewed. The other agreement, which expired on 31 May 2010 was renewed until 31 May 2011.

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
PetroSA Egypt				
- within one year	250	184	-	-
- in second to fifth year inclusive	-	148	-	-
	250	**332**	**-**	**-**

PetroSA Egypt leases office space. The lease has a 3 year period from 1 January 2010 to 31 December 2012 with monthly lease payments of USD 2,000 payable 6 months in advance. The lease payments will escalate by 10% annually.

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Petroleum Agency SA				
- within one year	6,237	4,980	-	-
- in second to fifth year inclusive	9,191	13,985	-	-
	15,428	**18,965**	**-**	**-**

Suite 3 Tygerpoort in Bellville

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

Milnerton

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

Roy Beamish Centre

Petroleum Agency SA leases storage space at Modderdam Road, Airport Industria from EJB Creations which expires on 30 September 2012. The lease payment is fixed at R9 301 per month, with a 10% escalation per annum. The company has an option to renew the lease.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

41. Commitments (continued)

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
SASDA				
- within one year	406	329	-	-
- in second to fifth year inclusive	2,235	1,316	-	-
	2,641	**1,645**	**-**	**-**

The entity has leased Portion 13, remaining Extent of Erf 14, Portion 1 of Erf 14 Simba Township at Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton together with the building erected thereon from CEF (SOC) Limited. The agreement commenced on 1 April 2009 and the rent payable shall annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. Either party shall be entitled to terminate this lease on six months written notice to the other party.

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
CEF Carbon				
- within one year	-	41	-	-

The entity has leased Portion 13, remaining Extent of Erf 14, Portion 1 of Erf 14 Simba Township at Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton together with the building erected thereon from CEF (SOC) Limited. The agreement commenced on 1 April 2009 and the rent payable shall annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. The lease expired on 31 March 2012 and was not renewed.

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
ETA Energy				
- within one year	125	121	-	-

The entity has leased Portion 13, remaining Extent of Erf 14, Portion 1 of Erf 14 Simba Township at Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton together with the building erected thereon from CEF (SOC) Limited. The agreement commenced on 1 April 2009 and the rent payable shall annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. Either party shall be entitled to terminate this lease on six months written notice to the other party.

	2012 R '000	2011 R '000	2012 R '000	2011 R '000
iGas				
- within one year	243	376	-	-

The Vineyard Office Park Estate, 99 Jip de Jager Drive, Bellvile, Cape Town. The entity has sub-leased two office from OPC, the agreement commenced on 1 May 2008 and the rent payable shall annually, escalate by 9% or alternatively, shall escalate in accordance with the CPI, whichever is greater. Either party shall be entitled to terminate this lease on three months written notice to the other party.

Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton. The entity has leased Portion 13, remaining Extent of Erf 14, Portion 1 of Erf 14 Simba Township, together with the building erected thereon from CEF (SOC) Limited. The agreement commenced on 1 April 2009 and the rent payable shall annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. Either party shall be entitled to terminate this lease on six months written notice to the other party.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000
41. Commitments (continued)				
SFF				
- within one year	2,928	2,687	-	-
- in second to fifth year inclusive	14,067	12,905	-	-
- later than five years	54,230	58,214	-	-
	71,225	**73,806**	**-**	**-**

The entity has leased Portion 13, remaining Extent of Erf 14, Portion 1 of Erf 14 Simba Township at Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton together with the building erected thereon from CEF (SOC) Limited. The agreement commenced on 1 April 2009 and the rent payable shall annually, on the anniversary date, escalate by 10% or alternatively, shall escalate in accordance with the CPI, whichever is greater. Either party shall be entitled to terminate this lease on six months written notice to the other party.

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

42. Financial instruments

Risk profile

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

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

Figures in Rand thousand

42. Financial instruments (continued)

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.

Foreign currency instruments

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

Financial Assets

As at 31 March 2012 a 10% strengthening in ZAR against the relevant currencies would have resulted in a decrease in foreign currency denominated assets of R32.1 million (2011: R122.5 million) and a 10% weakening in ZAR against the relevant currencies would have resulted in an increase in foreign currency denominated assets of R32.1 million (2011: R122.5 million).

Financial Liabilities

As at 31 March 2012 10% strengthening in ZAR against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities of R88 million (2011: R34.6 million) and a 10% weakening in ZAR against US Dollar would have resulted in an increase in foreign currency denominated liabilities of R88 million (2011: R34.6 million).

Currency risk

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

Figures in Rand thousand

42. Financial instruments (continued)

Exchange rates used for conversion of foreign items were:

	2012	2011
Closing rate:		
USD	7.6884	6.7837
Euro	10.2573	9.6403
Average:		
USD	7.4580	7.1948
Euro	10.2485	9.5031

Forward foreign exchange contracts

2012

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

2011

Total foreign currency Liabilities	Average forward exchange rate	Maturity date
USD		
2,186,184	6.7837	Less than 3 months

As at 31 March 2012, a 10% relative change in the USD to the ZAR would have impacted profit and loss for the year by R43.7 million (2011: R1.5 million).

As at 31 March 2012, a 10% relative change in the EUR to the ZAR would have impacted profit and loss for the year by R4.6 million (2011: R0 million).

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000
Forward exchange contracts - liabilities	(483,483)	(14,830)	(3,723)	170
	(483,483)	**(14,830)**	**(3,723)**	**170**

Figures in Rand thousand

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

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

Fair value

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

As at 31 March 2012 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 approximates fair value due to the relatively short-term maturity of these assets.

