CEF
Group of Companies



GROWING TOWARDS SUSTAINABILITY

INTEGRATED ANNUAL REPORT 2020/21


CEF
Group of Companies

ABBREVIATIONS AND ACRONYMS

4IR	Fourth Industrial Revolution
AEMFC	African Exploration Mining and Finance
AGSA	Auditor-General of South Africa
BARC	Board Audit & Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
BBL	Barrel (equals 159 litres)
Bscf	Billions of standard cubic feet
CCE	Cape Cleaner Energy Solutions SOC Limited
CCMA	Commission for Conciliation, Mediation and Arbitration
CEF	CEF SOC Limited
CEF Act	Central Energy Fund (Act no 38 of 1977) as amended
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMG	Companhia Mocambicana de Gasoduto
CoE	Centre of Excellence
COO	Chief Operations Officer
CPI	Consumer Price Index
CSP	Concentrated Solar Power
DG	Director General
DDG	Deputy Director General
DMRE	Department of Mineral Resources and Energy
EAP	Employee Assistance Programme
EBITDA	Earnings before Interest, Tax, Depreciation, Amortisation, impairment and fair value of assets & liabilities
EPD	Energy Projects Division
ER	Employee Relations
EQF	Equalisation Fund
ERF	Employee Relations Forums
ERM	Enterprise Risk Management
EVP	Employee Value Proposition
EXCO	Executive Committee
FID	Final Investment Decision
FPSO	Floating Production, Storage & Offloading
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GDP	Gross Domestic Product
GiT	Graduate-in-training
GJ	Gigajoule
GNPC	Ghana National Petroleum Corporation
GRA	Ghana Revenue Authority
GTL	Gas-to-liquid
GTLR	Gas-to-liquid refinery
HPO	High Performance Organisation
HR	Human Resources
IAS	International accounting standards
IFRS	International Financial Reporting Standards
IEP	(National) Integrated Energy Plan
IFRS	International Financial Reporting Standards

ABBREVIATIONS AND ACRONYMS

iGAS	The South African Gas Development
IPP	Independent Power Producers
IRP	Integrated Resource Plan
JV	Joint Venture
King III	King III Report on Corporate Governance
KPIs	Key Performance Indicators
LNG	Liquid Natural Gas
LPG	Liquefied Petroleum Gas
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
MPRDA	Mineral and Petroleum Resource Development Act, 2002 (Act of 2002)
MTEF	Medium Term Expenditure Framework
MW	Mega watt
NDP	National Development Plan
NEMA	National Environmental Management Act
NOC	National Oil Company
NCP	Non-profit company
NT	NT Energy Corporation Limited
OCI	Other comprehensive income
OPCSA	Oil Pollution Control South Africa NPC
OPEC	Organization of the Petroleum Exporting Companies
PAMC	Project Appraisal and Monitoring Committee
PAMDC	Pan African Mineral Development Company Proprietary Limited
PASA	South African Agency for Promotion of Petroleum Exploration and Exploitation SOC Limited
PetroSA	Petroleum Oil and Gas Corporation of South Africa
PFMA	Public Finance Management Act (Act No 1 of 1999) as amended
PGL	PetroSA Ghana Limited
PPA	Power Purchase Agreement
PPE	Property, Plant and Equipment
PPEs	Personal Protective Equipment
PV	Photovoltaic
ROCE	Return on Capital Employed
ROIC	Return on Invested Capital
ROMPCO	The Republic of Mozambique Pipeline Investments Company
SANEDI	South African National Energy Development Institute
SANPC	South African National Petroleum Company

ABBREVIATIONS AND ACRONYMS

SARS	South African Revenue Services
SFF	Strategic Fuel Fund Association
SOC	State-owned Company
SOE	State-owned Enterprise
SPA	Sales and purchase agreement
STC	Secondary Tax on Companies
STEM	Science, Technology, Engineering and Mathematics
TFST	Thin Film Solar Technology
TNPA	Transnet National Ports Authority
ToR	Terms of reference
UoP	Units of production
UPRD	Upstream petroleum resource development
USD	United States Dollar
UTT	Upstream Training Trust
VAT	Value Added Tax
WACC	Weighted Average Cost of Capital
YoY	Year-on-year



CONTENTS



ABOUT THIS REPORT	2
STATEMENT OF RESPONSIBILITY	4
SECTION 1: THE YEAR IN REVIEW	6
• PERFORMANCE HIGHLIGHTS	7
• CHAIRMAN'S REPORT	8
• GROUP CEO'S REPORT	10
• CEF GROUP AT A GLANCE	16
• OPERATING ENVIRONMENT	21
• CEF GROUP LEADERSHIP STRUCTURES	22
SECTION 2: BUSINESS OVERVIEW AND STRATEGY	28
SECTION 3: VALUE CREATION	46
SECTION 4: GROUP PERFORMANCE	50
SECTION 5: CORPORATE GOVERNANCE	66
SECTION 6: OPERATIONAL PERFORMANCE	72
SECTION 7: FINANCIAL PERFORMANCE	88
• GENERAL INFORMATION	89
• DIRECTOR'S RESPONSIBILITIES AND APPROVAL	90
• DIRECTOR'S REPORT	91
• REPORT OF THE BOARD AUDIT AND RISK COMMITTEE	108
• STATEMENT FROM COMPANY SECRETARY	114
• REPORT OF THE AUDITOR-GENERAL	115
• GROUP REPORT ON PERFORMANCE AGAINST OBJECTIVES	121
• CONSOLIDATED STATEMENTS	126
• ACCOUNTING POLICIES	131
• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS	160
• FIELDS IN PRODUCTION AND UNDER DEVELOPMENT	233
• DEFINITIONS OF FINANCIAL TERMS	234

ABOUT THIS REPORT

The CEF Group integrated report provides our Shareholder and Stakeholders with information pertaining to the Group's strategic trajectory, business model, strategic initiatives, operating environment context, material risks and opportunities, as well as governance and operational performance for the period 2020 to 2021. This information is vital in the assessment on how we create value for our Shareholder and strategic partners as a Schedule 2 entity that has a commercial viability and developmental duel mandate.

Reporting Frames

The compilation of the CEF Group integrated report was guided by the following codes and standards:

- The King Report on Corporate Governance for South Africa, and the accompanying Code on Corporate Governance for South Africa (King IV)
- The International Integrated Reporting Council Framework
- National Treasury guidelines on business performance and planning
- The Public Finance and Management Act No 1 of 1999 (PFMA)
- The Companies Act 71 of 2008 (as amended)
- Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines
- International Financial Reporting Standards (IFRS)

Reporting Boundary

Our integrated report encapsulates the performance of the CEF Group for the financial year April 2020 to March 2021 in all geographic regions in which the CEF Group and its subsidiaries operate as a Schedule 2 State Owned Entity (SOE). Associates and joint ventures are equity accounted and, thus, not included in consolidated non-financial data. The consolidated data incorporates the company and all entities controlled by the CEF Group from a consolidation perspective. The financial and non-financial information provided is aligned to the same financial reporting period, allowing for comparison of performance data. Various disclosures are made in their respective sections in the report. The CEF Group consolidated financial statements are prepared in line with IFRS.

Our Approach to Reporting

Annually, the CEF Group agrees: to an outcomes-based Shareholder's Compact to enable the Shareholder to monitor the performance in delivering the strategic objectives mandated by government. This is in line with the Group's adopted Objectives and Key Results methodology that shapes our performance management framework. The Shareholder's Compact specifies key performance areas from which growth and developmental outcome indicators are identified in line with the core elements of our strategic intent. This approach informs the CEF Group's Corporate Plan and integrated reporting by focusing on achieving our strategic objectives. It provides a tangible route to success by outlining what outcome we expect to achieve by highlighting the inputs, processes and outputs in a focused manner that are aligned to the National Development Plan (NDP).

The following definitions are used in this integrated report to embed the commercial and sustainable developmental outcomes as per our corporate plan:

- **Inputs:** The various capitals invested in activity, namely human, financial, natural, intellectual, manufactured, and corporate and social capitals.
- **Activities:** The actions that use inputs to produce outputs and outcomes, for example financial management, manufacturing activities, supplier development initiatives, research and development activities, training courses and materials recycling.
- **Outputs:** The direct and tangible products from the activity, for example people trained, suppliers developed, goods produced, and tons of waste recycled or avoided.
- **Outcomes:** Changes to a set of beneficiaries resulting from the activity, including skills enhancement, industry growth and efficient operations, economies preserved and lower costs of waste.



Determining Materiality

This report provides information on all matters we believe could substantively affect value creation of the CEF Group. The report is written primarily for affected stakeholders in the energy sector and those who provide the group with key resources for delivering on our dual mandate. The report is of interest to any stakeholder or potential strategic partners who wish to make an informed assessment of the Group's ability to create value over time. In the belief that all the information in this report is material, we do not seek to provide a simple listing of material issues. To identify and prioritise the matters for inclusion in this report, we undertook a structured process involving senior decision-makers from across the Group.

Assurance

The CEF Board, with the support of the audit committee, is ultimately responsible for CEF's system of internal control, designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss. We subscribe to a combined assurance model which seeks to enhance the assurance obtained from management, internal and external assurance providers, while promoting a strong ethical climate and mechanisms to ensure compliance. Our assurance matrix is provided in detail as part of this report. All financial information in this report, together with material non-financial indicators, is independently assured by our external auditors, the Auditor-General of South Africa.

Approval of the Report

All information and amounts disclosed in the Annual Report is consistent with the annual financial statements audited by the Auditor-General.

The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury.

The annual financial statements have been prepared in accordance with the standards applicable to the CEF Group.

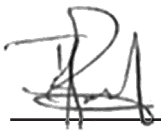
The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The CEF Board therefore acknowledges its accountability in ensuring the integrity of the integrated report. The directors have collectively assessed the content, and confirm that the report addresses all material issues and fairly represents the integrated performance of the CEF Group.

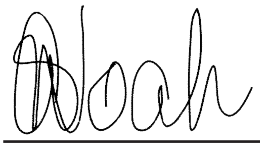
The Audit and Risk Committee, which has oversight responsibility for integrated reporting, recommended the report for approval by the Board. The Board, considering the completeness of the material items dealt with and the reliability of information presented, and based on the combined assurance process followed, approved the 2018/19 integrated report, annual financial statements and supplementary information on 30 August 2019.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2021.

Yours faithfully



Dr I Poolo
Group Chief Executive Officer
31 May 2022



Ms A Noah
Group Chairperson
31 May 2022

NOTE: This report should be read in conjunction with the detailed annual financial statements presented on pages 126 to 232. This report is a summary of our performance as agreed in the Shareholder's Compact with the Shareholder in delivering on the CEF Group's primary mandate. We are committed to playing a major role in growing the energy sector to be a catalyst for economic growth and poverty alleviation through security of supply and access to affordable energy.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ANNUAL REPORT



Dr I Poolo
Group Chief Executive Officer



Ms A Noah
Group Chairperson

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report is consistent with the annual financial statements audited by the Auditor-General.

The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury.

The annual financial statements have been prepared in accordance with the standards applicable to the CEF Group. The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2021.

Yours faithfully

Group Chief Executive Officer
Dr I Poolo

Group Chairperson
Ms A Noah





SECTION ONE

THE YEAR IN REVIEW

PERFORMANCE HIGHLIGHTS

For a comprehensive overview of the CEF Group business performance, this report should be read in conjunction with the detailed annual financial statements on pages 126 to 232. Through this report, the Group is able to highlight business performance in line with its Corporate Plan.

As the implementing arm of the Department of Mineral Resources and Energy, the CEF Group also exists to support government's broader strategic objectives in line with the NDP, whilst continuing to play a critical role in enabling economic development. The various subsidiaries of the CEF Group focus on their key strategic objectives across the energy sector value chain through the deployment of capital and human resources towards developing and operating mandated strategic projects to achieve the overall CEF Group objectives.

The following drivers underpin the CEF's Group delivery value procedure:

- **Strategic Fit:** The degree to which the CEF Group matches its resources and capabilities with the opportunities in our external environment. The matching takes place through strategy and it is therefore vital that the CEF Group has the actual resources and capabilities to execute and support the strategy.
- **Impact and Outcomes:** The impact of our strategic and operational objectives on the programmes of government and in communities where we operate. This impact is measured both in financial and non-financial terms.
- **Sustainability:** The sustainability of our operations in delivering value year-on-year and making remarkable impact on all our stakeholders. This is done by setting clear metrics and by our approach to value creation.

2055

The CEF group employs about **2055** employees across all entities to support the delivery of the Corporate Plan objectives

69% vs 31%

The Gender Profile of the Group is **69% Male and 31% Female** and there are Human Capital initiatives to address this imbalance

R29 Billion

The CEF Group has total assets of about **R29 Billion** spread across various asset allocations. **R13 Billion** in Cash

R8.5 Billion

The CEF Group has committed **R8.5 Billion** towards key growth projects to improve long term commercial sustainability

10 834

As part of its Developmental Mandate, the CEF Group has installed **10 834 Solar Water Geysers** in 10 Municipalities across the country

0% GTL Utilisation Rate

The GTL Refinery in Mossel Bay has not been in operation since **November 2020** due to depleted feedstock impacting Group operational stats



CHAIRPERSON'S REPORT



Ms A Noah
Group Chairperson

> With clarity, focus and confidence in the future, I believe we will emerge a stronger CEF Group in resonance with South Africa's Economic Reconstruction and Recovery Plan.

The preparation for the publication of the 2020/21 Integrated Report of the Central Energy Fund (CEF) Group provided a sterling opportunity to reflect on milestones and challenges in the journey embarked upon over the past 12 months.

The CEF SOC Ltd., as shareholder of the diverse energy business subsidiaries within the CEF Group, is required to play a critical role in supporting government's broader objectives as outlined in the National Development Plan (NDP). As directed through our mandate, the role of the CEF Group is to contribute to security of energy supply by providing affordable, reliable, and diverse sources of primary energy resources, to contribute to economic development and alleviate energy poverty in an environmentally responsible manner.

This becomes even more poignant as South Africa implements the national Economic Reconstruction and Recovery Plan towards a post-COVID-19 era, and CEF navigates its role and the impact of the drive towards net zero emissions by 2050 in achieving its sustainable growth vision.

Operating Environment and Progress on Strategic Initiatives in 2020/21

The year 2020/21, plagued with the impacts of COVID-19 and other dynamics, required skilful balancing of the CEF Group corporate priorities in the context of an increasingly volatile and unpredictable world. This emphasised the need for resilient, sustainable growth, and responsiveness to security of energy supply risks, while encouraging investments and employment provision through various partnership models.

Our operating environment remains characterised by many strategic challenges that continue to threaten the sustainability of the business over the short-, medium- and long-term horizons. We have to tactfully and skilfully navigate major industry trends and disruptions in the CEF landscape, while decisively addressing PetroSA's sustainability challenges.

Notwithstanding, the key highlights in 2020/21 include the advancement of the Group's acquisition and growth strategy demonstrated through the progress made in the iGAS transaction for up to an additional 30% share in ROMPCO. Innovative partnerships are being nurtured to propel our transformational project pipeline within the Group though its integrated ecosystem. Pursuant to Total's announcement of the offshore discovery on Luiperd prospect, PASA continues to play a significant regulatory role in unlocking activity in Block 11B/12B.

Governance Issues and Enterprise Risk Management

The CEF Board of Directors embrace the principles of King IV and Companies Act, and endeavour to align to these while the Board remains in compliance to the CEF Act. Financial year 2020/21 ushered in leadership stability through the appointment of CEOs across the Group, with AEMFC advancing in its recruitment process.

Consequence Management remains a priority, where the recommendations of forensic investigations are under implementation. Notable is the High Court judgement on the reversal of the sale of South Africa's strategic fuel stock, with SFF retaining custodianship of the 10 million barrels of crude oil reserves.

Financial Performance

For the period ended March 2021, the CEF Group recorded reduced revenue of R10.3 billion and a net loss of R540.2 million. Year 2020/21 registered a negative Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) of –R675 million (margin: -6.5%). The revised Group strategic themes and the strengthening of business performance management are geared to ensure that 2021/22 sees a significantly improved CEF Group performance.

Initiatives Towards Stability and Growth into 2021/22

Notwithstanding some of the strategic threats and opportunities in our operating environment, the CEF Group remains resolute to deliver improved performance in the new financial year amidst the myriad challenges that face the Group.

As part of the Group Corporate Plan delivery, CEF remains focused on advancing our readiness for the planned merger of iGAS, SFF and PetroSA, subject to the relevant governance authorisations. It is imperative that CEF intensifies its presence and visibility in this dialogue to influence how South Africa's Just Energy Transition pathway is inclusive, attracts investment, propels innovation, enables skilful policy design and implementation, technology deployment, infrastructure roll-out, as well as leverages international cooperation and collaboration.

With clarity, focus and confidence in the future, I believe we will emerge a stronger CEF Group in resonance with South Africa's Economic Reconstruction and Recovery Plan.

Acknowledgements

I wish to express our heartfelt thanks and appreciation to our shareholder, the Honourable Minister of Mineral Resources and Energy, Mr Mantashe and his department, for the guidance, support and counsel that you have provided to us in taking forward the CEF mandate.

I also wish to express my sincere appreciation to the CEF Board as well as the Chairs and Boards of subsidiaries, for your valuable contribution and commitment to the Group. It is through your kind availability, support and oversight that we have been able to empower the CEF Executives in discharging their duties.

We also have very important external stakeholders within the CEF Group ecosystem who continue to support us, providing constructive feedback and understanding as we navigate our environment in a quest to finding solutions to our common obstacles. We thank them for the role they continue to play.

The CEF response to the unprecedented challenges has been remarkable. In his first year as CEF CEO, Dr Ishmael Poolo, together with the CEOs of the subsidiaries and executive leadership across the Group have made prudent and difficult decisions, requiring some sacrifices from the CEF Group employees.

On behalf of the Board, I wish to express gratitude and appreciation to Dr Poolo and his team, and the leadership of all subsidiaries, for all your expertise, efforts and commitment to the Group. We continue to encourage you as we set up for the new financial year.



Ms A Noah
Group Chairman

GROUP CHIEF EXECUTIVE'S REPORT



Dr I Poolo
Group Chief Executive Officer

> The CEF Group's financial positioning during phases of volatility and uncertainty determines our ability to weather the storm and benefit from counter-cyclical opportunities for long-term competitive advantage.

It gives me a great pleasure to once again share the CEF Group's performance against predetermined objectives for 2020/21 as outlined in our Corporate Plan and the long-term Group strategy that is centred on stabilisation and growth imperatives. Key to some of these is the cabinet directive on 10 June 2020 which approved the merger of three subsidiaries of the CEF Group namely iGAS, PetroSA and SFF to establish a South African National Petroleum Company, and the continued progress to the Group growth agenda such as the acquisition of the Sasol stake in ROMPCO which is now awaiting a transfer notice.

The CEF Group strategy is a critical statement that outlines how we expect to achieve certain goals as underpinned by the underlying drivers of the Group's beliefs, actions, and desire for success. Defining what the future desired end state will be has always been our first approach, followed by corresponding strategies and projects throughout the planning horizon.

As an entity that operates across the entire energy value chain, we are impacted by a number of internal and external forces in our operating environment. Understanding the corporate strategy impacts of the operating environment volatility and the underlying factors, dictates the level of our strategic responses. Our strategic responses and financial performances are tested against a number of characteristics such as the extent of vertical integration and portfolio mix, operating model, resource constraints, revenues and cost, as well as legislative environment imperatives. The CEF Group's financial positioning during phases of volatility and uncertainty determines our ability to weather the storm and benefit from counter-cyclical opportunities for long-term competitive advantage.

Operating Environment Context and Impact

During the period under review, the impacts of the COVID-19 pandemic continued to reshape the world. Nearly a year later, COVID-19 changed life as we knew it. The World Health Organization estimated in October 2020 that as much as 10% of the world's population had already contracted COVID-19; by year's end some 1.7 million people had died from it. Globally as countries initiated lockdowns to curb the spread of COVID-19, the global economy was severely affected; it contracted by more than 4%—and poverty rates spiked especially in developing economies with growing debt burdens. The 2020/21 financial period closed on a positive note as vaccines were approved in record time which provided much needed positive sentiments for economic recovery as the world braced itself for more future variants.

While the COVID-19 pandemic continues to disrupt lives, economic activity and social cohesion across the globe, climate change disruptions continued. Extreme climate events such as heat, wildfires, floods and droughts were more prevalent during the period under review. Severe droughts lingered over parts of south-western United States, northern and southern Africa, pushing some communities towards poverty. The extensive wildfires that appeared in the northern hemisphere worsened and extreme climate events continued to cause a significant loss of lives and economic well-being in parallel with the pandemic crisis.

According to the Global Climate Report, the first ten months of 2020 had been warmer than average across much of the globe prompting a need for serious commitments towards a coordinated global effort to reduce CO_2 emissions. This was partly achieved during the lockdowns but by September, it reached the previous year's level for several days as lockdown measures were relaxed and the global economy recovered.

The economic lockdowns had a massive impact not only on the global economy; the South African economy was not spared either, resulting in job losses and a reduced demand for energy against the backdrop of exchange rate volatility. The average Rand/US dollar exchange rate had weakened in the period under review from R14.79 per $ in the prior year and R14.95 per $. The closing R/$ however strengthened from R17.79/$ in 2020 to R14.77/$ in 2021. The R/$ drives revenue and the rehabilitation provision (which results in impairments). Coupled with this was the low interest rate regime which impacted the Group's revenues since 47% of the assets are cash, mostly invested in the money market which resulted in a blended return of 2.8% for the period. The Group reported total assets of R29 billion which is a 22% decrease from the R37.3 billion reported in the prior year. The decrease is mainly due to the repayment of the traders for the SFF strategic stock court case, the repayment of the Ghana Reserved based lending facility (RBL) and the effect of exchange rate movement on cash balances. The further decrease in assets was due to a reduction in PPE attributable to depreciation and foreign exchange movements.

The 2020/21 financial year was not a good year for oil producers or oil companies. The COVID-19 outbreak sent economies around the world into a tailspin, depressing the demand for oil. On 8 March 2020, Saudi Arabia initiated a price war on oil with Russia, facilitating a 65% quarterly fall in the price of oil. In the first few weeks of March, US oil prices fell by 34%, crude oil fell by 26%, and Brent oil fell by 24%. A deal was eventually reached and oil prices climbed later in the year, briefly reaching $47 in late November 2020, their highest level March. Even with this bounce, oil prices were still 30% below where they started the year, meaning that most oil-producing countries faced tough economic times going into 2021, thus putting refinery margins under pressure and most small-scale refineries could not compete with the larger and more efficient refineries.

Coupled with challenges of declining indigenous gas feedstock, low crude oil prices, exchange rate volatility, unfavourable product cracks and unaffordable condensate feedstock, as well as the unavailability of gas from the EM wells, the PetroSA 46 000 kbpd GTL refinery became economically unviable to operate, forcing it to be put in care and maintenance. The average oil price has decreased in the current year from $61 in the prior year to $45 per barrel in 2021. The closing oil price per barrel however increased from the low $23 to $64 per barrel. The oil price is the main driver of the revenue, when the oil price is high, PetroSA revenue increases while SFF revenue decreases, and vice versa.



More than 159 million people voted in the American presidential election that saw Joe Biden being elected as the new president. As Joe Biden took office just days after a deadly riot inside the US Capitol the shift moved towards four key priorities namely (1) COVID-19, (2) economic recovery, (3) racial inequality and (4) climate change with an increased spending on clean energy, building retrofits, and green infrastructure, to reduce emissions. With America being the world's biggest economy any economic policy shift have an impact on the global economy as a whole.

The US made major leaps forward on wind, solar, transmission, and other clean energy projects to create high-quality jobs and deliver affordable, carbon pollution-free electricity across the country with a number of clean energy projects being announced. After pouring trillions into oil, gas and coal since the Paris Agreement, most major commercial banks during the period under review were on pace to commit more financing to climate-friendly projects, a trend we have seen in South Africa as well which has an impact on the funding of some of our key projects across the entire value chain. This has necessitated how we reprioritise our investment opportunities for short, medium and long term in light of evolving industry dynamics.

From a geopolitical perspective, the continued tensions between Iran and the US threatened to escalate to a direct confrontation through the year with Iran moving even further away from the terms of the 2015 nuclear deal, setting the stage for high stakes diplomacy early for the coming years. Over the period we are seeing the growing economic dominance of China that not only seeks regional influence as so many great powers do, but a country that is preparing to shape the twenty-first century, much as the U.S. shaped the twentieth century.

Competition for influence will be a global one, and Beijing is positioning itself to play a critical role. Lastly the insurgency in northern Mozambique launched by members of a jihadist group affiliated with the Islamic State (also known as ISIS or ISIL) became much more violent and ambitious. Several countries – including Angola, Botswana, member states of the European Union, Rwanda, South Africa, the United States and others – sent soldiers, equipment and military advisers to Mozambique in mid-2021 to help quell the insurgency. Mozambique is a strategic partner in the ROMPCO pipeline and such key developments in the country are of interest to us. As we continue to execute on our strategy and review various global and regional strategic partnership options, such developments remain as part of our watching brief.

Value Chain Over and Other Key Policy Developments

- The key risk to the much-needed economic growth in the period under review remained security of electricity supply. In as much as the DMRE appointed eight (8) Independent Power Producers (IPPs) for a total contracted capacity of 1845 MW, this new capacity is only expected to reach grid connection in August 2022.
- The DMRE continued to progress the cabinet approval process of the Draft Upstream Petroleum Resource Development (UPRD) Bill, with the aim of tabling in Parliament in upcoming financial year.
- Noticeable progress made in developing regulations for the use of hydraulic fracturing and underground gasification technologies in the exploration and production of unconventional petroleum resources (shale gas and coal bed methane, respectively) for draft regulations for public consultation in upcoming year.
- With vaccine rollouts, new E&P investment decisions, global upstream activities starting to pick up in the last quarter of the financial year, mega upstream projects in Mozambique are now under construction and Total confirmed its plans to drill in the Orange Basin in Namibia in Quarter 3 of 2021.
- During the period under review the state of the local refinery capacity came into sharp focus with future potential risks if the deteriorations in local production is allowed to gradually diminish.

Performance for the Financial Year Ending 31 March 2021

The financial challenges at PetroSA, poor coal qualities and production at AEMFC as well as low interest rates against reducing cash balance impacted the Group's commercial sustainability targets whilst great progress was made with the Phase 1 merger objectives. However, certain initiatives had to be held in abeyance to await integration phase 1 of the merger project, which will have Group-wide impact from a people, systems, processes, governance and funding requirements perspective. As a result the CEF Group achieved moderate performance taking into consideration the operating environment impacts.

The Group reported a profit of R540 million compared to the R5.3 billion loss reported in the prior year. The decrease in the loss is due to the impairment reversals and the increase in SFF profits. PetroSA losses were sustained by CEF SOC as a result of providing financial support to PetroSA (R599 million). Liabilities decreased by 31% from the R26.7 billion reported in the prior year to the R18.5 billion reported in the current year. The decrease is mainly to due to the repayment of the traders for the strategic stock, the Ghana RBL and the finance leases, as well as a decrease in deferred tax liability.

Governance and Risk Management

Good corporate governance is essentially built on three precedents — economic progress, social development and environmental improvements. Good governance ultimately fosters sustainability, creates sustainable values and helps companies achieve these values. Companies also realise long-term benefits, including reducing risks, attracting new investors and shareholders, and increasing the company's equity. It is thus the CEF Board has been very active in continuing to strengthen oversight and governance structures with the key noticeable intentions during the period under review.

1. **Chairperson's Forum**: In an effort to foster more accountability at subsidiary board levels, the Chairperson's Forum met on a regular basis to provide the necessary guidance and steer at the right altitude. This is about creating a balanced and understandable assessment of the subsidiaries' position within its market and prospects to inform on a risk management strategy and make decisions for long-term sustainability.
2. **Finance, Investment and Project Committee:** The implementation of the CEF Group parenting strategy has necessitated a change in the approach towards investment philosophy with a view of ensuring better success and prioritisation of resources. It is thus that a Finance, Investment and Project Committee has been established with the primary authority on developing the corporation's investment objectives and corporate policies on investing.

Socio-Economic

The advent of COVID-19 has had a severe negative impact on the planned socio-economic programs due to lockdowns. This break has however allowed us to refocus our efforts in much more meaningful high impact programs which will form part of the new emerging CEF SOC strategy.

Employee Focus and the Building of a High Performance Culture

One of our core strategic themes centres on human performance and organisational alignment. This is in recognition that people are the core of our business operations and long-term success. It is through people that we gain the necessary competitive advantage. Understanding the underlying drivers that foster a culture of innovation and setting up the right organisational processes is an essential step to building a high performance organisation. A common characteristic among industry-leading-organisations is their commitment to invest in their people, continually supported by enabling policies. Progressive organisations invest heavily in their workforce to drive and engage them. These investments are spread across learning and training, benefits, rewards, wellness, and more recently, career planning as well.

The impact of COVID-19 have taught us that employees need to feel valued in order to connect with the larger organisational goals and we continually encourage leaders to connect with the pulse of their teams. As we move forward in executing on our strategy, people -related matters are at the core of what we do; such as dedicated training and skilling programs, wellness policies, lateral movement programs, executive development programs, employee groups, and networks to ensure that employees remain productive, engaged, and motivated across the entire CEF Group through meaningful assignments that support the objectives of building a high performance organisation.

Future Outlook

In 2020, even while the global economy struggled under the weight of COVID-19 lockdowns, renewable sources of energy such as wind and solar PV continued to grow rapidly, and electric vehicles set new sales records. The new energy economy will be more electrified, efficient, interconnected and clean signalling a gradual shift from the norm.

The global recovery is set to decelerate amid continued COVID-19 flare-ups, diminished policy support, and lingering supply bottlenecks. The outlook is clouded by various downside risks, including new virus variants, unanchored inflation expectations, and financial stress. Emerging economies like South Africa will eventually require debt restructuring. The recovery will be more difficult to achieve than in the past with heightened geopolitical tensions. Over the coming years climate change will increase commodity price volatility and disrupt supply chains. Social tensions may heighten as a result of the increase in inequality caused by the prolonged pandemic and slow economic recovery. These challenges underscore the need for an entity like CEF to play a much more meaningful role in supporting government achieve its broader strategic objectives and rapid economic recovery.

Energy is the lifeline of economic activity and such investments in the energy sector are critical. The IEA is warning that current investment levels in the global energy sector are inadequate – both to meet near-term energy needs and long-term transition goals. It is hard to understate the dangers inherent in today's shortfall in spending on clean energy transitions, compared with the levels required. There is an urgent for countries to correct

this very soon. The risks of destabilising volatility will only grow as economies grow which will be serious.

Reaching the critical but formidable goal of net zero emissions by 2050 will require major efforts from across society – but it also offers major advantages in terms of human health and economic development; a role the CEF Group will play in leading the energy transition from a country perspective. There are huge opportunities that come with clean energy transitions for manufacturers of wind turbines, batteries, electrolysers and a host of other technologies such as hydrogen. A new global energy economy is emerging, with the potential to create millions of decent jobs across a host of new supply chains, and the CEF Group intends to be key player in these global developments.

As we move forward, no company is immune to the effects of the global economy as a result of key drivers, however the strategic directions undertaken by companies in response to these shocks are engrained in the core values and strategic goals of the organisation which can range from short-term shareholder profit maximisation to long-term market share increases. In addition, the determinants of success over the various peaks and troughs of the energy price cycle, as with any cyclical industry, depends on a company's ability to remain flexible and a readiness to continue to adapt to changing market conditions.

It is thus that the CEF Group will continuously review its strategy and operational plans to test our strategic fit in light of the changes in our operating environment. The merger of iGAS, PetroSA and SFF, geopolitical tensions, the energy transition, climate change, and technological advancements have necessitated a much more focused approached to strategy. The strategy will be underpinned by long-term commercial sustainability, agility, strategic partnerships, growth and the articulation of our core value proposition over the various planning horizons.

As we move into the new financial year and continue to deliver on the CEF Group Corporate Plan the focus will shift towards three clusters of business focus, namely:

1. **Execution of the merger project:** With finalisation of Phase 1 of the merger project (subject to Cabinet approval and incorporation of the SANPC) the scope of work for Phase 2 will focus on the core components of execution and dealing with a number of transitional initiatives such as governance, management, funding, systems, processes, contracts and the S197 process of transferring employees across to the new entity.
2. **CEF SOC repositioning strategy:** With the pending merger and changes in the operating environment, there is a need to redefine the future role of CEF SOC as part of our value proposition.
3. **Aggressive business growth:** Focus on growth and commercial suitability will be a key driving force. A number of key strategic projects have been identified and CEF is busy engaging with a number of key strategic partners and funders to assist with key funding requirements so we can secure the various opportunities.
4. **PetroSA stabilisation and turn around:** The sustainability of PetroSA still remains a critical delivery of the CEF Group Corporate Plan. The entity is technically insolvent and will require serious intervention. CEF SOC will provide oversight in ensuring that PetroSA delivers on the key initiatives that have been identified for the organisation around, and dealing decisively with, poor performance. Key amongst these are cost optimisation, affordable feedstock sourcing and GTL operations resumption.

GROUP CHIEF EXECUTIVE'S REPORT (CONTINUED)

In closing, I would like to thank the Group Chairperson, Ms Ayanda Noah, and the entire CEF Board for their sustained support to myself and the Executive teams as we navigate through various complex matters whilst ensuring that the CEF Group continues to execute on its mandate and create value for the shareholder. I would also like to recognise the various subsidiary CEOs who are always willing to support the noble objectives of the Group. So much is expected of the CEF Group as a SOE in being commercially viable, supporting economic growth and attracting investments whilst creating meaningful jobs for the people of South Africa. This is a task we cannot fail in. We remain committed and will endeavour to continue doing our best.



Dr I Poolo
Group Chief Executive Officer



CEF GROUP AT A GLANCE



The Central Energy Fund is a Schedule 2 state owned diversified energy company reporting to the Department of Mineral Resources and Energy. The Mandate of CEF is derived from the CEF Act (No 38 of 1977) and the ministerial directives issued thereafter. The mandate is to contribute to the security of energy supply of South Africa and the region through exploration, acquisition, development, marketing and strategic partnerships.

The mission of CEF is to grow our footprint in the energy sector, to be the catalyst for economic growth and energy poverty alleviation through security of supply, and access to affordable energy in southern Africa.

Established in 1977, it has played a central role in ensuring South Africa's energy security supply, and making a significant contribution to the South African economy by:

- contributing to security of energy supply by providing affordable, reliable, diverse use of primary energy resources and contribution to economic development;
- being a strategic partner to the DMRE by providing insights in support of policy development and regulation;
- aligning with government's broad objectives (NDP) and acting as a vehicle for economic growth, poverty alleviation and economic transformation.

VISION

The vision of the CEF is to be a leading diversified energy company that provides sustainable energy solutions for southern Africa by 2040. This way, the CEF contributes to national energy security.

MISSION

The mission of the CEF is to grow our footprint in the energy sector, to be the catalyst for economic growth and energy poverty alleviation through security of supply, and access to acceptable (affordable) energy in southern Africa.

VALUES

The CEF Group of Companies, through the holding company CEF SOC Ltd. and supported by its subsidiaries, is to be directed by the following values, which form the acronym 'BRICS':

B – BATHO PELE	We are committed to work together to put people first in ensuring a zero harm, commercially viable business that adds value to the people of South Africa.
R – RESPECT	We are committed to hold all our stakeholders in high esteem and treat them with honour and understanding.
I – INTEGRITY	We are committed to do the right things the right way even if no one is looking, inculcating transparency in the conduct of business, communications in the application of skills, and mobilisation of organisational resources.
C – CONTINUOUS IMPROVEMENT	We are committed to ensure operational excellence, innovation, agility and quality in our opportunity selection, decision-making and service and product delivery.
S – STEWARDSHIP	We are committed to lead in a responsible manner that ensures caring through professionalism, accountability and custodianship that improves value over time. • Provide thought leadership in energy policy development and other energy initiatives. • Contribute to security of energy supply (in liquid fuels and gas) and support the deployment of new energy technologies in the country.

The Role of CEF

- **Contribute to security of energy supply:** Provide affordable, accessible, diverse use of primary energy resources.
- **Be a strategic partner to the Department of Mineral Resources and Energy:** Provide insights in support of policy development and regulation and implementation of key projects.
- **Be a financially sustainable company:** Commercially strong SOE that can be relied upon to support the implementation of policies and programmes of the department.
- **Reduce the country's overdependence on multinationals:** Operate across the entire energy value chain and minimise market failures.
- **Align with government's broad objectives (NDP):** Act as a vehicle for economic growth, poverty alleviation and economic transformation.

This will be done through the acquisition, exploitation and manufacture of appropriate energy solutions (from coal, oil, gas and renewable energy resources) to meet the future energy needs of South Africa, the SADC and the sub-Saharan African regions.

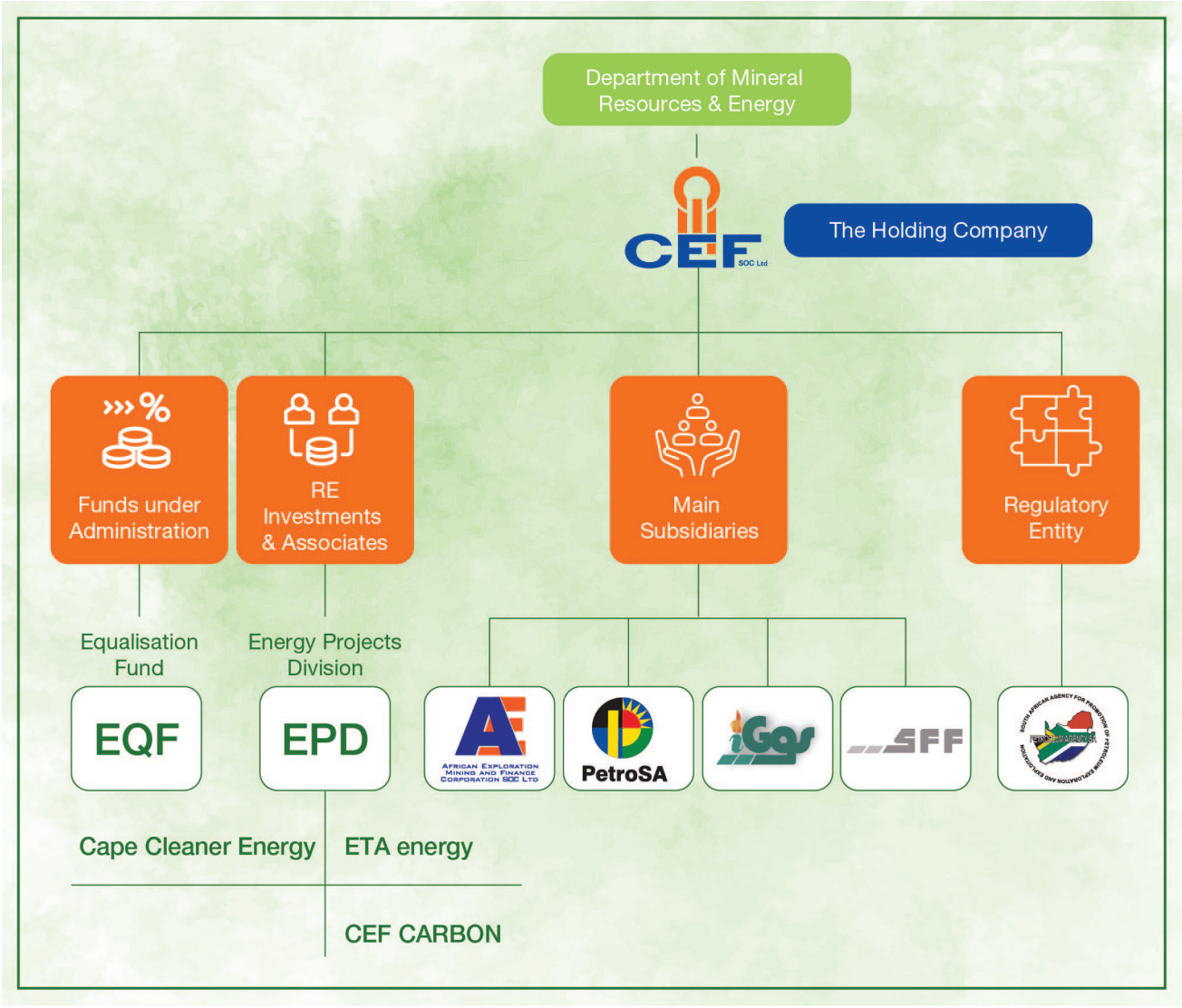
Group Structure

CEF (SOC) Ltd. is the holding company for a number of subsidiaries, which, when taken together, constitute the CEF Group. These subsidiaries operate in the energy sector with commercial, strategic, regulatory and developmental roles, in support of the CEF mandate and the need to diversify the country's energy mix, as detailed in the Integrated Energy Plan of the DMRE.

The CEF Group also exists to support government's broader strategic objectives in line with the NDP, whilst playing a critical role in enabling economic development. Each entity of the CEF Group focuses on key objectives across the energy sector value chain through the deployment of capital and human resources towards developing and operating mandated strategic projects.

Over time, the legal structure of the CEF Group has evolved to meet the changing requirements of the internal and external operating environment and other legislative changes. The execution of our mandate and Group strategy is done through our integrated business that operates across the energy sector value chain, with commercial, regulatory and developmental roles. The primary role of our entities is to create value for the shareholder, drive the advancement of national objectives in the oil and gas industry, and contribute to energy security of supply, whilst supporting government's overall strategic intent in line with the NDP.

Diagram of Group Structure



CEF GROUP AT A GLANCE (CONTINUED)

Subsidiary	Business Focus	2019/20 to 2023/24 Value Statement
CEF SOC Ltd	Holding company providing strategic direction, monitoring and evaluation, Group oversight and development of new sustainable entities in support of security of energy supply.	To lead the development, financing and management of diverse energy solutions for security of energy supply on behalf of the South African Government.
Energy Projects Division (EPD)	Clean and renewable rnergy. The Energy Projects Division aims to become a catalyst for the commercialisation of (new) energy technologies including being a pioneer for energy market development within South Africa. This includes industrialisation, market research for identified technologies and investments in commercially viable renewable energy projects.	To oversee subsidiaries and spearhead delivery of mandates.
PetroSA	PetroSA (The Petroleum, Oil and Gas Corporation of South Africa SOC Ltd.) is the national oil company (NOC) of South Africa. Its main activities are exploration and extraction of natural gas and oil from offshore fields in South Africa; the production of synthetic fuels from gas through a gas-to-liquid (GTL) refinery.	To commercially develop beneficiate, and supply hydrocarbons in order to contribute to security of energy supply.
SFF	The Strategic Fuel Fund (SFF) is responsible for acquiring and maintaining strategic fuel stocks and providing the country with security of supply of hydrocarbons and related infrastructure in case of emergency.	To provide the country with security of supply to hydrocarbons and related infrastructure in case of emergency.
African Exploration Mining and Finance Corporation SOC Ltd	Responsible for securing South Africa's energy supply, primarily through the mining and supply of coal for the generation of electricity, as well as securing other resources that will provide energy for the future, including key minerals for beneficiation in the energy and steel value chain.	To ensure that South Africa's energy-producing and beneficial mineral resources are secured to allow economic and social benefits for South Africa and its citizens. To drive the transformation of the South African mining industry, utilising the guidelines from the EE, B-BBEE and PPPFA Acts, including the Mining Charter.
iGas	Responsible for developing the gas infrastructure for South Africa and developing the gas market in the country.	To support the growth of the South African economy through active investments in South Africa for the provision of gas molecules and gas infrastructure.
South African Agency for Promotion of Petroleum Exploration and Exploitation – Petroleum Agency SA	The promotion for and regulation of the upstream petroleum industry in South Africa both onshore and offshore.	Regulate in a manner that promotes the industry and national economic objectives.

