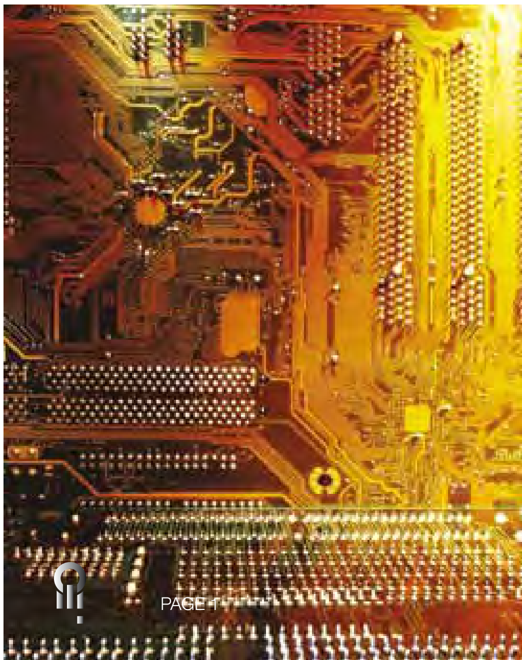
2010 ANNUAL REPORT

CEF (Proprietary) Limited

(Registration number 1976/001441/07)

Annual Report for the year ended 31 March 2010

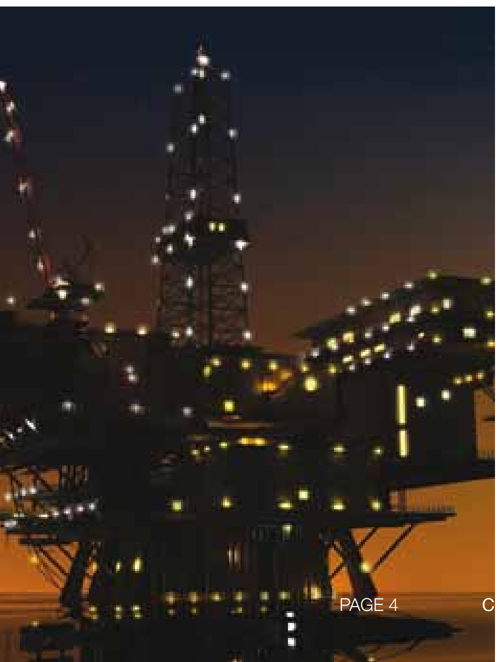



RUBIN GRACE

Key to abbreviations

AEMFC	African Exploration Mining and Finance Corporation (Proprietary) Limited
BBL	Barrel (equal 159 litres)
BEE	Black Economic Empowerment
CCE	Cape Cleaner Energy Solutions (Proprietary) Limited
CDM	Clean Development Mechanism
CEF	CEF (Proprietary) Limited
CEF ACT	Central Energy Fund (Act no 38 of 1977) as amended
CER	Carbon Emission Reduction
CFL	Compact Florence Lighting
CIGS	Copperindium (gallium) Deselenide
DoE	Department of Energy
DST	Department of Science and Technology
DWP	Darling Wind Power
EDC	Energy Development Corporation (a division of CEF (Proprietary) Limited)
EEA	Energy Efficiency Agency
EIA	Environmental Impact Assessment
EUETS	European Emission Trading Scheme
GAAP	Generally Accepted Accounting Practice
GEF	Global Environment Facility
GTL	Gas to Liquid
IP	Illuminating Paraffin
IPE	International Petroleum Exchange
JST	Johanna Solar Technology
LNG	Liquefied Natural Gas
LSF	Low Smoke Fuels
MPRDA	Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002)
NPA	National Ports Authority
Nymex	New York Mercantile Exchange
OPCSA	Oil Pollution Control South Africa (Association incorporated under Section 21)
PASA	South African Agency for Promotion of Petroleum Exploration and Exploitation (Proprietary) Limited
PDD	Project Design Document
MW	Megawatt
NMBM	Nelson Mandela Bay Metro
PFMA	Public Finance Management Act (Act No 1 of 1999) as amended
PPE	Property, plant and equipment
PV	Photovoltaic
PetroSA	The Petroleum Oil and Gas Corporation of South Africa (Proprietary) Limited
RENAC	Renewables Energy Academy
Rompco	Republic of Mozambique Investment Company (Proprietary) Limited
SAMSA	South African Maritime Safety Authority
SANERI	South African National Energy Research Institute (Proprietary) Limited
SAPIA	South African Petroleum Industry Association
SARS	South African Revenue Services
SASDA	South African Supplier Development Agency
SFF	SFF Association (Association incorporated under Section 21)
SWH	Solar Water Heaters
Simex	Singapore Monetary Exchange
TFST	Thin Film Solar Technology
TNPA	Transnet National Ports Authority
UNDP	United Nations Development Programme
UTT	Upstream Training Trust
VAT	Value Added Tax
VLCC	Very Large Crude Carrier
iGAS	The South African Gas Development Company (Proprietary) Limited


CEF
Group of Companies
enewable Energy
Shaping our Future
www.cefgroup.co.za



Chairperson's OVERVIEW

I hereby present the Minister of Energy with the CEF Group Annual report for the year ended 31 March 2010.

During the 2009/10 financial year Government and companies globally experienced one of the worst economic recessions. This had an impact on market confidence, stricter credit criteria, reduced spending, decline in investments and property prices and also contributed to significant job losses.

The economic experts predicted that South Africa would weather the storm, but the domestic crisis largely contributed by the significant hike in electricity prices and the strengthening of the Rand in the last quarter of the financial year to R7.34 saw South Africa in the eye of the storm.

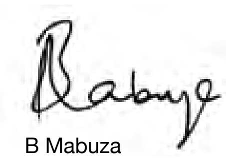
The global economic downturn had a significant impact on the CEF Group and the dwindling gas reserves at PetroSA further contributed to the loss of R82 million (2009: R2 314 million profit).

The CEF Group has a number of initiatives for the 2010/11 financial year and beyond which will see the Group recovering from the poor performance.

The 12 direct active subsidiaries have continued to strive to achieve their goals in one of the most challenging years that the Group has experienced.

Acknowledgements

I would like to extend my appreciation to the Minister of Energy, directors of CEF and the subsidiaries for their invaluable input during the financial year. I would also like to thank all CEF Group staff for their hard work in what has proved to be a challenging year.



B Mabuza
Chairperson
29 July 2010

CEO's REPORT

This report should be read in conjunction with the annual financial statements presented on pages 32 to 136. The purpose of this review is to provide additional insight into the financial performance of CEF (Proprietary) Limited and the Group in the context of the environment in which we operate.

Overview

The Group's performance was negatively impacted by the global economic downturn which resulted in the CEF Group making a loss of R82 million (2009: R2 314 million). The performance of the CEF Group was largely influenced by the stronger Rand, oil price fluctuation and the decrease in interest rates.

However, intense focus on cash flow and working capital management resulted in cash generated from operations decreasing by 6% and ensured that we reduced debt levels and strengthened the Group balance sheet.

Operational Overview

CEF and its operating subsidiaries

PetroSA

The company achieved a net loss of R356 million (2009: R1 965 million profit) for the year under review. Sales revenues were particularly low at R8 090 million (2009: R12 117 million) and are attributed to the high oil prices which averaged at USD68.78 per barrel versus the previous year's USD83.87.

Overall company operating costs (R9 960 million) decreased by 17% on the previous year (2009: R12 065 million). This was mainly due to the decreased cost of feedstock purchases as a result of the lower oil prices and the stronger rand.

The company recorded a pre-tax loss of R762 million for continuing operations, which reflects a decrease on the prior year profit of R1 528 million. Brass Exploration Unlimited has been classified as a discontinuing operation and reflects a profit of R57 million (2009: R437 million) net of taxation.

The company balance sheet remains strong with total assets of R23 385 million (2009: R23 716 million). A cash balance of R10 027 million (2009: R11 315 million) versus a long term loan of nil (2009: R24 million) reflects the Group's strong net cash position.

iGas

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

The company's profit for the year amounted to R54 million (2009: R26 million). Dividends of R90 million (2009: R75 million) were declared by Rompco in favour of iGas.

Petroleum Agency SA

The Petroleum Agency SA continuing to focus on its regulatory, promotional and data management functions.

During the financial year Petroleum Agency SA's bid round for off shore acreage on the East and West coast of South Africa was successful and resulted in the receipt of one bid application for each of the two areas offered.

Petroleum Agency SA reported a net profit of R8 million (2009: R63 million).

SFF

SFF's performance for the year under review was exceptional as the company achieved a profit of R203 million (2009: R162 million). The performance of the company can be largely attributed to:

- A number of storage contracts were concluded during the year; and
- Milnerton facilities became operational during the financial year which attracted interest in the storage space.

PetroSA managed the storage facilities in Saldanha and Cape Town (Milnerton) on behalf of SFF up until 31 March 2010. During the financial year a decision was taken for SFF to terminate its service level agreement with PetroSA and as of 1 April 2010 all SFF operations will managed directly by SFF.

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

AEMFC set to achieve a number of strategic initiatives with the aim of achieving long term sustainability as well as responding to the shareholders aspiration of building a state owned mining company. During the financial year AEMFC has made progress in building in – house drilling capacity which forms the backbone of its exploration activities and it is anticipated to become operational in the 2010/11 financial year.

African Exploration recorded a loss of R14 million (2009: R10 million).

Oil Pollution Control South Africa (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 net profit for the year amounted to R8 million (2009: R0.1 million).

South African National Energy Research Institute (SANERI)

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

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

No new students were supported in the 2009/10 financial year due to financial constraints.

During the financial year SANERI established the Centre for Carbon Capture and Storage. The establishment of the Centre is aimed at reducing South Africa's greenhouse gas emissions. The Centre is a private/international/public partnership financed from local industry, SANERI, Government

and international sources. A Charter has been signed by several parties who have pledged their support to the research and development that will be conducted by the Centre for the next four years.

SANERI further established the Green Transport Centre which is situated in Midrand. The objectives behind the establishment of this centre include:

1. Being an agent of change and pioneering introduction of alternative fuels into the South African transport sector.
2. Being a one stop facility for:
    - Information sharing related to alternative fuels involving technology vendors, vehicle manufacturers, researchers and policy developers
    - The public to get first hand experience of the use of alternatives, see refuelling, experience and "feel" driving, understand operation and learn about the benefits.
3. Facilitation of partnerships
4. Providing access to reliable data
5. Facilitating access to local funders/international donors/funders.

The company reported a net profit for the year of R5 million (2009: R8 million). This is mainly as a result of SANERI being funded by government grants received through the Department of Science and Technology.

Carbon companies

CEF Carbon SA (Pty) Ltd acts as an agent in delivering and marketing carbon credits from CDM projects undertaken by other CEF subsidiaries as well as third parties.

Carbon Stream Africa has been created to be a specialist entity focused on the development of Project Design Documents (PPDs), which are prescriptive documents required as part of the formal UN approval processes for CDM projects.

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

CEF Carbon SA (Proprietary) Ltd reported a net loss for the year of R7 million (2009: R0 million) and Carbon Stream (Proprietary) Ltd the company made a loss of R0.3 million during its first year of its operation as it is funded mainly through the Norwegian grants.

ETA

The nature of business is to invest in renewable energy projects and conduct business in the renewable energy sector and related sectors of the economy and to successfully implement the projects already contracted in NMBM. CEF has invested R18 million in ETA Energy (Pty) Ltd over the past three years to ensure the rights to the projects in the NMBM, and to develop the projects.

The mitigation of climate change and the establishment of alternative energy sources is a critical element in the development of our modern society. CEF through interventions like these has undertaken to make a significant contribution towards ensuring a sustainable future for both man and the environment.

The Solar Water heater project aims to provide an affordable offering to the middle and higher income residents so that they may replace their electric geysers with solar. The market potential is 60,000 units, and will save 41 MW of electricity usage, about 5 % of the metro usage. This makes use of the NMB Metro billing system so that monthly repayments can be made from the electricity savings, up to 40 % of the household bill. The rollout starts out from the second half of 2010 and over 5 years expects to invest R900 million.

Energy efficiency projects are being fast tracked since the Metro received the first allocation of R16 million of DoRA funding of R108 million over three years. ETA Energy will invest an additional R180 million, so that the projects can be implemented and will receive a return from shared savings. Tenders are being issued so that implementation of the R58 million streetlight project can commence in mid 2010.

The Landfill gas feasibility study is completed to enable generation of 3 MW from the two land fill sites. The capital cost is of the order of R80 million, and construction is to start in late 2010, subject to receiving EIA and generation licence.

The NMBM wind project envisages a 25 MW wind farm to the south west of the city where an excellent wind resource has been identified. The EIA has been submitted and a decision is expected in mid 2010. Fifty companies, including ten international turbine suppliers, have expressed an interest to tender to supply the wind farm. The capital cost would be of the order of R 500 million.
The company reported a loss of R7 million (2009: R7 million).

Cape Cleaner Energy Solutions

CCE will be involved in the construction, erection and implementation of a Greenfield Biomass to Energy 8 MW power generation plant, which will be based in George. It is envisaged that the plant will become operational in the 2010/11 financial year.

The company reported a loss of R4 million (2009: R1 million).

South African Supplier Development Agency (SASDA)

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

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

SASDA reported a net loss for the financial year of R10 million (2009: R7 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 sixth year of operation and I am pleased to report that notable progress has been made over the last financial year.

A number of equity investments have been made to date. This includes the CEF carbon business based in London, the Greenstream Joint Venture, the Phillips Manufacturing Joint Venture for compact florescent lamps, the Cradock bio ethanol project, the biomass clean energy project, the Thin Film Solar Technology, JST German investment plant and the Nelson Mandela Bay renewable energy projects.

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

1.1 Landfill Gas to power projects

We have a number of landfill gas sites under development with the City of Cape Town, Emfuleni, City of Johannesburg and Buffalo City. This is a high value carbon asset given that we are using methane for power generation.

1.2 Bio Fuels

Following the approval of the bio fuels strategy in December 2007, we have made the investment in the Cradock ethanol project. This is a 90 million litre capacity plant using sugar beet as the feedstock. Together with our joint venture partners, we have reconfigured our approach to bio fuels investments. We have continued our bankable studies for the Hoedspruit and Makatini projects.

1.3 Darling Wind Farm projects

I previously reported that this demonstration project was commissioned and we continue to record a number of lessons on wind production challenges in South Africa. The green power generated is being sold as a tradeable green certificate by the City of Cape Town.

It is hoped that the demonstration status of the project will encourage other private sector developments in the wind sector.

1.4 Methcap SPV1 PetroSA Gas Extraction for Electricity

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

1.5 Johanna Solar

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

CEF made a strategic investment into this sector and remains the senior investor for the South African operations. Unfortunately, the commercial scale plant failed to achieve the required efficiencies and the technology choice is being reviewed.

1.6.Basa Njengo Magogo

The Minister of Energy has directed that the Governments' Basa Njengo Magogo programme be adopted by EDC to enhance the clean coal use and management initiatives. Over 100 000 demonstrations have been done to-date within the main townships around the greater Johannesburg area.

1.7 Safer Illuminating Paraffin (IP) appliance pilot project

While we have been able to gellify paraffin thus making its use safer as a domestic fuel, the cost of the changeover is prohibitively expensive. We are in partnership with the Department of Energy to continue rolling out the pilot study to test the use of safer stoves in South Africa.

1.8 Cradock Sugar Beet project

The project is a development of a 90 million litre per annum fuel grade bio ethanol production plant in Cradock in the Eastern Cape. The feedstock for the plant will be a combination of sugar beet and grain sorghum. The target use for the bio ethanol is blending into the liquid transport fuel by oil companies. Animal feed will be an economic value by product of the process and it will be sold to local stock farmers in the area as well as animal feed manufacturers.

Plant construction is expected to commence in January 2011 and will be completed in September 2012. Operation will commence in October 2012.

1.9 Solar Water Heating rollout

Government is committed to rolling out one million solar water heaters collectors and our contractual obligations with Ekurhuleni and Nelson Mandela Bay will constitute about a third of this national target.

2.0 Other EDC activities

A number of strategic alliances were further developed and completed during the financial year. The fourth annual energy round table was successfully convened and again stimulated dialogue amongst energy players within our country. We have also started full scale production of CFL's in a manufacturing joint venture with Philips.

A number of strategic alliances were further developed and completed during the year. These include the collaboration with the Norwegian Assistance Programme 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.

Conclusion

The year under review has been a very challenging year for the CEF Group and this was reflected in the performance in light of the global economic crisis in which we operated .

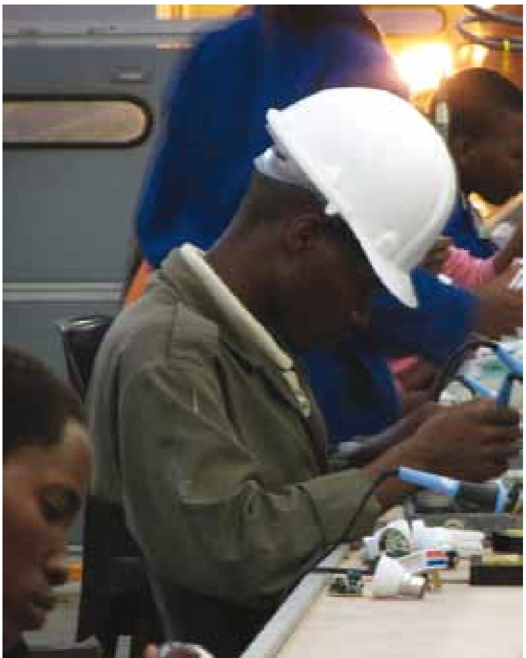
We look forward to the 2010/11 financial year and are prepared for the challenges in taking the CEF Group to a new dimension.

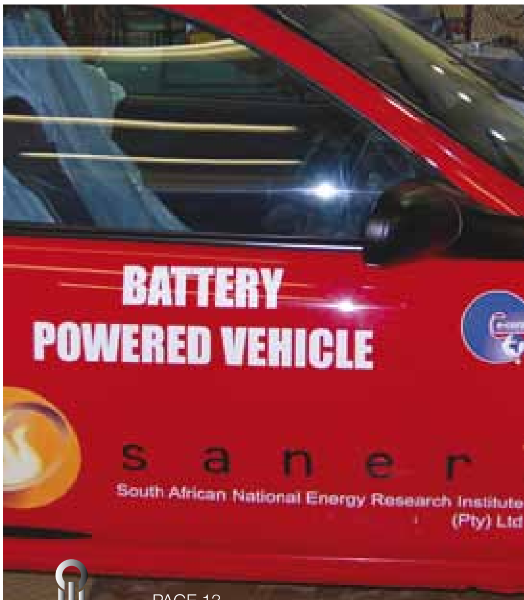
Acknowledgement

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

Mr M Damane
Chief Executive Officer

29 July 2010




BATTERY
POWERED VEHICLE
s a n e r
South African National Energy Research Institute
(Pty) Ltd

Board of Directors

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9.


1. Ms B Mabuza
Chairperson,
Non-executive Director
BA, MBA

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

3. Ms N Magubane
Non-executive Director
BSc Electrical Engineering, MBA

4. Adv L Makatini
Non-executive Director
LLM (International Law)

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

6. Ms T Ramuedzisi (alternate)
Non-executive Director
BSc (Hon), MBA

7. Mr J Rocha
Non-executive Director

8. Dr Z Rustomjee
Non-executive Director
PhD Economics

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

Directors' Responsibilities and Approval

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

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the Companies Act of South Africa, 1973 as amended. These annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. The viability of the Group is supported by the annual financial statements.

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

In the opinion of the directors based on information available to-date, the annual financial statements fairly present the financial position of CEF (Proprietary) Limited at 31 March 2010, and the results of its operations and cash flow information for the year under review.

The annual financial statements set out on pages 32 to 136, for the year ended 31 March 2010, which have been prepared on the going concern basis, were approved by the Board of directors in terms of Section 51(1) (f) of the Public Finance Management Act on 29 July 2010 and were signed on its behalf by:

Ms B Mabuza
Chairperson
Sandton
29 July 2010

Mr M Damane
Executive Director

Statement on Corporate Governance

1. Introduction

2. 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 2009 (King III) 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.

3. Governing bodies

Board 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 Energy.

The Group has a unitary Board structure made up of a majority of Non–executive Directors, appointed by the shareholder. The Board of directors meets at least once every quarter, and executive managers attend by invitation. The Board charges executive management with regard to the day-to-day running of the business, with the Board addressing a range of key issues to ensure that it retains the strategic direction of, and proper control over the Group. The Non–executive Directors are appointed on a three year cycle unless otherwise stated and reappointment dependent on the renewal process. The offices of the Chairperson and Chief Executive Officer are separated.

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

> The Board's primary responsibilities include the appointment of the Chief Executive Officer, determining the company's objectives and values and giving strategic direction to the company, taking effective and appropriate steps to ensure that key risk areas and key performance indicators of the company's business are identified, monitoring the performance of the company against agreed objectives, advising on significant financial matters and reviewing the performance of executive management against defined objectives and applicable industry standards, as well as:
>
> - Approving key policies, investments, risk management and relevant transactions that exceed Managements' levels of authority;
> - Reviewing and approving the company's strategy, objectives, and plans;
> - Considering and approving annual financial statements and submissions to the shareholder;
> - Ensuring adherence to good corporate governance and ethics;
> - Monitoring and directing line performance; and
> - Reviewing effectiveness of controls.

Company Secretary

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

Each of the directors has unrestricted access to the advice and services of the Company Secretary, company information, and are entitled to seek independent professional advice, at the company's expense in pursuance of their duties as director.

Board committees

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

Board audit and risk management committee

The Board audit and risk management committee consist of Non-executive Members appointed by the Board of directors. Each committee in the Group 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.

This Board audit and risk management committee meets at least four times per year and is chaired by an independent Non-executive Director who is not the chairperson of the Board. The Auditor-General of South Africa and Chief Audit Executive have unrestricted access to the committee. Appropriate Executive Managers, including those responsible for finance, Chief Executive Officers and Chief Audit Executive attend these meetings by invitation.

The committee reviews the adequacy and effectiveness of internal controls of the Group with special reference to the findings of both internal and external auditors. Other areas covered include the review of important accounting and control issues, material pending litigation, specific disclosures in the annual financial statements, and a review of the performance of the Internal Audit Function.

Board human resources committee

This committee consists of Non-executive Directors and is chaired by the Chairperson of the Board.

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

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.

4. Internal audit

Internal Audit Function in terms of a charter that is approved by the Board of directors through the Board audit and risk management committee. 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. The work plan is based on the risk framework of the company. The Chief Audit Executive has full access to the chairpersons of the Boards of directors and the chairpersons of the Board audit and risk management committees. The primary responsibility objective of the Internal Audit Function is to the Board, its committees, or both, in discharging its governance responsibilities and to perform the following functions:

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

The Internal Audit Function adheres to the Institute of Internal Auditors' standards for Professional Practice of Internal Auditing and Code of Ethics. The Chief Audit Executive developed and maintained a quality assurance and improvement programme. The internal audit function is subjected to an external quality review at least every five years, the last review was conducted during 2007 and the evaluation result was "general conformance", which is the highest level of conformance.

