2014

PetroSA

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Exploration for and production of oil and gas, refining operations, converting gas and gas condensate to liquid fuels and petrochemicals and the marketing thereof.
Directors	Mr S Mncwango
	Ms NN Nokwe
	Mr ACG Molusi
	Ms FE Letlape
	Mr MM Zwane
	Mr V Sibiya
	Mr GC Smith
	Adv B Madumise
	Mr S Mokoena
	Mr D Hlatshwayo
	Ms LE Bakoro
Registered office	151 Frans Conradie Drive Parow 7500
Postal address	Private Bag X5 Parow 7499
Holding company	CEF SOC Limited incorporated in South Africa
Auditors	Auditor-General of South Africa Registered Auditors
Secretary	Ms K Kekana
Company registration number	1970/008130/07

These Annual Financial Statements were prepared and supervised by Mr JP Rhode CA(SA) (Group Financial Manager) and Ms LE Bakoro CA(SA) (Group Chief Financial Officer).

Published 31 July 2014

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

Report of the Auditor-General to Parliament on the Petroleum Oil And Gas Corporation of South Africa SOC Limited

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of the Petroleum Oil and Gas Corporation of South Africa SOC Limited and its subsidiaries (PetroSA) set out on pages 21 to 75 which comprise the consolidated and separate statement of financial position as at 31 March 2014, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated and separate financial statements

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

Auditor-general's responsibility

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

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

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Petroleum Oil and Gas Corporation of South Africa SOC Limited and its subsidiaries as at 31 March 2014 and their financial performance and cash flows for the year then ended, in accordance with SA GAAP and the requirements of the PFMA and the Companies Act of South Africa.

Emphasis of matters

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

Restatement of comparative figures

8. Note 16 to the financial statements indicates that the consolidated and separate financial statements were restated due to corrections made during the current financial year relating to the prior financial years for production assets, restoration assets and the abandonment provision, treatment of exploration and evaluation assets and the inclusion of duty at source (DAS) and CEF levies in sales and cost of sales.

9. Note 16 to the financial statements indicate that certain balances were reclassified in the current year to provide more appropriate disclosure. These balances for the financial year ended 31 March 2013 and 31 March 2012 were restated to reflect the changes.

Material impairments

10. Notes 2 and 18 to the financial statements detail the impairment raised during the current financial year of R3.395 billion in respect of the GTL refinery cash generating-unit of PetroSA.

Additional matter paragraphs

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

Other reports required by the Companies Act of South Africa

12. As part of my audit of the consolidated and separate financial statements for the year ended 31 March 2014, I have read the Directors' Report, the Audit Committee's Report and the Statement of the Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, I have not audited these reports and accordingly do not express an opinion on these reports.

Unaudited supplementary schedules

13. The supplementary information set out on pages 76 to 81 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

14. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of PetroSA for the year ended 31 March 2014:

    a) Finance – Cost optimisation and utilisation of resources on pages 8 to 13.

    b) Internal Business Processes – Sustainability and Internal Business Processes – Growth objectives on pages 8 to 13.

16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPI).*

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. The material finding in respect of the selected objectives are as follows:

Finance - Cost optimisation and utilisation of resources

Usefulness of reported performance information

Consistency

20. Treasury Regulations 29.1.1 requires the strategic plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 50% of the reported targets were not consistent with those in the approved strategic plan. This was due to two of the targets being amended during the year without sufficient approval. A request to amend the targets for the Return on Assets Managed (ROAM) objective and the net operating margin (NOM) objective was approved by the PetroSA Executive Committee but was not submitted for further approval as required by section 52 of the PFMA. The request was made so that the target for the ROAM objective would be reduced from 1% to 0.36% and the NOM objective from 1% to 0.56%.

Reliability of reported performance information

21. I did not raise any material findings on the reliability of the reported performance information for Finance – cost optimisation and utilisation of resources.

Internal business processes – Sustainability and growth objectives

22. I did not raise any material findings on the usefulness and reliability of the reported performance information for Internal Business Processes – Sustainability and Internal Business Processes – Growth objectives.

Additional matter

23. I draw attention to the following matters:

Achievement of planned targets

24. Refer to the annual performance report on pages 8 to 13 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information for the selected objectives reported in paragraph 20 of this report.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of the finance and internal business processes objectives. As management subsequently corrected only some of the misstatements, I raised a material finding on the usefulness of the reported performance information for the selected objectives reported in paragraph 20 of this report.

Compliance with legislation

26. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

27. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted consolidated and separate financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion. The consolidated and separate financial statements submitted for auditing were not fully compliant with SA GAAP as required by section 55(1)(a) and (b) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) and section 29(1)(a) of the Companies Act of South Africa.

Expenditure management

28. As disclosed in note 35 to the consolidated and separate financial statements, PetroSA incurred irregular, fruitless and wasteful expenditure as contemplated in section 51(1)(b)(ii) of the PFMA and was in the process of resolving the matter.

Internal control

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the reported performance information and the findings on compliance with legislation included in this report.

Leadership

30. The material misstatements corrected during the audit of the consolidated and separate financial statements and reported performance information should have been detected and prevented by senior management. Management should identify and accept its oversight responsibilities in relation to established requirements and expectations in order to improve reporting requirements.

Financial and performance management

31. Compliance with legislation should be continuously monitored and steps taken to prevent such non-compliance instances. Management should periodically review its control activities to determine their continued relevance, and refresh them when necessary in order to establish a well-controlled environment which promotes compliance with legislation.

OTHER REPORTS

Investigations

32. As disclosed in paragraph 7 of the Directors' Report the investigations, mandated by the Honourable Minister of Energy and by the Board of PetroSA were completed. The outcomes of these investigations were considered by the accounting authority of PetroSA and accounting authority of CEF SOC Limited (CEF) and PetroSA is in the process of resolving the matters.

Audit-related services and special audits

33. As requested by the company, agreed upon procedures engagements were conducted during the period under review concerning the accuracy of the illuminating paraffin (IP) tracer levy quarterly payments to CEF. The reports covered the period 1 April 2013 to 31 March 2014.

34. As requested by the company, an agreed upon procedures engagement was conducted during the period under review concerning the cash and cash equivalent balances held by PetroSA at 31 March 2014.

Pretoria
31 July 2014

Auditor-General

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the audited annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the audited annual financial statements.

The audited annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 March 2015 and, in light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's audited annual financial statements. The audited annual financial statements have been examined by the group's external auditors and their report is presented on pages 4 to 6.

The audited annual financial statements set out on pages 14 to 76, which have been prepared on the going concern basis, were approved by the board of directors on 22 July 2014 and were signed on its behalf by:

Mr S Mncwango
Interim Chairman

Ms NN Nokwe
Group CEO

Johannesburg
22 July 2014

PERFORMANCE AGAINST OBJECTIVES

A summary of The Petroleum Oil And Gas Corporation of South Africa SOC Ltd Company business performance against objectives is contained in the table below:

Objectives	Key Performance Indicators	Target	Actual	Performance results
	To meet specific Transformation requirements			
1. TRANSFORMATION	1.1 Recruitment of women at all levels	30%	30.8%	Achieved
	1.2 Recruitment of people living with disabilities	2%	2%	Achieved
	1.3 Preferential Procurement	50% of discretionary spend	101.7%	Achieved
	1.4 BEE Sales	300ML	263.2ML	Not Achieved

Objectives	Key Performance Indicators	Target	Actual	Performance results
	Group cost optimisation and utilisation of resources			
2. FINANCE	2.1 Gross Margin Percentage	6.89%	10.2%	Achieved
	2.2 Actual vs. Revised Budget	+10 variance on opex	21%	Achieved
	2.3 Return on assets managed	0.36%	-5%	Not Achieved
	2.4 Net Operating Margin	0.56%	-8%	Not Achieved

Objectives	Key Performance Indicators	Target	Actual	Performance results
3. STAKEHOLDERS	**Manage stakeholder relationships**			
	3.1 To obtain the appropriate stakeholder support	70%	63.2%	Not Achieved

Objectives	Key Performance Indicators	Target	Actual	Performance results
	4.1 SHEQ			
	4.1.1 Fatalities	0	0	Achieved
	4.1.2 Disabling Injury Frequency Rate (DIFR)	<0.4	>0.44	Not Achieved
4. INTERNAL BUSINESS PROCESSES	4.1.3 Environmental Incidents	12	9	Achieved
	4.1.4 Quality	Retain ISO 9001 certification on current scope + increase the scope to include E&P by 31 March 2014	Obtained recertification on increased scope that include Depots	Achieved
	4.1.5 Occupational hygiene survey	80%	70.5%	Not Achieved

Objectives	Key Performance Indicators	Target	Actual	Performance results
	4.2 Sustainability			
	4.2.1 Total indigenous GTL Refinery Production + FO	4.77MMbbls	4.145MMbbls	Not Achieved
	4.2.2 To execute the LNG project	4.2.2.1 FEED close-out report on Technical Solution to be issued by 31 March 2014	Completed the Feasibility Study into a land-based LNG terminal in Saldanha Bay and the associated pipelines to Mossel Bay by 31 March 2014	Not Achieved
		4.2.2.2 Draft Environmental Impact Report (EIR) to be issued to the public by 31 March 2014	DEA suspended EIA process	Not Achieved
	4.2.3 Completion of shutdown as per shutdown index	3	3.42	Achieved
	4.2.4 Ikhwezi development executed on schedule according to approved development plan	First Gas: Nov 2013	First gas delayed	Not Achieved
		Project costs within budget	97.9%	Achieved
	4.3 Growth initiatives			
4. INTERNAL BUSINESS PROCESSES (continued)	4.3.1 To enter the downstream market	4.3.1.1Acquire Downstream asset		
		– Conclude Due Diligence by 31 December 2013.	Due diligence completed on 13 Dec 2013.	Achieved
		– Conclude Share Purchase Agreement by 31 March 2014.	Board approved final offer on 22 January 2014.	Not Achieved
		4.3.1.2 Implement Feasibility Study for Mthombo as per agreement with JSA partners (50% milestones completed- based on study schedule and PEM deliverables)	Milestones not completed	Not Achieved
		4.3.1.3 Develop access to new trading markets by 31 March 2014 – 120ML	53ML	Not Achieved
		4.3.1.4 Implement commercial and industrial sales strategy, including LPG by 31 March 2014 – 300ML	100ML	Not Achieved
	4.3.2 To grow resource base, reserves and production for long-term profitability	15Mmboe by 31 March 2014	24.3Mmboe	Achieved

PERFORMANCE AGAINST OBJECTIVES (continued)

1. Transformation

1.1 Women as a percentage of PetroSA's total population

The target is to improve total women representation within the organisation to 30% by 31 March 2014 through appointments and promotions. Appointment refers to appointments to the permanent establishment and promotion refers to upward movement to a job with greater responsibilities at a higher level or grade.

Actual: As at 31 March 2014, women constituted 30.8% of the total workforce.

1.2 People living with disabilities as a percentage of PetroSA's total employed

Attraction of people with disabilities includes both recruitment of new employees and disclosures by current employees living with disabilities. The target for the total number of employees living with disabilities is 2% of the workforce by 31 March 2014.

Actual: As at 31 March 2014, people living with disabilities constituted 2.0% of the total workforce.

1.3 Preferential Procurement

In terms of the BBBEE codes of good practice, certain expenditure may be excluded from total procurement (i.e. procurement from other organs of state, imported goods and services that cannot be sourced locally, as well as specific branded sole source procurement). This constitutes discretionary procurement. The target of 50% is the ratio between total BEE expenditure against total discretionary procurement for the period under review.

The BEE procurement spend was 101.7% of the total discretionary procurement spend for the year. This is mostly driven by the fact that 75% of our discretionary spend was spent on companies that are between level 1 to level 3 of BEE codes, which allows for a claim ratio of 1.35 to 1.1 of actual expenditure.

1.4 BEE Sales

BEE sales comprise of both fuels (diesel, petrol and kerosene) and speciality grades (LPG, propane, HFO and the gases LIN/LOX/CO2). The target for this financial year is 300ML.

Actual: The year to date BEE sales volumes were 263.2 ML against a target of 300 ML.

2. Finance

Cost Optimisation

2.1 Gross Margin Percentage

The gross margin percentage is the ratio of the gross margin (revenue - cost of sales) to revenue. The 6.89% target is in line with the corporate plan and approved budget.

Actual: The actual gross margin percentage was 10.2% against an annual target of 6.89%.

2.2 Actual vs budget operating expenditure

Actual costs are compared to original budget costs. The target is a postive vairance of 10%. This measure encourages adherence to budget.

Actual: Operating costs were 21% below budget.

2.3 Return on Assets Managed (ROAM)

The Return on Assets Managed (ROAM) ratio measures the efficiency of the business in using its assets to generate net income. ROAM is the net profit/total assets. The formula to calculate return on assets managed is:

$$\text{ROAM} = \frac{\text{NET PROFIT}}{\text{AVERAGE TOTAL ASSETS}}$$

Actual: A Return on Assets Managed ratio of -5% was achieved in the period under review against an annual target of 0.36%.

2.4 Net Operating Margin

The net operating margin is the ratio of operating income of a business to its revenue. It shows operating income as a percentage of revenue.

Actual: A net operating margin of -8% was achieved in the period under review against a target of 0.56%.

3. Managing stakeholders

Approval rating from stakeholders

3.1 Customer surveys

Customer surveys will be conducted for a variety of stakeholders, including trade customers, suppliers, the Government, employees, management, board of directors and media.

Actual: The organisation achieved an average rating of 63.2% on stakeholder management.

4. Internal Business Processes

4.1 SHEQ

4.1.1. Fatalities

This refers to any employee's death resulting from PetroSA work-related exposure, in general, from an accident or illness caused by or related to a workplace hazard.

Actual: No fatal incidents occurred for the period under review and there were no fatalities that were directly caused by work-related activities. In total, there were zero fatalities year to date in the 2014 financial year.

4.1.2. DIFR (Disabling Injury Frequency Rate)

A disabling injury is defined as a work-related injury including occupational illness arising out and in the course of duty giving rise to any related temporary or permanent disablement or death as determined by a medical practitioner. The DIFR is calculated on a 12-month moving frequency rate and is calculated as follows:

$$\text{DIFR} = \frac{\text{NUMBER OF INJURIES x 200 000 (hours)}}{\text{NO. OF HOURS WORKED (DURING PERIOD UNDER REVIEW)}}$$

The industry DIFR standard is 1, compared to PetroSA's benchmark of <0.4.

Actual: A DIFR of >0.44 against a target of <0.4 was achieved.

4.1.3. Environmental Incidents

This refers to an event which has a localised effect, environmental damage beyond the fence boundary or substantiated community complaint or permit exceedance or non-compliance.

In the absence of any organisation we know of in our industry, that has defined an environmental incident in the same way as us, we have had to do the benchmarking internally by way of identifying historical incidents that PetroSA has had that fit the revised definition of an environmental incident.

The target was to have no more than 12 environmental incidents during the 2013/14 financial year.

Actual: The total number of environmental incidents is 9.

4.1.4. Quality

PetroSA's Quality Management System is currently certified under ISO9001:2008. The target is to retain ISO 9001 certification and increase scope to include E&P by 31 March 2014.

Actual: Obtained recertification on increased scope to include depots (Tzaneen and Bloemfontein)

4.1.5. Occupational Hygiene Survey

In terms of the Health and Safety legislation PetroSA must conduct occupational hygiene surveys to determine the health hazards employees might be or are exposed to and put in place an annual medical surveillance programme. A medical or occupational health surveillance programme will be used as a measure for determining interventions/ improvements in employee health. This KPI seeks to measure the percentage of employees who have undergone medical surveillance against the year-plan.

Actual: The year-to-date performance on medicals is 70.5%.

4.2 Sustainability (GTL refinery operations)

4.2.1. Total indigenous GTL Refinery Production

The corporate target for indigenous production from the GTL refinery is 4.77MMbbls.

Actual: The total indigenous GTL refinery production for the year was 4.145MMbbls against the annual target of 4.77MMbbls. The main reason for lower volumes is due to delays in project Ikhwezi.