LEGISLATIVE ENVIRONMENT

The following legislative frameworks drive the organisational strategic thrust of the CEF Group and define the parameters for its operational effectiveness.

CEF Group Key Legislative Acts

Key Acts	Energy Sector Planning
CEF Act, No 38 of 1977	Draft Regulations on the Mandatory Blending of Biofuels with Petrol and Diesel, 2012
Public Finance Management Act, 1999 and Regulations	Integrated Resource Plan for Energy, 2019
Companies Act, 2008	Energy Security Master Plan, 2007
Petroleum Products Act, 1977	Draft Strategic Stocks Petroleum Policy and Draft Strategic Stocks Implementation Plan
Petroleum Pipelines Act, 2003	Integrated Energy Plan
Gas Act, 2001	Liquid Fuels Master Plan
Electricity Act, 1987	Gas Utilisation Master Plan
Mineral and Petroleum Resources	Development Amendment Bill, 2013

GLOBAL FOOTPRINT

As at 31 March 2021, our business operations, investments and strategic partnerships spanned two continents and four countries. These activities are in oil and gas, technology and gas infrastructure, mining and renewables, and represent a diversified portfolio in line with our Group strategy. These countries are:

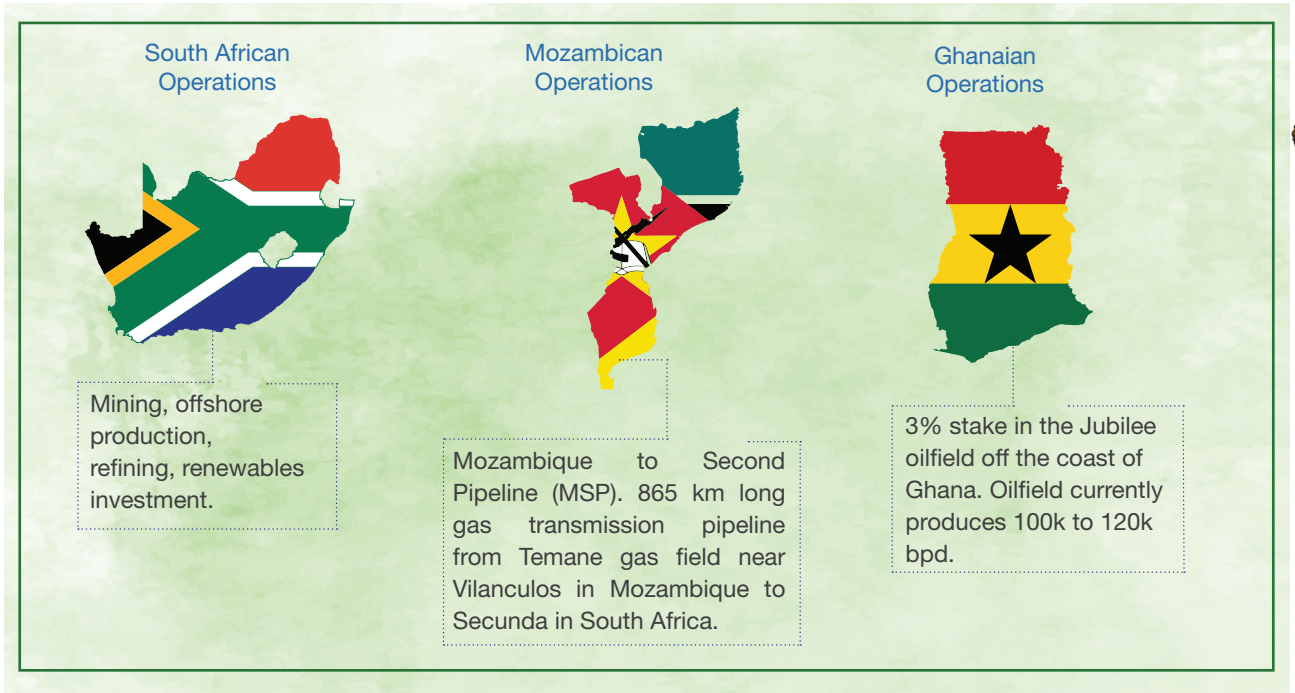


Figure 1: CEF operations globally

OPERATING ENVIRONMENT

Group Value Chain Overview





CEF GROUP GOVERNANCE AND LEADERSHIP STRUCTURE
Board of Directors



Ms Ayanda Noah
Group Chairperson

Ms Noah is a qualified engineer with 29 years' experience in the energy industry. She has worked at Eskom as the Group Executive for Distribution and Customer Services Division and is the Managing Director at an engineering consulting firm.

Her vast experience includes Governance serving as a non-director at the Eskom Rotek Industries, SANEA, CSIR and Employee Assistance Programme and currently chairs the Performance Committee at Lesedi Local Municipality.

She holds an MBA from the International Management Centre, an Executive Development Programme from the University of the Witwatersrand, an Advanced Management Program from the Harvard Business School and a BSc (Electrical Engineering) from UCT. She is accredited as a Pr Eng with ECSA, a member of SAIEE and the IoD.

She was appointed Group Chairperson to the CEF Board in 2020.



Mr Tseliso Maqubela
Director (Shareholder Representative)

Mr Maqubela was reappointed as a non-executive director (DoE representative) on the CEF Board in 2017. He is currently the DDG for Petroleum and Petroleum Products Regulation at DoE. He has 21 years' of experience in the energy sector, having started his career at Koeberg Nuclear Power Station.

He led the drafting team for the Nuclear Energy Policy of South Africa and is currently the Chairperson of the Council for Non-Proliferation of Weapons of Mass Destruction. He holds a MAP and a BSc (Hons).



Mr Nkululeko Poya
Director

Mr Poya is a Civil Engineering Technologist with 20 years' experience in the Road and Railway Industry of which more than 15 years was at executive management level.

He has worked for Transnet Freight Rail and Spoornet, Eastern Cape Department of Transport's Kei Rail project. He's held various senior management roles such as Deputy Director General (DDG: Transport Infrastructure), and CEO of the Railway Safety Regulator.

He was appointed non-executive director to the CEF Board in 2020. He currently serves as a Director of Umtongata Holdings, which has divisions within the agriculture and energy sector.



Mr Nevile Mompati
Director

Appointed as a non-executive director of the CEF Board in 2016, Mr Mompati also serves as the Chairperson of SFF. He is a teacher by profession, but has ventured into various business opportunities, including retail, petroleum and mining in the last two decades.

He is currently a non-executive director at African Share Housing and Northern Cape Mining, specialising in manganese and iron ore.

CEF GROUP GOVERNANCE AND LEADERSHIP STRUCTURE
Board of Directors



Ms Florence Leketi
Director (Shareholder Alternative)

Appointed as a non-executive director (DoE representative) on the CEF Board in 2016. Ms Leketi is not a newcomer to the oil, petroleum and gas sector. She is currently Chief Director: Petroleum and Petroleum Products at the DoE.

She also serves as a director on the Chemical Industries Education and Training Authority (CHIETA) Base Chemicals and Petroleum Chamber. She holds a BCom (Hons) Statistics from the University of North West.



Ms Nolubabalo Sondlo
Director

Ms Sondlo is the CEO of Sondlo Chartered Accountants. She has 18 years' experience in the public and private sector environment where her expertise stretches from external audit, internal audit, risk and financial management as well as audit clean-up operations and preparation of annual financial statements in terms of IFRS and Generally Recognised Accounting Practice.

She is a member of the South African Institute of Chartered Accountants, the Institute of Internal Auditors South Africa, and the Independent Regulatory Board of Auditors.

She was appointed non-executive director to the CEF board in 2020.



Mr Jim Besnaar
Director

Appointed as a non-executive director on the CEF Board in 2016. He is currently the CEO of Makomota Investment Holdings (Pty) Ltd. Mr Besnaar has held senior positions in both provincial and local government.

He also serves as a director/shareholder at Circle Way Trading, Bricksnet, Yard Plant Rentals (Pty) Ltd. and Dragon Loo (Pty) Ltd. He is a Chartered Accountant by profession.



Dr Ishmael Poolo
Group CEO

Dr Poolo is a seasoned executive with over 20 years' experience in the energy sector. He has demonstrable ability and business acumen in initiating projects and delivering sustained results. His strength lies in strategising and leading cross-functional teams in the improvement of business processes aimed at delivering shareholder value – both as a leader and expert consultant in the energy sector.

He holds a PhD (Management of Technology and Innovation), MSc (Management of Technology and Innovation), BTech (Mechanical Engineering), NDip (Mechanical Engineering) and Artisan and Fitter Certificate.

He was appointed Group CEO and executive director to the CEF Board in 2020.



Ms Ditsietsi Morabe
Interim Group CFO

Ms Morabe has over 26 years' of experience in Finance, Supply Chain Management and Policy Analysis. She served as a member of Finance Committees; Risk and Audit Committees; and Director in Boards of different entities.

She also served as the moderator for the Financial Management Key Performance Area in the National and Provincial Government Management Performance Assessment Project led by DPME. Ms Morabe joined CEF SOC in December 2020 as the Interim Group Chief Financial Officer.

Her responsibilities include overseeing the Corporate Finance, Supply Chain Management and Treasury functions of the CEF Group and providing strategic support to the Group CEO and the CEF Group.

She holds an MCom (Economics – Public Finance), BCom Hons (Economics), BCom (Major in Economics and Business Economics), Certificates in Executive Development Program and Management Development Program.

CEF GROUP GOVERNANCE AND LEADERSHIP STRUCTURE
Group Executives

The diverse CEF Group of Companies reports to the Minister of Mineral Resources and Energy and is governed by the CEF Board of Directors, CEF Executive Teams, Board of Directors of the different subsidiaries, and each subsidiary's Chief Executive Officer (CEO).



Dr Ishmael Poolo
Group CEO

Dr Poolo is a seasoned executive with over 20 years' experience in the energy sector. He has demonstrable ability and business acumen in initiating projects and delivering sustained results. His strength lies in strategising and leading cross-functional teams in the improvement of business processes aimed at delivering shareholder value – both as a leader and expert consultant in the energy sector.

He holds a PhD (Management of Technology and Innovation), MSc (Management of Technology and Innovation), BTech (Mechanical Engineering), NDip (Mechanical Engineering) and Artisan and Fitter Certificate.

He was appointed Group CEO and Executive Director to the CEF Board in 2020.



Dr Phindile Masangane
PASA CEO

Appointed in 2020 as PASA CEO, responsible for regulation of the petroleum exploration and production. Prior to this role she was in charge of clean, renewable and alternative energy projects at the South African state-owned company, CEF SOC Ltd.

At the height of her career in the energy sector, she was a partner and director at KPMG responsible for the Energy Advisory Division from 2010 to 2013.

During her tenure at the CEF Group, she led the development and investments in renewable, clean and alternative energy projects on behalf of the CEF Group of Companies. She holds a PhD (Chemistry), MBA, and BSc.



Mr Godfrey Moagi
SFF CEO

Mr Moagi is an oil and gas executive with more than 25 years of industry experience and has held many senior roles at BP Southern Africa. He has a wealth of experience in the understanding of global economies and markets in crude, fuels, lubricants, supply and trading, and value chain management, setting up a new trading book, including governance and compliance processes for the business to manage risks.

He holds various Executive Programs from (WITS and Harvard), BCom (Hons) and BCom.

CEF GROUP GOVERNANCE AND LEADERSHIP STRUCTURE
Group Executives

The diverse CEF Group of Companies reports to the Minister of Mineral Resources and Energy and is governed by the CEF Board of Directors, CEF Executive Teams, Board of Directors of the different subsidiaries, and each subsidiary's Chief Executive Officer (CEO).



Mr Pragasen Naidoo
PetroSA CEO

Mr Naidoo holds a total of 18 years' experience in the oil, gas and petrochemicals sector where he gained exposure and expertise in human capital development and management, technology development, technical engineering, capital project execution, business development, business strategy management, and the commercial and operational environments.

He holds an MSc (Environmental Management), BSc (Chemical Engineering), Certificate (Leadership Management).



Ms Zanele Sibisi
Interim AEMFC CEO

Ms Zanele Sibisi has extensive experience in the mining sector. Prior to her appointment at AEMFC, she served as Chief Operations Officer (COO) at Wescoal in charge of three opencast mines and a processing plant. She also held various senior leadership roles at South32 Energy Coal. Her mining career spans over 20 years in coal mining. She holds a Certificate (Leadership Development Programme), Certificate of competency (Mining Manger), BTech (Mining Engineering), NDip (Mining).

CEF SOC EXECUTIVE MANAGEMENT TEAM



Dr Ishmael Poolo
Group CEO

Qualifications: PhD and MSc (Management of Technology and Innovation), BTech and NDip (Mechanical Engineering) and Artisan and Fitter Certificate.

Dr Poolo is a seasoned executive with over 20 years' experience in the energy sector. He has demonstrable ability and business acumen in initiating projects and delivering sustained results. His strength lies in strategising and leading cross-functional teams in the improvement of business processes aimed at delivering shareholder value – both as a leader and expert consultant in the energy sector.



Ms Ditsietsi Morabe
Interim Group CFO

Qualifications: MCom (Economics – Public Finance), BCom Hons (Economics), BCom (Major in Economics and Business Economics), Certificates in Executive Development Programme and Management Development Programme.

Ms Morabe has over 26 years' experience in Finance, Supply Chain Management and Policy Analysis. She served as a member of Finance Committees, Risk and Audit Committees, and Director in boards of different entities. She also served as the moderator for the Financial Management Key Performance Area in the National and Provincial Government Management Performance Assessment Project led by DPME. Ms Morabe joined CEF SOC in December 2020 as the Interim Group Chief Financial Officer.

Her responsibilities include overseeing the Corporate Finance, Supply Chain Management and Treasury functions of the CEF Group and providing strategic support to the Group CEO and the CEF Group.



Dr Tshepo Mokoka
Group COO

Qualifications: Phd (Economics), MCom (Economics), Bachelor Hons of Economic Science and Bachelor of Science.

Dr Mokoka has considerable experience in strategic entity oversight and stewardship of complex policy and operational processes from his role as a Special Advisor to the Minister of Science and Technology and the Minister of Tourism. In these positions, he also provided expert advice within the economics clusters in government to inform sectoral and country growth strategies, including the energy sector. He has professional expertise in macroeconomic and financial modelling and has published several academic articles in internationally recognised peer-reviewed journals.

Dr Mokoka's responsibilities include supporting the Group CEO in business operations and execution. He is also responsible for the following portfolios: Strategy and Planning, Business Turnaround Office, Managing Capital Projects, New Business Development (Investments), Information and Technology (IT), Marketing and Communication as well as improving operational efficiency of the CEF Group.

CEF SOC EXECUTIVE MANAGEMENT TEAM



Mr Abdul Haffejee
Group Company Secretary

Qualifications: BProc, Associate of Chartered Secretaries, Admitted Attorney.

As the Group Company Secretary, Mr Haffejee is responsible for the Group Corporate Governance framework and legal compliance, and for advising the CEF Board on key governance matters. Mr Haffejee has a wealth of experience in contract management, company secretariat, corporate governance, legal advisory, compliance and risk management.



Ms Brenda Moagi
GE: Legal, Risk and Compliance

Qualifications: Admitted Attorney, LLM, LLB, Certificate (Management Development Programme)

Ms Moagi is a corporate lawyer with over 18 years' experience specialising in commercial, compliance, regulatory, licensing, mergers and acquisitions, financing and investment, infrastructure, infrastructure development as well as mining exploration and establishment.

As the Acting Chief Legal, she bears responsibility and accountability for the provision of legal services including developments of legal strategies to support new business growth, as well as provide advice on litigation matters. She also serves as the Director of Energy Joburg (Pty) Ltd. since 2014.



Ms Zinhle Thupana
Interim GM Corporate Services

Qualifications: Certified Ethics Officer, MBA, Certificate (Leadership Development Programme), Certificate (Management Development Programme), NDip (Accounting).

Ms Thupana is responsible for overseeing, and ensuring adherence to generally accepted governance, risk management and compliance practices, embedding the requirements of company ethics, business continuity management and Health, Safety, Environment and Quality (HSEQ). She monitors and reports to Board, GCEO, and EXCO to establish the implementation of enterprise risk management and compliance programmes.

SECTION TWO

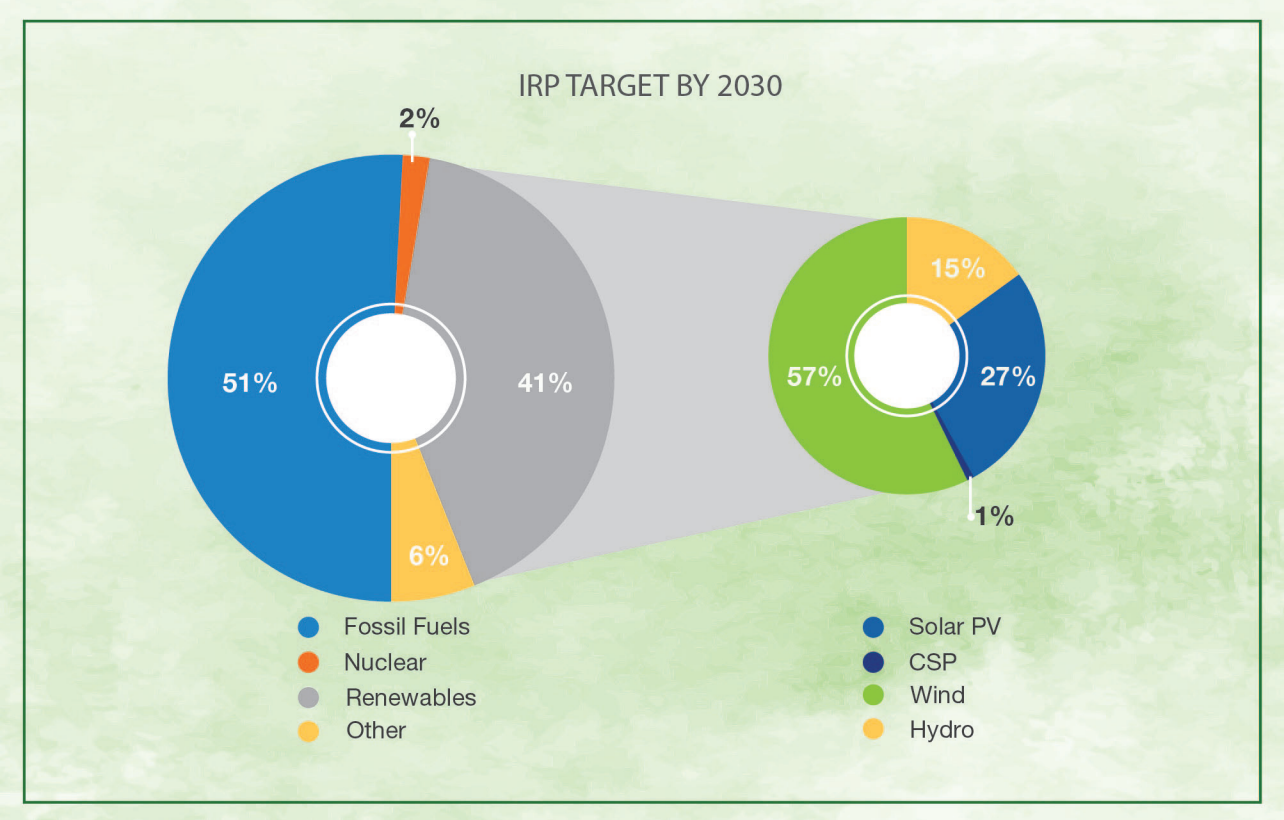


BUSINESS OVERVIEW AND STRATEGY

BUSINESS OVERVIEW AND STRATEGY

The CEF Group planning horizon is guided by a number of key sector planning documents such as the Integrated Resource Plan (IRP), Integrated Energy Plan and the NDP to name but a few. The Integrated Resource Plan is the blueprint for South Africa's envisaged energy mix for the next decade. It outlines South Africa's move from coal to cleaner energy sources by 2030 as part of the global commitment to reduce greenhouse gases and lower carbon emissions.

The IRP envisions the nation's total electricity-production capacity rising to 77 834 megawatts by 2030 – with the bulk of the increase coming from renewable sources – from about 52 104 megawatts. The plan advocates a switch to more green energy as South Africa faces pressure to meet emission-reduction targets.



The National Development Plan 2030 recognises that the energy sector is a key enabler for economic growth in the country for industries to create jobs, reduce unemployment, poverty and inequality. It is envisaged that by 2030 South Africa will have an energy sector that promotes economic growth and development through adequate investment in energy infrastructure. The plan also envisages that by 2030 South Africa will have an adequate supply of electricity and liquid fuels to ensure economic activity and welfare are not disrupted, and that at least 95% of the population will have access to grid or off-grid electricity. The CEF Group is the largest commercial entity for state participation in oil, gas, renewable, coal and other minerals used for energy generation and storage. The mandate of the CEF Group is to support security of energy supply.

Worldwide, the energy sector continued to change and evolve as a result of a number of key factors that disrupted the status quo due to technological advancements and overall energy transition towards a clearer future.

The 2019 World Development Report outlined how the global economy through work was constantly being reshaped by technological progress, new ways of production being adopted, market expansion, and the evolution of societies. But some changes provoke more attention than others, in part due to the vast uncertainty involved in making predictions about the future. The United Nations noted concerns that the global economy slowed to a decade-low in 2019, largely as a result of prolonged trade disputes and high policy uncertainty.

The broad-based deterioration threatened to impede efforts to reduce poverty, create decent jobs, broaden access to affordable and clean energy, and achieve many other Sustainable Development Goals. Gross domestic product (GDP) growth for the region as a whole is projected to increase moderately from 2.9% in 2019 to 3.2% in 2020 and it is set to accelerate to 3.5% in 2021, contingent on the implementation of effective reforms and subject to large downside risks. All of the various global and local growth predictions were upended by the advent of COVID-19 and other geopolitical tensions.

One year after the World Health Organization declared COVID-19 a global pandemic, to date more than 118 million cases have been confirmed globally with more than 2.6 million fatalities with the USA, Italy, Spain and Brazil accounting for more than a fifth of that grim toll. COVID-19 sent global economies into recession as nations locked down, created mass unemployment, put enormous strain on healthcare systems and transformed working life.

Central banks and governments poured out unprecedented levels of monetary and fiscal stimulus to keep economies afloat. The profound changes that have occurred will remain with us after the crisis is contained as part of our “new normal" with global GDP forecasts set to increase by 5.6% this year.

With an already fragile economy and an official unemployment rate at a record high of 32.5% South Africa was hard hit by the pandemic. South Africa’s economy contracted for the first time in 11 years in 2020 as coronavirus lockdowns hampered the economy by disrupting trade and output. Gross domestic product shrank 7%, compared to a 0.2% expansion in 2019, according to a report released by Statistics South Africa.

Following the wild fluctuations in quarterly output in 2020, the South African economy is expected to grow by 3.8% in 2021 before easing to growth rates of 2.4% and 2.5% in 2022 and 2023 respectively, says the South African Reserve Bank (SARB). The recovery will be wing-shaped, with a sharp yet incomplete initial bounce-back, followed by a gradual rise towards the pre-COVID-19 level. The recovery from pandemic conditions will be uneven across sectors, raising the spectre of a K-shaped recovery with different parts of the economy recovering at different rates, times, or magnitudes.

The key risk to the much-needed economic growth in 2021 remains security of electricity supply. In as much as the DMRE has appointed eight Independent Power Producers (IPPs) for a total contracted capacity of 1 845 MW, this new capacity is only expected to reach grid connection in August 2022.

As a group of companies that operate across the entire energy value chain there were a number of significant developments that took place during the period under review which inform our strategic outlook.



Oil and Gas



The crisis triggered by COVID-19 was something the energy sector has ever seen. Fuel demand crashed by a fifth, prices slumped below zero and more than a billion surplus barrels poured into storage tanks globally.

During Quarter 4 futures rallied to a one-year high, nearing $60 a barrel as Chinese consumption surpassed pre-virus levels, the vaccine rollout restored confidence, and the OPEC cartel and its allies kept a tight leash on supply. The sudden reversal is a salve for an array of producers and other Exploration and Production (E&P) supermajors. The recovery has been a lifeline for countries like Nigeria, Iraq and Angola, which have sought aid from the International Monetary Fund to quell economic crises. Exporters like Saudi Arabia consider the extra revenue crucial and are reviewing a number of their projects preciously held back. We are likely to see a rise in E&P deals and potential strategic partnerships.

Inventories are plunging everywhere, from major depots in the US, China and the United Arab Emirates to the tanker fleet once commandeered to house spare barrels at sea. This is the strongest sign of a recovery with a price structure known as backwardation and refiners are likely to improve their margins. The recovery is on the back of an Asian recovery (China's V-shaped recovery and India's gradual growth) and exceptionally cold weather this winter in the Northern Hemisphere. The initial collapse in crack spreads resulted in the PetroSA GTL refinery being put on care and maintenance in 2020 with the plant likely to resume operations in Quarter 2 of the 2021/22 financial year.

Renewables

COVID-19's impact was unprecedented for power and renewable markets worldwide, with significant demand disruptions, declines in fuel prices, changes in energy consumption profiles, asset sales and acquisitions, and new initiatives to the green power sector. An IHS Markit study considered five key trends that could profoundly define global power and renewable markets post the COVID-19 Impact namely:

1. Power demand will slowly recover from COVID-19 disruptions.
2. Net-zero pledges and climate targets will shape power supply trends.
3. Cost declines will encourage greater penetration of new technologies.
4. New players will actively partake in the power sector.
5. System adequacy and reliability will be more prominent in policymaking.

With a massive global drive to position clean renewable energy to fuel the anticipated energy demand as the global economy recovers, market analysts are banking on the renewable market to be set for massive growth buoyant by some of the Biden administration policies.

Climate Change



Climate change is fuelling food insecurity, migration, and localised conflict in Africa. The International Energy Agency estimates that by 2040, Africa must triple its annual power generation through gas, wind, and solar energy production to keep Africa's increased share of global carbon emissions under 1 percentage point over the same period. Bringing a greater share of the African population on-grid will reduce reliance on biofuels that drive deforestation and poor health outcomes and improve prospects for sustainable economic development and poverty reduction.

A combination of technologies will be needed to keep us on a 1.5°C-climate pathway. These include increasingly efficient energy production to ensure economic growth; decarbonised power systems that are dominated by renewables; increased use of electricity in buildings, industry and transport to support decarbonisation; expanded production and use of green hydrogen, synthetic fuels and feedstocks; and targeted use of sustainably sourced biomass. This is the role the CEF SOC New Energy strategic approach will be embarking upon as part of the holding company's revised value proposition.

Macroeconomic Indicators

- **Brent:** The price opened Quarter 4 at $51.80/bbl, peaked at $69.36/bbl in early March but closed at $62.74 at the end of Quarter 4, demonstrating a steady increase of 22% over the quarter. This is slightly down on the 26% increase of the previous quarter but confirms the overall trend in price recovery since the onset of the COVID-19 pandemic.
- **Natural Gas:** The US natural gas price opened the quarter at $2.54/GJ, peaked at $2.97/GJ in early March and gradually decreased over a very mild North American winter, closing at $2.61/GJ and registering an overall 3% increase over the quarter.
- **Coal:** Coal futures are touched around a 1-year high of $95 in March, after three coal mine accidents in China threatened plans to raise output ahead of the upcoming summer peak and raised concerns that the government may tighten inspections.
- **Exchange Rate:** Despite the relatively steady recovery over Quarter 1, 2 and 3, the South African Rand was volatile over the quarter, opening at ZAR14.70/USD, peaking at ZAR15.48/USD in January and again at ZAR15.52/USD in early March, but closing overall only 1% weaker at ZAR14.92/USD.



GROUP STRATEGY

As the CEF Group we continued to keep a watching brief on a number of key global and local developments that could have material impact on our ability to execute on our short-, medium- and long-term strategic initiatives which may have an impact on our strategy and business operations. The CEF Group Strategic Trajectory outlines the desired end state in response to key external and internal strategic drivers. It is underpinned by four key pillars that focuses Group resources and initiatives towards the four desired outputs of (1) Stabilisation of the CEF Group, (2) Drive Growth, (3) Development of Key Energy Infrastructure and (4) Group Consolidation.

The strategic initiatives that drive the execution of the CEF Group Corporate Plan are segmented into five core strategic themes, namely (1) Consolidation and Turnaround, (2) Commercial Sustainability, (3) Strategic and Long-Term Growth, (4) Operational Efficiency and (5) Human Capital and Organisational alignment.

The current Group Corporate Plan has identified long-term growth as the pillar for Group commercial suitability, hence the amount of resources and time that is being deployed toward business development initiatives to change the Group lifecycle profile. This is reflected by the numerous stakeholder engagements with key funders and various strategic partners and advisors. The CEF Group Growth agenda is focused on continued efforts for portfolio diversification across the energy value chain to address the risk of single-source income by subsidiaries like SFF, iGAS and CEF as well as customer risk concentration. This creates clarity around the three distinct areas of growth areas and how these assist to manage short-, medium- and long-term financial outcomes.

The Group strategic trajectory is illustrated below.



Strengthening Oversight Monitoring and Evaluation

During the previous reporting period, the CEF Group adopted the Objectives and Key Results methodology. OKRs, for short, is an effective goal management methodology that support strategy. It's the missing link between high level strategic maps and detailed implementation plans. OKRs create focus around the top priorities in our organisation, department and team with a focus on the critical few whilst removing ambiguity and ensuring absolute clarity. They allow for critical assessment of challenges and dependencies. In the process, it creates alignment between teams in the organisation through better objective and target communication. This has given effect to monthly performance dialogues throughout the organisation. This has strengthened our approached to much more timeous response to negative price sentiments in our operating environment where quick decisions can be taken guided by commercial guardrails, strategic fit, impact and link to broader shareholder imperatives.

Merger Project Update

As per the State of the Nation address on 13 February 2020, government has commenced its efforts to repurpose and rationalise state-owned enterprises to support growth and development in South Africa. Under this directive on 10 June 2020, Cabinet approved the merger of three subsidiaries of the CEF Group to establish a South African National Petroleum Company. The CEF Board was mandated to manage the process and ensure the establishment of the SANPC. The merger is vital in creating a solid base for the long-term commercial sustainability of the CEF Group. AT Kearney who has global experience, was appointed to be the lead consulting company.

During the period under review, Phase 1 of the merger project which comprised three work-areas, namely (1) Strategy and Merger Design, (2) Merger Detailing, and (3) Merger Implementation to amalgamate of iGAS, SFF and PetroSA to form a South African National Petroleum Company (SANPC) as directed by Cabinet, was completed.

The project has been able to achieve the following:

- Completion of a comprehensive baseline assessment on the merger has identified more than R1.5 to 3 billion in EBITD.
- Extensive assessment of the merger model archetypes from a commercial, legal and operational perspective for final input to Cabinet.
- Detailed due diligence on assets, contracts, liabilities, licences and governing legislation.
- SANPC commercial strategy, strategic plays and initiatives, identifying R60 to 95 billion new market potential that can be pursued by the new entity.
- Operating model and funding plan for the SANPC whilst detailing how legacy assets will be managed in the short-, medium- and long-term.

The next critical phase of the project is to obtain Cabinet approval of the preferred merger archetype (Lease and Assign), for the incorporation of SANPC as a State Owned Entity and CIPC Registration.



Group Business Model

Great value propositions should be embedded in a great business model to achieve a competitive advantage in the long term. A successful business model generates feedback loops that have a self-enhancing effect and creates growth cycles that strengthen the business model and develop a dynamic that resembles network properties. Below is a diagrammatic view of the CEF Group business model and how we add value.

Exploration	Mine and Field Development	Mining Production
• Oil, gas and coal • Drilling • Seismic acquisition • Processing and interpretation • Finding, identifying and evaluating economically viable oil, gas and coal deposits • Evaluation and design	• Reservoir modelling • Well design, drilling and completion • Production modelling • Separation systems • Treatment systems needed to preserve the environment • Establishing the necessary infrastructure to access deposits via shafts • Material stripping	• Drilling-related engineering services • Bringing oil/gas to the surface • Ongoing field development • Production and maintenance • Transportation and fractionation • Extracting coal from underground and open mines • Transporting of mined mineral resources to plants • Lifecycles cost management
Marketing	**Processing and Refining**	**Storage and Trade**
• Wholesale and marketing of gas, transport fuel and clean power to end-users • Liquid fuels storage for industry • Oil and gas data for exploration industry	• Crude/gas refining and processing • Fractionation of crude oil into petroleum and petrochemical products • Product blending • Washing coal to specified grade for delivery to Eskom power stations • Renewable power generation • Power generation from gas	• Storage terminals • Bunkering services • Trading • Gas pipeline transportation • Liquefaction • Coal storage in line with environmental regulations • Mechanised loading/unloading systems • Pollution control • Storage technology partnerships

Outlook and Way Forward

Despite the clear danger to the global economy, there are also reasons to be hopeful that the COVID-19 impacts can be managed in a holistic manner. Governments have learned from previous crises that the effects of a demand-driven recession can be countered with government spending. Consequently, many governments are increasing their provision of monetary and other stimulus packages, as part of keeping the global economy going.

Finally, there is the fact that the crisis may have a clear end date when all restrictions can be lifted – this seems to be possible when the majority of the global population is vaccinated against COVID-19. It could then enable the global economy to experience a sharp rebound once the pandemic is over, boosting global GDP growth. The International Monetary Fund expects the world economy to grow by 6% in 2021, up from its 5.5% forecast in January. There are still many variables that could affect such an economic recovery – such as the uneven recovery paths across many countries as well as the slow pace of vaccinations and new resilient variants. Thus countries should maintain economic support and calibrate it to the stage of their recovery and the pandemic. This will require a global collective approach and enhancing key growth reforms. China, in many ways, has already completed its recovery, returning to its pre-pandemic economy and the US with its recent stimulus package will follow closely.

Although South Africa's economy contracted by 7% last quarter driven primarily by decreases in manufacturing, trade, catering and accommodation, transport, storage and communication, the International Monetary Fund (IMF) is indicating that the country's annual growth is projected to be 3.1% in 2021 – an improvement of 0.3 percentage points from the 2.8% January forecast. The group forecasts annual growth of 2% in 2022 for the country. The recovery will be driven by higher demand for local commodity exports but the country will still face serious impediments to sustained growth such Eskom's ability to power the economy during phases of high energy demand.

On the energy front, global energy demand rebounded, sharply cutting losses experienced in previous quarters but will remain lower than it was at pre-COVID-19 levels — about 4% lower in the base case. The potential for increasing renewable energy demand, combined with the electrification of transportation and industrials and oil and gas companies' increased participation in the electricity value chain, is accelerating industry convergence.

The performance of the CEF Group for the period under review was subdued, driven mainly by the commercial sustainability of PetroSA and AEMFC, but the low oil prices created an opportunity for the storage business through SFF.

As we move into the new financial year and continue to deliver on the CEF Group Corporate Plan the focus will shift towards four clusters of business focus namely:

1. **Execution of the merger project:** With finalisation of Phase 1 of the merger project (subject to Cabinet approval and incorporation of the SANPC) the scope of work for Phase 2 will focus on the core components of execution and deal with a number of transitional initiatives such as governance, management, funding, systems, processes, contracts and the S197 process of transferring employees across to the new entity.
2. **CEF SOC repositioning and legacy assets management:** CEF's new role in light if the organisational merger activities will be that of a strategic energy investor. This requires a fundamental shift in the current operating model. Parallel to this will be the continued support towards legacy entities gearing them for transition activities to the SANPC. This activity is also about stabilising ailing entities.
3. **Group growth agenda:** Focus on growth and commercial suitability will be a key driving force. A number of key strategic projects have been identified and CEF is busy engaging with a number of strategic partners and funders to assist with key funding requirements so we secure the various opportunities.
4. **PetroSA stabilisation and turnaround:** The sustainability of PetroSA still remains a critical delivery of the CEF Group Corporate Plan. The entity is technically insolvent and the reliance on CEF to fund its working capital requirements can no longer be sustained. CEF SOC will provide oversight in ensuring that PetroSA delivers on the key initiatives that have been identified for the organisation and is dealing decisively with poor performance.



OUR ENTERPRISE RISK MANAGEMENT (ERM) OVERVIEW

Our Approach to Enterprise Risk Management

Over the past year, we have continued aligning our processes and standards with international best practices such as ISO 31000, the Public Sector Risk Management Framework, COVID-19 regulations and the King IV Report on Corporate Governance. Our drive to proactively identify risks and opportunities to ensure an appropriate balance in the management of internal, strategic and external risks is the bedrock of our strategic intent for embedding a risk management culture across all group entities.

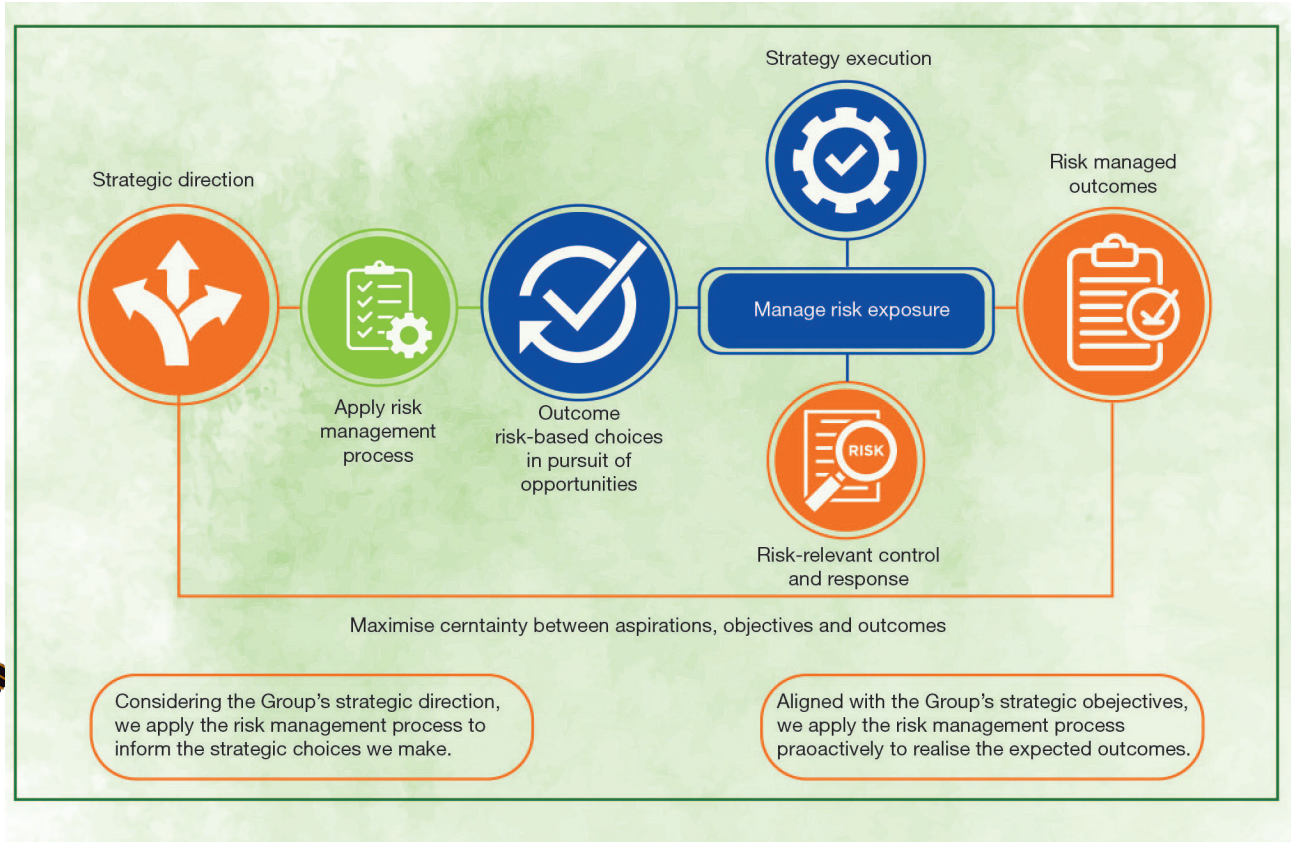
During the year, we continued to evolve our risk management approach to ensure flexibility and relevance to CEF's business needs in a changing operating environment. Our integrated approach to risk management involves identifying, assessing, managing and reporting on all significant risks and related mitigation plans consistently in our operations, in accordance with our defined risk reporting protocol.

We continued to integrate the Group Risk Management approach with the Combined Assurance model, to drive integration across risk-related functions such as Safety, Health, Environment and Quality (SHEQ), Procurement, Compliance, Internal Audit and Group Finance. In the year ahead we will continue to prioritise key risk assessment focus areas based on materiality in relation to CEF's strategy, sustainability issues and shareholder value drivers. We strive to develop key risk indicators for our top risks to enhance the monitoring of key trends, and emerging risks in relation to our operations. We intend to embed risk awareness, control and compliance in all our day-to-day activities as we continue to do our business in the current challenging times.

The leaders of each of the subsidiaries, business units and Group functions are responsible and accountable for the management of risks in their area and may delegate specific responsibilities appropriately. Oversight of risk management at each subsidiary level takes place through the relevant executive.

We align the governance and reporting of the Risk and Compliance Department with best practices. Our integrated approach, as highlighted in the figure below, aligns all risks identified with strategic objectives of the organisation. This process seeks to achieve an appropriate balance of strategy, risk, opportunities and reward in our operations, taking cognisance of all stakeholders' interests.

Risk and Opportunity Management



The CEF Group continued to operate in challenging market conditions and subdued global economy as a result of the impacts of COVID-19 which has reduced global energy demands and has subjected many companies and economies to punitive measures, the role of an effective risk management process is critical as it proactively assist in issues that might affect CEF ability to create value in the short, medium and long term grouped into three categories:

- strategic risks or opportunities which could significantly affect CEF's ability to implement its strategy, but could be mitigated if they are understood and proactively addressed;
- operational risks or opportunities which are managed daily through implementing policies and process controls;
- systemic or global risks or opportunities which affect nationals and companies globally, some of which could be mitigated by localised efforts or through collective or multilateral actions.

Effective risk management integrated approach contributes to the achievement of our business objectives and will enhance the resilience of the business through the current difficult trading times. Key to this is anticipating change and how best to manage it.