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 committee and the Board of directors respectively for review.

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

Executive management meets on a regular basis to consider day to day issues pertaining to the business of the Group.

Code of Ethics

Entities within the Group have Codes of Ethics which require employees to observe the highest ethical standards thereby ensuring that business practices are conducted in a manner which is beyond reproach.

Directors and employees are required to maintain the highest ethical standards, ensuring that business practices are conducted in a manner which, in all reasonable circumstances, are beyond reproach. The Code of Ethics also articulates conduct with respect to conflicts of interest, confidentiality, fair dealing, etc.

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

Non-financial information

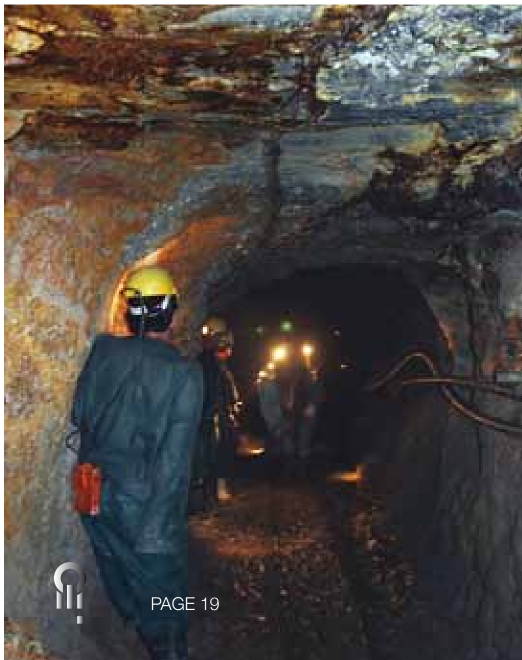
Black economic empowerment (BEE)

The CEF Group is committed to ensuring that it meets the objectives of the Government's broadbased black economic empowerment strategy.

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

Corporate social investment

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




ELECTRIC
VEHICLE
CHARGING
STATION

Report of the Independent Auditors

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF CEF (PROPRIETARY) LIMITED (CEF) FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

I have audited the accompanying consolidated financial statements and financial statements of CEF, which comprise the consolidated and separate statement of financial position as at 31 March 2010, and the consolidated and separate statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information and the accounting authority's report as set out on pages 32 to 136.

Accounting Authority's responsibility for the consolidated financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

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

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, these financial statements present fairly, in a" material respects, the consolidated and separate financial position of CEF at 31 March 2010 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with the SA Statements of GAAP and in the manner required by the PFMA and the Companies Act of South Africa.

Emphasis of matter

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

Restatement of corresponding figures As disclosed in note 41 to the financial statements, the corresponding figures for 31 March 2009 have been restated as a result of an error discovered during 2010 in the financial statements of CEF at, and for the year ended, 31 March 2009.

Fruitless and wasteful expenditure

As disclosed in note 42 to the financial statements, fruitless and wasteful expenditure to the amount of R24.45 million was incurred.

Irregular Expenditure

As disclosed in note 42 to the financial statements, irregular expenditure to the amount of R0.682 million was incurred, as a result of the contravention of the authorised delegations of authority.

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

Unaudited supplementary schedules

The supplementary information, set out on pages 138 to 141 respectively, does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, in compliance with the PFMA, the Companies Act of South Africa and financial management (internal control).

Findings

Predetermined objectives

Usefulness of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved corporate plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?

- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Reported information not consistent with planned objectives, indicators and targets
The company has not reported on its performance against predetermined objectives/indicators/targets which is consistent with the approved corporate plan.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and the Companies Act of South Africa, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

- Financial and performance management

  Pertinent information is not identified and captured in a form and time frame to support financial and performance management.

  Requested information was not available and supplied without any significant delay.

OTHER REPORTS

Investigations in progress

- An investigation is being conducted to probe transgressions of the company's code of conduct. The investigation was still ongoing at the reporting date.

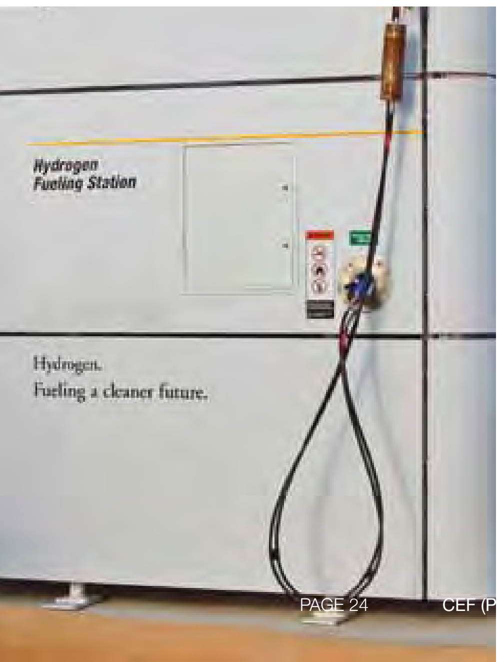
Auditor-General

Pretoria

31 July 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence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Fueling a cleaner future.

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.

1. Responsibilities

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

- The effectiveness of the internal control systems;
- The effectiveness of the internal audit function;
- The risk areas of the Group's operations to be covered in the scope of the internal and external audits;
- The adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- The accounting and auditing concerns identified as a result of the internal or external audits;
- The Group's compliance with applicable legal and regulatory provisions;
- The activities of the internal audit function, including its annual work 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, and
- The adequacy of insurance cover.

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

- Reporting to the Minister of Energy and the Auditor-General of South Africa 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 Energy and the Auditor-General of South Africa;
- 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 of South Africa;
- Conducting investigations within its terms of reference; and
- Concurring with the appointment and dismissal of the Chief Audit Executive of the Internal Audit Function.

2. Internal control system

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

- Reduce the Group's risks to an acceptable level;
- Meet the business objectives of the Group;
- Ensure the Group's assets are adequately safeguarded; and
- Ensure that the transactions undertaken are recorded in the Group's records.

3. Annual financial statements

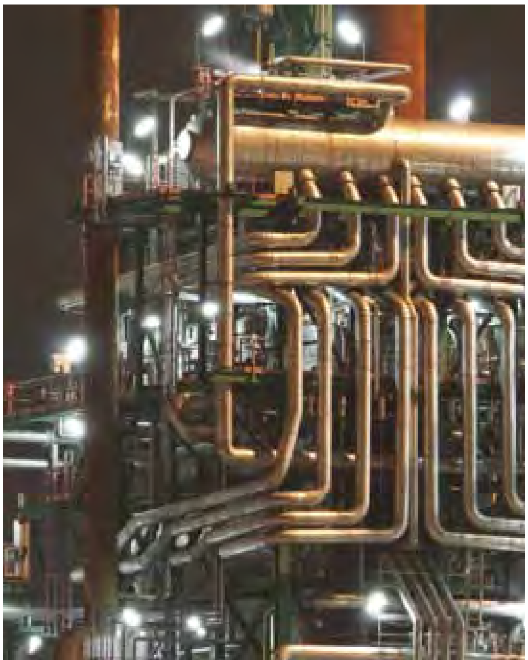
The Board audit and risk management committee is of the opinion based on the information and explanations given by management and the Internal Audit Function and discussions with the Auditor-General of South Africa on the result of their audits, that the internal accounting controls are adequate to ensure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

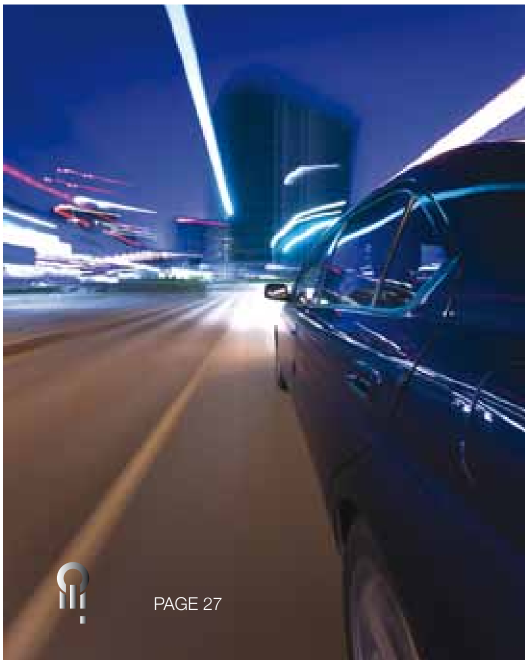
Nothing significant has come to the attention of the Board audit and risk management committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The Board audit and risk management committee has evaluated the annual financial statements of CEF (Proprietary) Limited and the CEF Group for the period ended 31 March 2010 and, based on the information provided to the Board audit and risk management committee, considers that they comply, in all material respects, with the requirements of the Companies Act of South Africa, No. 61 of 1973, as amended, and the Public Finance Management Act, No. 1 of 1999, as amended, and South African Statements of Generally Accepted Accounting Practice. The Board audit and risk management committee has therefore, at their meeting held on 27 July 2010, recommended the adoption of the annual financial statements by the Board of directors.

Mr Y Tenza
Chairperson
27 July 2010

Mr R Boqo
Executive Member
27 July 2010

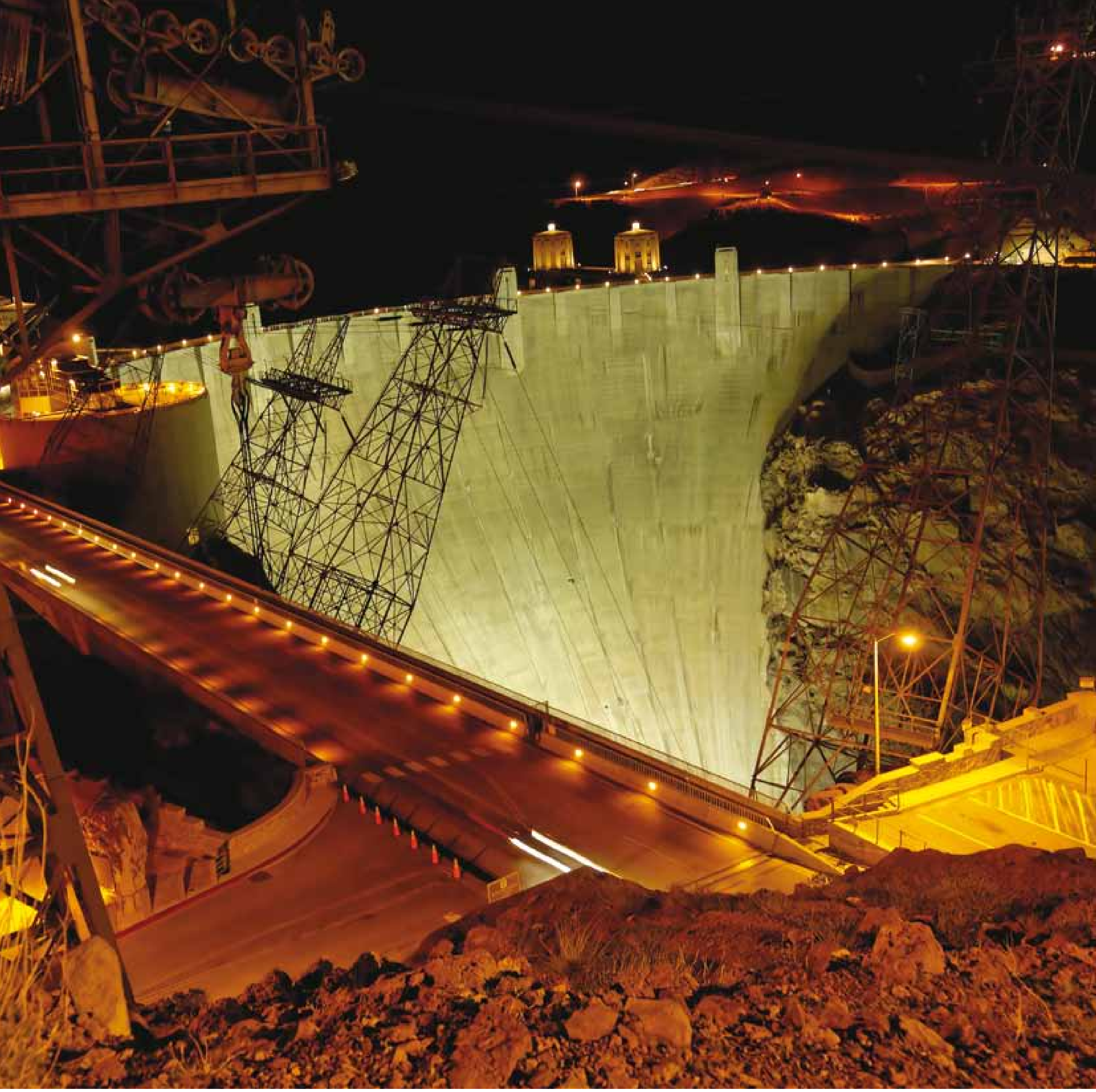




Statement from Company Secretary

In my capacity as company secretary, I hereby confirm, except where otherwise mentioned in the annual financial statements, that for the year ended 31 March 2010 the company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this act and that all such returns are to the best of my knowledge and belief, correct and up to date.

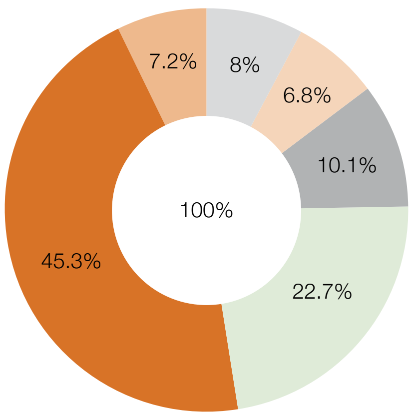
Mr A Haffejee
29 July 2010



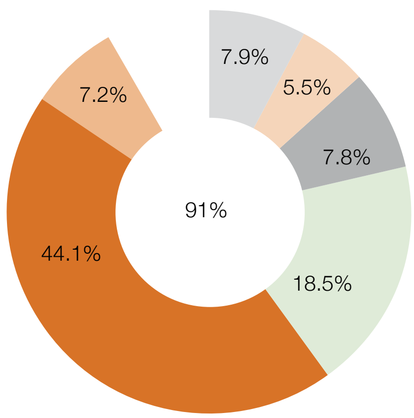

CATERPILLAR
McCONNELL
DOWELL

Performance
against Objectives

Weight



Achieved



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

	Key performance indicator	Weight	Achieved	Variance
1.	CEF will play an active role in the governance and planning of all its subsidiaries and will strategically coordinate the long term future of the group.	8.0	7.9	Submission of the Corporate plan was delayed due to challenges with PetroSA and other subsidiary plans.
2.	To develop human capacity and invest in relevant energy research and development.	6.8	5.5	The compilation of a succession plan was delayed and a Round Table was delayed.
3.	To improve energy security of supply through diversifying sources and by building and managing strategic stocks and energy infrastructure.	10.1	7.8	The reserve for one project was below the economic threshold and the project was terminated. Bioethanol programme did not meet all targets.
4.	To invest in and develop renewable and alternative energy sources and in energy efficiency.	22.7	18.5	Milestone targets for a number of projects were not achieved due to a number of technical and personnel challenges.
5.	To manage the energy business for the benefit of all South Africans.	45.3	44.1	Some governance and stakeholder relationship interventions were not concluded by the target dates. The donor funding target was not achieved.
6.	To minimise environmental impacts and maximise sustainable development.	7.2	7.2	
	TOTAL	100	91	


CEF
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Renewable Ene

Directors' REPORT

The directors present their annual report that forms part of the audited annual financial statements for the Group for the year ended 31 March 2010.

CEF is governed by the CEF Act and is listed as a public entity in schedule 2 of the PFMA. The Board of directors acts as the accounting authority in terms of the PFMA.

1. Directors

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

Name		Appointed	Reappointed	Resigned/Term ended
Ms B Mabuza	Independent, Non-executive, Chairperson	15 December 2003	29 January 2007	
Mr M Damane	CEO, Executive	1 February 2007		
Ms N Magubane	Non-executive	1 July 2009		
Adv L Makatini	Non-executive	9 September 2009		
Dr P Molefe	Non-executive	28 July 2004	20 July 2007	
Mr A Nkuhlu (alternate director to Dr P Molefe)	Non-executive	25 July 2005		3 July 2009
Ms T Ramuedzisi (alternate to Ms N Magubane)	Non-executive	7 July 2009		
Mr J Rocha	Non-executive	1 July 2009		
Dr Z Rustomjee	Director	1 July 2004	1 July 2007	
Mr Y Tenza	Non-executive	1 July 2007		
Ms P Zikalala	Non-executive	2 August 2007		1 July 2009

	2009/04/20	2009/05/28	2009/07/29	2009/09/02	2009/10/29	2009/11/12	2009/12/03	2010/01/13	2010/02/24
Ms B Mabuza	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr M Damane	Y	N	Y	Y	Y	Y	Y	Y	Y
Ms N Magubane	N/A	N/A	N	N	N	N	Y	N	N
Adv L Makatini	N/A	N/A	N/A	N/A	N	Y	Y	Y	Y
Dr P Molefe	Y	Y	Y	Y	N	N	N	Y	N
Mr A Nkuhlu (alternate director to Dr P Molefe)	A	A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms T Ramuedzisi (alternate to Ms N Magubane)	N/A	N/A	N	N	Y	Y	N	Y	N
Mr J Rocha	N/A	N/A	N	N	N	N	N	N	N
Dr Z Rustomjee	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr Y Tenza	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ms P Zikalala	N	Y	Y	N/A	N/A	N	N/A	N/A	N/A

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

Board audit and risk management committee

The committee consists of the following members:

Name		Appointed	Reappointed	Resigned/Term ended
Mr Y Tenza	Non-executive Chairperson	1 August 2007		
Mr R Boqo	Non-executive	1 June 2006		
Mr J Molobela	Non-executive	1 June 2006		31 May 2009
Ms K Mthimunye	Non-executive	15 February 2005	14 February 2008	7 February 2010

Attendance at meetings:

	2009/05/21	2009/07/23	2009/09/10	2009/11/24	2010/02/23
Mr Y Tenza	Y	Y	Y	Y	Y
Mr R Boqo	N	Y	Y	Y	Y
Mr J Molobela	Y	N/A	N/A	N/A	N/A
Ms K Mthimunye	Y	Y	Y	Y	N/A

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

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

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

Board human resources committee

The Board human resource committee consists of the following members:

Name		Appointed
Ms B Mabuza	Non-executive Chairperson	01 February 2007
Mr Y Tenza	Non-executive	25 February 2009
Dr P Molefe	Non-executive	01 January 2008

Attendance at meetings:

	2009/05/25	2009/07/23	2010/02/03
Ms B Mabuza	Y	Y	Y
Mr Y Tenza	Y	Y	Y
Dr P Molefe	Y	Y	N

Y = Attended meeting
N = Apology received

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

2. Secretary

The secretary of the company is Mr A Haffejee and the business and postal addresses are as follows:

Business address	Postal address
Block C, Upper Grayston Office Park	PO Box 786141
152 Ann Crescent	Sandton
Strathavon	2146
Sandton	
2199	

3. Corporate strategy

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

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

4. Nature of business

Principal activities of the company

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

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

5. Review of financial position

Analysis and review of results and financial position

The Group realised a net loss of R82 million (2009: R2 314 million profit) for the year under review. Sales revenues were particularly low at R8 559 million (2009: R12 337 million) and are attributed to the high oil prices which averaged USD68.78 per barrel versus the previous year's USD83.87.

Overall Group operating costs and cost of sale (R10 553 million) decreased by 15% from the previous year (2009: R12 474 million). This was mainly due to the increased cost of feedstock purchases as a result of the high oil prices and the stronger rand.

The Group recorded a pretax loss of R431 million, which reflects a decrease on the prior year profit of R1 906 million. Brass Exploration Unlimited has been classified as a discontinuing operation and reflects a profit of R57 million (2009: R436 million) net of taxation.

The Group balance sheet remains strong with total assets of R32 791 million (2009: R32 377 million).

6. Authorised and issued share capital

There were no changes in the authorised nor issued share capital of the Group during the year under review.

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

7. Going concern

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

8. 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.

Revenue

	Group				Company			
	% Change	2010 R'000	2009 R'000	2008 R 000	% Change	2010 R'000	2009 R'000	2008 R'000
Crude oil sales and fuel production	(32)	7 439 736	11 014 312	9 238 217	–	–	–	–
Tank rentals	153	394 683	156 566	168 756	–	–	–	–
Rental Income	(2)	2 138	2 172	1 838	–	–	–	–
Rendering of services	(38)	722 486	1 164 623	1 012 466	–	–	–	–
Gross Revenue	(31)	8 559 043	12 337 673	10 421 277	–	–	–	–

The decrease in revenues is due to the higher international oil prices. The average crude oil price for the year was USD 68.78/BBL against an average of USD 83.87/BBL in the previous year.

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

Profit for the year from continuing operations

	Group				Company			
	% Change	2010 R'000	2009 R'000	2008 R 000	% Change	2010 R'000	2009 R'000	2008 R'000
Profit before taxation	(123)	(430 669)	1 906 847	2 801 787	(91)	69 643	816 199	511 945
Taxation	1 097	291 667	(29 241)	(695 020)	14	(32 829)	(28 702)	(35 594)
	101	(139 002)	1 877 606	2 106 767	(95)	36 814	787 497	476 351

The loss of the Group after taxation from continuing operations was R139 million (2009: R1,878 million profit) and of the company made a profit of, R37 million (2009: R787 million). The decrease in Group profits can be largely attributed to the higher input costs which were negatively impacted by high crude oil prices and a stronger rand. Company profits have decreased mainly as a result of no dividends declared by PetroSA.

9. Transfer to the State

No transfer to the State was made in respect of the year ended 31 March 2010 (2009: Rnil).

10. Materiality and significant framework

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

11. Post balance sheet events

On 12 November 2009, SFF Board passed a resolution to terminate its service level agreement with PetroSA. As of 1 April 2010 all SFF operations will revert to SFF.

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

12. Other activities administered by CEF

Equalisation Fund

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

Mine Health and Safety Council

CEF manages some of the cash resources of the Council.

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 DoE. It is anticipated that this will be completed during the next financial year.

13. Shareholder

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

14. Litigations

CEF

Employee dispute

CEF has a potential litigation arising from contractual disputes.

Solar Water Heaters Contract

CEF instituted an arbitration process relating to a contractor disputed with one of the service providers. The arbitration was set for 20 May 2010 but the legal representative for the service provider requested a postponement for a date still to be set .

ETA

ETA has a potential litigation by one of its contractors and the company's legal advisor does not foresee any potential losses being incurred.