4.2.2. Execute LNG FEED

The liquified natural gas (LNG) project aims to ensure the long-term sustainability of the GTL Refinery, while also supplying Eskom for power generation and helping to reduce the country's carbon footprint. The milestones for 2014 include having the FEED close-out report issued by 31 March 2014 as well as the environmental impact report (EIR) to be issued to the public by the same date.

Actual:

4.2.2.1 Completed the feasibility study into a land-based LNG terminal in Saldanha Bay and the associated pipelines to Mossel Bay by 31 March 2014;

PERFORMANCE AGAINST OBJECTIVES (continued)

4.2.2.2 Despite numerous attempts to meet with Department of Environment Affairs (DEA), the Mossel Bay EIA process is still suspended. Therefore the target of issuing a final scoping report to the DEA was not achieved.

4.2.3. Refinery Shutdown

Measurement of the shutdown success is in accordance with what has been submitted in the 2013/14 budget. In this respect overall duration is 51 days from budget gas out to budget gas in. This includes all the shutdown activities such as decommissioning, maintenance works, commissioning and ramp up.

Actual: The maintenance shutdown was completed as per the schedule but delays in commissioning negatively impacted production and contributed to 25 days of overall production loss for the month of November.

All units completed Mechanical Complete (MC) and Clearance for Operation (CFO). The FA platform was in full operation and back in hydrocarbon mode as from 1 November 2013. A strike, bad weather spells and certain inefficiencies contributed to some days of overall production loss for the month of November. The gas loop started on 1x1 operational mode by 26 November and 2x1 mode by 30 November 2013.

The FA Platform and GTL Refinery achieved 1 x 1 operational status on the 26 November 2013. In terms of safety, the shutdown was completed with an excellent safety record. As at 15 November 2013 a total of 1 884 751 man hours were completed with only 1 recorded disabling injury and 1 fire.

The shutdown budget was tightly controlled per the awarded budget and final cost was within budget. A score of 3.42 was achieved.

4.2.4. Ikhwezi development executed on schedule according to approved development plan

Actual: The target for Project Ikhwezi first gas was November 2013. Challenges mainly due to the drilling rig were experienced resulting in delays in first gas for Ikhwezi. The Project Ikhwezi costs are expected to be at 97.9% of budget.

4.3 Growth initiatives

4.3.1. Downstream Market Entry

4.3.1.1 Acquire downstream asset

Actual:

– Conclude the due diligence by 31 December 2013 - The due diligence was completed on 13 December 2013.

– Conclude the share purchase agreement by 31 March 2014 - The Board approved the final offer on 22 January 2014 and the share purchase agreement; lubricants shareholder agreement and memorandum of incorporation on 27 March 2014. The funding plan is to be finalised to enable signature of agreement. For that reason, this target has not been met.

4.3.1.2 Project Mthombo

Project Mthombo has a feasibility study duration of ±15 months. From the start of the agreed schedule (kick-off meeting), it would cover the technical aspects of the study as well as non-technical work such as supply demand studies and economic analyses, etc.

Actual: The conversion and further development by Sinopec Engineering Incorporation (SEI) of the LP model that is required to facilitate selection of technology licensors early in the Mthombo feasibility study was completed in December 2013. The completion of the model marks a major milestone in the technical preparation for executing the feasibility study. No additional technical work is planned to be performed with SEI before the start of the feasibility phase.

4.3.1.3 Develop access to new trading markets

The trading strategy for 2013/14 is to access markets within sub-Sahara. The planned sales volume for the year was 120 million litres. The target sales were expected from sales to the DRC and East Africa through Mozambique and Botswana. The business development team is also exploring crude trading opportunities from West Africa. The success factors were access to storage and sources of supply while limiting the working capital exposure for PetroSA.

Actual: The actual sales volumes for the year were 53 ML against an annual target of 120ML.

4.3.1.4 Implement commercial and industrial sales strategy, including LPG

- Implementation of a wholesale strategy
- Access to/acquire inland infrastructure
- Develop contracts with resellers

Actual: Actual sales volumes for the year were 100ML against an annual target of 300ML.

4.3.2. Grow production and reserve base for long term profitability

The target was to add 15 Mmboe reserves by 31 March 2014. The 2P quoted reserves were conducted by a third party reserve auditor (AGR TRACS International Limited) as per good industry practice. The reserve figures can be used for the purpose of defining deliverables in the corporate scorecard under “reserves added”, upon verification that it was not already included in previous years.

Actual: Total reserves added = 24.3 Mmboe

Directors' Report

The directors present their report that forms part of the annual financial statements for the group for the year ended 31 March 2014.

1. Directors

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

Name		Appointed
Mr S Mncwango	Non-Executive (Interim Chairman)	
Ms NN Nokwe	Executive – Group CEO	
Mr ACG Molusi	Non-Executive	
Ms FE Letlape	Non-Executive	
Mr MM Zwane	Non-Executive	
Mr V Sibiya	Non-executive	
Mr GC Smith	Non-executive	
Adv B Madumise	Non-executive	
Mr S Mokoena	Non-executive	
Mr D Hlatshwayo	Non-executive	
Ms L Bakoro	Executive – Group CFO	1 December 2013

Attendance at meetings:

	Board	Board Audit and Risk	Human Capital	Strategy and Growth	Business Performance	Social and Ethics	Ad hoc**
Mr S Mncwango	27/28	–	–	7/11	–	–	–
Ms NN Nokwe	26/28	5/5*	4/5*	9/11*	4/4*	2/3*	6/7*
Mr ACG Molusi[1]	27/28	–	3/5	10/11	–	–	–
Ms FE Letlape[2]	27/28	–	5/5	4/11*	–	2/3	7/7
Mr MM Zwane[3]	23/28	3/5	–	1/11*	3/4	3/3	–
Mr V Sibiya	23/28	–	–	–	1/4	3/3	–
Mr GC Smith[4]	25/28	–	–	11/11	4/4	–	–
Adv B Madumise	26/28	4/5	5/5	9/11	2/4	–	7/7
Mr S Mokoena[5]	28/28	–	–	10/11	4/4	–	7/7
Mr D Hlatshwayo[6]	26/28	5/5	–	1/11*	–	–	7/7
Ms L Bakoro	9/10	2/2*	–	5/5*	1/1*	1/1*	–

– Not a member
* Invitee
** Ad hoc Committee on the implementation of the Investigations Reports per SizweNtsalubaGobodo, KPMG and the Joint Task Team (PetroSA & CEF Task Team) reports
1 Chairperson of Strategy & Growth Committee
2 Chairperson of Human Capital Committee
3 Chairperson of Social & Ethics Committee
4 Chairperson of Business Performance & Monitoring Committee
5 Chairperson of Board Ad Hoc Committee
6 Chairperson of Board Audit & Risk Committee

2. Secretary

The secretary of the company is Ms K Kekana and her business and postal addresses are as follows:

Business address	Postal address
151 Frans Conradie Drive Parow 7500	Private Bag X5 Parow 7449

3. Nature of business

Activities

The main areas of activity within the group during the year are as follows:

- To focus on projects aimed at sustaining the GTL refinery through the securing of long-term feedstock and cash-flow maximisation;
- To ensure security of supply, growth of the group and increase its share of the local market through the development of a crude oil refinery in Coega, entry into the downstream market and ensuring upstream reserves and production growth;
- To deliver sustainable development of the economy and communities through the targeting of skills development, the implementation of Enterprise and Supplier Development programmes and the investment in social upliftment programmes of targeted groups through Corporate Social Investment programmes; and
- To ensure adherence to world class environmental, safety, health and quality standards.

Objectives

The key elements/objectives of PetroSA's core business strategy are as follows:

- Ensure security of supply of liquid fuels for the country;
- Be a competitive, commercially viable company on a sustained basis along the value chain for the petroleum, oil, gas and petrochemical sectors;
- To achieve transformation on a continuous basis through the implementation of Employment Equity and Broad Based Black Economic Empowerment policies;
- Operate PetroSA in line with best international practices with regard to safety, product quality, and protection of the environment and health of the people employed by the company; and
- Actively contribute to macro-economic objectives related to the fuel price to the end user, security of supply and, reduction of exposure to foreign exchange requirements.

4. Group financial results and operating activities

The group experienced a challenging financial year, with production volumes as well as sales volumes not living up to the expectations of the corporate plan.

The group achieved an operating profit before impairment of property, plant and equipment of R2.2 billion (2013: R983 million) in the year under review. A net loss of R1.65 billion (2013: R612 million profit) was recorded for the year on the back of a R3.4 billion impairment that was booked against overvalued production assets.

Revenue increased 12% from R18.8 billion to R21.2 billion which was largely driven by increased local trading of finished product sourced from outside of the group, the PetroSA Ghana subsidiary's contribution and the benefit from the Rand's weakness against all major currencies. The downward trending of the high value GTL revenues has been compensated by the low margin purchased product sales, with the consequential diminution of overall margins.

The gross margins increased to 13% principally because of PetroSA Ghana's contribution. The subsidiary contributed a strong 80% margin. The impairment of the GTL refinery (Cash Generating Unit) resulted in total other operating costs increasing 198% to R5.1 billion (2013: R1.7 billion).

Directors' Report (continued)

Investment income was R439 million compared to R733 million in 2013 due to a reduction of R2 billion in cash reserves to finance Project Ikhwezi. Lower finance costs of R804 million were recorded for the year compared to R817 million in 2013 due to the repayment of a portion of the bridging loan (R698 million).

The group's financial position remains strong with total assets of R34 billion (2013: R35.7 billion). The decrease in assets is attributable to the impairment of GTL refinery which is partially set off by increased expenditure on Project Ikwhezi. A cash balance of R5.5 billion (2013: R7.4 billion) and a short term loan of R1.6 billion (2013: R2 billion) reflects the group's weaker net cash position at year-end. The reduction in cash is testimony to the capital expansion programme which includes the Ikhwezi offshore development project. Various options are also being explored in conjunction with the funding community to optimise our currently low-geared statement of financial position as the organisation embarks on significant capital expansion programs in the short-to-medium term.

5. **Authorised and issued share capital**

Details of the share capital of the company are set out in note 12 to the annual financial statements.

6. **Dividends**

No dividends were declared to the shareholder during the year.

7. **Materiality and significant framework**

A materiality and significant 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 require ministerial approval. The framework was finalised after consultation with the external auditors and has been formally approved by the Board.

Gross misconduct by employees from PetroSA and a supplier resulted in fraudulent activities amounting to R0.338 million. The request to cancel a company contract was not actioned timeously resulting in additional costs to the company of R0.1 million.

PetroSA accepts stock losses of 0.25% on throughput volumes from depots. Lack of due care exercised at the depots, resulted in stock losses of R3.052 million, which is above the tolerable level. PetroSA Equatorial Guinea received notification from the Ministry of Mines, Industry and Energy in Equatorial Guinea that a fine of $224 000 (R2.295 million) was imposed for non-compliance to the PSC due to the late submission of the 2014 work plan.

In the last financial reporting period the Board reported that there were certain investigations that had been mandated by the Minister as well as the PetroSA Board. These investigations related to procurement processes by the company covering a certain period. The reports are in the process of being finalised and appropriate action is being taken to recover any losses and address areas where weaknesses in our system have been identified. The company has initiated legal proceedings against the former acting CEO in order to recover fruitless and irregular expenditure that the company incurred as a result of decisions made by him during his term as acting CEO.

8. **Accounting policies**

With the promulgation of the new Companies Act of 2008, the South African Statements of GAAP were withdrawn with effect from 1 December 2012. The group is in the process of requesting permission from National Treasury to prepare the annual financial statements in accordance with International Financial Reporting Standards for the financial years commencing on or after 1 April 2014. The group will retain the status quo during the intervening period.

9. **Holding company**

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

10. Subsequent events

On 3 July 2014, PetroSA Equatorial Guinea received a letter (dated 10 June 2014) to terminate the Block Q Licence from the Ministry of Mines, Industry and Energy of Equatorial Guinea. This will impact the potential liability (estimated at $60 million) that would have arisen as a penalty had PetroSA Equatorial Guinea retained the licence up to December 2014. Enquiries are currently being made from the country manager in Equatorial Guinea as well as from our own parent Ministry to seek further clarification in the matter.

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 group or the results of the operations.

11. Subsidiaries and associates

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

On 21 February 2012, the PetroSA Board approved the integration of the South African Gas and Development Company SOC Ltd (iGas) business into PetroSA. Due to disputes of the value of iGas, the transfer of the iGas business to PetroSA on 1 April 2013 did not take place. On 9 April 2014, the PetroSA Executive Committee (EXCO) approved the acquisition of 100% of the shares of iGas. The EXCO resolved to approve the acquisition of iGas shares at fair value in exchange for the allotment of one ordinary share in PetroSA (in terms of section 42 of the Income Tax Act). The EXCO approvals are subject to obtaining the necessary PFMA approvals. Mandate to conclude the share purchase agreement is subject to a cap of R2 billion placed on the valuation of iGas. The transfer of the iGas business is to be effected from 1 April 2014, with PFMA approvals set as condition precedent to closing of the transaction.

12. Going concern

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

Mr S Mncwango	**Ms NN Nokwe**
Interim Chairman	Group CEO

Johannesburg
22 July 2014

Report of the Board Audit and Risk committee

The Board Audit and Risk committee (BARC) has formal terms of reference that are reviewed and approved by the board on an annual basis. The committee has discharged its responsibilities in compliance with its terms of reference and as required in terms of the Companies Act of South Africa.

1. Responsibilities

The Committee consists of three independent non-executive directors, elected by the shareholder at each annual general meeting (AGM). The Board appointed the chairman of the Committee, an independent non-executive director. The Group Chief Executive Officer, Group Chief Financial Officer, Chief Internal Auditor, Chief Risk and Compliance Officer and External Auditors are permanent invitees to the committee meetings. Five meetings were held during the year; directors' attendances at these meetings are set out in the annual financial statements. The Committee completed a self-evaluation of its performance for the year under review to ensure that it delivers on its mandate and enhances its contribution to the board.

The Committee performed the following duties during the year, per S94(7) of the Companies Act 71 of 2008:

- nominated the external auditor for appointment by the shareholder;
- determined the fees to be paid to the auditors and the auditor's terms of engagement;
- determined the nature and extent of any non-audited services;
- pre-approved any proposed agreement with the auditor for the provision of non-audit services to the company;
- prepared a report, to be included in the annual financial statements for the financial year;
- made submissions to the board on matters concerning the company's accounting policies, financial control, records and reporting; and
- performed other oversight functions determined by the board.

The Committee is responsible for overseeing the external audit process and confirms that the external auditors are independent of the company and conducted its audit without influence from the company. The Committee chairman meets with the external auditors independently of management.

The Committee is responsible for overseeing the Internal Audit function, preserving its independence and ensuring that it has the necessary resources and authority to enable it to fulfil its duties. The chief internal auditor reports functionally to the Committee and has quarterly meetings with the chairman of the committee independently of management. The Committee annually reviews and approves internal audit coverage plan and reviews the performance of the internal audit function on a quarterly basis.

The Committee has reviewed the expertise, competence and experience of the Finance function. Based on the self assessment performed, the Committee is satisfied that the group chief financial officer and the finance management team have the appropriate expertise and experience.

Combined Assurance has not been successfully implemented during the year; the Committee will focus its attention on enhancing an effective combined assurance approach in the year ahead.

The Committee has reviewed the written assessment performed by Internal Audit on the design, implementation and effectiveness of internal financial controls and risk management of the company.

Based on the results of the review and after considering the results of external audit, critical financial controls were assessed as generally adequate and effective. The critical financial control process review indicates material opportunities for improvement as material weaknesses were identified in the design and effectiveness of the critical financial control process implemented by management. Limited reliance was placed on the effectiveness of the process.

Strategic risks are appropriately identified, assessed and monitored; however appropriate risk mitigation remains an area for improvement. Weaknesses were identified in respect of process level risks; however these weaknesses were not material in nature.