Our Risk Management Journey

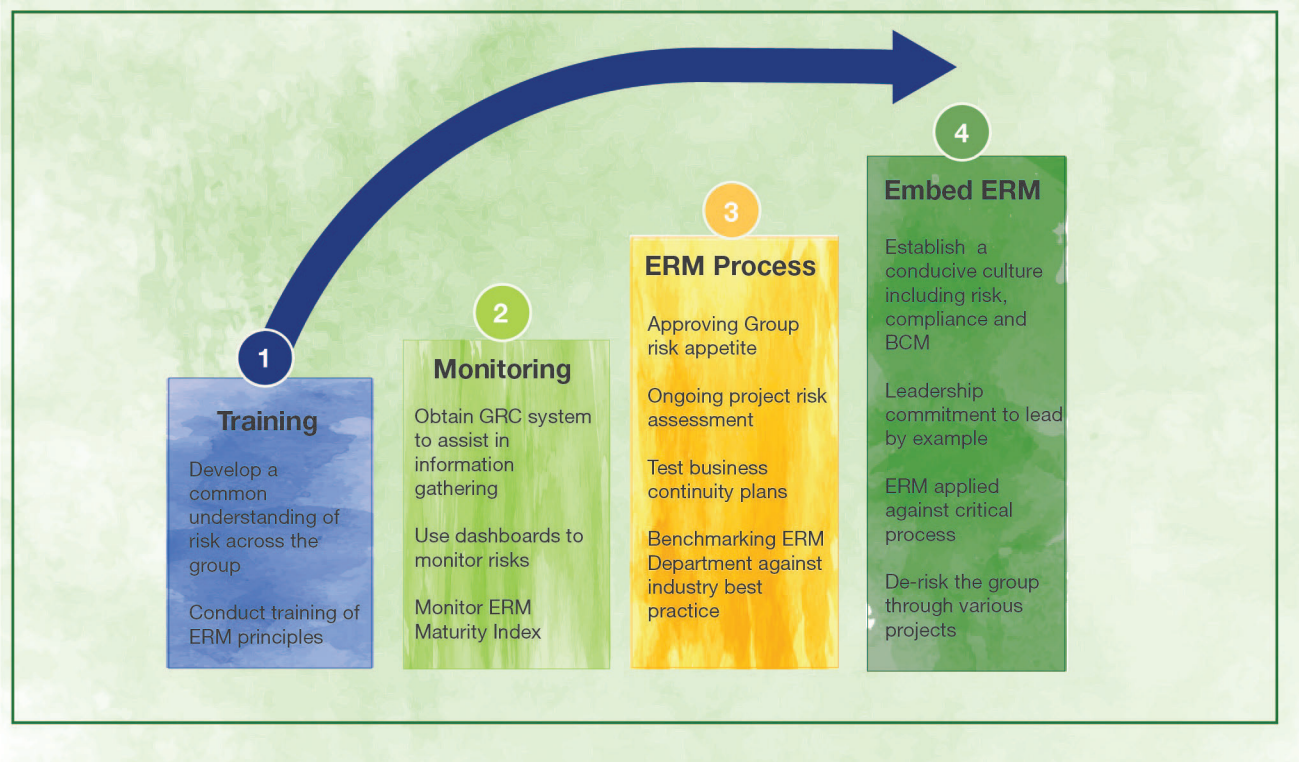
CEF's risk management plan for the 2020/21 financial year detailed enterprise risk management (ERM) objectives, associated activities and initiatives. The themes for the 2020/21 risk management plans were to:

- standardise processes aligned to the overall business strategic objectives;
- enabling processes to facilitate efficiency in decision making;
- focus on emerging risks and opportunities in terms of strategic initiatives across the business; and
- flexibility and speed.

During the year under review, we strengthened risk management and developed risk, ethics, and business continuity documents. The following initiatives were either implemented, developed or reviewed during the year:

- strategic risk registers;
- ERM plans;
- COVID-19 risk assessments;
- strategic project risk registers;
- review ERM maturity assessment;
- standardising the reporting template; and
- ERM training and awareness.

ERM Maturity Journey and Focus for the New Financial Year



Risk Governance

Our Board of Directors has the ultimate responsibility for risk management in the organisation, and oversees the enterprise risk management process at CEF. The approved Enterprise Risk Management Policy guides our approach to risk management to ensure effective management of risks across the Group. The Board's Audit and Risk Committee works closely with management to ensure the risk management process complies with the relevant standards and governance requirements and works effectively through integrated risk governance roles and responsibilities approach as detailed below:

Risk governance	Board of Directors and Risk and Audit Committee Ensure the risk culture (tone at the top) Approve the risk appetite Ratify the key components of the ERM maturity index Discuss enterprise risks with executive management Approve ERM policies			• Technology • Provide real-time dashboards to oversee risks • Facilitate risk escalations • Make monitoring and reporting easier • Support timely maintenance and pre-empt problems
Risk resources and management	• Executive management • Define the risk appetite • Evaluate proposed strategies against risk appetite • Capacitate risk and compliance function	• Enterprise risk management • Create common ERM framework • Provide direction on applying framework • Implement and manage technology systems • Provide guidance and training • Aggregate risk information • Monitor risks and mitigation plans	• Internal audit • Provide assurance on ERM processes • Provide assurance on the controls and the mitigation plans for the risks	
Risk ownership	• Business units • Take business-appropriate risks • Identify and assess risks • Respond to risks • Monitor risks and report to risk management • Support risk and compliance management			

The Risk Committee, a committee of the Board, oversees risk management on behalf of the Board through regular feedback by management on all risk management activities. These activities include ensuring that:

- Regular risk assessments are done through a structured risk management framework and methodology comprising a rigorous process of facilitated workshops with multidisciplinary teams.
- Adequate monitoring and control functions are in place, responsible for the various lines of defence within the company's combined assurance framework.
- Key operations and support functions are covered by our risk management process.
- The resulting identified risks are prioritised and appropriate mitigation actions are captured to enable monitoring and reporting of risk activity.
- Internal controls are in place and operate effectively across the Group to mitigate risk.

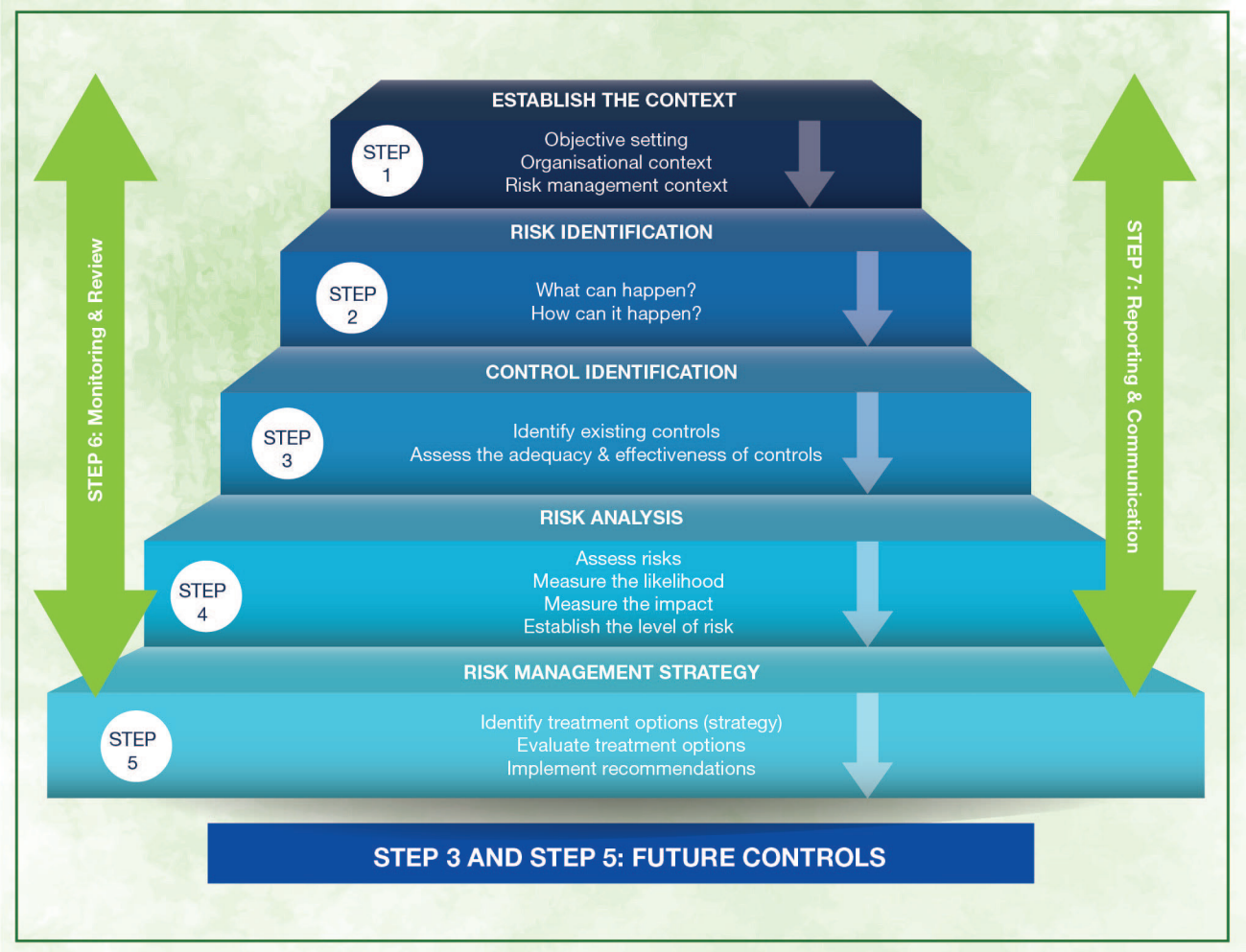
Risk Tolerance and Risk Appetite

The CEF Group defines risk appetite as 'the nature and extent of the risk the group is willing to accept in relation to the pursuit of its objectives'. We look at risk appetite in the context of severity of the consequences should the risk materialise, any relevant internal or external factors influencing the risk, and the status of management actions to mitigate the risk. A scale is used to help determine the limit of appetite for each risk, recognising that risk appetite will change over time. If a risk exceeds appetite, it will threaten the achievement of objectives and may require management actions to be accelerated or enhanced to ensure the risks remain within appetite levels.

Risk Management Process

In terms of our integrated approach to risk management, we assess, manage and report on all significant risks and related mitigation plans consistently, in accordance with our defined risk reporting protocol across the Group. As part of our journey to become more proactive and responsive, we have developed key risk indicators for our top risks to enhance the monitoring of key trends in relation to each risk.

CEF's structured risk management process, which is aligned to industry standards, is rolled out across the group, and risk profiles are developed at business unit, functional, process and project levels.

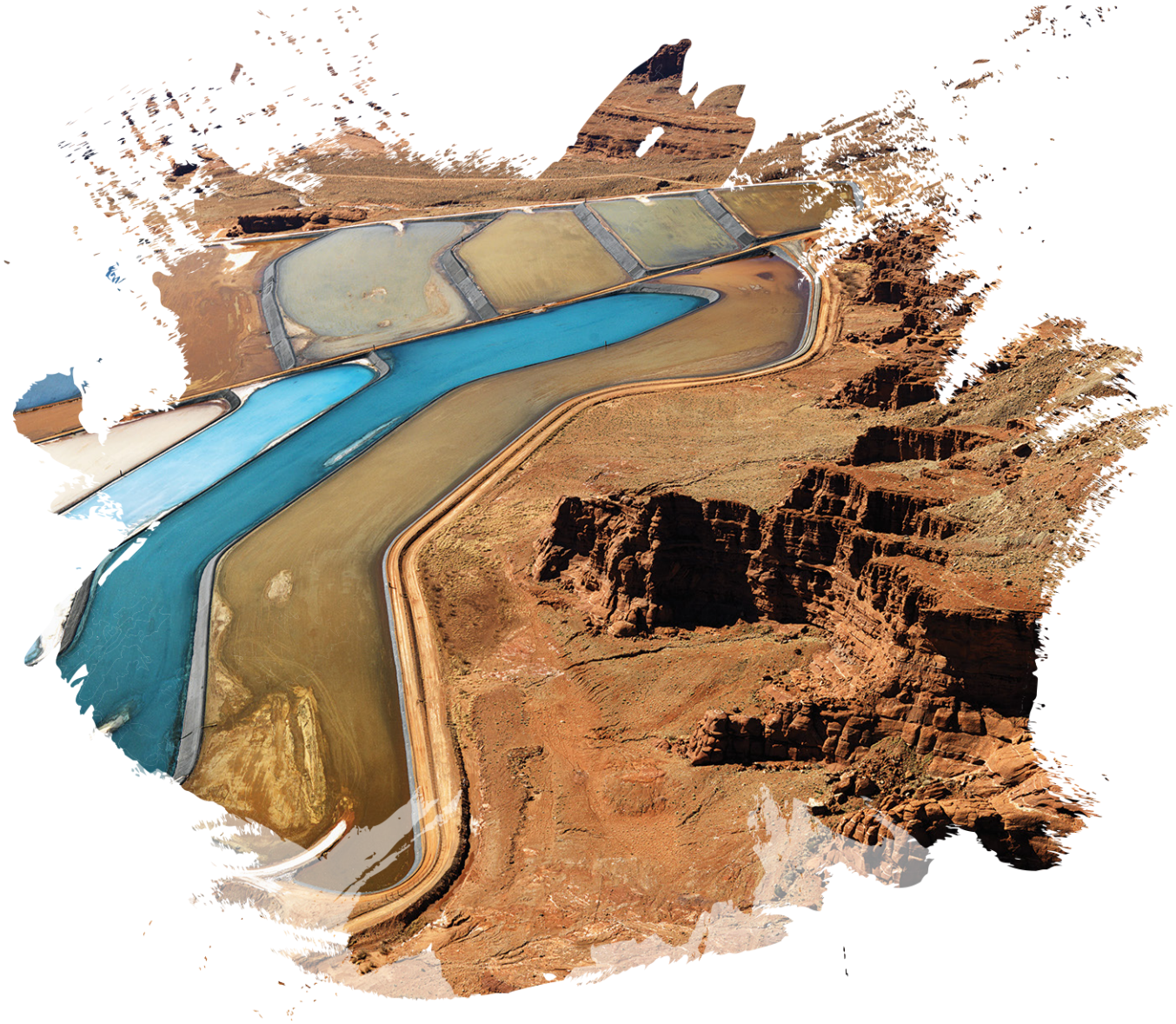


Risk Identification and Opportunities

Risk management is not only about understanding what threatens our business. It is about finding out what can strengthen it. In light of the current difficult conditions, management continues to seek opportunities to enable it to adapt to change, improve the resilience of the business and continue to deliver sustainable value to all stakeholders.

Accordingly, key focus areas for 2020/21 were identified. As outlined earlier, we use this process to identify opportunities the CEF Group has, both now and in the future, and to find ways to leverage these. The CEF Group's management considers the company's key opportunities to include:

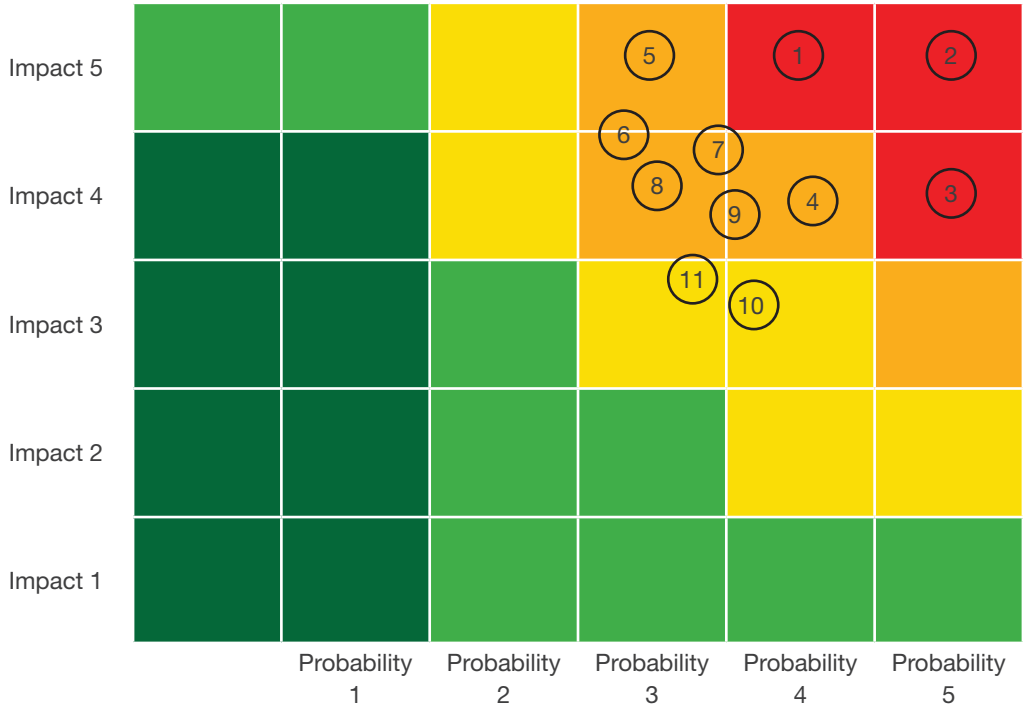
- reconfiguring operating plans by prioritising areas of lower stripping ratios to reduce costs, improve profitability and preserve cash;
- shift from a volume- to a value-based strategy to reduce the amount of waste mined and save costs;
- sharing of resources among Group companies and taking advantage of synergies in the energy value chain;
- implementing value-adding technology into our mining extraction and beneficiation processes to reduce unit cost and make operations safer; and
- implementing a work operating model at our operations to ensure all work is adequately planned, scheduled and resourced.



Key Risks for the Group

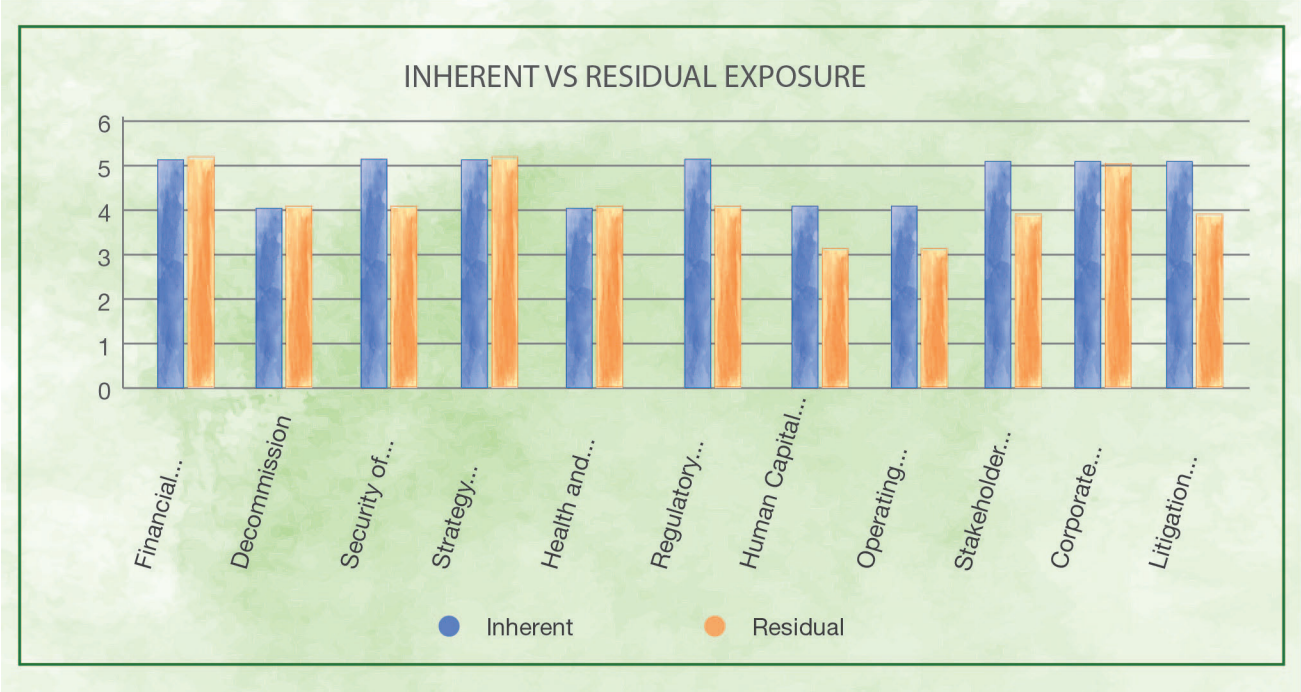
We used our methodology to identify key risks to our strategic objectives as depicted below. From our Group risk assessment, we have identified 11 strategic risks which we assessed into different residual exposure. The Board and management continue to monitor the implementation of risk mitigation plans for these risks.

Figure 2: STRATEGIC RISK DASHBOARD



Business Performance Q4 2020/21





Extreme		If it has severe impact and high likelihood. Typically such risks demand the attention of top leadership.
High		Less severe but the treatment resources would be senior management.
Medium		If the risk can be treated and managed by middle managers, due to both impact and likelihood.
Low		If the risks can be treated locally.



CEF's structured risk management which is aligned to industry best practice standards, mapped each risk identified into strategic objectives which are: (1) Growth & Sustainability, (2) Innovation & Business Excellence, (3) Governance & Risk Management, (4) People & Leadership, (5) Partnership & Stakeholder Management. This process is rolled out across the group, and risk profiles are developed at business unit, functional, process and project levels.

No.	Risk category	Risk description	Root causes to the risk	Residual risk exposure	Mitigating action plans to further address the residual risk exposure	Task owner
1	Financial	Financial instability might result in being insolvent	• Depleting cash reserve • Reliance on interest • Limited income from current investments • High operating cost • Solvency challenges	Extreme	• Stabilise PetroSA by implementing effective turnaround plan • Reduce the entity's headcount costs through talent sharing and Section 189 labour process • Improve debt collection mechanism • Implement cost containment measures	CFO
2	Financial	Inability to grow and diversify revenue streams could result in market share loss and relevance	• Integrated funding model • Unprofitable projects • Limited project pipeline for cash generation • Limited funding • Lack of integrated project execution model	Extreme	• Develop the CEF Group acquisition and growth strategy • Develop group integrated funding and investment model • Prioritisation of strategic capital projects and strengthen project execution	COO
3	Operations	Security of supply challenges might impact mandate execution	• Demand far exceeds supply • Inability of SFF to respond to market needs in the event of fuel crisis • Inability to maintain required barrels at all time • Inability to meet supply targets for fuel • Inadequate gas supply feedstock • Operational efficiencies • PetroSA production targets • Shortfall in LPG supply • Shortfall of coal to Eskom impacting load shedding	High	• Implement fuel import strategy linked to IVT plan • Increase GTL production through condensate processing • Maintain strategic stock of crude using OKINAWA model • Develop strategic stock funding for refined product • Develop LPG import strategy in line with new LPG import parity pricing • Acquisition of coal mines to increase supply to Eskom	COO

No.	Risk category	Risk description	Root causes to the risk	Residual risk exposure	Mitigating action plans to further address the residual risk exposure	Task owner
4	Strategy	Delays to execute strategy and projects might lead to loss of relevance resulting in bad reputation	• Value proposition to market and economy • Not agile to lead and influence the group and industry • Lack of appropriate depth of analysis on strategic options	High	• Enforce consequence management to reduced non-compliance • Leadership forums to deal with issues of misalignment • Centralise business development	COO
5	Operations	Lack of operating model might lead to misalignment and lack of synergies	• Duplications • Operating model not configured to capture synergies • Lack of aligned and harmonised policies	High	• Finalise the PetroSA, SFF and iGAS merger project • Enforce synergies through target setting in the scorecard • Implementation of Group Shared Services • Enforce synergies through target setting in the scorecard	GM strategy
6	Governance	Corporate governance failures could lead to instability	• Lack of accountability • Delays in consequence management implementation • Non-compliance to MOIs, shareholder compact, ToRs and policies • Leadership stability	High	• Review and enforce implementation of MOIs and shareholder compacts • Stringent business performance review process against compacted corporate plans • Operationalise Group EXCO to drive performance and oversight	Co-Sec



SECTION THREE

VALUE CREATION

VALUE CREATION

The CEF Group's strategic, operational, social and financial initiatives create value for the federation in a manner that improves our strategic relevance. As an organisation that operates across the energy value chain and with multiple locations, we continue to adapt to unprecedented challenges brought about by various dynamics in our operating environment, and as a result routinely reassesses our traditional value creation model. As part of our strategic pivot, we take a broader, bolder perspective in relation to value creation in pursuit of a holistic transformational Group growth agenda to achieve long-term, sustained outcomes. Whether we are targeting an acquisition, considering a divestment or looking to improve Group performance, a value creation mindset informs most of our key decision-making processes. Below is the CEF Group model on how we create value:

INPUTS	BUSINESS ACTIVITIES AND PROCEDURES	OUTCOMES VALUE CREATION ON SUSTAINABLE DEVELOPMENT ISSUES	
Financial Capital • Cashflows from operating activities and investments • Total Equity & Loans • Dividends from Investments	Energy strategic leadership Sales & Marketing	**Financial Value Creation** • Financial ratios of return ROCE, ROE & EVA • Net Profit • Financing capability and development of operations • Investment in energy infrastructure	
Industrial Capital • Industrial production and Renewable Energy Sources (RES) plants.	Resource Evaluation & Promotion Mining and Production Upstream Exploration	**Products & Services** • Liquid fuel (Petrol, Diesel, Kero, LPG, Chemicals) • Storage facilities • Transmission pipelines	
Human Capital • Number of employees (direct & indirect) • Employees abilities and capabilities • Leadership	Development of Energy Project Pipelines Development of LNG infrastructure	**Development of Human Capital** • Healthy & safe working environment • low turnover ratios of specialised employees • Stable workplace environment • Productivity improvement • Skills development & women empowerment	
Natural Capital • Coal & Gas • Air • Water & Land use	Refining & Production Regulatory & Data Management	**Respect of Natural Environment** • Fully compliance with environment rules and regulations	
Social Capital • Social investment • Social license to operate • Disclosure & ethical governance • CEF's reputation	Energy Storage Expand national gas transmission pipelines Trading	**Social contribution** • Job creation & local employment growth • Cooperation with local communities and regional administration • Support of local communities infrastructure & businesses • Taxes payments • Support of local suppliers & Energy poverty alleviation	

VALUE CREATION

Financial Capital

The key inputs to the CEF Group's financial framework revolves around the ability to ensure current operating assets continue to generate cash that enables the group to fulfil the cash servicing of operating liabilities. The CEF Group's balance sheet continues to be used as a leveraging tool when engaging with financial institutions and it provides the Group with the ability to source operational loans as and when required. The premise of recommending project deals for approval is centered on the ability to receive constant dividends from such investments in order to contribute to increasing the CEF Group's cash position.

Industrial Capital

The CEF Group maximizes value through participation and investing in value-add energy portfolios that are able to complement the Group's integrated business model. Future investments in the industrial production plants and renewable energy sources form part of CEF Group's intention to be continue being an important role player towards the reduction of carbon dioxide emissions.

Business Activities and Procedures

In order to achieve the CEF Group's strategic agenda, the business embarked on development of processes and procedures to support and guide the planning, execution and operational management of business activities.

Active participation in the energy value chain is anchored by the CEF Group's focus on projects that add value to the Group's overall performance. The key project activities are:

- planning and development of the LNG project at the Port of Gqeberha in the Eastern Cape;
- increasing shareholding in the currently operating ROMPCO Gas Pipeline venture which is a gas pipeline from Mozambique to South Africa;
- finalising project governance processes on renewables and other clean energy partnership projects to support Eskom's plan to increase the country's electricity generation capacity;
- focusing on ensuring PetroSA SOC becomes sustainable by either securing a long-term feedstock solution or alternative use of the GTL refinery to continue offering energy products; and
- monitoring and participating in the construction of the 100MW CSP Acwa Redstone project located in the Northern Cape, with commercial operation date planned for Quarter 4 of 2023.

The role of oil in the South African energy mix continues to bring both opportunities and risks to the energy supply security, hence the CEF Group's intention to ensure the country's refining capacity is maintained. The CEF Group's strong balance sheet, external financial funding instruments and commercial and technical capabilities ensures the energy portfolio is executed in an efficient and effective business environment.

Social Capital

The CEF Group continuously thrives to improve and maintain its relationship with all its identified stakeholders. The belief and appreciation of inputs made by the diversified staff, communities where the CEF Group operates, civil society, business community (local and international), regulators and our Shareholder empowers the Group to remain relevant and focus on delivering value through energy provision to the country. Such value-driven networks and ethical relationships enables the CEF Group to support initiatives that build local suppliers and ensures the achievement of energy poverty alleviation.

Natural Capital

South Africa's indigenous energy resource base is dominated by coal, mainly used to generate electricity and produce petrochemical products (coal to liquid). A high percentage of coal is also exported through the Richards Bay Coal Terminal in KwaZulu-Natal. The global transition to net zero carbon dioxide emissions has brought an opportunity for the South African energy community to reflect on the continuous use of coal within a framework that accounts for the negative economic and social impact resulting from transitioning from coal usage. The CEF Group continues to participate and search for investments in strategic ventures that ensures the use of coal in a clean and controlled environment for the benefits of the country. The potential gas resources both onshore and offshore of our landscape present endless economic opportunities for the CEF Group and the country. Comprehensive commercial and technical studies are being conducted by the Petroleum Agency of South Africa to quantify the volume of gas in particular within the Karoo Basin and along the Cape Coastal area.

Sustaining Value

The CEF Group's strategic approach to value creation is governed by company processes, systems and procedures which deliver the best investment deals with a potential to contribute to security of energy supply. The focus on robust performance management, continuous assessment of opportunities, processes and controls,

updated governance framework and stakeholder management enables the CEF Group to remain relevant to the country's energy value chain and to achieve compliance to all statutory requirements as a state-owned company.

Value Drivers

Human capital

The CEF Group continues to recruit the right type of people who have the attitude, capabilities and competency to add value in delivering on the business objectives across the energy value chain.

CEF's ability and business success rests on having talent and committed workforces supported by management to be continuously innovative, creative and in compliance with all statutory governance frameworks within the CEF Group.

Sustained value has been achieved by the business with the full support of the CEF team to ensure the energy supply mandate is maintained.

The primary value adding activities the CEF team intends to focus on are collaboration and partnership with other successful national oil companies within the developing/emerging markets, those that share a similar developmental mandate as South Africa, to ensure transfer and sharing of skills and expertise in the technical, commercial and general management areas.

Business Development Value Add

CEF's investments and business development approach is anchored on the mandate to contribute to the security of energy supply for South Africa and the region through exploration, acquisition, development, marketing and strategic partnerships. This mandate is derived from the CEF Act (No 38 of 1977) and the Ministerial directives issued thereafter.

The commercial drive is governed by the developmental mindset that ensures investments undertaken by CEF contributes to the reshaping of the country's energy sector, as well as being an agent of change in correcting any energy market failures and building capacity both in terms of electricity generation and refinishing capacity within the country and the region.

Investments in renewables, gas infrastructure, refinery capacity coupled with supporting strategic research, and development projects in green hydrogen, battery technologies, and geothermal energies within the South African boarders will continue to define CEF's future possibilities. The CEF's framework of investing in brownfield and greenfield projects is underpinned by the objectives articulated in the National Development Plan, the government economic recovery plans and the CEF's ministerial-approved strategy.

CEF's business is underpinned by the dual mandate which is commercial and developmental in nature. The approach to invest in short-, medium- and long-term revenue generating deals in the energy sector ensures that much needed revenue is achieved to efficiently and effectively operate the CEF Group without asking the state for any form of bailout or financial support.



SECTION FOUR

GROUP PERFORMANCE

GROUP PERFORMANCE

The performance of the CEF Group business is measured on a 5-point scale as outlined below. The weighting for each performance measure is like that for the holding/parent company CEF SOC Ltd. and as agreed to in the 2020/21 CEF Group corporate plan.

Not Assessed	Not Achieved	Partially Achieved	Achieved	Above Target	Exceptional
0	1	2	3	4	5

The CEF Group Ltd. scorecard is synergistic and has aspects that are particular to each entity in the Group. For ease of tracking, monitoring and evaluation, the CEF Group scorecard has similar focus areas to that of the parent company, CEF SOC Ltd. This facilitates performance management and follow-up. The scoring is also cumulative so that the Quarter 4 score is also the Year-end score.

The CEF Group scorecard is designed around the strategic themes of:

- Commercial Sustainability,
- Consolidation and Turnaround,
- Operational Efficiency,
- Strategy and Long-Term Growth, and
- Human Performance and Organisational Alignment.

There are also two operational themes namely, of socioeconomic transformation and corporate governance and ERM. These are measures separately from the strategic themes which are further subdivided into (16) Key Performance Indicators (KPIs). These KPIs are further subdivided into measured that are supported by actionable time-bound Strategic Initiatives. To give effect to a rigorous process of managing business performance, the scoring legend articulates the various areas of achievement as depicted below.

The strategic themes which broadly outline the key performance areas that underpin the CEF Group Corporate Plan, each with its own weighting to emphasise priority and focus are as follows:

1. **Commercial viability:** The CEF Group commercial sustainability imperatives aim to achieve the balance between economic, environmental and social impacts through the effective management of resources whilst maximising organisational profitability. Threats on Group financial sustainability due to lack of affordable feedstock, high costs, suboptimal operational and business performance, and stagnant revenue growth require a strategic focus approach. This is our license to operate.
2. **Consolidation and Turnaround:** The Group's business turnaround and consolidation strategies refer to the strategic processes needed to restore current struggling entities under distress to its former financial health and viability, and improve their value proposition. Group strategic consolidation is aimed at eliminating duplication and the perceived overlap in mandated to improve scale, operational efficiency, market share, competitiveness, and overall strategic relevance in a VUCA environment.
3. **Strategy and Long-Term Growth:** Growth is crucial to the long-term survival of the Group to create greater sustainability and resilience in the market across the entire energy value chain. This is about strategy coordination, alignment, development, and implementation of sound long-term growth strategies to ensure the Group lifecycle changes. Focus on Business Development and other growth initiatives across the value chain is important to acquire assets, attract new talent and fund investments with the aim of driving business performance and profit.
4. **Operational Efficiency:** By maximising the amount of value-added work employees do, an operational efficiency exercise can make a business much more competitive and profitable. The need for effective operational efficiency to support the delivery of the overall business performance to improve margins, quality and speed whilst reducing costs through integration and automation is core in creating a competitive advantage.
5. **Human Capital and Organisational Alignment:** Investing in human capital is the core of a successful organisation. Human capital is the force that provides the strategy on actually developing the wealth of the business and it is what keeps the business going on a day-to-day basis. The key enabler in unlocking the human potential for excellence and creating a culture of superior business performance through effective strictures and the creation of a high-performance organisation.

GROUP PERFORMANCE (CONTINUED)

Below is the CEF Group score card depicting the performance achievements under each of the strategic themes.

Strategic Theme	Goal/Objective	Measure/KPI	Weight	Target (FY20/21)	Score
Commercial Sustainability	Improve profitability to achieve a return equivalent to the cost of capital	ROIC & Margins	30%	Net Loss of R2.1 billion	5
		Organic Growth		Gross margin (-2%)	5
		Plant Utilisation		Utilisation rate 95%	1
				Meet 80% production targets	1
Consolidation and Turnaround	Reorganise the CEF Group and turn its performance around	Execute and monitor the Group reorganisation plan	20%	On time delivery of priority projects	4
				Execution of merger within stated timelines	5
				Reduce HO costs from R1 billion to R200 million by end 2020/21 financial year	1
Operational Efficiency	Increase in organisational efficiency and productivity	Overheads/gross profit	10%	Improve (overheads/gross profit) to -1 531%	3
				Automation: Implement BPR capacitation and framework, automating performance reporting and eProcurement	2
		Automation rate		15% implementation of common IT platform: – Define “TO BE”enterprise and IT architecture – Commence common IT platform implementation	3
				Support services cost/GP of 10%	1
				Defining the digital transformation roadmap	1
				Mobilisation for 50% initiative success rate	4

GROUP PERFORMANCE (CONTINUED)

Strategic Theme	Goal/Objective	Measure/KPI	Weight	Target (FY20/21)	Score
Strategy and Long-Term Growth	Lead the development of an integrated strategy and growth to drive long-term commercial sustainability	ROIC	30%	R100 million income from new business	5
		New Business Development conversation rate		New Business Development conversation rate of 60%	5
				Brand Reputation Score of 55%	4
		Market share		2% Market Share	4
Human Performance and Organisational Alignment	Sustained superior business performance in the marketplace and the achievement of competitive advantage	Increased employee engagement by 10% YoY	10%	Holding Company Organisational Structure implementation to support Parenting Strategy and New Company Organisational Structure development as part of Merger	2
		Improved organisational business performance by 5% YoY		Implementation of Change Management initiatives to support the Organisational Structures and New Normal due to COVID-19	5
		Increased employee retention ratio		Performance Management Automation leadership: Activate Integrated Talent Management System, Talent Boards Training and Development	3
		Average revenue per employee (productivity)		Shared Services Integration: Approved business case	2



Corporate Services

The impact of COVID-19 introduced unprecedented changes in the business approach on Human Capital Management for implementation of targets. CEF employees were able to withstand the challenging adverse environment and pushed to deliver objectives within their mandate. The business approach was changed to include new strategic objectives which were to operationalise the CEF Parenting Strategy of Strategic Controller, Commercial Leader and Strategic Investor for the CEF Group of Companies, whilst the safety of employees was not compromised.

Strategic Mandate

CEF leads an integrated energy business that aspires to provide sustainable energy security for South Africa facilitated by its Human Capital Asset. The business recognised the change in economic landscape and established the Parenting Strategy, which required reorganisation of business structures resulting in the Impumelelo Yethu CEF Merger Project. The project moved to implementation phase by the end of the financial year. This new fit-for-purpose organisation mobilised relevant skills and capabilities from current employees required to establish the desired state. The Group Human Capital leaders commenced an inclusive engagement process with all employees and recognised trade unions as an important partner to support and endorse the process. The process brought cautious anticipation from employees who recognised the need for change to bring new life and longevity into the organisation. Further consultations will be conducted in the new financial year.

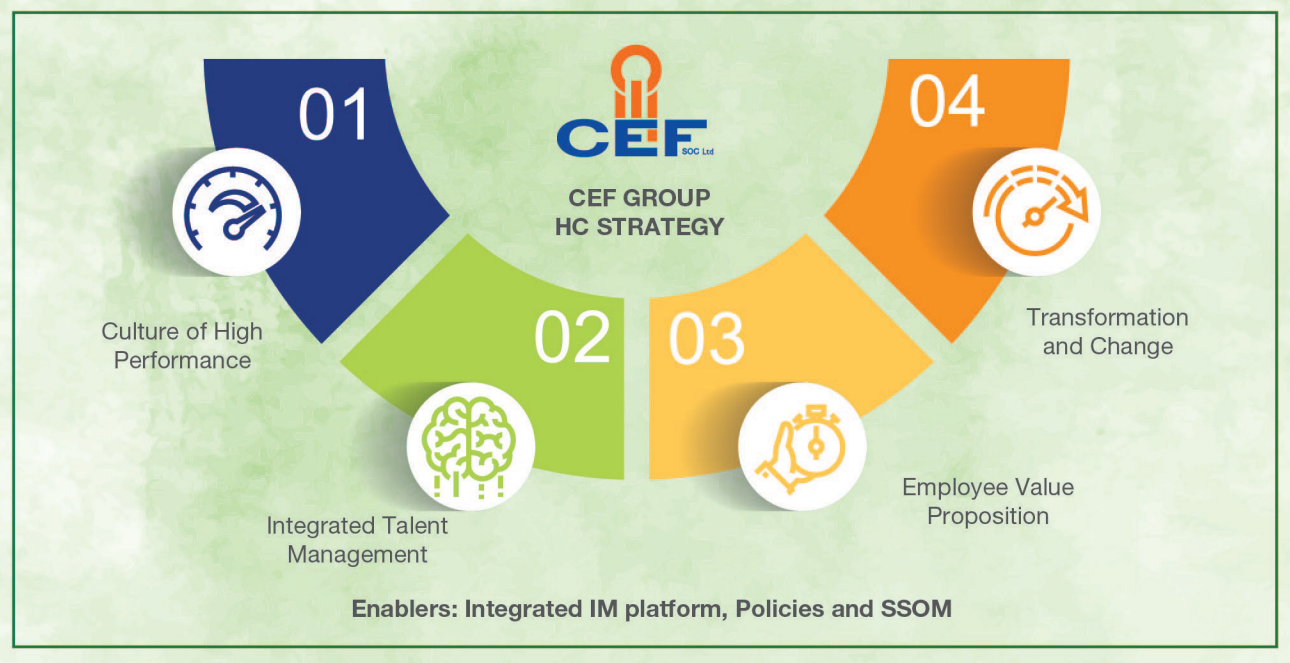
CEF recognises the value of employees' skills, capacities, and capabilities whilst it appreciates that some of these will need to be sourced into the organisation to create new ways of work to drive efficiency, focus and delivery of the mandate. Change Management will continue to be the backbone of successful communication of the strategy relating to the operating environment, taking the engagement and commitment to employees.

Human Capital Strategy

The long-term strategy of CEF Group Human Capital is to facilitate the creation of a High Performance Organisation (HPO). The Group Human Capital Strategy orbits around four broad pillars, namely:

- culture of high performance;
- integrated talent management;
- employee value proposition; and
- transformation and change.

The success of the Human Capital Strategy hinges on its ability to respond to the Parenting Strategy through appropriately skilled human capital, digitisation, and automated processes. For the strategy to be effective, the technology platform and business support systems must be supportive in integrating all aspects relating to human capital. In addition to the platform are the policies, procedures, and a support services operating model.



A SUSTAINABLE LEARNING ORGANISATION

The CEF Group is committed to create an agile environment that enables consistent and streamlined people-development policies, systems, processes, and procedures to contribute to the development of 'One CEF' through application of Strategic Investors. The Integrated Talent Management Framework drives the human capital interventions towards the realisation of a High-Performance Organisation.

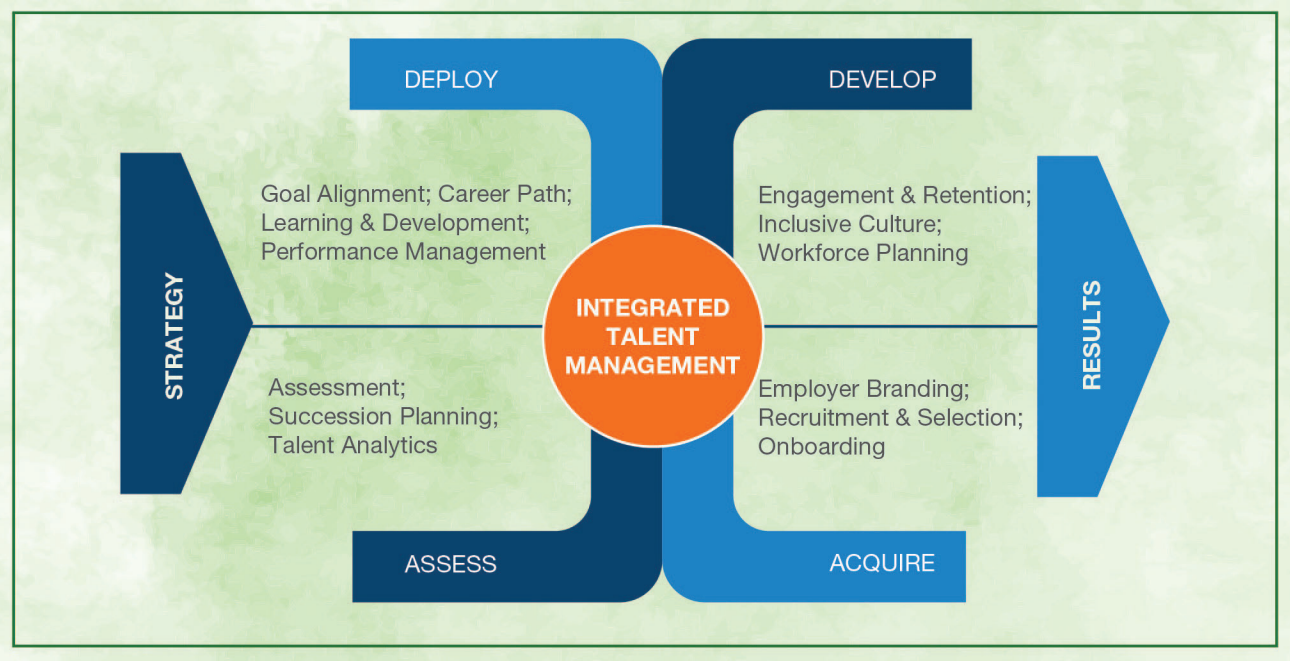


Figure 3: Group Integrated Talent Management Framework

GROUP PERFORMANCE (CONTINUED)

The business optimised its resources with talent-sharing initiatives across its respective subsidiaries to take advantage of existing capabilities that exist within the Group. This created opportunity for finalisation of the merger project which will result in a new company.