SFF

Property rentals

Legal action has been taken by SFF against a client for breach of a contract for non – payment of their property rent. The client has absconded and no longer occupies the premises. A provision amounting to R156 000 has been made in respect of bad debts. However, SFF will continue to seek legal restitution in this matter.

Property development

PetroSA/SFF had instituted an application to the high court for the review and an order setting aside the decision made by the City of Cape Town Municipality in approving certain sub – divisions as well as an interdict against the developer for the development of the proposed estate. The reason for the application is to prevent the developer from developing the portion of the land which falls in the "separation distance" directly adjacent to the Milnerton tank farm.

SFF is confident that the case will be ruled in their favour, and therefore do not anticipate any present and future liabilities, other than legal fees. However, SFF continues to seek legal recourse against the application by the property developers, as a prudent measure to prohibit any future environmental claims which may arise should the development encroach beyond the prescribed buffer zone.

African Exploration Mining and Finance Corporation (Pty) Ltd

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

Another mining company lodged an application with the High Court seeking to nullify the converted old order prospecting right that was granted to AEMFC on the grounds that they also have a valid prospecting right on the same area as well as mining rights on some of the farm portions on the same area under dispute. AEMFC has opposed this application and has in turn filed for a counter motion.

The annual report set out on pages 32 to 136, which have been prepared on the going concern basis, were approved by the Board of directors on 29 July 2010 and were signed on its behalf by:

Ms B Mabuza	Mr M Damane
Chairperson	Executive Director
Sandton	

29 July 2010

Materiality and Significant Framework

Disclosure in AFS

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

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

Approval levels in terms of Section 54

	CEF (Pty) Ltd Group	PetroSA	iGas	PASA	SFF	OPCSA	SANERI	AE	CCE	CSA	CEF Carbon	ETA	SASDA
Public Entity's Board approval levels	<R640 million	<R474 million	<R26 million	<R5,8 million	<R75 million	<R397 000	<R502 000	<R679 000	<R624 000	<R24 000	<R24 000	<R14 000	<R36 000
CEF Board to approve	<R640 million	>R474 million and <R640 million	>R26 million and <R640 million	>R5,8 million and <R640 million	>R75 million and <R640 million	>R397 000 and <R640 million	>R502 000 and <R640 million	>R679 000 and <R640 million	>R679 000 and <R640 million	>R24 000 and <R640 million	>R24 000 and <R640 million	>R14 000 and <R640 million	>R36 000 and <R640 million
Obtain DME approval and inform National Treasury via the topmost holding company	>R640 million												

Statement of Financial Position

At 31 March 2010

	Notes	Group 2010 R'000	Group 2009 R'000 Restated	Group 2008 R'000 Restated	Company 2010 R'000	Company 2009 R'000 Restated	Company 2008 R'000
Assets							
Non-current assets							
Property, plant and equipment	2	6 810 149	6 169 895	4 848 611	94 613	21 342	4 138
Intangible assets	3	103 844	105 748	105 284	4 020	6 231	9 222
Assets pending determination	4	55 618	88 718	71 360	14 153	6 481	69
Goodwill	5	8 556	8 556	–	–	–	–
Deferred tax	6	1 011 752	1 061 563	630 126	20 653	865	624
Investments in subsidiaries	7	–	–	–	3 528 556	3 453 135	3 499 030
Investments in associates	8	660 642	711 617	655 070	44 615	42 167	1 475
Loans to Group companies	9	–	57	–	–	–	–
Other financial assets	10	468 420	166 109	200 042	333 018	32 181	66 636
Strategic inventory	11	2 061 107	2 061 398	2 062 215	–	–	–
		11 180 088	10 373 661	8 572 708	4 039 628	3 562 402	3 581 194
Current assets							
Inventories	12	1 416 029	1 505 829	1 847 925	–	–	–
Loans to Group companies	9	–	–	89 261	–	–	–
Other financial assets	10	–	–	–	17 991	101 008	90 134
Current tax receivable	28	287 145	14 341	6 168	–	13 350	6 168
Trade and other receivables	13	3 615 894	2 287 430	2 355 257	50 108	450 419	266 909
Deferred tax	6	286	–	–	–	–	–
Cash and cash equivalents	14	15 303 082	16 143 359	15 987 901	3 497 062	3 395 004	2 751 916
		20 622 436	19 950 959	20 286 512	3 565 161	3 959 781	3 115 127
Non-current assets held for sale and assets of disposal groups	15	988 186	2 052 302	1 564 096	–	–	–
Total assets		32 790 710	32 376 922	30 423 316	7 604 789	7 522 183	6 696 321
Equity and liabilities							
Equity							
Equity Attributable to equity holders of parent							
Share capital	16	–	–	–	–	–	–
Reserves		(80 804)	116 915	57 726	–	–	–
Retained income		23 278 024	23 359 053	21 044 266	6 199 836	6 163 022	5 375 525
		23 197 220	23 475 968	21 101 992	6 199 836	6 163 022	5 375 525
Non-controlling interest		(932)	1 272	–	–	–	–
		23 196 288	23 477 240	21 101 992	6 199 836	6 163 022	5 375 525

Statement of Financial Position

At 31 March 2010

	Notes	Group 2010 R'000	Group 2009 R'000 Restated	Group 2008 R'000 Restated	Company 2010 R'000	Company 2009 R'000 Restated	Company 2008 R'000
Liabilities							
Non-current liabilities							
Owing to subsidiaries	9	–	–	–	970 361	879 849	748 774
Other financial liabilities	17	299 575	318 275	397 650	294 075	318 275	397 650
Deferred tax	6	929 983	986 117	976 223	11 362	6 584	14 882
Provisions	18	4 251 396	4 111 573	3 885 280	58 121	193	–
		5 480 954	5 415 965	5 259 153	1 333 919	1 204 901	1 161 306
Current liabilities							
Other financial liabilities	17	18 376	101 009	119 817	17 991	101 009	119 817
Current tax payable	28	41 557	82 147	338 564	7 488	–	–
Trade and other payables	20	3 209 106	1 985 536	2 357 659	32 337	40 350	39 673
Deferred income	21	60 905	22 376	1 812	1 110	703	–
Provisions	18	136 228	147 021	120 304	12 108	12 198	–
Bank overdraft	14	119 426	–	–	–	–	–
		3 585 598	2 338 089	2 938 156	71 034	154 260	159 490
Liabilities of disposal groups	15	527 870	1 145 628	1 124 015	–	–	–
Total liabilities		9 594 422	8 899 682	9 321 324	1 404 953	1 359 161	1 320 796
Total equity and liabilities		32 790 710	32 376 922	30 423 316	7 604 789	7 522 183	6 696 321

Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	Group 2010 R'000	Group 2009 R'000 Restated	Group 2008 R'000 Restated	Company 2010 R'000	Company 2009 R'000 Restated	Company 2008 R'000
Continuing operations							
Revenue	22	8 559 043	12 337 673	10 421 277	–	–	–
Cost of sales	23	(7 538 852)	(9 476 672)	(7 595 398)	–	–	–
Gross profit		1 020 191	2 861 001	2 825 879	–	–	–
Other income		565 153	225 471	652 725	24 034	25 229	23 300
Operating expenses		(3 014 554)	(2 998 291)	(2 019 158)	(177 451)	(201 567)	(130 356)
Operating (loss)/profit	24	(1 429 210)	88 181	1 459 446	(153 417)	(176 338)	(107 056)
Investment income	26	1 349 551	2 018 609	1 519 509	318 503	1 130 383	754 211
Income from equity accounted investments		87 578	94 461	40 945	–	–	–
Finance costs	27	(438 588)	(294 404)	(218 113)	(95 443)	(137 846)	(135 210)
(Loss)/profit before taxation		(430 669)	1 906 847	2 801 787	69 643	816 199	511 945
Taxation	28	291 667	(29 241)	(695 020)	(32 829)	(28 702)	(35 594)
(Loss)/profit from continuing operations		(139 002)	1 877 606	2 106 767	36 814	787 497	476 351
Discontinued operations							
Profit for the year from discontinued operations		157 120	436 843	110 227	–	–	
–							
(Loss)/profit for the year		(81 882)	2 314 449	2 216 994	36 814	787 497	476 351
Total comprehensive (loss)/income		(81 882)	2 314 449	2 216 994	36 814	787 497	476 351
(Loss) profit attributable to:							
Owners of the parent		(81 029)	2 314 787	2 216 994	36 814	787 497	476 351
Non-controlling interest		(853)	(338)	–	–	–	–
		(81 882)	2 314 449	2 216 994	36 814	787 497	476 351
Total comprehensive (loss)/income attributable to:							
Owners of the parent		(81 029)	2 314 787	2 216 994	36 814	787 497	476 351
Non-controlling interest		(853)	(338)	–	–	–	–
		(81 882)	2 314 449	2 216 994	36 814	787 497	476 351

Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital R '000	Foreign currency translation reserve R '000	Fair value adjustment assets – available-for-sale R '000	Total reserves R '000	Retained income R '000	Total attributable to equity holders of the group/company R '000	Minority interest R '000	Total equity R '000
Group								
Opening balance as previously reported	–	57 991	–	57 991	21 046 007	21 103 998	–	21 103 729
Adjustments								
Prior year adjustments	–	(265)	–	(265)	(1 741)	(2 006)	–	(2 006)
Balance at 1 April 2008 as restated	–	57 726	–	57 726	21 044 266	21 101 992	–	21 101 992
Changes in equity								
Total comprehensive income for the year	–	59 234	(45)	59 189	2 314 787	2 373 976	(338)	2 373 638
CCE	–	–	–	–	–	–	1 610	1 610
Total changes	–	59 234	(45)	59 189	2 314 787	2 373 976	1 272	2 375 248
Balance at 1 April 2009 as restated	–	116 960	(45)	116 915	23 359 053	23 475 968	1 272	23 477 240
Changes in equity								
Total comprehensive loss for the year	–	(197 719)	–	(197 719)	(81 029)	(278 748)	(853)	(279 601)
Minority interest	–	–	–	–	–	–	(1 351)	(1 351)
Total changes	–	(197 719)	–	(197 719)	(81 029)	(278 748)	(2 204)	(280 952)
Balance at 31 March 2010	–	(80 759)	(45)	(80 804)	23 278 024	23 197 220	(932)	23 196 288
(Notes)	16							

	Share capital R '000	Foreign currency translation reserve R '000	Fair value adjustment assets – available-for-sale R '000	Total reserves R '000	Retained income R '000	Total attributable to equity holders of the group/company R '000	Minority interest R '000	Total equity R '000
Company								
Balance at 1 April 2008	–	–	–	–	5 375 525	5 375 525	–	5 375 525
Changes in equity								
Total comprehensive income for the year	–	–	–	–	787 497	787 497	–	787 497
Total changes	–	–	–	–	787 497	787 497	–	787 497
Balance at 1 April 2009	–	–	–	–	6 163 022	6 163 022	–	6 163 022
Changes in equity								
Total comprehensive income for the year	–	–	–	–	36 814	36 814	–	36 814
Total changes	–	–	–	–	36 814	36 814	–	36 814
Balance at 31 March 2010	–	–	–	–	6 199 836	6 199 836	–	6 199 836
(Notes)	16							

Statement of Cash Flows

for the year ended 31 March 2010

	Notes	Group 2010 R'000	Group 2009 R'000 Restated	Group 2008 R'000 Restated	Company 2010 R'000	Company 2009 R'000 Restated	Company 2008 R'000
Cash flows from operating activities							
Cash receipts from customers	29	7 768 229	13 114 199	10 572 665	439 149	(159 855)	(216 178
Cash paid to suppliers and employees	30	(8 238 282)	(11 490 438)	(8 315 764)	(117 970)	(156 115)	(134 754)
Cash generated/(utilised) by operations	31	(470 053)	1 623 761	2 256 900	306 420	(265 591)	(325 632)
Interest income		1 349 551	2 018 609	1 518 639	318 503	405 383	329 211
Dividends received		–	–	870	–	725 000	425 000
Finance costs		(438 588)	(294 404)	(218 113)	(95 443)	(137 846)	(135 210)
Tax paid	33	(28 336)	(715 374)	(691 232)	(27 001)	(44 423)	(24 955)
Net cash from operating activities		412 574	2 632 592	2 867 064	502 479	682 523	268 414
Cash flows from investing activities							
Purchase of property, plant and equipment	2	(1 441 633)	(1 986 675)	(1 172 054)	(79 634)	(19 297)	(1 217)
Proceeds on disposals of property plant and equipment		1 588	30 411	175	–	–	(2)
Purchase of other intangible assets	3	(4 056)	(5 326)	(6 000)	(858)	(654)	(355)
Investments in associates and group companies		50 975	(55 047)	22 579	(2 448)	–	(17 000)
Movement in disposals of groups	15	446 358	(466 593)	(440 081)	–	–	–
		–	–	–	–	–	–
Other financial assets (current assets)		(302 311)	33 933	240 125	–	(9 301)	(11 540)
Other financial assets (non-current assets)		–	–	–	(300 837)	(39 668)	(6 200)
Movement in assets pending determination	4	(21 922)	(17 358)	(16 119)	(7 672)	(6 412)	379
Decrease in investment in subsidiaries	32	–	–	–	15 091	138 792	87 961
Net cash from investing activities		(1 271 001)	(2 468 155)	(1 371 375)	(376 220)	60 900	40 683
Cash flows from financing activities							
Repayment of other financial liabilities		(101 333)	(98 183)	(157 032)	(107 218)	(100 335)	(157 032)
Proceeds from/(repayment of) shareholders loan		57	89 204	(89 261)	83 017	–	–
Dividends paid		–	–	–	–	–	–
Net cash from financing activities		(101 276)	(8 979)	(246 293)	(24 201)	(100 335)	(157 032)
Cash and cash equivalents movement for the year		(959 703)	155 458	1 249 396	102 058	643 088	152 065
Cash and cash equivalents at the beginning of the year		16 143 359	15 987 901	14 738 505	3 395 004	2 751 916	2 599 851
Cash and cash equivalents at end of the year	14	15 183 656	16 143 359	15 987 901	3 497 062	3 395 004	2 751 916

Accounting Policies

1. Presentation of annual financial statements

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

1.1 Basis of preparation

The financial statements are prepared under the historical cost basis, except where otherwise specified.
The Group annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice; the Companies Act of South Africa and the Corporate Laws Amendment Act.

These annual financial statements are presented in South African Rands. Rounding is to the nearest Rand in thousands.

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

1.2 Basis of consolidation

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

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

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the effective date of acquisition.

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

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

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

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

Company financial statements

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

Consolidated financial statements

Business combinations

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

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the new fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquire's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Interest in associates

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

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

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

Interest in joint ventures

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

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

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

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

All significant intercompany transactions and balances between Group entities are eliminated on proportionate consolidation to the extent of the Group's interest in the joint venture.

1.3 Translation of foreign currencies

Transactions

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

Balance Sheet

At each balance sheet date:

- Foreign currency monetary items are measured using the 11H00 rate;
- Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and
- Non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

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

Foreign entities

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

- The assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing exchange rate at the financial year end date.
- Income and expense items of the foreign entity are translated at the weighted average rates of exchange for the year.
- All resulting exchange differences are taken directly to the foreign currency translation reserve which is classified as a non-distributable reserve. On disposal the related amount in this reserve will be recognised in profit or loss.

1.4 Post-balance sheet events

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

1.5 Comparative figures

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

1.6 Property, plant and equipment

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

1.6 Property, plant and equipment (continued)

Carrying amounts

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

Cost

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

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

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal.

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

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

Depreciation

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

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

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

Item	Average useful life
Land	Not depreciated
Buildings	40 years
Production assets	Units of production
Plant, equipment and exploration	3-8 years
Furniture, fittings and communication equipment	2-10 years
Motor vehicles	4-5 years
Computer equipment	3-6 years
Mainframe software	3-14 years
Oil pollution equipment	5-20 years

An exception is made for Production assets and Restoration costs where the units of production method is used to calculate depreciation. Reference to the supplementary reserves disclosure can be made for more information on the reserves used. Improvements to leased premises are written off over the period of the lease.

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

1.6 Property, plant and equipment (continued)

Production assets (oil and gas fields)

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

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

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

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

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

Restoration costs

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

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

1.7 Exploration; evaluation and development of oil and gas wells

The "successful efforts" principle is used to account for oil and gas exploration and evaluation activities.

Pre-licensing cost

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

1.7 Exploration, evaluation and development of oil and gas wells

Exploration and evaluation costs

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

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

Assets pending determination

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

Development costs

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

Dry wells

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

1.8 Intangible assets

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

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

Research costs are recognised in profit or loss when incurred

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

Computer software	2 – 10 years

1.9 Impairment of non-financial assets

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

1.9 Impairment of non-financial assets (continued)

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

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

1.10 Leases

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

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

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

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

1.11 Inventories

Trading inventory

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

Spares, catalysts and chemical

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

1.12 Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the Group and company's balance sheet when the Group and company becomes a party to the contractual provisions of the instrument.

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

Financial instruments recognised on the balance sheet include cash and cash equivalents, trade receivables, investments, trade payables and borrowings.

1.12 Financial instruments (continued)

Measurement

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

Financial assets

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

Investments

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

- Loans and receivables originated by the Group with fixed maturities;
- Held-to-maturity investments;
- An investment that does not have a quoted market price in an active market and whose fair value cannot be measured reliably using an appropriate valuation model.

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

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

All financial liabilities are measured at amortised cost, comprising original debt less principal payments and amortisations, except for financial liabilities held for trading; borrowings with no fixed maturity period and are classified as fair value through profit and loss on initial recognition and derivative liabilities, which are subsequently measured at fair value. A change in fair value is recognised in profit or loss.

Derivative financial instruments

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

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

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

1.12 Financial instruments (continued)

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

Gains and losses on subsequent measurement

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

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

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

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

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

Derecognition

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

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

Fair value considerations

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

Offsetting

Financial assets and financial liabilities are offset if there is an intention to either net the asset and liability or to realise the asset and settle the liability simultaneously and a legally enforceable right to set off exists.

1.13 Post-employment benefit costs

Defined contribution costs

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

Defined benefit costs

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

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

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

The cost of providing retirement benefits under a defined benefit plan is determined using a projected unit credit valuation method. Actuarial gains and losses are recognised as income or expense in profit or loss immediately.

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

Other post-employment obligations

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

1.14 Provisions

Provisions represent liabilities of uncertain timing or amounts.

Provisions are recognised when a present legal or constructive obligation exists, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pretax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

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

1.15 Revenue recognition

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

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

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

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

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

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

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

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

Certain income earned from the State is exempt from tax.

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

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

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

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

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

1.20 Government grants

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

1.21 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.

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

1.22 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.

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.

1.23 Adoption of South African Accounting Standards

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

1. IFRS 5 (amendment), Measurement of non-current assets (or disposal groups) classified as held-for-sale
   The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve fair presentation) and paragraph 125 sources of estimation uncertainty of IAS 1.
2. IFRS 7 Financial instruments – Disclosures (amendment) – effective 1 January 2009
   The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
3. IAS 1 (revised). Presentation of financial statements – effective 1 January 2009
   The revised standard prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not adopted them earlier.

1. IAS 27 (revised), Consolidated and separate financial statements – effective from 1 July 2009
   The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

1.23 Adoption of South African Accounting Standards (continued)

2. IFRS 3 (revised), Business combinations – effective from 1 July 2009

   The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 April 2010.

3. IAS 38 (amendment), Intangible Assets

   The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or company's financial statements.

1.24 Key assumptions made by management in applying accounting policies

Going concern

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

Environmental and decommissioning provision

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

Other provisions

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

Impairments and impairment reversals

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

Contingent liabilities

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

1.24 Key assumptions made by management in applying accounting policies (continued)

Evaluation of the useful life of assets

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

Critical accounting estimates and judgements

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

1.25 Related parties

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

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

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

The loans to or from related parties arise from loan agreements entered into for the year under review. These loans are subordinate by CEF (Pty) Ltd.

Key management includes directors (executive and nonexecutive), members of the Board audit and risk management committee and members of the Executive Committee.

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

2. Property, plant and equipment

	2010			2009			2008		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
Group									
Buildings	117 452	(8 137)	109 315	41 195	(4 131)	37 064	19 671	(4 007)	15 664
Plant and machinery	18 813 173	(15 572 342)	3 240 831	18 476 224	(15 100 184)	3 376 040	18 238 345	(14 907 191)	3 331 154
Furniture and fixtures	597 883	(362 738)	235 145	551 432	(287 877)	263 555	452 864	(212 749)	240 115
Motor vehicles	9 090	(4 067)	5 023	5 397	(3 802)	1 595	4 544	(3 287)	1 257
Computer equipment	12 097	(8 850)	3 247	9 911	(7 204)	2 707	8 218	(4 901)	3 317
Mainframe software	1 859	(1 505)	354	1 859	(1 360)	499	1 859	(1 211)	648
Shutdown costs	461 705	(153 902)	307 803	365 486	(365 486)	–	371 218	(239 629)	131 589
Development assets	2 889 525	–	2 889 525	2 408 997	–	2 408 997	812 239	–	812 239
Restoration expenditure	601 029	(582 123)	18 906	637 122	(557 684)	79 438	793 789	(481 161)	312 628
Total	23 503 813	(16 693 664)	6 810 149	22 497 623	(16 327 728)	6 169 895	20 702 747	(15 854 136)	4 848 611
Company									
Buildings	93 181	(3 882)	89 299	16 962	–	16 962	–	–	–
Furniture and fixtures	7 176	(3 381)	3 795	5 231	(2 181)	3 050	5 813	(3 172)	2 641
Motor vehicles	873	(519)	354	873	(333)	540	676	(178)	498
Computer equipment	4 119	(2 954)	1 165	3 612	(2 822)	790	3 192	(2 193)	999
Total	105 349	(10 736)	94 613	26 678	(5 336)	21 342	9 681	(5 543)	4 138

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Group – 2010

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Other changes, movements	Depre-ciation	Total
Buildings	37 064	76 494	–	(275)	–	–	(3 968)	109 315
Plant and machinery	3 376 040	33 375	–	304 477	–	–	(473 061)	3 240 831
Furniture and fixtures	263 555	54 800	(1 100)	–	(13)	–	(82 097)	235 145
Motor vehicles	1 595	823	(56)	–	–	–	2 661	5 023
Computer equipment	2 707	2 511	(177)	–	–	–	(1 794)	3 247
Mainframe software	499	–	–	–	–	–	(145)	354
Shutdown costs	–	22	–	461 705	–	–	(153 924)	307 803
Development assets	2 408 997	1 245 353	–	(764 825)	–	–	–	2 889 525
Restoration expenditure	79 438	28 255	–	–	–	(43 021)	(45 766)	18 906
	6 169 895	1 441 633	(1 333)	1 082	(13)	(43 021)	(758 094)	6 810 149

Reconciliation of property, plant and equipment – Group – 2009

	Opening balance	Additions	Disposals	Transfers	Other changes movements	Depre-ciation	Total
Buildings	15 664	21 524	–	–	–	(124)	37 064
Plant and machinery	3 331 154	7 037	(24 030)	254 430	–	(192 551)	3 376 040
Furniture and fixtures	240 115	104 436	(403)	(338)	–	(80 255)	263 555
Motor vehicles	1 257	1 048	(217)	–	–	(493)	1 595
Computer equipment	3 317	1 442	(29)	–	–	(2 023)	2 707
Mainframe software	648	–	–	–	–	(149)	499
Shutdown cost	131 589	–	(5 732)	–	–	(125 857)	–
Development assets	812 239	1 851 188	–	(254 430)	–	–	2 408 997
Restoration expenditure	312 628	–	–	–	(198 574)	(34 616)	79 438
	4 848 611	1 986 675	(30 411)	(338)	(198 574)	(436 068)	6 169 895

Notes to the Annual
Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property plant and equipment – Group – 2008

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

Reconciliation of property, plant and equipment – Company – 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	16 962	76 493	–	(274)	(3 882)	89 299
Furniture and fixtures	3 050	2 142	(50)	–	(1 347)	3 795
Motor vehicles	540	–	–	–	(186)	354
Computer equipment	790	999	(88)	–	(536)	1 165
	21 342	79 634	(138)	(274)	(5 951)	94 613

Reconciliation of property, plant and equipment – Company – 2009

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

Reconciliation of property, plant and equipment – Company – 2008

	Opening balance	Additions	Transfers	Depreciation	Total
Furniture and fixtures	2 731	805	91	(986)	2 641
Motor vehicles	633	–	–	(135)	498
Computer equipment	1 354	412	(91)	(676)	999
	4 718	1 217	–	(1 797)	4 138

Notes to the Annual Financial Statement

For the year ended 31 March 2010

2. Property, plant and equipment (continued)

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

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

PetroSA

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

Oil Pollution Control South Africa

The buildings of the company at Saldanha Bay are built on land owned by the National Ports Authority (Plan 10128/00/0217) which is leased to Oil Pollution Control South Africa in terms of a 99 year lease.

