CEF (Pty) Ltd

Annual Review | 2007

Company Information

Country of incorporation	**South Africa**
Directors	**Ms B Mabuza** **Mr Y Tenza** **Ms P Zikalala** **Dr P Molefe** **Ms N Mazwai** **Mr M Damane** **Dr Z Rustomjee** **Mr A Nkuhlu (alternate director)**
Registered office	**158 Jan Smuts Avenue** **1st Floor** **Rosebank** **2196**
Business address	**158 Jan Smuts Avenue** **1st Floor** **Rosebank** **2196**
Postal address	**P O Box 786141** **Sandton** **2146**
Ultimate holding company	**Government of South Africa**
Auditors	**Auditor-General**
Secretary	**Mr A Haffejee**
Company registration	**1976/001441/07**

Contents

Chairperson's overview

I hereby present the Minister of Minerals and Energy with the CEF group annual financial statements for the year ended 31 March 2007.

Group performance has improved significantly from the prior year due mainly to improved results from PetroSA which were positively affected by the high crude oil prices.

This overview covers the highlights and main activities of the CEF Group of companies for the period 1 April 2006 and 31 March 2007. Further information on the individual companies within the group, is provided in the audited annual financial statements attached hereto.

Business and trading environment

We are pleased that the CEF Group attained profit after taxation of R3 015 million (2006: R2 828 million) for the 2007 financial year.

During the year, crude oil prices averaged US$64,1/bbl (2006: US$58,6/bbl) and the Rand weakened against the Dollar to R7,0/USD (2006: R6,38/USD). These factors had a positive impact on group revenues as a large portion of group revenues are Dollar denominated.

The volatile crude oil price had a very positive effect on the demand for crude oil storage space and a knock-on effect was the increased demand for pollution control measures in Saldanha Bay. The trading environment, however, had a negative impact on input costs at PetroSA.

Group structure

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

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

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

- *Exploration and production*
- *Production and marketing of petroleum products and services*
- *Promoting, marketing and licensing of offshore and onshore exploration and production activities*
- *Management of strategic stocks*
- *Tank rentals and tank terminal management*
- *Renewable energy*
- *Energy efficiency*
- *Low-smoke fuels*
- *Energy research and development*
- *Gas infrastructure development*
- *Oil pollution prevention and control*

All activities are managed within CEF (Proprietary) Limited itself and its six active subsidiaries viz. The Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd (PetroSA), South African Agency for Promotion of Petroleum Exploration and Exploitation (Pty) Ltd (Petroleum Agency SA), The South African Gas Development Company (Pty) Ltd (iGas), Oil Pollution Control South Africa (Association incorporated under Section 21) (OPCSA), South African National Energy Research Institute (Pty) Ltd (SANERI) and SFF Association (Association incorporated under Section 21) (SFF).

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

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

CEF and its operating subsidiaries

PetroSA

From a financial perspective, PetroSA experienced another successful year.

A key highlight of the year was the successful annual maintenance shutdown of the Mossel Bay facility.

A key focus for the year was the anchoring of the South Coast Gas project which is due for commissioning early in the new financial year. This project will extend the gas feedstock for the plant to 2010.

In the new year, PetroSA will renew its focus on new upstream and downstream projects.

The company continued to extend its international business operations with the opening of its offices in the USA.

PetroSA have put in a concerted effort to drive BEE participation in the oil industry and started selling fuels to BEE companies during the year.

Cost containment remained a significant focal area which impacted positively on the financial performance for the year. The overall increase in operating costs was mainly due to the increased cost of feedstock purchases due to the high oil price and weaker rand, as well as the first full year of reformate usage and the importation of three shipments of finished product to ensure security of supply in the country. The downward revision of oil and gas reserves resulted in an increase in depreciation and abandonment provision charges. The terminal maintenance shutdown was executed at a cost of R354 million. The cost was capitalised and will be amortised over three years.

The major challenge for the future is the sourcing of feedstock beyond the existing South Coast Gas reserves.

The PetroSA group recorded a profit after tax of R2 729 million (2006: R2 765 million).

A dividend of R690 million was paid during the year (2006: R500 million).

iGas

The South African Gas Development Company (Pty) Ltd (iGas) continues to fulfil its mandate as provided via Ministerial Directive. iGas performed well during the year under review.

The main asset in iGas is a 25% shareholding in the Republic of Mozambique Pipeline Investments Company (Pty) Ltd (Rompco), where SASOL holds the balance of the shares. The Mozambique government company CMG has advised iGas that it will be exercising its right to take up a 25% shareholding in Rompco from SASOL. Rompco owns a natural gas pipeline from the Temane/Pande gas fields in Mozambique to Secunda in South Africa which is operated by SASOL. We are pleased that Rompco continues to operate as planned. The next phase of work, to plan for the increase of gas through the pipeline has started.

During the year iGas together with joint venture partners has progressed the discussions, planning, engineering studies, commercial studies and furthered the feasibility study for a liquefied natural gas (LNG) terminal in Coega. These discussions included the National Ports Authority and identified the likely requirements for an LNG terminal. In the middle of 2006 iGas became the sole developer of the terminal. The LNG Terminal Basic Engineering and related marine LNG shipping studies were completed at the end of the current financial year. The environmental impact assessment is underway and the relevant submissions are expected towards the end of the calendar year. Eskom has discontinued its direct involvement in the Combined Cycle Gas Turbine Power Plant at Coega, however the electricity power generation project will continue.

The company's loss for the year amounted to R0.9 million (2006: R22.4 million). Dividends of R29.5 million were declared by Rompco in favour of iGas.

Petroleum Agency SA

From a promotional aspect, Petroleum Agency SA identified a number of select areas along the South African offshore and successfully launched a licensing round during March 2007. The launch was carried out in Johannesburg, London, Houston and California.

Old order prospecting rights (OP26) were successfully relinquished during the year.

In the Regulations arena, a backlog in the processing of applications for licences and rights was successfully overcome.

The South African Extended Continental Shelf Claim project is progressing well. Co-operation has been obtained from Maritime neighbours, Namibia, Mozambique and France and this will lead to joint study projects across the marine borders.

Petroleum Agency SA reported a net after tax profit of R36.4 million (2006: R43.7 million).

SFF

SFF progressed well against its set targets for the year.

Advantage was taken of the high demand for rental of crude oil storage space in Saldanha Bay and as a result, SFF experienced a significant increase in its profitability.

The CEF group prospecting permits for old order mineral rights were issued in terms of the MPRDA to African Exploration Mining and Finance

Corporation (AEMFC). SFF's environmental risk at Ogies was successfully managed during the year by OPCSA via a management agreement

The decision on the future of the Milnerton terminal which was anticipated this year was delayed to allow for the finalisation of a strategic stock policy and security of supply study which is being carried out by the DME

AEMFC is a subsidiary of Klippoortje Koolmyne whose holding company is SFF. Subsequent to the year end, Ministerial approval has been obtained for the transfer of this company within the group, from Klippoortje to CEF

SFF's profit for the year amounted to R199.3 million (2006: R30.9 million).

OPCSA

OPCSA continues to manage oil pollution prevention and control activities in Saldanha Bay, Cape Town and Ogies and provides clean-up services in the event of an oil pollution incident

The company's focus for the year was on marketing it's operational capabilities to Government Agencies which would be able to make use of the significant capabilities, both from a personnel and equipment perspective, that OPCSA has to offer. Possible contracts with both NPA and SAMSA were the main priority in terms of the company targets for the year.

The company's operating profit for the year amounted to R5.3 million (2006: R6.5 million) .

SANERI

SANERI began its operations during the financial year and the company geared up to carry out its mandate by accomplishing its objectives through energy related research and development, with a total staff complement of six under the leadership of the CEO, Mr Kevin Nassiep. The entity has to date successfully allocated funds received from the DST to various academic and research institutions and individuals, mainly for capacity building in the area of energy research and development.

Though SANERI is not a profit generating organisation, the funds held during the period generated interest, and as a result, the company made a profit for the year of R1.7 million (2006: R0.2 million).

Energy Development Corporation (EDC)

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

Low Smoke Fuels

Significant progress has been made on the bankable feasibility study for the the Low Smoke Fuel project this year. Preliminary indications are *that the project will be the flagship project for the company and will ensure sustainability for twenty-five years.*

The Minister of Minerals and Energy has directed that Government's Basa Njengo Magogo program be adopted to enhance the clean coal use and management initiatives.

Biodiesel

During the year, EDC continued to investigate project possibilities in the production of Biodiesel. The economics of the SASOL Biodiesel project have proven to be a stumbling block and alternative technologies are being investigated.

EDC together with PetroSA are investigating the establishment of a 20 million litre biodiesel project using Canola as the primary feed stock. PetroSA will be the off-taker of the biodiesel whilst the bi-product in the form of canola cake, will be sold to the local dairy farmers.

Bethlehem Hydro and Darling Wind Farm projects

During the year, construction began on both of these renewable electricity generation projects. There are signed power purchase agreements in place to ensure uptake of the power and it is anticipated that both will begin operations in the new financial year

Ethanol

CEF in partnership with the IDC have concluded a number of pre–feasibility studies for ethanol projects. CEF has also played an important supporting role to the Department of Minerals and Energy for the completion of the biofuels strategy,

The CEF/IDC strategy seeks to identify optimal projects across the country as mitigation against drought. A regional approach has been adopted to ensure uninterrupted supply across the country.

A joint steering committee has been established and four significant projects have been identified. The aggregated production capacity of these projects will provide about 50% of the ethanol blend requirements of the country.

Methcap SPV1 PetroSA Gas Extraction for Electricity

This project involves the use of waste gas that is currently being flared at the PetroSA refinery in Mosselbay, to generate electricity. The CDM registration and due diligence investigation were completed and CEF has taken up its equity investment. Construction of the plant will be completed by July 2007.

Johanna Solar

A team linked to the University of Johannesburg has developed a production plant that produces PV panels at a quarter of the cost of the current technology. A complete system, which is to generate electricity from sunlight could be in production within the next three years. The team developed an industrial method of producing copper-indium (gallium)-diselenide (CIGS) panels as opposed to the silicon based technologies that are used currently. CEF has made a strategic investment into this sector and construction of the plant in Germany is scheduled to be completed by June 2007.

CEF is a shareholder in a new local company, Thin Film Solar Technology (Pty) Ltd (TFST) which has been formed to develop a business plan for setting up a Photovoltaic (PV) production facility in South Africa.

Safer Illuminating Paraffin (IP) appliance pilot project

In January 2007 DME issued CEF with a directive to initiate a pilot program to roll-out a safe IP stove in a traditionally high risk area. In the winter months of 2007, it is anticipated that there will be a roll-out of the project.

EDC made significant progress in a number of other projects within its mandate.

Other EDC activities

A number of strategic initiatives have been completed during the financial year. The second annual energy roundtable was successfully convened.

A number of strategic alliances were pursued and secured during the year. These included a donor collaboration with Norwegian Assistance Program and the French Development Agency. A Co-operation Agreement has also been signed with the German Technical Co-operation for assistance on a number of dedicated energy interventions. The solar water heating project in collaboration with the GTZ and UNDP will formally be concluded in 2007.

In the development area, EDC has completed the following initiatives:

- *Moved closer to proposing a safer alternate to paraffin in its current form;*
- *The methodology for more efficient globes, proposed by EDC joint venture partners have been approved by the methodology panel at the UNFCCC and;*
- *A renewable energy model house was exhibited at the Sci Bono Science Centre to increase awareness of renewable energy technologies.*

Energy Efficiency Agency (a division of CEF)

The first year of operation of the Energy Efficiency Agency was marred by problems in obtaining the requisite funds allocation for start-up operations as was envisaged in the Ministerial Directive. Activities were therefore kept at a minimum. It is anticipated that the 2007/8 financial year will be more productive.

Strategic objectives for 2007/8

For CEF, the focus in 2007/2008 will be primarily on finalising the implementation of the low smoke fuel project and also on completing the biofuels research and commercial development, completing the implementation of the SWH pilot phase, construction of the Bethlehem Hydro and Darling Wind Farms, exploiting landfill gas opportunities within the different municipal boundaries and seeking a stronger collaboration with the new institutions of the Energy Efficiency Agency and the South African National Energy Research Institute. A very significant intervention will be the establishment of the CEF Carbon Division expected to be functioning by July 2007.

As a group the consolidated efforts of all companies is to ensure long-term sustainability whilst fulfilling the mandates received from the shareholder.

Conclusion

In conclusion, I would like to give a special thanks to my predecessor, Ayanda Mjekula who presided over the board for the most part of the year and whose term of office came to an end in December.

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

B MABUZA

Chairperson

Board members

Ms Busi Mabuza, Chairperson

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

Mr Mputumi Damane

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

Mr Yekani Tenza

Presently COO of the Road Accident Fund. Previously Executive Chairman of Virtual Care Pharmacies (Pty) Ltd, Non-Executive Chairman of IME Actuaries & Consultants and President & CEO of Foskor Group Ltd.

Mr Nhlanhla Gumede

Presently Deputy Director-General of Hydrocarbons & Energy Planning at the Department of Minerals and Energy. Previously Executive Director and Senior Consultant at SAD-ELEC (Pty) Ltd and Managing Member at Khanya-Africa Business Solutions cc.

Dr Zavareh Rustomjee

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

Dr Popo Molefe

Currently Chairman of PetroSA, Non-Executive Chairman of Xantium Technology Holdings, CEO of Lereko Investments and trustee of the Popo Molefe Foundation. Previously Premier of the North West Province.

Ms Ntombifuthi Zikalala

Presently Chief Director for Mining and Mineral Policy at the Department of Minerals and Energy. Previously worked for the Commission on Gender Equality, Domestic Violence Assistant Programme and the Campus Law Clinic at the University of Natal.

Ms Nonkqubela Mazwai

Presently a director at Lafarge Mining and Industries, South African Mining Development Association (SAMDA), Motjoli Resources and CIDA Empowerment Trust. She recently joined GVM Metals Limited as the Deputy Managing Director.

Approval and statement of responsibility

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

The company and group annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice and the Companies Act, 1973. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

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

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 company and group annual financial statements have been prepared on the going concern basis since the directors have every reason to believe that the group has adequate resources in place to continue in operation for the foreseeable future.

The company and group annual financial statements which appear on pages 17 to 109 were approved by the board of directors on 26 July 2007 and signed on their behalf by:

Ms B Mabuza

Dr Z Rustomjee

Rosebank
26 July 2007

Statement on corporate governance

1. Compliance

The board of directors believe that companies within the group endorse the principles as set out in the Protocol on Corporate Governance, and where applicable, the King Report on Corporate Governance for South Africa 2002 (King II) and have endeavoured to comply with the principles incorporated in the Code of Corporate Practices and Conduct.

The group has a formalised system of corporate governance as set out below.

2. Governing bodies

2.1. Boards of directors

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

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

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

The boards of directors of the holding company and the operating subsidiaries have appointed, amongst others at least the following two sub-committees to assist in carrying out their responsibilities:

2.2. Board committees

Board audit and risk management committees:

The board audit and risk management committees consist of non-executive directors and in some instances independent members. Each committee has an agreed terms of reference as approved by its board of directors. The report of the CEF board audit and risk management committee is included in the group annual financial statements. The report sets out the responsibilities covered by this committee.

Board human resources committees:

These committees consist of non-executive directors and in some instances independant members and are chaired by a non-executive director appointed by the respective board of directors.

The committees review and recommend annual staff remuneration increases, terms and conditions of employment, the payment of incentives and bonuses, general fringe benefits, remuneration policies and the appointment of senior staff.

2.3. Chief executive officer

The Chief Executive Officer of the holding company and those of the operating subsidiaries are appointed by the board of directors of each company. They are held accountable for implementing the strategies of the board of directors and managing the business of the respective companies in accordance with the approved corporate plan and budget.

Terms of reference for each chief executive officer are approved by the appropriate board of directors.

3. Materiality and significant framework

A materiality and significant framework is in place. Its purpose is to regulate disclosure of material facts to the Minister of Minerals and Energy, disclosure in the group annual financial statements and approval from the Minister of Minerals and Energy for participation in certain transactions.

4. Internal audit

The internal audit departments, headed by internal audit managers, are accountable to each of the board audit and risk management committees.

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

5. 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 committees and the boards of directors respectively for review.

6. 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.

7. Non Financial Information

7.1. Black economic empowerment

The CEF group is committed to ensuring that it meets the objectives of the Government's broad-based black economic empowerment strategy.

Group companies have policies and procedures on preferential procurement to support black economic empowerment which have been approved by their boards of directors and management.

7.2. Corporate social investment

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

7.3. Worker participation

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

Report of the Auditor General

to Parliament on the group financial statements and performance information of CEF (Proprietary) Limited for the year ended 31 March 2007

Report on the financial statements

Introduction

1. I have audited the accompanying group financial statements of CEF (Pty) Ltd which comprise the consolidated and separate balance sheet as at 31 March 2007, consolidated and separate income statement, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 97.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these group financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), the Companies Act of South Africa and the Central Energy Fund Act, 1977 (Act No. 38 of 1977) as amended. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

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

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the group financial statements are free from material misstatement.

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

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

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

Opinion

8. In my opinion the group financial statements present fairly, in all material respects, the financial position of CEF (Pty) Ltd and group as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the PFMA and Companies Act of South Africa.

Other matters

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

9. General controls in the information technology environment

An information systems audit of the general controls surrounding the financial and human resources applications was completed in May 2007. Overall the general control environment is adequate; however the following significant control weakness was identified:

- The password and lockout settings on certain applications were not adequate to protect information systems resources from the risk of unauthorised access.

10. Unaudited supplementary schedules

- The disclosure of reserves on pages 98 to 99 is an unaudited supplementary schedule.

Other reporting responsibilities

Reporting on performance information

11. I have audited the performance information as set out on pages 17 to 18.

Responsibilities of the accounting authority

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

Responsibilities of the Auditor-General

13. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.