Change

The organisation has embarked on a change and transformation journey in preparation of the merger of all entities. The programme has seen the first phase under the banner "Impumelelo Yethu" concluded for the Financial Year 2020/21.

Over and above preparation for phase 2 of the merger, the organisation has been able to respond to uncertainty resulting from the COVID-19 pandemic through internal processes.

The focus of the business has been ensuring that it pivots from the business of today to the business of tomorrow. One of the main interventions was gearing up leadership that would be able to align and deliver at CEF Group level.

Employee Movements

- **2 055** Permanents, FTC's and short-term contract employees

GROUP EMPLOYEE MOVEMENTS

CEF Group Employee Movement	2020/21
Headcount at 31 December 2020	2 324
Add: Appointments	17
Less: Broken down as follows:	286
Resignations (Incl. end of contracts, VSP/ retrenchments)	(261)
Deaths	(12)
Dismisal	(3)
Retirements	(6)
Retrenchments (voluntary severance packages)	0
Disability	(4)
Total headcount at 31 March 2021	**2 055**

Employee population has been fluctuating in the past two financial years, where a growth of 10.3% was seen between the years of 2019/20 and an 11.6% decrease was seen between the years 2020/21. PetroSA and AEMFC being the biggest contributors, their reduction is due to the respective cost reduction initiatives they have undertaken.

Category	2020/21	2019/20	2018/19
Employee Population	2 055	2 324	2 107
Black Representation	60%	61%	57%
Women Representation	31%	28%	29%
Female % at Top and Senior Management Level	32%	27%	26%
% of PWD	1%	1%	1%

Value Created



Job creation



Training and development



Knowledge growth and exchange

Impact on Human Capital

Key Risks	Strategic Response
Changing environment	Reinforcement of flexible work outputs driven by digitalisation.
High turnover due to change in business model	Application of interventions aligned to functional areas for increased productivity (e.g. multi-skilling/ secondments).
Reputation risk	Adoption of secondments and utilisation of multi-skilled staff within the group.
Sustainability risk	Implementation of digitalisation to reduce costs and move resources to point of implementation.
Health risk (COVID-19)	Implementation of Hi-Tech as well as EAP support.

Skills Development, Training and Youth Development

The global COVID-19 pandemic challenged the Training and Development landscape. Over the reporting period, the CEF Group prioritised statutory training, COVID-19 awareness training and continued to provide support for internal employees and external development programmes during the pandemic as part of the mandate.

PetroSA's Centre of Excellence was closed for the duration of the lockdown as a measure of curbing the spread of the virus as well as safeguarding some of the trainers who were declared vulnerable. However, the risk mitigation measures were identified to allow the centre to open in phases to give priority to learners who were ready for trade testing.

Year-to-date, the CEF Group invested R14.85 million on skills development for its own employees and youth talent development. These programmes benefited 258 participants (60% male and 40% female) and development ranged from:

- workplace training programmes (functional training),
- internal employee financial study assistance programme,
- graduates in Training programme,
- external Bursaries programme, and
- apprenticeship, internships and learnerships.

AEMFC invested in a Learnership programme offered to unemployed youth in the communities the mine operates in. The learnerships were offered to 103 participants consisting of 76 males and 27 females.

The table below illustrates the categories under which the training and development was invested for the year under review:

Category	Costs	Cost Breakdown
Employee Functional Training	R6 458 270.70	Employee-related training and development
Travel and Accommodation	R207 836.35	Training-related travel and accommodation
Employee Financial Study Assistance	R487 783.03	Employee study assistance
Graduate-in-Training (GiT)	R4 182 024.95	GiTs stipend paid and training-related
External Bursary Programme	R2 236 223.33	Fees, books, tuition and accommodation
Apprenticeship	R1 187 344.20	Stipend
Professional Association Fees	R92 655.27	
TOTAL AMOUNT PAID	**R14 852 137.13**	

Employee Health and Wellness

Employees are the cornerstone of organisational performance. CEF provides its employees with an Employee Assistance Programme (EAP), inclusive of their immediate families, a range of services such as medical assistance, personal health, financial advice, trauma and assault assistance, HIV support services and funeral cover. It is supported by a 24-hour call centre, in partnership with Care-Ways which is the service provider.

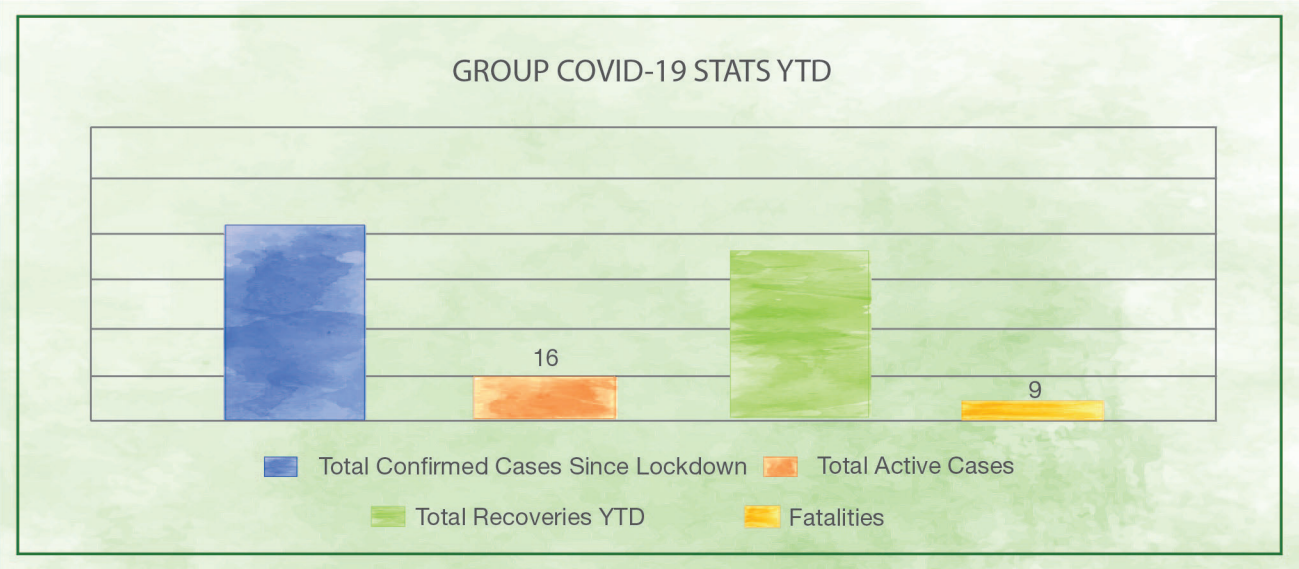
COVID-19 Work Environment

At the onset of the pandemic, the business provided laptop computers, mobile data cards, remote access for CEF network access and voice-over software to enable business continuity inclusive of virtual meeting and collaboration tools. The workplace COVID-19 Alert Levels were adjusted in accordance with the infection strain variant and the state response readiness communications, which led to reduction of on-site employee presence to 30% or as determined by the business risk and state risk assessment.

Additional measures included the supply of personal protective equipment to all employees, application of social distancing as regulated, on-site rotational work implementation, weekly fogging of all office spaces and mandatory employee screening prior to entry of the office environment. The organisation reported 314 COVID-19 cases, 289 recoveries and closed the financial year with 16 active cases.

GROUP PERFORMANCE (CONTINUED)

The Group has unfortunately recorded 9 employee deaths due to COVID-19 related illnesses.



CEF Group COVID-19 Statistics

Diversity, Inclusion, and Transformation

The Group reported a slight decrease of its gender representation with 31% female population compared to 69% male population. The decrease of gender representation is due to employment of more males than females. The Group continues to be underrepresented on people with disabilities (PWDs) as it stands at 1% of the total employee population, which is below the target of 2%, set by government.

Group Diversity Status 2020/21

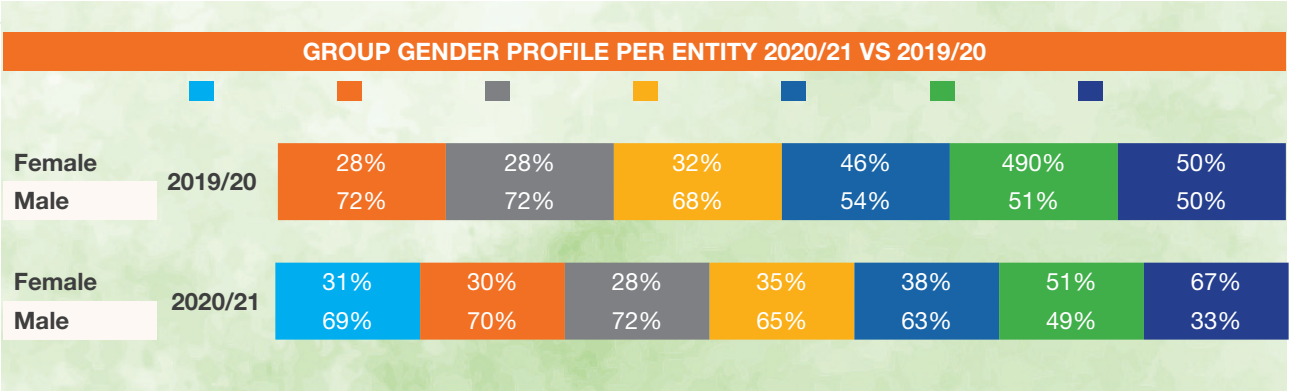
Indicator	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	12	0	2	0	5	0	0	0	19
Senior management	25	2	5	9	16	2	2	1	62
Professionally qualified, experienced specialists and mid-management	114	65	8	51	83	22	6	18	367
Skilled technical, academically qualified workers, junior management, supervisors, foreman, and superintendents	204	238	7	97	139	72	4	41	802
Semi-skilled and discretionary decision-making	296	69	0	10	88	19	0	2	484
Unskilled and defined decision-making	50	4	0	0	46	2	0	0	102
TOTAL PERMANENT	**701**	**378**	**22**	**167**	**377**	**117**	**12**	**62**	**1 836**
Non-permanent employees	92	30	1	17	65	7	2	5	219
People with disabilities	2	4	1	7	4	3	0	3	24
TOTAL	**793**	**408**	**23**	**184**	**442**	**124**	**14**	**67**	**2 055**

GROUP PERFORMANCE (CONTINUED)

Transformation and managing diversity are organisational imperatives, hence the importance of CEF Group to embrace the benefits of managing a divergent workforce and translate it to organisational benefits.

The diagram below depicts the breakdown of employee gender representation per entity comparing 2020/21 financial year to 2019/20 financial year. The Group reported a 3% improvement in female representation of 31% at the end of 2020/21 financial year when compared to 2019/20 financial year where it was 28%.

PASA and iGAS are doing well with female representation at 51% and male representation at 49%, and 67% female and 33% male respectively. PASA showed a 2% improvement compared to the same period in the 2019/20 financial year while CEF SOC Ltd.'s female representation dropped by 2% due to appointment of more males.



CEF Group gender profile per entity comparing 2020/21 to 2019/20 Financial Years

The table below illustrates CEF's racial profile in comparison with subsidiaries that are based in different provinces. It must be noted that various provincial EAP's are used which influence the racial profiles of each entity due to their location. Western Cape's Employee Assistance Programme (EAP) impacts SFF, PetroSA and PASA, Mpumalanga's EAP influences AEMFC and Gauteng's EAP influences CEF SOC Ltd. and iGAS. Recruitment remains a key source of providing the pipeline of employees from various races, mainly African and Indian, to address the disparities reflected in the below diagram.

Race	NEAP	PetroSA	AEMFC	SFF	PASA	CEF
African	78.8%	46.0%	98.0%	53%	59.0%	87.0%
Coloured	9.8%	35.0%	0.5%	35.2%	35.0%	3.0%
Indian	2.6%	2.0%	0.0%	2.0%	2.0%	4.0%
White	8.8%	17.0%	1.4%	9.0%	6.0%	6.0%

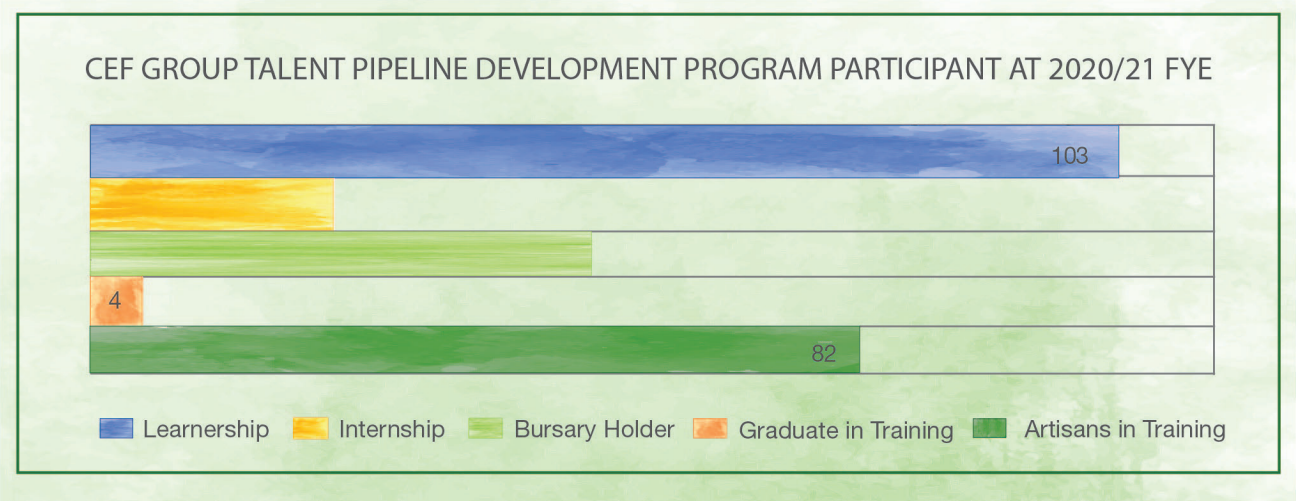
Talent Pipeline Development Programmes

From the Group's R14.85 million spent on skills development during the 2020/21 financial year, an amount of R7.16 million was spend on the Work Integrated Learning Programmes (WIL) that included the following programmes: External Bursaries; Graduates-in-Training's travel, salaries/stipend etc.; Learnerships, Internship and Apprenticeships.

CEF Group External Bursary Programme Offered to Tertiary and High School Students

During the period under review CEF Group has invested R2 236 223.33 on external bursaries, funding tertiary students in different courses but mainly focusing on STEM (Science, Technology, Engineering and Mathematical) related courses.

The diagram below is a summary of the youth talent pipeline development and percentage of each programme's contribution to the broader talent pipeline development.



CEF Group Talent Pipeline Development Programmes

Centre of Excellence – Artisan Training

As at the end of reporting period, the CoE had 175 students of which 82 are PetroSA learners, the remaining 93 learners are from Transnet National Port Authority (TNPA), South Cape College (SCC) and PG Bison. For the 82 PetroSA sponsored students, 41% (34) are female as part of women development.

The CoE is in a transition process to align qualifications to the Quality Council for Trades and Occupations (QCTO) standards for accreditation.

Executive and Senior Management Recruitment Update

The Group has successfully filled in four x CEO positions on six of its entities. AEMFC's CEO recruitment is still underway while iGAS CEO recruitment was placed on hold indefinitely due to the merger which is under way.

EMPLOYEE RELATIONS

Employee Relations Climate

The employee relations climate within the Group has been relatively unstable due to delays in finalisation of numerous disputes by the CCMA and Labour Court. However, through continuous engagements at the Employee Relations Forums (ERF), the Group has been able to stabilise relations through persuasion and collaboration, particularly on major projects such as the current merger of three entities in the Group. Regular ERF meetings continued to take place monthly as a method for stakeholder engagement and resolution of workplace matters.

Collective Bargaining

Collective bargaining season was not robust as the majority of entities in the Group had multi-year agreements in place, which made provisions for salary increases and opening of negotiations in instances where the CPI threshold was below 4%. Existing collective agreements were implemented accordingly, and salary increases were effected from 1 July 2021. However, there are some entities where salary negotiations continued beyond the July implementation date resulting in backdated salary increases. It is worth noting that the negotiation process was conducted in a cordial, yet robust manner that culminated in concluding and signing of a one-year agreement and no strike action was recorded.

Case Load

There was a 15% improvement on turnaround time in the finalisation of grievances and disciplinary cases, compared to the previous financial year. This was attributed to having a pool of Employee Relations expertise from various entities within the Group to operate on a shared services approach. The turnaround time on finalisation of CCMA and Labour Court cases cannot be reported as it falls outside the ambits of management's control.

REMUNERATION REPORT

Approach to Remuneration

The CEF Group acknowledges that it can only achieve better performance and results through its talent. To realise this, the organisation must be able to attract, motivate and retain a high calibre of individuals who will drive its strategies successfully and give it a competitive advantage. To achieve this, the CEF Remuneration Philosophy strives to create reward policies and strategies that are competitive, fair, transparent, and equitable.

Our Remuneration Philosophy consists of a set of beliefs, which underpins the reward strategy of the organisation, governs reward management and provides a framework that will ensure remuneration principles and processes are fairly applied. This will be underpinned by:

- **Affordability and sustainability –** The remuneration costs shall be contained within the company's financial limitations.
- **Transparency –** Ensuring the remuneration policies and strategies are conducted openly, in good faith, and with the requisite level of confidentiality.
- **Competitive and market related –** Total guaranteed remuneration of all roles will be positioned at the median of the industry and market benchmarks, and any differentiation of employees' salaries will be based on their market value, competence, level of performance and length of service.
- **Total rewards approach –** Reward components offered will include total guaranteed package, incentives subject to applicable modifiers' requirements being met, non-monetary recognition awards, career growth and development, allowances, variable pay, and leave.

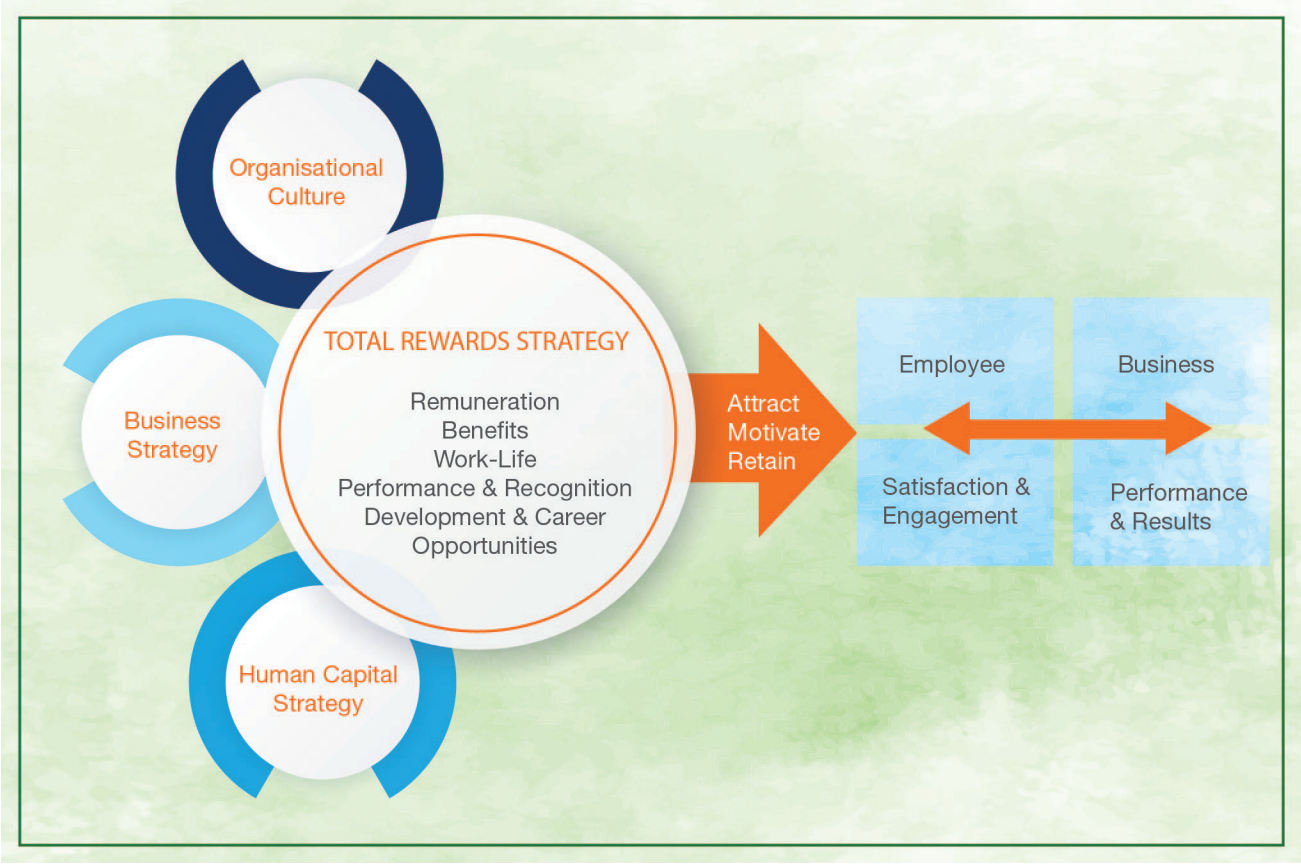


Figure 4: The CEF Total Rewards Philosophy

To address the above principles and objectives, and to ensure employees feel equitably rewarded for their efforts, the CEF shall apply the following framework:

- The Group's market position is to pay at the market median, i.e. the 50th percentile relative to the market.
- Target total earnings (total guaranteed package and variable pay) are benchmarked with the relevant competitive markets between median and upper quartile levels.
- The principle of 'equal pay for work of equal value' is recognised and adhered to.
- Regular market benchmarking is done using an appropriate comparator group of competitor companies, through participation in relevant annual remuneration surveys.
- The market median serves as the reference point and quality control measure on pay actions.
- The CEF Group uses a total guaranteed package approach to remuneration. Employees are allowed to structure their remuneration packages as they deem fit, within company policy and tax legislation constraints, meaning that employees can be flexible with:
    - Car allowance: Employees can structure their respective salary packages with or without a car allowance.
    - Retirement fund contributions: It is compulsory for all permanent employees and those in three-year or longer fixed-term contracts to contribute towards a company approved retirement scheme.
    - Medical aid: It is compulsory for all permanent employees and those in three-year or longer fixed-term contracts to contribute towards a company approved medical aid scheme.

The various Group entities offer risk benefits that include Group Life Assurance, Funeral and Disability. The Group reserves the right to change both the retirement fund and medical aid schemes in which it participates, or to discontinue participation therein altogether. In an effort to improve our EVP, the HR teams are continuously exploring options to extend the benefits to all employees, considering that the nature of employment will change in the exponential organisation the Group is aspiring to be.

SALARY INCREASES IMPLEMENTED IN 2020/21 AT CEF GROUP ENTITIES

In an increasingly competitive market for limited skills, it is critical that CEF provide appropriate and market-related remuneration and other benefits to attract, retain and motivate the right calibre of employees. We determine our annual budget increase based on forecast market movements, inflation indicators, company affordability and individual performance.

Each entity implemented different salary increase percentages to a maximum of 3%, approved by the Boards. Table 1 alongside illustrates the planned salary bill budgeted per entity and how salary increases were implemented per entity.

Table 1: 2020/21 salary budgets per entity

CEF SOC Ltd	R113.7 million	3%	3% based on April 2020 Consumer Price Index (CPI)
SFF	R168 million	6.5%	Bargaining and non-bargaining units received 6.5% increase across the board
African Exploration Mining and Finance Corporation SOC Ltd	R187.7 milllion	3%	Bargaining unit received 5% increase across the board Non-bargaining unit received 6.5% increase
PetroSA	R1.217 million	0%	Due to financial position PetroSA was not able to honor a multi-year wage agreement Non-bargaining unit received 4.75% increase
iGas	R18.7 million	3%	4.47% based on April 2017 Consumer Price Index (CPI) plus 2.03% performance factor
South African Agency for Promotion of Petroleum Exploration and Exploitation – Petroleum Agency SA	R96.390 million	3%	2.1% increase will be offered for salary grades P5 – P9 and 3.1% for salary grades P10 – P18, effective from 1 April 2020

The following factors were among those considered as a basis for determining the annual increases for the 2020/21 period:

a) financial affordability of the business;
b) performance of the business against set objectives;
c) CPI as of end April of a year;
d) trade union/bargaining councils agreements;
e) forecasted salary movements in the market;
f) individual performance retention concerns; and
g) economic situation in the country.

SHORT-TERM INCENTIVE BONUSES BASED ON 2020/21 PERFORMANCE OUTCOMES

Incentive bonuses are paid based on achieving the company's performance that is measured by predetermined and approved objectives in the annual corporate business plan; and, at an individual employee level, it was done through measuring performance against individual key performance areas which are linked to departmental/divisional objectives aligned with the overall Group objectives.

The Auditor-General of South Africa audited the performance of the CEF Group for the 2020/21. There are some known contributing factors on the Group's negative performance, which have shown a decline on its performance if compared to the previous year. The consolidation of all entities whose performance has been lessened by the impact of PetroSA impairment and other entities that did not reach their targets, hence non-payment of bonuses in those entities.

Table 2: Group remuneration report for all employees, including executives

Group Remuneration	2020/21 (R '000)	2019/20 (R '000)
Guaranteed remuneration	1 736 687	1 659 699
Bonus	31 383	90 685
TOTAL REMUNERATION	**1 768 070**	**1 750 384**

The 2020/21 Group remuneration bill reflected in Table 2 increased for the year under review when compared to the previous financial year. This was due to several executive roles being filled across the Group. It must be noted that the remuneration data in Table 2 is inclusive of executives' emoluments.

Table 2's total remuneration includes all earnings such as leave provision and variable pay, as reflected in the annual financial statements.

REMUNERATION OF NON-EXECUTIVE DIRECTORS AND EXECUTIVE MANAGEMENT

The Minister of Energy determines the remuneration of non-executive directors, with the concurrence of the Minister of Finance as per the Central Energy Fund Act No 38 of 1977. The remuneration of the directors and the Group executives for the year under review is disclosed in Note 40 of the annual financial statements. Non-executive directors receive a fixed rate per hour as engagement fees for CEF Group business-related meetings.

Table 3: Group total remuneration of non-executive directors and executive management

Remuneration of Non-executive Directors and Group Executive Management	Remuneration (R '000)		Bonus and Incentives (R '000)	
	2020/21	2019/20	2020/21	2019/20
Non-executive directors	18 047	20 874	N/A	N/A
Executive members	90 694	80 571	5 766	11 940
TOTAL REMUNERATION	**108 741**	**101 445**	**5 766**	**11 940**

The decrease in executive member's bonus pay-out for the financial year in review can be attributed to no bonus pay-out for entities such as PetroSA, CEF and AEMFC.

CONCLUSION

The Group HC remained focus in supporting the business by ensuring that organisational talent is developed, retained and motivated to drive the broader organisational objectives. This has been done under unique challenges posed by the leadership changes across the group throughout the financial year.

Employment Equity remains a focus area to close the existing gender diversity gaps of 69% male versus 31% female for the Group. The Group will invest in youth and women development programmes to address the gender parity.

The Group maintained its commitment to train and develop employees at all levels by investing R14.850 million on training programmes during the 2020/21 financial year. COVID-19 and the national lockdown forced the organisation to rely on technology to sustain business continuity. This has brought the impact of 4IR to the fore and the realisation that, business as usual, will no longer be the norm. People strategies, leadership calibre and competencies must be amended to ensure the organisation remains on course to achieve its objectives of financial sustainability and growth.





SECTION FIVE

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance is defined in King IV as the exercise of ethical and effective leadership by the governing body (the Board) towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

Corporate governance is essential to ensure the long-term viability of our business, promoting economic development of the communities where we operate, being accountable to all stakeholders and responsibly providing security of energy supply for the country. The CEF Group employs a variety of policies and processes to uphold good corporate governance, to avoid corruption and promote transparency. This is underpinned by a majority independent Board of Directors that provides oversight on entity affairs.

Ethics and Integrity

Upholding the highest ethical standards of business conduct is critical in our role as an SOE. A commitment to ethics and integrity is, therefore, a core value of our corporate culture. All employees, officers, directors, contractors and those working on our behalf are required to comply with all procedures, policies and applicable laws.

Standards of Business Conduct

CEF has a Code of Ethics Policy to which directors, management, staff and contractors are required to adhere. The Board further subscribes to a Code of Conduct within the prescripts of the Companies Act.

Internal Audits

In accordance with Section 51 of the PFMA, and Section 3.2 of National Treasury Regulations, the CEF Group has established and maintains an internal audit function that is governed by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA). The internal audit function is an independent assurance function that is functionally accountable to the Audit and Risk Committee and administratively to the Accounting Officer. The mandate is encapsulated in the terms of reference of Internal Audit, which is reviewed and approved annually by the Board.

In providing the required assurance on the CEF Group's governance, risk and control environment, CEF's internal audit services (IAS) focuses on partnering with management to add value. This is done by driving a systematic, disciplined evaluation approach and continuous improvement to the CEF Group's risk management, governance and internal control environment.

Strategic Internal Audit Plan Alignment

The CEF IAS strategy is aligned with the CEF Group's strategic objectives, vision, mission strategic focus areas and critical risks. It takes the following management and control aspects into account:

- the CEF Group's Corporate Plan and Shareholder's Compact;
- the CEF Group's purpose as it relates to institutionalising a sound governance, risk and control environment;
- human capital management strategy and employee culture;
- factors that could prevent realisation of the Group's goals and objectives;
- findings from previous internal and external audit reports;
- results from control self-assessments, integrated assurance and other continuous control monitoring tools used by management; and
- combined assurance plan.

The CEF IAS was due for a quality assurance review by the IIA during the latter part of 2018, the last review having taken place in 2013 when it received general compliance results.

Systems and Practices for Anti-Corruption

The Group is committed to the eradication of fraud, corruption, misconduct and irregularities. The Code of Ethics assists the Board, executive management, staff and contractors of the Group to make ethical decisions and engage in appropriate and lawful conduct. The subsidiary companies each have a Fraud Prevention Policy which addresses fraud risk management from both proactive and reactive perspectives. The Group has contracted the services of an independent provider of a hotline service for the confidential reporting of fraud and other inappropriate behaviour.

Transparency

Directors and management are required to complete and lodge detailed financial disclosures, which incorporate an annual declaration of their interests in contracts as well as directorships in other companies in accordance with the provisions of the Companies Act and the PFMA.

Board of Directors

In terms of Section 49 of the PFMA, the Board is the Accounting Authority of the Group. The Group has a unitary Board structure made up of a majority of non-executive directors, appointed by the Shareholder. The size of the Board is dictated by Section 1(4) of the CEF Act, as amended and the memorandum of incorporation (MoI). In line with good governance principles, the positions of Chairman and Chief Executive Officer are separately held to ensure a clear division of duties.

The Board Retains Overall Accountability

The Board is accountable for the running of the Group and reserves decisions on matters that could have a material impact on the business. To that end, executive management is charged with the day-to-day running of the business, with the Board addressing a range of key issues to ensure it retains the strategic direction of, and proper control over, the Group. These issues include ensuring policies and procedures are in place, monitoring the performance of the Group against agreed objectives, identifying key performance and risk areas, providing effective leadership on an ethical foundation ensuring, there is an effective risk based internal audit function; defining levels of materiality, reserving specific powers to itself and delegating other matters (with the necessary written authority) to the CEO, ensuring that timelines are met for submission of reports in compliance with the PFMA and other applicable laws affecting the business including submission of financial statements, and ensuring a Shareholder's Compact is concluded annually with the Shareholder containing agreed performance indicators for the following year.

Board Selection Process

The MoI of CEF SOC Ltd. stipulates the minimum and maximum number of directors permitted to be appointed to the Board. The MOIs of CEF Group subsidiaries stipulate the minimum and maximum number of directors permitted to be appointed to the respective boards. The non-executive directors of the CEF SOC Ltd. Board are appointed in terms of the CEF Act and reappointment is not automatic. The appointment of directors to the subsidiary boards is the responsibility of CEF and is subject to approval by the Minister of Mineral Resources and Energy as per the provisions of the CEF Shareholder's Compact. The boards are required to meet at least once a quarter.

The procedure for the appointment of directors of entities is usually activated when:

- the term of office of a director expires;
- a casual vacancy on the Board is created by a resignation, removal or death of a director; and/or
- a further Board appointment is required.

CEF ensures that it takes cognisance of the skills, gender and race mix required on the Board during the recruitment and selection process to maintain a balanced and diversified Board capable of giving strategic direction to the entity in line with the agenda and strategy of the Shareholder and the CEF Group and in keeping with the national transformation and empowerment agenda. The performance of the boards as collectives, committees, the chairs and individual members are assessed annually.

Communicating with Directors

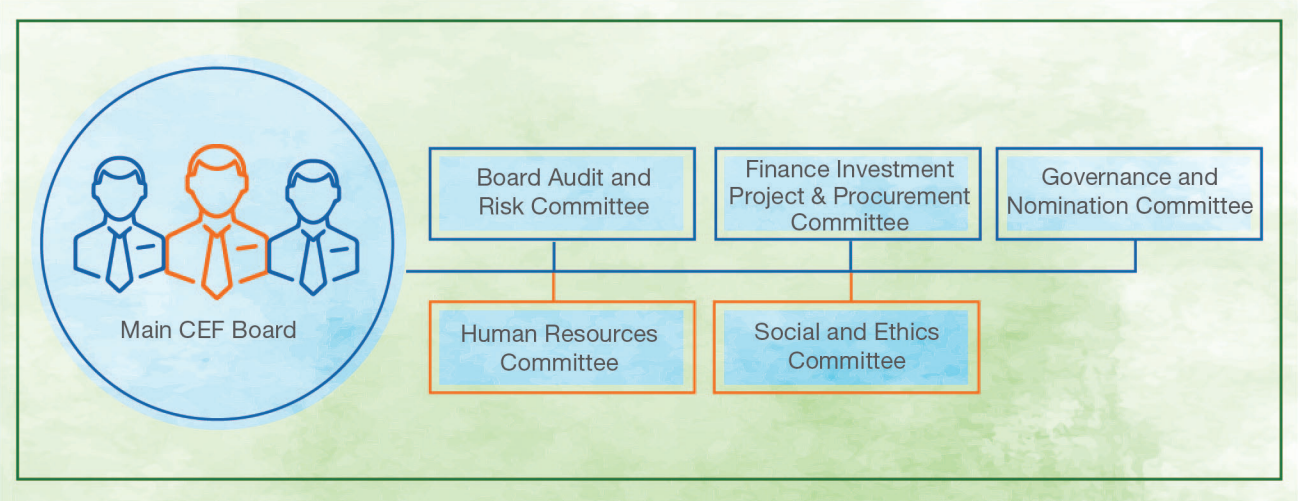
Serving on an SOE Ltd., the directors have direct access to the CEO and are constantly briefed on the quarterly reporting process in adherence with the PFMA. This affords them the opportunity to assess performance, recommend interventions and engage the Shareholder on performance and progress of CEF and its subsidiaries. Each of the CEF Group entities concludes a Shareholder's Compact with the CEF, which includes corporate plans and relevant authority levels approved at Group level.

Compensation of Board of Directors

CEF SOC Ltd. remunerates its directors in terms of the CEF Act. The fees of the non-executive directors are determined by the Minister of Mineral Resources and Energy by Ministerial Directive and approved by the Minister of Finance from time to time. In terms of the CEF Act, employees in the full-time employ of the state shall not, for services rendered as a director, be paid any remuneration in addition to his/her salary, nor shall he/she be paid travel and subsistence allowances at a rate other than that applicable by virtue of such service.

Board Committees

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



Board Committee Structure	Strategic Responsibility
Board Audit and Risk Committee	Responsible for discharging its duties relating to the safeguarding of Group assets, the operation of adequate systems, control processes and the preparation of accurate integrated reporting and financial statements in compliance with all applicable legal, regulatory and reporting requirements and standards as well as reputational risk, as listed and defined in the Group's enterprise-wide Risk Management framework.
Social and Ethics and Governance Committee	Responsible for providing leadership and taking responsibility for the CEF Group's transformation, social economic development, ethics employment equity and sustainability, including the management of non-financial issues, within the broader Group Governance and Strategic framework
Human Resources, Remuneration and Nominations Committee	Responsible for monitoring the quality and integrity of Human Resource policies and practices of the CEF Group and general oversight of Human Resource and Remuneration policies and procedures. Monitors compliance with significant legislative and regulatory requirements as well as Board development, recruitment and nomination in the Group.
Finance, Investment, Projects and Procurement Committee	The Committee monitors, considers and makes recommendations to the Board it deems appropriate on all relevant finance, investment, project and procurement matters within the ambit of its terms of reference.

Materiality and Significance Framework

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

Board Leadership Structure

To give effect to good governance, CEF Board members' duties are designed to enhance the CEF Group performance as it navigates the Group Strategy. The CEF Board and its subsidiary leadership structures provide the Group with the independent perspective and diverse experience necessary for it to excel during its strategic transformation.

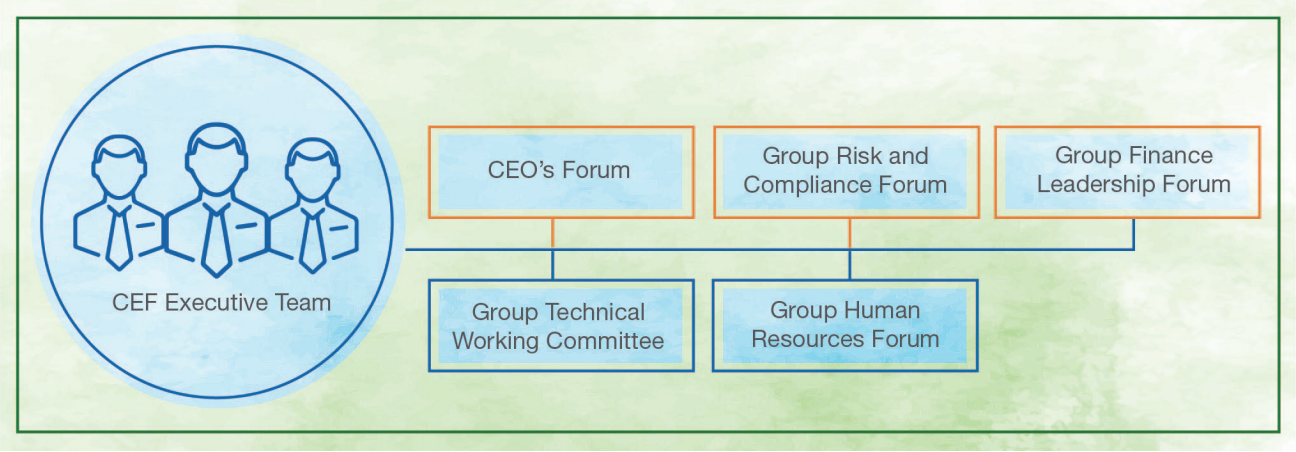
Key Board Attributes	
Significant leadership experience in legal, project management, corporate governance, policy formulation, trading, oil and gas, renewables, corporate finance, and refinery operations	80% independence
Substantial experience in some of the directors in working for global entities and leading large and complex businesses	Well-balanced Board tenure
Strong independence	
Detailed Board induction process	
Strategic support and ongoing Board development with leading independent institutions	

The detailed report on committees, meeting dates, appointments and resignations is contained in the Group Directors' Report in the Annual Report.

Executive Management Structures

Fundamental to the success of the CEF Group is effective strategic direction-setting by senior management and operational efficiency in day-to-day business activities coupled with the implementation of continual improvement throughout the organisation. Our leadership model is premised on the Group values and advocates strong leadership, visible and active support, and demonstrates commitment. The Group CEO is appointed by the CEF Board and has authority to lead the day-to-day operations of the business.

EXCO is constituted to assist the CEO to execute his responsibilities, to guide and control the overall direction of the company's business and to act as a medium for communication and coordination among business units, companies and the Board. EXCO members are accountable to the Group CEO for the execution of their respective responsibilities and the Group CEO is accountable to the Board for the execution of their responsibilities. The subsidiary CEOs are appointed by their respective boards which, in turn, are supported by their executive management committees. Supporting the executive teams are active Group management governance forums designed to exploit Group synergies and to ensure alignment to improve Group performance.



Supporting this structure is the quarterly activity of business performance dialogues, where the Group's business results are analysed and effective solutions found for addressing performance gaps.

Management Committee	Strategic Responsibility
CEO's Forum	This is the principal structure to give effect to integrated execution of strategy across the group. The forum is chaired by the CEF Group CEO, with the CEOs of each subsidiary making up its membership. Key CEF executives are invited to the forum, including the CFO, Group COO, Corporate Services, Group Head of Risk and Compliance, Group Corporate Planner and General Manager: EPD.
Group Legal, Risk and Compliance Forum	This forum informs the state of practice across the Group for dealing with legal, risk-management and compliance matters, pursues the mandate of streamlining and improving governance and oversight across the Group for GRC purposes, and streamline the risk management, compliance and fraud-management policies within the Group.
Group Finance Leadership Forum	The purpose of the forum is to lead the CEF Group to achieve a uniformly high standard of practice in corporate financial management, provide financial leadership, drive standardisation of systems and processes, drive the transition to a high-performance financial organisation, and drive integrated financial planning and reporting for the Group.
Group Technical Working Forum	The forum provides technical support to the Project Appraisal and Monitoring Committee (PAMC), reviews projects before they are tabled at the PAMC and gives assurance that all projects with a significant technical component are adequately evaluated, as such projects can commit significant amounts of capital, and often for lengthy periods of time.
Group Human Resources Forum	This forum, which consists of human capital business partners across the CEF Group, seeks to achieve a common base of practice and elevate the baseline on human capital management. It: • formulates a collaborative human-capital agenda that will support group operations in a cohesive, relevant manner; • aligns the human-capital mandate in the CEF Group through coordination of efforts; • identifies and manages areas of convergence; and • eliminates duplication of policies and processes.



SECTION SIX

OPERATIONAL PERFORMANCE

OPERATIONAL PERFORMANCE (CONTINUED)

AEMFC

AEMFC is a South African State Owned Entity, incorporated on 26 October 1944 as a private limited liability company in terms of the Companies Act 26 of 1926 (Reg No: UC/18018).

The entity currently operates one open cast coal mine named Vlakfontein in Ogies, Mpumalanga Province (120 kilometres east of Gauteng). In production since 2011 the mine supplies Kendal and Kusile Eskom power stations, each approximately. 19 km from the mine, and employs 400 employees combined at Head Office and the mine. Total assets as of December 2019 were valued at R1.034 billion, with key assets made up of Property, Plant and Equipment. The company owns various prospecting and mining rights across the country in pursuit of its mandate as the State Owned Mining Company.

Key activities of AEMFC are the mining and production (crushing and screening) of coal for Eskom. The company continues to conduct exploration in other areas where AEMFC owns mineral prospecting rights to develop a project pipeline and thus commission more mines. The impacts of COVID-19 on the mining sector have been severe with forecasts that its value is set to contract by 11.9% in 2020, driven by declining production output and lower-trending commodity prices during the period under review. The year also saw a decline in revenue mainly as a result of lower volumes relative to budget albeit the increase in the selling price. The company was liquid at the end of the current financial year with the current ratio of 1.7 and a cash and cash equivalent balance of R125.3 million. The return on productive assets (PPE only) was 3.7% and the gearing ratio was at 1.5.