SFF Association

The production assets at Saldanha have the engineering life of 40 years of which 11 years is remaining. Milnerton and Ogies tanks are fully impaired.

The directors of the company evaluated the estimated useful life of the fixed assets as at 31 March 2010 to ensure that the fixed assets were fairly stated at year end.

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

3. Intangible assets

	2010			2009			2008		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Group									
Patents, trademarks and other rights	50 490	(47 263)	3 227	50 490	(44 883)	5 607	50 490	(42 487)	8 003
Computer software	16 663	(11 648)	5 015	13 963	(7 844)	6 119	8 184	(4 907)	3 277
Exploration licensing fee	79 310	–	79 310	79 162	–	79 162	79 162	–	79 162
Mineral and servitude rights	–	–	–	–	–	–	134	–	134
Development costs	16 292	–	16 292	14 860	–	14 860	14 708	–	14 708
Total	162 755	(58 911)	103 844	158 475	(52 727)	105 748	152 678	(47 394)	105 284
Company									
Patents, trademarks and other rights	50 490	(47 263)	3 227	50 490	(44 883)	5 607	50 490	(42 487)	8 003
Computer software	5 126	(4 333)	793	4 268	(3 644)	624	3 629	(2 410)	1 219
Total	55 616	(51 596)	4 020	54 758	(48 527)	6 231	54 119	(44 897)	9 222

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

3. Intangible assets (continued)

Reconciliation of intangible assets – Group – 2010

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Patents, trademarks and other rights	5 607	–	–	–	(2 380)	3 227
Computer software	6 119	2 476	(9)	296	(3 867)	5 015
Exploration licensing fee	79 162	148	–	–	–	79 310
Development costs	14 860	1 432	–	–	–	16 292
	105 748	4 056	(9)	296	(6 247)	103 844

Reconciliation of intangible assets – Group – 2009

	Opening balance	Additions	Transfers	Amortisation	Total
Patents, trademarks and other rights	8 003	–	–	(2 396)	5 607
Computer software	3 277	5 174	366	(2 698)	6 119
Exploration licensing fee	79 162	–	–	–	79 162
Mineral and servitude rights	134	–	–	(134)	–
Development costs	14 708	152	–	–	14 860
	105 284	5 326	366	(5 228)	105 748

Reconciliation of intangible assets – Group – 2008

	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Patents, trademarks and other rights	10 399	–	–	–	(2 396)	8 003
Computer software	4 023	1 229	20	336	(2 331)	3 277
Exploration licensing fee	79 162	–	–	–	–	79 162
Mineral and servitude rights	–	–	–	134	–	134
Development assets	9 937	4 771	–	–	–	14 708
	103 521	6 000	20	470	(4 727)	105 284

Figures in Rand thousand

3. Intangible assets (continued)

Reconciliation of intangible assets – Company – 2010

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	5 607	–	(2 380)	3 227
Computer software	624	858	(689)	793
	6 231	858	(3 069)	4 020

Reconciliation of intangible assets – Company – 2009

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	8 003	–	(2 396)	5 607
Computer software	1 219	654	(1 249)	624
	9 222	654	(3 645)	6 231

Reconciliation of intangible assets – Company – 2008

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	10 399	–	(2 396)	8 003
Computer software	2 159	355	(1 295)	1 219
	12 558	355	(3 691)	9 222

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

4. Assets pending determination

	2010			2009			2008		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
Group									
Exploration expenditure	41 465	–	41 465	82 237	–	82 237	71 291	–	71 291
EDC Projects	14 153	–	14 153	6 481	–	6 481	69	–	69
Total	55 618	–	55 618	88 718	–	88 718	71 360	–	71 360
Company									
EDC Projects	14 153	–	14 153	6 481	–	6 481	69	–	69

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

4. Assets pending determination (continued)

Reconciliation of assets pending determination – Group – 2010

	Opening balance	Additions	Disposals	Transfer	Total
Exploration expenditure	82 237	14 250	(4)	(55 018)	41 465
EDC Projects	6 481	7 672	–	–	14 153
	88 718	21 922	(4)	(55 018)	55 618

Reconciliation of assets pending determination – Group – 2009

	Opening balance	Additions	Total
Exploration expenditure	71 291	10 946	82 237
EDC Projects	69	6 412	6 481
	71 360	17 358	88 718

Reconciliation of assets pending determination – Group – 2008

	Opening balance	Additions	Disposals	Total
Exploration expenditure	54 793	16 498	–	71 291
EDC Projects	448	–	(379)	69
	55 241	16 498	(379)	71 360

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

4. Assets pending determination (continued)

Reconciliation of assets pending determination – Company – 2010

	Opening balance	Additions	Total
EDC Projects	6 481	7 672	14 153

Reconciliation of assets pending determination – Company – 2009

	Opening balance	Additions	Total
EDC Projects	69	6 412	6 481

Reconciliation of assets pending determination – Company – 2008

	Opening balance	Additions	Disposals	Total
EDC Projects	448	85	(464)	69

Assets pending determination at 31 March 2010, consist of expenditure in respect of exploration activities, which have been capitalised pending the determination of the economic reserves. The accounting policy (refer to Note 1.7) recommends that intangible assets of this nature should be recognised as production assets after a period of three years or expended. Assets pending the determination consists of the well AX1, which is within Block 2A. A development plan and was sent to the Petroleum Agency of South Africa for approval.

Expenditure of R41 million (2009: R27 million) relates to African Exploration Mining and Finance Corporation (Proprietary) Limited and consists of expenditure in respect of mining activities, which has been capitalised pending the determination of the economic reserves.

EDC Projects relates to CEF (Pty) Ltd in respect of exploration expenditure.

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

5. Goodwill

	2010 Cost	2010 Accumulated impaired	2010 Carrying value	2009 Cost	2009 Accumulated impairment	2009 Carrying value	2008 Cost	2008 Accumulated impairment	2008 Carrying value
Group									
Goodwill	8 556	–	8 556	8 556	–	8 556	–	–	–

Reconciliation of goodwill – Group – 2010

	Opening balance	Total
Goodwill	8 556	8 556

Reconciliation of goodwill – Group – 2009

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

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

Notes to the Annual Financial Statement

For the year ended 31 March 2010

6. Deferred tax

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Deferred tax asset (liability)						
Provision against equity	1 139	(45 039)	(22 882)	–	–	–
Tax losses available for set off against future taxable income	183 822	378 641	(39 661)	(11 362)	(6 584)	(14 882)
Recognised in other comprehensive income	–	201	–	–	–	–
Provisions	815 429	676 137	630 126	20 653	865	624
Capital allowances	(918 621)	(934 494)	(913 680)	–	–	–
Current deferred tax	286	–	–	–	–	–
	82 055	75 446	(346 097)	9 291	(5 719)	(14 258)
Reconciliation of deferred tax asset						
At beginning of the year	1 061 563	630 126	1 288	865	624	1 288
Current provision	286	–	–	–	–	–
Charged to profit and loss	95 516	442	(664)	3 333	241	(664)
Provisions	(148 718)	430 995	629 502	13 064	–	–
Other	3 391	–	–	3 391	–	–
Balance at end of year	1 012 038	1 061 563	630 126	20 653	865	624
Reconciliation of deferred tax liability						
At beginning of the year	(986 117)	(976 223)	(139 958)	(6 584)	(14 882)	–
Charged to profit and loss	50 793	–	–	–	–	–
Temporary difference	5 341	(9 894)	(811 489)	(4 778)	8 298	(14 882)
Unrealised exchange differences	–	–	(24 776)	–	–	–
Balance at end of year	(929 983)	(986 117)	(976 223)	(11 362)	(6 584)	(14 882)

7. Investments in subsidiaries

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
African Exploration Mining and Finance Corporation						
Loans:						
Carrying amount of loan	–	–	–	64 440	37 815	2 134
Less: Impairment provision	–	–	–	(64 440)	(37 815)	(2 134)
Balance at the end of the year	–	–	–	–	–	–
Shares:						
Balance at the beginning of the year	–	–	–	4	4	4
Shares	–	–	–	4	4	4

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

Notes to the Annual Financial Statement

For the year ended 31 March 2010

7. Investments in subsidiaries (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
PetroSA						
Loans:						
Balance at the beginning of the year	–	–	–	(23 793)	(195 752)	(256 934)
Advances/(repayments) during the year	–	–	–	5 802	118 537	(28 952)
Less: Proportion repayable in less than						
One year transferred to current assets	–	–	–	17 991	101 008	90 134
Interest	–	–	–	7	–	–
Balance at the end of the year	–	–	–	7	23 793	(195 752)
Shares:						
Balance at the beginning of the year	–	–	–	2	2	2
Share premium:						
Balance at the beginning of the year	–	–	–	2 755 935	2 755 935	2 755 935
Loans	–	–	–	7	23 793	105 617
Shares	–	–	–	2	2	2
Share premium	–	–	–	2 755 935	2 755 935	2 755 935
Carrying amount of investment	–	–	–	2 755 944	2 779 730	2 861 554

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Cotec Patrade						
Loans:						
Carrying amount of loan	–	–	–	3 731	3 744	3 744
Less: Impairment provision	–	–	–	(3 731)	(3 744)	(3 744)
Balance at the end of the year	–	–	–	–	–	–
iGas						
Loans:						
Balance at the beginning of the year	–	–	–	647 520	637 460	682 309
Advances/(repayments) during the year	–	–	–	11 144	10 060	(44 849)
Balance at the end of the year	–	–	–	658 664	647 520	637 460
Loans	–	–	–	658 664	647 520	637 460

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

Notes to the Annual Financial Statement

For the year ended 31 March 2010

7. Investments in subsidiaries (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
OPCSA						
Loans:						
Carrying amount of loan	–	–	–	12 594	21 870	15 703
Advances (repayments) during the year	–	–	–	3 779	(1 587)	6 167
Less: Impairment provision	–	–	–	–	(12 594)	(21 870)
Balance at the end of the year	–	–	–	16 373	7 689	–
Loans	–	–	–	16 373	7 689	–
CEF has issued a subordination agreement in favour of the creditors of OPCSA						
SFF						
Loans:						
Advances/(repayments) during the year	–	–	–	–	8	11
Shares:						
Balance at the beginning of the year	–	–	–	1	1	1
Loans	–	–	–	–	8	11
Shares	–	–	–	1	1	1
Carrying amount of investment	–	–	–	1	9	12
CCE						
Loans:						
Advances during the year	–	–	–	38 099	–	–
CCE						
Equity contributions:						
Balance at the beginning of the year	–	–	–	14 183	–	–
Equity contributions	–	–	–	19 817	14 183	–
Balance at the end of the year	–	–	–	34 000	14 183	–
Loans	–	–	–	38 099	–	–
Equity contributions	–	–	–	34 000	14 183	–
Carrying amount of investment	–	–	–	72 099	14 183	–

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

7. Investments in subsidiaries (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
CEF Carbon SA						
Loans:						
Advances during the year	–	–	–	5 864	–	–
Loans	–	–	–	5 864	–	–

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
ETA						
Loans:						
Advances during the year	–	–	–	15 164	11 775	–
Less: Impairment provision	–	–	–	(15 164)	(11 775)	–
Balance at the end of the year	–	–	–	–	–	–
Share premium:						
Balance at the beginning of the year	–	–	–	4 000	4 000	–
Share premium	–	–	–	4 000	4 000	–

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
SASDA						
Loans:						
Advances/(repayments) during the year	–	–	–	15 215	–	–
Loans	–	–	–	15 215	–	–

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

7. Investments in subsidiaries (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Carbon Stream						
Loans:						
Equity	–	–	–	389	–	–
Carbon Stream						
Shares:						
Additional shares issued	–	–	–	1	–	–
Loans	–	–	–	389	–	–
Shares	–	–	–	1	–	–
Carrying amount of investment	–	–	–	390	–	–
Carrying amount						
Loans and equity contributions	–	–	–	768 613	693 193	743 088
Shares	–	–	–	8	7	7
Share premium	–	–	–	2 759 935	2 759 935	2 755 935
Carrying amount of investment	–	–	–	3 528 556	3 453 135	3 499 030

Notes to the Annual Financial Statement

For the year ended 31 March 2010

7. Investments in subsidiaries (continued)

Details of Subsidiary Companies

Name and nature of business	Issued capital R'000	% held 2010	% held 2009	% held 2008	Voting power % 2010	Voting power % 2009	Voting power % 2008	Profit (loss) for the year 2010 R'000	Profit (loss) for the year 2009 R'000	Profit (loss) for the year 2008 R'000
SANERI To undertake research and technology development in order to exploit and utilise the energy resources of the Republic and Southern Africa.	–	100	100	100	100	100	100	(4 767)	(7 865)	722
SASDA The empowerment of historical disadvantaged SA suppliers in the petroleum industry.	–	100	–	–	100	–	–	(10 368)	–	–
OPCSA Containing and countering oil pollution.	–	100	100	–	100	100	100	7 579	119	(1 551)
Cotec Development Dormant	–	100	100	100	100	100	100	–	–	–
Cotec Patrade Dormant	–	100	100	100	100	100	100	–	–	–
Petroleum Agency SA Acting as an Agent for the State in promoting for and exploration of natural oil and gas in the Republic.	–	100	100	100	100	100	100	7 385	63 146	27 369
iGas To promote the diversification of energy usage into hydrocarbon gas and enter into ventures which will facilitate the use of hydrocarbon gas in SA	–	100	100	100	100	100	100	53 741	26 189	19 826
SFF Management of strategic stocks of crude oil in accordance with ministerial directives.	1	100	100	100	100	100	100	201 142	162 287	236 345
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	100	100	(354 491)	1 964 656	1 905 344

Notes to the Annual Financial Statement

For the year ended 31 March 2010

7. Investments in subsidiaries (continued)

Details of Subsidiary Companies

	Issued capital	% held			Voting power %			Profit (loss) for the year		
	R'000	2010	2009	2008	2010	2009	2008	2010 R'000	2009 R'000	2008 R'000
Name and nature of business										
African Exploration Mining and Finance Corporation To acquire hold and develop all exploration and mineral rights.	4	100	100	100	100	100	100	(13 822)	(9 778)	(566)
Klippoortje Koolmyne Dormant	1 300	100	100	100	100	100	100	–	–	–
Mahnes Areas Dormant	–	100	100	100	100	100	100	–	–	–
PetroSA Europe BV Management of PetroSA product stock sales in Europe.	3 131	100	100	100	100	100	100	–	570	308
PetroSA Brass Management of investments in Nigeria.	–	100	100	100	100	100	100	–	–	–
PetroSA Gryphon Marin Permit Management of PetroSA hydrocarbon interest.	–	100	100	100	100	100	100	–	(137 280)	(14 154)
PetroSA Iris Management of PetroSA hydrocarbon interests.	–	100	100	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	100	100	–	–	–
PetroSA Themis Management of PetroSA hydrocarbon interests.	–	100	100	100	100	100	100	–	–	–
PetroSA Synfuel International Management of Gasto liquids project.	501	100	100	100	100	100	100	–	–	–
PetroSA Equatorial Guinea Management of PetroSA hydrocarbon interests.	–	100	100	100	100	100	100	–	(116 428)	(99 358)
PetroSA Sudan The company holds PetroSA's interest in the exploration, appraisal development and production of hydrocarbon reserves in Sudan.	–	100	100	100	100	100	100	–	10 636	(9 168)

7. Investments in subsidiaries (continued)

Details of Subsidiary Companies

Name and nature of business	Issued capital R'000	% held 2010	% held 2009	% held 2008	Voting power % 2010	Voting power % 2009	Voting power % 2008	Profit (loss) for the year 2010 R'000	Profit (loss) for the year 2009 R'000	Profit (loss) for the year 2008 R'000
Petroleum Oil & Gas Corporation of South Africa (Namibia) The company holds PetroSA's interest in the exploration appraisal development and production of hydrocarbon reserves in Namibia.	–	100	100	100	100	100	100	–	–	–
PetroSA North America To operate as a sales and marketing arm of PetroSA to promote its products in USA.	–	100	100	100	100	100	100	–	–	–
PetroSA Egypt The company holds PetroSA's interest in the exploration appraisal development and production of hydrocarbon reserves in Egypt.	–	100	100	100	100	100	100	–	(385 669)	(23 656)
ETA Energy To generate and trade of low carbon energy resources.	100	100	100	67	100	100	67	(7 207)	(7 129)	–
Carbon Stream Africa An advisory company delivering solutions and services for carbon emission reduction projects in Africa.	990	60	100	–	60	100	–	(353)	–	–
CCE Energy Solutions To generate 8.8 MW electricity from biomass.	200	81	81	–	81	81	–	(3 848)	(1 225)	–
CEF Carbon The company provides advisory services as well as financial and operating support to CDM projects developers and purchasers of CER credits.	–	100	100	–	100	100	–	(6 704)	–	–
								(131 713)	1 562 229	2 041 461

Notes to the Annual Financial Statement

For the year ended 31 March 2010

8. Investments in associates

Group

	% holding 2010	% holding 2009	% holding 2008	Carrying amount 2010	Carrying amount 2009	Carrying amount 2008
Name of company						
Darling Wind Power (Proprietary) Limited	49.00	49.00	49.00	17 000	16 397	17 151
SudChemie Zoelites (Proprietary) Limited	–	–	30.00	–	–	10 108
Baniettor Mining (Proprietary) Limited	49.00	49.00	49.00	24 031	24 031	24 031
GTL.F1 AG	–	–	37.50	–	–	911
PAMDC	33.33	33.33	–	4 294	5 000	–
Rompco	25.00	25.00	25.00	616 634	665 053	642 425
MethCap SPV	19.00	19.00	19.00	1 242	1 475	1 475
Thin Film Solar Technology	45.00	45.00	–	33 290	34 468	–
Philips Lighting Maseru (Pty) Ltd	30.00	30.00	–	5 182	6 224	–
				701 673	752 648	696 101
Impairment of investments in associates				(41 031)	(41 031)	(41 031)
				660 642	711 617	655 070

Company

	% holding 2010	% holding 2009	% holding 2008	Carrying amount 2010	Carrying amount 2009	Carrying amount 2008
Name of company						
Darling wind Power (Proprietary) Limited	49.00	49.00	49.00	17 000	17 000	17 000
Baniettor Mining (Proprietary) Limited	49.00	49.00	49.00	24 031	24 031	24 031
MethCap SPV	19.00	19.00	19.00	1 475	1 475	1 475
Thin Film Solar Technology	45.00	45.00	–	34 468	34 468	–
Philips Lighting Maseru (Pty) Ltd	30.00	30.00	–	8 672	6 224	–
				85 646	83 198	42 506
Impairment of investments in associates				(41 031)	(41 031)	(41 031)
				44 615	42 167	1 475

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

Associates with different reporting dates

The reporting date of Rompco is 30 June and the annual financial statements have been adjusted for all material transactions to 31 March 2010.

Notes to the Annual Financial Statement

For the year ended 31 March 2010

8. Investments in associates (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Darling Wind Power (Proprietary) Limited						
Assets						
Non-current	65 644	73 072	–	–	–	–
Current	518	2 923	–	–	–	–
	66 162	75 995	–	–	–	–
Equity and liabilities						
Equity and reserves	(13 978)	(4 040)	–	–	–	–
Non-current liabilities	70 450	70 839	–	–	–	–
Current liabilities	9 690	9 196	–	–	–	–
	66 162	75 995	–	–	–	–
Revenue	2 181	2 251	–	–	–	–
Loss	(9 941)	(6 475)	–	–	–	–

The company's year end is 31 March.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Baniettor Mining (Proprietary) Limited						
Assets						
Non-current	2 200	2 200	–	–	–	–
Current	2 731	156	–	–	–	–
	4 931	2 356	–	–	–	–
Equity and liabilities						
Equity and reserves	(44 691)	(44 959)	–	–	–	–
Current liabilities	49 622	47 315	–	–	–	–
	4 931	2 356	–	–	–	–
Revenue	130	137	–	–	–	–
Profit	268	252	–	–	–	–

The company's year end is 30 June.

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For the year ended 31 March 2010

8. Investments in associates (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
PAMDC						
Assets						
Non-current	127	–	–	–	–	–
Current	14 368	15 000	–	–	–	–
	14 495	15 000	–	–	–	–
Equity and liabilities						
Equity and reserves	12 667	15 000	–	–	–	–
Current liabilities	1 828	–	–	–	–	–
	14 495	15 000	–	–	–	–
Loss	(2 333)	–	–	–	–	–

The company's year end is 31 March.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Rompco						
Assets						
Non-current	3 619	3 174	–	–	–	–
Current	194	482	–	–	–	–
	3 813	3 656	–	–	–	–
Equity and liabilities						
Equity and reserves	315	305	–	–	–	–
Non-current liabilities	3 128	3 051	–	–	–	–
Current liabilities	370	299	–	–	–	–
	3 813	3 655	–	–	–	–
Revenue	937	798	–	–	–	–
Profit	353	282	–	–	–	–

The company's year end is 30 June.