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

15. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

16. No audit findings came to the fore.

Appreciation

17. The assistance rendered by the staff of CEF (Pty) Ltd during the audit is sincerely appreciated.

Lourens

G.J. Lourens for Auditor-General

Pretoria

31 July 2007

AUDITOR-GENERAL

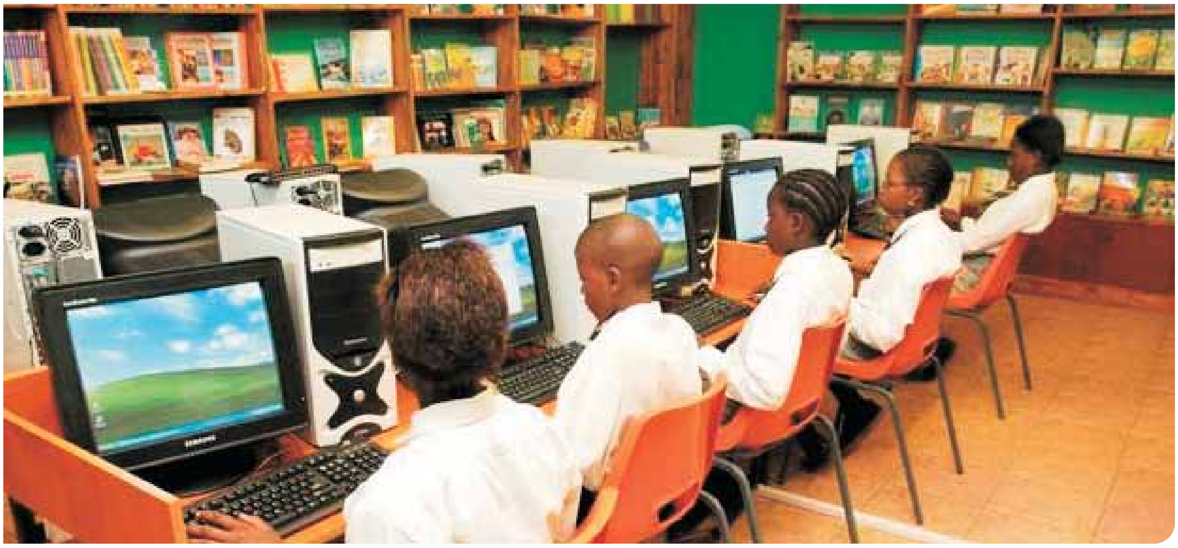
Performance against objectives

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

	WEIGHT	TARGET	ACHIEVED
Contribute 5 MW towards South Africa's Renewable Energy target of 10,000GWH by 2013	**7.0**	**7.0**	**7.0**
Finalise participation agreements for 5MW landfill gas projects - Obtain project approval for landfill gas - Prepare project evaluation documents for internal approvals	7.0	7.0	7.0
Ensure long-term profitability of CEF (Pty) Ltd	41.0	41.0	41.0
Make Investment decision in respect of LSF project - Apply for Mining licence - Prepare a detailed market strategy document - Finalise feasibility study - Negotiate and finalise joint venture relationships - Produce an implementation plan with financial indicators	15.0	15.0	15.0
Investigate utilising EyeSiswe's torbanite reserves	3.0	3.0	3.0
Make investment decision regarding biodiesel projects - Sasol project - PetroSA project	8.0	8.0	8.0
Obtain at least R3m from donor agencies for developmental projects - Establish working relationships with at least two other agencies - Obtain R3m in grant funding for development activities and awareness	5.0	5.0	5.0
Build internal CDM expertise with a view to start trading in 2007/8 - Attend training/conferences - Finalise CDM applications for at least 2 projects	5.0	5.0	5.0
Invest cash to earn JIBAR	5.0	5.0	5.0
Invest in alternative and cleaner energy technologies that will improve the quality of life for low income households through more affordable and safer energy sources	**17.0**	**17.0**	**17.0**
Finalise at least 2 other developmental projects - Continue feasibility studies - Finalise plan for BASA njenjo magogo project - Board approval	5.0	5.0	5.0
Finalise and accept at least 1 other project from "Commercial Projects under review" - Progress feasibility studies for 1 commercial renewable energy project	5.0	5.0	5.0
Investigate the viability of Biofuels industry - Perform desktop study together with IDC - Participate in National Biofuels Task Team - Employ consultant to prepare biofuels task team report - Finalise feasibility studies for ethanol	5.0	5.0	5.0
Partner with GTZ to identify feasible projects - Agree terms of participation - Identify at least one commercial biofuel opportunity	2.0	2.0	2.0

	WEIGHT	TARGET	ACHIEVED
Manage investment in subsidiaries to ensure good governance and sustainability	**17.0**	**17.0**	**17.0**
Monitor performance of subsidiaries against board approved objectives - Quarterly subsidiary board meetings	5.0	5.0	5.0
Review and approve long term plans and strategies - Signed shareholders compacts	0.5	0.5	0.5
Communication Strategy within CEF, Group and External Stakeholders - Appoint Public Relations Officer - Develop and implement communication strategy	0.5	0.5	0.5
Provision of services by support functions to internal departments and subsidiaries	11.0	11.0	11.0
Project Implementation	18.0	18.0	18.0
Oversee final implementation of Bethlehem Hydro - Finalise power purchase agreement - Finalise engineering and construction plan - Board and management participation - Ensure transfer of skills	4.0	4.0	4.0
Oversee Darling Windfarm Demonstration Project - Finalise Power Purchase Agreement - Finalise engineering and construction plans - Board and management participation	4.0	4.0	4.0
Implement the Solar Water Heating Project in collaboration with UNDP/GEF as per Ministerial Directive - Implement plot phase - Receive and house test rig at SABS - Implement monitoring mechanisms for energy savings - Report to Minister on project results	2.0	2.0	2.0
Johanna Solar - Obtain reserve bank approval and make investment - Board participation - Begin discussions with licence authority PTIP and South African consortium - PV road map for SA	2.0	2.0	2.0
Jathropha pilot project - Negotiate NDA - Appoint consultant - Assess landowners readiness for the project - Project steering committee participation	3.0	3.0	3.0
Biotherm - Finalise discussions with PetroSA - Investigate potential to increase equity stake - Make investment decision	3.0	3.0	3.0
Total	**100.0**	**100.0**	**100.0**

Report of the directors



1. Introduction

The directors present their annual report that forms part of the audited financial statements for the group for the year ended 31 March 2007.

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.

2. Directors

The directors of the group during the accounting period were as follows:

Mr A Mjekula: Non-executive Chairperson, resigned 15 December 2006
Ms B Mabuza: Chairperson, appointed 01 February 2007
Mr M Damane: Executive, appointed 01 February 2007
Mr S Levin: Non-executive, resigned 08 June 2006
Ms B Mabuza: Non-executive, resigned 15 December 2006
Ms N Mazwai: Non-executive, appointed 28 July 2004
Dr P Molefe: Non-executive, appointed 28 July 2004
Mr K Nassiep: Non-executive, resigned 31 July 2006
Dr Z Rustomjee: Non-executive, appointed 30 June 2004
Ms O Mans: Executive, resigned 01 February 2007
Mr M Mkhize: Non-executive, appointed 25 October 2006, resigned 30 June 2007
Mr M Masemola: Non-executive, appointed 25 October 2006, resigned 30 June 2007
Mr Y Tenza: Non-executive, appointed 01 July 2007
Ms P Langeni: Non-executive, appointed 01 July 2007
Mr T Fekheta: Non-executive, appointed 01 February 2007, resigned 30 June 2007
Mr NH Gumede: Non-executive, appointed 01 July 2007

Mr A Nkuhlu (alternate director): Non-executive, appointed 28 July 2005

Attendance at meetings:

Y	Attended meeting
N	Did not attend meeting
A	Alternate attended meeting
N/A	Not a member at the date of meeting

Name	2006/05/08	2006/05/25	2006/05/26	2006/07/25	2006/07/26	2006/11/22	2006/11/23	2007/02/22	2007/02/27
Mr A Mjekula	Y	Y	Y	Y	Y	Y	Y	N/A	N/A
Ms B Mabuza	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr M Damane	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y
Mr S Levin	Y	N	N	N/A	N/A	N/A	N/A	N/A	N/A
Ms N Mazwai	N	Y	Y	N	Y	N	N	Y	Y
Dr P Molefe	N	Y	N	Y	Y	N	N	Y	N
Mr K Nassiep	N	Y	Y	Y	Y	N/A	N/A	N/A	N/A
Dr Z Rustomjee	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ms O Mans	Y	Y	N	Y	Y	Y	Y	N/A	N/A
Mr M Mkhize	N/A	N/A	N/A	N/A	N/A	Y	Y	N	N
Mr M Masemola	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y
Mr T Fekheta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y

2.1. Board audit and risk management committee

The sub-committee consists of the following members:

Ms N Mazwai, Chairperson
Ms K Mthimunye
Mr R Boqo
Mr J Molobela

Attendance at meetings:

	2006/05/24	2006/07/19	2006/11/15	2007/02/21
Ms N Mazwai	Y	Y	N	Y
Ms K Mthimunye	Y	Y	Y	Y
Mr R Boqo	N	Y	Y	Y
Mr J Molobela	N/A	Y	Y	Y

All of these members are non-executive directors or are independent.

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

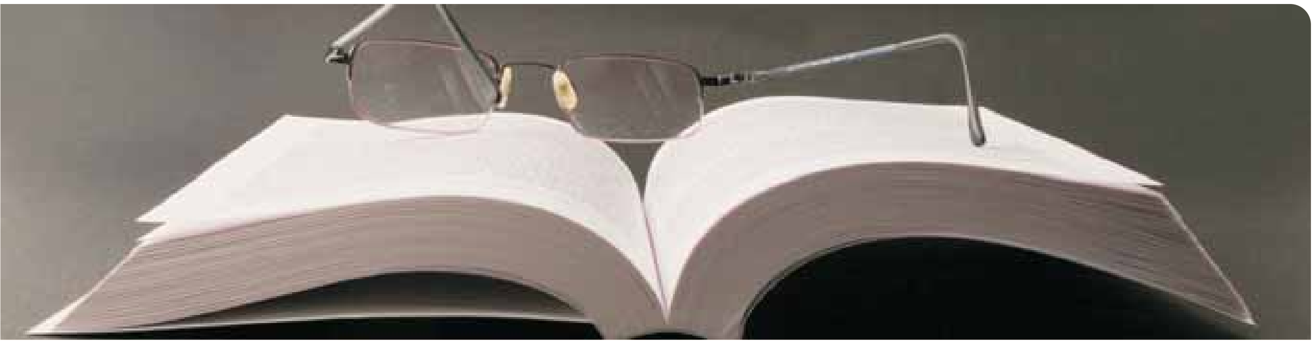
The responsibilities of this sub-committee of the board of directors are set out in the report of the board audit and risk management committee which forms part of these annual financial statements.

2.2. Board human resources committee

This committee of the board of directors comprises the following members:

Ms B Mabuza, appointed 1 February 2007
Mr M Leshabane, appointed 25 April 2006
Mr I Soules, appointed 25 April 2006

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 committee.



3. Secretary

The secretary of the CEF group's is Mr A Haffejee and his business and postal addresses are as follows:

Business address:
158 Jan Smuts Avenue
1st Floor
Rosebank
2196

Postal address:
P O Box 786141
Sandton
2146

4. Corporate strategy

CEF has continued with the development of its strategy in terms of the mandate issued to it in the form of a ministerial directive dated December 2003. The company focuses on the development of renewable and alternative energy technologies. These activities are largely driven through the EDC division of CEF which has a split commercial and developmental focus.

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

In terms of a ministerial directive received during the 2004/5 financial year, SANERI was incorporated during the 2005/6 financial year as a wholly owned subsidiary of CEF. SANERI became operational during the 2006/7 financial year.

During the 2005/6 financial year, CEF received a ministerial directive to form the Energy Efficiency Agency as a division of CEF. Operation of this Agency was limited during the 2006/7 financial year as a result of funding challenges. Operations will begin in earnest in the 2007/8 financial year.

5. General review

The group's business and operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance other than what is disclosed elsewhere in these financial statements has occurred between the accounting date and the date of this report.

There was no major change in the nature of the business.

5.1. Share capital

There were no changes in the authorised and issued share capital of the group during the accounting period under review.

5.2. Significant changes in assets/ investments

Major capital expenditure was incurred by the PetroSA South Coast Gas project to the value of R1 135 million (2006: R171 million) and by Brass Exploration Unlimited for R87 million (2006: R149 million) in respect of four exploration wells that were drilled in this financial year.

EDC projects within CEF incurred capital expenditures of R31.2 million (2006:R7.8 million).

6. Principal activities of the company

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

- the acquisition of coal, the exploitation of coal deposits, the manufacture of liquid fuel, oil and other products from coal, the marketing of the said products and any matter connected with the said acquisition, exploitation, manufacture and marketing;
- the acquisition, generation, manufacture, marketing or distribution of any other forms of energy and research connected therewith;
- any other object for which the fund may be applied, and which has been designated or approved by the said Minister with the concurrence of the Minister of Finance.

7. Operating results

The results of the group's 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.

7.1. Revenue

	Group			Company		
	% Change	2007 R'000	2006 R'000	% Change	2007 R'000	2006 R'000
Crude oil sales and fuel production	19%	**8 951 756**	7 553 189	-%	-	-
Tank rentals	119%	**113 661**	51 968	-%	-	-
Royalties	(21)%	**4 532**	5 715	-%	-	-
Other	172%	**29 693**	10 900	-%	-	-
Gross Revenue	19%	**9 099 642**	7 621 772	-%	-	-

The increase in revenues is due to a combination of factors, including external factors such as the higher international oil prices, which resulted in a significant improvement in sales performance. The average crude oil price for the year was $64.1/bbl against an average of $58.6/bbl in the previous year.

Due to volatile crude oil prices, demand for crude oil storage was high. This boosted tank rental revenues and the revenues of OPCSA due to increased demand for pollution control activities in Saldanha Bay.

7.2. Profit before taxation

	Group			Company		
	% Change	2007 R'000	2006 R'000	% Change	2007 R'000	2006 R'000
Net income before taxation	15%	**3 358 736**	2 920 640	48%	**753 069**	508 791
Taxation	(270)%	**(343 672)**	(92 801)	(104)%	**(8 214)**	(4 026)
	7%	**3 015 064**	2 827 839	48%	**744 855**	504 765

The profit of the group after taxation was R3 015 million (2006 : R2 828 million) and of the company, R745 million (2006 : R505 million).

The increase in group profits can be largely attributed to the increased revenue earned by the group - refer to Note 8.1. This was offset by higher input costs which were negatively impacted by high crude oil prices and a weaker Rand.

PetroSA has consolidated its subsidiary, Brass Exploration Unlimited into these results.

Company profits have increased mainly as a result of the dividends received from PetroSA.

8. Review of Operations

Summaries of the operating activities of CEF and its subsidiaries are given below as the full details are covered in the Chairperson's overview. In addition, information on special circumstances, financial matters and events are covered in this section and in the remainder of the directors' report.

8.1. EDC

During the financial year, the EDC division of CEF continued to assess renewable and alternative energy projects to identify a portfolio of such projects in which the company would like to invest.

Significant progress was made during the year on the following projects:

- Low smoke fuels/Torbanite
- Bethlehem Hydro
- Darling National Windfarm demonstration project
- Biodiesel
- Solar Water Heaters
- Ethanol
- Methcap
- Johanna Solar
- Safer Illuminating Paraffin
- Landfill gas
- Nelson Mandela Bay Metropolitan Projects
- CDM

8.2. PetroSA

PetroSA's main activities during the year were as follows:

- the exploration and production of crude oil and natural gas off the south-eastern coast of South Africa and Nigeria and participation in the acquisition of international upstream petroleum ventures;
- the production and marketing of synthetic fuels produced from the offshore gas and condensate at the gas-to-liquids (GTL) plant at Mossel Bay to the local market and high value chemicals internationally; and
- the management of strategic crude oil stock and storage facilities on behalf of SFF.

The PetroSA group recorded a pre tax profit of R3 047 million (2006: R2 854 million). After taxation of R318 million (2006: R89 million) the income statement reflects a profit after tax of R2 729 million (2006: R2 765 million) Brass generated good returns.

The cost containment drive at PetroSA had a positive impact on the financial performance for the year and remains a focal area. Overall group operating costs increased by 34%. This was mainly due to the increased cost of feedstock and reformate purchases which were affected due to the high oil price and the weaker Rand.

A dividend of R690 million (2006: R500 million) was declared and paid by PetroSA during the financial year.

8.3. SFF

The SFF group comprises of the following companies:

- SFF
- Klippoortje Koolmyne (Pty) Ltd
- African Exploration Mining and Finance Corporation (Pty) Ltd
- Mahne's Areas (Pty) Ltd

The activities carried out by SFF during the year were:

- Provision of storage facilities;
- Management of strategic oil reserves in accordance with ministerial directives;
- Management of environmental liability;
- Mineral right exploitation.

PetroSA manages the South African strategic inventory of crude oil and is involved in the procurement and sale thereof on behalf of the State in terms of a management agreement between SFF and PetroSA.

OPCSA manages the Ogies facility and commercialisation of mineral rights on behalf of SFF in terms of a management agreement.

All mineral rights exploitation within the CEF group will in future be managed by African Exploration. The Minister has approved the transfer, within the group, of this entity from SFF to CEF.

The company made a profit of R199.3 million (2006: R30.9 million)

Ogies

At Ogies, all activities are related to pollution prevention and control.

Saldanha Bay

The strategic crude oil stocks are stored at the Saldanha Bay terminal. One of the tanks at the terminal is leased to a third party on a long-term basis. Saldanha Bay was approved as an export port for PetroSA's Sable crude. High volatility in the crude oil prices during the year led to an increased demand for storage space.

Milnerton

Management is currently evaluating various options of how this terminal can be closed.

8.4. iGas

A ministerial directive mandates iGas to act as the official agency for the development of the hydrocarbon gas industry.

The main business of iGas is to promote the diversification of energy usage into hydrocarbon gas and enter into ventures which will facilitate the use of hydrocarbon gas in South Africa.

The company's loss for the year amounted to R 0.9million (2006 : R22.4 million). A R29.5 million dividend is receivable from Rompco.

iGas has a 25% stake in Rompco.