Revenue generated for year ending 31 March 2021 of R302.9 million versus R892.4 million in the budget was because of a decline in volumes sold. The cost of sales reduction is attributable to lower volumes sold. The reduction in other income (transport recovery) is because of lower volumes. A dividend of R42.9 million was distributed from associate companies. Operating costs to date declined by 53.5% (R198.9 million actual versus R427.2 million budget) however, the reduction was not enough to result in profitability. The 66.1% decline in revenue translated in a loss of R38.7 million in comparison to a budgeted Profit After Tax of R49.9 million. The company was liquid as of 31 March 2021 with a cash and cash equivalents balance of R125.1 million. (Note however, this balance is made up of restricted cash of R88.4 million, investments of R23.7 million and cash on hand of R12.8 million). The total asset base was R1 billion. The current assets were R258 million versus current liabilities of R120.3 million as of 31 March 2021, yielding a current ratio of 2.1:1.

Total Liabilities for the year to date is R609.7 million which results in a debt equity ratio of 1.5. All return ratios were negative because of the losses for the year.



Turnover:
R302.5 million



EBITDA:
R4 million, including dividends of R42.9 million

Material Projects Under Study

Klippoortjie: Service providers for Detailed Engineering Designs (DEDs) have been appointed and are due to commence with the design which has been delayed by the hard national lockdown. Due to the time lapse since the Feasibility Study was completed, a review of the Feasibility Study's financial model will be undertaken together with the Klippoortjie Life of Mine (LOM) plan prior to continuing with any work on the project.

T-Project: Procurements process under way for the planning and a prospective execution of the remaining environmental studies by a service provider with outstanding studies for the T-Project relating to the following: Bulk Power Supply and Amendments of the approved Environmental Authorisations. AEMFC with the support of CEF continues to engage with the DMRE on the status of regulatory approvals for section 102 EMP.

Vlakfontein Extension: All project activities are currently concentrated on clearing North Block challenges to minimise material losses due to coal sterilisation and thereafter commence with work on the bunkers.

OPERATIONAL PERFORMANCE (CONTINUED)

Outlook

South Africa's mining industry desperately needs the country's economy to improve and stabilise to attract much needed investment in exploration and development. Last year, South Africa accounted for just 1% of global exploration expenditure and only 0.1% of greenfield exploration. For the coal sector, international majors are exiting the country, funding is drying up, and the future looks bleak for long-term growth. On the other hand, a need is emphasised for AEMFC to include clean coal as part of its future strategy, as coal is expected to remain an important part of the future energy mix, though not in its current form. South Africa is known to possess resources that could last for more than 250 years. Hence the strategies of key local market players need to reflect this.

PETROSA GROUP

PetroSA

The Petroleum Oil and Gas Corporation of South Africa (SOC) Limited (PetroSA) is the national oil company of South Africa and is registered as a commercial entity under South African law. PetroSA is a subsidiary of the CEF SOC Ltd., which is wholly owned by the State and reports to the Department of Mineral Resources and Energy. PetroSA SOC Ltd. is one of the major subsidiaries within the CEF Group of Companies. The company holds a portfolio of assets that span the petroleum value chain, with all operations running according to world-class safety and environmental standards. PetroSA was formed in 2002 upon the merger of Soekor E and P (Pty) Ltd. and Mossgas (Pty).

The primary functions of the company are exploration and production of oil and natural gas, refining operations, marketing and sales of petroleum products, production of synthetic fuels from offshore gas at the GTL refinery (GTLR) in Mossel Bay and the marketing and trading thereof.

Financial Performance

The PetroSA Group experienced another challenging financial year with sales volumes for the year 16% less than the previous financial year. The decrease in the Brent crude price by 25% year-on-year and the strengthening of the rand against the major currencies (US dollar and Euro), further exacerbated the financial impact of reduced sales. Furthermore, the company operations were severely impacted by the depletion of indigenous gas that necessitated a cessation of the operations at the GTLR in December 2020. The processing of condensate could also not be pursued further due to negative margins.

The Group recorded a net loss of R1.2 billion versus the previous year's loss of R5.6 billion. A net impairment reversal of R990 million versus an impairment of R4.9 billion in the prior year was the biggest contributor to the reduction in the losses reported. However, the group's EBITDA was a negative R1.38 billion compared to a negative R4.9 billion from the previous year.

Gross revenue decreased by 36% from R13.7 billion to R8.7 billion due to lower sales volumes from the GTLR and PetroSA Ghana.

Operating costs continued to be a focal area during the year and saw a decline of 4% compared to the previous year. The cost savings culture has now been entrenched in the company and will require continuous scrutiny and discipline to ensure sustained benefits going forward.

The Group's financial position is an area for concern as the group net asset value increased from a negative R4.5 billion to negative R6.3 billion; the result of losses in the parent company. An emergency plan built into the company corporate plan seeks to address this issue; and is fully supported by the Board and management of the Group parent company, CEF. Whilst a variety of options are under consideration, including a review of our partnership strategy, the ability to fund any expansionary projects is stunted by insufficient cash available for investment purposes.

Turnover:
R8.7 billion

EBITDA:
-R1.38 billion

MATERIAL PROJECTS UNDER STUDY

PETROSA GHANA LIMITED: GHANA

1. **Greater Jubilee:** The drilling campaign initiated in March 2018 is estimated to resume in Quarter 2 of 2021 with a well in the Greater Jubilee area and the TEN area in September 2021.
2. **Ten Fields:** The oil and gas reported represents the period January to March 2021. The table below also provides production from inception. The oil and gas production are represented as pre-royalty and redetermination adjustments.
3. **West Cape Three Points (WCTP):** An application was submitted to the Ghana Government to extend the Akasa appraisal period by a further two years.

Outlook

The primary focus for PetroSA will be on the key stabilisation and turnaround initiatives across the entire value chain that seek to optimise on costs and revenues and create a sustainable base for future growth.

IGAS

As the mandated South African State Owned Entity (SOE) for gas and gas infrastructure development, iGAS is purposed to develop gas and gas infrastructure in southern Africa. iGAS operations involves the management of its primary asset, the ROMPCO pipeline and the development of gas-related business opportunities to generate alternate revenue streams. iGAS generates most of its income via the dividend stream from its shareholding in ROMPCO. Other revenue is generated via interest from cash held in the money market. iGAS has paid off all its debts pertaining investment in ROMPCO and has accumulated cash reserves of over R1.631 billion. The increase in cash from the previous financial year relates to a net profit of R280.5 million due to non-iGAS-related delays in the execution of planned projects and dividends received from ROMPCO. These project delays as well as reduced human capital costs arising from the planned iGAS SFF PetroSA merger resulted in the spending being below budget.

Financial Performance

For the period ending 31 March 2021, iGAS generated a net profit of R389.3 million which is higher than the budgeted net profit of R220.1 million by R169.2 million. The positive variance of R169.2 million is attributable to the following:

- Higher dividends received of R252 million due to the special dividend of R52 million received in July from ROMPCO. This dividend was not budgeted for.
- The underspending on operating expenses of R58.9 million due to delays with the implementation of the planned strategic initiatives to drive the Corporate Plan.

In the current year, iGAS is focused on exploring opportunities for growth to ensure the company can earn a return equivalent to the cost of capital.

The company remains liquid and solvent, holding cash of R1.631 billion and liabilities lower than R7 million. iGAS can fund its operating expenditure for the year from dividends received without accessing retained funds. As at 31 March 2021, the operating cash flow ratio was 90.1:1. This is attributable to the underspending on operating expenditure, dividends received from ROMPCO and a low liability base. The gearing ratio was 99.99% total equity: 0.1% total liabilities, as iGAS holds a low balance of liabilities of only R6.8 million.

iGAS has headroom to grow its investment portfolio by deploying its cash reserves to growth and diversification projects to ensure the company earns a return equivalent to the cost of capital. In the current year, iGAS is focused on investing the surplus cash in commercial projects as well as raising debt to fund the commercial investments.

EBITDA:
R339 million including equity accounting of R364 million

Material Projects Under Study

Projects are at varying stages of development but have made solid progress during the year. The major undertaking for the year is an acquisition project for 15% of the Sasol stake in ROMPCO and progressing the Coega LNG project.

CEF SOC

CEF SOC Ltd. ("CEF"), is a State Owned Company mandated by the Central Energy Fund Act of 1977 (The CEF Act) and acts as the holding company of subsidiaries through which it conducts its business and together constitute the CEF Group of Companies. The CEF Act mandates the company to support security of energy supply throughout the value chain comprising exploration, production and supply of coal, gas, liquid fuels, and other primary energy sources. CEF also has a renewable energy division and a liquid fuels storage/infrastructure business. Further, CEF SOC Ltd. contributes to the national energy agenda through the Department of Minerals and Energy (DMRE) in an advisory and/or facilitation role. CEF SOC Ltd. also administers the Equalisation Fund for the DOE.

Financial Performance

The CEF SOC Ltd. financial performance for the financial year 2020/21 was subdued due the challenges in our operating environment and the impact of some of the entities that required financial assistance such as PetroSA and the resultant impairment of losses.

1. **ACWA Redstone:** The aim is to secure Section 54 Ministerial approval to increase equity participation from 15% to 25%. The project construction is planned to commence in the first half of 2021/22 financial year.
2. **ROMPCO Sasol shareholding purchase:** Progress being made on the planned acquisition of a 15% Sasol stake in ROMPCO.

Turnover:
R18.7 million

EBITDA:
-R235 million

EQF

The EQF was established by the Central Energy Fund Act No 38 of 1977 to impose a levy based on sales of petroleum products since 1977 and to be utilised in terms of the provisions of said Act, for example equalising fuel prices, financing the crude oil price premium and for tariff protection afforded to the synthetic fuels industry. In addition to the administration of levies applicable on fuels, the EQF has the sole responsibility of calculating the daily basic fuels price (BFP) of petrol, diesel, IP, and LP gas.

The EQF is regulated by directives issued by the Minister of Mineral Resources and Energy, in some instances in concurrence with the Minister of Finance, as required by the provisions of the CEF Act and by regulations promulgated in terms of the provision of the Petroleum Products Act, 1977 (Act No 120 of 1977). The purpose of EQF is to administer, invest, collect, and pay funds as in some instances in concurrence with the Minister of Finance, as required by the provisions of the CEF Act.

Financial Performance

EQF reported a total revenue from exchange transactions amounting to R38.3 million compared to the prior year of R59.7 million. This is due to the decrease in the prime rate as announced by the South African Reserve Bank during the current financial year.

Total revenue from non-exchange transactions amounted to R142 million compared to a prior year amount of R380.7 million. The variance is due to a slate levy implemented in the prior year, a once off income from the sale of feedstock from the subsidiary in CEF as per the CEF Act and low volumes declared due to the COVID-19 lockdown that was effected in South Africa.

Levy payments of R720 million was incurred compared to the prior year of R898.1 million. The variance is due to the oil companies slate balance being more than negative R250 million and therefore payable as well as the lower value claims in the current year.

General expenses of R5.2 million was incurred compared to the prior year of R4.1 million.

PASA

Petroleum Agency SA is a state-owned entity incorporated in 1999. The Agency receives its mandate from the Mineral and Petroleum Resources Development Act, 2002, (No 28 of 2002) (MPRDA). The MPRDA is the principal statute that governs the regulatory function of Government on mineral and petroleum resources and is administered through presidential proclamation by the Department of Mineral Resources and Energy (DMRE).

Financial Performance

Self-generated revenue ended the financial year on track with the Quarter 2 forecast. Revenue expected from Government has been received as budgeted. However, the delays in spending the shale gas funds meant that of the R43.2 million received, a total of R17.4 million has been transferred to deferred income making the total unspent funds to date R62.8 million. This impact is also the main reason for the decrease in operating expenditure against forecast. A revised shale gas expenditure plan has been presented to the DMRE. The reason for the delays and the need to reschedule is due to implementation delays caused by COVID-19 challenges. The revised plan will be submitted to the DMRE for approval during Quarter 1 of 2021/22.

Turnover:
R135.6 million

EBITDA:
R202 000

Material Projects for the financial year 2020/21

a) **Karoo Shale Gas Strategic Project:** Geochemistry survey results were received and the study shows a total of seven prominent and coherent geochemical leads with several positive areas around Beaufort West and Rhenosterkop, providing evidence for an active petroleum system in this region of the Central Karoo District.
b) **Extended Continental Shelf Claim Project:** The work funded by the Agency has been completed and will be discussed by the South Africa/French joint team in financial year 2021/22. Awaiting resumption of UN submission process impacted by travel restrictions.

SFF

The SFF Association is a company incorporated as a non-profit company in terms of Section 13 of Companies Act 71 of 2008. SFF's shares are non-transferable and are held by its holding company CEF (SOC) Ltd., which in turn is wholly owned by the State (Section 1D of the Central Energy Fund Act 38 of 1977). The current business of SFF is the storage and management of government and privately-owned stocks of crude oil.The strategic reserves managed by SFF and owned by Government can only be released into the market through a ministerial directive whenever disruptions in the supply chain of petroleum products have occurred that could place the country's economy at risk. Act 38 of 1977 provides the statutory framework for the management of proceeds from the sale of crude oil managed by SFF on behalf of the Republic.

The company trading and storage of product activities are regulated under the National Energy Regulator Act, which overarches the Petroleum Product Act 58 of 2003. This is in respect of the tariff the company charges its customers for the storage of product in the tanks, and the trading thereof.

The construction of the tanks causes damages to the environment and the company ensures environmental obligations are properly managed. NERA and MPRDA require operators to rehabilitate the environment when assets are retired. Under MPRDA requirements, the financial provision regulations were promulgated under the National Environmental Management Act 107 of 1998. The company has made the necessary provisions for rehabilitation and these are reflected in the balance sheet.

Financial Performance

The revenue sources for the 2020/21 financial year for the company was rental of storage tanks, condensate feedstock and oil pollution control services.

Turnover:
R1.934 billion

EBITDA:
R840 million

Material Projects Under Study During the Year

The key objective of SFF is to maintain 20 days cover of strategic crude oil. This has been achieved for the year through an alternative agreement for the right of access to the crude oil matching the cover with the customers renting storage space in our tanks. Given the Group's focus on financial sustainability our governance team, supported by CEF SOC Ltd., are continually engaging the DoE on the Strategic Stock Policy and its impact on the current financial resource.

Given the long-term objective of occupying 25% of the market, work on the Milnerton tank farm continues, although sluggish due to operational and regulatory bottlenecks.

Forward Outlook for SSF

The Strategic Fuel Fund is pursuing a revenue diversification strategy that seeks to reduce the company's exposure to the fluctuation of the futures market. The company will be looking at concluding acquisitions of target companies and assets that will provide the diversification of revenue streams. This way SFF will grow its footprint in the market and play out the role dictated by its mandate in the context of a growing country economy.

GROUP CFO'S REPORT FOR THE YEAR ENDING 31 MARCH 2021

Introduction

The financial statements are prepared in accordance with International Financial Reporting Standards. The CFO report is meant to supplement the financial statements that are on pages 126 to 232 and will, therefore, highlight the material items that had an impact on the 2020/21 financial performance.

The CEF is classified as a Schedule 2 public entity in terms of the PFMA, which means it is a quasi commercial entity as it is expected to be self-sufficient and not receive funding allocation from the fiscus to fund its operations. For this reason, the CEF is expected to earn a profit from its operations to fund its commercial activities and developmental mandate.

Financial Performance Highlights

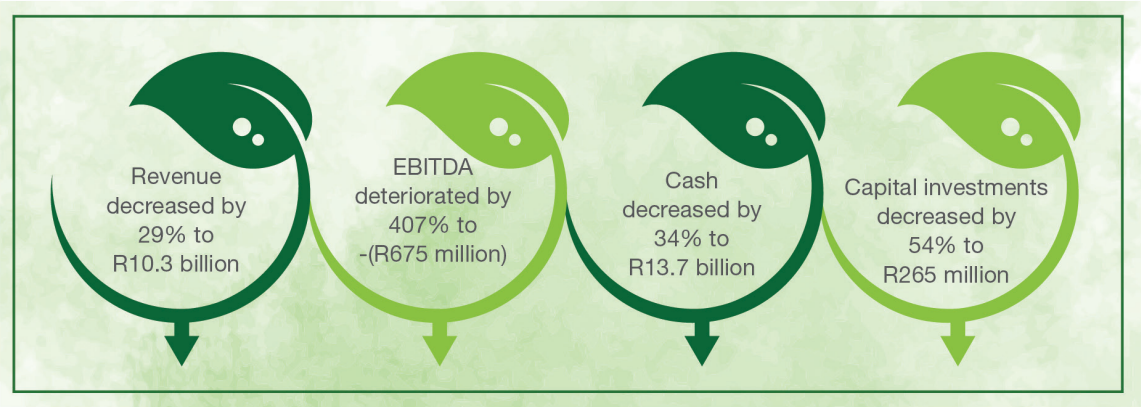


Figure 6: Overview of performance highlights

The Group operated under a severe economic environment which was aggravated by the COVID-19 restrictions. The key factors that affect the Group performance are macroeconomic factors such as the oil price, the exchange rate, interest rate and regulations, and industry specific factors such as demand and supply of minerals and petroleum products, price of commodities, competition and rapid change in technologies.

Macro-Economic Factors Affecting the Group Financial Performance

Crude Oil Prices

The average oil price has decreased from $61 in the prior year to $45 per barrel in 2021. The lower price is mainly attributable to the low demand due to COVID-19 restrictions. On the supply side, there was a decline due to OPEC's decision to roll over quotas and the voluntary cuts by Saudi Arabia. The crude oil price volatility has a significant impact in the following businesses:

- **Petroleum products business:** The oil price is one of the key variables that influence the selling price of the products and cost price for sourcing feedstock and finished products.
- **Crude oil storage business:** The oil price is the key factors that affect the demand for crude oil storage space. The lower price of crude oil encourages traders to store products at the storage facilities with the intention to sell the products when prices increase.

Exchange Rates

The average rand/US dollar exchange rate has slightly weakened from R14.79 per $ in the prior year to R14.95 per $ in the year under review. The weaker performance of the currency over the past 12 months can be explained by South African-specific factors as well as global trends. The rand/US dollar volatility has a significant impact in the following:

- **Petroleum products business:** The rand/US dollar exchange rate is one of the key variables that influence the selling price of the petroleum product and cost price for sourcing feedstock and finished petroleum products. This also affects the valuation of the rehabilitation provision.
- **Foreign operations and investments:** On translation of the reported performance to rand.

Operating Environment

The 2020/21Group operations were negatively impacted by the COVID-19 restrictions which resulted in the demand for commodities plummeting to the lowest levels. While the demand for fuel decreased by more than 65%, the demand for coal also reduced as Eskom could not accept deliveries from the coal suppliers due to the subdued demand for electricity.

The closing rand/US dollar exchange rate of R14.77 at 31 March 2021 represents an improvement from the exchange rate of R17.79 reported at 31 March 2020. In addition, the Brent crude oil closing price recorded at the end of 2020/21 financial year was $64.3/BL, which is a sharp increase from $45/BL reported at the end of the 2019/20 financial year.

In addition to the aforementioned factors, the CEF Group's performance is also affected by the interest rate as 47% of CEF Group investments are held in cash. In the lower inflation and subdued growth rate environment, the interest earned on cash is likely to reduce in future. Over the past period the Monetary Policy Committee kept the repo rate low, which resulted in lower interest income.

CEF GROUP CAPITAL ALLOCATION

Table 4: CEF Group capital allocation

CAPITAL ALLOCATION IN R'000			RETURNS IN R'000		
Asset class	Assets	Allocation	Net Returns	Allocation	Blended Return
Cash	13 691 048	47%	808 376	6%	2.8%
Operating assets	9 478 441	33%	905 168	-10%	-3.1%
Associates	1 248 014	4%	350 442	28%	1.2%
Non-operating assets	4 615 255	16%	286 580	6%	1.0%
Total	**29 032 758**	**100%**	**540 230**	**1.9%**	**1.9%**

As at 31 March 2021, the Group held assets of R29 billion comprising the following:

- 47% of the assets are cash mostly invested in the money market. Cash is expected to generate a return equivalent to the money market return. The average return on cash held was 6%.
- 33% of the assets are operating assets with the bulk invested in the oil and gas cluster and the remainder in coal mining. The oil and gas operating business segment consist of the PetroSA GTLR and trading, oil blocks in Ghana, and crude oil terminals. The oil and gas cluster is confronted with daunting challenges emanating from dwindling gas reserves thus generating a return far less than the cost of capital.
- 4% of the assets are invested in associate companies with the bulk invested in gas infrastructure. The investment in gas infrastructure comprised the shareholding at ROMPCO and the investment is currently generating a return that is above the cost of capital. The rest relates to investments in Coal and renewable energy.
- The non-operating assets constitute 16% of the total Group assets. Non-operating assets mainly comprise the line fill and exploration costs. Currently, these assets are not generating any income and are unlikely to generate income in the foreseeable future; therefore, this will suppress the Group returns. The return of R286.6 million relates to the fair value adjustments for the line fill. The adjustments are due to the changes in the oil price.

The Group returns are currently below the cost of capital at 5%. The majority of the Group's assets are in cash, generating a blended return of 2.8% while the operating assets are making losses at a blended return of -3.1%. The returns are exacerbated by the suboptimal performance of the oil and gas cluster. At year end, the GTLR was not operating, and AEMFC was experiencing poor performance against the Eskom coal supply agreement due to poor coal qualities from the mine and congestion at the designated Kusile Power Station (a rectification plan is currently under negotiation with Eskom and efforts are being put in place to ramp up saleable volumes to contractual volume).

FINANCIAL PERFORMANCE SUMMARY

Profitability

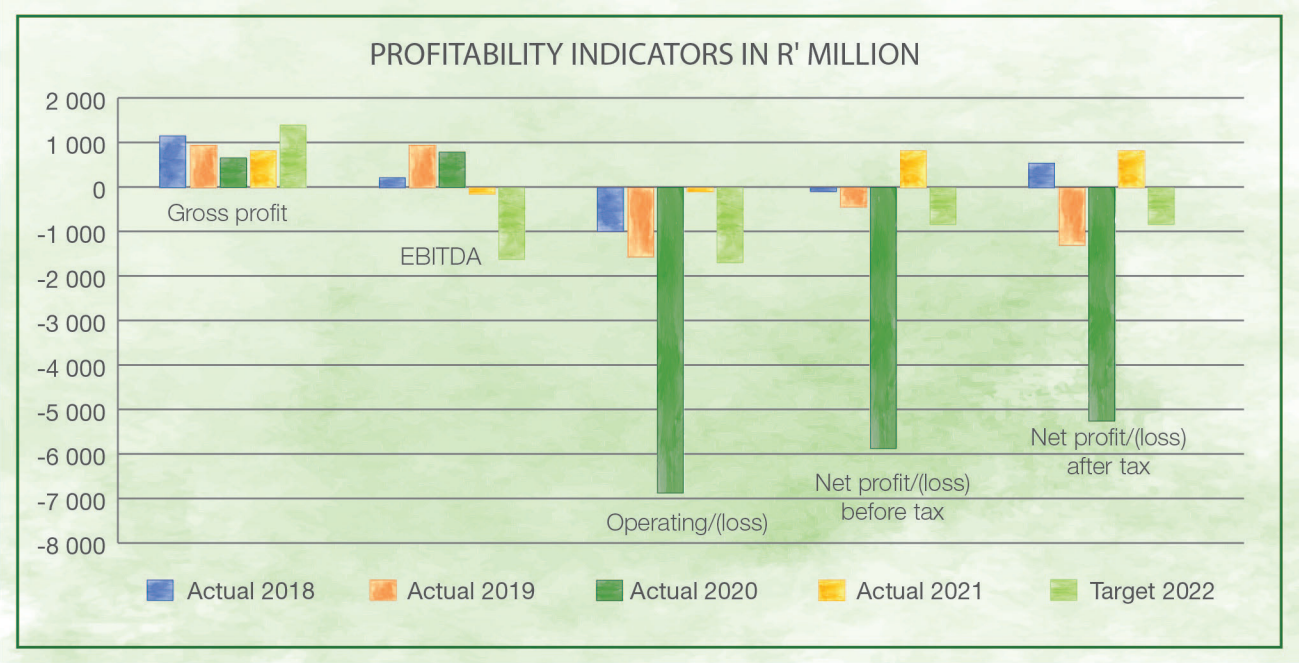


Figure 7: CEF profitably indicators

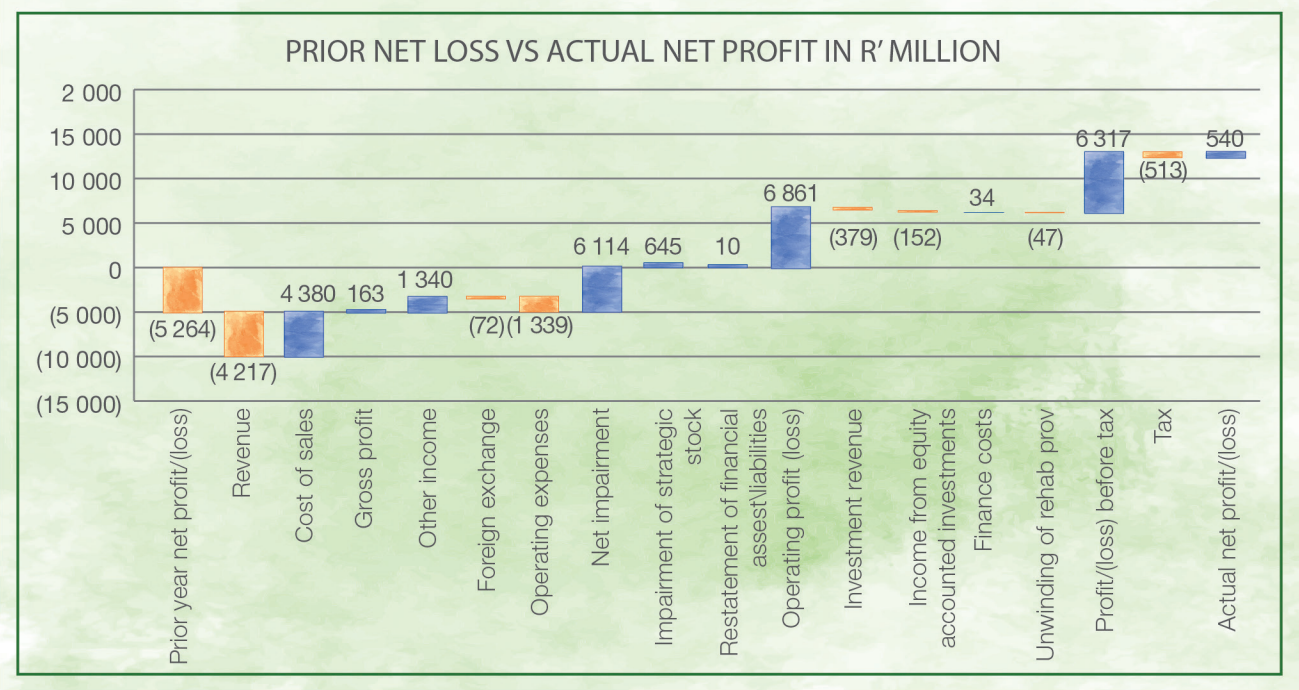


Figure 8: CEF profitability prior year versus current year net loss

The Group has reported a net profit of R540 million compared to the net loss of R5.3 billion reported in the prior period. The net profit position for the current year improved compared to prior year. This was mainly due to the impairment reversal on property, plant and equipment of R1.2 billion (moving from impairment loss of R5.1 billion), increase in the gross profit generated by the business from R378 million reported in the prior year to R541 million, the decline in net operating expenses and the tax credits of R76 million.

Gross Profit

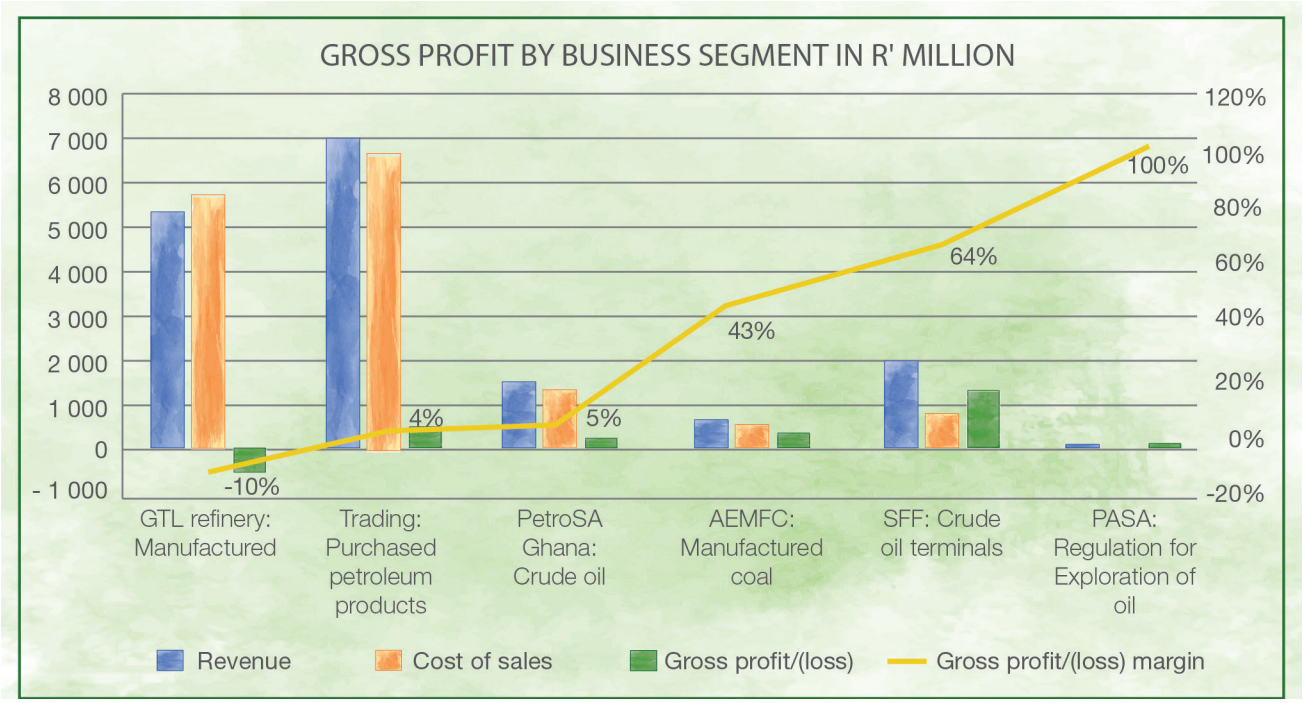


Figure 9: Gross profit/(loss) by business segment

The Group reported a gross profit of R541 million, an improvement compared to the prior year's gross profit of R378 million. This was due to improved utilisation of crude oil tank the managed direct costs of processing coal and the GTL.

- **GTLR**

The refinery generated a gross loss of R532 million (margin of -10%) from the sale of manufactured petroleum products due to low production volumes. The refinery was severely impacted by the depleted gas and the operations had to cease during December 2020. The refinery currently operates below a third of its design capacity of 46 000BBL per day. Low production volumes are primarily driven by declining indigenous feedstock (gas reserves) and non-indigenous production was severely impacted by unavailability of imported condensate feedstock due to low margins. Despite the low volumes produced, the fixed production costs remained high, therefore eroding the contribution generated by the refinery.

- **Purchased Petroleum Products Sales**

A gross profit of R271 million (margin 4%) was realised from the sale of purchased petroleum products. Purchased petroleum products were in demand during the period. This was driven by Eskom and the oil industry's high demand as well as the product unavailability at Mosselbay.

- **Crude Oil Sales**

PetroSA Ghana generated a gross profit of R82 million (margin of 5%), from the sale of crude oil due to improved oil price during the current year. The production performance was supported by increased and sustained gas offtake nominations and the improved well optimisation. The oil industry saw improved prices compared to the prior year.

- **Vlakfontein Coal Mine**

The coal mine segment generated gross profit of R230 million (margin of 43%) due to low production volumes. The global lockdown restrictions also meant reduced economic activity, which reduced the demand for electricity and forcing Eskom to reduce all coal suppliers to minimum volumes.

- **Crude Oil Terminals**

The crude oil storage business generated a gross profit of R1.2 billion (2020: R212 million), the improvement is due to reduced crude oil prices that resulted in high storage tank utilisation. The good market conditions in the crude oil prices were taken advantage of, and a number contracts were concluded with oil trades during the 2020/21 financial year.

EBITDA

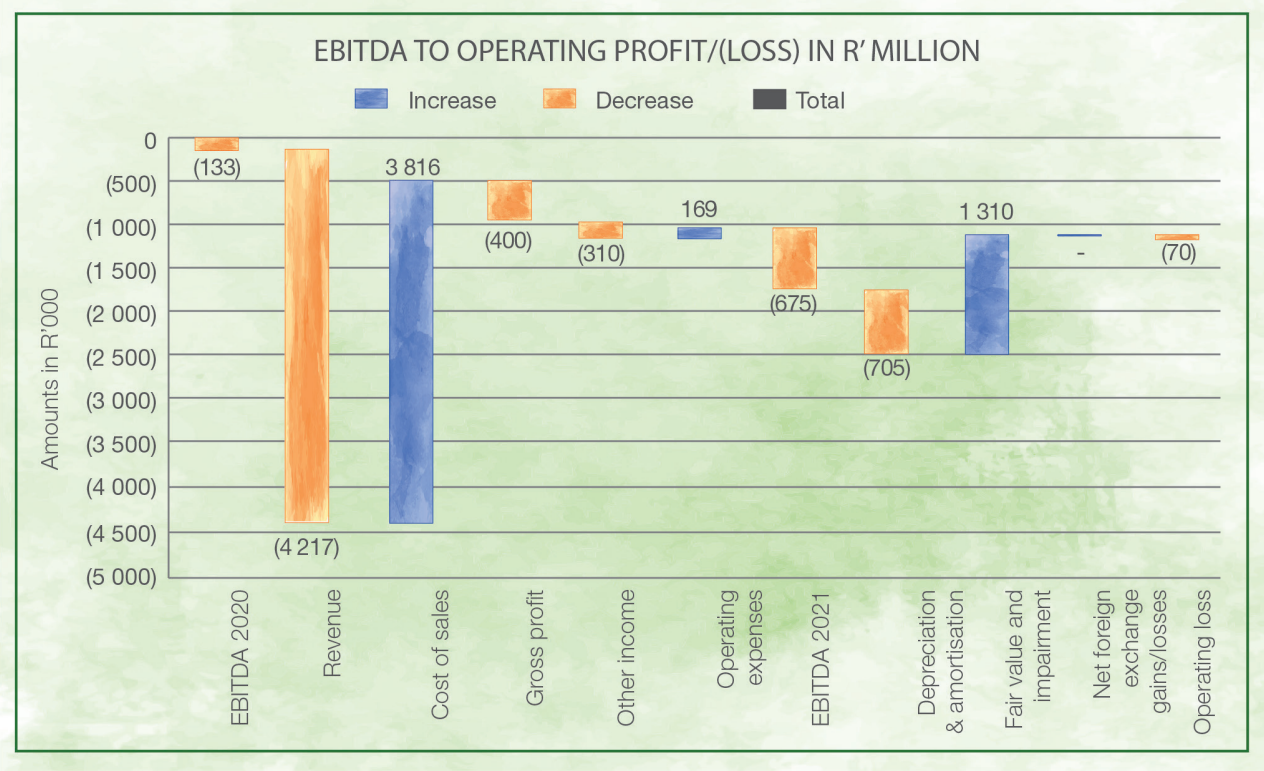


Figure 10: Reconciliation of EBITDA to operating loss

The Group generated EBITDA of -R675 million (margin -6.5 %) compared to -R133,2 million (margin: -0,9%) generated in the prior year. This was due to general decline in revenue under the COVID-19 pandemic that resulted in severe economic conditions. The decline was mainly in gross profit, other income and an increase in cash operating expenses.

Operating Profit/Loss)

The Group saw an improved operating loss generated in the current year of -R70 million compared to the -R6.9 billion reported in the prior year. The improvement was due to positive market conditions in the commodity prices which resulted in impairment reversals on property, plant and equipment of R1.2 billion compared to impairment loss of R5.1 billion reported in the previous year.

Net Profit/(Loss)

In spite of the operating loss generated of R70 million, the Group reported a net profit after tax of R540 million (2020: R5.3 billion), due to net interest income earned on cash investments, income earned from equity accounted associates, tax credits as well as impairment reversals as a result of improved economic conditions at 31 March 2021 as compared to 31 March 2020.

- **Investment Income**

The Group reported investment income of R813 million compared to R1.2 billion reported in the prior year. The deterioration is mainly from the reduced report rate by 300 basis points by the Reserve Bank, which resulted in lower interest in money market investments.

- **Finance Costs**

The Group's finance costs increased of 2% from R615 million in the prior year to R627 million in the current year, largely due to unwinding of the rehabilitation provision and finance costs related to finance leases.

- **Income from Equity Accounted Associates**

In the current year the Group reported income from equity accounted associates of R348 million compared to the R500 million reported in the prior year. The decrease is mainly due to a decline in earnings from the ROMPCO investment as well as a decline in earnings from the AEMFC associates, African Royalty Minerals and Mzimkhulu mining.

- **Income Tax Expense**

The Group generated an income tax credit of R76 million, a decrease by 87% from a tax credit of R589 million in the prior year. The tax credit is a combination of AEMFC unused tax loss and attributable to the decrease of the deferred tax asset due to the taxable temporary differences in PetroSA Ghana production assets in the current year.

GROUP CASH GENERATION, UTILISATION AND FINANCING

The cash for the Group decreased by 38% from R20.8 billion in the prior year to R13.7 billion in the current year, mainly due to cash utilised in operations, repayment of the RBL and effects of the exchange rate movement on the opening cash balance.

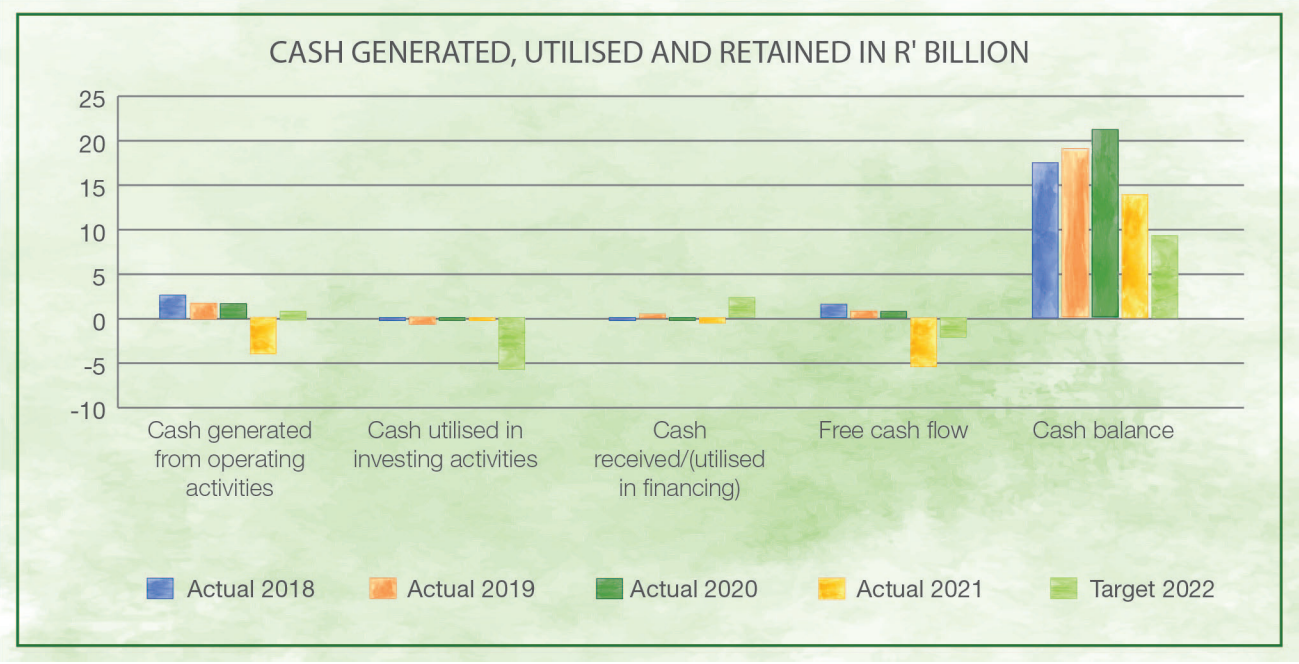


Figure 11: CEF Group cash generated, utilised and retained

The free cash flows for the Group declined by 786% from R673 million in the prior year to –R5.8 billion in the current year due to the following:

Cash Generated from Operating Activities

In the current year the Group utilised a total of R4.3 billion on operating activities compared to the R1.3 billion generated in the prior year. This was made up of cash utilised in operations of R4.9 billion, net interest income of R619 million, dividends received from associates of R295 million as well as tax paid of R223 million. The R5 billion increase in cash utilised on operations is mainly due to the repayment of the traders for the sale of strategic stock.

Cash Utilised in Investing Activities

During the year, the Group invested R265 million (2020: R575 million) towards sustenance and growth. The capital investment mainly relates to the T-Project and Vlakfontein North block mine construction work, PetroSA Ghana development and maintenance projects, and PetroSA company maintenance projects.

Cash Flows from Financing Activities

The capital spending is currently funded through retained cash and external interest bearing debt. There were no additions to external loans during the period. AEMFC repaid R25 million towards the finance lease and PetroSA made a $23 million (R710 million) payment towards the RBL facility due to the redetermination of the borrowing base from $65 million to S$23m, PetroSA also made repayments of R61.9 million towards the finance lease liability.

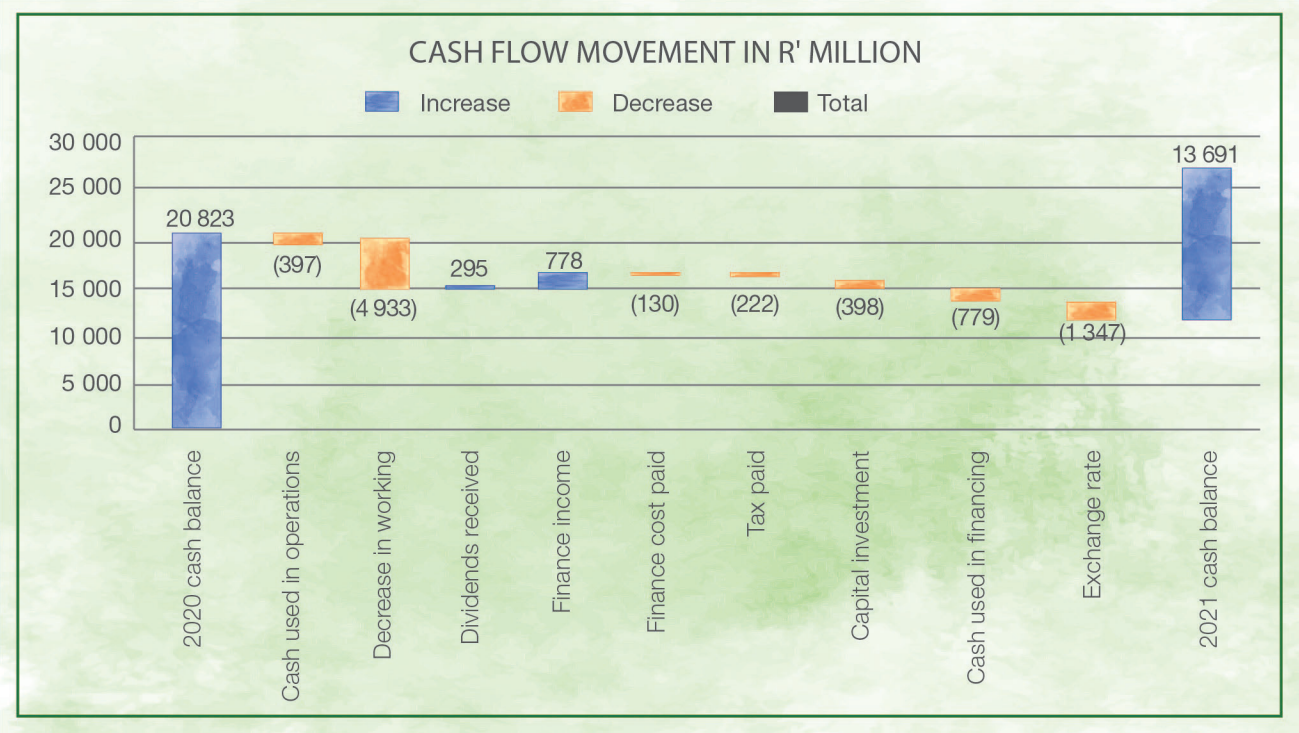


Figure 12: CEF Group cash flow

The external interest bearing debt for the Group is outlined in table 5.