8. Investments in associates (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
MethCap SPV						
Assets						
Non-current	22 183	25 235	–	–	–	–
Current	5 952	4 054	–	–	–	–
	28 135	29 289	–	–	–	–
Equity and liabilities						
Equity and reserves	3 023	4 251	–	–	–	–
Non-current liabilities	11 200	12 800	–	–	–	–
Current liabilities	13 912	12 237	–	–	–	–
	28 135	29 288	–	–	–	–
Revenue	9 738	6 204	–	–	–	–
Profit/(loss)	(1 229)	71 437	–	–	–	–
Thin Film Solar Technology						
Assets						
Non-current	35 668	35 628	–	–	–	–
Current	44 857	45 334	–	–	–	–
	80 525	80 962	–	–	–	–
Equity and liabilities						
Equity and reserves	74 606	77 223	–	–	–	–
Current liabilities	5 919	3 739	–	–	–	–
	80 525	80 962	–	–	–	–
Loss	(2 617)	(7 136)	–	–	–	–

The company year end is 31 March.

8. Investments in associates (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Philips Lighting Maseru (Pty) Ltd						
The financials are prepared in Moloti.						
Assets						
Non-current	30 336	–	–	–	–	–
Current	23 841	–	–	–	–	–
	54 177	–	–	–	–	–
Equity and liabilities						
Equity and reserves	14 165	–	–	–	–	–
Current liabilities	40 012	–	–	–	–	–
	54 177	–	–	–	–	–
Revenue	15 368	–	–	–	–	–
Loss	(11 633)	–	–	–	–	–

The company's year end is 31 December.

9. Loans to (from) group companies

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Owing to Subsidiaries						
Sasda	–	–	–	(533)	–	–
ETA energy	–	–	–	(45 003)	–	–
Petroleum Agency SA	–	–	–	(262 589)	(273 981)	(189 565)
PetroSA	–	–	–	(537 648)	(537 648)	(537 648)
Carbon Stream Africa	–	57	–	(581)	(1 317)	–
SANERI	–	–	–	(21 302)	(29 952)	(21 561)
iGas	–	–	–	(102 705)	(36 951)	–
	–	57	–	(970 361)	(879 849)	(748 774)
Joint ventures						
Salima	–	–	89 261	–	–	–
Non-current assets	–	57	–	–	–	–
Current assets	–	–	89 261	–	–	–
Non-current liabilities	–	–	–	(970 361)	(879 849)	(748 774)
	–	57	89 261	(970 361)	(879 849)	(748 774)

The Salima loan relates to PetroSA Sudan's interest in the exploration joint venture with the Sudanese national petroleum company. A Board decision was taken to divest from this joint venture and as a result of the divestment the loan to Salima has been written off in this financial year. The value of the write off is R220.6 million.

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For the year ended 31 March 2010

10. Other financial assets

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Available for sale						
NVE Projects	21 325	17 033	52 617	21 325	17 033	52 617
EDC Projects	10 806	10 806	10 806	10 806	10 806	10 806
	32 131	27 839	63 423	32 131	27 839	63 423
Held to maturity						
Rompco	300 000	–	–	300 000	–	–
Johanna Solar Tech Loan						
Terms and conditions	887	4 342	3 213	887	4 342	3 213
	300 887	4 342	3 213	300 887	4 342	3 213
Loans and receivables						
PetroSA Back to back loan (EIB40) Final payment 15 September 2010, the loan accrues interest at USB 0.9070%.	–	–	–	17 991	101 008	90 134
GTL.F1 This loan is interest free and has no fixed repayment terms.	31 031	34 171	18 517	–	–	–
Lurgi The amount owing by Lurgi is in respect of a purchase of 12.5% share in the PetroSA Statoil Joint Venture. The loan accrues interest at EUROBOR + 3%. The loan is repayable based on dividends receivable by Lurgi from the GTL.F1 AG technology company.	104 371	99 757	113 286	–	–	–
Forest Oil Gryphon Marine The loan to Forest Oil Gryphon Marine was interest free.	–	–	1 603	–	–	–
	135 402	133 928	133 406	17 991	101 008	90 134
Total other financial assets	468 420	166 109	200 042	351 009	133 189	156 770
Non-current assets						
Available for sale	32 131	27 839	63 423	32 131	27 839	63 423
Held to maturity	300 887	4 342	3 213	300 887	4 342	3 213
Loans and receivables	135 402	133 928	133 406	–	–	–
	468 420	166 109	200 042	333 018	32 181	66 636
Current assets						
Loans and receivables	–	–	–	17 991	101 008	90 134
Total	468 420	166 109	200 042	351 009	133 189	156 770

For debt securities classified as at fair value through profit or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.

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For the year ended 31 March 2010

11. Strategic inventory

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Crude oil at cost	2 078 004	2 078 004	2 078 004	–	–	–
Prior year provision for unpumpable inventory	–	(15 134)	(26 136)	–	–	–
Reversal of provision for unpumpable inventory	–	–	11 003	–	–	–
Current year stock adjustment for losses	(16 897)	(1 472)	(656)	–	–	–
	2 061 107	2 061 398	2 062 215	–	–	–

Strategic crude oil on hand is 10.3 million barrels (2009: 10.3 million barrels), excluding unpumpable stock. The fair value of strategic stock as at 31 March 2010 is R6 082 million (2009: R4 871 million).

12. Inventories

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
The amounts attributable to the different categories are as follows:						
Raw materials	733 128	633 811	1 221 413	–	–	–
Work in progress	82 226	262 512	31 875	–	–	–
Finished goods	140	184	235	–	–	–
Production supplies	600 535	609 322	594 402	–	–	–
	1 416 029	1 505 829	1 847 925	–	–	–

13. Trade and other receivables

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Trade receivables	1 708 446	1 232 541	1 643 650	11 558	5 776	2 621
Prepayments	100 209	173 622	141 041	396	405	590
Deposits	911	6 478	6 360	249	6 249	6 282
VAT	76 232	74 511	7 798	7 758	6 461	–
Dividends	–	–	–	–	375 000	205 000
Provision for doubtful debts	(171 959)	(48 076)	(25 562)	–	–	–
Sundry receivables	1 902 055	848 354	581 970	30 147	56 528	52 416
	3 615 894	2 287 430	2 355 257	50 108	450 419	266 909

The provision for doubtful debt consist of a number of customer accounts balances and the balance is aged as R170.6 million (2009: R44.5 million) at over 120 days and R1.3 million (2009: R3.5 million) is between 90-120 days.

Reconciliation of provision in bad debts in trade and other receivables

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Balance at beginning of year	48 076	25 562	13 948	–	–	–
Impairment losses recognised on receivables	124 889	22 514	12 364	–	–	–
Amounts recovered during the year	(1 006)	–	(750)	–	–	–
	171 959	48 076	25 562	–	–	–

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For the year ended 31 March 2010

14. Cash and cash equivalents

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Cash and cash equivalents included in the balance sheet comprise the following:						
Short term investments in money market and cash on hand	15 278 669	16 119 693	15 959 381	3 497 062	3 395 004	2 751 916
Short term deposits	24 413	21 779	22 975	–	–	–
USD account	–	1 887	5 545	–	–	–
Bank overdraft	(119 426)	–	–	–	–	–
	15 183 656	16 143 359	15 987 901	3 497 062	3 395 004	2 751 916
Current assets	15 303 082	16 143 359	15 987 901	3 497 062	3 395 004	2 751 916
Current liabilities	(119 426)	–	–	–	–	–
	15 183 656	16 143 359	15 987 901	3 497 062	3 395 004	2 751 916

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

A term deposit of R24 million (2009: R22 million) is held in the company Energy Africa Rehabilitation (Association incorporated under section 21) and is committed solely for the abandonment expenditure for the Oribi field.

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

The Group has decided to discontinue its operations in Brass Exploration Unlimited. The assets and liabilities of the disposal group are set out below. During the year a strategic decision was taken by PetroSA Board to disinvest in the company. It is anticipated that the sale of the company will be concluded in the next financial year.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Profit and loss						
Revenue	576 319	1 457 141	735 347	–	–	–
Expenses	(378 005)	(821 956)	(394 097)	–	–	–
Net profit before tax	198 314	635 185	341 250	–	–	–
Tax	(141 194)	(198 342)	(231 023)	–	–	–
	57 120	436 843	110 227	–	–	–
Assets and liabilities						
Assets of disposal groups						
Property, plant and equipment	154 577	280 512	326 862	–	–	–
Inventories	8 574	18 954	22 635	–	–	–
Trade and other receivables	111 957	78 995	270 745	–	–	–
Cash and cash equivalents	713 078	1 673 841	943 854	–	–	–
	988 186	2 052 302	1 564 096	–	–	–
Liabilities of disposal groups						
Other financial liabilities	110 604	150 705	186 423	–	–	–
Other payables	417 266	994 923	937 592	–	–	–
	527 870	1 145 628	1 124 015	–	–	–
Cashflow movement	446 358	(466 593)	(440 081)	–	–	–

16. Share capital

Authorised						
100 Ordinary par value shares of R1 each	–	–	–	–	–	–
Issued						
1 Ordinary par value shares of R1 each	–	–	–	–	–	–

17. Other financial liabilities

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
All the US dollar loans below are secured by a guarantee from the State.						
NVE Projects	1 960	2 152	–	1 575	2 152	–
EIB51						
Instalments of 3 658 178 USD made six monthly at an interest rate of 2.976%.						
Final instalment was paid in September 2008	–	–	29 683	–	–	29 683
EIB40						
Instalments of 2 456 286 USD made six monthly at an interest rate of 1.72% commencing on 15 March 2004.						
Final instalment September 2010	–	53 762	95 631	–	53 762	95 631
ECGD231						
Instalment of 3 097 879 USD made six monthly at an interest rate of 2.0975% (2009: 2.0975).						
Final instalment August 2010	23 491	70 870	99 653	17 991	70 870	99 653
Caylon						
Final instalment 28 July 2010 with an option to extend for a further five years at an average interest rate of Jibar +0.9% (2009: Jibar +0.9%).	292 500	292 500	292 500	292 500	292 500	292 500
	317 951	419 284	517 467	312 066	419 284	517 467
Non-current liabilities						
At amortised cost	299 575	318 275	397 650	294 075	318 275	397 650
Current liabilities						
At amortised cost	18 376	101 009	119 817	17 991	101 009	119 817
	317 951	419 284	517 467	312 066	419 284	517 467

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

18. Provisions

Reconciliation of provisions – Group – 2010

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Abandonment/Environmental	3 779 696	107 760	–	(64 983)	3 822 473
Desludging	11 000	–	–	–	11 000
Litigation	8 371	58 000	(8 250)	–	58 121
Rehabilitation	9 127	–	–	–	9 127
Postretirement medical aid benefit	321 976	48 264	(5 743)	–	364 497
Bonus	128 395	100 730	(106 719)	–	122 406
Audit fees	29	–	(29)	–	–
	4 258 594	314 754	(120 741)	(64 983)	4 387 624

Reconciliation of provisions – Group – 2009

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Interest expense	Total
Abandonment/Environmental	3 657 641	86 259	–	–	(232 245)	268 041	3 779 696
Desludging	11 000	–	–	–	–	–	11 000
Litigation	4 146	4 225	–	–	–	–	8 371
Rehabilitation	1 544	7 583	–	–	–	–	9 127
Postretirement medical aid benefits	226 095	161 887	(66 541)	(204)	739	–	321 976
Demurrage	12 888	–	(12 888)	–	–	–	–
Bonus	90 500	143 598	(105 703)	–	–	–	128 395
Audit fees	29	–	–	–	–	–	29
	4 003 843	403 552	(185 132)	(204)	(231 506)	268 041	4 258 594

Reconciliation of provisions – Group – 2008

	Opening balance	Additions	Utilised during the year	Reversed during the years	Change in discount factor	Total
Abandonment/Environmental	3 073 618	302 659	(7 012)	–	288 376	3 657 641
Desludging	23 813	11 000	–	(23 813)	–	11 000
Litigation	–	4 146	–	–	–	4 146
Rehabilitation	1 423	–	(6)	–	127	1 544
Postretirement	195 737	36 611	(5 661)	(1 258)	666	226 095
Demurrage	–	12 888	–	–	–	12 888
Bonus	134 000	1 741	–	–	(43 500)	92 241
Audit fees	–	29	–	–	–	29
	3 428 591	369 074	(12 679)	(25 071)	245 669	4 005 584

Figures in Rand thousand

18. Provisions (continued)

Reconciliation of provisions – Company – 2010

	Opening balance	Additions	Utilised during the year	Total
Litigation	193	58 000	(72)	58 121
Bonus	12 198	12 108	(12 198)	12 108
	12 391	70 108	(12 270)	70 229

Reconciliation of provisions – Company – 2009

	Opening balance	Additions	Total
Litigation	–	193	193
Bonus	–	12 198	12 198
	–	12 391	12 391

Reconciliation of provisions – Company – 2008

	Opening balance	Utilised during the year	Total
Post-retirement		2 587	(2 587)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Non-current liabilities	4 251 396	4 111 573	3 885 280	58 121	193	–
Current liabilities	136 228	147 021	120 304	12 108	12 198	–
	4 387 624	4 258 594	4 005 584	70 229	12 391	–

Abandonment/Environmental

The provision relates to the abandonment of Milnerton tanks and PetroSA restoration costs and environmental rehabilitation at Ogies. Included in the provision is an amount of R3 591 million which relates to PetroSA is based on the present value of the results of a study conducted in 2000. A sensitivity analysis indicates that an increase of 1% in the inflation and risk free rates will result in a movement in the interest charge and a change in estimate of the abandonment provision. The quantitative effect would be an increase of R32.2 million (2009: R34.5 million) with respect to the inflation rate and a decrease of R189.4 million (2009: R1.8 million) for the risk free rate.

The resulting provision could also be influenced by changing technologies and political, environmental, safety, business and statutory considerations. As a result of this PetroSA is currently conducting a new study.

The total cost of future restoration costs is estimated at R6.133 million. This cost includes the net expenditure to abandon and to rehabilitate both the onshore and offshore facilities as well as other related closure costs.

Desludge provision

This is in respect of the desludging of the tanks at the Milnerton terminal.

18. Provisions (continued)

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

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

Financial year	R'million
2011	721
2012	310
2013	638
2014	331
2015-2034	4 133

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

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

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

19. Employee benefits

Pensions and Retirement Funds Defined benefit pension plan
Defined benefit pension plan
The Group operates defined benefit retirement plans for the benefit of all employees. The plans are governed by the Pension Funds Act, 1956 (Act no. 24 of 1956). The assets of the plans are administered by trustees in funds independent of the entity.

PetroSA
The Mossgas pension fund was closed to new entrants during 1996 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 was performed as at 31 January 2007. The independent actuary was of the opinion that the fund was financially sound. The actuarial present value of promised retirement benefits as at 31 January 2007 was R46.5 million. The fair value of the plan assets had an actuarial value of R44.7 million and a market value of R44.7 million as at 31 January 2007, excluding the annuity policy. The value of the annuity policy for pensioners was R26.1 million. The Fund was valued using the "attained age method".

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

19. Employee benefits (continued)

Pensions and Retirement Funds Defined benefit pension plan (continued)

The reason for the change at this valuation date was due to the impending termination of the Fund and the resulting requirements to secure pension rights for all in-service members. In terms of the approved surplus apportionment scheme at 31 January 2004, PetroSA is entitled to receive R2 million of the surplus. No contribution was recognised as an expense during the year as all employees were transferred to the PetroSA Retirement Fund.

With effect from 1 October 2007 all in service members were transferred out of the fund to the PetroSA Retirement Fund, and future accrual of benefits under the Pension Fund ceased. Application was made to the Registrar to transfer the accrued benefits of in-service members to the PetroSA Retirement Fund, and to transfer the pensioner liabilities to individual annuity policies with Old Mutual. The Registrar's approval was granted and all liabilities have been fully transferred. The trustees have appointed a liquidator and they await the Registrar's approval to this appointment.

Defined benefit pension

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
SFF						
Present value of the defined benefit obligation	–	–	–	–	–	–
Fair value of plan assets	2 912	2 227	17 875	–	–	–
Benefit asset/(liability) – non-curent	2 912	2 227	17 875	–	–	–
Movements in the benefit asset during the year						
Opening balance	2 227	17 875	17 123	–	–	–
Contributions by members	–	–	17	–	–	–
Benefits expense	718	(13 006)	(681)	–	–	–
Other	(33)	(2 642)	1 416	–	–	–
	2 912	2 227	17 875	–	–	–
Net benefit expense						
Current service cost	–	249	(21)	–	–	–
Past service cost	–	–	(32)	–	–	–
Interest cost	–	246	–	–	–	–
Net actuarial (gains) and losses	4 350	(4 881)	(461)	–	–	–
Expected return on plan assets	553	1 713	1 943	–	–	–
Loss/(profit) on curtailment	–	(204)	–	–	–	–
Past services costs	–	1 247	–	–	–	–
Net benefit expense	4 903	1 630	1 429	–	–	–
At beginning of year	3 600	2 598	2 720	–	–	–
Interest cost	–	246	32	–	–	–
Current service costs	–	249	21	–	–	–
Benefits paid	–	1 043	(2 312)	–	–	–
Actuarial gain/loss	4 185	(536)	(461)	–	–	–
Additional past service obligation	(7 785)	–	–	–	–	–
At end of year	–	3 600	–	–	–	–

19. Employee benefits (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
SFF Association (continued)						
Movements in fair value of plan assets						
At beginning of year	2 227	17 875	19 843	–	–	–
Expected return on assets	553	1 713	474	–	–	–
Actuarial gain/(loss)	165	(4 345)	–	–	–	–
Employer contribution	–	–	10	–	–	–
Member contribution	–	–	7	–	–	–
Benefits paid	–	–	(2 312)	–	–	–
Expenses paid	(33)	10	(147)	–	–	–
Tax paid	–	(20)	–	–	–	–
Settlements	–	(13 006)	–	–	–	–
At end of year	2 912	2 227	17 875	–	–	–
Assumptions used:						
Investment returns	9.00%	8.00%	9.60 %	– %	– %	– %
Salary increase	– %	– %	– %	– %	– %	– %
Pension increases	– %	– %	– %	– %	– %	– %
Discount rate	9.00%	9.00%	7.70 %	– %	– %	– %

Defined contribution pension plan

The group contributions for the year amounted to R89.8 million (2009: R62.6 million). The company contributions for the year amounted to R3.4 million (2009: R3.0 million).

PetroSA Retirement Fund

The company operates a defined contribution retirement plan for the benefit of employees who are not members of the Mossgas Pension Fund. All employees who commenced employment after 1 April 1996 qualify for membership of this fund. The amount recognised as an expense during the year under review was R78.1 million (2009: R52.3 million) for the retirement fund.

Petroleum Agency Retirement Fund

The company contributions for the year amounted to R3.9 million (2009: R3.4 million). The fair value of funds invested at 31 March 2010 was R38 million (2009: R30 million). The fair value of the funds invested is their market value at the end date.

Medical benefits

Post-employment medical benefits

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

19. Employee benefits (continued)

Medical benefits (continued)

PetroSA

The group has provided an amount of R343.3 million (2009: R300.2 million) towards the funding of post retirement medical scheme costs for all employees and pensioners. This commitment is actuarially valued annually, the most recent valuation performed as at 31 March 2010. The actuary's recommendation that redemption of R1,7 million be made for the previous financial year was implemented, with the credit made against income.

The actuarial present value of promised retirement medical benefits at 31 March 2010 is R343.3 million. The obligation is unfunded and was valued using the projected unit method. A discount rate of 8.9% and medical aid inflation rate of 7.2% was assumed. Mortality assumptions were in line with standard tables SA56/62 (in service) and PA(90) (in retirement). A sensitivity analysis was performed on the medical aid inflation rate assumption used in the valuation. A 8.2% and 6.2% medical aid inflation rate assumption would result in an accumulated obligation at 31 March 2010 of R399.0 million and R297.4 million respectively. The combined interest and service costs vary according to the medical aid inflation assumptions and are R47.4 million (7.2%); R55.3 million (8.2%) and R40.9 million (6.2%).

CEF, OPC, Saneri and iGas

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

SFF Association

The company contributions to a medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of retirees is actuarially valued annually, using the projected unit credit method. The plan is funded. The last actuarial valuation was carried out on 31 March 2010 and the process to be updated. The principal assumptions adopted are disclosed below.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
	%	%	%	–	–	–
Valuation interest rate:	10.00	9.00	9.00	–	–	–
Medical aid contribution increase rate:	8.00	8.00	7.00	–	–	–
Projected benefit obligation						
Projected benefit obligation as at 31 March 2009	18 175	18 175	17 111	–	–	–
Interest costs	1 584	–	–	–	–	–
Benefit paid (estimate)	(1 164)	–	–	–	–	–
Current service cost	–	–	(147)	–	–	–
Actuarial (gain)/loss due to assumption changes	(1 906)	–	–	–	–	–
	4 463	–	–	–	–	–
Net benefit (income)/expense	21 152	18 175	1 964	–	–	–

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20. Trade and other payables

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Trade payables	2 479 049	731 286	1 484 571	3 068	3 263	1 132
VAT	10 653	7 597	2 091	–	–	1 362
3rd Party funds	191 917	183 202	34 793	28 511	35 626	30 885
Accrued leave pay	67 851	56 130	44 072	–	–	–
Accrued expenses	421 355	950 671	789 178	758	1 461	4 169
Sundry creditors	38 281	56 650	2 954	–	–	2 125
	3 209 106	1 985 536	2 357 659	32 337	40 350	39 673

21. Deferred income

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Deferred income	60 905	22 376	1 812	1 110	703	–

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

Petroleum Agency and CEF (Proprietary) Limited received some funds from foreign donors for specific projects.

Carbon Stream Africa (Proprietary) Limited received donor funds from the Norwegian government to fund future trainees in development of Project Design Documents.