The Committee has reviewed the written assessment performed by the compliance manager on the overall compliance environment of the company. Based on the results of the review, the Committee is of the opinion that material opportunity for improvement exists in the overall company compliance environment where weaknesses were identified when testing the effectiveness of controls. The overall compliance environment was assessed as partially adequate and effective.

The Committee reviewed the assessment of the going concern premise of the group and concurs that the group will be a going concern for the foreseeable future.

Having reviewed and evaluated the Annual Financial Statements of the group for the year ended 31 March 2014, the members of the Board Audit and Risk Committee are satisfied that the financial statements fairly present the state of affairs of the company, its business, financial results, performance against predetermined objectives and its financial position at the end of the financial year and conclude that they comply, in all material respects, with the requirements of the Companies Act 71 of 2008 and the Public Finance Management Act.

2. Legal and regulatory compliance

The Board Audit and Risk committee has recommended the adoption of the financial statements by the Board of directors at their meeting on 11 July 2014.

Mr D Hlatshwayo
Chairperson

11 July 2014

Statement of the Company Secretary

In my capacity as company secretary, I hereby certify, in terms of section 88(2)(e) of the Companies Act of 2008, that the company has lodged with the Commissioner all such returns as are required of a company in terms of the Companies Act, and that all such returns are, to the best of my knowledge, true, correct and up to date.

Ms K Kekana
Secretary

22 July 2014

Statement of Financial Position

		Group			Company		
		2014	2013	2012	2014	2013	2012
		R'000	R'000	R'000	R'000	R'000	R'000
	Note(s)		Restated	Restated		Restated	Restated
ASSETS							
Non-current assets							
Property, plant and equipment	2	**18 016 750**	15 509 171	7 319 121	**11 574 005**	10 797 214	7 317 579
Intangible assets	3	**1 541 059**	3 130 903	931 711	**1 133 724**	1 038 648	931 711
Investment in subsidiaries	5	**–**	–	–	**3 883 782**	3 883 782	3 131
Investment in associates	6	**–**	–	–	**29 625**	29 625	29 625
Other financial assets	7	**296 490**	215 306	185 597	**296 490**	215 306	185 597
Prepayments		**–**	–	243 869	**–**	–	243 869
Amounts held by holding company	8	**489 021**	489 021	489 021	**489 021**	489 021	489 021
Tax receivable		**–**	17 294	22 452	**–**	17 294	22 452
		20 343 320	19 361 695	9 191 771	**17 406 647**	16 470 890	9 222 985
Current assets							
Inventories	9	**2 973 773**	2 798 836	2 300 207	**2 965 375**	2 789 834	2 288 355
Other financial assets	7	**1 725 000**	2 594 000	–	**2 465 759**	4 111 538	–
tax receivable		**–**	5 158	4 262	**–**	5 158	4 262
Trade and other receivables	10	**3 511 462**	3 526 736	3 399 510	**3 401 440**	3 433 811	3 400 002
Cash and cash equivalents	11	**5 489 903**	7 442 483	12 848 843	**4 880 617**	6 541 242	12 783 863
		13 700 138	16 367 213	18 552 822	**13 713 191**	16 881 583	18 476 482
TOTAL ASSETS		**34 043 458**	35 728 908	27 744 593	**31 119 838**	33 352 473	27 699 467
EQUITY AND LIABILITIES							
Equity							
Share capital	12	**2 755 936**	2 755 936	2 755 936	**2 755 936**	2 755 936	2 755 936
Reserves		**237 752**	95 205	4 671	**1 590**	1 655	104
Retained income		**15 478 709**	17 127 420	16 515 271	**14 920 415**	16 887 333	16 503 252
		18 472 397	19 978 561	19 275 878	**17 677 941**	19 644 924	19 259 292
Non-current liabilities							
Deferred tax	4	**1 791 557**	1 728 498	–	**–**	–	–
Provisions	13	**8 125 194**	8 286 357	5 928 079	**7 910 953**	7 996 617	5 900 052
Total non-current liabilities		**9 916 751**	10 014 855	5 928 079	**7 910 953**	7 996 617	5 900 052
Current liabilities							
Other financial liabilities	14	**1 591 050**	2 037 200	–	**1 591 050**	2 037 200	–
Current tax payable		**4 767**	5 388	4 104	**–**	–	–
Trade and other payables	15	**3 484 026**	3 438 637	2 272 977	**3 365 938**	3 419 945	2 277 210
Provisions	13	**216 812**	254 267	263 555	**216 301**	253 787	262 913
Bank overdrat	11	**357 655**	–	–	**357 655**	–	–
		5 654 310	5 735 492	2 540 636	**5 530 944**	5 710 932	2 540 123
TOTAL LIABILITIES		**15 571 061**	15 750 347	8 468 715	**13 441 897**	13 707 549	8 440 175
TOTAL EQUITY AND LIABILITIES		**34 043 458**	35 728 908	27 744 593	**31 119 838**	33 352 473	27 699 467

Statement of Profit or Loss and other Comprehensive Income

	Note(s)	Group		Company	
		2014	2013	**2014**	2013
		R'000	R'000	**R'000**	R'000
			Restated		Restated
Revenue	17	**21 199 294**	18 880 815	**20 191 919**	18 397 814
Cost of sales		**(18 524 595)**	(16 920 159)	**(18 035 359)**	(16 544 885)
Gross profit		**2 674 699**	1 960 656	**2 156 560**	1 852 929
Other income		**1 157 748**	379 764	**1 159 862**	384 810
Operating expenses		**(5 056 222)**	(1 717 602)	**(5 104 597)**	(1 907 897)
Operating (loss)/profit	18	**(1 223 775)**	622 818	**(1 788 175)**	329 842
Investment Income	19	**439 273**	732 954	**618 939**	864 675
Finance Costs	20	**(804 080)**	(816 993)	**(797 682)**	(810 436)
(Loss) profit before taxation		**(1 588 582)**	538 779	**(1 966 918)**	384 081
Taxation	21	**(60 129)**	73 370	**–**	–
(Loss)/profit for the period		**(1 648 711)**	612 149	**(1 966 918)**	384 081
Other Comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		**142 547**	90 534	**(65)**	1551
Total comprehensive (loss) income		**(1 506 164)**	702 683	**(1 966 983)**	385 632
Total comprehensive (loss) income attributable to:					
Owners of the parent:		**(1 506 164)**	702 683	**(1 966 983)**	385 632

Statement of Changes in Equity

	Share capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Retained income R'000	Total equity R'000
GROUP						
Opening balance as previously reported	2	2 755 934	2 755 936	4 671	15 257 464	18 018 071
Restatement of profit	–	–	–	–	1 257 807	1 257 807
Balance at 1 April 2012 as restated	2	2 755 934	2 755 936	4 671	16 515 271	19 275 878
Profit for the year as previously reported	–	–	–	–	593 452	593 452
Restatement of profit	–	–	–	–	18 697	18 697
Restated profit for the year	–	–	–	–	612 149	612 149
Other comprehensive income	–	–	–	90 534	–	90 534
Balance at 1 April 2013 as restated	2	2 755 934	2 755 936	95 205	17 127 420	19 978 561
Loss for the year	–	–	–	–	(1 648 711)	(1 648 711)
Other comprehensive income	–	–	–	142 547	–	142 547
Balance at 31 March 2014	**2**	**2 755 934**	**2 755 936**	**237 752**	**15 478 709**	**18 472 397**
Note(s)	12	12	12		16	
COMPANY						
Opening balance as previously reported	2	2 755 934	2 755 936	104	15 245 445	18 001 485
Restatement of profit	–	–	–	–	1 257 807	1 257 807
Balance at 1 April 2012 as restated	2	2 755 934	2 755 936	104	16 503 252	19 259 292
Profit for the year as previously reported	–	–	–	–	365 384	365 384
Restatement of profit	–	–	–	–	18 697	18 697
Restated profit for the year	–	–	–	–	384 081	384 081
Other comprehensive income	–	–	–	1 551	–	1 551
Balance at 1 April 2013 as restated	2	2 755 934	2 755 936	1 655	16 887 333	19 644 924
Loss for the year	–	–	–	–	(1 966 918)	(1 966 918)
Other comprehensive income	–	–	–	(65)	–	(65)
Balance at 31 March 2014	**2**	**2 755 934**	**2 755 936**	**1 590**	**14 920 415**	**17 677 941**
Note(s)	12	12	12		16	

Statement of Cash Flows

		Group		Company	
		2014	2013	**2014**	2013
	Note(s)	**R'000**	R'000	**R'000**	R'000
			Restated		Restated
Cash flows from operating activities					
Cash generated by operations	23	**2 551 384**	3 033 521	**1 630 629**	2 771 407
Interest income		**439 273**	732 954	**618 939**	864 675
Finance costs		**(19 664)**	(19 777)	**(19 169)**	(14 149)
Tax refunded/(paid)	24	**24 761**	(383)	**22 452**	4 262
Net cash from operating activities		**2 995 754**	3 746 315	**2 252 851**	3 626 195
Cash flows from investing activities					
Purchase of property, plant and equipment	2	**(5 265 821)**	(3 485 164)	**(4 865 466)**	(3 376 993)
Sale of property, plant and equipment	2	**1 061**	50	**1 057**	50
Purchase of intangible assets	3	**(144 115)**	(169 944)	**(102 999)**	(109 252)
Sale of intangible assets	3	**6 882**	–	**–**	–
Business combinations	26	**(151 227)**	(3 355 624)	**–**	–
Sale/(purchase) of financial assets		**787 816**	(2 623 709)	**1 366 964**	(4 326 683)
Purchase of subsidiaries	5	**–**	–	**–**	(3 880 651)
Net cash from investing activities		**(4 765 404)**	(9 634 391)	**(3 600 444)**	(11 693 529)
Cash flows from financing activities					
Movement in other financial liabilities		**(697 988)**	1 814 340	**(697 988)**	1 814 340
Movement in intercompany loan		**–**	(1 342 997)	**–**	–
Net cash from financing activities		**(697 988)**	471 343	**(697 988)**	1 814 340
Cash and cash equivalents movement for the year		**(2 467 638)**	(5 416 733)	**(2 045 581)**	–6 252 994
Cash and cash equivalents at the beginning of the year		**7 442 483**	12 848 843	**6 541 242**	12 783 863
Effect of exchange rate movements on cash balances		**157 403**	10 373	**27 301**	10 373
Cash and cash equivalents at the end of the year	11	**5 132 248**	7 442 483	**4 522 962**	6 541 242

Accounting Policies

1. Presentation of annual financial statements

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

1.1 Basis of preparation

The consolidated 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 and the Companies Act of 2008.

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

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 acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (AC 140): Business Combinations are recognised at their fair values at the acquisition date.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss or as a change

Accounting Policies (continued)

to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

Interest in associates

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

The results and assets and liabilities of associates are incorporated in the financial statements by using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

1.3 Translation of foreign currencies

Transactions

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

Statement of Financial Position

At each reporting date:

- foreign currency monetary items are measured using the closing rate;
- non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and

- non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

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

Foreign entities

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

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

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

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

1.4 Comparative figures

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

1.5 Property, plant and equipment

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

Carrying amounts

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

Cost

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

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

Derecognition

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

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

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

Depreciation

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

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

Accounting Policies (continued)

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
Furniture, fittings and communication equipment	3 – 15 years
Motor vehicles	10 – 12 years
Computer equipment	3 – 5 years
Shutdown costs	3 – 5 years

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

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

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

Production assets (oil and gas fields)

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

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

Production assets are depreciated over their expected useful lives. This applies from the date production commences, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Unit 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.

Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

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

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

Restoration costs

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

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

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

1.6 Exploration, evaluation and development of oil and gas wells

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

Pre-licensing cost

These are costs incurred prior to the acquisition of a legal right to explore for oil and gas. They may include speculative seismic data and subsequent geological and geophysical analysis of this data, but may not be exclusive to such costs. These costs are expensed in the year they are incurred.

Exploration and evaluation costs

All costs relating to the acquisition of licences, 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.

Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

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 unit of production method calculated using the estimated proved and probable reserves.

Dry wells

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

1.7 Intangible assets

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

Intangible assets are initially recognised at cost less accumulated amortisation and accumulated impairment, 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.

Accounting Policies (continued)

Research costs are recognised in profit or loss when incurred.

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

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

1.8 Impairment of financial assets

Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

1.9 Impairment of non - financial assets

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

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

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

1.10 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 profit or 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 Statement of Financial Position when the group and company becomes a party to the contractual provisions of the instrument.

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

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

Measurement

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

Accounting Policies (continued)

Financial assets

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

Investments

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

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

(b) Held-to-maturity investments;

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

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

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method, less an allowance for any uncollectable amounts. An estimate for impairment is made when objective evidence is available that indicates the collection of any amount outstanding is no longer probable and is charged to profit or loss. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Bad debts are written off when identified.

Cash and cash equivalents

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

Financial liabilities

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

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

Trade and other payables

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

Borrowings

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

Derivative financial instruments

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

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

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

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

Gains and losses on subsequent measurement

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

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

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

Fair value considerations

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to their fair value measurement in its entirety, are described as follows:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at measurement date;

(b) Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and

(c) Level 3 inputs are unobservable for the asset or liability.

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

Offsetting

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

Accounting Policies (continued)

1.13 Post-employment benefit costs

Defined contribution costs

The group operates a defined contribution plan, the assets of which are held in a separate trustee administered fund.

The plan is funded by payments from the group, and takes into account the recommendations of independent qualified actuaries.

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

Defined benefit costs

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

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

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

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

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

Other post-employment obligations

Post-employment health care benefits are provided to 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 pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted. The increase in the provision due to passage of time is recognised as interest expense.

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 Share capital and equity

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

1.16 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.

1.17 Cost of sales

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

1.18 Income from investments

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

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

1.19 Taxation

Current tax assets and liabilities

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

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 substantively enacted at the reporting date.

Deferred tax liability

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

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

1.20 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.

1.21 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.

Accounting Policies (continued)

1.22 Subsequent events

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

1.23 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.

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

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

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

1.24 Withdrawal of SA GAAP

With the promulgation of the new Companies Act of 2008, the South African Statements of GAAP were withdrawn with effect from 1 December 2012. The group is in the process of requesting permission from National Treasury to prepare the annual financial statements in accordance with International Financial Reporting Standards for the financial years commencing on or after 1 April 2014. The group will retain the status quo during the intervening period.

Amendments to IAS 1 (AC101) Presentation of Financial Statements

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into the following two categories:

1) Items that will not be reclassified subsequently to profit or loss (e.g. revaluation surplus on property, plant and equipment under IAS 16 Property, Plant and Equipment, and revaluation surplus on intangible assets under IAS 38 Intangible Assets)

2) Items that may be reclassified subsequently to profit or loss when specific conditions are met (e.g. fair value changes on available-for-sale investments under IAS 39, and fair value changes on hedging instruments in cash flow hedges).

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

1.25 Key assumptions made by management in applying accounting policies

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.