Table 5: CEF Group external interest bearing debt

Figures	Actual 2021 R '000	Actual 2020 R '000
PetroSA Ghana finance lease	854 182	1 106 972
Reserve based lending facility	277 152	1 092 577
Vlakfontein coal mine finance lease	86 074	110 757
Right of use lease liability	220 982	203 554
Total external debt funding interest bearing	**1 438 390**	**2 513 860**
Short term	393 001	268 290
Long term	1 045 389	2 245 570
Total external debt funding interest bearing	**1 438 390**	**2 513 860**

Effect of Exchange Rate Movement on Cash Balance

The movement of R1.3 billion relates to the exchange rate movement effects on the cash held for the sale of strategic stock and PetroSA Ghana cash held in US dollar-denominated accounts.

LIQUIDITY AND SOLVENCY

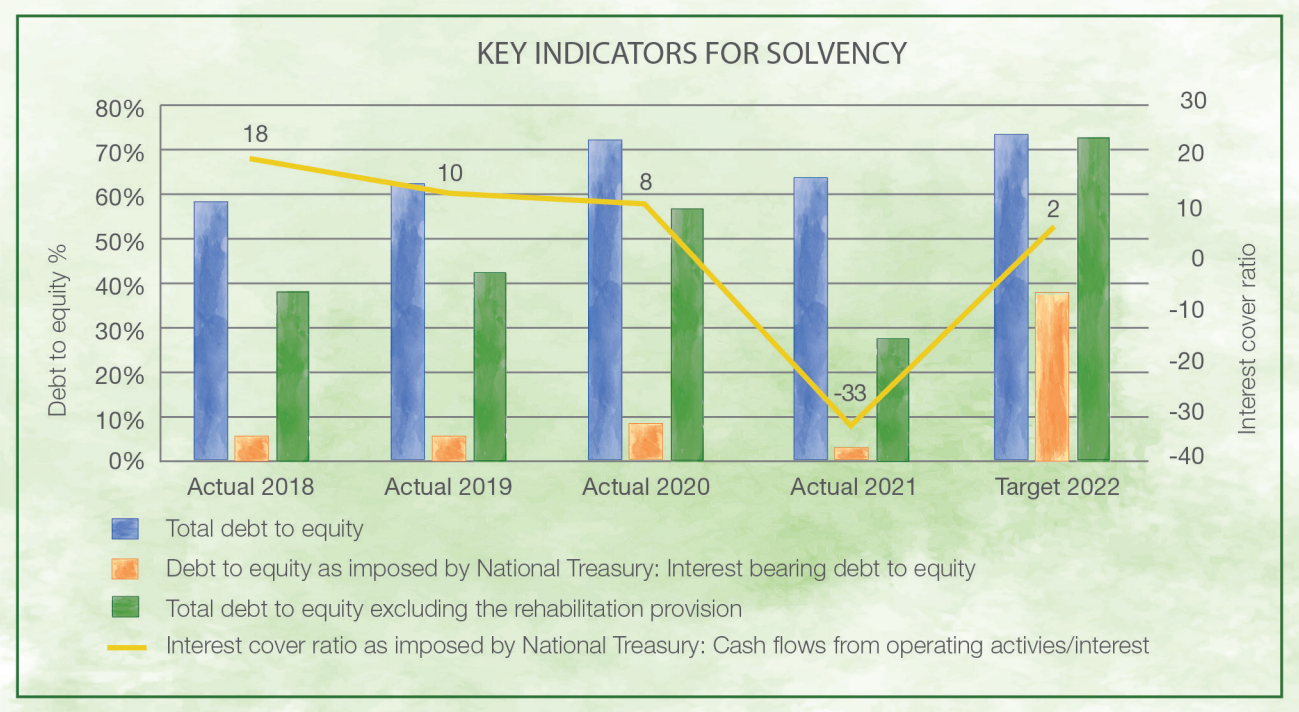


Figure 13: CEF Group solvency

Liquidity

The Group has sufficient cash resources to fund its short-term debt and working capital requirements through cash generated from operations, banking facilities and retained cash. The cash position for the Group has declined in the current year due to settlement of the short-term liability of oil traders for the sale of strategic stock, notwithstanding the cash decline, the Group's liquidity position is healthy.

Liquidity ratio is high at 5:8, this means the Group's ability to settle its current liabilities when due is 5 times to 8. The operating cash flow ratio is low at -1.57:1 and the cash flows generated from operating activities is not sufficient to cover the short-term debts and maintenance costs, as a result the Group is currently utilising its reserves to fund the operations. Despite the lower operating cash flow ratio reported, the Group continues to maintain a current ratio, which is above the norm of 2:1.

National Treasury requires the CEF Group to maintain a cash interest cover ratio of at least two times and above. The cash interest cover ratio for the Group is 4 times; therefore, it is above the target set by National Treasury.

Solvency

The Group's gearing ratio is within the target set by National Treasury as a condition for the approval of the Reserved Based Lending and Trade Finance Facility, which is 60% equity and 40% interest bearing debt. The Group's gearing ratio is 97% equity:3% interest bearing debt. The PetroSA Group liabilities exceed the assets by R6.4 billion due to the accumulated losses and rehabilitation provision balance.

Total debt to total equity ratio is 64% total debt 36% total equity; the total debt to equity ratio exceeds the limit due to the high balance for the rehabilitation provision and accumulated losses incurred by PetroSA. The total debt to total equity excluding the rehabilitation provision is 33% debt 67% equity.

The CEF Group liabilities mainly comprised rehabilitation provision (R13.3 billion), external interest bearing debt (R1.6 billion), deferred tax liability (R1.1 billion) and trade and other payables.

The Group currently holds minimal external debt funding and, therefore, has headroom to grow its investment portfolio by accessing external funding and deploying its cash resources to sustenance, growth and diversification projects.

FINANCIAL GOVERNANCE

The Group is committed to sound financial governance through compliance to the PFMA and by preventing irregular, fruitless and wasteful expenditure.

The Group incurred irregular expenditure of R276 million during the year. The cumulative balance of irregular expenditure is R855 million. The irregular expenditure incurred in the current year mainly relates to expenditure in contravention of the procurement regulations.

Fruitless and wasteful expenditure for the current year is R12 million. The cumulative balance is R20 million. The fruitless and wasteful expenditure incurred in the current year mainly relates to R11 million to a fictitious customer. As part of corrective measures, we will continue to investigate and take appropriate action to recover any losses, and address areas where weaknesses in our systems have been identified. The Group has also established loss control functions/committees across its subsidiaries to prevent irregular, fruitless and wasteful expenditure, conduct investigations, recover losses suffered by the Group related to such expenditure, as well as enforcing consequence management. In the current year the Group has written off/condoned R13 million.

KEY CHALLENGES AFFECTING THE CEF GROUP

Profitability/Financial Sustainability

The Group's profitability is severely challenged as the Group returns are currently below the cost of capital of 15%. The returns are further exacerbated by the suboptimal performance of the oil and gas cluster. Currently the GTLR is not operating as it ran out of affordable feedstock. Further to the above, the low production (70% below target) at the Vlakfontein coal mine also contributed negatively to the returns generated by the Group.

Strategic Crude Oil

On 12 March 2018 SFF, together with CEF SOC Ltd. had lodged an application in the Western Cape High Court to set aside the disposal of the strategic crude oil stocks on the grounds that these disposals were unlawful, invalid and unconstitutional. On the 20 November 2020 the Western Cape High Court ruled that the contracts should stay or be set aside on basis that CEF and SFF should repay all proceeds received and also be responsible for out-of-pocket expenses (those are interest earned by SFF on proceeds and on storage fees as well as hedging costs) the Buyers would have suffered.

In the current year SFF paid back the proceeds received from the sale of strategic stock, however the Boards of SFF and CEF have resolved to appeal the rest of the costs they were ordered to pay. There is therefore a chance that the Supreme Court of Appeal may confirm the judgement of the Western Cape High Court and SFF would be expected to further incur an amount of approximately R2.2 billion which is the amount of the out-of-pocket expenses claimed by the Buyers of strategic stock.

Funding of the Decommissioning Liability Provision

In terms of the Financial Provision Regulations promulgated under the National Environmental Management Act 107 of 1998, PetroSA is required to have the rehabilitation liability fully funded by February 2024. At year-end, PetroSA had an obligation to provide for the rehabilitation and abandonment of its offshore and onshore facilities valued at R12.5 billion, which is currently not fully funded, as there is a shortfall of approximately R9.7 billion. The Group has to work with various stakeholders to ensure the regulations do not have an adverse impact on the liquidity of the Group when these come into effect. The Group has a total provision of R13.4 billion, the balance of which does not fall within the provisions of the NEMA Act.

Outlook

The Group identified the following key strategic challenges that required immediate attention: financial and commercial sustainability, PetroSA crisis, Group Operating Model, Strategic Direction, Governance Structure, and Capabilities.

Each entity seeks clarity for itself and the larger Group on what they desire to eliminate, raise, reduce and create in a strategic and integrated manner that will ensure long-term sustainability and overall strategic relevance. It is thus that the key pillars synthesised in earlier years underpin our Group Corporate Plan:

1. Stabilising the CEF Group and improve long-term commercial sustainability and strategic relevance with the focus on turning PetroSA around as well as other struggling entities. The turnaround of PetroSA is premised on ensuring strategic focus on commercial sustainability through a phased approach of stabilising the business, transitioning the business, and then growing the business to return to sustainable profits. Key to the planned six-month stabilisation plan is the disposal of noncore assets, upstream farm-outs, upgrade refinery to process 25 000BBL per day condensate, obtain binding ECP execution and LNG supply offered through market engagement to enable long-term solutions and improve downstream presence.

2. Drive growth and increase market share through diversification of income streams and product portfolio, which will allow us to play a meaningful role in supporting the economic recovery of the country. Some key projects especially to this end are projects for gas and gas infrastructure.

3. Development of key energy infrastructure programs in support of economic development and growth in support of security of energy supply and the creation of much needed jobs and skills development.

4. Group consolidation to exploit synergies and improve scale for strategic relevance and repositioning the Group for long-term growth. Core to this is the merger of iGAS, SFF and PetroSA to form the new energy champion. It is thus that the merger project is being progressed. Upcoming milestones in this direction include the shareholder approval of the merger archetype and also the legal incorporation of the SANPC.

Conclusion

Notwithstanding the severe economic environment caused by COVID-19, the Group ended the 2020/21 financial year with an improved financial performance as compared to 2019/20 financial year, recording a net profit of R540 million compared to previous year's net loss of R5.3 billion. The revised Group's strategic initiatives of improving business performance and rationalising its subsidiaries are geared towards ensuring the Group move to an improved financial performance in future.



Ms D Morabe
Acting Group Chief Finance Officer

SECTION SEVEN



FINANCIAL STATEMENTS

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The financing and promotion of the acquisition of research into and exploitation of energy-related products and technology.
Directors	Ms A Noah (CEF Group Chairperson) Mr J Besnaar CA (SA) Ms G Leketi Adv P Hassan Mr L Makhuba CA (SA) Mr T Maqubela Mr N Mompati Dr I Poolo Mr N Poya Ms N Sondlo CA (SA)
Registered office	Block C, Upper Grayston Office Park 152 Ann Crescent Strathavon Sandton 2199
Business address	Block C, Upper Grayston Office Park 152 Ann Crescent Strathavon Sandton 2199
Postal address	P O Box 786141 Sandton 2146
Website	http://www.cefgroup.co.za
Ultimate holding company	The South African Government represented by the Minister of Mineral Resources and Energy
Bankers	Absa Bank Limited Standard Bank of South Africa Limited
External auditors	Auditor-General of South Africa
Company secretary	Mr A Haffejee

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Board is required, in terms of the Companies Act No 71 of 2008 and the Public Finance Management Act No 1 of 1999 to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated 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, are in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies and supported by reasonable and prudent judgments and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the Group and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, it 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 appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board has reviewed the Group's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, is 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 auditing and reporting on the Group's consolidated annual financial statements. The consolidated financial statements have been examined by the Group's external auditors and whose report is presented on pages 115 to 120.

The consolidated annual financial statements set out on pages 126 to 232, which have been prepared on the going concern basis, were approved by the Board on 24 February 2022 and were signed on its behalf by:



Ms A Noah (CEF Group Chairperson)
24 February 2022



Ms N Sondlo (Independent Non-Executive)
24 February 2022

DIRECTOR'S REPORT

1. Introduction

The Board has pleasure in submitting its report on the consolidated annual financial statement for the Group for the year ending 31 March 2021.

2. Nature of Business

Our Business

The principal activities of the CEF Group are:

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

The CEF administers the Central Energy Fund and the Equalisation Fund on behalf of the Department of Mineral Resources and Energy.

These funds are regulated by Ministerial Directives issued by the Minister of Mineral Resources and Energy and, in some cases, in concurrence with the Minister of Finance as laid down by the Central Energy Fund Act. The holding company provides treasury, administrative and accounting services to the funds.

3. Shareholder's Compact

The Group is controlled by the Department of Mineral Resources and Energy. All shares are held by the State and are not transferable. This shareholding is in terms of the Central Energy Fund Act. Before the start of every reporting period, the Group concludes a Shareholder's Compact that facilitates an agreement of performance deliverables for approval by the Shareholder's representatives.

The Shareholder's Compact represents the agreement between the Minister of Mineral Resources and Energy and the Board. It is a reflection of the expectations of each party, expressed in terms of outcomes and outputs that need to be achieved. It documents the mandated key performance measures and indicators to be attained for the planning period as agreed between the Minister and the CEF Board.

4. Board of Directors

The composition of the Board at 31 March 2021, abridged curricula vitae of each director, key activities and decisions of the Board and its committees, and performance evaluation are set out in the Governance section of the Integrated Report. The remuneration and fees paid to directors are set out in note 40 to the consolidated annual financial statements.

Directorate – The Board members of the Group during the reporting period were as follows:

Directors	Designation	Changes
Ms A Noah (Chairperson)	Non-Executive	Appointed: 12 December 2020
Dr M Mynade (Late Chairperson)	Non-Executive	Passed away: 2 August 2020
Mr J Besnaar CA (SA)	Non-Executive	
Ms G Leketi	Non-Executive	
Adv P Hassan	Non-Executive	
Mr L Makhuba CA (SA)	Executive	
Mr T Maqubela	Non-Executive	
Mr N Mompati	Non-Executive	
Dr I Poolo	Executive	
Mr N Poya	Non-Executive	
Ms N Sondlo CA (SA)	Non-Executive	

4. Board of Directors (continued)

Meeting Attendance

Name of Director	2 Apr-20	29 Apr-20	1 May-20	7 May-20	13 May-20	17-Jun-20	30-Jul-20	26-Aug-20	29-Sep-20	29-Oct-20	5-Nov-20	6-Jan-21	25-Feb-21	31-Mar-21
	B	B	B	B	B	SB	SB	SB	SB	B	SB	SB	B	SB
Ms A Noah (Chairperson)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y	Y
Dr M Mnyande (Late Chairperson)	Y	Y	Y	Y	Y	Y	A	N	N/A	N/A	N/A	N/A	N/A	N/A
Mr J Besnaar	Y	Y	Y	Y	Y	Y	Y	A	Y	Y	Y	Y	Y	Y
Ms G Leketi	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Adv P Hassan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr L Makhuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Mr T Maqubela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	A	Y	Y	Y
Mr N Mompati	Y	Y	Y	Y	Y	A	Y	Y	Y	Y	Y	Y	Y	A
Dr I Poolo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr N Poya (Interim Chairperson)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ms N Sondlo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Notes:
B – Board
AGM – Annual general meetings
SB – Special Board meeting
Y – Attended meeting
N – Did not attend meeting
A – Apology
N/A – Not a member at date of the meeting
NB. The challenges faced by the Group, at mainly PetroSA and SFF as well as the need for a revised strategy, necessitated Special Board meetings.

Board Audit and Risk Committee – The committees consisted of the following members:

Name	Designation	Changes
Mr J Besnaar	Non-Executive (Chairperson)	
Mr N Mompati	Non-Executive	
Mr N Poya	Non-Executive	
Ms N Sondlo	Non-Executive	

4. Board of Directors (continued)

Meeting Attendance

Name of Director	28-May-20	23-Jun-20	21-Jul-20	30-Jul-20	28-Sep-20	26-Oct-20	2-Feb-21	26-Feb-21	30-Mar-21
Mr J Besnaar (Chairperson)	Y	Y	Y	N	Y	Y	Y	Y	Y
Mr N Mompati	N	Y	Y	Y	Y	Y	Y	Y	Y
Mr N Poya	Y	Y	N	Y	N	N	N	N	N
Ms N Sondlo	Y	Y	Y	Y	Y	Y	Y	Y	Y

*** Mr N Poya was the Group Interim Chairperson from 1 August 2021 until 10 December 2021 and did not attend meetings during this period.*

Notes:
Y – Attended meeting
N – Did not attend meeting
N/A – Not a member at date of the meeting

The committee meets at least twice per annum. The Chief Audit Executive of the Internal Audit Function, the external auditors and such members of management as are deemed necessary also attend these meetings. The committee is responsible for the internal controls and risk management of the Group delegated by the Board. In order to meet these requirements, the committee reviews the findings of both internal and external auditors. In addition, it reviews important accounting issues, material pending litigation if applicable, the Group's insurance, risk management and disclosure requirements in the consolidated annual financial statements. The responsibilities of this sub-committee of the Board are set out in the report of the Board Audit and Risk Committee which forms part of the consolidated annual financial statements.

Board Human Resource, Remuneration and Nominations Committee – The committee consisted of the following members:

Name	Designation	Changes
Mr N Poya	Non-Executive (Chairperson)	
Mr N Mompati	Non-Executive	
Mr T Maqubela	Non-Executive	
Adv P Hassan	Non-Executive	

The Board has delegated the function of ensuring that employees are fairly rewarded in accordance with their contributions to the Group's performance to the Board Human Resources Committee.

4. Board of Directors (continued)

Meeting Attendance

Name of Director	23 May-20	28-Aug-20	21-Oct-20	25-Mar-21
Mr N Poya (Chairperson)	Y	Y	Y	Y
Mr N Mompati	N	Y	N	Y
Mr T Maqubela	Y	N	Y	N
Adv P Hassan	Y	Y	Y	Y

Note:
Y – Attended meeting
N – Did not attend meeting

Social and Ethics Committee – The committee consisted of the following members:

Name	Designation	Changes
Ms G Leketi (Chairperson)	Non-Executive	
Dr M Mnyande	Non-Executive	Passed away: 2 August 2020
Mr L Makhuba	Executive	

Finance and Procurement Committee – The committees consisted of the following members:

Name	Designation	Changes
Adv P Hassan (Chairperson)	Non-Executive	
Mr J Besnaar	Non-Executive	
Ms N Sondlo	Non-Executive	

Meeting Attendance

Name of Director	14-Oct-2020
Adv P Hassan (Chairperson)	Y
Mr J Besnaar	N
Ms N Sondlo	Y

Note:
Y – Attended meeting
N – Did not attend meeting

5. Performance for the Year

Financial Summary

Below is a summary of the Group's financial performance, reflected as high-level key ratios:

Consolidated R'000	2021	2020
Profit/(Loss)	540 230	-5 263 874
Revenue	10 338 944	14 555 764
EBITDA	-674 976	-133 203
EBITDA margin %	-6.5	-0.9
Net asset value	10 580 133	10 634 473
Return on capital employed %	2	-14
Return on equity (ROE) %	5	-49
Cash generated/(utilised) from operations	-4 954 417	114 233

The Group has reported a **net profit of R540.2 million** compared to the R5.3 billion loss reported in the prior period. The positive Group performance is mainly due to the SFF profit of R1.5 billion as a result of low crude oil prices prevailing in March/April 2020. This enabled the company to secure crude oil storage contracts, impairment reversals and fair value adjustments as well as the R389 million iGAS profits emanating from ROMPCO. This was countered by the PetroSA net loss of R1.2 billion as operations were severely impacted by the depletion of gas that necessitated a cessation of operations at the GTL refinery in December 2020, this loss is despite the impairment reversals of R990 million.

The Group reported **a negative EBITDA of –R675 million** (margin: -6.5%) compared to the –R133 million (margin: –0.9%). The negative EBITDA is mainly driven by the PetroSA gross losses and high cost structure.

Revenue has decreased by 29% compared to prior years mainly driven by a decrease in PetroSA revenue of 32% and AEMFC of 43.6%, however there was an increase in the margins, return on capital employed as well as return on equity.

The **cash utilised in operations worsened** in the current year compared to the prior year, R4.9 billion and R114 million respectively. This was mainly due to the repayment to the traders in relation to the sale of strategic stock.

The Group capital structure consists of 36% equity and 64% liabilities. The Group capital structure is tenuous and is likely to deteriorate due to the suboptimal performance of PetroSA, which is technically insolvent.

High Level Entity Performance

AEMFC reported a loss of R38.6 million (2020: profit of R79 million) mainly due to the lower revenue of R302.4 million, a 44% reduction from the prior year as a result of poor performance against the Eskom coal supply agreement due to poor coal qualities from the mine and congestion at the designated Kusile Power Station. AEMFC finished the year in shortfall position with Eskom, but a rectification plan is currently under negotiation with Eskom and efforts are being put in place to ramp up saleable volumes to contractual volume. The financial year closed off with a loss before tax of R66.3 million. The losses were cushioned by the declaration of dividends from associates to the value of R42.8 million. The return on capitalemployed of -4.8% was 19.6 percentage points lower in comparison to the prior year resulting from lower operating income. The asset base decreased by 7.9% from the prior year mainly because of the decrease in trade

receivables.

5. Performance for the Year (continued)

iGAS has reported a net profit of R389.3 million compared to the R440.6 million reported in the prior year. As ROMPCO pays off the outstanding debt there is an expectation of additional dividends flowing to shareholders. ROMPCO's future performance will also continue to be challenged by depleting PPA gas reserves. The decrease in the profits is due to the lower dividends received from ROMPCO of R252 million compared to R317.5 million received in the prior year. Interest received from cash reserves decreased to R69 million compared to R82 million received in 2020, this is a return less than 5% on the cash reserves.

PetroSA continues to experience challenges, the group reported a net loss after tax of R1.2 billion (2020: R5.6 billion) for the current financial year; a decrease of R4.4 billion. This is despite the gross loss of R915 million overshadowing the previous year's gross loss of R180 million by R735 million.

The negative movement in gross margin emanates from the PetroSA company operations that posted a gross loss of R1.1 billion versus the previous year's R287 million. The company operations were severely impacted by the depletion of gas that necessitated a cessation of operations at the GTL refinery in December 2020.

The net loss for the year reduced from R5.6 billion to R1.2 billion. This was mostly due to the reduction of impairment charge from R4.9 billion to an impairment reversal of R990 million. The biggest change came from impairment of property, plant and equipment that was R4.6 billion in 2020 but an impairment reversal of R1 billion in 2021.

Other items affecting financial performance were other operating expenses (R46 million lower), other income (R28 million higher), investment income (R112 million lower), finance costs (R37 million higher) and taxation of R90 million against R701 million in 2020.

SFF reported a profit of R1.5 billion as a result of low crude oil prices prevailing in March/April 2020 that enabled the company to secure crude oil storage contracts. The company has embarked on revenue diversification projects to ensure that even in a high oil price environment the company is able to record profits hence the company forays into crude oil exploration projects (e.g. South Sudan). The company commands a formidable balance sheet with assets in excess of R10 billion and 48% of those assets are in cash form, thus the company has enough reserves to undertake the revenue diversification initiatives.

PASA reported a surplus of R 6.7 million (2020: R12.2 million) for the year. The decline in the surplus is mainly due to R6.4 million decrease in interest income, which is attributable to the lower interest rates, and a slight increase in expenses. The company received an operational allocation of R91.3 million from the DMRE through a MTEF process. The company received an additional ring-fenced amount of R43 million for the shale gas research project.

6. Accounting Policies

The accounting policies applied in the preparation of the annual consolidated financial statements for the year ended 31 March 2021 are in accordance with IFRS and are consistent with those applied in the prior year. Judgments and estimates made by management in the application of IFRS that have a significant impact on the consolidated annual financial statements are disclosed in the accompanying notes.

7. Share Capital

There has been no change in the authorised or issued share capital during the year.

8. Dividend Distribution

Dividend Policy

Dividend distributions to the Shareholder are governed by the requirements of Section 46 of the Companies Act. The key considerations in determining a declaration of dividends are:

- Shareholder approval after the Board resolution for a dividend distribution;
- the commitments as per the strategic objectives for investments and feasibility study expenditures in fulfilling the shareholder mandate; and
- the Group will reasonably satisfy the solvency and liquidity test immediately after completing the proposed distribution.

The declaration of dividends is reviewed annually, subject to the approval by the shareholder representative at the AGM or through a Section 54 approval.

9. Investments

The Group comprises a mix of investments, from simple financial assets, joint ventures and joint operations, to associates and subsidiaries. The details are contained in note 6, 7 and 8 of the consolidated annual financial statements.

10. Impairments and Reversal of Impairments on Property, Plant and Equipment

Due to the depleting gas reserves feeding the GTL refinery and fluctuating oil prices, an impairment assessment was conducted as required by IAS 36, resulting in an impairment (refer to note 3 of the financial statements). In light of the current commodity prices and the significant reduction in reserves, the West Cape Three Points block and Deepwater Tano block held by PetroSA Ghana Limited were assessed for impairment, also resulting in an impairment. The change to the decommissioning provision (refer to note 23) resulted in a change in estimate, and had a positive impact on the performance. Due to oil price recovery, Strategic Fuel Fund had an impairment reversal of R201 million for unpumpable crude oil. These significant items can be summarised as follows:

	2021 R'Million	2020 R'Million
Mossel Bay GTL refinery impairment	4	10
Ghana blocks	(338)	2 607
Increase/(Reduction) in decommissioning provision	(666)	2 242
SFF unpumbale crude oil reversal	(201)	212
	(1 201)	**5 071**

11. Capital Expenditure and Commitments

Details regarding capital expenditure and commitments are reflected in the cash flow from investing activities and note 35 of the consolidated annual financial statements.

Authorised Capital Expenditure

Already contracted for but not incurred

	2021 R'Million	2020 R'Million
AEMFC	14 038	72 936
PASA	525	3 994
SFF	645 323	777 617
PetroSA	155 735	200 805
	815 621	**1 055 352**
Not yet contracted for and authorised by Directors		
CEF SOC – Authorised by Directors' resolution	575 822	722 000
AEMFC SOC Ltd – Total authorised capital budget	141 570	499 625
PASA – Shale gas project	31 498	
Other authorised major commitments		
CEF SOC – Sponsorship – Solar water heaters- Contracted for	62 835	48 722
CEF SOC – Sponsorship – Solar water heaters – Not yet contracted for	81 469	139 610
Capital expenditure in Statement of Cash Flow		
Purchase of property, plant and equipment	211 379	446 536
Purchase of other intangible assets	54 360	128 546
Investment in associates/joint ventures	–	–
	265 739	**575 082**

12. Funding

Capital Structure

The capital structure of the Group consists of equity invested by the Shareholder, retained earnings and debt funding. At year-end our equity amounted to R10.6 billion, with debt borrowings of R1.4 billion made up of a reserved based loan and finance lease liability.

Consolidated R'000	2021	2020
External borrowings (Existing)	1 438 390	2 513 861
Gearing ratio	64%	71%
Gearing ratio % (interest bearing debt/equity and reserves) as per NT	3%	10%

12. Funding

Funding of the Decommissioning and Rehabilitation Provision

At year-end the Group had an obligation to provide for the rehabilitation and decommissioning of its offshore and onshore facilities valued at R13.2 billion made up of the following:

	2021	2020
PetroSA Group	12 639 956	12 913 286
Strategic Fuel Fund	563 696	484 048
African Exploration and Mining Finance Corporation	44 382	44 699
	13 248 034	**13 442 033**

The Group will fund this liability by a combination of funds set aside as well as from its accumulated profits.

PetroSA Group

At year-end the PetroSA Company (South African operations) had a R12.2 billion obligation to provide for the rehabilitation and decommissioning of its offshore and onshore facilities (this excludes the R12.3 million rehabilitation of the land at Voorbaai Terminal and Bloemfontein Depot and the provision related to PetroSA Ghana of R394 million). PetroSA has set aside R2.9 billion for this and there is currently, a shortfall of approximately R9.3 billion. In terms of the financial provision regulations which were promulgated under the National Environmental Management Act No 107 of 1998, PetroSA is required to review, assess and adjust its financial provision and associated plans in accordance with these regulations before 19 February 2024, by which time the financial provision funds will need to be available. The provision calculation is based on comprehensive technical work conducted by an international decommissioning contractor and thereafter reviewed by an independent specialist.

PetroSA is working with all key stakeholders to ensure compliance with the requirements of the financial provisioning regulations by 19 February 2024. To this extent, the holding company has committed to assist PetroSA through various support and oversight mechanisms to close the funding gap. In addition, PetroSA is working closely with the regulator (the Petroleum Agency of South Africa) to ensure that it discharges its responsibilities as required under the NEMA financial provisioning regulations. Other key stakeholders involved include the Departments of Mineral Resources and Energy, National Treasury, and Forestry, Fisheries and Environment.

No funds have been set aside for the funding of international provisions valued at R394 million. In terms of the signed petroleum agreements, this will commence once 50% of the estimated reserves have been produced from the relevant fields.

The PetroSA Group has set aside funds towards the cost of decommissioning. These funds are not available for the general purposes of the Group and comprise the following investments:

	2021 R'Million	2020 R'Million
Cash deposits	477	477
Cash in PetroSA Rehabilitation NPC	2 282	2 129
Financial guarantee	180	180
	2 939	**2 786**

13. Events After Reporting Date

ACWA Project

15% Investment in ACWA

During February 2021 the CEF board resolved to approve that CEF re-enter the ACWA Redstone project with and equity share of 15% through our subsidiary, CEF Carbon. The Section 54 approval for the 15% was already obtained in prior years and this has been disclosed as a commitment in the financial statements. During April 2021 the first draw-down was transferred to ACWA in the form of a Shareholder loan (R57.2 million) and an equity (R171.5 million) shareholder contribution, the rest of the contributions are still to follow as per the approved schedule.

Additional 10% Investment in ACWA

In addition to the above, in February the Board also resolved that CEF take up the additional 10% equity share on offer from ACWA Power subject to this being within the risk management protocols of CEF. This has not been disclosed as a commitment as it is conditional on the above and as at the end of the financial year the Section 54 approval was not obtained. The approval was only obtained subsequent to year-end and is disclosed as a non-adjusting event as it is indicative of a decision taken after the reporting period.

PetroSA

Reserve-Based Lending Facility

The current PetroSA Ghana Limited reserve-based lending facility (RBL) is due to expire in February 2022. The early settlement of the RBL will result in savings of approximately R10.6 million in interest, commitment fees and withholding tax. On 8 June 2021, the directors resolved to settle the outstanding balance of R328.5 million. The facility was repaid on 18 June 2021.

Dividends Declaration

On 8 June 2021, the PetroSA Ghana Board approved a dividend of R135.7 million which was paid to PetroSA on 11 June 2021. On 26 November 2021, the PetroSA Ghana Board approved a further R315.8 million, which was paid on 8 December 2021.

Ghana Revenue Authority (GRA) Audit

On 26 October 2021, Ghana Revenue Authority (GRA) sent a notice withdrawing their audit assessment of R708.7 million. For further details refer to note 30.

PetroSA Rehabilitation (NPC) Land Bank Investment

On 22 July 2021, PetroSA Rehabilitation (NPC) received an investment repayment of R86.8 million and on 19 October 2021, received another investment repayment of R70.5 million from the Land Bank. Subsequent to this repayment, the capital value of the investment was R427.7 million.

PetroSA Board Dissolution

On 25 May 2021, PetroSA management was informed by CEF SOC Ltd. that they had resolved to dissolve the PetroSA Board. At a board meeting between PetroSA and CEF held on 24 May 2021, the PetroSA Board was informed of the dissolution with immediate effect. As such, in line with section 49(2) (b) of the PFMA the GCEO assumed responsibility of the Board/Accounting Authority. The new directors were appointed on 11 August 2021.

PASA

During April 2021, Impact Africa Limited (Impact) paid in full the historical debts (previously written off) inclusive of interest on behalf of Silver Wave Energy (Pty) Ltd (Silver Wave) as a precondition to them farming in on the Silver Wave Block (ER 276). The farm in by Impact and the renewal of ER 276 have both been approved by the delegate of the Minister. ER 276 will now be renewed for its first renewal period. The total value of the transaction was R13 million.

13. Events After Reporting Date (continued)

iGAS

Project Trout

On 30 April 2021, iGAS together with other members of the consortium submitted a conditional binding final bid offer for the acquisition of the Sasol Pipeline Network Assets. At the date of finalising the financial statements the preferred bidder had not been announced by the seller and the PFMA Section 54 approvals were still outstanding.

ROMPCO Acquisition

Subsequent to year end, iGAS in partnership with Companhia Mocambiçana de Gasoduto (CMG) exercised their pre-emptive rights to acquire an additional 30% equity stake in the ROMPCO pipeline. The successful conclusion of the SPA will increase iGAS's equity share from 25% to 40%.

Dividends Declaration

Post-year-end, the iGAS Board declared a dividend to its shareholder, CEF SOC Ltd., of R172.799 million based on the positive cash, solvency and liquidity position at year end.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

14. Going Concern

The Board is confident that the going concern assumption is appropriate in the preparation of the Group Consolidated Annual Financial Statements for the year ended 31 March 2021. While difficult economic conditions persist, the Board and management continuously review the operational and financial risks of the Group and ensure that appropriate initiatives, strategies and controls are in place to mitigate the risks and their impact on business.

PetroSA

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for 12 months from approval of the financial statements. The Group's total liabilities exceed total assets by R6.3 billion rendering the Group technically insolvent. The shareholder and the ultimate shareholder, on 25 May 2021, resolved that the company will not proceed with voluntary business rescue nor liquidation of the group. It was resolved to continue trading on the assumption that the initiatives in the Corporate Plan would be executed and implemented through robust engagements with CEF, DMRE and Ministry through the War Room, established between PetroSA, CEF and DMRE. The Board will aggressively monitor the implementation of interventions as detailed in the approved Corporate Plan.

Subsequent to the announcement of the merger in the previous financial year, work has progressed and submission of the cabinet memo to expedite and obtain approvals and implementation thereof is expected in the 2022/23 financial year. Whilst the merger process is progressing, PetroSA developed and presented to the Board its updated Corporate Plan which was approved for execution with the Shareholder, aimed at ensuring a commercially viable entity that will be merged into SANPC.

PetroSA is facing a number of key strategic challenges and consequently, a material uncertainty exists regarding the entity's ability to honour obligations as they fall due and continue as a going concern.

The company's financial distress position continued in the period under review. The weakened financial strength of the balance sheet has led to several suppliers reluctant to offer unsecured and/or open favourable credit terms. While some suppliers do not afford favourable terms to PetroSA, there remains a number of suppliers who continue to offer open and favourable credit terms to PetroSA, both in the past and current financial year. PetroSA will continue to depend on its own cash reserves and utilise stringent working capital management processes to fund and market operations to fulfil customer contractual obligations and source new customers. The letter of credit facility with Standard Bank of R350 million that was financed from own cash reserves matured in the current financial year, and consequently these funds were remitted to PetroSA. These funds have been utilised to fund working capital and operational activities.

14. Going Concern (continued)

The GTLR ceased operations and production in December 2020 resulting in the company realising a net loss of R1.5 billion in the current financial year. Management is exploring various initiatives, including increasing finished product volumes for placement in the market, utilising funding support through a stream of dividend income from PetroSA Ghana Limited and other funding strategies.

Management's projected cash flow has been erratic, fluctuating on a month-to-month basis and performance is under severe pressure. PetroSA has entered into negotiated payment terms with suppliers on an ongoing basis to smoothened and manage working capital and cash. Management's cash projection for a positive cash balance was achieved for March 2021. Whilst the projected cash balance for March 2022 is positive, there are instances where payments have been deferred but by no later than two days. Management is convinced that this situation is contained and has been assisted by the dividends received subsequent to financial year-end. There are anticipated dividend declarations for the period of January to March 2022.

SARS issued a letter of demand for R1 billion with respect to exports from unlicensed depots for the period of May 2015 to March 2017. PetroSA sequentially effected the following actions in relation to the SARS DAS matter. At first, PetroSA requested for a suspension of the payment amount, however SARS denied it. Subsequently, PetroSA lodged a DA96 notice with SARS, notifying the Commissioner of its intention to approach the High Court for an urgent application to interdict SARS from taking any enforcement and/or collection steps against PetroSA. PetroSA was successful in this regard. The DA96 application to litigate was submitted to SARS. The next step is for SARS is to submit a replying affidavit and for PetroSA to effect the same. The High Court will then adjudicate on the date when the matter will be expostulated.

As part of a cost optimisation process, PetroSA has embarked on a Section 189 process including voluntary severance, which has since been concluded. The voluntary severance process was concluded in October 2021, with 115 employees exiting the company. The next steps in the S189 process, including involuntary separation is anticipated to conclude before March 2022. Ongoing risk assessment, as part of the selection process by the Headcount Reduction Committee process during the Section 189 process, was conducted to ensure key personnel who are required for the current operating model are not lost. The GTLR has not been producing since December 2020 owing to high feedstock costs, thus not commercially attractive for production and is progressively being put under preserved state, which requires only critical employees to ensure safety of the plant.

In addition, the directors have considered appropriateness of the going concern assumption used in the preparation of the company and consolidated an annual financial statement for the year ended 31 March 2021 and in particular considered the matters below:

- PetroSA over the last year has experienced operating losses.
- Indigenous gas reserves are close to depletion and reached technical cut-off point for supply to the GTLR in December 2020.
- The GTLR has been in parked mode since December 2020 due to poor market product cracks. The processing of condensate in a depressed market environment will result in negative yields and consequently is not commercially viable.
- The Trading, Supply and Logistics division continues to import finished product for resale at a profit and satisfy contractual commitments. The trading of hydrocarbons has proved profitable, however not adequate to cover the high fixed cost structure of PetroSA.
- PetroSA was unable to pay staff salaries for May and June 2021. CEF made funds available for remuneration.
- The prioritisation of payments to suppliers in relation to the available funds on monthly basis remains an ongoing assessment.
- A precarious financial position is impacting negatively on the organisation's credit rating status.
- PetroSA remains vulnerable to exogenous factors such as fluctuations in the crude oil price (a decrease in the Brent price has resulted in an impairment of PetroSA Ghana Limited and volatility in foreign exchange rates (a devaluation in the ZAR/USD has resulted in an increase in the ZAR value of the decommissioning liability).
- At a company level, PetroSA's total liabilities exceeded its total assets by R7.3 billion (2020: R6 billion).
- The declining financial strength of the balance sheet has led to several suppliers no longer being prepared to offer unsecured, favourable credit terms but insisting on letters of credit (LCs).

14. Going Concern (continued)

Initiatives on the Corporate Plan

CEF and DMRE have been working closely with PetroSA in the formulation of the Corporate Plan. To counter and respond to the challenges listed, PetroSA is aggressively pursuing the following initiatives, short term and medium to long term to ensure a commercial and sustainable company:

SHORT-TERM INITIATIVES

Increased Purchase and Resale of Finished Products
The aggressive yields on increased purchase and resale of purchased products is providing much relief in the source of income for PetroSA. Revenue in the first quarter of 2021/22 increased by 15.7% compared to quarter four of 2020/21, where revenue increased by 65.5%. This increase is associated with the conclusion of a contract that was secured during the new financial year for the supply of finished products, which has since been extended a further two months.

This increase in demand is expected to continue during the planning period and the economic forecast is that South Africa needs finished products due to limited local producing companies. Furthermore, PetroSA continues to attract new business for supply of finished products, which will improve downstream business and related margins.

Dividend Income and PetroSA Ghana Limited (PGL)
PetroSA received dividends of R504.2 million from PGL to support the operational liquidity needs of the company. PetroSA has expectations of future dividends in the ensuing year based on revenues from PGL. The tax assessment issued by Ghana Revenue Authority (GRA) has been assessed as low risk and not a threat to the company's income stream. The GRA issued a final audit assessment for the period of 2014 to 2018 in respect to Ghanaian corporate taxes, withholding tax and branch profit tax, inclusive of penalties and interest amounting to US$47.9 million. A dispute was lodged by PGL which considers the merits of the tax assessment and outlines the grounds of objection thereto.

Cost Optimisation
PetroSA continues to implement stringent cost-containment measures for the group. In the previous financial year, PetroSA achieved R2.8 billion in cost-containment savings, including feedstock savings of R2 billion. In quarter 1 of the new financial year, the company achieved R63 million in savings compared to the budget. The cost containments will continue to be implemented in the new financial year. In order to strengthen cost-containment measures, the cash flow management and evaluation process has been reintroduced in the new financial year, which is aimed at ensuring all expenditures are approved at the highest levels within the organisation, being GCEO, GCFO and COO.

Financing Instruments

Increase Equity through Pre-Emption – PGL
PetroSA has signed an MOU with a Ghana-based entity to acquire Occidental Petroleum Corporation's (Oxy) participating interests in Ghana's Jubilee and TEN oil-fields in return for a free carry interest of equity. The funding for the acquisition will be secured through a UK-based regulated financial investor and PetroSA would benefit from the transaction by an increased negotiated share for a free carry.

Reserved-Based-Lending
PetroSA has engaged Standard Bank (PetroSA's transactional banker) for a bridge loan for the exercise of the pre-emption on the DWT portion of Jubilee field and TEN (US$70 million) and that this funding will be converted to reserved-based-lending (RBL) with PetroSA Ghana Limited shares as security. The indicative term offer from Standard Bank indicates that the quantum of the RBL would be US$150 million to US$200 million.

Right Sizing of the Business
The consultation process with labour was conducted and finalised at the beginning of the 2021/22 financial year. The right sizing process is premised on a liqud natural gas (LNG) plus gas sales and associated structure, as the basis for consultation with Labour on the headcount reduction. With the implementation of the S189, the entity will be able to secure savings of approximately R112.6 million per annum through voluntary separation packages and salary reduction when these interventions are implemented.

14. Going Concern (continued)

Disposal of Non-Core Assets
The disposal of non-core assets falls within management level of authority and approved materiality framework, however as a prudent measure, concurrence with the Minister has been requested. PetroSA will receive the proceeds from the disposals of non-core assets, which includes the ORCA, excess spares no longer required for operations and Christmas trees. All disposals have undergone a competitive bidding process and adjudication of bids completed. In some of the disposals, agreements of sale have been concluded.