8.5. Petroleum Agency SA

Petroleum Agency SA acts as the designated agent of the State in terms of the MPRDA and is responsible for promoting exploration for and exploitation of natural oil and gas, both onshore and offshore. The company maintains and analyses geological data relating to natural oil and gas, thus building up a national database of such information, as well as administering the Upstream Training Trust and the Continental Shelf Claim project.

The company's profit from ordinary activities after taxation amounted to R36.4 million (2006 : R43.7 million).

8.6. OPCSA

OPCSA is an oil pollution prevention and control company which currently operates in Saldanha Bay, Cape Town and Ogies.

During the financial year OPCSA made an operating profit of R 5.3 million (2006:R6.5 million loss).

8.7. SANERI

SANERI is a company that is involved with energy research. The company became operational during the year.

SANERI made a profit for the year of R 1.7 million (2006:R0.2 million).

8.8. Other subsidiaries of CEF

8.8.1. Cotec Patrade (Pty) Ltd (Cotec Patrade)

The main business of Cotec Patrade is to be the holder of patents, trademarks and consumer rights. The company was dormant during the year.

8.8.2. Cotec Development(Pty) Ltd (Cotec Development)

The main business of Cotec Development is the development of chemical processes and patents. The company has sold all but one of its patents to CEF. The company was dormant during the year.

9. Associate companies

9.1. Baniettor Mining (Pty) Ltd

CEF has a 49% interest in Baniettor Mining (Pty) Ltd. This associated company owns certain mineral rights which it has not commenced exploiting. The value of these rights cannot be determined and the company's interest, therefore, has been written down to nil.

9.2. Rompco

CEF has a 25% interest in unlisted shares of Rompco. Rompco owns the natural gas pipeline from the Temane/Pande gas fields in Mozambique to Secunda in South Africa.

10. Transfer to State

No transfer to the State was made in respect of the year ended 31 March 2007 (2006: RNil).

11. Materiality and significant framework

The criteria for Materiality and Significant Framework for the CEF group of companies is contained in the table below:

PFMA REFERENCE	CEF (Pty) Ltd	PetroSA	Petroleum Agency SA	iGas	OPCSA	SFF	SANERI
Section 50(1)	**Disclose material facts to the Minister of Minerals and Energy** 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 Report and Financial Statements**						
Loss due to Criminal Conduct	All expenditure.						
Loss due to Irregular expenditure Fruitless and Wasteful expenditure	All expenditure.						
Section 54(b) & (c) & (d)	**Approval from the executive authority on participation in certain transactions such as:** • Significant partnership, trust, unincorporated joint venture or similar arrangement • Acquisition or disposal of a significant shareholding in a company • Acquisition or disposal of a significant asset						
Public Entity's board approval levels	< R400 million	< R300 million	< R3 million	< R15 million	< R320 000	< R60 million	< R480 000
CEF Board to approve	< R400 million	> R300 million & < R400 million	> R3 million & < R400 million	> R15 million & < R400 million	> R320 000 & < R400 million	> R60 million & < R400 million	> R480 000 & < R400 million
Section 54(e) & (f)	**Approval from the executive authority on participation in certain transactions such as:** • Commencement or cessation of a significant business activity • Significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement						
Approval from the Executive Authority	Significant resulting in a change/deviation from the Mandate/directive from the Executive Authority						

12. Post balance sheet events

The directors are aware of the following matters or circumstances arising since the end of the financial year.

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

High Court Litigation: Global Offshore Oil Exploration (SA) (Pty) Ltd against Petroleum Agency SA

This matter involves a board decision to re-advertise acreage that the company had applied for. The Agency successfully challenged the matter at the High Court, the Supreme Court of Appeals, as well as at the Constitutional Court. The Constitutional Court decision was given in favour of the Agency with costs on 7 November 2006. The taxation cost could unfortunately not be accommodated by the Registrar as scheduled on 7 February 2007, and will only take place on 25 July 2007. Estimated costs of R266 667 were approved.

Enforcement of penalty

Petroleum Agency SA has enforced a penalty against Forest Exploration International SA (Pty) Ltd ("Forest") and Anschutz Natural Oil ("Anschutz") arising out of their failure to perform minimum work obligations transferred from Block 1 and work obligations on Block 2C respectively. The joint venture which includes PetroSA has approached Petroleum Agency SA with a view to discussing and investigating alternative measures in which Forest's breach can be addressed. The penalty is estimated at USD 17 million (R123 million).

OPCSA agreement with NPA

Subsequent to year end OPCSA received a letter from NPA stating that they do not want to negotiate an agreement on a national basis.

African Exploration Mining and Finance Corporation (Pty) Ltd

Subsequent to year end, the Minister approved the shares in African Exploration Mining and Finance Corporation (Pty) Ltd, a wholly owned subsidiary of Klippoortje Koolmyne (Pty) Ltd (a subsidiary of SFF) be transferred to CEF (Pty) Ltd.

SASDA

CEF received a ministerial directive in which the company is required to take over the operations of SASDA with effect from 1 July 2007.

13. Other activities administered by CEF

13.1. Equalisation Fund

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

13.2. Mine Health and Safety Council

CEF manages some of the cash resources of the Council.

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

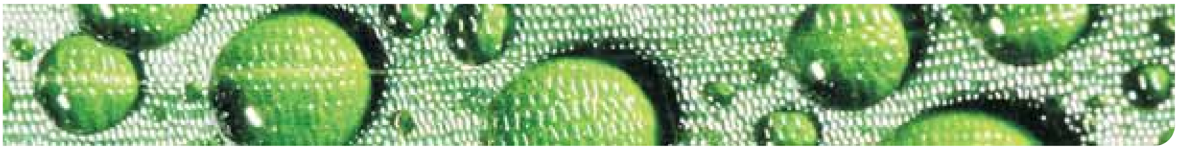
CEF manages the surplus cash and carries out the administration and accounting function of the Fund. This function is in the process of being handed over to the DME.

14. Shareholder

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

Report of the board audit and risk management committee



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

Responsibilities

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

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

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

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

Internal control system

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

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

Financial statements

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

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

The board audit and risk management committee has evaluated the annual financial statements of CEF (Pty) Ltd and the CEF Group for the period ended 31 March 2007 and, based on the information provided to the board audit and risk management committee, considers that they comply, in all material respects, with the requirements of the Companies Act, 61 of 1973, as amended, and the Public Finance Management Act, 1 of 1999, as amended, and South African Statements of Generally Accepted Accounting Practice. The board audit and risk management committee has therefore, at their meeting held on 23 July 2007, recommended the adoption of the financial statements by the board of directors.

KRMthimunye

Ms K Mthimunye

Acting Chairperson

23 July 2007

Mr J Molobela

Ms N Mazwai (Chairperson)

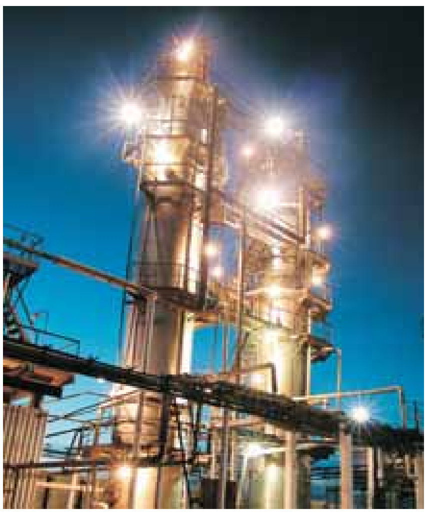
Mr R Boqo

Company secretary's certificate

In my capacity as company secretary, I hereby confirm, except where otherwise mentioned in the financial statements, that for the year ended 31 March 2007, 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

26 July 2007



CEF (Pty) Ltd

Financial Statements | **2007**

Balance sheet as at 31 March 2007

		Group		Company	
	Note	2007 R'000	2006 R'000 Restated	2007 R'000	2006 R'000 Restated
Assets					
Non-current assets		**7 504 532**	6 414 967	**3 683 943**	3 627 067
Property, plant and equipment	2	**4 513 410**	3 513 982	**4 717**	4 366
Intangible assets	4	**92 942**	87 140	**12 558**	14 172
Deferred tax asset	5	**1 288**	1 328	**1 288**	1 328
Investments in subsidiaries	6	**-**	-	**3 614 365**	3 589 126
Investments in associate companies	7	**671 063**	655 384	**-**	7 633
Strategic inventory	11	**2 028 056**	2 028 056	**-**	-
Assets pending determination	3	**54 793**	54 793	**-**	-
Loans receivable	12	**82 028**	62 304	**-**	-
Other investments	13	**60 952**	11 980	**51 015**	10 442
Current assets		**17 660 017**	14 245 225	**2 707 137**	2 329 455
Inventories	8	**972 684**	839 723	**-**	-
Trade and other receivables	9	**1 681 070**	1 155 604	**25 128**	22 752
Current portion of long-term loans receivable	12	**-**	-	**80 813**	91 582
Dividends receivable		**29 500**	-	**-**	-
Forward exchange contracts		**84**	75	**84**	75
Taxation	27	**1 502**	22 611	**1 261**	-
Cash and cash equivalents	10	**14 975 177**	12 227 212	**2 599 851**	2 215 046
Total assets		**25 164 549**	20 660 192	**6 391 080**	5 956 522
Equity and liabilities					
Capital and reserves		**18 848 539**	15 826 366	**4 899 158**	4 154 303
Share capital	14	**-**	-	**-**	-
Foreign Currency Translation reserve	15	**39 646**	32 537	**-**	-
Retained earnings		**18 808 893**	15 793 829	**4 899 158**	4 154 303
Non-current liabilities		**4 039 246**	3 431 619	**1 310 899**	1 633 099
Amounts owing to group companies	16	**-**	-	**767 852**	1 032 909
Interest bearing borrowings	17	**540 460**	597 670	**540 460**	597 670
Deferred tax liability	5	**139 958**	90 469	**-**	-
Provisions	18	**3 358 828**	2 743 480	**2 587**	2 520
Current liabilities		**2 276 764**	1 402 207	**181 023**	169 120
SARS for income tax	27	**537 537**	223 192	**-**	79
Trade and other payables	20	**1 226 722**	891 003	**45 135**	31 840
Current portion of interest bearing borrowings	17	**134 040**	136 914	**134 040**	136 914
Deferred income	21	**-**	23 518	**-**	-
Forward exchange contracts		**1 848**	287	**1 848**	287
Bank overdraft	10	**236 672**	87	**-**	-
Current provisions	18	**139 945**	127 206	**-**	-
Total equity and liabilities		**25 164 549**	20 660 192	**6 391 080**	5 956 522

Income statement for the year ended 31 March 2007

	Note	Group 2007 R'000	Group 2006 R'000 Restated	Company 2007 R'000	Company 2006 R'000 Restated
Revenue	22	**9 099 642**	7 621 772	**-**	-
Cost of sales		**6 118 913**	4 345 671	**-**	-
Gross profit		**2 980 729**	3 276 101	**-**	-
Interest received	23	**1 062 173**	820 629	**231 018**	204 888
(Loss)/Profit on foreign exchange		**827 953**	90 354	**-**	-
Other income		**720 542**	125 230	**9 019**	5 759
Operating costs		**(1 941 875)**	(1 288 652)	**(66 677)**	(59 129)
Operating profit	24	**3 649 522**	3 023 662	**173 360**	151 518
Finance costs	25	**(331 391)**	(133 060)	**(136 995)**	(133 081)
Income from associates		**40 605**	28 926	**-**	-
Impairment of investments	26	**-**	1 112	**26 704**	(9 646)
Dividends received		**-**	-	**690 000**	500 000
Profit before taxation		**3 358 736**	2 920 640	**753 069**	508 791
Taxation	27	**343 672**	92 801	**8 214**	4 026
Profit after taxation		**3 015 064**	2 827 839	**744 855**	504 765

Statement of changes in equity for the year ended 31 March 2007

Group	Note	Share capital R'000	Foreign currency translation Reserve R'000	Revaluation reserve R'000	Retained earnings R'000	Total R'000
Balance at 01 April 2005		-	37 424	1 793	12 942 727	12 981 944
Correction of prior period error			(1 793)	23 263	21 470	
Restated balance			37 424		12 965 990	13 003 414
Net profit for the year					2 907 795	2 907 795
Foreign currency translation reserve			(4 622)			(4 622)
Balance at 01 April 2006		-	32 802	-	15 873 785	15 906 587
Change in accounting policy/Prior year errors	35		(265)		(79 956)	(80 221)
Restated balance			32 537		15 793 829	15 826 366
Net profit for the year					3 015 064	3 015 064
Foreign currency translation reserve			7 108			7 108
Balance at 31 March 2007		-	39 646	-	18 808 893	18 848 539

Company	Note	Share capital R'000	Foreign currency translation Reserve R'000	Revaluation reserve R'000	Retained earnings R'000	Total R'000
Balance at 01 April 2005		-	150 755	-	5 417 088	5 567 843
Change in accounting policy			(150 755)		-	(150 755)
Net profit for the year					504 765	504 765
Balance at 01 April 2006		-	-	-	5 921 853	5 921 853
Change in accounting policy					(1 767 550)	(1 767 550)
Restated balance					4 154 303	4 154 303
Retained earnings for the year					744 855	744 855
Balance at 31 March 2007		-	-	-	4 899 158	4 899 158

Cash flow statement for the year ended 31 March 2007

	Note	Group 2007 R'000	Group 2006 R'000 Restated	Company 2007 R'000	Company 2006 R'000 Restated
Operating activities		4 040 317	4 755 592	717 943	525 310
Cash receipts from customers	28.1	10 133 695	7 655 722	3 319	2 264
Cash paid to suppliers and employees	28.2	(6 865 471)	(3 556 999)	(59 885)	(51 518)
Cash generated by operations	28.3	3 268 224	4 098 723	(56 566)	(49 254)
Interest received	23	1 062 173	820 629	231 018	204 888
Interest paid	25	(331 391)	(133 060)	(136 995)	(133 081)
Dividends received		-	-	690 000	500 000
Taxation refunded/(paid)	27.3	41 311	(30 700)	(9 514)	2 757
Investing activities		(1 317 335)	(1 158 646)	(298 641)	(1 166 371)
Property, plant and equipment acquired		(1 244 703)	(431 473)	(1 787)	(1 602)
Intangible assets acquired		(8 198)	(71 998)	(795)	-
Proceeds on disposals of property, plant and equipment		217	784	477	305
Expenditure for expansion					
Subsidiaries acquired	28.4	-	-	(263 596)	(1 157 245)
Investment in associates	28.4	(15 679)	1 112	-	-
Investments		-	(647 704)	-	-
Other investments		(48 972)	(9 367)	(32 940)	(7 829)
Financing activities		(5 339)	135 965	(49 314)	145 576
Loans raised / (repaid)		14 385	145 576	(60 083)	145 576
Payment received on loans		(19 724)	(9 611)	10 769	-
Increase in cash and cash equivalents		2 717 643	3 732 911	369 988	(495 485)
Effects of exchange rate changes		(206 263)	(685 497)	14 817	3 946
Cash and cash equivalents at beginning of the year		12 227 125	9 179 711	2 215 046	2 706 585
Cash and cash equivalents at end of the year	28.5	14 738 505	12 227 125	2 599 851	2 215 046

Definitions of financial terms

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

Accounting policies
The specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

Accrual accounting
The effects of transactions and other events are recognised when they occur rather than when the cash is received.

Actuarial gains and losses
The effects of differences between the previous actuarial assumptions and what has actually occurred as well as changes in actuarial assumptions.

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

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

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

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

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

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

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

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

Consolidated financial statements
The 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 Practise

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 balance sheet.

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

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

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

a subsidiary acquired exclusively with a view to resale.

Employee benefits

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

Equity instrument

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

Equity method

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

Expenses

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

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair value hedge

A hedge of exposure to changes in fair value of a recognised asset, liability or firm commitment.

Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial asset or liability at fair value through profit or loss

A financial asset or financial liability that is classified as held for trading or is designated as such on initial recognition other than investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Financial instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Firm commitment

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Forecast transaction

An uncommitted but anticipated future transaction.

Going concern basis

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

Gross investment in lease

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

Hedged item

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

Hedging instrument

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

Hedge effectiveness

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Held for trading financial asset or financial liability

One that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative (except for a derivative that is a designated and effective hedging instrument).

Held-to-maturity investment

A non-derivative financial asset with fixed or determinable payments and fixed maturity where there is a positive intention and ability to hold it to maturity.

Immaterial

If individually or collectively it would not influence the economic decisions of the users of the financial statements.

Impairment loss

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Impracticable

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Definitions of financial terms

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 (Pty) Ltd qualify as key management personnel of the group. In individual companies, the board of directors and executive management committees qualify.

Legal obligation
An obligation that derives from a contract, legislation or other operation of law.

Liability
A present obligation of the entity arising from a past event, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Minimum lease payments
Payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor including in the case of a lessee, any amounts guaranteed by the lessee or by a party related to the lessee or in the case of a lessor, any residual value guaranteed to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

Net assets
Net operating assets plus cash and cash equivalents.

Operating lease
Any lease other than a finance lease.

Owner-occupied property
Property held by the owner or by the lessee under a finance lease for use in the production or supply of goods or services or for administrative purposes.

Past service cost
The increase or decrease in the present value of the defined benefit obligation for employee service in prior periods resulting from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

Post-employment benefits
Employee benefits (other than termination benefits) that are payable after the completion of employment.

Post-employment benefit plans
Formal or informal arrangements under which an entity provides post-employment benefits to employees. Defined contribution benefit plans are where there are no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Presentation currency
The currency in which the financial statements are presented.

Prior period error
An omission from or misstatement in the financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when 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 financial statements.

Prospective application
Applying a new accounting policy to transactions, other events and conditions occurring after the date the policy changed or recognising the effect of the change in an accounting estimate in the current and future periods.

Recoverable amount
The higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

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

Residual value
The estimated amount which an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Restructuring
A programme that is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted.

Retrospective application

Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Retrospective restatement

Correcting the recognition, measurement and disclosure of amounts as if a prior period error had never occurred.

Tax base

The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or is the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods. The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Temporary differences

The differences between the carrying amount of an asset or liability and its tax base.