Environmental and decommissioning provision

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

Other provisions

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

Impairments and impairment reversals

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

Contingent liabilities

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

Evaluation of the useful life of assets

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

Notes to the Audited Annual Financial Statements

2. Property, plant and equipment

(Figures in Rand thousands)

Group	2014 Cost	2014 Accumulated depreciation	2014 Carrying value	2013 Cost	2013 Accumulated depreciation	2013 Carrying value	2012 Cost	2012 Accumulated depreciation	2012 Carrying value
Land	45 135	–	45 135	47 434	–	47 434	47 069	–	47 069
Production assets	28 432 424	(19 328 035)	9 104 389	25 941 319	(17 837 320)	8 103 999	20 357 010	(16 794 838)	3 562 172
Furniture, fittings and office equipment	598 909	(495 106)	103 803	563 572	(454 526)	109 046	557 015	(421 660)	135 355
Motor vehicles	55 984	(44 208)	11 776	53 493	(42 679)	10 814	53 584	(41 408)	12 176
Restoration costs	2 629 754	(1 292 534)	1 337 220	2 981 033	(836 121)	2 144 912	1 753 864	(723 363)	1 030 501
Shutdown costs capitalised	635 928	(219 430)	416 498	–	–	–	–	–	–
Assets under development	9 143 797	(2 145 868)	6 997 929	5 453 116	(360 150)	5 092 966	2 531 848	–	2 531 848
Total	41 541 931	(23 525 181)	18 016 750	35 039 967	(19 530 796)	15 509 171	25 300 390	(17 981 269)	7 319 121

Company	2014 Cost	2014 Accumulated depreciation	2014 Carrying value	2013 Cost	2013 Accumulated depreciation	2013 Carrying value	2012 Cost	2012 Accumulated depreciation	2012 Carrying value
Land	45 135	–	45 135	47 434	–	47 434	47 069	–	47 069
Production assets	21 181 136	(18 418 245)	2 762 891	20 863 661	(17 356 240)	3 507 421	20 357 010	(16 794 838)	3 562 172
Furniture, fittings and office equipment	597 543	(494 140)	103 403	561 726	(453 310)	108 416	555 184	(420 597)	134 587
Motor vehicles	54 213	(42 995)	11 218	51 722	(41 574)	10 148	51 813	(40 411)	11 402
Restoration costs	2 497 505	(1 260 574)	1 236 931	2 840 644	(809 815)	2 030 829	1 753 864	(723 363)	1 030 501
Shutdown costs capitalised	635 928	(219 430)	416 498	–	–	–	–	–	–
Assets under development	9 143 797	(2 145 868)	6 997 929	5 453 116	(360 150)	5 092 966	2 531 848	–	2 531 848
Total	34 155 257	(22 581 252)	11 574 005	29 818 303	(19 021 089)	10 797 214	25 296 788	(17 979 209)	7 317 579

2. Property, plant and equipment (continued)

(Figures in Rand thousands)

Reconciliation of property, plant and equipment – Group – 2014

	Opening balance	Additions	Disposals	Written back during year	Transfers/ Reclassification	Foreign exchange movements	Change in estimate	Depreciation	Impairment loss	Total
Land	47 434	–	(630)	–	(1 669)	–	–	–	–	45 135
Production assets	8 103 999	405 314	–	–	1 885 898	163 113	–	(725 643)	(728 292)	9 104 389
Furniture, fittings, office equipment	109 046	20 592	(153)	–	15 704	7	–	(41 393)	–	103 803
Motor Vehicles	10 814	2 732	–	–	–	–	–	(1 770)	–	11 776
Restoration costs	2 144 912	15 614	–	(14 915)	57 278	17 066	(363 114)	(130 325)	(389 296)	1 337 220
Shutdown costs capitalised	–	–	–	–	635 928	–	–	(88 323)	(131 107)	416 498
Assets under development	5 092 966	4 837 183	(394)	–	(785 958)	–	–	–	(2 145 868)	6 997 929
	15 509 171	5 281 435	(1 177)	(14 915)	1 807 181	180 186	(363 114)	(987 454)	(3 394 563)	18 016 750

Reconciliation of property, plant and equipment – Group – 2013 Restated

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers/ Reclassification	Foreign exchange movements	Change in estimate	Depreciation	Impairment loss	Total
Land	47 069	365	–	–	–	–	–	–	–	47 434
Production assets	3 562 172	535 586	4 664 369	(8)	79 319	118 493	–	(855 932)	–	8 103 999
Furniture, fittings, office equipment	135 355	16 750	–	(37)	33	6	–	(43 061)	–	109 046
Motor Vehicles	12 176	562	–	–	–	–	–	(1 924)	–	10 814
Restoration costs	1 030 501	618 619	94 458	–	–	11 227	634 514	(244 407)	–	2 144 912
Assets under development	2 531 848	2 931 901	–	(5)	(10 628)	–	–	–	(360 150)	5 092 966
	7 319 121	4 103 783	4 758 827	(50)	68 724	129 726	634 514	(1 145 324)	(360 150)	15 509 171

Notes to the Audited Annual Financial Statements (continued)

2. Property, plant and equipment (continued)

(Figures in Rand thousands)

Reconciliation of property, plant and equipment – Group – 2012 Restated

	Opening balance	Additions	Disposals	Written back during year	Transfers/ Reclassifi-cation	Foreign exchange movements	Change in estimate	Deprecia-tion	Total
Land	26 645	20 424	–	–	–	–	–	–	47 069
Production assets	3 566 811	1 588	(303)	–	494 071	–	–	(499 995)	3 562 172
Furniture, fittings, office equipment	147 819	30 749	(574)	–	–	1	–	(42 640)	135 355
Motor Vehicles	6 100	7 521	–	–	–	–	–	(1 445)	12 176
Restoration costs	1 307 231	–	–	7 804	–	–	(104 196)	(180 338)	1 030 501
Shutdown costs capitalised	153 901	–	–	–	–	–	–	(153 901)	–
Assets under development	2 032 030	540 932	–	–	(41 114)	–	–	–	2 531 848
	7 240 537	601 214	(877)	7 804	452 957	1	(104 196)	(878 319)	7 319 121

Reconciliation of property, plant and equipment – Company – 2014

	Opening balance	Additions	Disposals	Written back during year	Transfers/ Reclassifi-cation	Change in estimate	Deprecia-tion	Impairment loss	Total
Land	47 434	–	(630)	–	(1 669)	–	–	–	45 135
Production assets	3 507 421	4 959	–	–	312 516	–	(333 713)	(728 292)	2 762 891
Furniture, fittings and office equipment	108 416	20 592	(33)	–	15 704	–	(41 276)	–	103 403
Motor vehicles	10 148	2 732	–	–	–	–	(1 662)	–	11 218
Restoration costs	2 030 829	–	–	(4)	–	(276 571)	(128 027)	(389 296)	1 236 931
Shutdown costs capitalised	–	–	–	–	635 928	–	(88 323)	(131 107)	416 498
Assets under development	5 092 966	4 837 183	(394)	–	(785 958)	–	–	(2 145 868)	6 997 929
	10 797 214	4 865 466	(1 057)	(4)	176 521	(276 571)	(593 001)	(3 394 563)	11 574 005

2. **Property, plant and equipment (continued)**
(Figures in Rand thousands)

Reconciliation of property, plant and equipment – Company – 2013 Restated

	Opening balance	Additions	Disposals	Transfers/ Reclassifi-cation	Change in estimate	Depreciation	Impairment loss	Total
Land	47 069	365	–	–	–	–	–	47 434
Production assets	3 562 172	427 415	(8)	79 319	–	(561 477)	–	3 507 421
Furniture, fittings and office equipment	134 587	16 750	(37)	33	–	(42 917)	–	108 416
Motor vehicles	11 402	562	–	–	–	(1 816)	–	10 148
Restoration costs	1 030 501	618 619	–	–	619 261	(237 552)	–	2 030 829
Assets under development	2 531 848	2 931 901	(5)	(10 628)	–	–	(360 150)	5 092 966
	7 317 579	3 995 612	(50)	68 724	619 261	(843 762)	(360 150)	10 797 214

Reconciliation of property, plant and equipment – Company – 2012 Restated

	Opening balance	Additions	Disposals	Written back during year	Transfers/ Reclasifica-tion	Change in estimate	Depreciation	Total
Land	26 645	20 424	–	–	–	–	–	47 069
Production assets	3 566 811	1 588	(303)	–	494 071	–	(499 995)	3 562 172
Furniture, fittings and office equipment	146 291	30 718	(9)	–	–	–	(42 413)	134 587
Motor vehicles	5 218	7 521	–	–	–	–	(1 337)	11 402
Restoration costs	1 307 231	–	–	7 804	–	(104 196)	(180 338)	1 030 501
Shutdown costs capitalised	153 901	–	–	–	–	–	(153 901)	–
Assets under development	2 032 030	540 932	–	–	(41 114)	–	–	2 531 848
	7 238 127	601 183	(312)	7 804	452 957	(104 196)	(877 984)	7 317 579

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

The unit of production method is used in calculating depreciation on producing assets. Due to the nature of the business, the gas and oil reserves at the end of each financial year differ from the previous year. This necessitates a change in the estimated remaining useful lives of these assets at the end of each financial year. The effect on the current year is a decrease of R91 million in profit. Due to the number of variables involved in the depreciation calculation it is not practicable to estimate the effect in future years.

Due to the volatile macroeconomic environment and creep in project costs relating primarily to delays in first gas from Ikhwezi drilling programme, an impairment review was performed on the GTL refinery, which is the company's main cash-generating unit (CGU). The outcome of the review necessitated an impairment of R3.395 billion. This was determined by comparing the CGU's carrying value at year-end against the expected present value of the free cash flows from this CGU, based on a 5-year business plan approved by the Board of Directors. These cash flows are management's best estimate taking into account past experience and future economic assumptions, such as forward curves for crude oil, product prices and exchange rates and discounted using the company WACC of 12.5%. The impairment loss was recorded as part of operating expenses.

PetroSA will continue to review the recoverable amount of the CGU in the event of future changes in reserves and relevant macroeconomic indicators.

Notes to the Audited Annual Financial Statements (continued)

3. Intangible assets

(Figures in Rand thousands)

Group	2014			2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Patents	7 211	(2 197)	5 014	6 934	(1 643)	5 291	6 934	(1 365)	5 569
Exploration and evaluation assets	1 496 276	(934)	1 495 342	3 010 739	–	3 010 739	1 002 819	(79 162)	923 657
Software	38 730	(18 678)	20 052	28 090	(11 966)	16 124	12 063	(9 578)	2 485
Restoration costs	20 651	–	20 651	98 749	–	98 749	–	–	–
	1 562 868	(21 809)	1 541 059	3 144 512	(13 609)	3 130 903	1 021 816	(90 105)	931 711

Company	2014			2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Patents	7 211	(2 197)	5 014	6 934	(1 643)	5 291	6 934	(1 365)	5 569
Exploration and evaluation assets	1 109 592	(934)	1 108 658	1 017 233	–	1 017 233	923 657	–	923 657
Software	38 730	(18 678)	20 052	28 090	(11 966)	16 124	12 063	(9 578)	2 485
	1 155 533	(21 809)	1 133 724	1 052 257	(13 609)	1 038 648	942 654	(10 943)	931 711

Reconciliation of intangible assets – Group – 2014

	Opening balance	Additions	Disposals	Written back	Transfers	Foreign exchange movements	Change in estimate	Amortisation	Impairment loss	Total
Patents	5 291	–	–	–	–	–	–	(277)	–	5 014
Exploration and evaluation assets	3 010 739	133 475	(145 243)	136	(1 573 382)	70 551	–	–	(934)	1 495 342
Software	16 124	10 640	–	–	–	–	–	(6 712)	–	20 052
Restoration costs	98 749	6 958	–	(36 170)	(57 278)	14 364	(5 972)	–	–	20 651
	3 130 903	151 073	(145 243)	(36 034)	(1 630 660)	84 915	(5 972)	(6 989)	(934)	1 541 059

3. Intangible assets (continued)
(Figures in Rand thousands)

Reconciliation of intangible assets – Group – 2013 Restated

	Opening balance	Additions	Additions through business combinations	Transfers	Foreign exchange movements	Change in estimate	Amortisation	Total
Patents	5 569	–	–	–	–	–	(278)	5 291
Exploration and evaluation assets	923 657	154 268	1 885 000	–	47 814	–	–	3 010 739
Software	2 485	15 676	–	8	–	–	(2 045)	16 124
Restoration costs	–	4 167	129 722	–	15 934	(51 074)	–	98 749
	931 711	174 111	2 014 722	8	63 748	(51 074)	(2 323)	3 130 903

Reconciliation of intangible assets – Group – 2012 Restated

	Opening balance	Additions	Amortisation	Impairment loss	Total
Patents	–	6 934	(1 365)	–	5 569
Exploration and evaluation assets	665 586	337 233	–	(79 162)	923 657
Software	1 111	2 500	(1 126)	–	2 485
	666 697	346 667	(2 491)	(79 162)	931 711

Reconciliation of intangible assets – Company – 2014

	Opening balance	**Additions**	**Amortisation**	**Impairment loss**	**Total**
Patents	**5 291**	**–**	**(277)**	**–**	**5 014**
Exploration and evaluation assets	**1 017 233**	**92 359**	**–**	**(934)**	**1 108 658**
Software	**16 124**	**10 640**	**(6 712)**	**–**	**20 052**
	1 038 648	**102 999**	**(6 989)**	**(934)**	**1 133 724**

Reconciliation of intangible assets – Company – 2013 Restated

	Opening balance	Additions	Transfers	Amortisation	Total
Patents	5 569	–	–	(278)	5 291
Exploration and evaluation assets	923 657	93 576	–	–	1 017 233
Software	2 485	15 676	8	(2 045)	16 124
	931 711	109 252	8	(2 323)	1 038 648

Reconciliation of intangible assets – Company – 2012 Restated

	Opening balance	Additions	Amortisation	Total
Patents	–	6 934	(1 365)	5 569
Exploration and evaluation assets	586 424	337 233	–	923 657
Software	1 111	2 500	(1 126)	2 485
	587 535	346 667	(2 491)	931 711

Notes to the Audited Annual Financial Statements (continued)

	Group			Company		
	2014	2013	2012	**2014**	2013	2012
	R'000	R'000	R'000	**R'000**	R'000	R'000
		Restated	Restated		Restated	Restated
4. Deferred tax						
Deferred tax liability						
Accelerated capital allowances for tax purposes	**(1 992 006)**	(1 728 498)		**–**	–	–
Tax losses available for set off against future taxable income	**179 718**	–		**–**	–	–
Provisions	**20 731**	–		**–**	–	–
	(1 791 557)	(1 728 498)		**–**	–	–
Reconciliation of deferred tax liability						
At beginning of the year	**(1 728 498)**	–		**–**	–	–
Originating temporary difference on assets	**(360 592)**	(1 807 796)		**–**	–	–
Increase (decrease) in tax losses available for set off against future taxable income	**179 718**	–		**–**	–	–
Originating temporary difference on provisions	**20 731**	–		**–**	–	–
Reversing temporary difference on fair value adjustment	**97 084**	79 298		**–**	–	–
Balance at end of year	**(1 791 557)**	(1 728 498)		**–**	–	–
5. Investments in subsidiaries						
The carrying amounts of subsidiaries are shown net of impairment losses.						
PetroSA Synfuel International SOC Ltd (100%)						
Shares:						
Balance at the beginning of the year	**–**	–	–	**501**	501	501
Provision for impairment	**–**	–	–	**(501)**	(501)	(501)
Balance at the end of the year	**–**	**–**	**–**	**–**	**–**	**–**
PetroSA Sudan SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	**–**	–	–	**(0.12)**	(0.12)	(0.12)
Shares:						
Balance at the beginning of the year	**–**	–	–	**0.12**	0.12	0.12
Loans	**–**	–	–	**(0.12)**	(0.12)	(0.12)
Shares	**–**	–	–	**0.12**	0.12	0.12
Carrying amount of investment	**–**	**–**	**–**	**–**	**–**	**–**

	Group			Company		
	2014 R'000	2013 R'000 Restated	2012 R'000 Restated	2014 R'000	2013 R'000 Restated	2012 R'000 Restated
5. Investments in subsidiaries (continued)						
Petroleum Oil & Gas Corporation of South Africa (Namibia) SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	(0.12)	(0.12)	(0.12)
Shares:						
Balance at the beginning of the year	–	–	–	0.12	0.12	0.12
Loans	–	–	–	(0.12)	(0.12)	(0.12)
Shares	–	–	–	0.12	0.12	0.12
Carrying amount of investment	–	–	–	–	–	–
PetroSA Egypt SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	(0.10)	(0.10)	(0.10)
Shares:						
Balance at the beginning of the year	–	–	–	0.10	0.10	0.10
Loans	–	–	–	(0.10)	(0.10)	(0.10)
Shares	–	–	–	0.10	0.10	0.10
Carrying amount of investment	–	–	–	–	–	–
PetroSA Nigeria Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	–	–	1 913
Advances/(repayments) during the year	–	–	–	–	–	(1 913)
	–	–	–	–	–	–
Shares:						
Balance at the beginning of the year	–	–	–	–	–	1 235
Disposal of shares	–	–	–	–	–	(1 235)
Carrying amount of investment	–	–	–	–	–	–
PetroSA Europe BV (100%)						
Shares:						
Balance at the beginning of the year	–	–	–	166	166	166
Share premuim						
Balance at the beginning of the year	–	–	–	2 965	2 965	2 965
Shares	–	–	–	166	166	166
Share premium	–	–	–	2 965	2 965	2 965
Carrying amount of investment	–	–	–	3 131	3 131	3 131
PetroSA Brass SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	(0.06)	(0.06)	(0.06)
Shares:						
Balance at the beginning of the year	–	–	–	0.06	0.06	0.06
Loans	–	–	–	(0.06)	(0.06)	(0.06)
Shares	–	–	–	0.06	0.06	0.06
Carrying amount of investment	–	–	–	–	–	–