Trade payables

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

Figures in Rand thousand

42. Financial instruments (continued)

Interest-bearing borrowings

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

Derivatives

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

Maturity profile

At least half or more of long-term finance, i.e. more than 3 years (or less in more volatile environments) should be at fixed rates of interest, even though such long-term rates are usually higher than the short-term rates ruling at the time that the long-term rates are negotiated. In mitigating the volatility risk, therefore, at least half of 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 2012
Assets

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	19,144,932	-	-	-	19,144,932
Other financial assets	-	192,659	-	-	192,659
Trade and other receivables	2,064,599	-	-	-	2,064,599
Total financial assets	**21,209,531**	**192,659**	**-**	**-**	**21,402,190**
Liabilities					
Trade and other payables	1,991,919	-	-	-	1,991,919

At 31 March 2011
Assets

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	17,531,732	-	-	-	17,531,732
Other financial assets	-	427,781	-	-	427,781
Trade and other receivables	1,833,138	-	-	-	1,833,138
Total financial assets	**19,364,870**	**427,781**	**-**	**-**	**19,792,651**
Liabilities					
Trade and other payables	1,464,576	-	-	-	1,464,576
Other financial liabilities	58,500	204,774	-	-	263,274
Total financial liabilities	**1,523,076**	**204,774**	**-**	**-**	**1,727,850**

Figures in Rand thousand

42. Financial instruments (continued)

Company

At 31 March 2012
Assets

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	3,610,552	-	-	-	3,610,552
Other financial assets	-	7,062	-	-	7,062
Trade and other receivables	36,442	-	-	-	36,442
Total financial assets	**3,646,994**	**7,062**	**-**	**-**	**3,654,056**

Liabilities

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Trade and other payables	85,305	-	-	-	85,305
Owing to subsidiaries	-	973,777	-	-	973,777
Total financial liabilities	**85,305**	**973,777**	**-**	**-**	**1,059,082**

At 31 March 2011

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Cash and cash equivalents	3,477,185	-	-	-	3,477,185
Other financial assets	58,500	310,806	-	-	369,306
Trade and other receivables	36,230	-	-	-	36,230
Total financial assets	**3,571,915**	**310,806**	**-**	**-**	**3,882,721**

Liabilities

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Trade and other payables	40,005	-	-	-	40,005
Other financial liabilities	58,500	204,774	-	-	263,274
Owing to subsidiaries	-	940,867	-	-	940,867
Total financial liabilities	**98,505**	**1,145,641**	**-**	**-**	**1,244,146**

Liquidity risk

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

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 R54.5 million (2011 R65.0 million) respectively, based on the 2011/12 financial results.

Figures in Rand thousand

42. Financial instruments (continued)

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 2012

Fixed rate

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Cash and cash equivalents (5.69%)	9,342,797	-	-	9,342,797
Floating Rate				
Cash and cash equivalents	9,819,736	-	-	9,819,736
Trade receivables	2,428,415	-	-	2,428,415
Trade payables	(2,078,137)	-	-	(2,078,137)
Lurgi (4.24%)	-	-	116,873	116,873
PetroSA Egypt (11.%)	-	-	1,142,457	1,142,457
GTL.F1 (0%)	-	-	68,724	68,724
PetroSA Equatorial Guinea (11%)	-	-	1,412,475	1,412,475

At 31 March 2011

Fixed rate

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Cash and cash equivalents (6.25%)	7,342,824	-	-	7,342,824
Floating Rate				
Cash and cash equivalents	10,188,908	-	-	10,188,908
Trade receivables	2,185,987	-	-	2,185,987
Trade payables	(1,545,580)	-	-	(1,545,580)
Lurgi (4.24%)	-	-	86,608	86,608
PetroSA Egypt (11%)	-	-	1,157,120	1,157,120
GTL.F1 (0%)	-	-	30,367	30,367
PetroSA Equatorial Guinea (11%)	-	-	1,200,306	1,200,306

Interest rate instruments

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

Figures in Rand thousand

42. Financial instruments (continued)

Financial Assets

As at 31 March 2012 a 10% relative change in the:

- ZAR interest rate would have impacted profit and loss for the year by R107.1 million (2011: R90 million)
- EURIBOR interest rate would have impacted profit and loss for the year by R1.73 million (2011: R0.38 million)

Market risk

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

Liquidity risk

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

43. Financial assets by category

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

Group - 2012

	Loans and receivables	Fair value through profit or loss - held for trading	Available for sale	Total
Other financial assets	185,597	-	7,062	192,659
Trade and other receivables	2,064,599	-	-	2,064,599
Cash and cash equivalents	19,144,932	-	-	19,144,932
	21,395,128	**-**	**7,062**	**21,402,190**

Group - 2011

	Loans and receivables	Fair value through profit or loss - held for trading	Available for sale	Total
Trade and other receivable	427,781	-	-	427,781
Trade and other receivables	1,833,138	-	-	1,833,138
Cash and cash equivalents	17,531,732	-	-	17,531,732
	19,792,651	**-**	**-**	**19,792,651**

Figures in Rand thousand

43. Financial assets by category (continued)

Company - 2012

	Loans and receivables	Fair value through profit or loss - held for trading	Available for sale	Total
Other financial assets	10,806	-	-	10,806
Trade and other receivables	36,442	-	-	36,442
Cash and cash equivalents	3,610,552	-	-	3,610,552
	3,657,800	**-**	**-**	**3,657,800**

Company - 2011

	Loans and receivables	Fair value through profit or loss - held for trading	Available for sale	Total
Other financial assets	58,500	-	310,806	369,306
Trade and other receivables	36,230	-	-	36,230
Cash and cash equivalents	3,477,185	-	-	3,477,185
	3,571,915	**-**	**310,806**	**3,882,721**

44. Financial liabilities by category

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

Group - 2012

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Trade and other payables	1,991,921	-	1,991,921

Group - 2011

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Other financial liabilities	263,274	-	263,274
Trade and other payables	1,464,084	-	1,464,084
	1,727,358	**-**	**1,727,358**