Transaction costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, i.e. those that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Useful life

The period 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.

Notes to the financial statements for the year ended 31 March 2007

1. Accounting policies

1.1. Basis of preparation

Accounting Framework

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

In the case of oil and gas exploration activities, where no specific guidance is given by these statements, internationally accepted practice is followed in respect of the basis of accounting used and the disclosure made.

The financial statements are prepared on the historical cost convention except as modified by the revaluation or impairment of certain assets.

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

These financial statements are presented in South African Rands Thousands since that is the currency in which majority of the group's transactions are denominated.

1.2. Underlying concepts

The financial statements are prepared on the going concern basis using accrual accounting.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard.

Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously. Changes in accounting policies are accounted for in accordance with the transitional provisions in the standards. If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively. Changes in accounting estimates are recognised in profit or loss.

The consolidated financial statements incorporate the 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.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

1.3. Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the group and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the entity and the cost or fair value can be measured reliably.

Financial instruments are recognised when the entity 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.

Regular way purchases and sales are recognised using trade date accounting.

1.4. Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

1.5. Foreign currencies

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates. Transactions in currencies other than the entity's functional currency are recognised at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at the balance sheet date.

Gains and losses arising on exchange differences are recognised in profit or loss.

The financial statements of entities within the group whose functional currencies are different to the group's presentation currency, which is South African rand, are translated as follows:

- Assets, including goodwill, and liabilities at exchange rates ruling on the balance sheet date.
- Income items, expense items and cash flows at the average exchange rates for the period.
- Equity items at the exchange rate ruling when they arose.

Resulting exchange differences are classified as a foreign currency translation reserve and recognised directly in equity. On disposal of such a business unit, this reserve is recognised in profit or loss.

1.6. Post-balance sheet events

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

1.7. Comparative figures

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

1.8. Interest in subsidiaries

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

Inter-company transactions and balances between group entities are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are shown separately from the group equity therein. It consists of the amount of those interests at acquisition plus the minorities' subsequent share of changes in equity of the subsidiary. On acquisition the minorities' interest is measured at the proportion of the pre-acquisition fair values of the identifiable assets and liabilities acquired. Losses applicable to minorities in excess of its interest in the subsidiaries' equity are allocated against the group's interest except to the extent that the minorities have a binding obligation and the financial ability to cover losses.

1.9. Interest in associates

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

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

1.10. Interest in joint ventures

The group's interest in its joint venture is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

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

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

1.11. Property, plant and equipment

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

1.11.1. Carrying amount

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

1.11.2. Cost

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Improvements are capitalised. Minor items of machinery, plant and equipment are expensed directly against income. 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 are utilised.

1.11.3. Impairment

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the profit and loss.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

1.11.4. Disposals

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

1.11.5. 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 a method 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 methods of depreciation, useful lives and residual values are reviewed annually. The following methods and rates were used during the year to depreciate property, plant and equipment to estimated residual values:

• Buildings and tank farms	5 - 40 years
• Exploration equipment	3 - 8 years
• Production assets	Units of production
• Furniture, fittings and communication equipment	2 - 10 years
• Computer equipment	3 years
• Computer software	2 years
• Motor vehicles	4 - 5 years
• Office equipment	6 - 10 years
• Drilling rig	13 years
• Plant and equipment	3 - 8 years
• Fire fighting, security and operating equipment	5 - 10 years
• Laboratory and pharmaceutical equipment	5 years
• Oil pollution equipment	5-20 years

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

1.11.6. Production assets (Oil and gas fields)

Under the recognition principle the group/entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions.

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

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

1.12. Restoration expenditure of oil and gas wells

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 a legal 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.

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

1.13. Exploration and development of oil and gas wells

The "successful efforts" method of accounting is used for oil and gas exploration and development activities.

1.13.1. Exploration and appraisal costs

Costs of exploratory wells are initially capitalised and reflected as intangible assets, but should the efforts be determined to be unsuccessful, they are then charged against profit and loss. Should prospects be deemed to be commercially viable, then these costs are transferred to tangible assets. All other exploration and appraisal costs are written off to profit and loss.

1.13.2. 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 and a share of direct overhead costs incurred.

1.13.3. 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 made. These wells may remain capitalised for three years, thereafter if no such plan or development exists these cost will be expensed in the profit or loss of that year. If a plan to develop exists, the cost is transferred to development cost.

1.14. 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 when and if it results 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.

1.15. Leases

Classification

Leases are classified as finance leases or operating leases at the inception of the lease.

In the capacity of a lessor

Amounts due from a lessee under a finance lease are recognised as receivables at the amount of the net investment in the lease, which includes initial direct costs. Where assets are leased by a manufacturer or dealer, the initial direct costs are recognised in profit or loss. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit.

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

In the capacity of a lessee

Finance leases are recognised as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to profit or loss over the term of the lease at 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 or another basis if more representative of the time pattern of the user's benefit.

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

1.16. Strategic inventory

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

1.17. Inventories

1.17.1. Trading inventory

Finished and intermediate inventory is valued 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 has been taken of the value of raw materials and work in progress prior to it reaching intermediate storage tanks. In arriving at, net realisable value, provision is made for obsolete, slow moving and defective inventories.

1.17.2. Spares, catalysts and chemicals

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

1.18. Financial instruments

1.18.1. Recognition

Derivatives are entered into for the primary purpose of reducing exposure to fluctuations in foreign exchange rates and to manage the group's exposure to changes in commodity prices. Financial instruments recognised on the balance sheet include cash and cash equivalents, trade receivables, investments, trade payables, borrowings and derivatives. These instruments are recognised at fair value, except for fixed maturity investments such as debts and loans. Financial liabilities are recognised at the original debt less principal repayments and amortisation, other than trade creditors which are measured at fair value.

Financial assets

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets classified as at fair value through profit or loss are expensed.

Investments classified as held-to-maturity financial assets are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Held for trading investments are classified as financial assets at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts. Write-downs of these assets are expensed in profit or loss.

Other investments are classified as available-for-sale financial assets. These investments are carried at fair value with any gains or losses being recognised directly in equity. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted. Impairment losses are recognised in profit or loss. Any reversal of impairment losses is recognised directly in equity.

Derivatives that are assets are measured at fair value with changes in fair value being included in profit or loss other than derivatives designated as fair value hedges.

Cash and cash equivalents are measured at fair value, with changes in fair value being included in profit or loss.

Financial liabilities

Derivatives that are liabilities are initially measured at fair value, with changes in fair value being included in profit or loss.

All other financial liabilities are measured at fair value plus transaction costs.

Financial liabilities are subsequently measured at amortised cost.

Financial liabilities that are designated on initial recognition as financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being included in net profit or loss.

1.18.2. Gains and losses on subsequent measurement

Gains and losses arising from the re-measurement of the hedged item are recognised in profit or loss. Gains and losses arising from the re-measurement to fair value of financial assets held for trading are recognised in profit or loss.

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship, other than available-for-sale financial assets, are included in profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the profit or loss for the period.

1.18.3. Fair value considerations

The fair values at which financial instruments are carried at the balance sheet date have been determined using available market prices. Where market values 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. 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.

1.19. Post-employment benefit costs

1.19.1. Defined contribution costs

The group contributions to a defined contribution plan in respect of service in a particular period are recognised as an expense in that period. The group contributes to a number of defined contribution benefit plans for its staff. The majority of staff are provided for under at least one of these plans. Previously the group provided a defined benefit plan to all staff. Those staff not provided for under the defined contribution plan are those who elected to remain on the old plan.

1.19.2. 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 and 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 entity).

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. Valuations are conducted every three years and interim adjustments to those valuations are made annually.

The full actuarial gains and losses are recognised in profit and loss.

1.19.3. Post-retirement medical benefits

Some group companies provide post-retirement health care benefits to their retirees. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a projected credit method similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries.

1.20. Provisions

Provisions represent liabilities of uncertain timing or amounts.

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

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a 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.

1.21. Environmental liabilities

The group is responsible for environmental expenditure and rehabilitation relating to its operations, as well as for assets it manages on behalf of the State. Provision for the cost of environmental and other remedial work such as reclamation costs, close down, restoration costs and pollution control is made when such expenditure is probable and the cost can be estimated within a reasonable range of possible outcomes.

1.22. Revenue recognition

Revenue is measured at the amount received or receivable. VAT, cash discounts and rebates are excluded from revenue.

Revenue from the rendering of services is measured using the stage of completion method based on the services performed to date as a percentage of the total services to be performed.

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

Revenue from license fees is recognised on an accrual basis in accordance with the substance of the relevant agreement.

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

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

1.23. 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.

1.24. Income from investments

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

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

1.25. Exceptional items

Exceptional items cover those amounts, which are not considered to be of an operating nature, and generally include profit and loss on disposal of property, investments and businesses, other non-current assets, and impairments of capital items and goodwill.

1.26. Taxation

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

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

1.26.2. Deferred Tax Assets

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

1.26.3. Deferred Tax Liability

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

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

Some of the income of the group is earned from the State and is exempt from tax.

1.27. Finance costs

Interest costs incurred on financing of major projects are capitalised until the project is substantially completed or ready for its intended use.

Other finance costs are recognised as an expense when incurred.

1.28. Irregular and fruitless and wasteful expenditure

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

- *The PFMA, or*
- *Any provisional legislation providing for procurement procedures in that provincial government.*

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

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

1.29. 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 balance sheet date is presented as deferred income (as a deduction from the asset to which it relates). No value is recognised for government assistance.

1.30. Discontinued operations

The results of discontinued operations are presented separately in the income statement and the assets associated with these operations are included with non-current assets held for sale in the balance sheet.

1.31. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards:

- *IAS1 Presentation of financial statements*
- *IAS2 Inventories*
- *IAS10 Events after the balance sheet date*
- *IAS17 Leases*
- *IAS21 The effects of changes in foreign exchange rates*
- *IAS24 Related party disclosure*
- *IAS27 Consolidated and separate financial statements*
- *IAS28 Investments in associates*
- *IAS32 Financial instruments: Disclosure and presentation*
- *IAS38 Intangible assets*
- *IAS39 Financial instruments: Recognition and measurement*
- *IAS40 Investment property*

2. Property, plant and equipment

2.1. Group

	2007 Cost / valuation R'000	2007 accumulated depreciation R'000	2007 Impairments R'000	2007 Carrying amounts R'000	2006 Cost / valuation R'000	2006 accumulated depreciation R'000	2006 Carrying amounts R'000
Land and buildings	20 781	4 379	-	16 402	20 209	4 117	16 092
Plants, platforms & equipment	17 630 705	15 477 843	-	2 152 862	17 342 487	14 566 147	2 776 340
Motor vehicles	45 527	39 922	-	5 605	41 825	39 098	2 727
Furniture & fittings & Office Equipment	145 625	148 962	(29 368)	26 031	134 912	108 488	26 424
Restoration expenditure	408 250	148 108	-	260 142	944 471	837 192	107 279
Leasehold improvements	2 299	2 177	(1 021)	1 143	2 247	701	1 546
Computer equipment	754 641	462 756	-	291 885	48 090	16 118	31 972
Computer Software	49	6	-	43	-	-	-
Assets under development	1 759 297	-	-	1 759 297	555 429	3 827	551 602
	20 767 174	16 284 153	(30 389)	4 513 410	19 089 670	15 575 688	3 513 982

The carrying amounts of property, plant and equipment can be reconciled as follows:

2006	Carrying amount at beginning of year R'000	Additions & borrowing costs R'000	Assets revalued R'000	Transfers R'000	Disposals / amounts written off R'000	Impairment R'000	Depreciation R'000	Carrying amount at end of year R'000
Land and buildings	16 163	-	-	120	-	-	(191)	16 092
Plants, platforms & equipment	2 842 401	148 883	(4 505)	509 058	(63)	-	(719 434)	2 776 340
Motor vehicles	3 903	752	-	-	(44)	-	(1 884)	2 727
Furniture & fittings & Office Equipment	29 714	12 238	(494)	(4 548)	(581)	-	(9 905)	26 424
Restoration expenditure	536 796	-	-	(429 517)	-	-	-	107 279
Leasehold improvements	1 995	117	-	(117)	-	-	(449)	1 546
Computer equipment	14 429	743	-	27 624	(78)	-	(10 746)	31 972
Assets under development	174 584	268 740	-	108 278	-	-	-	551 602
	3 619 985	431 473	(4 999)	210 898	(766)	-	(742 609)	3 513 982

2007	Carrying amount at beginning of year R'000	Additions & borrowing costs R'000	Assets revalued R'000	Transfers R'000	Disposals / amounts written off R'000	Impairment R'000	Depreciation R'000	Carrying amount at end of year R'000
Land and buildings	16 092	-	310	-	-	-	-	16 402
Plants, platforms & equipment	2 776 340	1 833	165 943	(16)	-	-	(791 238)	2 152 862
Motor vehicles	2 727	791	3 522	-	(109)	-	(1 326)	5 605
Furniture & fittings & Office Equipment	26 424	30 880	-	-	(8)	(29 368)	(1 897)	26 031
Restoration expenditure	107 279	-	271 164	-	-	-	(118 301)	260 142
Leasehold improvements	1 546	625	-	-	-	(1 021)	(7)	1 143
Computer equipment	31 972	2 814	266 063	-	(19)	-	(8 945)	291 885
Computer Software	-	49	-	-	-	-	(6)	43
Assets under development	551 602	1 207 711	-	(16)	-	-	-	1 759 297
	3 513 982	1 244 703	707 002	(32)	(136)	(30 389)	(921 720)	4 513 410

2.2. Company

	2007 Cost / valuation R'000	2007 Accumulated depreciation R'000	2007 Carrying amounts R'000	2006 Cost / valuation R'000	2006 Accumulated depreciation R'000	2006 Carrying amounts R'000
Motor vehicles	676	43	633	321	61	260
Furniture & fittings & Office Equipment	2 617	1 030	1 587	2 482	618	1 864
Leasehold improvements	2 299	1 156	1 143	2 247	701	1 546
Computer equipment	2 889	1 535	1 354	1 825	1 129	696
	8 481	3 764	4 717	6 875	2 509	4 366

The carrying amounts of property, plant and equipment can be reconciled as follows:

2006	Carrying amount at beginning of year R'000	Additions & borrowing costs R'000	Disposals / amounts written off R'000	Depreciation R'000	Carrying amount at end of year R'000
Motor vehicles	40	321	(36)	(65)	260
Furniture & fittings & Office Equipment	2 167	119	(50)	(372)	1 864
Leasehold improvements	1 995	-	-	(449)	1 546
Computer equipment	1 011	248	(69)	(494)	696
	5 213	688	(155)	(1 380)	4 366

2007	Carrying amount at beginning of year R'000	Additions & borrowing costs R'000	Disposals / amounts written off R'000	Depreciation R'000	Carrying amount at end of year R'000
Motor vehicles	260	513	(109)	(31)	633
Furniture & fittings & Office Equipment	1 864	142	(7)	(412)	1 587
Leasehold improvements	1 546	53	(452)	(4)	1 143
Computer equipment	696	1 079	(15)	(406)	1 354
	4 366	1 787	(583)	(853)	4 717

Restoration expenditure relates to the provision for restoration costs and is amortised on a units-of-production basis over the expected useful life of the reserves. The Minerals Act of 1991 requires that amounts for abandonment be set aside as prescribed in the Act. The abandonment fund requirement has been met through the issue of a guarantee of R180 million by CEF (Proprietary) Limited.

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 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.

Carrying amount of assets before impairment and revaluation

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Land & buildings	16 402	16 092	-	-
Plant, platforms & equipment	2 152 862	2 776 490	-	-
Motor vehicles	5 605	2 727	633	260
Furniture, fittings and office equipment	55 399	26 424	1 587	1 864
Restoration expenditure	260 142	107 279	-	-
Leasehold improvements	2 164	1 546	1 143	1 546
Computer equipment	291 885	31 972	1 354	696
Computer software	43	-	-	-
Assets under development	1 759 297	551 602	-	-
	4 543 799	3 514 132	4 717	4 366

The last valuation of the Milnerton storage facilities was performed as at March 2007. All other assets have been valued at 31 March 2002. The valuations were performed by Kantey and Templer (Pty) Ltd, a firm of consulting engineers. The valuations were based on the value between a willing buyer and a willing seller. The assets of Milnerton, Saldanha Bay and Ogies have been impaired in line with these sites' forecast sustainability.

2.3. Operating and exploration equipment

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Managed storage facilities	180 612	197 020	-	-
Owned production assets at cost	16 251 142	16 011 788	-	-
Other	1 199 171	1 133 866	-	-
	17 630 925	17 342 674	-	-

Managed storage facilities are crude oil storage facilities owned by the State but managed within the group on behalf of the State. These assets are paid for and maintained by the group but are not owned by the group.

Production assets include the Orca production facility. Initially the company had entered into an agreement with a third party to construct and operate this facility for an initial period of four years and a maximum period of ten years. Effective from 28 August 2002, the agreement changed, whereby Pride Foramer SAS, were contracted to operate the Orca facility, and Schlumberger Logelco Inc the production system for a period not exceeding 29 May 2007.

The original option for Schlumberger to purchase the production facilities (essentially the production platform, Orca and the CALM buoy) was largely negated. Under the new agreement Schlumberger retained the call option only with regards to the CALM buoy.

3. Assets pending determination

Balance at the beginning of the year	54 793	180 656	-	-
Expenditure	-	37 153	-	-
Transfer to fixed assets	-	(163 016)	-	-
Balance at end of the year	54 793	54 793	-	-

Assets pending determination at 31 March 2007, consist of expenditure in respect of exploration activities, which has been initially capitalised pending a determination of the economic reserves. Statements of recommended practice (SORP) recommends that intangible assets of this nature should be recognised as production assets after a period of 3 years or expended. Assets pending determination consists of the well A-X1, which is within Block 2A.