Notes to the Audited Annual Financial Statements (continued)

5. Investments in subsidiaries (continued)

	Group			Company		
	2014 R'000	2013 R'000 Restated	2012 R'000 Restated	**2014 R'000**	2013 R'000 Restated	2012 R'000 Restated
PetroSA Gryphon Marin SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	**(0.06)**	(0.06)	(0.06)
Shares:						
Balance at the beginning of the year	–	–	–	**0.06**	0.06	0.06
Loans	–	–	–	**(0.06)**	(0.06)	(0.06)
Shares	–	–	–	**0.06**	0.06	0.06
Carrying amount of investment	–	–	–	–	–	–
PetroSA Iris SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	**(0.06)**	(0.06)	(0.06)
Shares:						
Balance at the beginning of the year	–	–	–	**0.06**	0.06	0.06
Loans	–	–	–	**(0.06)**	(0.06)	(0.06)
Shares	–	–	–	**0.06**	0.06	0.06
Carrying amount of investment	–	–	–	–	–	–
PetroSA Themis SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	**(0.12)**	(0.12)	(0.12)
Shares:						
Balance at the beginning of the year	–	–	–	**0.12**	0.12	0.12
Loans	–	–	–	**(0.12)**	(0.12)	(0.12)
Shares	–	–	–	**0.12**	0.12	0.12
Carrying amount of investment	–	–	–	–	–	–
PetroSA Equatorial Guinea SOC Ltd (100%)						
Loans:						
Balance at the beginning of the year	–	–	–	**(0.06)**	(0.06)	(0.06)
Shares:						
Balance at the beginning of the year	–	–	–	**0.06**	0.06	0.06
Loans	–	–	–	**(0.06)**	(0.06)	(0.06)
Shares	–	–	–	**0.06**	0.06	0.06
Carrying amount of investment	–	–	–	–	–	–
PetroSA Ghana Ltd (100%)						
Shares:						
Balance at the beginning of the year	–	–	–	–	–	–
Shares purchased	–	–	–	**3 880 651**	3 880 651	–
	–	–	–	**3 880 651**	3 880 651	–
Carrying amount of investment	–	–	–	**3 880 651**	3 880 651	–
Total						
Loans	–	–	–	**(1)**	(1)	(1)
Shares	–	–	–	**3 881 319**	3 881 319	668
Share premium	–	–	–	**2 965**	2 965	2 965
Provision for impairment	–	–	–	**(501)**	(501)	(501)
Carrying amount of investment	–	–	–	**3 883 782**	**3 883 782**	**3 131**

6. Investments in associates

(Figures in Rand thousands)

Group

Name of company	Country of incorporation	% holding 2014	% holding 2013	% holding 2012	Carrying amount 2014	Carrying amount 2013	Carrying amount 2012
GTL.F1 AG	Switzerland	**50.00%**	50.00%	50.00%	**–**	–	–

Company

Name of company	Country of incorporation	% holding 2014	% holding 2013	% holding 2012	Carrying amount 2014	Carrying amount 2013	Carrying amount 2012
GTL.F1 AG	Switzerland	**50.00%**	50.00%	50.00%	**29 625**	29 625	29 625

Associates with different reporting dates

The reporting date of the associate is not the same as that of the group. GTL.F1 AG's year end is 31 December 2013.

Unrecognised share of losses of associate

The group has discontinued recognising its share of the losses of GTL.F1 AG, as the investment at a group level is held at R nil and the group has no obligation for any losses of the associate. The total unrecognised losses for the current period amount to R34.1 million (2013: R16 million). The accumulated unrecognised losses to date amount to R78.9 million (2013: R 44.8 million).

Associates equity accounted for

Summary of associate's financial information:

GTL.F1 AG	2014	2013	2012
Total assets	**134 601**	117 896	90 871
Total liabilities	**(278 978)**	(170 756)	(106 949)
Revenue	**12 891**	1 465	3 723
Loss/(Profit)	**79 392**	(34 509)	(22 608)

Notes to the Audited Annual Financial Statements (continued)

	Group			Company		
	2014	2013	2012	**2014**	2013	2012
	R'000	R'000	R'000	**R'000**	R'000	R'000
		Restated	Restated		Restated	Restated
7. Other financial assets						
Cash at bank						
Restricted cash	**1 725 000**	2 594 000	–	**1 725 000**	2 594 000	–
Restricted cash at bank is interest bearing and its use is restricted as a reserve for the servicing of debt under the group's financing agreements in relation to the PetroSA Ghana Ltd investment.						
Loans and receivables						
GTL.F1 AG	**126 839**	79 166	68 724	**126 839**	79 166	68 724
The loan accrues interest at EURIBOR + 0.75%. This loan is repayable on the commencement of profit generation by the company.						
Lurgi	**169 651**	136 140	116 873	**169 651**	136 140	116 873
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 EURIBOR + 0.75%. The loan is repayable based on dividends receivable by Lurgi from the GTL.F1 AG technology company.						
PetroSA Equatorial Guinea	**–**	–	–	**1 795 917**	1 598 885	1 412 475
The loan has no fixed repayment terms and interest accrues at prime + 2%						
PetroSA Egypt	**–**	–	–	**–**	1 141 482	1 142 457
The loan has no fixed repayment terms and interest accrues at prime + 2%						
PetroSA Ghana Ltd	**–**	–	–	**740 759**	1 517 538	–
The loan is unsecured. The loan accrues interest at USD LIBOR plus a percentange ranging between 0.585% and 1.025%. Interest is compounded quarterly. The loan repayment period was extended from 13 September 2013 to 30 June 2014.						
Subtotal	**296 490**	215 306	185 597	**2 833 166**	4 473 211	2 740 529
Loans and receivables (impairments)	**–**	–	–	**(1 795 917)**	(2 740 367)	(2 554 932)
	296 490	215 306	185 597	**1 037 249**	1 732 844	185 597
Non-current assets	**296 490**	215 306	185 597	**296 490**	215 306	185 597
Current assets	**1 725 000**	2 594 000	–	**2 465 759**	4 111 538	–
Total other financial assets	**2 021 490**	2 809 306	185 597	**2 762 249**	4 326 844	185 597

A decision was taken to impair PetroSA's loans to PetroSA Egypt and PetroSA Equatorial Guinea of Rnil (2013: R1,142 million) and R1,796 million (2013: R1,599 million) respectively, due to its irrecoverability. At 31 March 2014, PetroSA waived its claim against PetroSA Egypt and the loan was written off.

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

		Group			Company		
		2014 R'000	2013 R'000 Restated	2012 R'000 Restated	2014 R'000	2013 R'000 Restated	2012 R'000 Restated
8.	**Amounts held by holding company**						
	This deposit is held by CEF SOC Ltd as security for guarantees issued by itself to third parties on behalf of PetroSA.						
	CEF SOC Ltd	**489 021**	489 021	489 021	**489 021**	489 021	489 021
9.	**Inventories**						
	The amounts attributable to the different categories are as follows:						
	Petroleum fuels	**2 647 819**	2 143 654	1 836 949	**2 647 819**	2 143 654	1 836 949
	Crude oil	**11 156**	182 990	24 712	**8 909**	182 990	24 712
	Consumable stores, spares and catalysts	**314 798**	472 192	438 546	**308 647**	463 190	426 694
		2 973 773	2 798 836	2 300 207	**2 965 375**	2 789 834	2 288 355
10.	**Trade and other receivables**						
	Trade receivables	**2 848 741**	2 839 204	2 878 581	**2 737 507**	2 737 674	2 877 734
	Prepayments	**174 211**	186 675	103 720	**173 760**	186 374	99 590
	Deposits	**235**	190	163	**–**	–	–
	VAT	**269 046**	120 770	120 866	**268 214**	120 023	120 393
	Statutory receivables	**48 014**	78 439	1 528	**48 014**	78 439	1 528
	Provision for doubtful debts	**(31 976)**	(31 680)	(34 587)	**(31 976)**	(31 680)	(34 587)
	Sundry receivables	**203 191**	333 138	329 239	**205 921**	342 981	335 344
		3 511 462	3 526 736	3 399 510	**3 401 440**	3 433 811	3 400 002
	Trade receivables past due but not impaired						
	Trade receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2014, R39.7 million (2013: R985.6 million) were past due but not impaired.						
	The ageing of amounts past due but not impaired is as follows:						
	1 month past due	**28 735**	285 351	25 812	**28 735**	285 351	25 812
	2 months past due	**5 045**	207 986	7	**5 045**	207 986	7
	3 months past due	**5 914**	492 240	8 768	**5 914**	492 240	8 768
	Reconciliation of provision for impairment of trade and other receivables						
	Opening balance	**31 680**	34 587	49 768	**31 680**	34 587	49 768
	Impairment losses recognised on receivables	**4 307**	468	5 169	**4 307**	468	5 169
	Written off	**(2 761)**	(920)	(6 593)	**(2 761)**	(920)	(6 593)
	Transferred	**–**	–	(10 566)	**–**	–	(10 566)
	Amounts recovered during the year	**(1 250)**	(2 455)	(3 191)	**(1 250)**	(2 455)	(3 191)
		31 976	31 680	34 587	**31 976**	31 680	34 587

The provision for doubtful debts consists of a number of customer account balances. The balance is aged as R31.9 million (2013: R31.2 million) at over 120 days and Rnil (2013: R0.48 million) as current.

Notes to the Audited Annual Financial Statements (continued)

	Group 2014 R'000	Group 2013 R'000 Restated	Group 2012 R'000 Restated	Company 2014 R'000	Company 2013 R'000 Restated	Company 2012 R'000 Restated
11. Cash and cash equivalents						
Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the Statement of Financial Position comprise the following:						
Short-term investments in money market and cash on hand	**4 813 588**	6 343 569	12 746 399	**4 813 002**	6 344 190	12 743 277
Bank balances	**645 642**	1 070 142	75 263	**67 615**	197 052	40 586
Term deposits	**30 673**	28 772	27 181	**–**	–	–
Bank overdraft	**(357 655)**	–	–	**(357 655)**	–	–
	5 132 248	7 442 483	12 848 843	**4 522 962**	6 541 242	12 783 863
Current assets	**5 489 903**	7 442 483	12 848 843	**4 880 617**	6 541 242	12 783 863
Current liabilities	**(357 655)**	–	–	**(357 655)**	–	–
	5 132 248	**7 442 483**	**12 848 843**	**4 522 962**	**6 541 242**	**12 783 863**
A term deposit of R30.7 million (2013: R28.7 million) is held in the company PetroSA Rehabilitation (NPC), and is committed solely for the abandonment expenditure for the Oribi/Oryx field.						
12. Share capital						
Authorised						
5 000 Ordinary par value shares of R1 each	**5**	5	5	**5**	5	5
Issued						
1 914 Ordinary par value shares of R1 each	**2**	2	2	**2**	2	2
Share premium	**2 755 934**	2 755 934	2 755 934	**2 755 934**	2 755 934	2 755 934
	2 755 936	2 755 936	2 755 936	**2 755 936**	2 755 936	2 755 936

13. Provisions

Reconciliation of provisions – Group – 2014

	Opening balance	Additions/ (Reversals)	Utilised during the year	Interest expense	Change in estimate	Total
Abandonment/Environmental	**7 904 598**	**61 914**	**(51 081)**	**532 858**	**(369 086)**	**8 079 203**
Post-retirement medical aid benefits	**60 465**	**5 566**	**(33 114)**	**13 074**	**–**	**45 991**
Rehabilitation	**7 477**	**7 551**	**(1 191)**	**–**	**–**	**13 837**
Social investment	**40 622**	**–**	**(3 759)**	**–**	**–**	**36 863**
Bonus	**206 168**	**166 111**	**(202 253)**	**–**	**(3 914)**	**166 112**
Contingent consideration	**321 294**	**(170 067)**	**(151 227)**	**–**	**–**	**–**
	8 540 624	**71 075**	**(442 625)**	**545 932**	**(373 000)**	**8 342 006**

Reconciliation of provisions – Group – 2013

	Opening balance	Additions	Utilised during the year	Interest expense	Change in estimate	Additions through business combinations	Total
Abandonment/Environmental	5 857 911	656 167	–	548 078	583 440	259 002	7 904 598
Post-retirement medical aid benefits	70 168	40 368	(50 071)	–	–	–	60 465
Rehabilitation	7 500	–	(23)	–	–	–	7 477
Social investment	–	40 622	–	–	–	–	40 622
Bonus	256 055	206 332	(256 219)	–	–	–	206 168
Contingent consideration	–	519 694	(221 923)	26 329	(2 806)	–	321 294
	6 191 634	1 463 183	(528 236)	574 407	580 634	259 002	8 540 624

13. Provisions (continued)

(Figures in Rand thousands)

Reconciliation of provisions – Group – 2012

	Opening balance	Additions	Utilised during the year	Interest expense	Change in estimate	Total
Abandonment/Environmental	5 506 257	1 609	–	454 241	(104 196)	5 857 911
Post-retirement medical aid benefits	143 588	26 444	(99 864)	–	–	70 168
Rehabilitation	7 500	–	–	–	–	7 500
Bonus	355 602	106 838	(206 385)	–	–	256 055
	6 012 947	134 891	(306 249)	454 241	(104 196)	6 191 634

Reconciliation of provisions – Company – 2014

	Opening balance	**Additions/ (Reversals)**	**Utilised during the year**	**Interest expense**	**Change in estimate**	**Total**
Abandonment/Environmental	**7 614 858**	**–**	**–**	**526 675**	**(276 571)**	**7 864 962**
Post-retirement medical aid benefits	**60 465**	**5 566**	**(33 114)**	**13 074**	**–**	**45 991**
Rehabilitation	**7 477**	**7 551**	**(1 191)**	**–**	**–**	**13 837**
Social investment	**40 622**	**–**	**(3 759)**	**–**	**–**	**36 863**
Bonus	**205 688**	**165 600**	**(201 773)**	**–**	**(3 914)**	**165 601**
Contingent consideration	**321 294**	**(170 067)**	**(151 227)**	**–**	**–**	**–**
	8 250 404	**8 650**	**(391 064)**	**539 749**	**(280 485)**	**8 127 254**

Reconciliation of provisions – Company – 2013

	Opening balance	Additions	Utilised during the year	Interest expense	Change in estimate	Total
Abandonment/Environmental	5 829 884	618 615	–	547 098	619 261	7 614 858
Post-retirement medical aid benefits	70 168	40 368	(50 071)	–	–	60 465
Rehabilitation	7 500	–	(23)	–	–	7 477
Social investment	–	40 622	–	–	–	40 622
Bonus	255 413	205 852	(255 577)	–	–	205 688
Contingent consideration	–	519 694	(221 923)	26 329	(2 806)	321 294
	6 162 965	1 425 151	(527 594)	573 427	616 455	8 250 404

Reconciliation of provisions – Company – 2012

	Opening balance	Additions	Utilised during the year	Written back during year	Change in estimate	Total
Abandonment/Environmental	5 479 839	–	–	454 241	(104 196)	5 829 884
Post-retirement medical aid benefits	143 588	26 444	(99 864)	–	–	70 168
Rehabilitation	7 500	–	–	–	–	7 500
Bonus	355 101	106 697	(206 385)	–	–	255 413
	5 986 028	133 141	(306 249)	454 241	(104 196)	6 162 965

	Group			**Company**		
	2014 R'000	2013 R'000 Restated	2012 R'000 Restated	**2014 R'000**	2013 R'000 Restated	2012 R'000 Restated
Non-current liabilities	**8 125 194**	8 286 357	5 928 079	**7 910 953**	7 996 617	5 900 052
Current liabilities	**216 812**	254 267	263 555	**216 301**	253 787	262 913
	8 342 006	8 540 624	6 191 634	**8 127 254**	8 250 404	6 162 965

Notes to the Audited Annual Financial Statements (continued)

Post-retirement medical aid benefits

PetroSA contributes to a medical aid scheme for retired and medically unfit employees. Refer to note 27 for more information.