MEDIUM- TO LONG-TERM INITIATIVES

Feedstock for the Refinery
The options for the GTLR are currently being evaluated through an external service provider who will advise PetroSA on the most commercial and sustainable solution. The evaluation and/or recommended solution will be presented to PetroSA by March 2022.

Divestment and Farm-Outs
PetroSA concluded a competitive bidding process to find equity participation partners for some of its offshore petroleum rights to bring in technical expertise and financial resources required to fund the forward work programmes associated with these rights, thus limiting PetroSA's technical risk and financial exposure.

For one asset (Exploration Right 248 – Block 2C) a farm-out agreement has been signed and completion of the farm-out is expected before November 2021. Farm-out negotiations for another asset (ER 224 – Blocks 5,6,7) have commenced and the funds are expected to be received by the end of 2021 and will cover PetroSA's share of operating costs capped at US$1 million.

The farm-outs will allow PetroSA to remain active in the upstream activities whilst the "state free carry" envisaged in the UPRD Bill is undergoing Parliamentary approval processes.

Financing Instruments

Approach to Market to Secure Borrowings
PetroSA, per CEF letter dated 11 October 2021, will issue a tender to the market for the appointment of a Mandated Lead Arranger to evaluate PetroSA's medium- to long-term funding requirements holistically and to secure bespoke funding solutions comprised of debt and partnership strategies.

Management acknowledges that material uncertainty remains over the Group's ability to continue to operate as a going concern due to liquidity constraints. In considering the uncertainties described above, and weighing these against interventions by shareholders, management has a reasonable expectation that the Group has adequate financial resources and support from both shareholders and the executive authority to continue operations for the foreseeable future and therefore continues to adopt the going concern basis of accounting to prepare the financial statements.

AEMFC
Although the company's assets were greater than its liabilities in the year under review, AEMFC reported a loss of R38.6 million and as a result the entity had cash constraint challenges. This was further exacerbated by not having access to alternative financial resources. The above are concerns that may affect the company's ability to continue as a going concern into the future.

14. Going Concern (continued)

Short-term initiatives to mitigate these risks have been identified, such that management has implemented a turnaround strategy in returning to profitability and improving cash resources. These initiatives are as follows:

- Implementing a business improvement initiative to address efficiencies in our production performance. This initiative is yielding positive results.
- Obtaining a toll wash beneficiation solution to address our coal quality challenges within the short term.
- Performing a feasibility study on long-term coal beneficiation options for the life of mine (LOM).
- Perform cost analysis on all spend in order to be classified as essential or non-essential. Funds can only be spent on the basis that a direct link to bottom-line earnings can be demonstrated.
- Determine which operational functions are essential for revenue generation.
- Review an optimal organisation structure for all levels that will fit the current mine output.
- Identify alternative sources of financial resources that can be utilises in the raising of funds.
- Review the positive impact of our partnership that can bolster our bottom line, cash resources and sustainability.

The AEMFC Board confirms that it has assessed the key sustainability risks and there is no reason to believe the business will not be a going concern in the year ahead.

15. Litigations

Sale of Strategic Stock

On 12 March 2018 the company (SFF), together with the holding company (CEF SOC Ltd.) had lodged an application in the Western Cape High Court to set aside the disposal of the strategic crude oil stocks on the grounds that these disposals were unlawful, invalid and unconstitutional. On the 20 November 2020 the Western Cape High Court has ruled that the contracts should stay or be set aside on basis that CEF and SFF should repay all proceeds recieved and also be responsible for out-of-pocket expenses (those are interest earned by SFF on proceeds and on storage fees as well as hedging costs) that the Buyers would have suffered.

The Boards of SFF and CEF have resolved to appeal everything but paying back proceeds received from sale of strategic stock and the storage income that SFF received which both amount to about R5.5 billion.

There is a chance the Supreme Court of Appeal may confirm the judgement of the Western Cape High Court and therefore SFF would be expected to further incur an amount of about R2.2 billion which is the amount of the out-of-pocket expenses claimed by the Buyers of strategic stock.

16. Compliance and Legislation

The Group is subject to a number of laws and regulations from enabling legislation to those that affect our revenue, expenses and liabilities that require monitoring and reporting by those charged with governance. Below are significant laws that have been identified to warrant a summary for reporting purposes.

PFMA

The Group has implemented and maintained sound governance structures and processes to ensure compliance with the provisions of the PFMA. PFMA compliance is one of the key legislations the Group manages and monitors. This monitoring function is achieved through the following:

- an approved process on the delegation of authority, procurement and procedures;
- automated and manual systems and processes; and
- a shareholder approved materiality framework that has been established at Group-level and cascaded throughout the Group companies.

16. Compliance and Legislation (continued)

The PFMA imposes obligations on the Board and the Board for subsidiaries relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with operational policies; losses of state resources through criminal conduct and the collection of all revenue.

The Board has a materiality framework which was approved by the Shareholder Representative. The Shareholder has approved that the materiality Group limit for reporting in terms of sections 55(2)(b)(i), (ii) and (iii) of the PFMA is R759.840 million per transaction.

Approval Levels in Terms of Section 54

Figures R'000	Group	PetroSA	CEF	PASA	AE	iGAS	SFF	OPC	CCE	ETA
Public Entity's Board Levels	<759 840	<370 230	<133 914	<5 989	<20 641	<36 417	<233 207	<700	<1	<7
CEF Board to Approve	<759 840	<370 230	<759 840	>5 989	>20 641	>36 417	>233 207	>700	>1	>7
Obtain DoE approval and inform National Treasury via the top-most Holding company	>759 840	>759 840	>759 840	>759 840	>759 840	>759 840	>759 840	>759 840	>759 840	>759 840

Irregular Expenditure and Fruitless and Wasteful Expenditure

For the list of the transgressions and management actions, refer to note 45 and 46 of the Consolidation Annual Financial Statements.

17. Auditors

The Auditor-General of South Africa continued in office as auditors for the Group and its subsidiaries for 2021. At the AGM, the Shareholder will be requested to re-appoint the Auditor-General of South Africa as the independent external auditors of the Group and to confirm Mr Dumisani Cebekhulu is the designated lead Business Executive for the 2021/22 financial year.

18. Annual General Meeting

The annual general meeting will be held in terms of Section 61 of the Companies Act 71of 2008.

19. Company Secretary

The Group secretary is Mr A Haffejee.

Postal address	P O Box 786141 Sandton 2146
Business Address	Block C, Upper Grayston Office Park 152 Ann Crescent Strathavon Sandton 2031

20. Acknowledgments

Thanks and appreciation are extended to our Shareholder, staff, suppliers and consumers for their continued support of the Group.

The Consolidated Annual Financial Statements set out on pages 126 and 232 which have been prepared on the going concern basis were approved by the Board on 24 February 2022 and were signed on its behalf by:



Ms A Noah (CEF Group Chairperson)
Johannesburg
24 February 2022



Dr I Poolo (Group CEO)
Johannesburg
24 February 2022

Report of the Board, Audit and Risk Committee

This report is provided by the Board, Audit and Risk Committee appointed in respect of the 2021 financial year for the CEF Group.

1. Charter

The roles and responsibilities for the Audit Committee and Risk Committee (Collectively – the Committee) are split to improve and focus attention on risk management activities separately. The members of the two committees are the same members and the committee meetings take place on the same dates.

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

2. Purpose

The Committee's purpose and responsibilities arise from the Companies Act No 71 of 2008 Section 94(7), The Public Audit Act No 25 of 2004, Public Finance Management Act of 1999 Section 76 (4)(d) and Treasury Regulations 27.1. In performing its responsibilities, the committee has reviewed the following:

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

3. Membership

The Committee members were appointed by the Board and comprise of at least three non-executive members. The committees consist of the members listed hereunder and should meet on a minimum of two occasions per annum as per the approved charter. During the financial year three meetings were held.

Name of Director	28-May-20	23-Jun-20	21-Jul-20	30-Jul-20	28-Sep-20	26-Oct-20	2-Feb-21	26-Feb-21	30-Mar-21
Mr J Besnaar (Chairperson)	Y	N	Y	N	Y	Y	Y	Y	Y
Mr N Mompati	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mr N Poya	N	Y	N	Y	N	N	N	N	N
Ms N Sondlo	Y	Y	Y	Y	Y	Y	Y	Y	Y

*** Mr N Poya was the Group Interim Chairperson from 1 August 2021 until 10 December 2021 and did not attend meetings during this period.*

Notes:
Y – Attended meeting
N – Did not attend meeting
N/A – Not a member at date of the meeting

4. External Audit

The Committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the external audit plan as presented by the Auditor-General of South Africa. The Audit Committee has reviewed the Auditor-General of South Africa's Strategic Audit Plan for the 2020/21 financial year and have approved the fees. The Audit Committee has satisfied itself that the Auditor-General of South Africa exercised their duties in an independent and objective manner.

5. Corporate Governance

We are of the opinion that the Group continues to strive towards complying with sound principles of corporate governance. As per our discussions with management, management confirms that the content and quality of quarterly reports prepared and issued by the Interim Group Chief Executive Officer during the year under review were properly formulated and have complied with the PFMA in this regard.

6. Internal Audit

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

The Chief Audit Executive has direct access to the committee, primarily through its Chairperson. The Committee is also responsible for the assessment of the performance of the internal audit function. The internal audit function is independent and has the necessary resources, budget, standing and authority within the organisation to enable it to discharge its functions. The Chief Audit Executive reports functionally to the Chairperson of the Audit Committee and the Chairperson must concur with the appointment and dismissal of the Chief Audit Executive.

The Committee is satisfied that the internal audit function is operating effectively, and that it has addressed the risks pertinent to the Group in its audits and accordingly believe that internal audit has contributed to the improvement of internal controls within the Group.

7. Financial Statements

The Committee reviewed the Annual Financial Statements and is satisfied they fairly present the consolidated and separate results of operations, cash flows, and the financial position of CEF Group and comply, in all material respects, with the relevant provisions of the Companies Act, International Financial Reporting Standards (IFRS) and Interpretations of IFRS as issued by the International Accounting Standards Board.

Together with the going concern assessment, the Committee reviewed the Company's policies on risk assessment and risk appetite as they pertain to financial reporting, and reviewed the Group policy related to establishing the extent of insurance cover required, and found them to be sound.

The committee has also reviewed the AGSA's management report and management's response thereto including the significant adjustments resulting from the audit. The Committee concurs and accepts the annual financial statements, and is of the opinion that the audited financial statements be accepted and read together with the report of the AGSA. Following the review of the annual financial statements, the Committee recommends Board approval thereof.

8. Accounting Practices and Internal Control Effectiveness

The Committee is satisfied that a system of internal controls has been put in place and that these controls have functioned effectively during the period under review. The Committee considers the system of internal controls appropriate in all material respects to:

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

It was noted that no other significant or material non-compliance with prescribed policies and procedures has been reported except as reported in the audit report. Accordingly, we can report that the system of internal controls for the period under review was efficient and effective.

9. Risk Management

The Board assigned the oversight of the risk management function to the Board, Audit and Risk Committee (BARC). The Group implemented a risk management strategy which includes the fraud prevention plan and combined assurance plan. The BARC monitored the significant risks faced by the Group through reviewing risk reporting and participation in the risk assessment workshop. We are satisfied that significant risks were managed to an acceptable level.

10. Significant Matters Considered by the Committee

The following is a description of the key matters considered by the Audit Committee:

Key Issues	Judgements in Financial Reporting	Audit Committee Review	Conclusions
Fair, balanced and understandable reporting	• In preparing the Annual Financial Statements in terms of the IFRS, 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.	• The Committee considered reports received from management and the external auditors' quarterly highlighting significant accounting issues and judgements and obtained assurance from management that disclosures in CEF's financial statements were fair, balanced and understandable. • Established via reports from management and external audit that there were no indications of material fraud relating to financial reporting matters. • Assessed disclosure controls and procedures. • Considered matters of accounting, tax and disclosure issues raised by the external auditors. • Requested that management report on and evidence the basis on which representations to the external auditors were made.	• Having assessed all of the available information and the assurances provided by management, the Committee concluded the processes underlying the preparation of CEF's financial statements were appropriate.

10. Significant Matters Considered by the Committee (continued)

Key Issues	Judgements in Financial Reporting	Audit Committee Review	Conclusions
Impairment and recoverability of assets carrying value	• Judgements and assumptions are applied by management in calculating the recoverable amount of the Cash Generating Units (CGUs) and determining the ongoing appropriateness of the CGUs being used for the purpose of impairment testing. • These include assumptions such as discount rates. • Judgements are also required in assessing the recoverability of loans and overdue receivables and in deciding whether a provision is required.	• The Committee reviewed the discount rates for impairment testing as part of its annual process and examined the assumptions. • Key impairment assessments reviewed by the Committee include: • Mossel Bay GTL refinery impairment reversal (R4 million) • Ghana blocks impairment reversal (R338 million) • Decrease in decommission provision (R666 million) • SFF unpumaple crude oil reversal (R201.2 million)	• The committee is satisfied with the judgements and assumptions used in the calculation of impairments.
Accounting for provisions	• **Post-retirement benefit obligations–** Valuation of the post-retirement benefit obligation provision requires the use of assumptions in relation to uncertain future factors i.e. inflation rates, discount rates, salary increases and mortality rates. Judgement is also required in the measurement of the fair value of certain pension assets. • **Rehabilitation provisions** – Provisions are recognised for the full future restoration and rehabilitation of production facilities to the end of its economic lives. The majority of these activities will occur in the long term and the requirements that will have to be met in future might be uncertain. Judgement is required in estimating future cost and cash outflows, discount rates, settlement dates, technology and legal requirements.	• The Committee received an update on the status of funding, investment and governance of pensions and other retirement benefits provided to current and former employees of CEF. In addition, the Committee examined the assumptions used by management as part of its annual reporting process. • The Committee received briefings on the Group's rehabilitation provisions and asset retirement obligations, environmental remediation strategies, including the key assumptions used, the governance framework applied (covering accountabilities and controls), discount rates and the movement in provisions over time.	• The Committee reviewed the net post-retirement benefit assets. The valuations are performed by independent third parties. • The Committee reviewed the rehabilitation provisions for compliance with legislation and consistent application of the accounting policy. • The Committee requested that an external review be performed every two years to confirm the completeness of the rehabilitation provision. • The Committee took into account the reviews and re-computations undertaken by the external auditors which supported the accounting for all significant provisions.

10. Significant Matters Considered by the Committee (continued)

Key Issues	Judgements in Financial Reporting	Audit Committee Review	Conclusions
Accounting for income taxes	• Computation of the Group's income tax expense and liability, provisions for potential tax liabilities, and recognition of deferred tax assets in terms of the company's taxation policy. • Recognition of deferred tax assets in respect of accumulated tax losses are underpinned by management judgement.	• The Committee reviewed the judgements exercised on tax provisions as part of its annual review of key provisions. • In relation to the recognition of the deferred tax assets, the Committee challenged management's expectations for future taxable profits and in considering management's position, the Committee took into account the work and views of external audit. • The Committee required management to manage taxes transparently and with due regard to commercial and reputational risks. The effective tax rate is analysed by country to ensure accuracy and completeness. • The Committee considered management's assessment of the Group's tax exposures and the appropriateness.	• The Committee reviewed the tax numbers and disclosures in the financial statements, the tax policy, approach to tax management and status of compliance.
Going concern assessment	• The conclusion by the Board to prepare the annual financial statements on a going concern basis requires management judgement on issues which includes uncertain future forecasts of net cash inflows, net debt and financing facilities available to the Group. • The assessment was done for a period of 12 months.	• The Committee critically assessed the liquidity of CEF Group using the latest forecasted projection of future cash flows.	• After examining the forecast along with CEF's ability to generate capital and raise funding in current market conditions, the Committee concluded that CEF's liquidity and capital position remained appropriate, and that the going concern basis of accounting was agreed. • Accordingly, the Committee recommended to the Board the adoption by the company of the going concern basis of preparation.

11. Conclusion

We therefore recommend that the Board approve the Consolidated Annual Financial Statements for 2020/21.

12. Appreciation

The committee expresses its sincere appreciation to the DMRE, Directors, Group Chief Executive Officer, Management, Internal Audit and the Auditor-General of South Africa.

On behalf of the Board Audit and Risk Committee



Ms N Sondlo
Member of the Board, Audit and Risk Committee
24 February 2022

Statement from Company Secretary

In my capacity as CEF Secretary, I hereby confirm, except where otherwise mentioned in the Consolidated Annual Financial Statements, for the year ended 31 March 2021, that the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required of the Group in terms of the Companies Act of South Africa of 2008 and that all such returns are to the best of my knowledge and belief, correct and up to date.



Mr A Haffejee
Group Company Secretary
24 February 2022

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON
CEF SOC LIMITED AND ITS SUBSIDIARIES

Report on the Audit of the Consolidated Financial Statements Opinion

1. I have audited the consolidated financial statements of the CEF SOC Limited and its subsidiaries (the Group) set out on pages 126 to 232 which comprise the consolidated statement of the financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, as well as notes to the consolidated financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2021, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (the Companies Act).

Basis for Opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the consolidated financial statements section of my report.
4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' international code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matters

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

Impairment of Property, Plant and Equipment

7. As disclosed in note 3 to the consolidated financial statements, the Group had an impairment reversal of R1 201 187 000 (2020 impairment loss: R5 071 018 000) on property, plant and equipment in relation to the unpumpable stock.

Uncertainty Relating to Future Outcome of Litigation

8. With reference to note 37 to the consolidated financial statements, the Group is an applicant in the strategic stock litigation. The Group is appealing some aspects of the costs order handed down by the Western Cape High Court on 20 November 2020. The ultimate outcome of the matter could not be determined and a contingent liability was disclosed. No provision for any liability was made in the financial statements.

Contingencies – Guarantees

9. With reference to note 37 of the consolidated financial statements, the Group has provided various guarantees to the value of R684 374 000 (2020: R685 555 000) mainly for the rehabilitation of mining leases.

Events After the Reporting Date

10. With reference to note 44 of the consolidated financial statements, during the year, the CEF Board resolved to approve that CEF re-enter the ACWA Redstone project with an equity share of 15% (R171.5 million) through CEF SOC Limited's subsidiary, CEF Carbon. The Section 54 approval for the 15% was already obtained in prior years and this has been disclosed as a commitment in the financial statements. The first draw-down was transferred to ACWA in the form of shareholder loans and equity after year-end. The Board also resolved to take up an additional 10% equity, the approval of which was only obtained subsequent to year-end.

11. With reference to note 44 of the consolidated financial statements, the current PetroSA Ghana Limited reserve-based lending facility (RBL) is due to expire in February 2022. The early settlement of the RBL will result in savings of approximately R10.6 million in interest, commitment fees and withholding tax. On 8 June 2021, the directors resolved to settle the outstanding balance of R328.5 million. The facility was repaid on 18 June 2021.

Events After the Reporting Date (continued)

12. With reference to note 44 of the consolidated financial statements, subsequent to year-end, iGAS with its partner exercised their pre-emptive rights to acquire an additional 30% equity stake in the ROMPCO pipeline. The successful conclusion of the Sales and Purchase Agreement (SPA) will increase iGAS's equity share from 25% to 40%.

Other Matter

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

Unaudited Supplementary Information

14. The supplementary information set out on pages 233 to 243 does not form part of the consolidated financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

Responsibilities of the Accounting Authority for the Financial Statements

15. The Board of Directors, which constitutes the Accounting Authority is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS, the requirements of the PFMA and the Companies Act, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the consolidated financial statements, the Accounting Authority is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Consolidated Financial Statements

17. My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

18. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to this auditor's report.

Report on the Audit of the Annual Performance Report

Introduction and Scope

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected strategic theme presented in the Annual Performance Report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.
20. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic theme presented in the public entity's annual performance report for the year ended 31 March 2021:

Strategic Theme	Page in the Annual Performance Report
Strategic theme – Commercial sustainability	121

Report on the Audit of the Annual Performance Report (continued)

21. The material findings on the usefulness and reliability of the performance information of the selected strategic theme are as follows:

Strategic Theme – Commercial Sustainability

Collect target dividend from subsidiaries

22. I was unable to obtain sufficient appropriate audit evidence that the performance indicator was clearly defined. This was due to insufficient measurement definitions and processes. I was unable to test whether the indicator was well-defined by alternative means.

Collect target service fee from subsidiaries

23. I was unable to obtain sufficient appropriate audit evidence that the performance indicator was clearly defined. This was due to insufficient measurement definitions and processes. I was unable to test whether the indicator was well-defined by alternative means.

Other Matters

24. I draw attention to the matters below.

Achievement of Planned Targets

25. Refer to the Annual Performance report on pages 121 to 125 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 in paragraphs 22 and 23 of this report.

Adjustment of Material Misstatements

26. I identified material misstatements in the Annual Performance Report submitted for auditing. These material misstatements were on the reported performance information of the strategic theme – commercial sustainability. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the Audit of Compliance with Legislation

Introduction and Scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

28. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by Section 55(1)(b) of the PFMA. Material misstatements of related parties identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Report on the Audit of Compliance with Legislation (continued)

Strategic Planning and Performance Management

30. An annual Shareholder's Compact was not concluded in consultation with the Executive Authority, as required by treasury regulation 29.2.1.
31. The key performance measures and indicators included in the Shareholder's Compact were not agreed between the Accounting Authority and the Executive Authority, as required by treasury regulation 29.2.2.
32. The objectives and outcomes included in the Corporate Plan were not agreed with the Executive Authority in the Shareholder's Compact, as required by treasury regulation 29.1.1(a).

Expenditure Management

33. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R12 677 000, as disclosed in the financial statements of CEF SOC Limited, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with the supply chain management policy and regulations.

Procurement and Contract Management

34. Not all goods, works or services were procured through a procurement process that is fair, equitable, transparent and competitive, as required by Section 51(1)(a)(iii) of the PFMA.

Consequence Management

35. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against the officials who had incurred irregular expenditure in prior years, as required by Section 51(1)(e)(iii) of the PFMA.
36. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against the officials who had incurred fruitless and wasteful expenditure in prior years, as required by Section 51(1)(e)(iii) of the PFMA.

Other Information

37. The Accounting Authority is responsible for the other information. The other information comprises the information included in the Annual Report, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate, as required by the Companies Act 71 of 2008 (the Companies Act). The other information does not include the consolidated financial statements, the Auditor's Report and the selected strategic theme presented in the Annual Performance Report that have been specifically reported in this Auditor's Report.
38. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
39. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected strategic theme presented in the Annual Performance Report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
40. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
41. I have nothing to report in this regard.

Internal Control Deficiencies

42. I considered internal control relevant to my audit of the consolidated financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the Annual Performance Report and findings on compliance with legislation included in this report.
43. The Accounting Authority did not exercise adequate oversight responsibility regarding the audit of predetermined objectives, compliance with laws and regulations and related internal controls, which resulted in instances of non-compliance with the PFMA and treasury regulations.
44. Senior management did not ensure that the action plan to address audit findings was effectively implemented, as repeat audit findings were reported on compliance with laws and regulations.
45. Senior management did not implement adequate review controls to ensure that the financial statements were free from material misstatements and complied with the requirements of the PFMA, as the submitted annual financial statements of CEF SOC Limited were subject to material amendments resulting from the audit.

Other Reports

46. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
47. The public entity has contracted the services of an external party in investigating alleged irregularities and misconduct, for the period ended 31 March 2021. The outcome of these investigations was confirmed and implemented by the public entity.

Auditor - General

Johannesburg
18 February 2022

AUDITOR-GENERAL SOUTH AFRICA
Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated financial statements and the procedures performed on reported performance information for selected strategic theme and on the public entity's compliance with respect to the selected subject matters.

Financial Statements

2. In addition to my responsibility for the audit of the consolidated financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors, which constitutes the Accounting Authority;
- conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the CEF SOC Limited and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this Auditor's Report. However, future events or conditions may cause a public entity to cease operating as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

Communication with Those Charged with Governance

3. I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the Accounting Authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

GROUP REPORT ON PERFORMANCE AGAINST OBJECTIVES

Detailed performance scores, including comments regarding variances, for each activity of the Group are included in individual performance score cards.

Strategic Theme	Goal/ Objective	Measure/KPI	Strategic Initiatives	Weight	Target (FY20 /21)	Score	Comments
Commercial Sustainability	Improve profitability to achieve a return equivalent to the cost of capital	ROIC Margins Organic growth Plant utilisation rate	Portfolio management entities, associates and surplus cash Strategic partnerships Diversify short-term investments Feedstock: Backward integration/Equity crude Finished product Plant utilisation rate: Preventative maintenance Production targets and quality management	30%	Net loss of R2.1 billion	5	R540 million
					Gross margin (-2%)	5	4%
					Utilisation rate 95%	1	PetroSA: Utilisation rate (0.00bbl/d)/46000 is 0% AEMFC: 257.7kT/610.7kT which is 42.2% SFF: (263 mill/416 mill) is rented 63.2%
					Meet 80% production targets	1	AEMFC (Actual production is 42.2% of target) PetroSA (Actual production is 0% of target)

GROUP REPORT ON PERFORMANCE AGAINST OBJECTIVES
(CONTINUED)

Strategic Theme	Goal/ Objective	Measure/KPI	Strategic Initiatives	Weight	Target (FY20 /21)	Score	Comments
Consolidation and Turnaround	Reorganise the CEF Group and turn its performance around	Execute and monitor the Group reorganisation plan	PetroSA turnaround plan execution Change management and Stakeholder management Target operating model design Refinery conversion: GTL to crude TL Divestments: Upstream-midstream and noncore assets Organisational rightsizing Merger of PetroSA, SFF and iGAS Embark on strategic partnerships	20%	On-time delivery of priority projects	4	On-time delivery of key priority projects and associated milestones within the planning timeframe related to the following: 1. acquisition of Sasol Stake in ROMPCO, 2. additional gas from Mozambique, 3. COEGA LNG, ACWA
					Execution of merger within stated timelines	5	Execution of **Phase 1** of merger project within agreed timeframe in delivering outlined by: **Phase 1a:** Strategy and merger design **Phase 1b:** Merger detailing **Phase 1c:** Merger implementation key deliverables as approved by the Project Steering Committee were SANPC Strategy, Operating Model, Corporate Plan, Funding Plan and proposed merger archetype.
					Reduce HO costs from R1B to R200M by end 2020/21 FY	1	Partial achievement in the reduction of Group Head Office costs is reported. Headcount and other associated costs did not achieve the annual target. The bulk of these initiatives reside with PetroSA which experienced a number of delays in executing on numerous stabilisation and turnaround initiatives. Shared services and other consolidation initiatives will form part of **Phase 2** of the merger project.

GROUP REPORT ON PERFORMANCE AGAINST OBJECTIVES
(CONTINUED)

Strategic Theme	Goal/ Objective	Measure/KPI	Strategic Initiatives	Weight	Target (FY20 /21)	Score	Comments
Operational Efficiency	Increase in organisational efficiency and productivity	Overheads/ Gross profit Automation rate	Business process management Consolidation, rationalisation and integration of Group enterprise systems	5%	Improve (Overheads/ Gross profit) to -1531% Automation: Implement BPR capacitation and framework Automation: Appoint implementation partners for automating performance reporting and eProcurement define "TO BE" IT architecture for a future consolidated and integrated CEF Group Appoint service providers for implementation of common IT platform Define a long range Group IT strategy to support a consolidated and integrated Group	2.3	Overheads/Gross profit) to -535% Numerous business process improvement initiatives held in abeyance pending the finalisation of the future Group IT architecture recommendations which were impacted by the merger and the consolidation of the 3 entities. These will now form Phase 2 of the Merger Project. 3 out of the 4 targets were not achieved; as initiatives were held in abeyance due to the merger project implication and alignment. These were: • Long range Group IT strategy • Work from anywhere strategy • "TO BE" IT architecture The Common IT Platform project will form part of broader merger projects outputs Support services target is not achieved. Will be ruled out for future years of the planning period due to constrained resources
		Support services cost/GP digital proficiency	Consolidation, rationalisation and integration of Group enterprise systems Shared services Outsourcing of noncore activities	5%	Defining the digital transformation roadmap 50% initiative success rate	1	Scope of work was completed in Q3 however the project was held in abeyance until approval by Cabinet.

GROUP REPORT ON PERFORMANCE AGAINST OBJECTIVES
(CONTINUED)

Strategic Theme	Goal/ Objective	Measure/KPI	Strategic Initiatives	Weight	Target (FY20 /21)	Score	Comments
Strategy and Long-term Growth	Lead the development of an integrated strategy & growth to drive long-term commercial sustainability	ROIC New business development conversation rate Market share	Develop and execute group growth and funding strategy Acquisition of operating assets Petroleum (downstream entry) Gas (LNG and shale gas) New mine development/ acquisition Fuel storage (storage in Durban, Cape Town and Gauteng) New energy (Biofuel and energy storage) Group master brand strategy to position CEF Group Continental shelf claim and upstream marketing initiatives	30%	R100M income from new business	5	Excellent progress. 2 business cases approved for carrying forward. • AEMFC: New Largo, Beryl Coal, Quattro • AEMFC & SFF: Transfer of bunkers • iGAS: COEGA LNG terminal • iGAS: Additional Mozambique gas
					New business development conversion rate of 60%	5	Key strategic projects have gone through the various steps of the internal stage gate process to determine project viability. They have moved from concept, past final investment decision (FID) to pre-implementation. These projects represent a significant portion of the Group's growth agenda.
					Brand reputation score of 55%	4	Brand and stakeholder strategy initiatives being implemented. The activities have been expanded to support merger project and development of SANPC/ NEWCO brand strategy.
					2% Market share	4	Acquisition process is in progress for several strategic projects. Excellent progress made including on the ROMPCO stake acquisition and ACWA Redstone on the back of a positive project pipeline.

GROUP REPORT ON PERFORMANCE AGAINST OBJECTIVES
(CONTINUED)

Strategic Theme	Goal/ Objective	Measure/KPI	Strategic Initiatives	Weight	Target (FY20 /21)	Score	Comments
Human Performance and Organisational Alignment	Sustained superior business performance in the market place and the achievement of competitive advantage	Increased employee engagement by 10% YoY Improved organisational business performance by 5% YoY Increased employee retention ratio Average revenue per employee (Productivity)	Finalise Group integrated human capital strategy Implement Group values and culture change campaign (a culture of execution/business performance bias) Leadership and talent pipeline development and 4IR focus (competency framework and implementation) Implement employee value proposition (EVP) components (recognition and reward) Group operating model design and implementation Change management initiatives Shared services delivery model	10%	Holding company organisation structure implementation to support parenting strategy and new company organisation structure development as part of merger	2	Partial achievement in the roll out of holding company organisational structure due to merger project impact. Work in progress.
					Implementation of change management initiatives to support the organisation Structures and new normal due to COVID-19	5	Remote connectivity in Q4 continued to improve on the work of earlier quarters, giving staff the flexibility to work from home as circumstances demand. Much change management progress, initiatives, placards, online messages and engagement of companywide structures to align corporate values and communicate them.
					Performance Management Automation Leadership Competency Framework: Activate integrated talent management system, talent boards training and development	3	Baselines are established for all entities. Across the Group, process underway to align some of these initiatives with the broader merger project.
					Shared services integration: Approved business case	2	Partial achievement of target with shared services baseline assessments done. This will form part of Phase 2 of the merger project.

Detailed performance scores, including comments regarding variances, for each activity for Group are included in individual performance score cards.

Weighted Total	**3.42**
Total % Achievement	**68.3%**
Score	**Description**
0	not measured
1	not achieved
2	partially achieved
3	achieved
4	above target (if the objective warrants a 1-5 score)
5	exceptional performance (if the objective warrants a 1-5 score)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

Figures in R '000	Note(s)	2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	3	6 432 365	6 655 434
Intangible assets	4	1 274 419	1 624 166
Investments in subs	5	–	–
Investments in JV's	6	–	–
Investment in associate	7	1 200 345	1 148 277
Loans to group companies	8	47 516	44 263
Trade and other receivables	15	295 048	252 800
Other financial assets	9	181 245	184 955
Deferred tax	11	571 672	777 895
Prepayments	12	414	518
Strategic stock	13	2 769 164	2 504 122
		12 772 188	**13 192 430**
Current Assets			
Inventories	14	626 091	849 151
Loans to group companies	8	153	35 720
Trade and other receivables	15	1 746 615	2 229 014
Prepayments	12	178 540	147 282
Current tax receivable		18 123	20 244
Cash and cash equivalents	16	13 691 048	20 822 759
		16 260 570	**24 104 170**
Total Assets		**29 032 758**	**37 296 600**
Equity and Liabilities			
Equity			
Equity attributable to equity holders of parent reserves		982 584	1 466 588
Retained income		9 604 570	9 174 744
		10 587 154	10 641 332
Non-controlling interest		(7 021)	(6 859)
		10 580 133	**10 634 473**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2021

Figures in R '000	Note(s)	2021	2020
Liabilities			
Non-Current Liabilities			
Other financial liabilities	20	–	930 765
Lease liabilities	21	1 045 389	1 314 806
Retirement benefit obligation	22	203 123	139 716
Deferred tax	11	1 105 096	1 597 148
Provisions	23	13 252 486	13 429 719
Deferred income	24	24 037	52 745
		15 630 131	**17 464 899**
Current Liabilities			
Trade and other payables	25	2 105 695	8 610 872
Other financial liabilities	20	389 931	262 017
Lease liabilities	21	115 849	106 477
Retirement benefit obligation	22	4 194	3 544
Current tax payable		1 981	15 970
Provisions	23	194 181	198 348
Deferred income	24	10 663	–
		2 822 494	**9 197 228**
Total Liabilities		**18 452 625**	**26 662 127**
Total Equity and Liabilities		**29 032 758**	**37 296 600**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

Figures in R '000	Note(s)	2021	2020
Revenue	26	10 338 944	14 555 764
Cost of sales	27	(9 797 940)	14 177 637)
Gross Profit (Loss)		**541 004**	**378 127**
Other operating income	28	1 660 614	392 248
Other operating expenses		(2 271 818)	(7 701 798)
Operating Loss	29	**(70 200)**	**(6 931 423)**
Investment income	30	813 408	1 192 725
Finance costs	31	(627 809)	(615 015)
Income from equity accounted investments		348 132	500 469
Profit (Loss) Before Taxation		**463 531**	**(5 853 244)**
Taxation	32	76 699	589 370
Profit (Loss) for the Year		**540 230**	**(5 263 874)**
Other Comprehensive Income			
Items that will not be Reclassified to Profit or Loss			
Remeasurements on net defined benefit liability/asset		(42 241)	19 649
Items that may be Reclassified to Profit or Loss			
Exchange differences on translating foreign operations		(484 004)	603 372
Other Comprehensive Income for the Year Net of Taxation	33	**(526 245)**	**623 021**
Total Comprehensive Income (Loss) for the Year		**13 985**	**(4 640 853)**
Profit (Loss) Attributable to			
Owners of the parent company		540 392	(5 263 731)
Non-controlling interest		(162)	(143)
		540 230	**(5 263 874)**
Total Comprehensive Income (Loss) Attributable to			
Owners of the parent company		14 147	(4 640 710)
Non-controlling interest		(162)	(143)
		13 985	**(4 640 853)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

Figures in R '000	Foreign Currency Translation Reserve	Retained Income	Total Attributable to Equity Holders of the group/ company	Non-Controlling Interest	Total Equity
Opening balance as previously reported	863 216	12 261 076	13 124 292	(6 716)	13 117 576
Adjustments					
Prior period error	–	2 159 821	2 159 821	–	2 159 821
Change in accounting policy	–	(2 872)	(2 872)	–	(2 872)
Balance at 1 April 2019 as Restated	**863 216**	**14 418 025**	**15 281 241**	**(6 716)**	**15 274 525**
Loss for the year	–	(5 263 731)	(5 263 731)	(143)	(5 263 874)
Other comprehensive income	603 372	19 649	623 021	–	623 021
Total Comprehensive Loss for the Year	**603 372**	**(5 244 082)**	**(4 640 710)**	**(143)**	**(4 640 853)**
Other adjustments on retained earnings	–	801	801	–	801
Total Contributions by and Distributions to Owners of Company Recognised Directly in Equity	**–**	**801**	**801**	**–**	**801**
Balance at 1 April 2020	**1 466 588**	**9 174 744**	**10 641 332**	**(6 859)**	**10 634 473**
Profit for the year	–	540 392	540 392	(162)	540 230
Other comprehensive income	(484 004)	(42 241)	(526 245)	–	(526 245)
Total Comprehensive Income for the Year	**(484 004)**	**498 151**	**14 147**	**(162)**	**13 985**
Prior period errors	–	(68 258)	(68 258)	–	(68 258)
Other adjustments on retained earnings	–	(67)	(67)	–	(67)
Total Contributions by and Distributions to Owners of Company Recognised Directly in Equity	**–**	**(68 325)**	**(68 325)**	**–**	**(68 325)**
Balance at 31 March 2021	**982 584**	**9 604 570**	**10 587 154**	**(7 021)**	**10 580 133**
Note(s)	19 & 33	33			

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

Figures in R '000	Note(s)	2021	2020
Cash Flows from Operating Activities			
Cash (used in)/generated from operations	34	(4 954 417)	114 233
Interest income		749 342	1 185 652
Dividends received		294 886	317 505
Finance costs		(130 187)	(167 797)
Tax paid	35	(223 203)	(116 352)
Net Cash from Operating Activities		**(4 263 579)**	**1 333 241**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	3	(211 379)	(446 536)
Sale of property, plant and equipment	3	2 241	62
Purchase of other intangible assets		(54 360)	(128 546)
Sale of other intangible assets	4	11	–
Movements in financial assets		(96 446)	44 869
Proceeds from the sale of an associate		–	21 082
Net Cash from Investing Activities		**(359 933)**	**(509 069)**
Cash Flows from Financing Activities			
Net movement in other financial liabilities		(697 464)	(88 600)
Movement in other non-current financial liabilities		(11 194)	23 922
Proceeds from loans to group companies		34 680	–
Net movement in lease liabilities		(101 797)	(87 087)
Net Cash from Financing Activities		**(775 775)**	**(151 765)**
Total Cash Movement for the Year		(5 399 287)	672 407
Cash at the beginning of the year		20 822 759	18 924 575
Effect of exchange rate movement on cash balances		(1 248 420)	1 225 777
Effect of translation of foreign entities		(484 004)	–
Total Cash at End of the Year	16	**13 691 048**	**20 822 759**

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2021

1. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below.

1.1 Basis of Preparation

The consolidated annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these consolidated annual financial statements, and the Companies Act of South Africa as amended.

These consolidated annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Group's functional currency. Unless stated otherwise, all financial information presented in Rands has been rounded off to the nearest thousands (R'000).

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of Consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

Business Combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are a valid measurement of period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss in other comprehensive income, in accordance with relevant IFRSs. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less cost to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

1.2 Consolidation (continued)

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date at fair value, unless another measurement basis is required by IFRSs.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.3 Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint Operations

The Group recognises the following in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

1.4 Investment in Associate and Joint Ventures

The financial results of associates and joint ventures are included in the Group's results according to the equity accounting method from the acquisition date until the disposal date. Under the equity method, investments in associates and joint ventures are recognised initially at cost. Subsequent to the acquisition date, the Group's share of profits or losses of associates and joint ventures is charged to the income statement as equity accounted earnings and its share of movements in equity reserves is recognised as other comprehensive income or equity as appropriate. A JV is a joint arrangement in which parties have joint control, with rights to the net asset of the arrangement. An associate is an entity, other than a subsidiary, JV or joint operation, in which the Group has significant influence, but no control or joint control over the financial and operating policies. Associates and joint ventures whose financial year-ends are within three months of 31 March are included in the consolidated annual financial statements using their most recent management reports at 31 March. Adjustments are made to the associates' and JVs' financial results for material transactions and events in the intervening period.

1.5 Significant Judgements and Sources of Estimation Uncertainty

In preparing the consolidated annual financial statements in terms of IFRS, 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 consolidated 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 judgments are based on historical experience, current and expected future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgements in Applying Accounting Policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Key Sources of Estimation Uncertainty

Allowance for slow-moving, damaged and obsolete inventory

Net realisable value tests are performed at each reporting date and allowance is made to write stock down to the lower cost or net realisable value. Management has made estimates of the selling price and production costs and cost to sell on certain inventory items. The write down is included in the operating expenses.

Impairments testing 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, including movements in exchange rates, commodity prices and the economic environment in which its businesses operate. Estimates are made in determining the recoverable amount of assets, which include the estimation of cash flows and discount rates used. In estimating cash flows, management bases cash flow projections on reasonable and supportable assumptions that represent management's 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 post-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.

Evaluation of useful life of assets

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

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 23.

1.5 Significant Judgements and Sources of Estimation Uncertainty (continued)

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Environmental, decommissioning and rehabilitation provision

The determination of long-term provisions, in particular environmental provisions, remains a key area where management's judgment is required. Estimating the future cost of these obligations is complex and requires management to make estimates and judgments because most of the obligations will be fulfilled only in the future, and contracts and laws are often not clear on what is required. The resulting provisions could also be influenced by changing technologies and political, environmental, safety, business, exchange rate, inflation, discount rate and statutory considerations. It is envisaged that, based on the current information available, any additional liability in excess of an estimate is based on costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances.

Recoverability of assets

The Group assesses its cash generating units (CGUs) at each reporting period to determine whether any indication of impairment exists. Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU).
Management, therefore, has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment in which its businesses operate. 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 bases cash flow projections on reasonable and supportable assumptions that represent management's 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. These estimates and assumptions are subject to risk and uncertainty.

Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of CGUs.

Mineral reserve and resource estimates

Mineral reserves are estimates of the amount of mineral that can be economically and legally extracted from the Group's mineral properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the mineral body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of minerals in place, recovery factors and future commodity prices. Future development costs are estimated using assumptions as to the number of wells and drill holes required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

a) the carrying value of exploration, evaluation assets and production assets may be affected due to changes in estimated future cash flows;
b) depreciation and amortisation charges in the statement of profit or loss may change where such charges are determined using the units of production (UoP) and life of mine (LOM) method;
c) provisions for decommissioning may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
d) the recognition and carrying value of deferred tax assets may change due to changes in judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

1.5 Significant Judgements and Sources of Estimation Uncertainty (continued)

Defined benefit plans (pension plans)

The cost of the defined benefit pension plan, other post-employment medical benefits and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Contingent liabilities

Management considers the existence of possible obligations that may arise from legal action, possible non-compliance with Companies Act, PFMA, CEF Act and 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.

Exploration and evaluation expenditure

The amount of intangible exploration and evaluation assets represents active exploration assets. These amounts will be written off to the statement of profit or loss and comprehensive income as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment.

The key areas in which management have applied judgment are as follows: Group's intention to proceed with future work programme for a prospect or licence, the likelihood of licence renewal or extension, and the success of a well result or geological or geophysical survey.

Fair value of measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Unpumpable crude oil/crude oil sludge

The part of the crude that is necessary to operate (in technical terms) the plant and cannot be recouped (or can be recouped but would then be significantly impaired as sludge), even when the plant is abandoned, is considered part of non-current assets.

Inventory – Coal stocks

Coal stocks are measured using the survey methods. At reporting date an independent surveyor is employed to perform the stock measurement concurrently with the company and the results are compared for reasonableness.

Operating lease commitment – Group as lessor

The Group has entered into commercial property leases on its buildings and tanks. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

1.5 Significant Judgements and Sources of Estimation Uncertainty (continued)

Joint arrangements

Judgment is required to determine when the company has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the company to assess its rights and obligations arising from the arrangement. Specifically, the company considers the:

- structure of the joint arrangement – whether it is structured through a separate vehicle;
- rights and obligations arising;
- legal form of the separate vehicle;
- terms of the contractual arrangement.