4. Intangible assets

Group	2007 Cost / valuation R'000	2007 Accumulated amortisation R'000	2007 Carrying amounts R'000	2006 Cost / valuation R'000	2006 Accumulated amortisation R'000	2006 Carrying amounts R'000
Patents and trademarks	50 490	(40 091)	10 399	50 490	(37 696)	12 794
Exploration and exploitation assets	79 162	-	79 162	71 998	-	71 998
Software	8 509	5 128	3 381	7 223	(4 875)	2 348
	138 161	(34 963)	92 942	129 711	(42 571)	87 140

The carrying amounts of intangible assets can be reconciled as follows:

2006	Carrying amount at beginning of year R'000	Additions R'000	Impairment R'000	Amortisation R'000	Carrying amount at end of year R'000
Patents and trademarks	15 190	-	-	(2 396)	12 794
Exploration and exploitation assets	-	71 998	-	-	71 998
Software	7 223	-	-	(4 875)	2 348
	22 413	71 998	-	(7 271)	87 140

2007	Carrying amount at beginning of year R'000	Additions R'000	Amortisation R'000	Carrying amount at end of year R'000
Patents and trademarks	12 794	-	(2 395)	10 399
Exploration and exploitation assets	71 998	7 164	-	79 162
Software	2 348	1 033	-	3 381
	87 140	8 197	(2 395)	92 942

Company	2007 Cost / valuation R'000	2007 Accumulated amortisation R'000	2007 Carrying amounts R'000	2006 Cost / valuation R'000	2006 Accumulated amortisation R'000	2006 Carrying amounts R'000
Patents and trademarks	50 490	(40 091)	10 399	50 490	(37 696)	12 794
Software	3 274	1 115	2 159	1 378	-	1 378
	53 764	(38 976)	12 558	51 868	(37 696)	14 172

The carrying amounts of intangible assets can be reconciled as follows:

2006	Carrying amount at beginning of year R'000	Additions R'000	Impairment R'000	Amortisation R'000	Carrying amount at end of year R'000
Patents and trademarks	15 190	-	-	(2 396)	12 794
Software	1 779	914	(214)	(1 101)	1 378
	16 969	914	(214)	(3 497)	14 172

2007	Carrying amount at beginning of year R'000	Additions R'000	Impairment R'000	Amortisation R'000	Carrying amount at end of year R'000
Patents and trademarks	12 794	-	-	(2 395)	10 399
Software	1 378	795	-	(14)	2 159
	14 172	795	-	(2 409)	12 558

5. Deferred tax

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
5.1. Deferred tax assets				
Balance at beginning of year	**1 328**	1 198	**1 328**	1 198
Movements during year attributable to:				
Charged to profit and loss	**(40)**	130	**(40)**	130
Balance at end of year	**1 288**	1 328	**1 288**	1 328
The balance comprises:				
Provisions	**1 288**	1 328	**1 288**	1 328
5.2. Deferred tax liabilities				
Balance at beginning of year	**90 469**	147 257	**-**	-
Movements during year attributable to:				
Charged to the income statement	**49 489**	(58 068)	**-**	-
Acquisition of subsidiary	**-**	1 280	**-**	-
Balance at end of year	**139 958**	90 469	**-**	-
The balance comprises:				
Fixed assets	**144 381**	147 391	**-**	-
Abandonment provision	**(97 828)**	(56 015)	**-**	-
Unrealised exchange differences	**1**	(907)	**-**	-
Tax expense	**93 404**	-	**-**	-
	139 958	90 469	**-**	-

6. Investment in subsidiaries

6.1. Summary of carrying amounts

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Enerkom	-	-	-	-
Loans	-	-	-	523
Provisions	-	-	-	(523)
Cotec Patrade (Pty) Ltd	-	-	-	-
Shares	-	-	-	-
Loan	-	-	3 744	3 733
Provisions	-	-	(3 744)	(3 733)
Enerkom Products (Pty) Ltd	-	-	-	1
Shares	-	-	-	1
iGas	-	-	682 309	613 995
Shares	-	-	-	-
Loan	-	-	676 177	637 931
Reversal/(increase) in provisions	-	-	6 132	(23 936)
Mosshold (Pty) Ltd	-	-	-	-
Shares	-	-	-	196 107
Loan	-	-	-	1 986 742
Provisions	-	-	-	(2 182 849)
OPCSA	-	-	-	-
Loan	-	-	15 703	18 482
Provision	-	-	(15 703)	(18 482)
PetroSA	-	-	2 932 055	2 975 091
Shares	-	-	2 755 934	2 755 934
Loan	-	-	176 121	219 157
SFF	-	-	1	36
Shares	-	-	1	1
Loan	-	-	-	35
Soekor E & P (Pty) Ltd	-	-	-	2
Shares	-	-	-	2
Total	-	-	3 614 365	3 589 125
Shares	-	-	2 755 935	2 952 045
Loans	-	-	871 745	2 866 603
Provisions for impairment	-	-	(13 315)	(2 229 523)

6.2. Analysis of movement in carrying amounts

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Soekor E & P (Pty) Ltd				
Shares:				
Balance at the beginning of the year	-	-	-	2
Carrying amount of investment	-	-	-	2

The company has been liquidated during the year.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Mosshold (Pty) Ltd				
Loans:				
Balance at the beginning of the year	-	-	-	1 986 742
Balance at the end of the year	-	-	-	1 986 742
Less: Impairment provision	-	-	-	(1 986 742)
Shares - Balance at the beginning of the year	-	-	-	48
Share premium - Balance at the beginning of the year	-	-	-	196 059
Less: Impairment provision: shares	-	-	-	(196 107)
Carrying amount of investment	-	-	-	-

The company has been liquidated during the year.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
PetroSA				
Loans:				
Balance at the beginning of the year	-	-	(310 739)	(428 519)
Advances/ (repayments) during the year	-	-	(27 008)	209 362
Balance at the end of the year	-	-	(337 747)	(219 157)
Less: porportion repayable in less than 1 year transferred to current assets	-	-	80 813	(91 582)
Carrying amount of loan	-	-	(256 934)	(310 739)
Shares	-	-	2	2
Balance at the beginning of the year	-	-	2	2
Share premium	-	-	2 755 934	2 755 934
Balance at the beginning of the year	-	-	2 755 934	2 755 934
Share of Equity Earnings	-	-	-	-
Loans	-	-	176 121	219 157
Carrying amount of investment	-	-	2 932 055	2 975 092
Current portion of long term loan	-	-	80 813	91 582
Foreign loan	-	-	175 089	217 947
Other	-	-	1 032	1 210
Total	-	-	256 934	310 739

Included in these loans are amounts reflected under note 17, which reflect amounts borrowed by CEF on behalf of PetroSA.

6.2. Analysis of movement in carrying amounts continued

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Cotec Patrade (Pty) Ltd				
Loans:				
Balance at the beginning of the year	-	-	3 744	3 733
Balance at the end of the year	-	-	3 744	3 733
Less: Impairment provision	-	-	(3 744)	(3 733)
Carrying amount of investment	-	-	-	-
Enerkom				
Loans:				
Balance at the beginning of the year	-	-	-	523
Advances/ repayments during the year	-	-	-	(523)
Carrying value of investment	-	-	-	-

The company has been deregistered during the year.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
iGas				
Loans:				
Balance at the beginning of the year	-	-	637 931	19 873
Advances during the year	-	-	38 246	4 063
Shareholders loan	-	-	-	613 995
Balance at the end of the year	-	-	676 177	637 931
Less: Impairment provision	-	-	-	(23 936)
Add: Reversal of impairment	-	-	6 132	-
Carrying value of loan	-	-	682 309	613 995
Balance at the end of the year	-	-	682 309	613 995
Carrying amount of investment	-	-	682 309	613 995
OPCSA				
Loans:				
Balance at the beginning of the year	-	-	18 482	11 745
Advances during the year	-	-	(2 779)	6 737
Balance at the end of the year	-	-	15 703	18 482
Less: Impairment provision	-	-	(15 703)	(18 482)
Carrying amount of investment	-	-	-	-

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

6.2. Analysis of movement in carrying amounts continued

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
SFF				
Loans:				
Balance at the beginning of the year	-	-	-	301
Advances/ repayments during the year	-	-	-	(266)
Balance at the end of the year	-	-	-	35
Shares - Balance at the beginning of the year	-	-	1	1
Carrying amount of investment	-	-	1	36

6.3. Details of subsidiary companies

Name and nature of business	Issued capital R'000	% held 2007 %	% held 2006 %	Voting power 2007 %	Voting power 2006 %	Net income after tax 2007 R'000	Net income after tax 2006 R'000
Direct subsidiaries							
SANERI To undertake research and technology development in order to exploit and utilise the energy resources of the Republic and Southern Africa	-	100	100	100	100	**1 731**	207
OPCSA Containing and countering oil pollution	-	100	100	100	100	**5 327**	(6 494)
Cotec Development (Pty) Ltd Dormant	-	100	100	100	100	**-**	-
Cotec Patrade (Pty) Ltd Dormant	-	100	100	100	100	**(11)**	-
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	**36 374**	43 656
iGas To promote the diversification of energy usage into hydrocarbon gas and enter into ventures which will facilitate the use of hydrocarbon gas in South Africa	-	100	100	100	100	**(917)**	(22 367)
SFF Management of strategic stocks of crude oil in accordance with ministerial directives	1	100	100	100	100	**199 321**	30 881
PetroSA Exploration for and production of oil and gas, refining operations converting gas and gas condensate to liquid fuels, and the production of petrochemicals	2	100	100	100	100	**2 729 087**	2 765 348

6.3. Details of subsidiary companies

Name and nature of business	Issued capital R'000	% held 2007 %	% held 2006 %	Voting power 2007 %	Voting power 2006 %	Net income after tax 2007 R'000	Net income after tax 2006 R'000
Indirect subsidiaries							
African Exploration Mining and Finance Corporation (Pty) Ltd Owns prospecting rights	4	100	100	100	100	-	-
Klippoortje Koolmyne (Pty) Ltd Dormant	1 300	100	100	100	100	-	-
Mahnes Areas (Pty) Ltd Dormant	-	100	100	100	100	-	-
PetroSA Europe BV Management of PetroSA product stock sales in Europe	166	100	100	100	100	-	-
PetroSA Brass (Pty) Ltd Management of investments in Nigeria	-	100	100	100	100	-	-
PetroSA Gryphon Marin Permit (Pty) Ltd - Management of PetroSA hydrocarbon interests	-	100	100	100	100	-	-
PetroSA Iris (Pty) Ltd - Management of PetroSA hydrocarbon interests	-	100	100	100	100	-	-
PetroSA Nigeria Limited Investment holdings in companies having interests in petroleum prospecting, explorations and production	1 235	100	100	100	100	-	-
PetroSA Themis (Pty) Ltd Management of PetroSA hydrocarbon interests	-	100	100	100	-	-	-
PetroSA Synfuel International (Pty) Ltd Management of Gas-to-liquids project	501	100	100	100	100	-	-
PetroSA Equatorial Guinea (Pty) Ltd Management of PetroSA hydrocarbon interests	-	100	100	100	-	-	-
PetroSA Sudan (Pty) Ltd	-	-	-	100	-	-	-
						2 970 912	2 811 231

7. Investments in associate companies

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Baniettor Mining (Pty) Ltd	-	-	-	-
Sud-Chemie Zoelites (Pty) Ltd	**11 020**	7 384	-	7 633
PetroWorld Limited	-	48	-	-
Rompco	**640 212**	624 462	-	-
GTL.F1 AG	**14 589**	23 490	-	-
	671 063	655 384	-	7 633

Sud-Chemie Zoelites (Pty) Ltd was sold during the year to PetroSA.

7.1. Carrying amount of investment in Baniettor Mining (Pty) Ltd

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
49 000 Shares at cost (49% holding)	**98**	98	**98**	98
Loans to associate	**23 933**	23 936	**23 933**	23 936
Total investment in associate company	**24 031**	24 034	**24 031**	24 034
Less: Provision for impairment	**(24 031)**	(24 034)	**(24 031)**	(24 034)
	-	-	-	-

Summary financial information of Baniettor Mining (Pty) Ltd:

Assets	Jun 2006 R'000	Jun 2005 R'000
Non current	**2 200**	2 200
Current	-	1 729
	2 200	3 929
Equity and liabilities		
Equity and reserves	**(45 397)**	(45 495)
Non current liabilities	**47 562**	48 844
Current liabilities	**35**	580
	2 200	3 929
Revenue	**19**	115
Profit	**98**	49

The directors' valuation of the investment in the company is Nil.

7. Investments in associate companies

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000

7.2. Carrying amount of investment in Sud-Chemie Zeolites (Pty) Ltd

30% interest in unlisted shares of Sud-Chemie Zeolites (Pty) Ltd, a company involved in the production of catalysts.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Shares at cost	12 176	7 633	-	7 633
Equity earnings	(1 156)	(249)	-	-
	11 020	7 384	-	7 633

The assets, liabilities and results of operations of the company are summarised as follows:

	Company 2007 R'000	Company 2006 R'000
Assets		
Non current	-	-
Current	-	-
	-	-
Equity and liabilities		
Equity and reserves	-	-
Non current liabilities	-	-
Current liabilities	-	-
	-	-
Revenue	-	-
Profit	-	-

7.3. Carrying amount of investment in PetroWorld Limited

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Shares at cost	-	48	-	-

PetroSA has a 50% interest in the unlisted shares of PetroWorld Limited, a joint venture formed with Transworld Exploration Limited, but divested in the current year.

7.4. Carrying amount of investment in Rompco

25% interest in unlisted shares of Rompco. Rompco owns the natural gas pipeline from the Temane/Pande gas fields in Mozambique to Secunda in South Africa.

Carrying value of investment:

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Shares at cost	595 287	595 287	-	-
Equity earnings	44 925	29 175	-	-
	640 212	624 462	-	-

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Summary financial information of Rompco				
Assets				
Non current	3 094 446	3 273 396	-	-
Current	723 817	506 196	-	-
	3 818 263	3 779 592	-	-
Equity and liabilities				
Equity and reserves	353 663	153 325	-	-
Non current liabilities	3 262 054	3 309 245	-	-
Current liabilities	202 546	317 022	-	-
	3 818 263	3 779 592	-	-
Revenue	484 451	435 466	-	-
Net Profit	161 603	116 701	-	-

The financial year end of the associate is 30 June 2007

The financial statements of the associate differs from the The group's - 31 August 2004

7.5. Carrying amount of investment in GTL.F1 AG

37.5% interest in unlisted shares of GTL.F1 AG,
a company incorporated in Switzerland.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Carrying value of investment:				
Shares at cost	23 490	23 490	-	-
Equity earnings	(8 901)	-	-	-
	14 589	23 490	-	-
Summary financial information of GTL.F1 AG				
Assets				
Non current	51 432	77 212	-	-
Current	10 640	2 533	-	-
	62 072	79 745	-	-
Equity and liabilities				
Equity and reserves	53 756	47 330	-	-
Non current liabilities	-	-	-	-
Current liabilities	8 316	-	-	-
	62 072	47 330	-	-
Net Profit	22 634	1 103	-	-

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000

8. Inventories

The amounts attributable to the different categories are as follows:

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Trading inventory	377 100	460 999	-	-
Consumable stores, spares and catalysts	502 824	300 462	-	-
Commercial crude oil	92 760	78 262	-	-
	972 684	839 723	-	-

9. Trade and other receivables

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Trade receivables	1 347 476	787 128	4 439	1 246
Sundry receivables	224 562	263 991	19 639	20 707
Deposits	936	717	282	282
VAT	3 412	4 012	61	-
Prepayments	104 684	99 756	707	517
	1 681 070	1 155 604	25 128	22 752

10. Cash and cash equivalents

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

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Short-term investments in money market and cash on hand	14 975 164	11 813 243	1 818 113	1 170 612
PetroSA Surplus Funds	-	-	537 648	876 718
SANERI	-	-	55 422	23 798
Road Accident Fund*	-	-	-	5
Upstream Training Trust*	-	-	10 843	11 112
MEETI*	-	-	462	342
Petroleum Agency SA	-	-	174 775	132 459
Demand Site Levy	-	-	2 588	-
SFF Accounts (US$)	13	413 969	-	-
Bank overdraft	(236 672)	(87)	-	-
Balance at end of year	14 738 505	12 227 125	2 599 851	2 215 046

*Cash invested on behalf of third parties.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000

11. Strategic inventory

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Crude oil at cost	2 078 004	2 051 869	-	-
Provision for unpumpable inventory	(49 948)	(23 813)	-	-
	2 028 056	2 028 056	-	-

Strategic crude oil on hand is 10 535 million barrels (2006: 10 535 million barrels), excluding unpumpable stock.The fair value of strategic stock as at 31 March 2007 is R5 060 009 544 (2006: R3 786 660 045).

12. Loans receivable

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Forest Oil Gryphon Marine	1 603	1 603	-	-
Lurgi	80 425	60 701	-	-
PetroSA	-	-	80 813	91 582
Transfer to current assets	-	-	(80 813)	(91 582)
	82 028	62 304	-	-

The loan to Forest Oil Gryphon Marine is interest free.
The amount owing by Lurgi is in respect of a purchase of 12.5% share in the PetroSA Statoil Joint Venture. The loan accrues interest at EUROBOR + 3%.