Rehabilitation provision

This amount is for the rehabilitation of the land at the Voorbaai terminal.

Social investment

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

Bonus

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

Contingent consideration

The provision was raised to account for the financial implication of production target and approvals which may be met in term of the PetroSA Ghana share purchase agreement. Refer to note 26.

Abandonment/Environmental

In the prior year, the purchase of 100% equity in PetroSA Ghana and a 45% increase in the South Coast Gas joint venture shareholding to 100%, PetroSA assumed additional abandonment liabilities. The additions were ascribed as follows, PetroSA Ghana (R259 million) and South Coast Gas joint venture (R619 million). Major assumptions included in the calculation of provisions is that the South African inflation increased from 5.3% to 6.1% and US inflation decreased from 1.59% to 1.30%.

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 R55.7 million (2013: R44.8 million) with respect to the inflation rate and a decrease of R503.3 million (2013: R383.9 million) for the risk-free rate.

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

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

The total cost of future restoration is estimated at R8 079 million. This cost includes the net expenditure to abandon and to rehabilitate both the onshore and offshore facilities as well as other related closure costs. The costs are expected to be incurred as follows:

Financial year	R'million
– within one year	–
– in second to fifth year inclusive	8 079

Funding of abandonment/environmental rehabilitation

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

Rand millions	2014	2013	2012
Portion of cash deposit witrh CEF (SOC) Ltd (Holiding company) (refer to note 8)	477	477	477
Cash in escrow account	31	29	27
Financial guarantee (refer to note 28)	180	180	180
	688	686	684

	Group			Company		
	2014	2013	2012	**2014**	2013	2012
	R'000	R'000	R'000	**R'000**	R'000	R'000
		Restated	Restated		Restated	Restated
14. Other financial liabilities						
Bank loan	**1 591 050**	2 037 200	–	**1 591 050**	2 037 200	–
The US Dollar denominated loan balance outstanding is secured by a cash collateral of R1 725 million (2013: R2 594 million). The loan accrues interest at LIBOR plus a margin percentage. This margin percentage amounted to 0.58500% throughout the financial year (2013: ranged between 0.96% and 0.585%). All interest payable accrues from day to day at the relevant rate of interest, is calculated on the basis of the actual number of days elapsed and a 360 day year and is compounded quarterly. The loan is repayable in full on 30 June 2014.						
15. Trade and other payables						
Trade payables	**1 984 788**	1 864 534	1 249 413	**1 991 400**	1 898 221	1 251 674
Statutory payables	**704 201**	627 038	404 000	**704 201**	627 038	404 000
Accrued leave pay	**84 964**	76 259	73 674	**83 118**	75 899	73 260
Accrued expenses	**669 885**	808 727	535 032	**547 157**	797 791	537 609
Deposits received	**23**	23	23	**23**	23	23
Other payables	**40 165**	62 056	10 835	**40 039**	20 973	10 644
	3 484 026	3 438 637	2 272 977	**3 365 938**	3 419 945	2 277 210

Notes to the Audited Annual Financial Statements (continued)

16. Comparative figures

Certain comparative figures in the group annual financial statements have been restated and/or reclassified.

The effects of these changes are as follows:

	Group			Company		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
2012						
Restatements						
Production assets	2 998 528	563 644	3 562 172	2 998 528	563 644	3 562 172
Restoration costs	987 548	42 953	1 030 501	987 548	42 953	1 030 501
Exploration and evaluation assets	–	923 657	923 657	–	923 657	923 657
Consumable stores, spares and catalysts	710 993	(272 447)	438 546	699 141	(272 447)	426 694
Retained earnings	(15 257 464)	(1 257 807)	(16 515 271)	(15 245 446)	(1 257 807)	(16 503 253)
2013						
Restatements						
Production assets	7 727 876	376 123	8 103 999	3 131 298	376 123	3 507 421
Restoration costs	1 875 740	269 172	2 144 912	1 761 657	269 172	2 030 829
Exploration and evaluation assets	1 993 506	1 017 233	3 010 739	–	1 017 233	1 017 233
Consumable stores, spares and catalysts	716 171	(243 979)	472 192	707 169	(243 979)	463 190
Abandonment provision	(7 762 556)	(142 042)	(7 904 598)	(7 472 816)	(142 042)	(7 614 858)
Retained earnings	(15 850 916)	(1 276 507)	(17 127 423)	(15 610 828)	(1 276 507)	(16 887 335)

Further to the restatements disclosed above, the comparative figures in the statement of financial position, statement of comprehensive income and statement of cash flows have been reallocated to more accurately reflect the nature of the expenses and underlying balances.

The restatements to the financial information of the 2012 and 2013 financial years are as a result of the following:

Production assets, Restoration costs and Abandonment Provision

Reclassification of certain items included in consumable stores, spares and catalyst to production assets as these items were in the past considered to be inventory. These items should have been classified as production assets in terms of IAS 16 (AC 123) Property, Plant and Equipment, as they will be used in the process of production during more than one accounting period;

Revision to the application of the unit of production method in determining depreciation, depletion and amortisation and the consequential impact on restoration costs

Revision of the method of determining changes in estimate and unwinding of the discount factor accounting for the abandonment provision and the consequential impact on restoration costs.

Exploration and evaluation asset

In terms of IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources and the “successful efforts” method of accounting an entity shall measure exploration and evaluation assets at cost, and that possible costs to be capitalised include; acquisition of rights to explore, geological studies, exploratory drilling, trenching, sampling and costs associated with evaluating the technical feasibility of the mineral resource. Expenditures incurred on exploration and evaluation assets were prematurely expensed despite ongoing exploration and appraisal activities.

Revenue and cost of sales

Revenue and cost of sales should be recognised net of taxes and levies in terms of IAS 18 (AC 111) Revenue and IAS 2 (AC108) Inventories. Consequently, revenue and cost of sales have been restated by the same amount in order to adjust for - Duty at Source (DAS) and CEF levies which were included in these balances.

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
17. Revenue				
Gross revenue represents the invoiced value of crude oil, fuel sales and other goods and services supplied, excluding value added tax.				
Major classes of revenue comprise:				
Fuel production sales	19 989 357	18 141 547	19 989 357	18 141 547
Crude oil sales	1 209 937	739 268	202 562	256 267
	21 199 294	18 880 815	20 191 919	18 397 814
18. Operating (loss) profit				
Operating (loss) profit for the year is stated after accounting for the following:				
Income from administration and management activities				
Administration and management fees	1 773	4	3 887	4 377
Operating lease charges				
Premises				
Contractual amounts	3 486	4 417	1 691	2 676
Profit (loss) on sale of property, plant and equipment	116	–	–	–
Profit on sale of intangible assets	138 361	–	–	–
Bad debts recovered	(1 250)	(2 455)	(1 250)	(2 455)
Stock provision	22 316	(14 735)	22 316	(14 735)
Loss on foreign exchange	(599 341)	(91 560)	(599 341)	(91 560)
Impairment of accounts receivable	4 307	468	4 307	468
Impairment of property, plant and equipment	3 394 563	360 150	3 394 563	360 150
Impairment of intangible assets	934	–	934	–
Impairment/write-off of loans to group companies	–	–	197 631	185 436
Amortisation of intangible assets	6 989	2 322	6 989	2 322
Depreciation of property, plant and equipment	987 454	1 145 324	593 001	843 762
Salaries and wages	996 114	929 826	979 240	920 624
Pension and medical costs	176 584	135 991	176 584	135 991
19. Investment income				
Interest income				
Bank	–	4	–	–
Investment	439 273	732 950	618 939	864 675
	439 273	732 954	618 939	864 675
20. Finance costs				
Non-current borrowings	18 348	12 557	18 301	12 557
Bank	868	7 220	868	1 592
Current borrowings	448	–	–	–
Unwinding of discount	532 578	574 356	526 675	573 427
Foreign exchange difference on revaluation of foreign loans	251 838	222 860	251 838	222 860
	804 080	816 993	797 682	810 436
Borrowing costs capitalised				
Borrowing costs capitalised to qualifying assets	1 106	1 418	–	–
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	0.88%	16.70%	–	–

Notes to the Audited Annual Financial Statements (continued)

	Group		Company	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
21. Taxation				
Major components of the tax expense (income)				
Current				
Local income tax – current period	**4 504**	836	**–**	–
Local income tax – recognised in current tax for prior periods	**–**	201	**–**	–
Foreign income tax or withholding tax – current period	**11**	4 880	**–**	–
Foreign income tax or withholding tax – recognised in current tax for prior periods	**–**	11	**–**	–
	4 515	5 928	**–**	–
Deferred				
Originating and reversing temporary differences	**(32 014)**	(79 298)	**–**	–
Arising from previously unrecognised tax loss/tax credit/temporary difference	**(85 830)**	–	**–**	–
Benefit of unrecognised tax loss	**173 458**	–	**–**	–
	55 614	(79 298)	**–**	–
	60 129	(73 370)	**–**	–
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	**28.00%**	28.00%	**28.00%**	28.00%
Under/over accrual for previous tax year	**–**	1.00%	**–**	–
	28.00%	29.00%	**28.00%**	28.00%

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

PetroSA continued with its development programme of the F-O field, known as project Ikhwezi. Project Ikhwezi will contribute toward further increasing PetroSA's assessed loss position. As it is unlikely that the assessed loss will be utilised in the foreseeable future, no deferred tax asset has been recognised. The current tax value of the unrecognised estimated tax loss/assessed loss is R3.3 billion (2013: R2.2 billion).

The unused estimated/assessed tax loss at year-end is R11.8 billion (2013: R7.9 billion).

		Group		Company	
		2014 R'000	2013 R'000	2014 R'000	2013 R'000
22.	**Auditors' remuneration**				
	Audit fee	7 674	5 445	6 605	4 904
	Expenses	283	107	283	107
		7 957	5 552	6 888	5 011
23.	**Cash generated from operations**				
	(Loss) profit before taxation	(1 588 582)	538 779	(1 966 918)	384 081
	Adjustments for:				
	Depreciation and amortisation	864 118	903 239	471 963	608 532
	Loss on sale of assets	138 477	–	–	–
	Unwinding of discount	(532 578)	(574 356)	(526 675)	(573 427)
	Interest received	(439 273)	(732 954)	(618 939)	(864 675)
	Finance costs	804 080	816 993	797 682	810 436
	Impairment loss	3 398 347	363 000	3 593 128	545 586
	Movements in provisions	(47 391)	2 089 988	(123 150)	2 087 439
	Movement in restoration costs	496 494	(988 980)	404 602	(1 000 327)
	Foreign exchange gain	(248 527)	(86 149)	(27 366)	(8 823)
	Changes in working capital:				
	(Increase)/decrease in inventories	(354 308)	(562 666)	(352 062)	(570 211)
	(Increase)/decrease in trade and other receivables	15 274	(124 720)	32 371	(33 809)
	(Increase)/decrease in prepayments	–	243 869	–	243 869
	(Decrease)/increase in trade and other payables	45 389	1 147 478	(54 007)	1 142 736
		2 551 384	3 033 521	1 630 629	2 771 407
24.	**Tax refunded**				
	Charge to profit and loss	(60 129)	73 370	–	–
	Movement in deferred taxation	63 059	(79 299)	–	–
	Movement in taxation balance	21 831	5 546	22 452	4 262
	Amounts refunded/(payments made)	24 761	(383)	22 452	4 262
25.	**Government grants receivable**				
	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 in order to provide specialised training on the project.				
	Grants received	6 906	4 495	6 906	4 495

Notes to the Audited Annual Financial Statements (continued)

26. Business combinations

PetroSA Ghana Ltd

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

Acquisition-related costs of R6 million were charged to administrative expenses in the consolidated statement of comprehensive income.

Under the contingent consideration arrangement, the group was required to pay $15 million should the Enyenra/Tweneboa delevopment plan be approved and additional amounts should each of the following production targets be met for 75 consecutive days before 30 June 2014: $10 million if production exceeds 90 000 barrels per day, $15 million if production exceeds 100 000 barrels per day and $20 million if production exceeds 110 000 barrels per day. The fair value of the contingent consideration arrangement of R321.3 million was estimated by using a present value calculation. The fair value estimates are based on a discount rate of 11% and assumed production targets and approvals that would be reached based on the most reliable information available.

The reporting date of the company is 31 December which is not the same as that of the group. The group results include the performance of PetroSA Ghana Ltd for the intervening period until 31 March.

Pro forma revenue and profit of PetroSA Ghana Ltd

In the prior year, revenue of R483 million and profit of R366.6 million of PetroSA Ghana Ltd was included in the group's results since the date of acquisition. Had the business combination been effective from 1 April 2012, the contribution to revenue and profit of the group would be R837.5 million and R38.4 million respectively.

The following table summarises the consideration paid for PetroSA Ghana Ltd, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Aggregated business combinations				
Property, plant and equipment	–	4 758 827	–	–
Intangible assets	–	2 014 722	–	–
Deferred tax	–	(1 807 796)	–	–
Inventories	–	7 545	–	–
Trade and other receivables	–	2 506	–	–
Cash and cash equivalents	–	525 027	–	–
Provisions	–	(259 002)	–	–
Loans from shareholder	–	(1 342 997)	–	–
Trade and other payables	–	(18 181)	–	–
	–	3 880 651	–	–
Net cash outflow on acquisition				
Cash consideration paid	**(151 227)**	(3 880 651)	–	–
Cash acquired	–	525 027	–	–
	(151 227)	(3 355 624)	–	–

27. Employee benefits

It is the policy of the group to provide retirement benefits for all its eligible permanent employees. All eligible permanent employees are members of the PetroSA Retirement Fund, a defined contribution fund, subject to the Pension Funds Act, 1956.

Pensions and Retirement Funds

Defined contribution pension plan

PetroSA Retirement Fund

The company operates a defined contribution retirement plan for the benefit of employees. 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 R107.9 million (2013: R74.1 million) for the retirement fund.

Medical benefits

Post-employment medical benefits

The group has provided for an amount of R147.9 million of which R101.9 million was funded (2013: R167.4 million of which R107 million was funded). This is the funding of post-retirement medical scheme costs for all employees and pensioners. The commitment is actuarially valued annually, with the most recent valuation performed as at the 31 March 2014.

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

During the 2013 financial year, PetroSA funded a portion of the post-retirement medical liability through the purchase of a company-funded annuity policy. As this annuity policy is CPI linked, the company is exposed to revaluation risks if medical inflation is higher than the CPI increases granted. During the current year, the group paid a top-up amount of R3.1 million to cover the revaluation and received a refund of R1.4 million in respect of terminated medical scheme membership. The current value of the annuity policy is R101.9 million.

The net defined benefit obligation in respect of promised post-retirement medical scheme costs as at 31 March 2014 is R46 million. The obligation is partially funded and was valued using the “projected unit method”. A discount rate of 9.0% and a health care cost inflation of 7.25% were assumed. Mortality assumptions were in line with standard table SA56/62 ultimate (pre-retirement) and PA(90) rated down by two years (post-retirement). A sensitivity analysis was performed on the health care cost inflation rate assumption used in the valuation. An 8.25% and 6.25% health care cost assumption would result in a net obligation of R65.9 million and R29.5 million respectively. The combined interest and service cost vary according to the health care cost inflation and are R14.3 million (6.25%), R16.3 million (7.25%) and R18.7 million (8.25%) respectively.