Company - 2012

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

Figures in Rand thousand

44. Financial liabilities by category (continued)

Company - 2011

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Loans from shareholders	940,867	-	940,867
Other financial liabilities	263,274	-	263,274
Trade and other payables	40,005	-	40,005
	1,244,146	**-**	**1,244,146**

45. Directors' emoluments for the company

Year ended 31 March 2012

Executive Directors	**Salary/ Fee**	**Expenses**	**Other**	**Total**
Mr MB Damane *	2,560	22	-	2,582

Year ended 31 March 2012

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

Year ended 31 March 2012

Executive Management:	**Salary/ Fee**	**Bonuses and performance payments**	**Expenses**	**Other**	**Total**
Mr C Cooper	1,306	493	16	-	1,815
Ms M Joubert	1,352	545	18	-	1,915
Mr S Mkhize	1,347	567	24	-	1,938
Ms A Osman	1,987	679	26	30	2,722
Total	**5,992**	**2,284**	**84**	**30**	**8,390**

Figures in Rand thousand

45. Directors' emoluments for the company (continued)

Year ended 31 March 2012

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

Year ended 31 March 2012

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

Year ended 31 March 2012

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

Year ended 31 March 2012

Project Finance committee	Salary/ Fee	Expenses	Compensate for loss of office	Other	Total
Ms. B Mabuza	12	-	-	-	12
Mr R Jawoodeen	12	-	-	-	12
Dr. S Mthembi-Mahanyele	6	-	-	-	6
Total	**30**	**-**	**-**	**-**	**30**

Year ended 31 March 2011

Execitive directors	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Mr M Damane	2,909	1,170	30	4,109
Total	**2,909**	**1,170**	**30**	**4,109**

Figures in Rand thousand

45. Directors' emoluments for the company (continued)

Executive Management	Salary/ Fee	Bonuses and performance payments	Expenses	Other	Total
Ms M Joubert	1,275	562	18	-	1,855
Mr C Cooper	1,232	385	16	-	1,633
MS A Osman	1,683	710	24	-	2,417
Mr M Singh*	273	-	4	-	277
Mr S Mkhize	1,270	560	24	-	1,854
Total	**5,733**	**2,217**	**86**	**-**	**8,036**

Year ended 31 March 2011

Non-Executive Directors: Board	Salary/ Fee	Bonuses and performance payments	Expenses	Other	Total
Ms B Mabuza	474	-	101	-	575
Adv L Makatini*	143	-	(6)	-	137
Mr R Jawoodeen	5	-	-	-	5
Dr P Molefe	50	-	-	-	50
Dr Z Rustomjee*	132	-	14	-	146
Mr J Rocha**	-	-	-	-	-
Ms T Ramuedzisi**	-	-	-	-	-
Mr Y Tenza	241	-	24	-	265
Ms N Magubane**	-	-	-	-	-
Mr T Maqubela**	-	-	-	-	-
Mr O Aphane**	-	-	-	-	-
Dr. S Mthembi-Mahanyele	5	-	-	-	5
Total	**1,050**	**-**	**133**	**-**	**1,183**

Year ended 31 March 2011

Board Audit and Risk committee

	Salary/ Fee	Bonuses and performance payments	Expenses	Other	Total
Mr Y Tenza	118	-	-	-	118
Ms B Mabuza	18	-	-	-	18
Mr R Boqo**	93	-	13	-	106
Total	**229**	**-**	**13**	**-**	**242**

Year ended 31 March 2011

Board Human Resources committee	Salary/Fee	Bonuses and performance payments	Expenses	Total
Ms B Mabuza	57	-	-	57
Mr Y Tenza	38	-	-	38
Dr P Molefe	13	-	-	13
Total	**108**	**-**	**-**	**108**

Figures in Rand thousand

45. Directors' emoluments for the company (continued)

CEF

Year ended 31 March 2011

Governance and Nominations committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms B Mabuza	76	-	-	76
Dr P Molefe	14	-	-	14
Mr Z Rustomjee	25	-	-	25
Total	**115**	**-**	**-**	**115**

Year ended 31 March 2011

Project Finance committee	Salary/ Fee	Bonuses and performance payments	Expenses	Total
Ms B Mabuza	18	-	-	18
Dr Z Rustomjee	18	-	-	18
Mr Y Tenza	18	-	-	18
Total	**54**	**-**	**-**	**54**

* Not for a full year

** Directors are not remunerated in their personal capacity

46. Related parties

		Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Subsidiaries *	Refer to note 7				
Associates **	Refer to note 8				
Related party transactions					
African Exploration *					
Recoverable costs		-	-	91	-
Office Rental		-	-	418	336
Services rendered		-	-	1,466	1,174
Accounts receivable		-	-	674	383
Loan to		-	-	240,758	138,324
Interest received		-	-	985	-
DWP **					
Loan to		17,613	17,656	17,613	17,656
Services rendered		476	38	476	38
Accounts receivable		2,071	1,023	2,071	1,023
Interest paid		5	-	5	-
Interest received		29	97	29	97
CCE *					
Services rendered		-	-	695	465
Accounts receivable		-	-	67	49
Loan to		-	-	81,444	77,061
PetroSA *					
Interest payable		-	-	2,320	2,314
Services received		-	-	-	416
Cash on call		-	-	489,021	489,021
Office rentals		-	-	-	119
Services rendered		-	-	90	119
Interest received		-	-	-	89
Interest paid		-	-	27,292	31,219
Accounts payable		-	-	87	-
Accounts receivable		-	-	69	25
SANERI *					
Cash on call		-	-	-	29,556
Accounts receivable		-	-	-	547
Services rendered		-	-	-	1,728
Interest paid		-	-	-	1,301
Office Rental		-	-	-	506
Cotec Patrade (Pty) Ltd *					
Loan to		-	-	3,731	3,731