22. Rendering of services

Major classes of revenue comprise:

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Sale of goods	7 439 736	11 014 312	9 238 217	–	–	–
Rendering of services	722 486	1 164 623	1 012 466	–	–	–
Tank rentals	394 683	156 566	168 756	–	–	–
Rental Income	2 138	2 172	1 838	–	–	–
	8 559 043	12 337 673	10 421 277	–	–	–

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23. Cost of sales

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Sale of goods						
Cost of goods sold	7 538 852	9 476 672	7 595 398	–	–	–

24. Operating (loss)/profit

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Operating profit for the year is stated after accounting for the following:						
Operating lease charges						
Premises						
• Contractual amounts	11 594	10 999	16 202	1 999	2 744	1 891
• Recovered from sublease	7	–	–	–	–	–
Motor vehicles						
• Contractual amounts	9	217	–	–	–	–
Equipment						
• Contractual amounts	2 228	2 162	2 074	–	–	–
	13 838	13 378	18 276	1 999	2 744	1 891
Loss on sale of property, plant and equipment	(703)	(106)	(19)	(758)	–	(2)
Loss on sale of other financial assets	(2)	–	–	–	–	–
Impairment on businesses						
(or subsidiaries, joint ventures and associates)	342	220 605	17 000	17 408	38 18	25 300
Loss/(profit) on exchange differences	(156 007)	37 179	43 606	4	1 023	2 532
Amortisation on intangible assets	6 247	5 228	4 727	3 069	3 645	3 691
Depreciation on property, plant and equipment	758 094	436 068	857 307	5 951	2 093	1 797
Employee costs	213 972	174 185	132 703	61 173	52 875	47 503
Research and development	17 732	75 864	36 400	2 577	45 495	3 459

25. Auditors' remuneration

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Fees	4 144	3 465	2 721	1 421	1 230	1 098
Adjustment for previous period	–	–	152	–	–	152
Consulting	14	–	–	–	–	–
Expenses	59	103	133	27	69	104
	4 217	3 568	3 006	1 448	1 299	1 354

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26. Investment income

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Dividend income						
Subsidiaries – Local	–	–	–	–	725 000	425 000
Associates – Local	–	–	870	–	–	–
	–	–	870	–	725 000	425 000
Interest income						
Back – to – back loans	1 122	9 542	17 151	26 876	47 237	56 547
Loans	16 671	195	174	16 671	195	174
Interest on money market and bank	1 314 815	1 979 618	1 483 973	272 288	355 672	271 780
Other interest	16 943	29 254	17 341	2 668	2 279	710
	1 349 551	2 018 609	1 518 639	318 503	405 383	329 211
Total	1 349 551	2 018 609	1 519 509	318 503	1 130 383	754 211

27. Finance costs

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Interest paid to subsidiaries	–	–	–	68 562	91 555	76 020
Non-current borrowings	26 928	52 276	104 350	25 806	44 476	56 481
Bank	17 318	6 969	7 762	–	–	–
Late payment of tax	10 588	–	–	–	–	–
Notional interest	294 669	277 650	114 733	–	–	–
Revaluations of foreign loans	89 085	(42 491)	(8 732)	1 075	1 815	2 709
	438 588	294 404	218 113	95 443	137 846	135 210

28. Taxation

Major components of the tax (income)/expense

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Current						
Local income tax – current period	63 367	430 854	378 197	39 117	45 043	20 048
Local income tax – recognised in current tax for prior periods	(357 554)	–	–	–	–	–
Tax adjustment	8 737	(7 579)	–	8 722	(7 802)	–
Foreign income tax or withholding tax – recognised in current tax for prior periods	427	2 730	1 398	–	–	–
	(285 023)	426 005	379 595	47 839	37 241	20 048
Deferred						
Originating and reversing temporary differences	201	(201)	–	–	–	–
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	(320)	–	–	–	–	–
Other deferred tax	(6 525)	(396 563)	315 425	(15 010)	(8 539)	15 546
	(6 644)	(396 764)	315 425	(15 010)	(8 539)	15 546
	(291 667)	29 241	695 020	32 829	28 702	35 594

28. Taxation (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Reconciliation of the tax expense						
Reconciliation between applicable tax rate and average effective tax rate						
Applicable tax rate	28.00%	28.00%	29.00%	28.00%	28.00%	29.00%
Exempt income	–%	–%	–%	–%	–%	2.00%
Permanent difference	–%	3.55%	(6.30)%	–%	–%	–%
Foreign taxes	(0.15)%	0.64%	7.30%	–%	–%	–%
Timing difference	(2.96)%	(1.83)%	0.45%	(1.21)%	(0.30)%	(0.44)%
Dividends	–%	–%	–%	–%	(24.51)%	(24.10)%
	24.89%	30.36%	30.45%	26.79%	3.19%	6.46%

PetroSA

Due to a change in the tax legislation pertaining to provisional tax, the tax liabilities in South Africa for PetroSA and its European operations are calculated based on actual financial performance. The second provisional tax payment was made at 31 March 2010.

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

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

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Taxation						
Opening balance	67 806	332 396	536 035	(13 350)	(6 168)	(1 261)
Income tax for the year	(291 667)	29 241	695 020	32 829	28 702	35 594
Deferred portion	6 609	421 543	(207 426)	15 010	8 539	(15 546)
Payment made	(28 336)	(715 374)	(691 233)	(27 001)	(44 423)	(24 955)
Net tax payable/(receivable)	(245 588)	67 806	332 396	7 488	(13 350)	(6 168)
Taxation summary as per Statement of Financial Position						
Current tax payable	41 557	82 147	338 564	7 488	–	–
Current tax receivable	(287 145)	(14 341)	(6 168)	–	(13 510)	(6 168)
	(245 588)	67 806	332 396	7 488	(13 510)	(6 168)

Notes to the Annual Financial Statement

For the year ended 31 March 2010

29. Cash receipts from customers

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Sales	8 559 043	12 337 673	10 421 277	–	–	–
Other revenue	709 851	756 775	803 897	24 034	25 229	23 300
Profit and loss on sale of assets and liabilities	(242)	–	–	–	–	–
Movement in trade and other receivables	(1 500 423)	19 751	(652 509)	415 115	(185 084)	(239 478)
	7 768 229	13 114 199	10 572 665	439 149	(159 855)	(216 178)

30. Cash paid to suppliers and employees

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Cost of sales	7 538 852	9 476 672	7 595 398	–	–	–
Operating costs	3 014 554	2 998 292	2 019 158	177 451	201 567	130 356
Movement in inventory	(90 091)	(342 913)	885 588	–	–	–
Movement in trade and other payables	(1 223 570)	372 122	(1 097 530)	8 059	(1 377)	7 311
Non-cash items	(946 445)	(1 013 735)	(1 086 850)	(67 539)	(44 074)	(2 913)
	8 293 300	11 490 438	8 315 764	117 970	156 115	134 754

31. Cash (used in) generated from operations

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
(Loss) profit before taxation	(430 669)	1 906 847	2 801 787	69 643	816 199	511 945
Adjustments for:						
Depreciation and amortisation	764 341	441 296	862 034	9 020	5 738	5 488
Profit on sale of assets	(242)	–	–	–	–	12
Profit from discontinued operations	57 120	436 843	110 227	–	–	–
Income from equity accounted investments	–	–	–	–	38 143	25 300
Dividends received	–	–	(870)	–	(725 000)	(425 000)
Interest received	(1 349 551)	(2 018 609)	(1 518 639)	(318 503)	(405 383)	(329 211)
Finance costs	438 588	294 404	218 113	95 443	137 846	135 210
Movements in provisions	129 030	253 010	482 997	57 838	193	(2 587)
Transfer and other movement in assets	96 661	198 546	(303 636)	–	–	–
Other adjustments	13	–	–	–	–	–
Minority interest	(1 351)	1 610	1 812	–	–	–
Transfer and other movement in assets	–	–	–	275	–	–
Goodwill	–	(8 556)	–	–	–	–
Foreign currency translation reserve	(197 719)	59 189	18 080	–	–	–
Changes in working capital:						
Inventories	90 091	342 913	(885 588)	–	–	–
Trade and other receivables	(1 500 423)	19 751	(652 509)	400 311	(185 084)	(239 478)
Trade and other payables	1 223 570	(372 123)	1 097 530	(8 013)	(1 377)	7 311
Deferred income	38 529	20 564	–	406	–	–
Provision for bad debts	171 959	48 076	25 562	–	–	–
	(470 053)	1 623 761	2 256 900	306 420	(265 591)	(325 632)

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For the year ended 31 March 2010

32. Increase in investment in subsidiaries and associates

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
DWP						
Provision against investment	17 000	17 000	17 000	17 000	17 000	17 000
Provision against loan	(17 000)	(17 000)	(17 000)	(17 000)	(17 000)	(17 000)
	–	–	–	–	–	–
OPCSA						
Provision against investment	–	–	–	(12 594)	(9 276)	6 166
African Exploration						
Provision against investment	–	–	–	26 625	35 681	2 134
Cotec Patrade (Pty) Ltd						
Provision against investment	–	–	–	(13)	–	–
ETA Energy (Pty) Ltd						
Provision against investment	–	–	–	3 389	11 775	–
Net movement on investment in subsidiaries and associates	–	–	–	17 407	38 180	8 300
Opening carrying amount of loans to group companies:						
SANERI	–	–	–	(30 040)	(21 561)	(55 429)
Petroleum Agency SA	–	–	–	(273 981)	(189 565)	(174 775)
SFF	–	–	–	8	11	–
PetroSA	–	–	–	(513 854)	(432 029)	(361 527)
iGas	–	–	–	610 569	637 460	682 309
CCE	–	–	–	14 183	–	–
ETA	–	–	–	11 775	–	–
Carbon Stream	–	–	–	(1 317)	–	–
	–	–	–	(182 657)	(5 684)	90 578

Notes to the Annual Financial Statement

For the year ended 31 March 2010

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Closing carrying amount of loans to Group companies:						
Petroleum Agency SA	–	–	–	(262 589)	(273 981)	(189 565)
SFF	–	–	–	–	8	11
PetroSA	–	–	–	(537 641)	(513 853)	(432 029)
South African Gas Development	–	–	–	555 959	610 569	637 460
Sasda	–	–	–	14 682	–	–
SANERI (Pty) Ltd	–	–	–	(21 302)	(30 040)	(21 561)
CCE	–	–	–	72 099	14 183	–
ETA	–	–	–	(41 003)	11 775	–
OPC	–	–	–	(3 909)	–	–
Carbon Stream	–	–	–	(578)	(1 317)	–
CEF Carbon SA	–	–	–	5 864	–	–
	–	–	–	(218 418)	(182 656)	(5 684)
Movement in carrying amount of loans	–	–	–	32 498	176 972	96 262
Net investment in subsidiaries and associates	–	–	–	(17 407)	(38 180)	(8 300)
Cash effect of investments in subsidiaries and associates	–	–	–	15 091	138 792	87 962

33. Tax paid

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Balance at beginning of the year	(67 806)	(332 396)	(536 035)	13 350	6 168	1 261
Current tax for the year recognised in profit (or loss)	291 667	(29 241)	(695 020)	(32 829)	(28 702)	(35 594)
Deferred tax movement for the year	(6 609)	(421 543)	207 426	(15 010)	(8 539)	15 547
Balance at end of the year	(245 588)	67 806	332 396	7 488	(13 350)	(6 168)
	(28 336)	(715 374)	(691 232)	(27 001)	(44 423)	(24 955)

Notes to the Annual Financial Statement

For the year ended 31 March 2010

34. Contingencies

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Guarantees						
DME for Rehabilitation of EBT/EAR mining lease	27 100	27 100	27 100	27 100	27 100	27 100
Eskom for payment of guarantee for electrical supply	2 435	11 920	11 920	2 435	11 920	11 920
Department of Minerals and Energy for rehabilitation of FA mining lease	450 000	450 000	450 000	450 000	450 000	450 000
ABSA Bank for iGas to acquire a 25% interest in Rompco	220 000	260 000	300 000	220 000	260 000	300 000
Performance guarantees – Egyptian General Petroleum Corporation iro minimum work obligations for exploration operations in Egypt	–	171 018	170 396	–	–	–
Performance guarantees – Republic of Sudan in respect of minimum work obligations for exploration in Sudan	131 841	173 115	64 912	–	–	–
Bluewater (UK) Limited – PetroSA for rental contract	41 903	55 021	46 420	41 903	55 021	46 420
Various financial institutions – housing and motor loans – employees	1 926	11 028	24 842	–	–	–
ABSA Bank for OPCSA's Deed of Suretyship	2 000	2 000	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 EP tract, should the tract be successful	21 974	32 276	27 231	–	–	–
The Group has issued guarantees for the rehabilitation of land disturbed by mining on the Sable field, amounting to:	180 000	180 000	180 000	–	–	–
A bank guarantee of LE346 219 for the leasing of land and a jetty at Marsa Marina was issued by PetroSA Egypt (Pty) Ltd	487	594	–	–	–	–
The Group has issued a parent company guarantee in favour of Aban Abraham in respect of rig hire for PetroSA Equatorial Guinea for $24.4 million valid until 15 March 2010	–	234 667	–	–	–	–
The Group has issued a manufacture and excisable bond in favour of the South African Revenue Services	5 000	5 000	5 000	–	–	–
The Group has issued an evergreen VAT guarantee in favour of the Dutch VAT Authorities (Euro 0.455 million)		4 482	5 810	–	–	–
The Group has issued an evergreen VAT guarantee in favour of the Belgium VAT Authorities ($1.488 million)		–	14 311	–	–	–
ABSA Bank for SANERI Deed of Suretyship	2 100	2 100	–	2 100	2 100	–
ABSA Bank for iGas Deed of Suretyship	2 100	2 100	–	2 100	2 100	–
The Group has issued a standby letter of credit in favour of Heraeus, Germany, for the loan of platinum for $2.5 million valid until 30 April 2010	18 311	–	–	–	–	–
	1 111 659	1 638 060	1 309 821	747 638	810 241	837 440

34. Contingencies (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Claims						
PetroSA is in the process of negotiating a settlement on a contractual dispute with a supplier	–	–	4 000	–	–	–
PetroSA, is considering settling various claims made by ex-employees	600	600	–	–	–	–
Estimated legal fees in representing PetroSA that are irrecoverable	–	6 177	–	–	–	–
	600	6 777	4 000	–	–	–

Rehabilitation of mining leases

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

Cession and pledge to Absa Bank Limited of R161.8 million

iGas (Proprietary) Limited, a subsidiary of CEF (Proprietary) Limited has acquired a 25% interest in Rompco (Proprietary) Limited. In order for iGas (Proprietary) Limited to give effect to the above mentioned acquisition it was obliged to procure guarantees from a financial institution in support of its obligation as Debt Service Support provider to Rompco (Proprietary) Limited. Absa Bank Limited has issued guarantees to the value of R590 million (current outstanding amount R383.8 million). CEF (Proprietary) Limited has issued a counter guarantee to Absa Bank Limited to the same value. CEF (Proprietary) Limited has ceded and pledged an amount of R161.8 million (2009: R181 million) to Absa Bank Limited for the guarantee facility.

35. Commitments

Authorised capital expenditure

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Approved by the directors						
Contracted for	5 677	2 541 642	1 722 319	–	–	–
Not contracted for	–	862 630	3 372 862	–	–	–
	5 677	3 404 272	5 095 181	–	–	–

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

CCE – The company capital expenditure relates to the power plant in Cape Town and will be financed by debt and equity.

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

35. Commitments (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Operating lease commitments						
CEF						
– within one year	–	243	1 369	–	243	1 369
– in second to fifth year inclusive	–	–	1 369	–	–	1 369
	–	243	2 738	–	243	2 738

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
SANERI						
– within one year	594	212	258	–	–	–
– in second to fifth year inclusive	3 033	–	136	–	–	–
	3 627	212	394	–	–	–

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

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

Leases the office space at 158 Jan Smuts Avenue, 4th floor, office 22, 23 & 28 and 31 for a period of 4 years from Gensec Property Services Limited. The lease will expire on 31 March 2010.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
OPC						
– within one year	543	499	26	–	–	–
– in second to fifth year inclusive	–	588	–	–	–	–
	543	1 087	26	–	–	–

The company has entered into a property lease for its administrative offices. The non-cancellable lease was for a period of three years ending 30 April 2011. There is an option to extend the lease for another two years.

The company has entered into an equipment lease for photocopiers.

35. Commitments (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Operating lease commitments (continued)						
African Exploration Mining and Finance Corporation						
– within one year	454	–	73	–	–	–
– in second to fifth year inclusive	2 320	–	–	–	–	–
	2 774	–	73	–	–	–

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

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
PetroSA (Pty) Ltd						
– within one year	2 465	2 283	–	–	–	–
– in second to fifth year inclusive	416	2 881	–	–	–	–
	2 881	5 164	–	–	–	–

Office space was leased at the Tyger Valley Chambers in Parow, Cape Town, effective from 1 June 2008. The lease payment was fixed at R178 345 per month, with a 8% escalation per annum. The period of the lease agreement is three years and ends on 31 May 2011.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
PetroSA Europe BV Office space						
– within one year	264	329	389	–	–	–
– in second to fifth year inclusive						
	967	–	259	–	–	–
	1 231	329	648	–	–	–

Leases office space at 3011XB Willemswerf, 13th Floor, Boomjes, effective 1 December 2009. The lease payment is fixed at Euro 36,000 per annum, with an inflationary escalation per annum. The period of the lease agreement is five years and ends on 30 November 2014, at which time PetroSA Europe BV has the option to renew the lease for a further five year period.

35. Commitments (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Operating lease commitments (continued)						
PetroSA Europe BV – motor vehicles						
– within one year	242	425	335	–	–	–
– in second to fifth year inclusive	403	136	108	–	–	–
	645	561	443	–	–	–

Leases motor vehicles on behalf of its employees. The standard contract period is 48 months. The effective start date was October 2006 and ends November 2013.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
PetroSA Europe BV – apartments						
– within one year	727	129	101	–	–	–
– in second to fifth year inclusive	622	–	–	–	–	–
	1 349	129	101	–	–	–

Leases apartments for its employees. The effective starting dates were 1 October and 1 August for a period of two years and ended 30 April 2012 and 31 October 2011. The rental is now on a month to month basis with a notice period of one month. The annual rental will be adjusted in line with CPI all household series.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Equatorial Guinea						
– within one year	614	776	941	–	–	–
– in second to fifth year inclusive	–	–	784	–	–	–
	614	776	1 725	–	–	–

Leases office space in Malaba for a one year period, effective from 1 February 2008 to 31 January 2011. The lease payments are CFA 4 000 000 per month, and is paid in advance for a year.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Equatorial Guinea						
– within one year	388	1 567	2 050	–	–	–
– in second to fifth year inclusive	–	314	2 722	–	–	–
	388	1 881	4 772	–	–	–

Leases staff accommodation for its employee, effective until 14 May 2010 and 31 August 2010, payable monthly in advance.

35. Commitments (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Operating lease commitments (continued)						
PetroSA North America						
– within one year	335	494	414	–	–	–
– in second to fifth year inclusive	–	329	690	–	–	–
	335	823	1 104	–	–	–

PetroSA North America leases office space at Lyric Centre Office Building, 440 Louisaiana Street, Houston, Harris County, Texas, 77002. The effective starting date was 1 December 2007 and the lease period is 36 months with a monthly payment of USD 4251.99 and an escalation of 0.692% linked to the increase in taxes, operating expenses and utility costs.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Petroleum Agency SA						
– within one year	4 502	897	2 289	–	–	–
– in second to fifth year inclusive	18 731	51	125	–	–	–
	23 233	948	2 414	–	–	–

Suite 3 Tygerpoort in Bellville

Petroleum Agency SA extended the lease of office space from Sulnisa Property for a period of five years ending 30 September 2014. The lease payment is fixed at R360 765 per month with an annual escalation of 8% per annum. The company has an option to renew the lease for a further five years and option to buy on expiry of the first five years.

Milnerton

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

Roy Beamish Centre

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

35. Commitments (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Operating lease commitments (continued)						
PetroSA Egypt						
– within one year	1 071	2 354	2 050	–	–	–
– in second to fifth year inclusive	–	872	2 722	–	–	–
	1 071	3 226	4 772	–	–	–

Office space and accommodation was leased for two of its employees in Cairo. The effective starting dates were 1 December 2007 and 1 February 2007 for a period of 36 months for the three leases with a monthly payment of USD 22 700 in total. An escalation of 5% at the beginning of the third year is applicable to the office space, with the two accommodation leases having 5% and 10% escalation annually. The company has an option to renew the leases.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
SASDA						
– within one year	395	459	–	–	–	–
– in second to fifth year inclusive	24	103	–	–	–	–
	419	562	–	–	–	–

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

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
CEF Carbon						
– within one year	11	–	–	–	–	–
– in second to fifth year inclusive	212	–	–	–	–	–
	223	–	–	–	–	–

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

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

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35. Commitments (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Operating lease commitments (continued)						
ETA Energy						
– within one year	90	14	162	–	–	–
– in second to fifth year inclusive	460	–	21	–	–	–
	550	14	183	–	–	–

The entity sub let Unit 109B, the Foundry, Prestwich street, Green Point. The period of the lease was from 1 November 2007 to 30 June 2008.

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

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
iGas						
– within one year	293	220	–	–	–	–
– in second to fifth year inclusive	312	–	–	–	–	–
	605	220	–	–	–	–

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

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

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
SFF						
– within one year	12	–	–	–	–	–
– in second to fifth year inclusive	234	–	–	–	–	–
	246	–	–	–	–	–

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

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

36. Financial instruments

Risk profile

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

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

Risk management objectives and policies

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

Foreign currency management

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

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

A sensitivity analysis was done for the net effect on revenue, cost of sales and expenses. The weakening or strengthening of the Rand/Dollar exchange rate by R1 based on actual revenue and cost will increase or decrease profits by R585.3 million (2009: R789.5 million) respectively.

Cross currency interest rate swap

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

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

As at 31 March 2010, the interest rate and foreign exchange derivative position relating to the cross currency interest rate swap was out-the-money to an amount of R1.1 million (2009: in-of-the money to an amount of R11.8 million).

Financial Assets

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

As at 31 March 2010 a 10% strengthening in ZAR against the relevant currencies would have resulted in a decrease in foreign currency denominated assets of R152 million (2009: R131.6 million) and a 10% weakening in ZAR against the relevant currencies would have resulted in an increase in foreign currency denominated assets of R152 million (2009: R131.6 million).

36. Financial instruments (continued)

Financial Liabilities

As at 31 March 2010 a 10% strengthening in ZAR against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities of R20.7 million (2009: R37.5 million) and a 10% weakening in ZAR against US Dollar would have resulted in an increase in foreign currency denominated liabilities of R20.7 million (2009: R37.5 million)

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.

Exchange rates used for conversion of foreign items were:

Closing rate:	2010	2009	2008
USD	7.32450	9.6175	8.1141
Euro	11.04319	12.7700	12.851
Average:			
USD	7.81366	8.33012	7.1035
Euro	11.04319	12.44463	10.07569

Forward foreign exchange contracts

2010

Total foreign currency	Average forward exchange rate	Maturity date
Liabilities		
3389 USD	11.1007	Less than 3 months

2009

Total foreign currency	Average forward exchange rate	Maturity date
Liabilities		
884.948 USD	9.6331	Less than 3 months
3.156.178 USD	13.8639	3 6 Months
61.101 GBP	9.7256	3 6 months
634.193 GBP	13.7657	Less than 3 months
Asset		
1.890 GBP	13.7498	Less than 3 months

2008

Total foreign currency	Average forward exchange rate	Maturity date
Liabilities		
9.481.024 USD	8.2171	3.6 months
87.046.658 USD	16.1594	Less than 3 months
866.175 GBP	8.1238	Less than 3 months

As at 31 March 2010, a 10% relative change in the USD to the ZAR would have impacted profit and loss for the year by R0 million (2009: R3.9 million; 2008: R72.1 million).