Furthermore, a sensitivity analysis was also performed on the post-retirement mortality rate assumption. A PA(90) and PA(90) rated down two years assumption would result in the net obligation as at 31 March 2014 being R41.7 million and R50.3 million, respectively. The combined interest and service cost vary according to the mortality assumption and are R16.7 million (PA(90)) , R16.2 million (PA(90)-2) and R18.7 million (PA(90)-3).

Notes to the Audited Annual Financial Statements (continued)

	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
The movement in the defined benefit obligation was as follows:				
Defined benefit obligation at beginning of year	**60 465**	70 168	**60 465**	70 168
Current service cost	**(13 886)**	(29 028)	**(13 886)**	(29 028)
Interest cost	**13 074**	14 507	**13 074**	14 507
Benefits paid	**6 599**	5 723	**6 599**	5 723
Settlements	**–**	(22 723)	**–**	(22 723)
Actuarial (gain)/loss	**(20 260)**	21 818	**(20 260)**	21 818
Defined benefit obligation at end of year	**45 992**	60 465	**45 992**	60 465

Defined benefit pension plan

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

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

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

28. Contingencies

	Group 2014	Group 2013	Company 2014	Company 2013
Guarantees				
1. The group has issued guarantees for the rehabilitation of land disturbed by mining on Sable:	**180 000**	180 000	**180 000**	180 000
2. The group has issued a manufacture and excisable bond in favour of the South African Revenue Services.	**5 000**	5 000	**5 000**	5 000
3. The group has issued an evergreen VAT guarantee in favour of the Dutch VAT Authorities (€0.455 million)	**7 290**	5 376	**7 290**	5 376
	192 290	190 376	**192 290**	190 376
Claims				
PetroSA is considering settling a claim made by a former employee	**4 000**	–	**4 000**	–
PetroSA is considering settling a claim made in terms of a contracts	**119 801**	61 942	**119 801**	61 942
	123 801	61 942	**123 801**	61 942

Mbizana Integrated Energy Centre

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

29. Commitments

Authorised capital expenditure

	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
Approved by the directors				
Contracted for	**4 609 642**	4 958 940	**3 829 920**	4 734 647
Operating lease commitments				
PetroSA				
– within one year	**1 526**	1 400	**1 526**	1 400
– in second to fifth year inclusive	**2 531**	4 057	**2 531**	4 057
	4 057	5 457	**4 057**	5 457
Office space is leased at 1 Protea Place in Sandton, Johannesburg, effective from 1 October 2011. The lease payment is fixed at R102 420 per month with a 9% escalation per annum. The lease period is five years and ends on 30 September 2016.				
PetroSA – George airport space				
– within one year	**551**	505	**551**	505
– in second to fifth year inclusive	**1 596**	2 147	**1 596**	2 147
	2 147	2 652	**2 147**	2 652
Office space is leased at the general aviation area of the George Airport effective from 1 October 2012. The lease payment is fixed at R40 291 per month with a 9% escalation per annum. The lease period is five years and ends on 30 September 2017.				
PetroSA – Mozambican office space				
– within one year	**68**	43	**68**	43

PetroSA leases furnished office space in Mozambique at a monthly rental fee of 48,000Mtn. The lease term is for one year starting on 1 July 2012. The lease agreement was extended for another year at a monthly rental of $2 243.

Notes to the Audited Annual Financial Statements (continued)

29. Commitments (continued)

	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
PetroSA Europe BV – Office space				
– within one year	**528**	642	**–**	–
– in second to fifth year inclusive	**–**	428	**–**	–
	528	1 070	**–**	–

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

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
PetroSA Europe BV – motor vehicles				
– within one year	**–**	33	**–**	–

Motor vehicles are leased on behalf of the company's employees. The standard contract period is 48 months. The expiry dates were 18 January 2013 and 27 May 2013. The lease was not renewed.

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
PetroSA Europe BV – apartments				
– within one year	**–**	433	**–**	–

PetroSA Europe BV leases apartments for its employees. The company entered into a lease for a period of 1 year commencing on 1 December 2012 to 30 November 2013. The annual rental will be adjusted in July 2013 in line with CPI – all household series. The lease was not renewed.

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
PetroSA Equatorial Guinea				
– within one year	**–**	722	**–**	–

The company entered into a lease for office space in Malabo for a one year period, effective from 1 February 2013 to 31 January 2014. The monthly lease payments were CFA 4 000 000 and were paid in advance for a year. The lease was not renewed.

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
PetroSA Egypt				
– within one year	**–**	37	**–**	–

The company entered into a lease for office space in Egypt for a period of one year commencing from 1 January 2012 to 31 December 2012. The monthly lease instalments were $1 200 with an annual escalation of 10%. The lease was renewed for three month periods ending 31 March 2013 and 30 June 2013 respectively, with monthly lease instalments of $1 320. The lease instalments were paid in advance. The lease was not renewed.

30. Financial Instruments

Introduction

The group has a risk management and central treasury function that manages the financial risks relating to the group's operations. The group's liquidity, credit, foreign exchange, interest rate and crude oil price risks are monitored continually. Approved policies exist for managing these risks.

Risk profile

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

Risk management objectives and policies

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

Foreign currency management

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

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

A sensitivity analysis was done for the net effect on revenue and expenses, and the weakening or strengthening of the Rand/Dollar exchange rate by R1 based on actual revenue and cost will increase or decrease profit by R593 million (2013: R910 million) respectively.

Foreign currency instruments

The group is mainly exposed to fluctuations in the EUR, GBP and USD. The group measures its market risk exposure by running various sensitivity analyses including 10% favourable and adverse changes in 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.

Financial assets

As at 31 March 2014 a 10% strengthening in ZAR against the relevant currencies would have resulted in a decrease in foreign currency denominated assets of R122 million (2013: R232 million) and a 10% weakening in ZAR against the relevant currencies would have resulted in an increase in foreign currency denominated assets of R122 million (2013: R232 million).

Financial liabilities

As at 31 March 2014 a 10% strengthening in ZAR against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities of R261 million (2013: R59 million) and a 10% weakening in ZAR against the US Dollar would have resulted in an increase in foreign currency denominated liabilities of R261 million (2013: R59 million).

Notes to the Audited Annual Financial Statements (continued)

30. Financial Instruments (continued)

Currency risk

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

Exchange rates used for conversion of foreign items were:

Closing rate:	2014	2013
USD	**10.6070**	9.2600
Euro	**14.5792**	11.8157
GBP	**17.649**	14.021
Average:		
USD	**10.1139**	8.5131
Euro	**13.557**	10.9609
GBP	**16.0607**	13.4471

Forward foreign exchange contracts

2014

Total foreign currency	Average forward exchange rate	Maturity date
Assets		
USD 8 000 000	**10.6752**	Less than 3 months
Liabilities		
USD 103 217 782	**10.6477**	Less than 3 months
USD 41 769 110	**10.8477**	longer than 3 months but less than 6 months
USD 53 392 625	**11.0256**	longer than 6 months but less than 9 months
USD 5 594 258	**11.1573**	longer than 9 months but less than 12 months
GBP 3 320 133	**17.6698**	Less than 3 months

2013

Total foreign currency	Average forward exchange rate	Maturity date
Assets		
EUR 9 536 327	**11.8209**	Less than 3 months
Liability		
EUR 16 520 661	**11.8232**	Less than 3 months
GBP 17 659 056	**14.0604**	Less than 3 months
USD 131 823 078	**9.3053**	Less than 3 months
USD 27 887 672	**9.3998**	longer than 3 months but less than 6 months

As at 31 March 2014, a 10% relative change in the USD to the ZAR would have impacted profit or loss for the year by R220 million (2013: R149 million).

As at 31 March 2014, a 10% relative change in the EUR to the ZAR would have impacted profit or loss for the year by R0 million (2013: R20 million).

As at 31 March 2014, a 10% relative change in the GBP to the ZAR would have impacted profit or loss for the year by R6 million (2013: R25 million).

30. Financial Instruments (continued)

R'000	Fair value 2014	Fair value 2013	Estimated fair value gain/(loss) 2014	Estimated fair value gain/(loss) 2013
Forward exchange contracts – assets	85 401	112 728	(4 341)	285
Forward exchange contracts – liabilities	(2 261 861)	(1 932 393)	(2 627)	43 445
	(2 176 460)	(1 819 665)	(6 968)	43 730

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 of R2.9 billion (2013: R2.8 billion) are presented net of the allowance for doubtful debts.

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

The group manages counter-party exposures arising from money market and derivative financial instruments by only dealing with well-established financial institutions of a high credit rating. Losses 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.

Maturity profile

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

Group

At 31 March 2014

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash	5 489 903	–	–	–	5 489 903
Other financial assets	–	–	296 490	–	296 490
Trade and other receivables	3 171 019	–	–	–	3 171 019
Forward exchange contracts	23 383	–	–	–	23 383
Restricted cash	1 725 000	–	–	–	1 725 000
Loans receivable	489 021	–	–	–	489 021
Total financial assets	10 898 326	–	296 490	–	11 194 816
Liabilities					
Trade and other payables	2 749 475	–	–	–	2 749 475
Other financial liabilities	1 591 050	–	–	–	1 591 050
Forward exchange contracts	30 351	–	–	–	30 351
Bank overdrafts	357 655	–	–	–	357 655
	4 728 531	–	–	–	4 728 531

At 31 March 2013

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash	7 442 483	–	–	–	7 442 483
Other financial assets	–	–	215 306	–	215 306
Trade and other receivables	3 280 897	–	–	–	3 280 897
Forward exchange contracts	46 630	–	–	–	46 630
Restricted cash	2 594 000	–	–	–	2 594 000
Loans receivable	489 021	–	–	–	489 021
Total financial assets	13 853 031	–	215 306	–	14 068 337

Notes to the Audited Annual Financial Statements (continued)

30. Financial Instruments (continued)

	Less than 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Trade and other payables	2 808 414	–	–	–	2 808 414
Forward exchange contracts	3 185	–	–	–	3 185
Other financial liabilities	2 037 200	–	–	–	2 037 200
	4 848 799	–	–	–	4 848 799
Company					
At 31 March 2014					
Assets					
Cash	**4 880 617**	**–**	**–**	**–**	**4 880 617**
Other financial assets	**–**	**–**	**1 037 249**	**–**	**1 037 249**
Trade and other receivables	**3 061 829**	**–**	**–**	**–**	**3 061 829**
Forward exchange contracts	**23 383**	**–**	**–**	**–**	**23 383**
Restricted cash	**1 725 000**	**–**	**–**	**–**	**1 725 000**
Loans receivable	**489 021**	**–**	**–**	**–**	**489 021**
Total financial assets	**10 179 850**	**–**	**1 037 249**	**–**	**11 217 099**
Liabilities					
Trade and other payables	**2 631 387**	**–**	**–**	**–**	**2 631 387**
Other financial liabilities	**1 591 050**	**–**	**–**	**–**	**1 591 050**
Forward exchange contracts	**30 351**	**–**	**–**	**–**	**30 351**
Bank overdrafts	**357 655**	**–**	**–**	**–**	**357 655**
	4 610 443	**–**	**–**	**–**	**4 610 443**
31 March 2013					
Assets					
Cash	6 541 242	–	–	–	6 541 242
Other financial assets	–	–	1 732 844	–	1 732 844
Trade and other receivables	3 188 719	–	–	–	3 188 719
Forward exchange contracts	46 630	–	–	–	46 630
Restricted cash	2 594 000	–	–	–	2 594 000
Loans receivable	489 021	–	–	–	489 021
Total financial assets	12 859 612	–	1 732 844	–	14 592 456
Liabilities					
Trade and other payables	2 789 722	–	–	–	2 789 722
Forward exchange contracts	3 185	–	–	–	3 185
Other financial liabilities	2 037 200	–	–	–	2 037 200
	4 830 107	–	–	–	4 830 107

30. **Financial Instruments (continued)**

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 R53.8 million (2013: R61.4 million) respectively, based on the 2013/14 financial results.

Interest rate risk

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

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

At 31 March 2014

Fixed rate

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Cash and cash equivalents (5.51%)	1 559 663	–	–	1 559 663
Restricted cash (5.51%)	1 725 000	–	–	1 725 000
Cash on deposit (5.53%)	489 021	–	–	489 021
Floating rate				
Cash and cash equivalents (5.68%)	3 320 954	–	–	3 320 954
Bank overdraft (1.29%)	(357 655)	–	–	(357 655)
Lurgi (1.34%)	–	–	169 651	169 651
GTL.F1 (1.305%)	–	–	126 839	126 839
PetroSA Ghana Ltd (0.8186%)	–	–	740 759	740 759

At 31 March 2013

Fixed rate

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Cash and cash equivalents (5.45%)	6 267 727	–	–	6 267 727
Restricted cash (5.26%)	2 594 000	–	–	2 594 000
Cash on deposit (5.26%)	489 021	–	–	489 021
Floating rate				
Cash and cash equivalents (4.51%)	271 815	–	–	271 815
Lurgi (4.24%)	–	–	136 140	136 140
GTL.F1 (1.293%)	–	–	79 166	79 166
PetroSA Ghana Limited (0.8651%)	–	–	1 517 538	1 517 538

Notes to the Audited Annual Financial Statements (continued)

30. Financial Instruments (continued)

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 2014 a 10% relative change in the:
ZAR interest rate would have impacted profit or loss for the year by R70.8 million (2013: R81 million)
EURIBOR interest rate would have impacted profit or loss for the year by R0.2 million (2013: R0.2 million)
USD LIBOR interest rate would have impacted profit or loss for the year by R0.3 million (2013: R0.5 million)

Market risk

The group's activities expose it primarily to the financial risks of changes in commodity prices and foreign currency exchange rates. Refer to note 30 for foreign currency risk management and price risk management.