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

46. Related parties (continued)

iGas *				
Term Loan to	-	-	572,672	573,889
Loan	-	-	58,500	58,000
Cash on call	-	-	136,498	123,264
Accounts receivable	-	-	2,105	410
Services rendered	-	-	4,529	1,530
Interest paid on dividends received	-	-	5,794	22,431
Office Rental	-	-	218	217
Recoverable costs	-	-	4	-
Guarantee fees	-	-	1,072	-
Interest income	-	-	16,824	6,078
OPCSA *				
Loan to	-	-	-	6,128
Cash on call	-	-	5,429	-
Accounts payable	-	-	9	11
Accounts receivable	-	-	316	153
Services rendered	-	-	1,111	880
Interest received	-	-	110	1,321
Interest paid	-	-	149	-
Office Rental to	-	-	111	114
Recoverable costs	-	-	6	-
Petroleum Agency SA *				
Cash on call	-	-	312,627	250,741
Accounts receivable	-	-	25	43
Services rendered	-	-	235	207
Interest paid	-	-	14,802	15,965
Accounts payable	-	-	465	-
SFF *				
Office Rental	-	-	92	290
Services rendered	-	-	6,051	4,408
Interest received	-	-	3	-
Accounts receivable	-	-	1,631	762
Baniettoir Mining **				
Loan	-	-	23,933	23,933
Carbon Stream *				
Loan	-	-	2,045	494
Accounts receivable	-	-	31	75
Services rendered	-	-	141	133
Interest paid	-	-	-	16

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000
46. Related parties (continued)				
CEF Carbon *				
Loan to	-	-	15,257	11,963
Accounts receivable	-	-	103	107
Services rendered	-	-	917	755
Office Rental	-	-	68	69
Recoverable costs	-	-	4	-
Mine Health and Safety Council				
Services rendered	203	154	203	154
Accounts receivable	-	15	-	15
SASDA *				
Loan	-	-	40,598	26,350
Trust funds	-	-	-	567
Accounts receivable	-	-	330	335
Services rendered	-	-	1,485	1,234
Interest paid	-	-	-	34
Office Rental	-	-	369	329
Accounts payable	-	-	32	-
Recoverable costs	-	-	13	-
ETA *				
Loan to	-	-	28,612	20,596
Cash on call	-	-	30,190	47,720
Accounts receivable	-	-	184	115
Services rendered	-	-	1,787	918
Interest paid	-	-	1,612	2,715
Office Rental	-	-	129	129
Recoverable costs	-	-	15	-
SASDA Trust Funds				
Dormant	-	-	-	-
SASDA Verifications				
Dormant	-	-	-	-

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

46. Related parties (continued)

	2012	2011	2012	2011
Extended continental Shelf claim project				
Projects to	-	-	13,630	-
Ener-G Systems **				
Investment in Associates	7,958	4,424	7,958	4,424
DOE				
Project funding	-	-	20,191	-
Methcap**				
Investment in Associates	-	-	1,475	1,475
Upstream Training Trust				
Cash on call	15,358	12,549	15,358	12,549
Accounts paid	706	660	706	660
PAMDC				
Loan to	-	-	3	-
Amounts owing from	-	18	-	18
Services rendered	840	1,000	840	1,000
Interest received	1	-	1	-
Accounts receivable	139	182	139	182
Accounts payable	114	-	114	-
Office rental	-	83	-	83
Recoverable costs	6	-	6	-
Intercompany loan	103	-	103	-
Thin Film solar Technology**				
Investment in Associates	-	-	39,545	39,545
Philips Lighting Maseru**				
Investment in Associates	-	-	9,410	9,410
CEF Carbon UK				
Dormant	-	-	-	-

The above transactions were carried out on commercial terms and conditions. Key management personnel refer to note 45.

47. Prior period errors

PetroSA 2012

During the year, it was identified that the denomination of subsidiary loans should change from US dollars to Rand. The comparatives figures for PetroSA, PetroSA Eqypt and PetroSA Equatorial Guinea have been restated to address this matter. The correction resulted in a decrease in revaluations in the Statement of Comprehensive Income with R14,484 million and an increase in Other Financial Assets with R6,371 million in the Statement of Financial Position in the prior year. The prior period errors do not constitute a material error and therefore no third year comparatives, as required by IAS 1 paragraph 39, have been presented.

PetroSA 2011

Interest of R203k as a result of late payments to suppliers and penalties and interest to the Tax Authorities of R20,7 million, an overpayment of a vendor resulted in a loss of R0,022 million, cancellation fee of R0,001 million and R0,114 million penalties and interest on late payment of cargo dues, R0,096 million interest on late payment of invoices, R0,228 million damage on outboard motors, R0,025 million unauthorised event, R0,077 million penalties and interest on CCMA award, R0,031 million on irrecoverable study assistance R0,122 million interest on late payment of investment, R0,067 million on penalties on outstanding cost recovery reports R0,114 million for additional registration fees and R0,004 million for additional travel costs.

CEF 2012

The comparatives have been restated due to a tax adjustment of R0,213 million identified by the Auditor-General of South Africa during 2011 audit, this adjustment was not material and auditors did not require financial statements to be adjusted. The comparatives have been restated as supplier invoices were received in 2012 financial year for services rendered in 2011. The reallocation of revenue of R22 million which were previously in other income.

CEF 2011

The interest paid to Nedbank of R13k was a as result of a system problem and funds could not be transferred timeously. The funds were transferred telephonically to Absa to minimise the loss. Management has taken steps to recover traffic fines of R0,001 million on vehicles rented from staff. Due to staff being absent and documents were submitted late by HR, of R0,005 million penalties were incurred to the South African Revenue Service. PAMDC charged a penalty of R0,003 million for late submission of services. Staff performance rating was accordingly adjusted to reflect poor performance.