As at 31 March 2010, a 10% relative change in the GBP to the ZAR would have impacted profit and loss for the year by R0.004 million (2009: R0.96 million).

36. Financial instruments (continued)

	Fair value			Estimated fair value gain		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
Forward exchange contracts – assets	–	3 462	2 232	–	3 436	2 232
Forward exchange contracts – liabilities	(37)	(53 282)	(799 057)	–	(2 790)	(7)
	(37)	(49 820)	(796 825)	–	646	2 225

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

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

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

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

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

As at 31 March 2010 no financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading.

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

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

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

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

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

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

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36. Financial instruments (continued)

Derivatives

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

Maturity profile

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

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

Group

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
At 31 March 2010					
Assets					
Cash and cash equivalents	15 303 082	–	–	–	15 303 082
Other financial assets	–	468 420	–	–	468 420
Trade and other receivables	3 439 453	–	–	–	3 439 453
Total financial assets	18 742 535	468 420	–	–	19 210 955
Liabilities					
Trade and other payables	3 130 602	–	–	–	3 130 602
Other financial liabilities	18 376	299 575	–	–	317 951
Bank overdrafts	119 426	–	–	–	119 426
Total financial liabilities	3 268 404	299 575	–	–	3 567 979
At 31 March 2009					
Assets					
Cash and cash equivalents	16 143 359	–	–	–	16 143 359
Other financial assets	–	166 109	–	–	166 109
Trade and other receivables	2 039 297	–	–	–	2 039 297
Total financial assets	18 182 656	166 109	–	–	18 348 765
Liabilities					
Trade and other payables	1 921 809	–	–	–	1 921 809
Other financial liabilities	101 009	318 275	–	–	419 284
Total financial liabilities	2 022 818	318 275	–	–	2 341 093

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For the year ended 31 March 2010

36. Financial instruments (continued)

Group

At 31 March 2008	Less than 1 year	Between 1 and 5 years	Over 5 years	Non–interest bearing	Total
Assets					
Cash and cash equivalents	15 987 901	–	–	–	15 987 901
Other financial assets	–	200 042	–	–	200 042
Trade and other receivables	2 206 418	–	–	–	2 206 418
Total financial assets	18 194 319	200 042	–	–	18 394 361
Liabilities					
Trade and other payables	2 311 496	–	–	–	2 311 496
Other financial liabilities	119 817	397 650	–	–	517 467
Total financial liabilities	2 431 313	397 650	–	–	2 828 963

Company

At 31 March 2010	Less than 1 year	Between 1 and 5 years	Over 5 years	Non–interest bearing	Total
Assets					
Cash and cash equivalents	3 497 062	–	–	–	3 497 062
Other financial assets	17 991	333 018	–	–	351 009
Trade and other receivables	41 954	–	–	–	41 954
Total financial assets	3 557 007	333 018	–	–	3 890 025
Liabilities					
Trade and other payables	32 337	–	–	–	32 337
Other financial liabilities	17 991	294 075	–	–	312 066
Owing to subsidiaries	–	970 361	–	–	970 361
Total financial liabilities	50 328	1 264 436	–	–	1 314 764
At 31 March 2009					
Assets					
Cash and cash equivalents	3 395 004	–	–	–	3 395 004
Other financial assets	101 008	32 181	–	–	133 189
Trade and other receivables	443 553	–	–	–	443 553
Total financial assets	3 939 565	32 181	–	–	3 971 746
Liabilities					
Trade and other payables	40 350	–	–	–	40 350
Other financial liabilities	101 009	318 275	–	–	419 284
Owing to subsidiaries	–	879 849	–	–	879 849
Total financial liabilities	141 359	1 198 124	–	–	1 339 483

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36. Financial instruments (continued)

Company

At 31 March 2008	Less than 1 year	Between 1 and 5 years	Over 5 years	Non–interest bearing	Total
Assets					
Cash and cash equivalents	2 751 916	–	–	–	2 751 916
Other financial assets	90 134	66 636	–	–	156 770
Trade and other receivables	266 319	–	–	–	266 319
Total financial assets	3 108 369	66 636	–	–	3 175 005
Liabilities					
Trade and other payables	38 311	–	–	–	38 311
Other financial liabilities	119 817	397 650	–	–	517 467
Owing to subsidiaries	–	748 774	–	–	748 774
Total financial liabilities	158 128	1 146 424	–	–	1 304 552

Liquidity risk

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

Price risk

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

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

A sensitivity analysis was performed for revenue and every $1 increase or decrease in the Brent crude oil price will increase or decrease profit by R55.8 million (2009: R74.6 million) respectively, based on the 2009/10 financial results.

Interest rate risk

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

36. Financial instruments (continued)

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
At 31 March 2010				
Fixed rate				
Cash and cash equivalents (6.98%)	8 211 539	–	–	8 211 539
Floating Rate				
Cash and cash equivalents	5 558 804	1 350 000	–	6 908 804
Bank overdraft (1.22%)	119 426	–	–	119 426
Foreign loan USD (0.92%)	(17 991)	–	–	(17 991)
Trade receivables	3 615 894	–	–	3 615 894
Trade payables	(3 209 106)	–	–	(3 209 106)
Brass Exploration Unlimited loan (15.97%)	–	–	1	1
Lurgi (3.63%)	–	–	104 371	104 371
PetroSA Egypt (12.%)	–	–	990 351	990 351
PetroSA North America (2.92%)	–	–	949	949
GTL.F1 (0%)	–	–	31 031	31 031
PetroSA Gryphon Marin (12.%)	–	–	261 341	261 341
PetroSA Equatorial Guinea (12%)	–	–	759 980	759 980
At 31 March 2009				
Fixed rate				
Cash and cash equivalents (11.53%)	7 970 223	–	–	7 970 223
Floating Rate				
Cash and cash equivalents	8 173 136	–	–	8 173 136
PetroSA Equatorial Guinea (15%)	–	–	408 666	408 666
Foreign loan USD (2.13%)	(101 008)	(23 623)	–	(124 631)
Trade receivables	2 287 430	–	–	2 287 430
Trade payables	(1 985 536)	–	–	(1 985 536)
Forest Oil Gryphon Marin loan (0%)	–	–	189 120	189 120
Brass Exploration Unlimited loan (15.97%)	–	–	339 229	339 229
Lurgi (4.51%)	–	–	99 757	99 757
PetroSA Egypt (15%)	–	–	523 919	523 919
PetroSA North America (3.92%)	–	–	2 629	2 629
PetroSA Sudan (15%)	–	–	256 810	256 810
GTL.F1 (0)	–	–	34 171	34 171
PetroSA Europe (3.51%)	–	–	3 206	3 206

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36. Financial instruments (continued)

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
At 31 March 2008				
Fixed rate				
Cash and cash equivalents (11.20%)	6 501 359	–	–	6 501 359
Cash on deposit (9.07%)	537 648	–	–	537 648
Floating Rate				
Cash and cash equivalents	8 948 894	–	–	8 948 894
PetroSA Equatorial Guinea (16.5%)	–	–	220 161	220 161
Foreign loan USD (3.43%)	(90 134)	(105 149)	–	(195 283)
Trade receivables	2 355 257	–	–	2 355 257
Trade payables	(2 357 659)	–	–	(2 357 659)
Brass Exploration Unlimited loan (16.5%)	–	–	289 747	289 747
Lurgi (5.54%)	–	–	113 286	113 286
PetroSA Egypt (16.5%)	–	–	19 382	19 382
2118	–	–	135 903	135 903

Interest rate instruments

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

Financial Assets

As at 31 March 2010 a 10% relative change in the:

- ZAR interest rate would have impacted profit and loss for the year by R89 million (2009: R146 million; 2008).
- EURIBOR interest rate would have impacted profit and loss for the year by R0.39 million (2009: R0.46 million).
- USD LIBOR interest rate would have impacted profit and loss for the year by R0.002 million (2009: R5.4 million).

Financial Liabilities

As at 31 March 2009 a 10% relative change in the USD LIBOR interest rate would have impacted profit and loss for the year by R0.016 million (2009: R0.26 million).

Liquidity risk

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

37. Financial assets by category

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

Group – 2010

	Loans and receivables	Fair value through profit or loss – held for trading	Held to maturity investments	Available-for-sale	Total
Other financial assets	135 402	–	300 887	32 131	468 420
Trade and other receivables	3 439 453	–	–	–	3 439 453
Cash and cash equivalents	15 303 082	–	–	–	15 303 082
	18 877 937	–	300 887	32 131	19 210 955

Group – 2009

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Trade and other receivable	2 039 297	–	–	2 039 297
Other financial assets	133 928	4 342	27 839	166 109
Cash and cash equivalents	16 143 359	–	–	16 143 359
	18 316 584	4 342	27 839	18 348 765

Group – 2008

Other financial assets	133 406	3 213	63 423	200 042
Trade and other receivables	2 206 418	–	–	2 206 418
Cash and cash equivalents	15 987 901	–	–	15 987 901
	18 327 725	3 213	63 423	18 394 361

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37. Financial assets by category (continued)

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

Company – 2010

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other financial assets	17 991	300 887	32 131	351 009
Trade and other receivables	41 954	–	–	41 954
Cash and cash equivalents	3 497 062	–	–	3 497 062
	3 557 007	300 887	32 131	3 890 025

Company – 2009

	Loans and receivables	Fair value through profit or loss – held for trading	Held to maturity investments	Available-for-sale	Total
Other financial assets	101 008	–	4 342	27 839	133 189
Trade and other receivables	443 553	–	–	–	443 553
Cash and cash equivalents	3 395 004	–	–	–	3 395 004
	3 939 565	–	4 342	27 839	3 971 746

Company – 2008

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other financial assets	90 134	3 213	63 423	156 770
Trade and other receivables	266 319	–	–	266 319
Cash and cash equivalents	2 751 916	–	–	2 751 916
	3 108 369	3 213	63 423	3 175 005

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38. Financial liabilities by category

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

Group – 2010

	Financial liabilities at amortised cost	Fair value through profit or loss – held for trading	Fair value through profit or loss – designated	Total
Other financial liabilities	317 951	–	–	317 951
Trade and other payables	3 130 602	–	–	3 130 602
Bank overdraft	119 426	–	–	119 426
	3 567 979	–	–	3 567 979

Group – 2009

	Financial liabilities at amortised cost	Fair value through profit or loss – held for trading	Fair value through profit or loss designated	Total
Other financial liabilities	419 284	–	–	419 284
Trade and other payables	1 921 809	–	–	1 921 809
	2 341 093	–	–	2 341 093

Group – 2008

Other financial liabilities	517 467	–	–	517 467
Trade and other payables	2 311 496	–	–	2 311 496
	2 828 963	–	–	2 828 963

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For the year ended 31 March 2010

38. Financial liabilities by category (continued)

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

Company – 2010

	Financial liabilities at amortised cost	Fair value through profit or loss – held for trading	Fair value through profit or loss – designated	Total
Loans from shareholders	970 361	–	–	970 361
Other financial liabilities	312 066	–	–	312 066
Trade and other payables	32 337	–	–	32 337
	1 314 764	–	–	1 314 764

Company – 2009

	Financial liabilities at amortised cost	Fair value through profit or loss – held for trading	Fair value through profit or loss – designated	Total
Loans from shareholders	879 849	–	–	879 849
Other financial liabilities	419 284	–	–	419 284
Trade and other payables	40 350	–	–	40 350
	1 339 483	–	–	1 339 483

Company – 2008

Loans from shareholders	748 774	–	–	748 774
Other financial liabilities	517 467	–	–	517 467
Trade and other payables	38 311	–	–	38 311
	1 304 552	–	–	

39. Directors' emoluments

2010

	Salary/ fee	Bonuses and performance payments	Expenses	Total
Executive Directors:				
Mr MB Damane	2 660	1 174	30	3 864

	Salary/ fee	Bonuses and performance payments	Total
Non-executive Directors: Board			
Ms B Mabuza	597	–	597
Dr P Molefe	159	–	159
Dr Z Rustomjee	267	–	267
Mr Y Tenza	349	–	349
Ms P Zikalala**	–	–	–
Mr J Rocha**	–	–	–
Ms T Ramuedzisi**	–	–	–
Mr A Nkuhlu**	–	–	–
Adv L Makatini*	113	–	113
Ms N Magubane**	–	–	–
Total	1 485	–	1 485

	Salary/ fee	Bonuses and performance payments	Expenses	Total
Executive Management				
Mr C Cooper	1 000	277	16	1 293
Ms M Joubert	1 166	525	18	1 709
Mr S Mkhize	1 162	522	24	1 708
Ms A Osman	1 473	565	24	2 062
Mr M Singh	1 705	766	24	2 495
Total	6 506	2 655	106	9 267
Board Audit and Risk Management Committee				
Mr Y Tenza	72	–	–	72
Mr J Molobela	17	–	–	17
Mrs K Mthimunye	68	–	–	68
Mr R Boqo	37	–	–	37
Total	194	–	–	194

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39. Directors' emoluments (continued)

2009

	Salary/ fee	Bonuses and performance payments	Expenses	Total
Executive Directors:				
Mr MB Damane	2 506	1 079	30	3 615
Executive Management				
Ms M Joubert	1 077	481	18	1 576
Mr C Cooper*	707	–	11	718
MS A Osman	1 161	419	24	1 604
Mr M Singh	1 571	688	24	2 283
Mr S Mkhize	1 074	479	24	1 577
Total	5 590	2 067	101	7 758
Non-Executive Directors				
Ms B Mabuza	459	–	–	459
Mr N Gumede**	–	–	–	–
Mr A Nkuhlu**	–	–	–	–
Ms P Zikalala**	–	–	–	–
Dr P Molefe	108	–	–	108
Dr Z Rustomjee	175	–	–	175
Mr Y Tenza	164	–	–	164
Total	906	–	–	906
Board Audit and Risk Management Committee				
Mr Y Tenza	71	–	–	71
Mr R Boqo	44	–	–	44
Mr J Molobela	49	–	–	49
Ms K Mthimunye	55	–	–	55
Total	219	–	–	219

**Not employed for the full year.

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For the year ended 31 March 2010

39. Directors' emoluments (continued)

CEF

2008

	Salary/ fee	Bonuses and performance payments	Expenses	Total
Executive directors:				
Mr M Damane	2 035	889	–	2 924
Executive management:				
Ms M Joubert	965	446	17	1 428
Ms O Mans*	622	591	93	1 306
Ms A Osman	929	436	–	1 365
Mr M Singh	1 382	637	22	2 041
Mr S Mkhize	962	442	22	1 426
Total	4 860	2 552	154	7 566
Non-executive directors				
Ms B Mabuza	396	–	–	396
Mr T Feketha*	28	–	–	28
Ms N Mazwai*	73	–	–	73
Dr P Molefe	116	–	–	116
Dr Z Rustomjee	146	–	–	146
Mr Y Tenza	122	–	–	122
Mr N Gumede**	–	–	–	–
Mr P Zikalala**	–	–	–	–
Mr M Mkhize**	–	–	–	–
Mr M Masemola**	–	–	–	–
Ms P Langeni**	–	–	–	–
Mr A Nkuhlu**	–	–	–	–
Total	881	–	–	881
Board audit and risk management committee				
Mr Y Tenza	25	–	–	25
Mr R Boqo	45	–	–	45
Mr J Molobela	56	–	–	56
Ms K Mthimunye	61	–	–	61
Ms N Mazwai*	6	–	–	6
Total	193	–	–	193

* Not employed for full year.

** The directors are not remunerated in their personal capacity.

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For the year ended 31 March 2010

40. Related parties

Related party transactions

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
African Exploration (Pty) Ltd						
Services received/rendered	–	–	–	1 353	597	183
Accounts receivable	–	–	–	765	337	–
Loan from	–	–	–	64 440	37 815	10 501
DWP						
Loan to	(17 951)	(17 000)	(17 000)	(17 951)	(17 000)	(17 000)
Cash on call	–	2 772	3 535	–	2 772	3 535
Services received/rendered	453	261	121	453	261	121
Accounts receivable	951	–	–	951	–	–
Interest paid	76	–	–	76	161	781
Interest received	64	–	–	64	–	–
CCE						
Services received/rendered	–	–	–	452	17	–
Accounts receivable	–	–	–	364	–	–
Investment and loan	–	–	–	72 099	14 183	–
PetroSA						
Loan to	–	–	–	17 991	124 632	195 283
Dividends received/Paid	–	–	–	375 000	725 000	425 000
Interest payable	–	–	–	3 238	–	–
Cash on call	–	–	–	537 648	537 648	537 648
Recoveries	–	–	–	–	424	205
Services rendered	–	–	–	98	365	15
Interest received	–	–	–	1 122	61 926	(15 266)
Interest paid	–	–	–	41 446	12 417	54 077
Accounts payable	–	–	–	38	60	150
Accounts receivable	–	–	–	402	87	–
SANERI						
Cash on call	–	–	–	21 302	29 952	21 561
Accounts receivable	–	–	–	630	183	87
Services received/rendered	–	–	–	1 649	850	433
Interest received/paid	–	–	–	1 853	2 846	1 668
Cotec Patrade (Pty) Ltd						
Loan to	–	–	–	3 731	3 744	3 744

40. Related parties (continued)

Related party transactions (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
iGas						
Loan to	–	–	–	658 664	647 520	637 460
Cash on call	–	–	–	102 705	36 951	–
Accounts receivable	–	–	–	1 146	694	216
Services received/rendered	–	–	–	2 989	3 183	2 144
Interest received/paid	–	–	–	25 754	37 695	39 302
Interest paid	–	–	–	3 395	1 606	2 071
OPCSA						
Loan to	–	–	–	16 373	20 282	21 870
Accounts receivable	–	–	–	548	648	686
Services received/rendered	–	–	–	965	74	44
Interest received/paid	–	–	–	3 148	–	–
Accounts payable	–	–	–	33	27	8
Petroleum Agency SA						
Funds	–	–	–	262 589	273 981	189 565
Accounts receivable	–	–	–	138	93	45
Services received/rendered	–	–	–	369	668	441
Interest received/paid	–	–	–	20 396	25 474	18 478
SFF						
Services received/rendered	–	–	–	5 382	3 884	3 700
Accounts receivable	–	–	–	2 363	1 726	1 331
Department of Minerals and Energy						
Services received/rendered	–	–	14	–	–	–
Baniettoir Mining (Pty) Ltd						
Dividends received/Paid	23 933	23 933	23 933	23 933	23 933	23 933
Carbon Stream						
Cash on call	–	–	–	578	–	–
Services received/rendered	–	–	–	149	–	–
Interest received/paid	–	–	–	64	–	–
Accounts receivable	–	–	–	316	–	–
CEF Carbon						
Loan to	–	–	–	5 864	–	–
Accounts receivable	–	–	–	946	–	–
Services received/rendered	–	–	–	787	–	–

40. Related parties (continued)

Related party transactions (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Mine Health and Safety Council						
Services received/rendered	126	157	163	126	157	163
Accounts receivable	23	–	–	23	–	–
SASDA						
Loan to	–	–	–	15 215	–	–
Accounts receivable	–	–	–	251	–	–
Services received/rendered	–	–	–	1 109	–	–
Interest received/paid	–	–	–	33	–	–
Trust funds	–	–	–	533	–	–
ETA						
Loan to	–	–	–	15 164	11 775	2 287
Cash on call	–	–	–	45 003	–	–
Accounts receivable	–	–	–	946	–	–
Services received/rendered	–	–	–	799	229	57
Interest received/paid	–	–	–	1 408	–	–
Department of Science and Technology						
Grants received	3 900	4 500	42 000	–	–	–
Extended continental Shelf claim project						
Loan	5 140	9 559	5 880	5 140	9 559	5 880
Upstream Training Trust						
Cash on call	10 781	10 878	10 219	10 781	10 878	10 219
Accounts payable	–	2	78	2	78	–
Services received/rendered	47	–	–	47	–	–
PAMDC						
Amounts owing from	7	–	–	7	–	–
Services received/rendered	544	–	–	544	–	–
Accounts receivable	725	–	–	725	–	–
CEF Carbon UK						
Dormant	–	–	–	–	–	–

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

Notes to the Annual Financial Statement

For the year ended 31 March 2010

41. Prior period errors

PetroSA

Expenses relating to a settlement of claim from a vendor was expensed but required recovery in terms of an agency agreement. An employee loan was settled in previous period but the debit was not expensed in the same period. A Skills Development Levy expense was deducted from a VAT refund but not expensed. Employee loans are being raised in the previous period for the correct payment of salaries.

Equatorial Guinea

The expenses and accruals were understated in the 2009 financial year, and was corrected in the prior year.

Egypt

The comparatives have been restated to address an error in the accounts of PetroSA Egypt. The correction resulted in trade and other payables being increased with opening retained income being adjusted accordingly. Depreciation was incorrectly reflected in the previous year and was corrected as a prior period error.

CEF and Subsidiaries

The provision for performance bonus was not accounted for during the previous financial year.

AE

The joint venture investment in Pan African Mineral Development Company was corrected from R1.5 million to R5 million. An increase of R3.5 million between investment and trade and other payables was made as a result of this adjustment.

CCE

An adjustment to prepayments, VAT and operating expenses was made to correct the work in progress account.

iGas

iGas was deregistered as a VAT vendor by SARS during the previous financial year. The input and output VAT accounted for had to be reversed. iGas is currently in the process of applying to be reregistered as a VAT vendor.

OPCSA

The 2009 annual financial statements were reallocated to correct certain items on the revenue received account and other income. A prior period error on addition PPE in plant and machinery of R29 000 as well as an adjustment to accumulated depreciation and depreciation of R137 000 was made. An adjustment for fair valuing of debtors in terms of IAS39 was also made which resulted in revenue decrease and interest income increase by R1.07 million, however the net effect on the annual financial stamens is zero.

Saneri

An adjustment was done in the previous financial year to account for output VAT on grants received and invoices as well as VAT payable to SARS. Saneri is currently in the process to get legal and tax option on this matter.