13. Other Investments

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Balance at beginning of year	11 980	2 613	10 442	2 613
Movement during the year:				
Torbanite/Low smoke Fuel project	27 570	7 829	27 570	7 829
Other EDC projects	686	-	686	-
CEF/IDC Biofuels feasibility studie	1 227	-	1 227	-
Promethium	576	-	576	-
Carbon Enviromental Option	456	-	456	-
CDM	420	-	420	-
Hoopstad Bio Ethanol	344	-	344	-
Coega Intergrated Project, CIP & IDZ costs	8 399	1 538		
Johanna Solar project	7 820	-	7 820	-
Methcap	1 474	-	1 474	-
Balance at end of year	60 952	11 980	51 015	10 442

14. Issued capital

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Authorised				
100 Ordinary shares of R1 each	-	-	-	-
Issued				
1 Ordinary share of R1	-	-	-	-

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000

15. Foreign currency translation reserve

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Foreign currency translation reserve	39 646	32 537	-	-
	39 646	32 537	-	-
Balance at beginning of year	32 537	39 217	-	-
Movement during year:				
Currency translation differences	7 109	-	-	-
Transfers back to net profit	-	(6 680)	-	-
Balance at end of year	39 646	32 537	-	-

16. Amounts owing to group companies

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
SANERI				
Balance at beginning of year	-	-	23 732	-
Surplus funds	-	-	31 697	23 732
Balance at end of year	-	-	55 429	23 732
Petroleum Agency SA				
Balance at beginning of year	-	-	132 459	91 716
Additional deposits/(withdrawals) during the year	-	-	42 316	40 743
Balance at end of year	-	-	174 775	132 459
PetroSA				
Balance at beginning of year	-	-	876 718	1 594 000
Additional deposits/(withdrawals) during the year	-	-	(339 070)	(717 282)
Balance at end of year	-	-	537 648	876 718
Total	-	-	767 852	1 032 909

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000

17. Interest bearing borrowings

All the US dollar loans below are secured by a guarantee from the State.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
EIB51 - Instalments of 3 658 178 USD made 6 monthly at an interest rate of 5.55% (2006: 5.11%). Final instalment 09/2008	**79 840**	113 330	**79 840**	113 330
ECGD231 - Instalments of 3 097 879 USD made 6 monthly at an interest rate of 5.6788% (2006: 5.28%). Final instalment 08/2010	**130 815**	149 802	**130 815**	149 802
ABN60 - Instalments of 3 672 520 USD made 6 monthly at an interest rate of (2006:6.03%). Final instalment 08/2006	**-**	22 755	**-**	22 755
EIB40 - Instalments of 2 456 286 USD made 6 monthly at an interest rate of 5.55% (2006:5.11%) commencing on 15 March 2004. Final instalment 09/2010	**125 087**	136 972	**125 087**	136 972
Calyon/iGas - Final instalment 6 July 2010 with an option to extend for a further 5 years at an interest rate of 10.221% (2006:7.9380%)	**338 758**	311 725	**338 758**	311 725
	674 500	734 584	**674 500**	734 584
Less: Current portion included in current portion of interest bearing borrowings	**(134 040)**	(136 914)	**(134 040)**	(136 914)
	540 460	597 670	**540 460**	597 670

18. Provisions

	Carrying amount at beginning of year R'000	Additional provisions R'000	Unused amounts reversed during the year R'000	Current year interest expense and change in estimate R'000	Carrying amount at end of year R'000
Group					
Abandonment/Environmental	2 553 147	-	(34 229)	648 666	3 167 584
Post-retirement medical aid benefits	197 539	1 066	(2 839)	-	195 766
Rehabilitation provision	-	1 423	-	-	1 423
Bonus	120 000	-	-	14 000	134 000
	2 870 686	2 489	(37 068)	662 666	3 498 773

	Carrying amount at beginning of year R'000	Additional provisions R'000	Carrying amount at end of year R'000
Company			
Post-retirement medical aid benefits	2 520	67	2 587

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Non-current	**3 358 828**	2 743 480	**2 587**	2 520
Current	**139 945**	127 206	**-**	-
	3 498 773	2 870 686	**2 587**	2 520

Restoration costs

The total cost of future restoration costs is estimated at R3 072 million. This cost includes the net expenditure to abandon and 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
2008	235
2009	619
2010	228
2011	2 617

19. Employee benefits

It is the policy of the group to provide retirement benefits for all of its eligible permanent employees. All eligible permanent employees are either members of the Mossgas Pension Fund, a defined benefit fund, PetroSA Retirement Fund, a defined contribution fund, a defined contribution provident fund previously operated by Soekor E and P (Pty) Ltd or to the CEF Pension Fund.

19.1. Pensions and Retirement Funds

19.1.1. 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 The group's.

The Mossgas pension fund is closed to new entrants and currently covers 38 (3.1%) of it's employees. Contributions to the fund commenced in March 1990. The pension fund is actuarially valued every three years with the most recent actuarial valuation being performed as at 1 February 2004. The independent actuary was of the opinion that the fund was financially sound. The actuarial present value of promised retirement benefits as at 1 February 2004 was R33,61 million. The fair value of the plan assets had an actuarial value of R31,87 million and a market value of R31,87 million as at 1 February 2004, excluding the annuity policy. The value of the annuity policy for pensioners was R15,8 million. The Fund was valued using the "attained age method". It was assumed that investment returns (after taxation and asset management fees) would exceed general salary increases (excluding promotional increases) by some 3.49% per annum over the long term. It was further assumed that if investment returns were 5% per annum in excess of inflation, pensioners would receive fully inflation-linked pensions. Mortality assumptions were in line with standard tables SA56/62 (in service) and PA(90) (in retirement). These assumptions were materially changed from the previous valuation. The reason was that this was a "surplus apportionment valuation" for the purposes of the Pension Funds Second Amendment Act, 2001, and a surplus apportionment valuation requires best estimate assumptions rather than the conservative assumptions used in the 2001 valuation. The amount recognised as an expense during the year under review was R1,5 million (2006: R1,6 million) for the pension fund.

19. Employee benefits continued

	2007 R'000	2006 R'000
Defined benefit pension plan		
SFF		
Benefit liability	**(2 720)**	(3 420)
Benefit asset	**19 843**	15 732
Benefit asset/(liability) - non-current	**17 123**	12 312
Movements in the benefit asset / (liability) during the year ended		
At beginning of year	**12 312**	9 171
Contributions	**138**	152
Benefit expense	**(1 315)**	(1 788)
Other	**5 988**	4 777
At end of year	**17 123**	12 312
Net benefit expense		
Current service cost	**(151)**	(144)
Interest cost on benefit obligation	**(249)**	(326)
Expected return on plan assets	**1 451**	1 227
Effect of any curtailment	**(341)**	1 561
Net benefit expense	**710**	2 318
Actual plan returns	**(4 888)**	(5 094)
Movements in present value of defined benefit obligation		
At beginning of year	**3 420**	3 018
Interest cost	**249**	326
Current service cost	**151**	144
Benefits paid	**(759)**	(1 705)
Actuarial gain/loss	**(341)**	(1 561)
Additional past service obligation	**-**	76
At end of year	**2 720**	3 420
Movement in fair value of plan assets		
Market value of assets at beginning of year	**15 732**	12 274
Actual return on assets	**4 888**	5 094
Employer contribution	**85**	93
Employee contribution	**53**	59
Benefits paid	**(759)**	(1 690)
Tax paid	**-**	(21)
Expenses paid (admin and risk benefit premiums)	**(156)**	(77)
Market value at end of year	**19 843**	15 732
Assumptions used:		
Investment returns	8.6%	8.1%
Salary increases	6.7%	6.2%
Pension increases	4.6%	6.2%
Discount rate	7.86%	7.86%

19.1.2. Defined contribution pension plan

The group contributions for the year amounted to R11,28 million (2006: R47,0 million). The company contributions for the year amounted to R2.5 million (2006: R2.1 million).

Soekor Retirement Fund

The valuation of the Soekor Retirement Fund as at 1 January 2002 shows a surplus as at the date of R34 million, reflecting assets of approximately R81 million and liabilities of approximately R46 million. No contribution was recognised as an expense during the year as all employees were transferred to the PetroSA Retirement Fund. The company is uncertain of the extent of it's entitlement to the surplus and has not accounted for it's pending finalisation of the acturial valuation. The trustees are in the process of a surplus apportionment in terms of the Pension Funds Second Amendment Act, after which the fund will be dissolved.

PetroSA Retirement Fund

The amount recognised as an expense during the year under review was R49,1 million (2006: R43,3 million) for the retirement fund.

19.2. Medical benefits

Post-employment medical benefits

The group contributes 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.

It is the policy of the group to provide for post retirement medical aid benefits for eligible employees. Currently the group has provided for an amount of R192.6 million (2006: R181,2 million). The medical costs trend rates used in assumptions for medical aid for the year is 7.5%.

20. Trade and other payables

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Trade payables	**660 626**	300 107	**2 353**	1 013
Accruals	**333 607**	526 789	**7 869**	5 996
Sundry Payables	**231 584**	41 675	**34 914**	22 770
Leave pay	**1 855**	22 432	**-**	2 060
	1 227 672	891 003	**45 136**	31 839

21. Deferred income

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Deferred income	**-**	23 518	**-**	-

This is in respect of government grants received by South African National Energy Research Institute (Pty) Ltd from the Department of Science and Technology to fund future related costs.

22. Revenue

Major classes of revenue comprise:

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Crude oil and fuel production sales	**8 951 756**	7 553 189	**-**	-
Tank rentals	**113 661**	51 968	**-**	-
Royalties	**4 532**	5 715	**-**	-
Other	**29 693**	10 900	**-**	-
	9 099 642	7 621 772	**-**	-

23. Interest received

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Investments	**1 062 173**	820 629	**178 871**	166 717
Subsidiaries	**-**	-	**52 147**	38 171
	1 062 173	820 629	**231 018**	204 888

24. Operating profit

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Operating profit is stated after:					
Income					
Income from subsidiaries					
Interest received		-	-	52 147	38 171
Profit on disposals of property, plant and equipment		81	18	-	-
Reversal of impairment losses		41 704	163	480	494
Property, plant and equipment		41 704	-	-	-
Intangible assets		-	163	480	494
Expenditure					
Auditors' remuneration		4 588	4 134	955	1 055
Audit fee - current year		4 272	3 934	920	264
Prior year		145	115	2	741
Expenses		171	76	33	50
Other services		-	9	-	-
Depreciation					
Property, plant and equipment		921 720	742 609	853	1 380
Impairment losses					
Property, plant and equipment		-	-	-	-
Intangible assets		-	4 875	14	110
Amortisation of patents and trademarks		2 395	7 271	2 409	3 497
Lease rentals		63 581	216 139	1 660	1 434
Premises		10 966	13 368	1 660	1 434
Motor vehicles		-	291	-	-
Equipment		1 604	249	-	-
Lease rentals		51 011	202 231	-	-
Loss on disposals of property, plant and equipment		-	-	3	127
Net loss on foreign exchange		-	-	3 425	4 598
Increase of stock provision		10 308	65 172	-	-
Staff costs		107 176	831 552	37 533	28 291
Defined benefit retirement plan - pension					
Current service cost		3 420	3 018	(151)	(144)
Interest cost on benefit obligation		249	326	(249)	(326)
Expected return on plan assets		151	144	1 451	1 227
Net actuarial loss recognised in the year		(759)	(1 705)	-	-
Past service cost		(341)	1 561	-	-
Additional past service obligations		-	76	(341)	1 561
Net benefit expense		2 720	3 420	710	2 318
Directors' emoluments	32	17 269	17 612	3 801	4 393
Consulting fees		6 811	7 515	3 472	6 138

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
25. Finance costs				
Interest bearing borrowings	**29 407**	122 758	**92 202**	106 021
Bank overdrafts and acceptances	**4 624**	9 224	**-**	-
Other	**297 360**	1 078	**3 656**	1 078
Subsidiaries	**-**	-	**41 137**	25 982
	331 391	133 060	**136 995**	133 081
26. Impairment of investments				
Decrease in provision against loan to Enerkom	**-**	-	**-**	41
Decrease in provision against loan to OPCSA	**-**	-	**2 779**	(6 737)
Decrease in provision against loan to Cotec Patrade (Pty) Ltd	**-**	-	**(11)**	-
Decrease in provision against loan to Banniettor Mining (Pty) Ltd	**-**	1 112	**-**	1 112
Decrease/(Increase) in provision against loan to iGas	**-**	-	**23 936**	(4 062)
	-	1 112	**26 704**	(9 646)
27. Taxation				
27.1. South African normal tax				
Current tax	**391 912**	3 965	**8 174**	4 156
Deferred tax				
Current year	**(48 251)**	(58 068)	**40**	(130)
Prior year adjustments	**11**	-	**-**	-
	343 672	(54 103)	**8 214**	4 026
Foreign tax	**-**	146 904	**-**	-
Tax for the year	**343 672**	92 801	**8 214**	4 026
27.2. Reconciliation of rate of taxation	**%**	**%**	**%**	**%**
South African normal tax rate	**29.0**	29.0	**29.0**	29.0
Adjusted for:				
Exempt income	**(1.0)**	(0.3)	**(1.3)**	0.3
Dividends	**(0.3)**	-	**(26.6)**	(28.5)
Tax Losses	**(125.0)**	(184.1)	**-**	-
Foreign taxation	**106.6**	158.3	**-**	-
Net reduction	**(19.7)**	(26.1)	**(27.9)**	(28.2)
Effective rate	**9.3**	2.9	**1.1**	0.8

No provision has been made for 2007 taxation for PetroSA as the company has an estimated assessed loss of R2 billion available for set-off against future taxable income. No deferred tax asset has been raised as the realisation of the related tax benefits in the foreseeable future is considered improbable.

Income tax paid by SFF in a previous period has been viewed as being incorrect. A refund was requested from SARS and a refund assessment has been received. The error has been corrected in the previous period. The tax receivable and associated income and interest received relating to the prior years recognised in 2006 and reversed in 2007.

SARS has subsequently disallowed the prior year tax claim. Management will be taking this issue up on appeal.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
27.3. SARS for income tax				
Opening balance	**200 581**	81 822	**79**	(6 833)
Income tax for the year	**343 672**	92 801	**8 214**	4 026
Deferred portion	**(49 529)**	56 658	**(40)**	130
Payment made	**41 311**	(30 700)	**(9 514)**	2 756
Balance due to/(from) SARS	**536 035**	200 581	**1 261**	79
Summary:				
Taxation refund due from SARS	**(1 502)**	(22 611)	**1 261**	-
Taxation owing to SARS	**537 537**	223 192	**-**	79
	536 035	200 581	**1 261**	79
28. Notes to the cash flow statement				
28.1. Cash receipts from customers				
Sales and other revenue	**10 688 742**	7 775 928	**9 019**	5 759
Profit on sale of assets	**(81)**	(18)	**110**	64
Movement in trade and other receivables	**(554 966)**	(210 542)	**(2 385)**	(3 559)
Unrealised foreign exchange moves	**-**	90 354	**(3 425)**	-
	10 133 695	7 655 722	**3 319**	2 264
28.2. Cash paid to suppliers / employees				
Cost of sales	**6 118 913**	4 345 671	**-**	-
Operating costs	**1 941 874**	1 288 652	**63 252**	59 129
Movement in inventories	**132 961**	147 548	**-**	-
Movement in trade and other payables	**(311 914)**	(267 500)	**(14 857)**	6 031
Non-cash items	**(810 100)**	(1 271 875)	**(3 327)**	(17 588)
Realised foreign exchange	**(206 263)**	(685 497)	**14 817**	3 946
	6 865 471	3 556 999	**59 885**	51 518

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000

28.3. Cash generated by operations

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Net profit before taxation	3 358 736	2 920 640	753 069	508 791
Non cash items:				
Depreciation	921 720	742 609	851	1 380
Impairment losses	-	(1 112)	(26 704)	9 646
Foreign exchange adjustment of Subsidiary	7 109	(6 680)	-	-
Movement in forward exchange contracts	1 839	14 379	-	12 199
Movement in provisions	628 087	59 575	67	42
Profit on disposals of property, plant and equipment	(81)	(18)	110	64
Amortisation of intangible assets	2 396	7 271	2 409	2 396
Exchange differences capitalised (restatement at year end)	(74 469)	1 627	-	469
Capitalised expenditure	-	125 863	-	-
Other movement in deferred expenditure	-	4 999	-	-
Assets fair valued	(676 613)	-	-	-
Amortisation of deferred expenditure	-	536 855	-	-
Transfer of fixed assets	32	(215 773)	-	-
Deferred income tax on foreign Joint Venture	-	1 150	-	-
	4 168 756	4 191 385	729 802	563 089
Other adjustments:				
Interest received	(1 062 173)	(820 629)	(231 018)	(204 888)
Finance costs	331 391	133 060	136 995	133 081
Dividends received		-	(690 000)	(500 000)
Realised foreign exchange loss/(gain)	206 263	685 497	(14 817)	(3 946)
	(524 519)	(2 072)	(798 840)	(575 753)
Movements in working capital				
Increase in inventories	(132 961)	(147 359)	-	-
Increase in trade and other receivables	(554 966)	(211 106)	(2 385)	(3 559)
Increase in trade and other payables	311 914	384 895	14 857	(6 031)
	3 268 224	4 215 743	(56 566)	(49 254)

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
28.4. Increase in investment in Subsidiaries and associates				
Investment in associate				
Increase in investment	15 679	-	-	-
Movement in investment	15 679	-	-	-
28.4.1. Enerkom				
Provision against loan	-	-	-	(41)
Movement in investment	-	-	-	(41)
28.4.2. iGas				
Provision against investment	-	-	(23 935)	4 062
Movement in investment	-	-	(23 935)	4 062
28.4.3. OPCSA				
Provision against investment	-	-	(2 779)	6 737
Movement in investment	-	-	(2 779)	6 737
28.4.4. Cotec Patrade (Pty) Ltd				
Provision against investment	-	-	11	-
Movement in investment	-	-	11	-
28.4.5. Baniettor Mining (Pty) Ltd				
Provision against investment	-	(1 112)	-	(1 112)
Movement in investment	-	(1 112)	-	(1 112)
Net movement on investment in subsidiaries and associates	15 679	(1 112)	(26 703)	9 646

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Opening carrying amount of loans to group companies:				
SANERI	-	-	(23 732)	-
Petroleum Agency SA	-	-	(132 459)	(91 716)
SFF	-	-	35	301
PetroSA	-	-	(657 561)	(1 165 481)
iGas	-	-	613 996	-
	-	-	(199 721)	(1 256 896)
Closing carrying amount of loans to group companies:				
Petroleum Agency SA	-	-	(174 775)	(132 459)
SFF	-	-	-	35
PetroSA	-	-	(361 527)	(565 979)
South African Gas Development Company (Pty) Ltd	-	-	682 309	613 996
SANERI (Pty) Ltd	-	-	(55 429)	(23 732)
	-	-	90 578	(108 139)
Movement in carrying amount of loans	-	-	(290 299)	(1 148 757)
Net investment in associates	15 679	(1 112)	26 703	(1 158 403)
Unrealised foreign exchange differences	-	-	-	1 158
Cash effect of investments in subsidiaries and associates	15 679	(1 112)	(263 596)	(1 157 245)