African Exploration 2012

Supplier invoices received in 2012 financial year for services rendered in 2011. The reallocation of cost which were previously in assets pending determination to intangible assets, property, plant and equipment and consulting fees.

47. Prior period errors (continued)

CCE 2011

CCE has incurred interest of R0,633 million (2010: R1.9 million) as a result of late payments to contractor. The interest arose as a result of financial constraints experienced expensed by the company.

SFF 2011

The South African Revenue Service has assessed SFF for the 2006 financial year for a tax liability of R23.4 million. The assessment is being disputed and the matter has been escalated to the South African Revenue Service head office. In the interim penalties and interest have been levied on this account. The interest paid of R0,051 million to Nedbank was a as result of a system problem and funds could not be transferred timeously. The funds were transferred telephonically to Absa to minimise the loss, and interest was earned which amounted to R0,032 million.

SASDA

CEF HR fees of R0,069 million were over charged for the previous financial year, a debit adjustment was incorrectly accrued of a credit adjustment.

CEF Group

Late changes to the prior group numbers resulted in an ommission of R66 million adjustment to the exchange differences on translating foreign operations in the other comprehensive income.

ETA 2012

No unearned finance income amounted to R0,68 million, relating to finance lease receivables, was recognised in the prior year.

Carbon Stream Africa 2012

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

Carbon Stream Africa 2011

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

SANERI 2012

The prior period comparative figures were restated due to receipts of foreign debtors invoices per the previous financial year as well as for the inclusion of the bonus provision. VAT was also accounted for accordingly as SANERI was required to register for VAT. Retention bursaries relating to prior periods were no longer payable as the students completed their studies.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

47. Prior period errors (continued)

SANERI 2011

SANERI has incurred interest on late payment of invoice amounting to R0,010 million to South African Revenue Service and the Auditor General. The interest to South African Revenue Service arose as a result of provisional tax being required to be submitted electronically and there was a challenge in contacting a South African Revenue Service official to correct the estimate calculated by South African Revenue Service before payment could be made.

The correction of the errors results in adjustments as follows:

	Group 2012 R '000	Group 2011 R '000	Company 2012 R '000	Company 2011 R '000
Statement of Financial Position				
Property, plant and equipment	-	768	-	-
Intangible assets	-	40	-	-
Trade receivables	-	654	389	-
Assets pending determination	-	(1,175)	-	-
Deffered tax	-	(222)	(214)	-
Trade payables	-	176	302	-
Opening balance	-	(420)	(120)	-
Current Provisions	-	241	-	-
Statement of Comprehensive Income				
Revenue	-	-	22,183	-
Other income	-	389	(21,795)	-
Operating cost	-	(596)	(294)	-
Taxation	-	213	(213)	-
Exchange differences on transating foreign operations	-	66,000	-	-

48. Fruitless and wasteful expenditure

CEF 2012

Interest of R0,026 million was lost due to the late payment of investments to FNB. The necessary disciplinary action has been taken against the responsible person.

The South African Revenue Services raised penalties and interest of R0,009 million on the re-assessment of PAYE, SDL and UIF. CEF expects the South African Revenue Services to waive the penalty. Over-payment of bonusses of R0,025 million to employees who are no longer in CEF's employment, resulting in non-recoverability.

CEF 2011

The interest paid to Nedbank of R0,013 million was a as result of a system problem and funds could not be transferred timeously. The funds were transferred telephonically to Absa to minimise the loss. Management has taken steps to recover traffic fines of R0,001 million on vehicles rented for staff.

48. Fruitless and wasteful expenditure (continued)

Due to staff being absent, documents were submitted late by HR, penalties of R0,005 million were incurred to the South African Revenue Service. PAMDC charged a penalty of R0,003 million for late submission of services. Staff performance ratings was accordingly adjusted to reflect poor performance.

SFF 2012

Interest of R0,006 million was charged for the late payment of money market transactions to a financial institution. Disciplinary action was against the employee guilty of negligence. Expenses of R0,031 million were incurred for repairs to a company vehicle due to accidental damage caused by an employee driving without a license. Disciplinary action was taken against the employee guilty of negligence and the full amount will be recovered from the employee.

SFF 2011

The South African Revenue Service has assessed SFF for the 2006 financial year for a tax liability of R23.4 million. The assessment is being disputed and the matter has been escalated to the South African Revenue Service head office. In the interim penalties and interest amounted to R2,7 million have been levied on this account.

The interest paid of R0,051 million to Nedbank was a as resulted of a system problem and funds could not be transferred timeously. The funds were transferred telephonically to Absa to minimise the loss, and interest was earned which amounted to R0,032 million.

PetroSA 2012

Diesel imported for sale into a Cape Town tankfarm was cleared incorrectly for customs purposes as a bonded tankfarm resulting in penalties of R1,2 million for late payment of customs duties. The cancellation of a contract incurred a cancellation penalty of R19 million. Legal and consulting fees amounting to R15,4 million could have been avoided had due care been exercised. Interest and penalties of R16,4 million raised in PetroSA Equatorial Guinea in the prior year for the late payment of VAT was reversed in the current year. Other fruitless and wasteful expenditure incurred by the group amounts to R0.02 million.

PetroSA 2011

Interest of R0,203 million as a result of late payments to suppliers and penalties and interest to the Tax Authorities of R20,7 million, an overpayment of a vendor resulted in a loss of R0,022 million, cancellation fee of R0,001 million, R0,114 million penalties and interest on late payment of cargo dues, R0,096 million interest on late payment of invoices, R0,228 million damage on outboard motors, R0,025 million unauthorised event, R0,077 million penalties and interest on CCMA award, R0,031 million on irrecoverable study assistance, R0,122 million interest on late payment of investment, R0,067 million on penalties on outstanding cost recovery reports, R0,114 million for additional registration fees and R0,004 million for additional travel costs.