31. Financial assets by category

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

Group – 2014

Assets	Loans and receivables	Total
Other financial assets	296 490	296 490
Loans receivable	489 021	489 021
Trade and other receivables	3 171 019	3 171 019
Forward exchange contracts	23 383	23 383
Cash and cash equivalents	5 489 903	5 489 903
Restricted cash	1 725 000	1 725 000
	11 194 816	10 898 326

Group – 2013

Assets	Loans and receivables	Total
Other financial assets	215 306	215 306
Loans receivable	489 021	489 021
Trade and other receivables	3 280 897	3 280 897
Forward exchange contracts	46 630	46 630
Cash and cash equivalents	7 442 483	7 442 483
Restricted cash	2 594 000	2 594 000
	14 068 337	14 068 337

31. Financial assets by category (continued)

Company – 2014

Assets	Loans and receivables	Total
Other financial assets	1 037 249	1 037 249
Loans receivable	489 021	489 021
Trade and other receivables	3 061 829	3 061 829
Forward exchange contracts	23 383	23 383
Cash and cash equivalents	4 880 617	4 880 617
Restricted cash	1 725 000	1 725 000
	11 217 099	11 217 099

Company – 2013

Assets	Loans and receivables	Total
Other financial assets	1 732 844	1 732 844
Loans receivable	489 021	489 021
Trade and other receivables	3 188 719	3 188 719
Forward exchange contracts	46 630	46 630
Cash and cash equivalents	6 541 242	6 541 242
Restricted cash	2 594 000	2 594 000
	14 592 456	14 592 456

32. Financial liabilities by category

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

Group – 2014

	Financial liabilities at amortised cost	Fair value through profit or loss-designated	Total
Other financial liabilities	1 591 050	–	1 591 050
Trade and other payables	2 749 475	–	2 749 475
Forward exchange contracts	–	30 351	30 351
Bank overdraft	357 655	–	357 655
	4 698 180	30 351	4 728 531

Group – 2013

	Financial liabilities at amortised cost	Fair value through profit or loss -designated	Total
Other financial liabilities	2 037 200	–	2 037 200
Trade and other payables	2 808 414	–	2 808 414
Forward exchange contracts	–	3 185	3 185
	4 845 614	3 185	4 848 799

Notes to the Audited Annual Financial Statements (continued)

32. Financial liabilities by category (continued)

Company – 2014

	Financial liabilities at amortised cost	Fair value through profit or loss-designated	Total
Other financial liabilities	1 591 050	–	1 591 050
Trade and other payables	2 631 387	–	2 631 387
Forward exchange contracts	–	30 351	30 351
Bank overdraft	357 655	–	357 655
	4 580 092	30 351	4 610 443

Company – 2013

	Financial liabilities at amortised cost	Fair value through profit or loss-designated	Total
Other financial liabilities	2 037 200	–	2 037 200
Trade and other payables	2 789 722	–	2 789 722
Forward exchange contracts	–	3 185	3 185
	4 826 922	3 185	4 830 107

33. Directors' emoluments

Year ended 31 March 2014

	Salary/Fee	Bonuses and performance payments	Pension contributions	Other contributions	Expenses	Acting allowance	Other	Total
Executive Directors:								
NN Nokwe	3 658	1 165	420	152	–	–	–	5 395
LE Bakoro	1 048	–	187	48	–	–	–	1 283
	4 706	1 165	607	200	–	–	–	6 678

	Salary/Fee	Bonuses and performance payments	Pension contributions	Other contributions	Expenses	Compensation for loss of office	Other	Total
Non-executive Directors:								
S Mncwango	–	–	–	–	39	–	–	39
ACG Molusi	1 003	–	–	–	157	–	–	1 160
FE Letlape	993	–	–	–	136	–	–	1 129
MM Zwane	718	–	–	–	110	–	–	828
V Sibiya	–	–	–	–	101	–	–	101
GC Smith	903	–	–	–	170	–	–	1 073
B Madumise	1 099	–	–	–	116	–	–	1 215
S Mokoena	1 196	–	–	–	203	–	–	1 399
S Hlatshwayo	1 001	–	–	–	140	–	–	1 141
A Mokaba	114	–	–	–	–	–	–	114
A Rhoda	21	–	–	–	–	–	–	21
	7 048	–	–	–	1 172	–	–	8 220

	Salary/Fee	Bonuses and performance payments	Pension contributions	Other contributions	Acting allowance	Long service/ Relocation allowance	Expatriate allowance	Total
Executive management:								
E September	1 764	541	299	144	–	2	–	2 750
G Sweto	1 953	767	144	147	–	–	–	3 011
JEP Falbe	2 639	878	176	158	–	–	735	4 586
D Arendse	1 515	607	204	74	–	1	–	2 401
T Kgogo	2 324	894	153	105	–	–	–	3 476
B Zwane	1 178	425	214	159	354	–	–	2 330
G Griessel	3 293	1 000	463	141	–	267	–	5 164
X Hewu	117	–	13	3	5	–	–	138
P Luthuli	922	–	112	69	–	–	–	1 103
	15 705	5 112	1 778	1 000	359	270	735	24 959

Notes to the Audited Annual Financial Statements (continued)

33. Directors' emoluments (continued)

Year ended 31 March 2013

	Salary/Fee	Bonusess and performance payments	Pension contributions	Other contributions	Expenses	Acting allowance	Other	Total
Executive Directors:								
NN Nokwe	3 549	–	408	116	5	–	–	4 078
NG Nika	1 955	1 491	217	142	–	–	–	3 805
	5 504	1 491	625	258	5	–	–	7 883

	Salary/Fee	Bonusess and performance payments	Pension contributions	Other contributions	Expenses	Compensation for loss of office	Other	Total
Non-executive Directors:								
AMB Mokaba	729	–	–	–	41	–	–	770
ACG Molusi	422	–	–	–	44	–	–	466
FE Letlape	357	–	–	–	58	–	–	415
MM Zwane	390	–	–	–	90	–	–	480
V Sibiya	–	–	–	–	46	–	–	46
GC Smith	142	–	–	–	45	–	–	187
B Madumise	113	–	–	–	42	–	–	155
S Mokoena	95	–	–	–	43	–	–	138
A Rhoda	167	–	–	–	33	–	–	200
S Mncwango	–	–	–	–	14	–	–	14
GN Jiyane	298	–	–	–	43	–	–	341
DR Zihlangu	228	–	–	–	54	–	–	282
Z Rustomjee	219	–	–	–	68	–	–	287
Y Tenza	101	–	–	–	21	–	–	122
L Makatini	89	–	–	–	6	–	–	95
N Medupe	254	–	–	–	27	–	–	281
	3 604	–	–	–	675	–	–	4 279

	Salary/Fee	Bonusess and performance payments	Pension contributions	Other contributions	Acting allowance	Payment for conversion to fixed-term contracts	Expatriate allowance	Total
Executive management:								
E September	2 024	1 131	332	164	–	–	–	3 651
G Sweto	2 021	1 140	129	145	–	–	–	3 435
JEP Falbe	2 519	1 292	160	147	–	–	667	4 785
D Arendse	1 852	909	248	90	–	–	–	3 099
K Nyatsumba	2 601	–	–	87	–	–	–	2 688
T Kgogo	187	–	12	8	–	2 465	–	2 672
Y Tenza (acting CEO)	840	–	–	6	–	–	–	846
	12 044	4 472	881	647	–	2 465	667	21 176

	Group		Company	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
34. Related parties				
Related party transactions				
CEF (SOC) Ltd				
Cash on call	489 021	489 021	489 021	489 021
Interest paid	2 285	–	2 285	–
Services received	65	89	65	89
Interest received	25 648	23 828	25 648	23 828
Recoveries	500	2 710	500	2 710
Trade receivables	96	91	96	91
Trade payable	43	73	43	73
PASA				
Services received	51	49	51	49
Royalties paid	4 660	55 816	4 660	55 816
Trade payable	4 115	40 821	4 115	40 821
SFF				
Trade payable	–	981	–	981
Trade receivable	3 638	24 602	3 638	24 602
Training	3	101	3	101
Product (including NMPP linefill injection)	3 192	(193)	3 192	(193)
Rental	5 908	27 069	5 908	27 069
Subsidiaries				
Loan to	–	–	3 678 757	4 258 042
Loan impairment	–	–	1 795 917	2 740 504
Loan forgiveness	–	–	1 142 081	–
Loans owing	–	–	1	1
Management fee	–	–	2 114	5 462
Recoveries	–	–	9 525	8 766
Interest received	–	–	189 467	168 356
Commission paid	–	–	32 141	34 208
Trade receivable	–	–	4 628	9 853
Trade payable	–	–	6 781	35 731

The above transactions were carried out on commercial terms and conditions. All outstanding balances are payable in cash.

Notes to the Audited Annual Financial Statements (continued)

	Group		Company	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
35. Public finance management act (PFMA)				
Fruitless and wasteful expenditure				
Items indivually < R50 000	66	11	66	11
Penalties and interest for late payment of cargo dues	–	881	–	881
Fraudulent transaction written off	338	–	338	
Legal/consulting fees incurred	–	30 313	–	30 313
Repudiation of disability claim	–	142	–	142
Interest loss due to early or over-payments	155	–	155	–
Additional costs from contract not cancelled timeously	107	–	107	–
Depot stock losses	3 052	–	3 052	–
Penalties	2 295	–	–	–
	6 013	31 347	3 718	31 347

Refer to the Directors' Report, note 7 for further details. The appropriate corrective and/or disciplinary actions have been taken (where necessary).

Gross misconduct by employees from PetroSA and a supplier resulted in fraudulent activities amounting to R0.338 million. The employee was dismissed.

The interest loss (opportunity cost) of R0.155 million was a result of either early or over-payments. Respective personnel have been addressed accordingly and processes were amended to mitigate reoccurence.

The request to cancel a company contract was not actioned timeously resulting in additional costs to the company. Action pending.

PetroSA accepts stock losses of 0.25% on throughput volumes from depots. Lack of due care exercised at the depots, resulted in stock losses of R3.052 million, which is above the tolerable level. Action pending.

PetroSA Equatorial Guinea received notification from the Ministry of Mines, Industry and Energy in Equatorial Guinea that a fine of $224 000 (R2.295 million) was imposed for non-compliance to the PSC due to the late submission of the 2014 work plan.

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Fruitless and wasteful expenditure movement				
Incurred during the year	6 013	31 347	3 718	31 347
Recognised as income/(expense) during the year	(6 013)	(31 347)	(3 718)	(31 347)
Closing balance	–	–	–	–
Irregular transactions				
Contravention of company policy	5 060	260 930	5 060	260 930
Contravention of legislation	1 584 058	605 000	1 584 058	605 000
	1 589 118	865 930	1 589 118	865 930

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
35. Public finance management act (PFMA) (continued)				
Contravention of company policy				
The use of consultants at R2.16 million were not in terms of the procurement procedure. A manager acted outside of his delegated authority for an amount of R2.9 million. Legal proceedings have been initiated, where necessary, to recover irregular expenditure that was incurred in contravention of company policy.				
Contravention of legislation				
Tenders for the purchases of product were awarded in contravention of the Preferential Procurement Policy Framework Act (PPPFA). An application was put before National Treasury requesting an exemption from all the provisions of the PPPFA. Subsequent to year end, the Minister of Finance granted PetroSA exemption from the PPPFA in respect of the procurement of hydrocarbons for resale. The implication is that the procurement activity will not be regarded as irregular in the future.				
Irregular expenditure movement				
Opening balance	865 930	–	865 930	–
Incurred during the year	1 589 118	862 649	1 589 118	862 649
Incurred during the year - prior year	–	3 281	–	3 281
Condoned during the year	(1 358)	–	(1 358)	–
Closing Balance	2 453 690	865 930	2 453 690	865 930

36. Subsequent events

On 3 July 2014, PetroSA Equatorial Guinea received a letter (dated 10 June 2014) to terminate the Block Q Licence from the Ministry of Mines, Industry and Energy of Equatorial Guinea. This will impact the potential liability (estimated at $60 million) that would have arisen as a penalty had PetroSA Equatorial Guinea retained the licence up to December 2014. Enquiries are currently being made from the country manager in Equatorial Guinea as well as from our own parent Ministry to seek further clarification on the matter. Consequently, no contingent liability nor commitment has been disclosed.

37. 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					
2014	24%	35%	10%	50%	20%	40%
R'000	**Block 2A**	**Block 2C**	**Namibia 1711**	**Block3A/4A**	**Block 5/6/7**	**Block 1**
Partners:	Sunbird 76.00%	Anadarko 65.00%	Nakor 70% Energulf 10% Namcor 7% Kunene Energy 3%	Sasol 50%	Anadarko 80%	Cairn 60%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration

As at 31 March 2014, PetroSA along with the other current joint venture partners, namely Forest Oil and Anschutz, had withdrawn from Block 2C. A simultaneous application for a new exploration right over Block 2C was made, with Anadarko as operator, with an equity split of 35% for PetroSA and 65% for Anadarko.

	Percentage Holding/Tracts				
2013	24%	24%	10%	20%	40%
R'000	**Block 2A**	**Block 2C**	**Namibia 1711**	**Block 5/6/7**	**Block 1**
Partners:	Anschutz 22.80% Forest 53.20%	Anschutz 22.80% Forest 53.20%	Nakor 70% Energulf 10% Namcor 7% Kunene Energy 3%	Anadarko 80%	Cairn 60%
Nature of project	Exploration	Exploration	Exploration	Exploration	Exploration

Fields In Production and Under Development

1. Movement in net remaining proved and probable reserves

	Group		Company	
	Crude oil/ Condensate MMbbl	Gas Bscf	Crude oil/ Condensate MMbbl	Gas Bscf
	2014	2014	2013	2013
At beginning of year	11.3	288.2	3.8	514.9
Revisions of previous estimates	3.5	124.6	2.2	(205.7)
Production	(1.7)	(32.5)	(2.4)	(40.2)
Additions	4.2	–	7.7	19.2
At end of year	17.3	380.3	11.3	288.2
2. Proved and probable reserve by type of field				
Fields in production	16.9	177.6	11.3	133.5
Fields under development	0.40	202.7	–	154.7
	17.3	380.3	11.3	288.2
3. Reserves by category				
Proved	4	171.2	2.6	173.9
Proved and probable	17.3	380.3	11.3	288.2
Total proved and probable reserves at end of year	17.3	380.3	11.3	288.2

Notes

Oil

Fields in production and under development comprise the Jubilee (2.73%), Oribi (100%) and Oryx (100%) oil fields.

Gas

Fields in production and under development comprise the F-A and F-A Satellite, E-M and E-M Satellite and FO gasfields respectively.

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

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

Reserves were generated using a reservoir simulator that incorporated PetroSA's production philosophy. Oil and gas reserves cannot be measured exactly since the estimation of reserves involves subjective judgement and arbitrary determinations and therefore all estimations are subject to revision. The gas and oil reserves reflected above have been determined by an independent surveyor.

Definitions

Proved reserves

Proved reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

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

Proved and probable reserves

Proved and probable reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

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

Reserves under appraisal

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

Definition of financial terms

Below is a list of definitions of financial terms used in the annual report of PetroSA SOC Limited 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.

Acquiree

The business or businesses that the acquirer obtains control of in a business combination.

Acquirer

The entity that obtains control of the acquiree.

Acquisition date

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

Actuarial gains and losses

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

Amortisation (depreciation)

The systematic allocation of the depreciable amount of an asset over its useful life.

Amortised cost

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

Asset

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

Assets under construction

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

Associate

An entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but has no control or joint control over those policies.

Borrowing costs

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

Business combination

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

Carrying amount

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

Cash and cash equivalents

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

Cash flow hedge

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

Change in accounting estimate

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

Consolidated annual financial statements

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

Contingent asset

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

Contingent consideration

Usually, an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquire as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Contingent liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or 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

Definition of financial terms (continued)

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 South African Statements of Generally Accepted Accounting Practice.

Deferred tax assets

The amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

Deferred tax liabilities

The amounts of income taxes payable in future periods in respect of taxable temporary differences.

Depreciation (or amortisation)

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

Derecognition

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

Derivative

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

Development

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

Discontinued operation

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

Employee benefits

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

Equity instrument

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

Equity method

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

Expenses

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

Fair value

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

Fair value hedge

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

Finance lease

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

Financial asset

Any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity, or a contract that will or may be settled in the entity’s own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

Financial asset or liability at fair value through profit or loss

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

Financial instrument

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

Financial liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial risk

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

Firm commitment

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

Forecast transaction

An uncommitted but anticipated future transaction.

Foreign operation

An entity that is a subsidiary, associate, joint venture or branch of the reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency

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

Going concern basis

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

Gross investment in lease

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

Hedged item

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

Hedging instrument

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

Hedge effectiveness

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

Held for trading financial asset or financial liability

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

Held-to-maturity investment

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

Immaterial

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

Impairment loss

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

Impracticable

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

Income

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

Joint venture

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

Key management personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity. ie. the members of the Board of Directors of PetroSA and within the individual companies, the Board of Directors and Executive Management committees.

Definition of financial terms (continued)

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Legal obligation

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

Liability

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

Loans and receivables

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

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Minimum lease payments

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

Net assets

Net operating assets plus cash and cash equivalents.

Operating lease

Any lease other than a finance lease.

Other comprehensive income

Comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss and includes the effect of translation of foreign operations, cash flow hedges, available-for-sale financial assets and changes in revaluation reserves.

Owner-occupied property

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

Past service cost

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

Post-employment benefits

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

Post-employment benefit plans

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

Presentation currency

The currency in which the annual financial statements are presented.

Prior period error

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

Prospective application

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

Recoverable amount

The amount that reflects the greater of the fair value less costs to sell and the value in use that can be attributed to an asset or cash generating unit as a result of its ongoing use by the entity. In determining the value in use, expected future cash flows are discounted to their present values using the discount rate.

Related party

A person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- The entity and the reporting entity are members of the same group.
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Research

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

Residual value

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

Restructuring

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

Retrospective application

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

Retrospective restatement

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

Tax base

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

Temporary differences

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

Transaction costs

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

Useful life

The period over which an asset is expected to be available for use or the number of production or similar units expected to be obtained from the asset.