28.5. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Cash and cash equivalents	14 975 177	12 227 212	2 599 851	2 215 046
Bank overdraft	(236 672)	(87)	-	-
	14 738 505	12 227 125	2 599 851	2 215 046

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000

29. Contingent liabilities

29.1. Guarantees

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
DME for Rehabilitation of E-BT/E-AR mining lease	**27 100**	27 100	**27 100**	27 100
Eskom for payment of guarantee for electrical supply	**9 485**	9 485	**9 485**	9 485
Eskom for payment of guarantee for electrical supply	**2 435**	2 435	**2 435**	2 435
Department of Minerals and Energy for rehabilitation of FA mining lease	**450 000**	450 000	**450 000**	450 000
ABSA Bank for iGas to acquire a 25% interest in Rompco	**340 000**	380 000	**340 000**	380 000
Performance guarantees - Egyptian General Petroleum Corporation iro minimum work obligations for exploration operations in Egypt.	**152 775**	-	**-**	-
Performance guarantees - Republic of Sudan iro minimum work obligations for exploration in Sudan	**58 200**	-	**-**	-
Bluewater (UK) Limited - PetroSA for rental contract.	**41 619**	320 290	**41 619**	320 290
Various financial institutions- housing and motor loans -employees	**46 728**	73 894	**-**	-
ABSA Bank for OPCSA's Deed of Suretyship	**2 000**	2 000	**2 000**	2 000
Group share of 55% of costs ($3.356 million) payable from PetroSA's share of revenues from future production within E-P tract, should the tract be successful	**24 413**	20 792	**-**	-
The group has issued guarantees for the rehabilitation of land disturbed by mining on the Sable field, amounting to:	**180 000**	180 000	**-**	-
Department of Minerals and Energy for rehabilitation of land distributed by Mining	**10**	10	**10**	10
	1 334 765	1 466 006	**872 649**	1 191 320

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

29. Contingent liabilities continued

Cession and pledge to Absa Bank Ltd of R190 442 500

iGas (Pty) Ltd, a subsidiary of CEF (Pty) Ltd has acquired a 25% interest in Rompco (Pty) Ltd. In order for iGas (Pty) Ltd to give effect to the abovementioned acquisition it was obliged to procure guarantees from a financial institution in support of its obligation as Debt Service Support provider to Rompco (Pty) Ltd. Absa Bank Ltd has issued guarantees to the value of R590 442 500 (current outstanding amount R530 442 500). CEF (Pty) Ltd has issued a counter guarantee to Absa Bank Ltd to the same value. CEF (Pty) Ltd has ceded and pledged an amount of R190 442 500 to Absa Bank Ltd for the guarantee facility.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
30. Commitments				
30.1. Capital expenditure				
The following capital commitments will be financed through loans and operating cash flows:				
Contracted for	2 325 766	1 267 772	-	-
Approved by the directors but not contracted for	332 689	1 124 319	-	-
	2 658 455	2 392 091	-	-

It is intended to finance this expenditure from internally generated funds and available cash resources.

30.2. Operating leases

PetroSA leases office space at the V & A Waterfront from Victoria & Alfred Waterfront Properties (Pty) Ltd, effective from 1 January 2003. The lease payment was fixed at R583 605 per month, with a 10% escalation per annum.The period of the lease agreement is five years and ends on 31 December 2007, at which time PetroSA has the option to renew the lease for a further five-year period ending 31 December 2013.

CEF leases the office space at 158 Jan Smuts Avenue. The period of the lease is 5 years and 4 months from 1 December 2004 until 31 March 2010.

OPCSA has entered into a property lease for its administrative offices. The non-cancellable lease was for a period of 3 years ending 31 August 2006. An option to extend the lease for another 2 years was taken.

PetroSA Europe BV leases office space at 3011XB Willemswerf, 13th Floor, Boomjes, effective 1 December 2004. The lease payment is fixed at Euro 23,360 per annum, with an inflationary escalation per annum. The period of the lease agreement is five years and ends on 30 November 2009, at which time PetroSa Europe BV has the option to renew the lease for a further five-year period. PetroSA Europe BV leases motor vehicles on behalf of its employees. the standard contract period is 48 months. The effective start date was October 2004 and ends October 2009. PetroSA Europe BV leases apartments for its employees.

PetroSA Equatorial Guinea leases office space in Malobo for a two year period, effective from 1 February 2006 to 31 January 2008. The lease payments are CFA 4000 000 per month, and is paid in advance for a year.

PetroSA Egypt leases office space and accommodation for its employees at Building No 3, Road 259, Maadi, Cairo. The lease period is 36 months with a monthly payment of $11 000 (R80 025) and an escalation of 5% at the beginning of the third year. The company has an option to renew the lease for another three year period.

Petroleum Agency SA extended the lease of office space from PetroSA for a futher period of two years ending 31 July 2008. The lease payment is fixed at R92 133 per month, with a 12% escalation per annum, an option to renew the lease for a further six-months period to 31 January 2009, after which it will continue to rent from PetroSA as a tenant in terms of a new agreement. The monthly lease payments are estimated at R273 490 with an annual escalation at 9%.

Suite 3 Tygerpoort in Bellville, this lease of office space from Sulnisa Property for a further period of two years ending 30 November 2008. The lease payment is fixed at R69 942 per month, with a 10% escalation per annum, and have a option to renew the lease for a further two-months period ending 31 January 2009.

Milnerton, the lease was extended for storage space from SFF Association for a further period of three years ending 31 March 2010. The lease payment is fixed at R8 664 per month, with a 3.6% escalation per annum.

Roy Eamish Centre leasing storage space at Modderdam Road, Airport Industria from EJB Creations which expires on 31 july 2008. The lease payment is fixed at R5 775 per month, with a 10% escalation per annum.

	2007 Present value of payments R'000	2006 Present value of payments R'000
Group		
Within one year	**10 986**	11 928
After one year but not more than five years	**4 017**	15 003
Present value of minimum lease payments	**15 003**	26 931

30.3. Subsidaries

With OPCSA still in the start-up phase, the annual budget is approved by the CEF board of directors and CEF has agreed to fund OPCSA's operations via a loan account. CEF has signed a subordination agreement with respect to the loan in favour of OPCSA creditors. Furthermore CEF has agreed to cover all of the present liabilities of OPCSA. The subordination agreements will remain in place until such time as the assets, fairly valued, exceed the liabilities of OPCSA.

31. Financial instruments

31.1. Currency risk

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

Forward foreign exchange contracts

The group enters into forward foreign exchange contracts to buy and sell amounts of various foreign currencies in the future at a predetermined exchange rate. The contracts are matched with the anticipated future cash flows in foreign currencies and are primarily denominated in the currencies of the group's principal markets, the majority of which is the US Dollar.

The group does not enter into foreign currency exchange contracts for speculative purposes.

All local sales of finished products are sold on a foreign currency denominated basis. This leads to a situation where foreign currency inflows exceed outflows, thus creating a natural hedge situation to manage foreign currency exposure. In the event that this natural hedge is not apparent, the group enters into forward foreign exchange contracts to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage the group's exposure to fluctuations in the foreign currency exchange rates on such transactions.

31. Financial instruments continued

The following table summarises by major currency the amounts under forward contracts:

		Group		Company	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
Forward exchange contracts - asset					
US Dollars	Maturing within 3 months	R -	R 273 018	R -	R -
	Foreign amounts	$ -	$ 43 715	$ -	$ -
	At an average rate of	R -	R 6.2454	R -	R -
EURO	Maturing within 3 months	R -	R 57 081	R -	R -
	Foreign amounts	EUR -	EUR 7 555	EUR -	EUR -
	At an average rate of	R -	R 7.5554	R -	R -
Forward exchange contracts - liability					
US Dollars	Maturing within 3 months	R 399 113	R 289 739	R -	R -
	Foreign amounts	$ 54 727	$ 46 702	$ -	$ -
	At an average rate of	R 7.2928	R 6.2040	R -	R -
US Dollars	Maturing within 12 months	R 33 943	R 116 074	R -	R 116 074
	Foreign amounts	USD 4 611	USD 18 530	USD -	USD 18 530
	At an average rate of	R 7.3614	R 6.2641	R -	R 6.2641
US Dollars	Maturing within 12 months	R -	R -	R 82 129	R -
	Foreign amounts	USD -	USD -	USD 11 130	USD -
	At an average rate of	R -	R -	R 7.3791	R -

The group is well matched in its currency exposures. Major capital expenditure programs are incurred in foreign currencies, mainly the US dollar or currencies easily converted to US dollars. Term liabilities arising from funds raised to finance new projects are denominated in the currency that matches the project income stream. By the use of customer foreign currency bank accounts, short term mismatches can be avoided. It is seldom necesssary therefore to hedge currency exposure risks other than on occasions where rand balances are held in anticipation of settlement of committment in dollars.

31.2. Forward exchange contracts - asset

Forward exchange contracts	84	75	84	75

31.3. Forward exchange contracts - liability

Forward exchange contracts	1,848	287	-	287

31. Financial instruments continued

31.4. Credit risk

Financial assets, which potentially subject the group to the risk of non-performance by counterparties and thereby subject the group to concentrations of credit risk, consist primarily of cash and cash equivalents, short-term investments, trade receivables and derivatives. The group's cash equivalents and short-term deposits are placed with high credit quality financial institutions. These institutuions are reviewed by the CEF board of directors on a quarterly basis.

With respect to the foreign exchange forward contracts, the group's exposure is on the full amount of the foreign currency receivable on settlement. The group minimises such risk by limiting the counterparties to a group of major financial institutions with high credit ratings assigned by international credit-rating agencies.

The group's exposure and the credit ratings of its treasury counter-parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter-parties. This covers the risk of significant exposure to any individual customer or counterparty. The group does not expect to incur any losses as a result of non-performance by these counterparties.

The carrying amounts of financial assets included in the balance sheet represent the group's exposure to credit risk in relation to these assets. The credit exposure of forward exchange contracts is represented by the net market value of the contracts as disclosed.

31.5. Fair values

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 2007 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 instruments:

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. The fair values of other long-term investments are not materially different from the carrying amounts.

Trade payables

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

Interest-bearing borrowings

The carrying value of short-term borrowings approximates fair value due to the relatively short-term maturity of these liablilites. The fair values of other long-term borrowings are not materially different from the carrying amounts.

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.

31.6. Maturity profile

At least half or more of long-term finance, i.e. more than 3 years (or less in more volatile enviroments) 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 liabilties at balance sheet date are as follows:

31. Financial instruments continued

Group	Fixed interest rate maturing 1 year or less R'000	1 to 5 years R'000	over 5 years R'000	Non-interest bearing R'000	Total R'000
31 March 2006					
Assets					
Cash	12 227 125	-	-	-	12 227 125
Trade Receivables	-	-	-	787 128	787 128
Foreign exchange receivables	-	-	-	75	75
Total financial assets	12 227 125	-	-	787 203	13 014 328
Liabilites					
Trade payables	-	-	-	300 107	300 107
Loans	136 914	597 670	-	-	734 584
Total Financial Liabilities	136 914	597 670	-	300 107	1 034 691
Net financial assets/(liabilities)	**12 090 211**	**(597 670)**	**-**	**487 096**	**11 979 637**
31 March 2007					
Assets					
Cash	14 975 177	-	-	-	14 975 177
Trade Receivables	-	-	-	1 347 476	1 347 476
Total financial assets	14 975 177	-	-	1 347 476	16 322 653
Liabilities					
Trade Payables	-	-	-	660 626	660 626
Loans	134 040	540 460	-	-	674 500
Overdraft	236 672	-	-	-	236 672
Total financial liabilities	370 712	540 460	-	660 626	1 571 798
Net financial assets/(liabilities)	**14 604 465**	**(540 460)**	**-**	**686 850**	**14 750 855**

31. Financial instruments continued

Company	1 year or less R'000	1 to 5 years R'000	over 5 years R'000	Non-interest bearing R'000	Total R'000
	Fixed interest rate maturing				
31 March 2006					
Assets					
Cash	2 215 046	-	-	-	2 215 046
Trade Receivables	-	-	-	1 246	1 246
Foreign exchange receivables	-	-	-	75	75
Total financial assets	2 215 046	-	-	1 321	2 216 367
Liabilities					
Trade payables	-	-	-	1 013	1 013
Loans	136 914	1 630 579	-	-	1 767 493
Foreign exchange payables	-	-	-	287	287
Total financial liabilities	136 914	1 630 579	-	1 300	1 768 793
Net financial assets/(Liablities)	**2 078 132**	**(1 630 579)**	**-**	**21**	**447 574**
31 March 2007					
Assets					
Cash	2 599 851	-	-	-	2 599 851
Trade Receivables	-	-	-	4 439	4 439
Total financial assets	2 599 851	-	-	4 439	2 604 290
Liabilities					
Trade payables	-	-	-	2 353	2 353
Loans	134 040	1 308 312	-	-	1 442 352
Total financial liabilities	134 040	1 308 312	-	2 353	1 444 705
Net financial assets/(liablities)	**2 465 811**	**(1 308 312)**	**-**	**2 086**	**1 159 585**

31. Financial instruments continued

31.5. Liquidity risk

The group manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows. Adequate reserves and liquid resources are also maintained.

31.6. Price risk

- Currency risk

The group is exposed to exchange rate fluctuations inherent in the raising of funding on the offshore financial markets, importing of raw materials and spares, and the exporting of finished products and crude oil. The group manages this risk by entering into forward foreign exchange contracts.

- 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. Interest rate hedging mechanisms are used in managing this risk.

- Market 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), Singapore Monetary exchange (Simex).

32. Directors' emoluments

Emoluments received

32.1. Directors' emoluments

	Salary/ fee R'000	Bonuses and performance payments R'000	Pension contributions R'000	Other contributions R'000	Expenses allowances R'000	Compensate for loss of office R'000	Other R'000	Total R'000
CEF								
Year ended 31 March 2007								
Executive directors:	1 614	754	-	15	-	-	-	2 383
Mr MB Damane	1 614	754	-	15	-	-	-	2 383
Non executive directors:	1 215	-	-	-	200	-	3	1 418
Mr A Mjekula*	337	-	-	-	176	-	3	516
Mr I Soules	46	-	-	-	-	-	-	46
Dr Z Rustomjee	189	-	-	-	8	-	-	197
Mr NR Boqo	26	-	-	-	-	-	-	26
Mrs K Mthimunye	41	-	-	-	-	-	-	41
Ms B Mabuza	220	-	-	-	8	-	-	228
Ms N Mazwai	170	-	-	-	8	-	-	178
Dr P Molefe	110	-	-	-	-	-	-	110
Mr J Molobela	30	-	-	-	-	-	-	30
Mr HM Leshabane	46	-	-	-	-	-	-	46
Executive Management:	3 075	1 713	456	145	-	-	469	5 858
Ms M Joubert	649	378	107	35	-	-	114	1 283
Ms O Mans	902	544	141	42	-	-	109	1 738
Mr M Singh	980	549	132	50	-	-	156	1 867
Mr A Haffejee	544	242	76	18	-	-	90	970
Year ended 31 March 2006	7 155	356	434	234	391	-	88	8 658
Executive directors:	2 538	125	109	61	-	-	2	2 857
Non executive directors:	1 129	-	-	-	391	-	16	1 536
Executive Management:	3 488	231	325	173	-	-	48	4 265

* Paid directly to employer.

32. Directors' emoluments continued

	Salary/ fee R'000	Bonuses and performance payments R'000	Pension contributions R'000	Other contributions R'000	Expenses allowances R'000	Compensate for loss of office R'000	Other R'000	Total R'000
PetroSA								
Year ended 31 March 2007								
Executive directors:	4 049	1 621	335	135	-	-	121	6 261
S Mkhize	2 528	928	168	72	-	-	69	3 765
N Nika	1 521	693	167	63	-	-	52	2 496
Non executive directors:	1 546	-	-	-	596	-	-	2 142
MB Damane	-	-	-	-	19	-	-	19
DR Zihlangu	56	-	-	-	17	-	-	73
J Huntley	215	-	-	-	185	-	-	400
A Mjekula	70	-	-	-	5	-	-	75
PS Molefe	393	-	-	-	226	-	-	619
N Gumede	-	-	-	-	40	-	-	40
T Kentane	25	-	-	-	-	-	-	25
CWN Molope	61	-	-	-	11	-	-	72
T Chikane	226	-	-	-	47	-	-	273
B Figaji	215	-	-	-	25	-	-	240
A Nkuhlu	285	-	-	-	21	-	-	306
Executive Management	5 995	2 572	458	176	-	-	219	9 420
W de Meyer	1 209	558	138	39	-	-	47	1 991
S Ramosa	788	313	55	36	-	-	28	1 220
N Siswana	1 300	568	85	15	-	-	47	2 015
JM Maisela	1 255	580	84	37	-	-	47	2 003
JEP Falbe	1 443	553	96	49	-	-	50	2 191
Year ended 31 March 2006	9 725	2 232	672	281	479	-	308	13 697
Executive directors:	3 108	1 455	281	125	-	-	104	5 073
Non executive directors:	1 748	-	-	-	301	-	-	2 049
Executive Management	4 869	777	391	156	178	-	204	6 575