Notes to the Annual Financial Statement

For the year ended 31 March 2010

41. Prior period errors (continued)

The correction of the errors results in adjustments as follows:

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Statement of Financial Position						
Property, plant and equipment	–	3 999 469	–	–	–	–
Intangible assets	–	(23 500)	(52 687)	–	(23 514)	(52 687)
Investment in associates	–	47 167	1 475	–	(12 995)	(14 019)
Trade receivables	–	182 156	2 226	–	(14 158)	2 219
Assets pending determination	–	6 481	69	–	6 481	69
Other investments	–	(22 981)	51 142	–	32 181	66 636
Other financial assets	–	–	–	–	(646)	(2 219)
Loans to group companies	–	–	89 261	–	–	–
Non-distributable reserve	–	(45)	–	–	–	–
FEC	–	(646)	(2 226)	–	–	–
Inventories	–	5 095	–	–	–	–
Trade payables	–	203 115	(1)	–	–	–
Opening balance	–	(21 261)	(1 741)	–	(12 243)	(1)
Interest bearing borrowings	–	2 152	–	–	–	–
Deferred income	–	(94)	–	–	–	–
Other financial liabilities	–	–	–	–	2 152	–
Taxation	–	11 940	–	–	11 940	–
Provisions	–	24 089	–	1 741	12 198	–
Statement of Comprehensive Income						
Revenue	–	(23 188)	(4 263)	–	–	–
Cost of sales	–	(9 607)	591	–	–	–
Investment income	–	1 366	–	–	296	–
Finance cost	–	(162)	(436 227)	–	(116)	–
Other income	–	3 156	4 370	–	–	–
Operating cost	–	(10 076)	(18 255)	(1 741)	(50 380)	(25 300)
Taxation	–	223	–	–	223	–
Equity earning of subsidiaries	–	–	40 945	–	–	–
Impairment of investment	–	–	17 000	–	38 180	25 300

SFF 2008

The 2008 annual financial statements were adjusted for a provision for unpumpable strategic stock of R15 million.

South African Supplier Development Agency

Invoices for office utilities of R53 000 and consulting fees R60 000 were not accounted in the previous audited financial statements as they were received in the current financial period. Input VAT for 2009 and 2010 was reversed as the company is no longer a VAT vendor, the amount due from SARS of R105 000 which was previously recorded in the audited financial statements was reversed and allocated in the other expenses account. Profit on assets of R38 000 which were disposed in the prior year was not accounted in the previous audited financial statements.

ETA Energy

The prior period numbers were restated as there was an adjustment in trade receivables and intangible assets.

42. Fruitless and wasteful expenditure

ESFF 2009

SFF has incurred R9 million in 2009 interest as a result of late payments to Transnet National Ports Authority. Due to late payments, SFF earned interest on the cash held of R9.3 million, which result in a net gain of R0.3 million

SFF has incurred a R1.2 million penalty for the early termination of the EWMS contract. EWMS charged a further R760k for interest on the overdue account. The company has taken steps to recover the money from the entity that has been managing the operations of SFF, further the contract has not been renewed.

SFF 2010

SFF has incurred R10.5 million interest as a result of SARS assessing SFF for tax in the 2006 financial year. SFF is a section 21 company and an agent of the state and therefore an objection will be lodged with SARS in the current year disputing the tax, penalty and interest.

PetroSA 2009

During 2008/9 a loss of R4 000 was experienced in the petty cash office due to theft, and R194 000 was paid to the South African Receiver of Revenue for penalties and interest incurred. PetroSA also incurred a penalty for late payment of cargo due for the amount of R1 000 and interest for late payment of invoices of R904 000. A further R2.6 million was incurred for penalties and interest relating to cargo dues in terms of the provisions of the Service Level Agreement between SFF and PetroSA. A contract that was budgeted for was signed by an employee outside of his authorised limit of authority, and such was in contravention of company policy therefore irregular. The value of the contract was R600 000 and the contract was subsequently ratified by management.

PetroSA 2010

During this financial year an expense for standing transport vehicles of R19 000 was paid to a customer. An amount of R2 000 was paid for a second airline ticket due to the flight being missed after checking. R1 000 was paid to the US Tax Authorities for penalties on late submission of the 2009 tax return and 2010 property tax return. Penalties of R279 000 were incurred and paid to the Equatorial Guinea Tax Authorities for the late submission for tax returns. A late customs clearance of a vessel resulted in a penalty of R20 000. Interest of R26 000 was incurred for the late payment of invoices. An amount of R13 million was paid to SARS in respect of interest on Value Added Tax. PetroSA earned interest on cash held of the same value of R10 million which resulted in a net loss of R2 million.

A senior manager entered into a contract for a hospitality suite at a prominent sporting event. She was not authorised to enter into such contract, therefore the cost is considered irregular expenditure. The value of the contract was R309 000 and the contract was subsequently ratified by management. Disciplinary hearing in progress.

CCE

CCE Solutions (Proprietary) Limited has incurred interest of R1.9 million (2009: R0.5 million) as a result of late payments to suppliers. The Board had requested a due diligence be performed on a contractor to obtain assurance regarding the value of the contract and verification of the assets in various locations. Further, CCE had to secure funding from the shareholders due to delays in reaching bankability and was not in a position to secure external funding as anticipated.

CEF

CEF has incurred interest of R1 000 for late payments to suppliers; traffic fines of R1 000; a penalty for late submission of OPC Management report of R1 000 and foreign currency payment by a customer was incorrectly made to Petroleum Agency instead to PetroSA. The exchange rate difference resulted a loss of R110 000.

Controls have been put in place to prevent a reoccurrence of the above losses and staff have been penalised in their performance ratings which reduces the performance bonus paid to staff.

42. Fruitless and wasteful expenditure (continued)

ETA
ETA has incurred interest of R12 000 for late payment on PAYE submission, this was incurred prior to CEF becoming a shareholder within the entity.

Sasda
Sasda has incurred R465 000 interest for late submission of the tax return to SARS. Sasda applied as a Section 21 entity for exemption from taxation however this was not allowed by SARS. The delay in SARS finalising the status of SASDA as a tax paying entity resulted in the tax returns being submitted late as Sasda expected a positive outcome.

SANERI
Saneri has incurred interest of R22 000 for the 2008 financial year as a result of not making any provisional tax payment. It was anticipated that the company would break even and at financial year end the company earned more interest than expected which contributed to the taxable profit.

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Fruitless and wasteful expenditure – Company						
Fruitless and wasteful expenditure – relating to current year	–	–	–	247	–	–
	–	–	–	247	–	–
Analysis of current year's fruitless and wasteful expenditure – Company						
Interest on late payment of supplier invoices	–	–	–	3	–	–
Exchange rate difference	–	–	–	110	–	–
	–	–	–	113	–	–
Reconciliation of fruitless and wasteful expenditure – Group						
Opening balance	6 463	–	–	–	–	–
Fruitless and wasteful expenditure – relating to prior year	–	15 763	–	–	–	–
Fruitless and wasteful expenditure – relating to current year	19 863	–	–	–	–	–
Less: Interest earned on nonpayment of current year fruitless and wasteful expenditure	(10 000)	(9 300)	–	–	–	–
Less: Amounts transferred to receivables for recovery	(1 960)	–	–	–	–	–
Fruitless and wasteful expenditure awaiting condonation	14 366	6 463	–	–	–	–
Analysis of awaiting condonation per economic classification						
Current	14 366	6 463	–	–	–	–

42. Fruitless and wasteful expenditure (continued)

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000	Company 2010 R'000	Company 2009 R'000	Company 2008 R'000
Analysis of Current year's fruitless and wasteful expenditure						
Incident						
Interest on late payment of supplier invoices	2 081					
Interest on taxation	3 745					
Interest on late assessment from SARS	10 500					
Recovery	(1 960)					
Total	**14 366**					
Irregular expenditure						
Contravention of company policy	309	600	–	–	–	–
Lesedi Biogas projects	–	373	–	–	373	–
	309	973	–	–	373	–

43. Changes in accounting estimates

Oil Pollution Control

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

–	142	–	–	–	–

SFF Association

The directors of the company evaluated the estimated useful life of the fixed assets as at 31 March 2010 to ensure that the fixed assets were fairly valued at year end. The total change in estimate amounted to R5.1 million.

44. Going concern

South African Agency for Promotion of Petroleum Exploration and Exploitation

The implementation of the provisions in the Royalty Act which came into effect on 1 March 2010 has resulted in the main income stream of Petroleum Agency SA being terminated with effect from this date. The MPRDA makes provision for the Designated Agency to be funded through a Parliamentary allocation. In anticipation of this, the company submitted a request for funding with effect from 1 March 2010 through the MTEF process. However, no budgetary allocation was made in favour of Petroleum Agency SA.

Although no formal response from the National Treasury was received in this regard, it became evident in discussions with the Chief Financial Officer's office at the DMR that the reason for this was that the MPRDA provision was inadequate for National Treasury's requirements. In order for funding from the National Budget allocation, Petroleum Agency SA needs proper statutory establishment. In order to facilitate this process of statutory establishment, the DMR has been provided with a Business Case for the funding of the company, and a draft proposal for the statutory establishment of Petroleum Agency SA.

A letter has been sent to the Minister requesting her support and facilitation of this process. A notification that Petroleum Agency SA will utilise existing cash reserves to fund operations for the 2010/11 financial year has been made to both the Ministers of Mineral Resources and National Treasury respectively.

45. Government grants

PetroSA receives a government grant for training on projects. In terms of the signed agreement, PetroSA will receive a refund based on the cost incurred of R4 million for the 2010 financial year (2009: R4 million) in order to provide specialised training on the project.

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For the year ended 31 March 2010

Figures in Rand thousand

46. Interest in joint operating agreements

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

	Percentage Holding/Tracts					
2010	55%	55%	55%	55%	55%	55%
R'000	E-AA	E–AG	E–W	E–CB	E–CN	SCGExplore
Production facilities	–	–	–	–	–	–
Current assets	202	46	268	335	143	18
Total assets	**202**	**46**	**268**	**335**	**143**	**18**
Current liabilities	5	2	185	211	9	–
Retained income	(914)	(774)	(1 418)	(30 079)	(1 749)	(57 000)
Company contribution to venture	1 111	818	1 501	30 203	1 883	57 018
Total liabilities	**202**	**46**	**268**	**335**	**143**	**18**
Revenue	9	3	22	28	7	35
Expenses	(189)	(79)	(1 377)	(1 748)	(326)	–
Net profit/(loss)	**(180)**	**(76)**	**(1 355)**	**(1 720)**	**(319)**	**35**
Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

	Percentage Holding/Tracts					
2010	55%	55%	55%	60%	24%	24%
R'000	E–CC	SCG Capex	E–P	Sable	Block 2A	Block 2C
Production facilities	–	–	–	–	–	–
Current assets	166	998	–	72 703	54 793	–
Total assets	**166**	**998**	**–**	**72 703**	**54 793**	**–**
Current liabilities	3	–	–	16 700	–	–
Retained income	(135 846)	(2 039 455)	(39 789)	(1 544 678)	(178 787)	(9 381)
Company contribution to venture	136 009	2 040 453	39 789	1 600 681	233 580	9 381
Total liabilities	**166**	**998**	**–**	**72 703**	**54 793**	**–**
Revenue	35	7 032	–	–	–	–
Expenses	(28)	–	(3 256)	8 006	(5 789)	(504)
Net profit/(loss)	**7**	**7 032**	**(3 256)**	**8 006**	**(5 789)**	**(504)**
Partners:					Anschutz	Anschutz
Nature of project					22.80%	22.80%
	Pioneer	Pioneer	Pioneer	Pioneer	Forest	Forest
	45%	45%	45%	40%	53.20%	53.20%
	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

Figures in Rand thousand

46. Interest in joint operating agreements (continued)

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

	Percentage Holding/Tracts					
2010 R'000	55% F–Q	30% Block 3A/4A	55% E–DC	10% Namibia South	10% Namibia South	10% Namibia 1711
Production facilities	–	–	–	–	–	–
Retained income	(1 384)	(2 139)	(44 326)	(18 699)	(1 983)	(112 209)
Company contribution to venture	1 384	2 139	44 326	18 699	1 983	112 209
Total liabilities	–	–	–	–	–	–
Expenses	(203)	(211)	(143)	(263)	(188)	(2 490)
Partners:	Pioneer 45%	Burlington Resources 60% Sasol 10%	Pioneer 45%	Burlington Resources 75% Mitsui 15%	Burlington Resources 75% Mitsui 15%	Nakor 70% Energulf 10% Namcor 7% Kunene Energy 3%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

2010 R'000	25.5% Zambezi Block
Production facilities	1
Retained income	(183 926)
Company contribution to venture	183 926
Total liabilities	–
Expenses	(11 844)
Partners:	Petronas 42.50% ENH 15% Petrobras 17%
Nature of project	Exploration

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For the year ended 31 March 2010

Figures in Rand thousand

46. Interest in joint operating agreements (continued)

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

	Percentage Holding/Tracts					
2009	55%	55%	55%	55%	55%	55%
R'000	E–AA	E–AG	E–W	E–CB	E–CN	SCG Explore
Current assets	54	52	216	37	56	–
Current liabilities	60	15	89	65	37	–
Retained income	(1 010)	(917)	(82)	(37 238)	(1 878)	(44 183)
Company contribution to venture	1 004	954	209	37 210	1 897	44 183
Total liabilities	54	52	216	37	56	–
Revenue	3	12	–	5	18	–
Expenses	(130)	(124)	(84)	(293)	(147)	(213)
Net profit/(loss)	(127)	(112)	(84)	(288)	(129)	(213)
Partners:	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%	Pioneer 45%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

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

Notes to the Annual Financial Statement

For the year ended 31 March 2010

Figures in Rand thousand

46. Interest in joint operating agreements (continued)

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

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

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

Notes to the Annual Financial Statement

For the year ended 31 March 2010

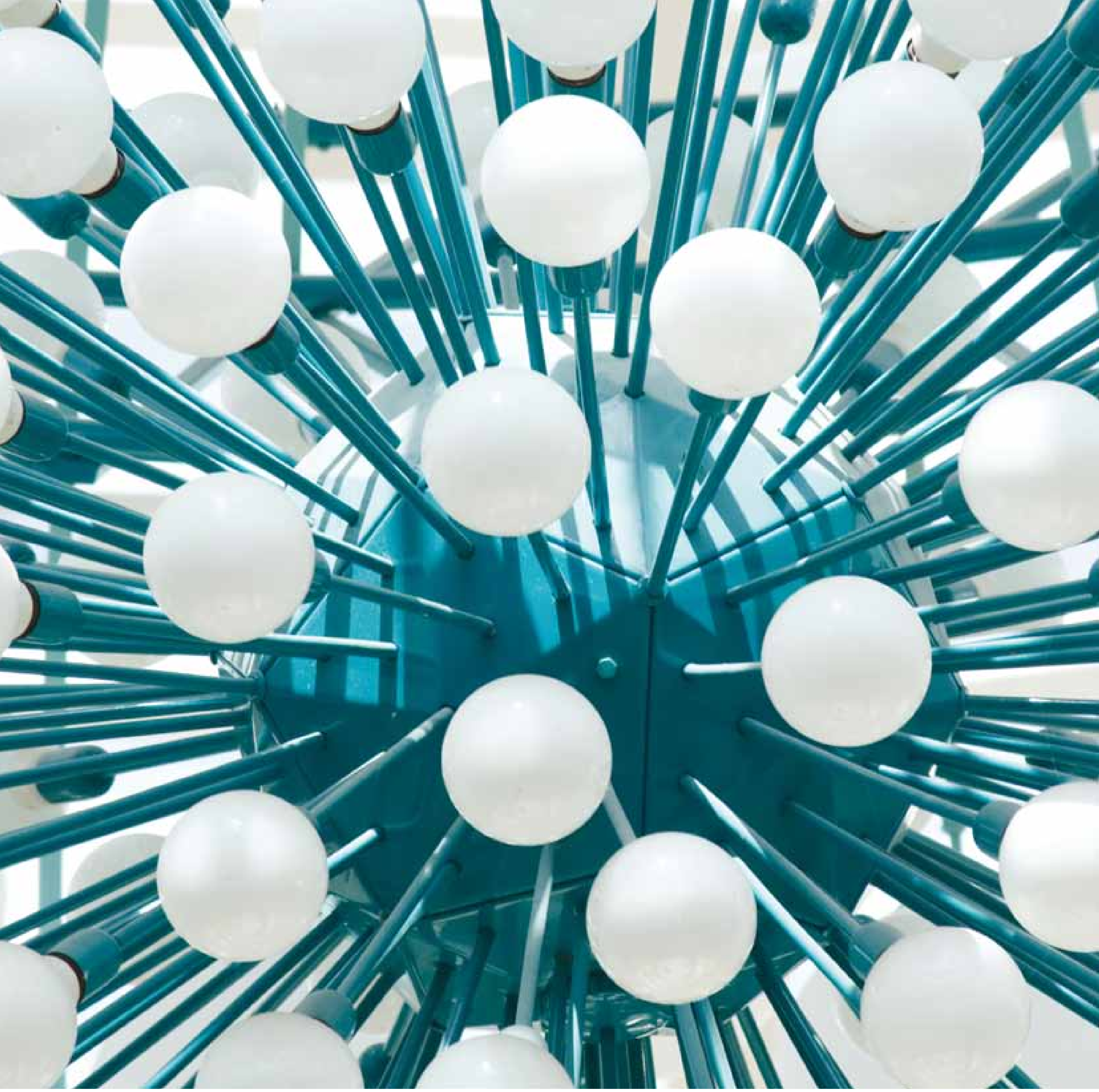
46. Interest in joint operating agreements (continued)

Joint venture with Statoil ASA

The company has entered into a 37.5% joint venture with Statoil ASA, the Norwegian State Oil company, and Lurgi to develop GTLFisher Tropsch technology and to explore and develop GTL opportunities in Iran and elsewhere. The PetroSA share of assets amounts to R325 million (2009: R321 million) at year end.

Joint venture with Pioneer

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



Fields in production and Under Development

1. Movement in net remaining proved and probable reserves

	Crude oil/ Condensate MMbbl 2010 R'000	Gas Bscf 2010 R'000	Crude/oil Condensate MMbbl 2009 R'000	Gas Bscf 2009 R'000
At beginning of year	6.50	106.10	11.40	129.40
Revisions of previous estimates	0.60	(14.00)	(0.90)	14.70
Production	(3.50)	(34.30)	(4.20)	(46.20)
Additions	–	–	0.10	8.20
At end of year	3.60	57.80	6.40	106.10

2. Proved and probable reserve by type of field

Fields in production	3.60	57.80	6.40	106.10
Fields under development	–	–	–	–

3. Reserves by category

Proved	1.60	34.10	4.90	76.10
Proved and probable	3.60	57.80	6.40	106.10
Total proved and probable reserves at end of year	3.60	57.80	6.40	106.10

Oil

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

Gas

Fields in production and under development comprise the FA and FA Satellite and EM and EM Satellite gasfields respectively.

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

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

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

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

3. Reserves by category (continued)

Definitions

Proved reserves

Oil

Means the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable to a high degree of certainty. For the purposes of this definition, there is a 90% chance that the actual quantity will be more than the amount estimated as proved and a 10% chance that it will be less.

Gas

Means the amount of gas which geophysical, geological and engineering data indicate to be commercially recoverable to a high degree of certainty. For the purposes of this definition, there is a 90% chance that the actual quantity will be more than the amount estimated as proved and a 10% chance that it will be less.

Proved and probable reserves

Oil

Means proved reserves plus the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable but with a greater element of risk than in the case of proved. For the purposes of this definition, there is a 50% chance that the actual quantity will be more than the amount estimated as proved and probable and a 50% chance that it will be less.

Gas

Means proved reserves plus the amount of gas which geophysical, geological and engineering data indicate to be commercially recoverable, but with a greater element of risk than in the case of proved. For the purposes of this definition, there is a 50% chance that the actual quantity will be more than the amount estimated as proved and probable and a 50% chance that it will be less.

Reserves under appraisal

Oil

Comprise quantities of petroleum, which are considered, on the basis of information currently available and current economic forecasts, to be commercially recoverable by present producing methods from fields that have been discovered but which require further appraisal prior to commerciality being established.

Gas

Comprise quantities of gas, which are considered, on the basis of information currently available and current economic forecasts, to be commercially recoverable by present producing methods from fields that have been discovered, but which require further appraisal prior to commerciality being established.

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

World Cup
Ticket Expenditure

World Cup Tickets Expenditure note

Tickets acquired before year-end	Quantity	R'000
	2009/10	
Distribution of tickets	Quantity	R'000
Clients/Stakeholders	273	4060
Accounting Authority		
Executive	27	452
Non-executive	64	975
Accounting Officer		
Senior Management	78	1187
Other employees	575	4050
Family members of officials		
Other government entities	101	1642
Audit Committee members	5	81
Other		
Eastern Cape Community	71	25
Media	14	250
*Please specify**		
*Please specify**		
*Please specify**		
Total	**1 208**	**12 722**

	2009/10
Travel costs	
Clients/Stakeholders	
Accounting Authority	
Executive	
Non-executive	
Accounting Officer	
Senior Management	
Other employees	
Family members of official	
Other government entities	
Audit Committee members	
Other	245
Travel All Mossel Bay	2 894
Travel - Cape Town	**4 139**

Purchase of other world cup apparel	Quantity	R'000
Specify the nature of the purchase (e.g t-shirts, caps etc)		
Bafana Bafana Authentic soccer jersey	2 000	1198
Vuvuzelas	140	5
Bafana Bafana Bennies	1 500	59
Bafana Bafana Scarves	1 500	76
Giveaways	140	4
	5 280	**1 342**

Total world cup expenditure	**18 203**

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

World Cup Tickets Expenditure note (continued)

	Quantity	R'000
Tickets acquired after year-end (31 March 2010)	16	143 375

	2009/10	
Distribution of tickets	Quantity	R'000
Clients/Stakeholders	14	125 453
Accounting Authority		
Executive	-	-
Non-executive	-	-
Accounting Officer	-	-
Senior Management	2	17 922
Other employees	-	-
Family members of officials	-	-
Other government entities	-	-
Audit Committee members	-	-
Other		
Please specify	-	-
Total	16	143 375

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




Definition of Financial Terms

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

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

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

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

Amortised cost
The amount at which a financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or 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 annual financial statements
The annual financial statements of a group presented as those of a single economic entity.

Contingent asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence 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 nonoccurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Date of transaction

The date on which the transaction first qualifies for recognition in accordance with Generally Accepted Accounting Practice.

Depreciation (or amortisation)

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

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 incurrence’s of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

DEFINITION OF FINANCIAL TERMS

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

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

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

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

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

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

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

Forecast transaction
An uncommitted but anticipated future transaction.

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 annual financial statements.

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

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

Income
Increase in economic benefits in the form of inflows or enhancements of assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Joint venture
A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Key management personnel
Those persons having authority and responsibility for planning, directing and controlling the activities of the entity. In terms of this definition, the members of the Board of directors of CEF (Proprietary) Limited qualify as key management personnel of the Group. In individual companies, the Board of directors and executive management committees qualify.

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

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

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

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

DEFINITION OF FINANCIAL TERMS

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 annual financial statements are presented.

Prior period error
An omission from or misstatement in the annual financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when annual financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation of those annual financial statements.

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

Recoverable amount
The higher of an asset's or cash-generating unit's fair value less 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, ie. 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.

CEF (Pty) Ltd

Postal Address
PO Box 786141
Sandton
2146

Physical Address
CEF House, Block C,
Upper Grayston Office Park,
152 Ann Crescent, Strathavon,
Sandton, 2031.
Johannesburg
South Africa

Tel: 010 201 4700
Fax: 010 201 4820

www.cefgroup.co.za