48. Fruitless and wasteful expenditure (continued)

CCE 2011

Interest was incurred of R0,633 million (2010: R1.9 million) as a result of late payments to a contractor. The interest arose as a result of financial constraints experienced by the company.

ETA 2011

ETA has incurred interest of R0,012 million for late payment on PAYE submission for the 2011 financial year.

SASDA 2012

Penalties and interest or R0,046 million were incurrent due to the non-submission of PAYE reconciliations from 2006 to 2008 by the previous accounting officer.

SANERI 2011

SANERI has incurred interest on late payment of invoice amounting to R0,010 million to South African Revenue Service and the Auditor General. The interest to South African Revenue Service arose as a result of provisional tax being required to be submitted electronically and there was a challenge in contacting a South African Revenue Service official to correct the estimate calculated by South African Revenue Service before payment could be made.

Carbon Stream Africa 2012

The South African Revenue Services refunded Carbon Stream R0,002 million on interest paid during the 2011 financial year.

Carbon Stream Africa 2011

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

iGas 2012

Penalties and interest of R1k was paid to the South African Revenue Services for the late payment of PAYE. An objection has been lodged and iGas is expecting to be refunded.

OPCSA 2012

Petty cash of R0,015 million was stolen. The appropriate disciplinary action has been taken and employee was dismissed and a criminal case was opened. R0,005 million was recovered from the employees leave balance and OPCSA expects to recover the balance of R0,010 million from the employees pension fund.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

48. Fruitless and wasteful expenditure (continued)

Reconciliation of fruitless and wasteful expenditure				
Opening balance	3,822	14,988	18	229
Fruitless and wasteful expenditure – relating to prior year	-	3,396	-	-
Fruitless and wasteful expenditure – relating to current year	35,999	21,642	63	18
Less: Interest earned on non-payment of current year	(2)	(98)	-	-
Less: Amounts transferred to receivables for recovery	(16,431)	(12,911)	-	-
Less: Amounts condoned by the board	(22,153)	(23,195)	(18)	(229)
Fruitless and wasteful expenditure awaiting condonation	**1,235**	**3,822**	**63**	**18**
Analysis of awaiting condonation per economic classification				
Current	1,235	3,822	63	18
Irregular expenditure				
Contravention of company policy	25,868	13,618	-	-
Contravention of legislation	-	3,604	-	-
Procurment process not followed	47,894	-	-	-
	73,762	**17,222**	**-**	**-**

Petroleum Agency 2011

The company incurred expenditure of R0,016 million on a payment to a supplier who was appointed without the company following the procurement procedure.

Two payments totaling R0,068 million were paid into a fraudulent bank account, R0,050 million was recovered. Both matters were investigated by the company and corrective measures and sanctions are being implemented.

SFF 2012

R2 million expenditure incurred on a payment made to a sole supplier, resulting in the normal procurement process not being followed.

R0,480 million payment made to a supplier where the necessary three quotes were not obtained as part of the procurement process.

R0,121 million payment made to a supplier with whom there had been no contract in place.

R0,925 million expenditure incurred on a payment made to a supplier who traded without a tax clearance certificate.

	Group		Company	
	2012 R '000	2011 R '000	2012 R '000	2011 R '000

48. Fruitless and wasteful expenditure (continued)

R0,489 million expenditure incurred on a payment in excess of R0,500 million without following the tender process.

R37m payment made with regards to a water meter tender.

R6.8 million payment made with regards to a CCTV security system tender.

SFF 2011

A consultant and former employee of the Department of Energy was appointed by SFF Association to review the National Government continuity plan for strategic stocks. However, according to the Public Finance Management Act, 1 of 1999 (PFMA) this action was not in the mandate of the public entity.

PetroSA 2011

The Country Manager in PetroSA Equatorial Guinea incurred valid expenditure outside of his levels of authority, to the value of R12,4 million. This expenditure has subsequently been condoned.

PetroSA is investigating irregularities in its Corporate Social Investment programme. Appropriate disciplinary action has been taken, and governance processes are being tightened to prevent recurrence, as well as to maximise the benefits from such investments.

49. Changes in accounting estimates

Property, plant and equipment and Intangible assets

The directors of the group have evaluated the estimated useful life of the fixed assets and intangible assets as at 31 March 2012 to ensure that the fixed and intangible assets were fairly valued at year end. The total change in estimate amounted to R4.2 million.

Decrease in operating expenditure	4,160	5,240	267	-

50. Going concern

South African Agency for Promotion of Petroleum Exploration and Exploitation

The company has budgeted to fund operations from cash reserves, these reserves will be sufficient to fund operations for at least a further three years, after which the company will need to obtain funding from the State as provided for in the MPRDA.

CCE Solutions (SOC) Limited, Carbon SA and Carbon Stream

The directors believe that these companies will not continue as a going concern in the year ahead. The annual financial statements have been prepared on the liquidation basis, a material loss to the amount of R81 million for CCE, R2 million of Carbon Stream and R15 million was incurred as a result of a write-off of investments in subsidiaries due to revised financial outlook on these investments.