* Paid directly to employer

** Not for full year

32. Directors' emoluments continued

Emoluments received

32.1. Directors' emoluments

	Salary/ fee R'000	Bonuses and performance payments R'000	Pension contributions R'000	Other contributions R'000	Expenses allowances R'000	Compensate for loss of office R'000	Other R'000	Total R'000
SFF								
Year ended 31 March 2007								
Non executive directors:	164	-	-	-	-	-	-	164
B Mabuza	18	-	-	-	-	-	-	18
J Molobela	29	-	-	-	-	-	-	29
Z Rustomjee	18	-	-	-	-	-	-	18
K Mithimunye	29	-	-	-	-	-	-	29
N Mazwai	40	-	-	-	-	-	-	40
A Mjekula	30	-	-	-	-	-	-	30
Year ended 31 March 2006	234	-	-	-	-	-	-	234
Non executive directors:	234	-	-	-	-	-	-	234
Petroleum Agency SA								
Year ended 31 March 2007								
Executive directors:	2 516	130	281	-	-	-	-	2 927
L Madlala	897	130	99	-	-	-	-	1 126
M Xiphu	1 619	-	182	-	-	-	-	1 801
Non executive directors:	284	-	-	-	-	-	-	284
A Mjekula	138	-	-	-	-	-	-	138
L Makatini	146	-	-	-	-	-	-	146
Executive Members:	7 180	647	834	-	-	-	-	8 661
D Broad	932	120	99	-	-	-	-	1 151
V Storm	934	125	102	-	-	-	-	1 161
S Mills	843	112	103	-	-	-	-	1 058
I Mclachlan	893	138	119	-	-	-	-	1 150
N Ngabaza	772	98	86	-	-	-	-	956
N Makupula	996	54	116	-	-	-	-	1 166
L Mthunzi*	755	-	82	-	-	-	-	837
M Ledingwane	24	-	-	-	-	-	-	24
N Van Averbeke*	1 031	-	127	-	-	-	-	1 158
Year ended 31 March 2006	7 327	835	746	-	259	-	-	9 167
Executive Members:	4 883	504	493	-	212	-	-	6 092
Non executive directors:	121	-	-	-	-	-	-	121
Executive directors:	2 323	331	253	-	47	-	-	2 954

* Not for full year

32. Directors' emoluments continued

	Salary/ fee R'000	Bonuses and performance payments R'000	Pension contributions R'000	Other contributions R'000	Expenses allowances R'000	Compensate for loss of office R'000	Other R'000	Total R'000
iGas								
Year ended 31 March 2007								
Non executive directors:	223	-	-	-	-	-	-	223
Dr Z Rustomjee	68	-	-	-	-	-	-	68
Mr R Boqo	36	-	-	-	-	-	-	36
Mr Y Tenza	119	-	-	-	-	-	-	119
Executive Members:	811	-	-	-	-	-	314	1 125
Dr M de Pontes	811	-	-	-	-	-	314	1 125
Year ended 31 March 2006	937	72	-	-	222	-	167	1 398
Non executive directors:	235	-	-	-	-	-	-	235
Executive Members:	702	72	-	-	222	-	167	1 163
OPCSA								
Year ended 31 March 2007								
Executive directors:	986	-	140	20	-	-	192	1 338
Mr P D Coetzee	986	-	140	20	-	-	192	1 338
Non executive directors:	129	-	-	-	-	-	-	129
Mr M Kajee	56	-	-	-	-	-	-	56
Mr J Molobela	36	-	-	-	-	-	-	36
Ms M Mgadza	37	-	-	-	-	-	-	37
Executive Members:	790	-	138	74	-	-	270	1 272
Mr A Jacobs	487	-	84	37	-	-	186	794
Mr A Partrige	303	-	54	37	-	-	84	478
Year ended 31 March 2006	2 524	70	181	-	-	-	298	3 073
Executive directors:	1 320	-	181	-	-	-	12	1 513
Non executive directors:	301	-	-	-	-	-	-	301
Executive Members:	903	70	-	-	-	-	286	1 259

* Paid directly to employer

33. Related parties

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Mosshold (Pty) Ltd				
Loan to	-	-	-	1 986 742
Enerkom				
Loan to	-	-	-	40
Dept. of Public Enterprises				
Amounts owing from	-	-	4	-
PetroSA				
Long term loans	-	-	(175 088)	(217 947)
Dividends received/ Paid	-	-	(690 000)	(500 000)
Sales to	-	60 822	-	-
Cash on deposit for	-	-	537 648	876 718
Amounts owing to	-	9 967	-	-
Interest received	-	-	(20 443)	(19 438)
Purchases	-	1 170	-	-
Interest paid	66 137	81 576	66 136	99 999
Amounts due by	-	17 394	-	-
FEC	-	-	77	287
SANERI				
Loan to/ from	-	-	55 429	23 732
Amounts owing from	-	-	71	-
Services rendered	-	-	203	-
Interest paid	-	-	2 695	-
Cotec Patrade (Pty) Ltd				
Loan to	-	-	3 744	3 733
iGas				
Loan to	-	-	30 067	23 936
Sales to	-	122	-	-
Amounts owing from	-	10	90	-
Services rendered	-	-	746	442
Shareholders loan Rompco	-	-	306 183	301 901
iGas Term loan	-	-	339 982	312 095
Interest received	-	-	(31 704)	(18 733)
OPCSA				
Loan to	-	-	15 703	18 482
Amounts owing from	-	-	107	-
Services rendered	-	-	729	1 449
Purchases	-	4 185	-	-

33. Related parties continued

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Petroleum Agency SA				
Loan to/ from	-	-	174 775	132 459
Amounts owing from	-	-	148	-
Services rendered	-	-	539	434
Interest paid	-	-	12 227	7 488
SFF				
Loan to/ from	-	-	-	35
Amounts owing from	-	-	3 691	271
Services received/ rendered	-	-	3 005	55
Department of Minerals and Energy				
Services received/ rendered	-	-	232	-
Amounts received	-	-	(1 231)	(1 268)
Baniettoir Mining (Pty) Ltd				
Loan to	23 933	24 034	23 933	24 034
Payments made	2 251 448	2 023 874	23 308	14 754
SA Post Office				
Services received/ rendered	280	906	69	783
SAA				
Services received/ rendered	27 677	27 429	3 128	209
Amounts owing to	532	165	-	-
Mine Health and Safety Council				
Services received/ rendered	83	25	83	25
Trans Caledon Tunnel Authority				
Interest received/ paid	408	655	408	655
Financial Services Board				
Services received/ rendered	114	-	-	114
Mintek				
Services received/ rendered	293	-	-	293
City of JHB				
Services received/ rendered	63	91	27	91
Road Accident Fund				
Services received/ rendered	5	(64)	5	(64)
DTI				
Grants received	40 024	17 500	-	-
Council for Geoscience				
Amounts owing to	21	-	-	-
Industrial Development Corporation of SA Ltd				
Services received/ rendered	294	124	-	-
SABC				
Services received/ rendered	14	8	-	-

33. Related parties continued

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Airports Company				
Services received/ rendered	24 549	27 220	-	-
Eskom Group				
Services received/ rendered	177 237	132	-	-
Products sold	58 090	-	-	-
Telkom				
Services received/ rendered	16 472	9 574	483	410
Arivia.Kom				
Amounts owing to	124	7	-	-

Key management personnel

refer to note 32

Cotec Development (Pty) Ltd

No related party transactions were incurred for the year.

Soekor E & P (Pty) Ltd/Mosshold

Companies were voluntarily liquidated during the financial year

Enerkom Products (Pty) Ltd and Enerkom (Pty) Ltd

Enerkom was de-registered during the year

34. 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 statement are as follows:

	Percentage Holding / Tract					
	55%	55%	55%	55%	55%	55%
	E-BA	E-AG	E-AD	E-CB	E-CN	E-DC
	R'000	R'000	R'000	R'000	R'000	R'000
2007						
Current Assets	17	132	92	125	140	213
Total Assets	17	132	92	125	140	213
Current liabilities - interest free	1	4	9	24	123	-
Retained income	(1 752)	(624)	(377)	(27 653)	(703)	(43 696)
Company contribution to venture	1 768	752	460	27 754	720	43 909
Total liabilities	17	132	92	125	140	213
Revenue	2	4	12	7	2	12
Expenses	24	109	138	453	413	24
Net expenditure	(22)	(105)	(126)	(446)	(411)	(12)
Partners	Pioneer	Pioneer	Pioneer	Pioneer	Pioneer	Pioneer
	45%	45%	45%	45%	45%	45%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

	Percentage Holding / Tract					
					25%	
	55%	55%	22.86%	22.86%	Gryphon	25%
	E-CC	E-AO	Iris	Themis	Marin	Block 402d
	R'000	R'000	R'000	R'000	R'000	R'000
2007						
Production facilities	-	-	-	-	-	-
Current Assets	749	5	-	-	-	-
Total Assets	749	5	-	-	-	-
Current liabilities - interest free	1	-	-	-	-	-
Retained income	(137 193)	(219)	(26 257)	(10 720)	(59 016)	(31 950)
Company contribution to venture	137 941	224	26 257	10 720	59 016	31 950
Total liabilities	749	5	-	-	-	-
Revenue	45	-	-	-	-	-
Expenses	999	1	2 974	2 854	24 153	211
Net expenditure	(954)	(1)	(2 974)	(2 854)	(24 153)	(211)
Partners	Pioneer	Pioneer	Sterling	Sterling	Forest	Burlington Resources
	45%	45%	38.57%	20.57%	50%	75%
			Pan Africa	Pan Africa	Tullow Oil	
			25.71%	25.71%	18.75%	
			Afren	Afren		
			12.86%	12.86%		
				Premier		
				18%		
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

	Percentage Holding / Tract					
	55% E-P R'000	60% Sable R'000	55% E-BB R'000	24% Block 2A R'000	24% Block C R'000	55% F-Q R'000
2007						
Production facilities	36 011	50 365	14 404	53 812	-	-
Current assets	-	62 594	101	-	-	-
Total Assets	36 011	112 959	14 505	53 812	-	-
Current liabilities - interest free	3	58 345	-	-	-	-
Retained income	(31 740)	(908 466)	(51 588)	(162 544)	(2 338)	(547)
Company contribution to venture	67 748	963 080	66 093	216 356	2 338	547
Total liabilities	36 011	112 959	14 505	53 812	-	-
Revenue	-	895 875	4	-	-	-
Expenses	3	414 882	68	3 424	548	526
Net expenditure	(3)	480 993	(64)	(3 424)	(548)	(526)
Partners	Pioneer 45%	Pioneer 40%	Pioneer 45%	Anschutz 22.8% Forest 53.2%	Anschutz 22.8% Forest 53.2%	Pioneer 45%
Nature of project	Exploration	Production	Exploration	Exploration	Exploration	Exploration

	Percentage Holding / Tract					
	24% Ibhubezi R'000	55% R'000	55% SCG Capex R'000	60% Sable Capex R'000	55% E-P R'000	22.5% Zambezi Block R'000
2007						
Production facilities	-	-	1 377 270	656 198	-	-
Current assets	-	73	301 928	5 578	-	-
Total Assets	-	73	1 679 198	661 776	-	-
Current liabilities	-	9	310 187	-	-	-
Retained income	(364)	(171)	-	-	(275)	(5 719)
Company contribution to venture	364	235	1 369 011	661 776	275	5 719
Total liabilities	-	73	1 679 198	661 776	-	-
Revenue	-	14	-	-	-	-
Expenses	-	185	-	-	275	5 719
Net expenditure	-	(171)	-	-	(275)	(5 719)
Partners	Anschutz 22.8% Forest	Pioneer 45% ENH	Pioneer 45% 53.2%	Pioneer 40% 15%	Pioneer 45% Petrobras	Petronas 42.5% 17%
Nature of project	Exploration	Exploration	Development	Development	Exploration	Exploration

The company has been involved in production in the Oribi oil field since May 1997. This project was being conducted through the mechanism of a Joint Operating agreement with Energy Africa Bredasdorp (Pty) Ltd which has since ended on the 15 March 2004, as the partner has withdrawn.

Joint venture with Statoil ASA

The company has entered into a 50:50 joint venture with Statoil ASA, the Norwegian State Oil company, to develop GTL-Fisher Tropsch technology and to explore and develop GTL opportunities in Iran and elsewhere. The PetroSA share of assets amounts to R174 million at year-end.

	Percentage Holding / Tract	
	10% Namibia North R'000	10% Namibia South R'000
2006		
Production facilities	-	-
Total Assets	-	-
Current liabilities - interest free	-	-
Retained income	(982)	(17)
503Company contribution to venture	982	17 503
Total liabilities	-	-
Revenue	-	-
Expenses	982	17 503
Net expendituire	(982)	(17 503)
Partners	BHP	BHP
	75%	75%
	Mitsui	Mitsui
	15%	15%
Nature of project	Exploration	Exploration

35. Prior period errors and changes in accounting policy

35.1. Prior period errors

	R'000
Group	
PetroSA	
An adjustment for the smoothing of the lease of the V&A Waterfront Property was accounted for in the comparative figures as follows:	
Increase in trade and other payables	(2 533)
Decrease in retained income	2 533
An adjustment for the recognition of prior period rentals in PetroSA Equatorial Guinea was accounted for as follows:	
Increase in retained income	(503)
Increase in trade and other receivables	503
SFF	
The prior period error relates to the fair valuing of the abondonment provision for Saldanha and Milnerton.	
Increase in provision	(51 750)
Decrease in retained income	51 750
Petroleum Agency	
The company was committed without an authorised purchase order, as a result costs were not incurred in the correct period. The error has been corrected and comparative figures restated.	
Increase in other payables	(75)
Decrease in retained income	75

35.2. Change in accounting policy

	R'000
Group	
PetroSA	

The group accounting policy is to recognise exploration and development cost of oil and gas wells in accordance with efforts method. Brass Exploration Unlimited changed its accounting policy for the recognition of exploration and development cost of oil and gas wells, from the full cost method to the successful efforts method, to bring it in line with the group accounting policy. This change in BEU's accounts has identified additional cost that should have been expensed in the groups accounts during the previous years. The effects are as follows:

	R'000
Decrease in retained earnings	(26 290)
Decrease in property, plant and equipment	5 708
Increase in income tax	20 849
Decrease in non-distributable reserve	265

The term of the bonus scheme has changed the recognition of the bonus accrual to that of a provision.
This change has been effected in the comparatives as follows:

	R'000
Decrease in trade and other payables	120 000
Increase in current provison	120 000

Petroleum Agency

It has been the policy of the Agency to charge stationery and consumables inventory direct to cost and only capitalise it at the end of the financial year if inventory on hand is worth more than R250 000. To ensure compliance with South African Statements of GAAP inventory on hand as at 31 March 2007 was capitalised.

	R'000
Increase in assets	189
Increase in retained income	114

Comparative figures have been restated accordingly.

The net effect of the prior period errors and changes in accounting policies is as follows:

	R'000
Decrease in retained earnings	79 956
Decrease in NDR	265
Increase in provisions	(171 750)
Decrease in assets	(5 394)
Decrease in trade and other payables	17 269
Increase in trade and other receivables	503
Increase in income tax	(20 849)

35.2. Change in accounting policy (continued)

Company

During 2007 CEF (Pty) Ltd changed its accounting policy for the recognition of investments in subsidiaries. Previously investments in subsidiaries were equity accounted and all related cost incurred in obtaining the subsidiairy were capitalised. Investments in subsidiaries are now recorded at cost. Management judges that this policy provides reliable and more relevant information. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2006 have been restated. The effect of the change on 2006 is tabulated below:

	R'000
Decrease in retained earnings	1 767 550
Decrease in investments in subsidiaries	(1 767 550)

Unaudited supplementary disclosures of reserves

	2007 Crude oil/ condensate MMbbl	2007 Gas Bscf	2006 Crude oil/ condensate MMbbl	2006 Gas Bscf
Field in production and under development				
Movement in net remaining proved and probable reserve				
At beginning of year	**23.20**	**353.70**	29.90	334.70
Revisions of previous estimates	**(1.80)**	**(133.20)**	(3.70)	2.60
Production	**(5.40)**	**(58.30)**	(8.00)	(64.20)
Additions	-	-	4.90	80.60
	16.00	**162.20**	23.10	353.70
Proved and probable reserve by type of field				
Fields in production	**14.50**	**131.00**	18.20	273.10
Fields under development	**1.50**	**31.20**	4.90	80.60
	16.00	**162.20**	23.10	353.70
Reserves by category				
Proved	**10.60**	**117.30**	14.00	190.60
Proved and Probable	**16.00**	**162.20**	23.10	353.70
	16.00	**162.20**	23.10	353.70

Notes

1. Oil

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

Gas

Fields in production and under development comprise the F-A and F-A Satellite and E-M and E-M Satelite gasfields respectively. The additions in 2006 relate to the South Coast Gas project.

2. The reserves disclosed for the 2006 year are net of royalty, and include the Nigerian reserves acquired during 2005.

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

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

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

6. Definitions

6.1. 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 is 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.

6.2. 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.

6.3. 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 comercially recoverable by present producing methods from fields that have been discovered but which require further appraisal prior to commerciality being established.

Key to abbreviations

BBL	barrel (equals 159 litres)
CDM	Clean Development Mechanism
IDC	Industrial Development Corporation
CIGS	barrel per day
BSCF	Billion standard cubic feet
CEF	CEF (Proprietary) Limited
CEF Act	Central Energy Fund Act (Act No 38 of 1977) as amended
iGas	The South African Gas Development Company (Proprietary) Limited
GTL	Gas to Liquid
BEE	Black Economic Empowerment
OPCSA	Oil Pollution Control South Africa (Association incorporated under Section 21)
PASA	South African Agency for Promotion of Petroleum Exploration and Exploitation (Proprietary) Limited
PetroSA	The Petroleum Oil and Gas Corporation of South Africa (Proprietary) Limited
PFMA	Public Finance Management Act (Act No 1 of 1999) as amended
SFF	SFF Association (Association incorporated under Section21) (Strategic Fuel Fund)
EDC	Energy Development Corporation (a division of CEF (Pty) Ltd)
NPA	National Ports Authority
IP	Illuminating Paraffin
IPE	International Petroleum Exchange
LSF	Low Smoke Fuels
GEF	Global Environment Facility
UTT	Upstream Training Trust
DME	Department of Minerals and Energy
CIGS	Cooper-Indium Gallium Diselenide
SANERI	South African National Energy Research Institute
LNG	Liquefied Natural Gas
EEA	Energy Efficiency Agency

Nymex	New York Mercantile Exchange
PV	Photovoltaic
SARS	South African Revenue Services
TFST	Thin Film Solar Technology
UNDP	United Nations Development Programme
VAT	Value Added Tax
DST	Department of Science and Technology
Rompco	Republic of Mozambique Investment Company (Pty) Ltd
SAMSA	South African Maritime Safety Authority
IDC	Industrial Development Corporation
SWH	Solar Water Heaters
Simex	Singapore Monetary Exchange

CEF (Pty) Ltd

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