51. 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					
2012	55%	55%	55%	55%	55%	55%
R'000	E-AA	E-AG	E-W	E-CB	E-CN	SCG Explore
Production facilities	-	-	-	-	-	-
Current assets	87	145	564	1,268	856	289
Total Assets	**87**	**145**	**564**	**1,268**	**856**	**289**
Current liabilities	46	25	318	2,041	354	263
Retained income	(1,463)	(1,010)	(3,156)	(36,938)	(3,417)	(61,201)
Company contribution to venture	1,504	1,130	3,402	36,165	3,919	61,227
Total liabilities	**87**	**145**	**564**	**1,268**	**856**	**289**
Revenue	4	3	13	16	15	7
Expenses	(167)	(99)	(843)	(4,463)	(901)	(851)
Net profit / (loss)	**(163)**	**(96)**	**(830)**	**(4,447)**	**(886)**	**(844)**

Figures in Rand thousands

51. Interest in joint operating agreements (continued)

Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration
			Percentage Holding / Tracts			
2012 R'000	55% E-CC	55% SCG Capex	55% E-P	60% Sable	24% Block 2A	24% Block 2C
Production facilities	-	-	-	-	-	-
Current assets	235	998	-	52,061	54,793	-
Total Assets	**235**	**998**	**-**	**52,061**	**54,793**	**-**
Current liabilities	35	-	-	-	-	-
Retained income	(142,734)	(2,039,455)	(40,186)	(1,633,840)	(201,806)	(10,404)
Company contribution to venture	142,934	2,040,453	40,186	1,685,903	256,599	10,404
Total liabilities	**235**	**998**	**-**	**52,063**	**54,793**	**-**
Revenue	5	7,032	-	-	-	-
Expenses	(31)	-	(221)	(1)	(17,303)	(313)
Net profit / (loss)	**(26)**	**7,032**	**(221)**	**(1)**	**(17,303)**	**(313)**

Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 40%	Anschutz 22.80% Forest 53.20%	Anschutz 22.80% Forest 53.20%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration
			Percentage Holding / Tracts			
2012 R'000	55% F-Q	30% Block 3A/4A	55% E-DC	10% NAMIBIA 1711	20% Block 5/6	
Production facilities	-	-	-	-	-	-
Retained income	(3,707)	(6,793)	(44,723)	(109,910)	(3,917)	-
Company contribution to venture	3,707	6,793	44,723	109,910	3,917	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Expenses	(221)	(3,118)	(221)	2,299	(3,917)	-

Figures in Rand thousands

51. Interest in joint operating agreements (continued)

Partners:	Pioneer 45%	BHP Biliton 60% Sasol 10%	Pioneer 45%	Nakor 70% Energulf 10% Namcor 7% Kunene Energy 3%	Anadarko 80%	
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration
	Percentage Holding / Tracts					
2011	55%	55%	55%	55%	55%	55%
R'000	E-AA	E-AG	E-W	E-CB	E-CN	SCG Explore
Current assets	188	73	499	583	810	238
Current liabilities	156	27	200	381	270	214
Retained income	(1,147)	(807)	(2,052)	(28,668)	(2,233)	(53,256)
Company contribution to venture	1,179	853	2,351	28,870	2,773	53,280
Total liabilities	**188**	**73**	**499**	**583**	**810**	**238**
Revenue	8	2	13	11	7	4
Expenses	(308)	(92)	(752)	(820)	(620)	(468)
Net profit / (loss)	**(300)**	**(90)**	**(739)**	**(809)**	**(613)**	**(464)**

Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration
			Percentage Holding / Tracts			
2011	55%	55%	55%	60%	24%	24%
R'000	E-CC	SCG Capex	E-P	Sable	Block 2A	Block 2C
Current assets	90	998	-	45,935	54,793	-
Current liabilities	39	-	-	-	-	-
Retained income	(125,916)	(2,039,455)	(39,965)	(1,441,585)	(184,503)	(10,091)
Company contribution to venture	125,967	2,040,453	39,965	1,487,520	239,296	10,091
Total liabilities	**90**	**998**	**-**	**45,935**	**54,793**	**-**
Revenue	6	7,032	-	145	-	-
Expenses	(106)	-	(176)	(5,273)	(5,716)	(710)
Net profit / (loss)	**(100)**	**7,032**	**(176)**	**(5,128)**	**(5,716)**	**(710)**

Figures in Rand thousands

51. Interest in joint operating agreements (continued)

Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 40%	Anschutz 22.8% Forest 53.2%	Anschutz 22.8% Forest 53.2%
Nature of project	Exploration	Exploration	Exploration	Production	Exploration	Exploration
			Percentage Holding / Tracts			
2011 R'000	55% F-Q	30% Block 3A/4A	55% E-DC	10% Namibia South	10% Namibia North	10% Namibia 1711
Production facilities	-	-	-	-	-	-
Retained income	(3,486)	(3,675)	(44,502)	(18,699)	(1,983)	(122,209)
Company contribution to venture	3,486	3,675	44,502	18,699	1,983	122,209
Total liabilities	-	-	-	-	-	-
Expenses	(2,102)	(1,536)	(176)	-	-	-
Net profit / (loss)	**(2,102)**	**(1,536)**	**(176)**	**-**	**-**	**-**

Partners:	Pioneer 45%	BHP Biliton 60% Sasol 10%	Pioneer 45%	BHP Biliton 75% Mitsui 15%	BHP Biliton 75% Mitsui 15%	Nakor 70% Energulf 10% Namcor 7% Kunene Energy 3%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

2011 R'000	22.50% Zambezi Block
Retained income	(183,926)
Company contribution to venture	183,926
Total liabilities	-
Expenses	-
Net profit / (loss)	-
Partners:	Petronas 42.5% ENH 15% Petrobras 17%
Nature of project	Exploration

Figures in Rand thousands

51. Interest in joint operating agreements (continued)

GTL.F1 joint venture

PetroSA and Lurgi, bought the Statoil ASA shareholding in GTL.F1 in May 2011 and are now equal joint shareholders. GTL.F1, the Process Licensor of the Low Temperature Fischer Tropsch (LTFT) Technology, declared the Technology ready for Licensing in May 2011 and has already conducted a number of studies for prospective clients. Total of assets amount to R109 million (2011: R83 million) at year end.

Joint venture with Pioneer

PetroSA has a production sharing agreement with Pioneer for the South Coast Gas field production. The holding is 55:45 respectively.

Fields in Production and Under Development

Fields in Production and Under Development

PetroSA	Group	Company

1. Movement in net remaining proved and probable reserves

	Crude oil/ Condensate MMbbl 2012	Gas Bscf 2012	Crude oil/ Condensate MMbbl 2011	Gas Bscf 2011
At beginning of year	7.90	526.10	3.60	57.80
Revisions of previous estimates	5.40	-	-	-
Production	(1.30)	(38.60)	(2.60)	(45.00)
Additions	-	27.40	7.40	536.10
At end of year	**12.00**	**514.90**	**8.40**	**548.90**

2. Proved and probable reserve by type of field

Fields in production	3.80	213.57	8.40	298.90
Fields under development	-	301.31	-	249.90
	3.80	**514.88**	**8.40**	**548.80**

3. Reserves by category

Proved	2.30	388.50	5.20	399.90
Proved and probable	3.80	514.90	8.40	548.80
Total proved and probable reserves at end of year	**3.80**	**514.90**	**8.40**	**548.80**

Notes

Oil

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

Gas

Fields in production and under development comprise the SCG (55%), F-A and F-A Satellite, E-M and E-M Satellite and FO gasfields respectively.

Fields under appraisal comprise discoveries. The reserves shown are either all oil or all gas, excluding gas liquids. Oil includes condensate and LPG.

Reserves and production are shown on a working interest basis (100%).

Oil and gas reserves cannot be measured exactly since the estimation of reserves involves subjective judgement and arbitrary determinations and therefore all estimations are subject to revision. The gas and oil reserves reflected above have been determined by an independent surveyor.

Definitions

Proved reserves

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.

Below is a list of definitions of financial terms used in the annual report of CEF (SOC) Limited (the company) and the group:


SEES

Definition of Financial Terms

Definition of Financial Terms

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.

Acquisition date

This is the date on which the acquirer obtains control of the acquiree.

Amortised cost

The amount at which a financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Asset

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

Assets under construction

A non-current asset which includes expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.

Associate

An entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

Borrowing costs

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

Definition of Financial Terms

Business combination

A transaction or other event in which an acquirer obtains control of one or more businesses.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation or amortisation and accumulated impairment losses.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash flow hedge

A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset, or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss.

Change in accounting estimate

An adjustment to the carrying amount of an asset, liability or the amount of the periodic consumption of an asset that results from new information or new developments.

Consolidated annual financial statements

The annual financial statements of a group presented as those of a single economic entity.

Contingent asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent 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.

Definition of Financial Terms

Depreciation (or amortisation)

The systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of an asset, or other amount substituted for cost, less its residual value.

Derecognition

The removal of a previously recognised asset or liability from the Statement of Financial Position.

Derivative

A financial instrument whose value changes in response to an underlying item, requires no initial or little net investment in relation to other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

Development

The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before starting commercial production or use.

Discontinued operation

A component that has either been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or a subsidiary acquired exclusively with a view to resale.

Employee benefits

All forms of consideration (excluding share options granted to employees) given in exchange for services rendered by employees.

Equity instrument

A contract or certificate that evidences a residual interest in the total assets after deducting the total liabilities.

Equity method

A method in which the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the share of net assets of the investee. Profit or loss includes the investor's share of the profit or loss of the investee.

Expenses

The decreases in economic benefits in the form of outflows or depletions of assets or incurrence's of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Definition of Financial Terms

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.

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.

Functional currency

The currency of the primary economic environment in which the group operates.

Going concern basis

The assumption that the entity will continue in operation for the foreseeable future. The financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Government Grants

Assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Gross investment in lease

The aggregate of the minimum lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

Hedged item

An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

Hedging instrument

A designated derivative or non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedge effectiveness

The attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Held for trading financial asset or financial liability

One that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative (except for a derivative that is a designated and effective hedging instrument).

Held-to-maturity investment

A non-derivative financial asset with fixed or determinable payments and fixed maturity where there is a positive intention and ability to hold it to maturity.

Immaterial

If individually or collectively it would not influence the economic decisions of the primary users of the annual financial statements.

Impairment loss

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Definition of Financial Terms

Impracticable

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Income

Increase in economic benefits in the form of inflows or enhancements of assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Joint venture

A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Key management personnel

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

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Legal obligation

An obligation that derives from a contract, legislation or other operation of law.

Liability

A present obligation of the entity arising from a past event, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

Definition of Financial Terms

Net assets

Net operating assets plus cash and cash equivalents.

Operating lease

Any lease other than a finance lease.

Other comprehensive income

Comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit or loss and includes the effect of translation of foreign operations, cash flow hedges, available-for-sale financial assets and changes in revaluation reserves.

Owner-occupied property

Property held by the owner or by the lessee under a finance lease for use in the production or supply of goods or services or for administrative purposes.

Past service cost

The increase or decrease in the present value of the defined benefit obligation for employee service in prior periods resulting from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

Post-employment benefits

Employee benefits (other than termination benefits) that are payable after the completion of employment.

Post-employment benefit plans

Formal or informal arrangements under which an entity provides post-employment benefits to employees. Defined contribution benefit plans are where there are no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Presentation currency

The currency in which the annual financial statements are presented.

Prior period error

An omission from or misstatement in the annual financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when annual financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation of those annual financial statements.

Prospective application

Applying a new accounting policy to transactions, other events and conditions occurring after the date the policy changed or recognising the effect of the change in an accounting estimate in the current and future periods.

Recoverable amount

The amount that reflects the greater of the fair value less costs to sell and the value in use that can be attributed to an asset as a result of its ongoing use by the entity. In determining the value in use, expected future cash flows are discounted to their present values using the discount rate.

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 over which an asset is expected to be available for use or the number of production or similar units expected to be obtained from the asset.

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