Hydrocarbon reserve and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the company's oil properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates.

Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the reported financial position and results which include:

1) the carrying value of exploration and evaluation assets and production assets may be affected due to changes in estimated future cash flows;
2) depreciation and amortisation charges in the statement of profit or loss may change where such charges are determined using the UoP method;
3) provisions for decommissioning may change, where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
4) the recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Carrying value of intangible exploration and evaluation assets

The amount of intangible exploration and evaluation assets represent active exploration assets. These amounts will be written off to the statement of profit or loss as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment.

The key areas in which management have applied judgement are as follows: Group's intention to proceed with a future work programme for a prospect or license; the likelihood of license renewal or extension; and the success of a well result or geological or geophysical survey.

Units of production (UoP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UoP method. The actual production for the period is divided by the total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge (UoP rate) proportional to the depletion of the anticipated remaining production from the field.

1.5 Significant Judgements and Sources of Estimation Uncertainty (continued)

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UoP and LoM rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves whereas the life of each item and the total recoverable reserves is impacted by future capital expenditure (because the future estimated capex does not affect the UoP rate directly; it only affects the life and value of the assets to be depreciated).

Valuation assumptions

The following valuation assumptions were used and are regarded as the best estimates by the Board:

2021 assumptions	Unit	2022	2023	2024	2025 – 2026
Brent crude	USD/barrel	57.00	59.00	56.00	58.00
US CPI	Year-on-year	1.80	2.00	2.00	2.20
RSA CPI	Year-on-year	4.60	4.40	4.60	5.00
USD risk-free rate	%	3.30	3.30	3.30	4.00
RSA risk-free rate	%	7.90	8.00	8.00	9.10
ZAR/USD	Rand/USD	17.58	17.85	18.85	18.35

2020 assumptions	Unit	2021	2022	2023	2024 – 2025
Brent crude	USD/barrel	47.00	60.00	60.00	63.00
US CPI	Year-on-year	2.00	2.00	2.00	2.20
RSA CPI	Year-on-year	4.20	4.70	4.40	4.40
USD risk-free rate	%	4.90	4.50	4.50	4.60
ZAR risk-free rate	%	7.80	7.80	7.80	7.80
ZAR/USD	Rand/USD	15.62	15.91	16.11	16.45

Going Concern

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

Key management personnel

The CEO's/equivalent for operating subsidiaries and the holding company are the Group's key management personnel.

1.6 Irregular Expenditure

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

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure is removed from the notes when it is either condoned by the relevant authority, transferred to receivables for recovery, not condoned and removed or written off.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

1.7 Fruitless and Wasteful Expenditure

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

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the fruitless and wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes when it is transferred to receivables for recovery, or written off.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

1.8 Property, Plant and Equipment

The Group's property, plant and equipment is made up of the following:

- assets used in the production process such as land and buildings, plant machinery, production assets, furniture and fixtures, motor vehicles, office equipment, IT equipment and mine infrastructure;
- assets under development;
- restoration costs;
- major maintenance costs (shutdown).

Property, plant and equipment are tangible assets the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

Initial Recognition

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Initial Measurement

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the group is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Subsequent Measurement

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Cost includes the purchase price or construction costs, the present value of the expected cost for the decommissioning and environmental rehabilitation of an asset after its use, and qualifying borrowing costs.

When property, plant and equipment comprises major components with different useful lives, these components are accounted for as separate items.

1.8 Property, Plant and Equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average Useful Life
Buildings	Straight line	5 – 65 years
Plant and machinery	Straight line	3 – 80 years
Furniture, fixtures and equipment	Straight line	3 – 20 years
Motor vehicles	Straight line	4 – 15 years
IT equipment	Straight line	2 – 10 years
Restoration costs	Straight line	LoM
Mine infrastructure	Straight line	5 – 20 years limited to LoM
Shutdown costs	Straight line	3 – 5 years
Production assets	Straight line	3 – 20 years limited to LoM/UoP
Right-of-use asset	Straight line	< Lease term/useful life

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial time to prepare for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Unpumpable stock

The part of the strategic crude oil that is necessary to operate (in technical terms) the plant and cannot be recouped (or can be recouped but would then be significantly impaired as sludge), even when the plant is abandoned, is considered as an item of property, plant and equipment. These items are initially measured as historical and subsequently measured at costs less accumulated depreciation and impairment. Depreciation is charged so as to write off the depreciable amount of the assets over their estimated useful lives, using the straight-line method to write off the cost of each asset that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. The useful life is linked to the life of the tanks.

Shutdown costs

Shutdown costs relates to expenditure incurred for major maintenance and servicing of the plant. When shutdown costs will be incurred, an estimate of these shutdown costs is included in the carrying value of the asset at initial recognition.

Production assets (oil and gas fields)

Oil and gas production assets are the aggregated exploration and evaluation of 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.

1.8 Property, Plant and Equipment (continued)

Production assets are depreciated 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 carrying value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Units of production rates are based on the proved and probable developed reserves, which are oil, gas and other mineral reserves estimated to be recoverable from existing facilities using current operating methods. 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 carrying 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 profit or loss. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to profit or loss, 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.

Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as assets under construction, and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as assets under construction, provided commercial viability conditions continue to be satisfied. Development expenditure is net of proceeds from the sale of minerals extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as mine infrastructure assets.

The cost capitalised includes finance costs incurred until the production facility is completed and ready for the start of the production phase.

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

1.8 Property, Plant and Equipment (continued)

Capitalised Stripping Costs

Waste removal costs incurred in the production phase are incurred for production of inventory as well as the creation of future benefits by improving access to the ore to be mined, the latter being referred to as a 'stripping activity asset'. Judgment is required to distinguish between these two activities. The ore bodies need to be identified by their identifiable components. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Judgment is required to identify and define these components, and to determine the expected volumes (tons) of waste to be stripped and ore to be mined in each of these components. These assessments are based on a combination of information available in the mine plans, specific characteristics of the ore body and milestones relating to major capital investment decisions.

Judgment is required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tons) of waste to be stripped for an expected volume (tons) of ore to be mined for a specific component of the ore body, compared to the current period ratio of actual volume (tons) of waste to the volume (tons) of ore is considered to determine the most suitable production measure. These judgments and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgments and estimates are also used to apply the depreciation method in determining the depreciable lives of the stripping activity asset.

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. In open-pit mining, stripping costs are accounted for separately for each component of an ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan.

There are two types of stripping activity:

- Development stripping is the initial overburden removal during the development phase to obtain access to a mineral deposit that will be commercially produced.
- Production stripping begins after the first saleable minerals have been extracted from the component. Development stripping costs are capitalised as a development stripping asset when:
    - it is probable that future economic benefits associated with the asset will flow to the entity; and
    - the costs can be measured reliably.

Production stripping can give rise to two benefits, either the production of inventory in the current period or improved access to the ore to be mined in future periods. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing the inventory.

Where production stripping costs are incurred and where the benefit is the creation of access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as 'production stripping asset', if the following criteria are met:

- it is probable that the future economic benefit (improved access to ore) will flow to the entity;
- the component of the ore body for which access has been improved can be identified; and
- the costs relating to the stripping activity can be measured reliably.

If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss. Production stripping asset is accounted for as an addition or enhancement to the mine infrastructure. The asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component, plus an allocation of attributable overheads. If the production stripping asset and the inventory produced are not separately identified, a production measure is used to allocate the production stripping costs between the inventory produced and the production stripping asset.

Production stripping assets are carried at cost less depreciation and impairment loss.

1.8 Property, Plant and Equipment (continued)

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 operating profit or loss.

1.9 Intangible Assets

The Group's intangible assets comprise the following:

- exploration and evaluation assets;
- project development costs;
- software;
- patents and licences;
- restoration costs.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Project Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asse;
- the ability to measure reliably the expenditure during development.

Patents and Licences

The Group has also internally generated patents that were developed by the internal experts. These patents have an indefinite useful life.

The purchased patents are granted to be used for the duration of the contract by the relevant owner, with the option of renewal at the end of this period.

Software licences for the use of intellectual property are granted for periods ranging between 2 and 10 years depending on the specific licences.

1.9 Intangible Assets (continued)

Exploration, Evaluation and Development Assets

- Oil and Gas Wells

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

Under the successful efforts method, only those costs that lead directly to the discovery, acquisition, or development of specific discrete mineral reserves are capitalised and become part of the capitalised costs of the cost centre. Costs that are known to fail to meet this criterion (at the time of incurrence) are generally charged to the statement of profit or loss as an expense in the period they are incurred.

- Coal Mining

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements;
- conducting market and finance studies.

Expenditure incurred in relation to desktop and concept studies are charged to the statement of profit or loss. The desktop and concept studies are high level studies to estimate tonnage available and potential mine size.

Upon the approval of the concept study competent persons report, (at which point the Group considers it probable that economic benefits will be realised), the Group capitalises any further expenditure incurred for the particular licence as exploration and evaluation assets. Such expenditure consists of an accumulation of direct exploration and evaluation costs incurred, together with an appropriate portion of overhead expenditure. Administration costs that are not directly attributable to a specific exploration area are charged to the statement of profit or loss. Expenditure incurred after technical feasibility and commercial viability of extracting the mineral resource demonstrated are capitalised to exploration and evaluation assets.

Capitalised exploration and evaluation expenditure is recognised as an intangible asset and is carried at cost less impairment charges. In determining whether the cost of the exploration and evaluation assets is intangible or property, plant and equipment, consideration is given to the substance and not legal form.

Pre-Licensing Costs

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

These costs are not depreciated but written off as exploration costs in profit or loss unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

1.9 Intangible Assets (continued)

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 are continuously assessed for impairment. If no such plan or development exists or information is obtained that raises doubt about the economic or operating viability then an impairment is recognised. 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% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and a 50% 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 UoP method calculated using the estimated proved and probable reserves.

Dry Wells

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

Software

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values.

The useful lives' summary of the Group's intangible assets is as follows:

Item	Depreciation Method	Average Useful Life
External patents	Straight line	5 – 10 years
Developed patents	Indefinite	Indefinite useful life
Software licences	Straight line	2 – 10 years
Intangible assets under development	N/A	N/A

1.10 Financial Instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

- Financial assets which are equity instruments:
  - mandatorily at fair value through profit or loss; or
  - designated as at fair value through other comprehensive income (this designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

1.10 Financial Instruments (continued)

Financial assets which are debt instruments:

- Amortised cost: This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows.
- Fair value through other comprehensive income: This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments.
- Mandatorily at fair value through profit or loss: This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income.
- Designated at fair value through profit or loss: This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch.

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost.
- Mandatorily at fair value through profit or loss: This applies to contingent consideration in a business combination or to liabilities which are held for trading.
- Designated at fair value through profit or loss: This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss.

Note 41 financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below.

Loans Receivable at Amortised Cost

Classification

Loans to group companies (note 8), are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and Measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

1.10 Financial Instruments (continued)

Application of the Effective Interest Method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 30).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant Increase in Credit Risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan as at the reporting date, with the risk of a default occurring at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

1.10 Financial Instruments (continued)

Write-off Policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and Recognition of Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 29).

Credit Risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 41).

Trade and Other Receivables Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 15).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and Measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

1.10 Financial Instruments (continued)

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and Recognition of Expected Credit Losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 29).

Trade and Other Payables

Classification

Trade and other payables (note 25), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and Measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 31).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 41 for details of risk exposure and management thereof.

Trade and Other Payables Denominated in Foreign Currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 29).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 41).

1.10 Financial Instruments (continued)

Cash and Cash Equivalents

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

Bank Overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.11 Pre-Payments

Prepayments are recognised when there is a payment in advance for services not yet received. They are subsequently released to profit and loss over the period the services are received.

1.12 Tax

Current Tax Assets and Liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax Assets and Liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.12 Tax (continued)

Tax Expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Royalty Taxes

In addition to corporate income taxes, the Group recognises taxes on royalty income. Royalty tax is treated as a taxation arrangement when it has the characteristics of a tax. This is considered to be the case when it is imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for temporary differences.

Value-Added Tax (VAT)

Expenses and assets are recognised net of the amount of sales tax, except when:

- the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.13 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is or contains a lease, management determines whether the asset under consideration is identified, which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as Lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 29) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

1.13 Leases (continued)

However as an exception to the preceding paragraph, the Group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Group is a lessee are presented in note 21 (Leases Group as lessee).

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 29).

The lease liability is presented as a separate line item on the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 31).

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1.13 Leases (continued)

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment on the Consolidated Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Group as Lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described previously, then it classifies the sublease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

1.14 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories includes a right to returned goods asset which represents the Group right to recover products from customers where customers exercise their right of return under the Group returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.14 Inventories (continued)

Inventories are valued at the lower of cost and net realisable value. These are the various types of inventory held by the Group:

Strategic Inventory

Inventory costs include purchase cost, transport, handling costs as well as allocated operating overheads. These inventories are being held in accordance with Ministerial Directives as prescribed by the Minister.

The carrying amount of the strategic crude oil is expected to be realised past 12 months after the reporting date, thus it is included in non-current assets. The net realisable value is referenced against the crude oil market prices from Platts. This is based on the exercises where benchmarking had to be done to the Platts data.

Also included in strategic inventory is diesel. The diesel was acquired by the Group but has been pumped into Transnet's pipeline for that pipeline to operate. The diesel remains in the pipeline at all times. Although the diesel is in the pipeline owned by Transnet, the diesel still belongs to the Group and will be returned to the Group in the same condition (quality) when the pipeline ceases to operate. This is revalued annually against market prices.

Petroleum Products

Finished and intermediate inventory is measured at the lower of cost and net realisable value according to the standard costing method. Cost includes production expenditure, depreciation and a proportion of triennial turnaround expenses and replacement of catalysts, as well as transport and handling costs. Provision is made for obsolete, slow-moving and defective inventories.

Coal Inventory

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

Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is sold, less estimated costs to bring the product to sale.

Spares, Catalysts and Chemicals

These inventories are measured at the lower of cost on a weighted average cost basis and net realisable value less appropriate provision for obsolescence determined by reference to specific items of inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Finished Inventories and Work-in-Progress

Finished inventories and work-in-progress is measured at the lower of cost and net realisable value according to the standard costing method. Standard costs take into account normal levels of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current conditions. Cost includes production expenditure, depreciation and a proportion of shutdown expenses and replacement of catalysts, as well as transport and handling costs. Provision is made for obsolete, slow-moving and defective inventories.

Consumable Stock

These inventories are measured at the lower of cost on a weighted average cost basis and net realisable value. Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle which could be the next financial year. If not, they are classified as non-current.

1.15 Non-Current Assets (Disposal Groups) Held for Sale or Distribution to Owners

The Group classifies non-current assets and disposal groups as held for sale/held for distribution to owners if their carrying amounts will be recovered principally through a disposal rather than through continuing use.

Such non-current assets and disposal groups classified as held for disposal are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held-for-disposal classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate disposal and transfer in its present condition. Actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the disposal will be withdrawn. The probability of shareholders' approval (if required in terms of PFMA and other applicable laws and regulations) should be considered as part of the assessment of whether the distribution/sale is highly probable.

Management must be committed to the disposal which qualifies for recognition as a completed sale within one year from the date of the classification.

Depreciation of assets ceases from the date of classification in non-current assets held for sale.

Assets and liabilities classified as held for disposal/distribution to owners are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

Financial performance, cash flows and net assets of the discontinued operation are disclosed separately in the notes.

1.16 Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset (other than inventory and deferred tax asset) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

1.16 Impairment of Assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

Exploration assets are tested for impairment prior to transferring to the development phase of the property or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration assets' carrying amount exceeds their recoverable amount.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.17 Share Capital and Equity

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

Ordinary shares are recognised at par value and classified as share capital in equity. Any amounts received from the issue of shares in excess of par value is classified as share premium in equity. Dividends are recognised as a liability in the Group in which they are declared.

1.18 Materiality and Aggregation

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Also the nature and size of the line item is taken into consideration.

Line items that are not considered to be individually material are aggregated with other items in the statements and disclosed separately in the note.

1.19 Employee Benefits

Short-Term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes (or state plans) are dealt with as defined contribution plans where the Group's obligation under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

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 for service in a particular period are recognised as an expense in that period.

1.19 Employee Benefits (continued)

Defined Benefit Plans

Actuarial valuations are conducted annually by independent actuaries separately for each plan. The Group provides defined benefit plans for pension and post-retirement healthcare to certain retirees. The entitlement to pension and post-retirement healthcare benefits is based on the eligible employees remaining in service up to retirement age. These benefits are funded by the Group. The cost of providing retirement benefits under a defined benefit plan is determined using a projected unit credit valuation method. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income (OCI) in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier date of the plan amendment or curtailment and the date the Group recognises related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in the statement of profit or loss and other comprehensive income:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

1.20 Provisions and Contingencies

The Group's provisions mainly relate to the following:

- environmental rehabilitation costs (dismantling and restoration);
- bonus provision; and
- social investment provision.

Provisions represent liabilities of uncertain timings or amounts.

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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Environmental Rehabilitation Costs (Dismantling and Restoration)

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

Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. Provision is initially recognised at net estimated decommissioning costs as soon as an obligation to rehabilitate the area exists, based on the present value of the future estimated costs. These costs are capitalised by increasing the carrying amount of the related mineral asset and depreciated over the useful life of the assets to which they relate based on the same reserve quantities as are used for the calculation of depletion of mineral assets.

1.20 Provisions and Contingencies (continued)

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 restoration or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Any reduction in the restoration liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. The unwinding of the discount on the restoration provision is included as a finance cost.

Environmental expenditures that relate to current revenues are expensed and/or future revenues are capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

The Group does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingencies are disclosed in note 38.

1.21 Government Grants

Government grants are recognised when there is reasonable assurance that:

- the Group will comply with the conditions attached to them; and
- the grants will be received.

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

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

1.22 Revenue from Contracts with Customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Nature of Goods and Services

The following is a description of principal activities from which the Group generates its revenues:

1. Sale of goods – Petroleum Products

Revenue from the sale of oil and petroleum products is recognised when the Group transfers control of the product to the customer. Control is transferred at the point of delivery.

2. Coal

Revenue from the sale of coal is recognised when the title has passed to the buyer. The title passes when delivery has been made and the coal has been accepted by the buyer to meet the required specifications.

3. Rendering of Services – Management Fees

Revenue from the management services is recognised over time as the customer simultaneously receives and consumes benefits as provided by the entity towards satisfying its performance obligation. The Group measures the progress towards completion of performance obligation by making reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

4. Levy

The Group provides oil pollution control services to customers. This is considered to be a distinct service as:

- the customers can benefit from the services either on its own or together with other resources that are readily available to the customer (i.e. the services are capable of being distinct);
- the Group's promise to transfer the services to the customers is separately identifiable from other promises in the contract (i.e. the services are distinct within the context of the contract); and
- revenue relating to the oil pollution control services is recognised at a point in time when the services are rendered.

1.22 Revenue from Contracts with Customers (continued)

5. Royalties and Licence Fees

The Group issues licences and permits to customers for exploration and exploitation of oil and gas. Revenue is recognised over a term of granting the right and permit. A receivable is recognised by the Group when a right/permit is granted. No element of financing is deemed present as the transaction has a credit term of 30 days.

6. Interest Income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in investment income in the statement of profit or loss.

7. Rental Income

Rental income arising from operating leases on storage tanks is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

8. Dividend Income

Dividend income is recognised when the right to receive payment is established.

9. Data Sales

For sales of data to customers, revenue is recognised when control of the goods has transferred, being when the customer has taken delivery of data. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

1.23 Over and Under Recoveries Against Controlled Margins for Petroleum Products

The selling prices of certain petroleum products are subject to price control by the authorities. The selling prices are adjusted monthly to provide for the recovery of changes in the various items of landed cost of these products. The price adjustments by the authorities are, for various reasons, not made simultaneously with changes in landed cost, and thus the situation arises that oil companies, from time to time, are in the position of an over or under-recovery of changes in cost. The authorities, in conjunction with the oil companies, maintain a comprehensive record of the cumulative over or under-recoveries of the landed cost of these products. Any cumulative under-recovery is reflected as an asset at year-end with a corresponding credit to cost of sales in the statement of comprehensive income.

1.24 Cost of Sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a right to returned goods asset which represents the Group's right to recover products from customers where customers exercise their right of return under the Group returns policy.

1.25 Translation of Foreign Currencies

Foreign Currency Transactions

The Group's Consolidated Annual Financial Statements are presented in South African Rands, which is also the parent company's functional currency. The Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

1.25 Translation of Foreign Currencies (continued)

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into South African Rands at the rate of exchange prevailing at the reporting date and their statement of profit or loss. Other comprehensive income is translated at exchange rates prevailing at the dates of transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair-value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying the foreign currency amount of the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.26 Commitments

Commitments represent capital goods/services and loans/investments that have been approved and/or contracted for, but where delivery has not taken place at the reporting date. Items are classified as commitments where the Group has committed itself to future transactions.

1.27 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party, to exercise significant influence over the other party or is a member of key management of the reporting entity. The related parties mainly relate to JVs and associates. Disclosure for JVs and associates is provided in note 40.

Group companies, in the ordinary course of business, enter into various purchase and sale transactions with associates and JVs. The effect of these transactions is included in the financial performance and results of the Group. Terms and conditions are determined on an arm's length basis. Amounts owing (after eliminating intercompany balances) to related parties are disclosed in the respective notes to the financial statements for those statements of financial position items.

The CEOs/equivalent for operating subsidiaries and the holding company have been identified as key management personnel for the Group.

1.28 Events After Reporting Period

Recognised amounts in the Consolidated 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 disclosure.

2. New Standards and Interpretations

2.1 Standards and Interpretations Effective and Adopted in the Current Year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation	Effective date: Years Beginning On or After	Expected impact
Definition of a business – Amendments to IFRS 3	1 January 2020	The impact of the amendment is not material.
Presentation of financial statements: Disclosure initiative	1 January 2020	The impact of the amendment is not material.
Accounting policies, changes in accounting estimates and errors: Disclosure initiative	1 January 2020	The impact of the amendment is not material.

2.2 Standards and Interpretations not Yet Effective

The Group has chosen not to adopt the following standards and interpretations early, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2021 or later periods:

Standard/Interpretation	Effective date: Years Beginning On or After	Expected impact
• Classification of liabilities as current or non-current – Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
• IFRS 17 insurance contracts	1 January 2023	Unlikely there will be a material impact
• Annual improvement to IFRS standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
• Reference to the conceptual framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
• Annual improvement to IFRS standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
• Property, plant and equipment: Proceeds before intended use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
• Onerous contracts – Cost of fulfilling a contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact

3. Property, Plant and Equipment

Figures in R '000	2021			2020		
	Cost or Revaluation	Accumulated Depreciation and Impairment	Carrying Value	Cost or Revaluation	Accumulated Depreciation and Impairment	Carrying Value
Land	76 453	–	76 453	76 453	–	76 453
Buildings	393 333	(126 487)	266 846	392 910	(110 251)	282 659
Assets under development	357 994	(2 162)	355 832	269 339	–	269 339
Plant and machinery	2 669 051	(563 866)	2 105 185	2 589 401	(701 112)	1 888 289
Furniture and fixtures	778 985	(677 057)	101 928	770 633	(656 385)	114 248
Motor vehicles	118 754	(82 829)	35 925	116 704	(74 710)	41 994
Office equipment	12 435	(4 102)	8 333	4 574	(3 393)	1 181
IT equipment	63 529	(35 496)	28 033	54 063	(28 657)	25 406
Production assets	40 646 125	37 532 626)	3 113 499	41 177 052	37 603 102)	3 573 950
Shutdown costs capitalised	71 190	(71 190)	–	71 190	(71 190)	–
Restoration costs	983 815	(867 595)	116 220	3 943 130	(3 794 363)	148 767
Mine infrastructure	100 355	(39 629)	60 726	100 499	(31 441)	69 058
Right of use – Buildings	186 637	(23 733)	162 904	174 753	(11 819)	162 934
Right of use – IT & office equipment	1 832	(1 351)	481	1 832	(676)	1 156
Total	**46 460 488**	**40 028 123)**	**6 432 365**	**49 742 533**	**43 087 099)**	**6 655 434**

3. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment – 2021

Figures in R '000	Opening Balance	Additions	Disposals	Transfers In	
Land	76 453	–	–	–	
Buildings	282 659	1 966	–	–	
Assets under development	269 339	90 341	(1 586)	–	
Plant and machinery	1 888 289	–	–	–	
Furniture and fixtures	114 248	10 679	–	–	
Motor vehicles	41 994	3 149	–	–	
Office equipment	1 181	8 133	(4)	–	
IT equipment	25 406	9 641	–	–	
Production assets	3 573 949	85 052	(7)	316 560	
Restoration costs	148 767	–	–	–	
Mine infrastructure	69 058	2 420	–	–	
Right of use – Buildings	162 934	11 021	–	–	
Right of use – IT & office equipment	1 156	–	–	–	
	6 655 433	**222 402**	**(1 597)**	**316 560**	

Reconciliation of Property, Plant and Equipment – 2020

Figures in R '000	Opening Balance	Additions	Disposals	Transfers In	
Land	76 453	–	–	–	
Buildings	289 864	1 701	–	–	
Assets under development	163 879	84 477	–	20 983	
Plant and machinery	2 193 527	227	–	–	
Furniture and fixtures	107 341	28 306	–	–	
Motor vehicles	45 389	4 027	(1)	–	
Office equipment	1 320	284	–	–	
IT equipment	20 182	12 881	(18)	–	
Production assets	6 263 568	244 874	–	4 198	
Restoration costs	124 861	49 551	–	–	
Mine infrastructure	38 951	20 207	–	–	
Right of use – Buildings	–	171 608	–	–	
Right of use – IT equipment	–	1 832	–	–	
	9 325 335	**619 975**	**(19)**	**25 181**	

	Transfers Out	Foreign Exchange Movements	Change in Estimates	Write–Offs	Depreciation	Impairment	Total
	–	–	–	–	–	–	76 453
	(430)	–	–	–	(16 266)	(1 083)	266 846
	(100)	–	–	–	–	(2 162)	355 832
	–	–	79 650	–	(63 997)	201 243	2 105 185
	(60)	–	–	(13)	(22 926)	–	101 928
	–	–	–	(715)	(8 503)	–	35 925
	–	–	–	–	(977)	–	8 333
	–	–	–	(3)	(7 003)	(8)	28 033
	–	(658 527)	–	(3)	(540 986)	337 461	3 113 499
	–	(24 861)	(662 947)	–	(10 475)	665 736	116 220
	–	–	1 694	–	(12 446)	–	60 726
	–	–	–	–	(11 051)	–	162 904
	–	–	–	–	(675)	–	481
	(590)	**(683 388)**	**(581 603)**	**(734)**	**(695 305)**	**1 201 187**	**6 432 365**

	Foreign Exchange Movements	Changes in Estimates	Write-Offs	Depreciation	Impairment	Total
	–	–	–	–	–	76 453
	–	–	–	(8 436)	(470)	282 659
	–	–	–	–	–	269 339
	–	(30 585)	–	(63 142)	(211 738)	1 888 289
	–	–	(43)	(21 356)	–	114 248
	–	–	–	(7 421)	–	41 994
	–	–	–	(423)	–	1 181
	–	–	(37)	(7 579)	(23)	25 406
	786 554	645	(41)	(1 109 200)	(2 616 648)	3 573 950
	24 313	2 216 581	–	(24 400)	(2 242 139)	148 767
	–	19 593	(46)	(9 647)	–	69 058
	–	–	–	(8 674)	–	162 934
	–	–	–	(676)	–	1 156
	810 867	**2 206 234**	**(167)**	**(1 260 954)**	**(5 071 018)**	**6 655 434**

3. Property, Plant and Equipment (continued)

Changes in Estimates

The Group reassesses the useful lives and residual values of items at the end of each reporting period, in line with the accounting policy and IAS 16 property, plant and equipment. These assessments are based on historical analysis, benchmarking, and the latest available and reliable information.

Tangible Assets

The useful life of certain fixed assets have been re-estimated during the current financial year. The effect of this revision has increased the depreciation charges for the current and future periods by R5.18 million (2020: R1.230 million).

Intangible Assets

The useful life of certain intangible assets have been re-estimated during the current financial year. The effect of this revision has increased the amortisation charges for the current and future periods by R271 000 million (2020: R68.9 million).

Other Information

2021

Transfers in Production Assets

Transfers in production assets of R33.1 million for the exploration and evaluation assets relates to PetroSA (R32.6 million) and SFF (R498 000 million).

Transfers Out

Transfers amounting to R590 000 million from SFF.

SFF Unpumpable Crude Oil

A total of 1 275 663 barrels of crude oil at the Saldanha terminal are defined as unpumpable crude oil and has been classified as property, plant and equipment (classified as plant and machinery). These volumes are required to be maintained in order for the operation of the oil storage facilities and are being depreciated over the useful life of the tanks it is stored in.

Impairment Reversal

During the 2019/20 financial year, an impairment loss of R212 million was recognised in relation to the unpumpable stock (included as part of plant and machinery). This was largely attributable to the fact that the oil price had declined to USD20.51 at 31 March 2020. At 31 March 2021, the oil price recovered to USD59.19 which resulted in a reversal of impairment amounting to R201 million. The recoverable amount of the unpumpable stock at 31 March 2021, is R1.117 billion being the fair value less costs of disposal.

AEMFC Environmental Rehabilitation

A regulatory assessment of the Financial Mine Closure Quantum as contemplated in terms of the Mineral and Petroleum Resources Development Act 28 of 2002 conducted during the current year realised a financial provision of R44.4 million (2020: R44.7 million).

Compensation for Impairment

Compensation received from the insurer for damaged assets and assets stolen are included in other operating income and amounts to R593 000 (2020: R795 000).

Leased Assets

Included in production assets are finance leased assets (note 21) entered into by PetroSA Ghana Limited, which was initially recognised at R850.3 million. The acquisition was treated as a non-cash addition to property, plant and equipment.

Buildings include the right-of-use assets of R1.3 million capitalised by PetroSA, these have been depreciated and fully impaired.

3. Property, Plant and Equipment (continued)

Material Projects Included in Assets Under Development

Included in assets under development is T-Project and Vlakfontein Extension North Blocks which is in the development phase and standing at a cumulative cost of R109 million and R179 million (2020: R109 million and R97 million) respectively.

Restoration Expenditure

Restoration expenditure relates to the decommissioning provision (note 23) and is amortised on a units of production basis. The units of production method is also 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 will be zero as there are no remaining reseverses.

The Group's impairment reversal for the year was R1.2 billion (2020: R5.071 billion impairment loss).

Impairment Assessment – Oil and Gas Assets in South Africa

Oil and gas reserves are used in assessing oil and gas producing properties for impairment. A significant reduction in the oil and gas price and a downgrade of proved and probable reserves triggered an impairment review. When such indicators are identified, management must exercise further judgement in making an estimate of the recoverable amount (value in use) of the asset against which to compare the carrying value. The outcome of the review resulted in an impairment of R3.8 million (2020: R10.1 million). The decommissioning provision (refer to note 23) decreased significantly, mostly due to an increase in the base cost of the provision offset by a reduction in costs due to the strengthening Rand against the USD. This resulted in a change in estimate, had a positive impact and decreased the impairment charge by R666 million (2020: R2.2 billion impairment).

This was determined by comparing the CGUs carrying value at year-end against the expected present value of the free cash flows (net present value) from this CGU, based on a fixed life of field 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 exchange rates and discounts using the WACC of 14% (2020: 14%). The impairment loss was recorded as part of operating expenses.

Impairment Assessment – West Cape Three Points and Deepwater Tano Blocks in Ghana

In light of the current commodity prices, the West Cape Three Points block and Deepwater Tano block held by PetroSA Ghana Limited were assessed for impairment. This assessment resulted in an impairment of R340.8 million based on a recoverable amount of R2.7 billion (2020: based on a recoverable amount of R3.3 billion).

The valuation assumptions are listed under key assumptions made by management in the accounting policies.

Right of Use Assets and Leased Assets

Included in plant and machinery are finance lease assets related to PetroSA Ghana Limited and AEMFC. In the current year the Group has recognised additions to ROU assets which have been treated as non-cash additions to PPE. Refer to note 21 for lease liabilities on leased assets and note right of use assets.

Prior Period Correction

PetroSA

Management's assessment of the prior year impairment charge relating to the PetroSA Ghana Limited assets revealed that a portion of the impairment charge should have been allocated to intangible assets. In order to correct the understatement of property, plant and equipment and overstatement of intangible assets, a reallocation adjustment of R247 million was processed. The adjustment had no impact on profit or loss.

Transfers in production assets of R247.5 million for the exploration and evaluation assets relates to PetroSA.

3. Property, Plant and Equipment (continued)

AEMFC

Tangible Assets (PPE)

In prior years the residual values and useful lives of assets were not assessed on an annual basis. This led to the understating of the carrying amount of assets and the depreciation expense. The PPE increased by R2.7 million and the accumulated depreciation increased by R2.7 million.

Mine Infrastructure

A prior years' retention release was not capitalised onto the asset resulting in the understatement of mine infrastructure asset, VAT receivable and trade and other payables. Mine infrastructure assests increased by R1.13 million and trade and other payables increased by R1.3 million.

2020

Transfers in Assets Under-Development

Transfers into assets in under development R20.983 million for the Vlakfontein mine extension from exploration and evaluation assets (intangible assets).

Production Assets

Transfers of production assets of R4.2 million for the exploration and evaluation assets relates to PetroSA.

Once the construction of assets under development is completed, these assets are transferred to the relevant asset categories and put into use.

Other Information

A total of 1 275 663 barrels of crude oil at the Saldanha terminal are defined as unpumpable crude oil and has been classified as property, plant and equipment (classified as plant and machinery). These volumes are required to be maintained for the operation of the oil storage facilities and are being depreciated over the useful life of the tanks it is stored in.

A regulatory assessment of the Financial Mine Closure Quantum as contemplated in terms of the Mineral and Petroleum Resources Development Act (28 of 2002) conducted during the current year realised a financial provision of R44.7 million (2019 : R23.1 million).

Compensation received from insurer for damaged assets and assets stolen are included in other operating income and amounts to R795 000 million (2019: R312 000 million).

Additions to production assets includes the finance lease (note 21) entered into by PetroSA Ghana Limited, which was initially recognised at R850.3 million. The acquisition was treated as a non-cash addition to property, plant and equipment.

Material Projects Included in Assets Under development

Included in assets under development is T-Project and Vlakfontein Extension North Blocks which is in the development phase and standing at a cumulative cost of R109 million and R97 million (2019: R109 million and R17 million) respectively.

Restoration Expenditure

Restoration expenditure relates to the decommissioning provision (note 23) and is amortised on a units of production basis. The units of production method is also 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 zero.

The Group’s impairment for the year was R5.071 billion (2019: R692 million impairment).

3. Property, Plant and Equipment (continued)

Impairment assessment – Oil and Gas Assets in South Africa

Oil and gas reserves are used in assessing oil and gas producing properties for impairment. A significant reduction in the oil and gas price and a downgrade of proved and probable reserves triggered an impairment review. When such indicators are identified, management must exercise further judgement in making an estimate of the recoverable amount (value in use) of the asset against which to compare the carrying value. The outcome of the review resulted in an impairment of R10.1 million (2019: R572 million impairment). The decommissioning provision (refer to note 23) increased significantly owing to the weakened Rand against the USD. This resulted in a change in estimate, had a negative impact and increased the impairment charge by R2.2 billion (2019: R1.401 billion).

This was determined by comparing the CGUs carrying value at year-end against the expected present value of the free cash flows (net present value) from this CGU, based on a fixed life of field 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, exchange rates and discounts using the WACC of 14% (2019: 14%). The impairment loss was recorded as part of operating expenses.

Impairment assessment – West Cape Three Points and Deepwater Tano blocks in Ghana

In light of the current commodity prices, the West Cape Three Points block and Deepwater Tano block held by PetroSA Ghana Limited were assessed for impairment. This assessment resulted in an impairment of R2.7 billion based on a recoverable amount of R3.3 billion (2019: R1.282 billion impairment reversal).

The valuation assumptions are listed under key assumptions made by management in the accounting policies.

Right of Use Assets and Leased Assets

Included in plant and machinery are finance lease assets related to PetroSA Ghana Limited and AEMFC. In the current year the Group has recognised additions to ROU assets which have been treated as a non-cash additions to PPE.

Refer to note 21 for lease liabilities on leased assets and note right of use assets.

Prior Period Restatement

An adjustment of R1.4 million was made in the prior year for mine infrastructure as the rehabilitation provision was recognised as an expense instead of being capitalised into assets as required by IAS16.

4. Intangible Assets

	2021			2020		
Figures in R '000	Cost/ Valuation	Accumulated Amortisation and Impairment	Carrying Value	Cost/ Valuation	Accumulated Amortisation and Impairment	Carrying Value
Patents, trademarks and other rights	57 424	(54 351)	3 073	57 424	(54 074)	3 350
Computer software	103 522	(85 083)	18 439	99 209	(79 516)	19 693
Exploration and evaluation assets	1 394 722	(160 217)	1 234 505	1 542 056	39 153	1 581 209
Restoration costs	18 402	–	18 402	19 914	–	19 914
Total	**1 574 070**	**(299 651)**	**1 274 419**	**1 718 603**	**(94 437)**	**1 624 166**

4. Intangible Assets (continued)

Reconciliation of Intangible Assets – 2021

Figures in R '000	Opening Balance	Additions	Disposals	
Patents, trademarks and other rights	3 350	–	–	
Computer software	19 693	4 903	–	
Exploration and evaluation assets	1 581 209	49 457	(11)	
Restoration costs	19 914	–	–	
Total	**1 624 166**	**54 360**	**(11)**	

Reconciliation of Intangible Assets – 2020

Figures in R '000	Opening Balance	Additions	Disposals	
Patents, trademarks and other rights	3 627	–	–	
Computer software	11 393	13 634	–	
Exploration and evaluation assets	1 407 862	114 040	204	
Restoration costs	16 423	872	–	
Total	**1 439 305**	**128 546**	**204**	

Other Information

Transfers in/(out) are as follows:

2021

Transfers Out

Exploration and evaluation

Transfers out of exploration and evaluation assets of R32.6 million for the exploration and evaluation assets relates to PetroSA.

Prior Period Corrections

PetroSA

Management's review of accumulated impairment showed that it was incorrectly included as part of the cost of exploration and evaluation assets. To correct the understatement of cost and accumulated impairment in the prior year, R121 million was reallocated from cost to accummulated impairment. In addition to this, management recognised an amount of R68.9 million in relation to exploration and evaluation assets as a result of an adjustment to the prior year WACC rate as a change in estimate. The carrying value of exploration and evaluation assets year-end remains unchanged.

Transfers out of R247.5 million for the exploration and evaluation assets to production assets relates to PetroSA.

2020

Transfers In

Exploration and evaluation

Transfers into assets under development are R20.983 million for the Vlakfontein mine extension from exploration and evaluation assets (intangible assets).

	Transfers	Foreign Exchange Movements	Changes in Estimates	Amortisation	Impairment Loss	Total
	–	–	–	(277)	–	3 073
	–	–	–	(6 157)	–	18 439
	(280 062)	(37 544)	(68 898)	–	(9 646)	1 234 505
	–	(3 527)	2 015	–	–	18 402
	(280 062)	**(41 071)**	**(66 883)**	**(6 434)**	**(9 646)**	**1 274 419**

	Transfers	Foreign Exchange Movements	Other Changes, Movements	Amortisation	Impairment Loss	Total
	–	–	–	(277)	–	3 350
	–	–	–	(5 334)	–	19 693
	(20 032)	39 982	–	–	39 153	1 581 209
	–	3 849	(1 230)	–	–	19 914
	(20 032)	**43 831**	**(1 230)**	**(5 611)**	**39 153**	**1 624 166**

5. Interests in Subsidiaries

The following table lists the entities controlled directly/indirectly by the Group. The country of incorporation for all subsidiaries is the Republic of South Africa, except for PetroSA Europe BV which was incorporated in the Netherlands, and PetroSA Ghana Ltd., which was incorporated in British Virgin Islands.

Name of Company	Held By	% Holding 2021	% Holding 2020
AEMFC SOC Ltd..	CEF SOC Ltd..	100.00	100.00
CCE Solutions SOC Ltd.	CEF SOC Ltd.	89.20	89.20
CEF Carbon SOC Ltd.	CEF SOC Ltd.	100.00	100.00
Cotec Development SOC Ltd.	CEF SOC Ltd.	100.00	100.00
Cotec Patrade SOC Ltd.	CEF SOC Ltd.	100.00	100.00
ETA Energy SOC Ltd.	CEF SOC Ltd.	100.00	100.00
SASDA NPC	CEF SOC Ltd.	100.00	100.00
Klippoortjie Koolmyne SOC Ltd.	SFF NPC	100.00	100.00
Mahne's Areas SOC Ltd.	SFF NPC	100.00	100.00
Oil Pollution Control SA (OPCSA) NPC	CEF SOC Ltd.	100.00	100.00
PetroSA Brass SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Egypt SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Equatorial Guinea SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Europe BV	PetroSA SOC Ltd.	100.00	100.00
PetroSA Ghana Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Gryphon Marin Permit SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Iris SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Namibia SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA SOC Ltd.	CEF SOC Ltd.	100.00	100.00
PetroSA Sudan SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Synfuels International SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
PetroSA Themis SOC Ltd.	PetroSA SOC Ltd.	100.00	100.00
South African Agency for Promotion of Petroleum Exploration	CEF SOC Ltd.	100.00	100.00
South African Gas Development Company (iGAS) SOC Ltd.	CEF SOC Ltd.	100.00	100.00
Strategic Fuel Fund Association (SFF) NPC	CEF SOC Ltd.	100.00	100.00
South African National Energy Research Institution SOC Limited	CEF SOC Ltd.	100.00	100.00

The voting rights are the same as the percentage holdings.

Subsidiaries Pledged as Security
PetroSA SOC Ltd. has provided its shares in PetroSA Ghana Ltd. as security to the lenders for the reserve-based lending facility. Refer to note 20.

Reporting Period
The end of the reporting period of PetroSA Ghana Ltd. is 31 December 2021.

6. Joint Arrangements

Joint Operations
The following joint operations are material to the Group companies.

The joint operations are for gas exploration by PetroSA SOC Ltd. The country of incorporation is the same as the principle place of business for all joint operations. The Group's proportionate share in the assets and liabilities of unincorporated JVs, which are included in the financial statements are as follows:

		% Ownership Interest	
Joint Operation	Partners	2021	2020
Block 2A	Sunbird	24	24
Block 5/6/7	Anadarko	20	20

In accordance with the Group's accounting policy, the results of joint operations are accounted for on a line-by-line basis.

Joint Ventures
The following table lists all of the joint ventures in the Group:

		% Ownership Interest	% Ownership Interest
Name of Company	Held By	2021	2020
GTL.F1 AG	PetroSA SOC Ltd.	50.00	50.00
PAMDC (Pty) Ltd.	AEMFC SOC Ltd.	33.00	33.00

Pan African Mineral Development Company (Pty) Ltd.
The governments of South Africa, Zimbabwe and Zambia created a structured entity, PAMDC (Pty) Ltd., to collaborate and develop mineral resources in the region as enshrined in the Southern African Development Community Mining Protocol, the plan of action for the Global Mining Initiative of the New Partnership for the Africa's Development and African Mining Partnership. PAMDC (Pty) Ltd. is co-owned by the parties in equal proportions. The South African Government, through AEMFC SOC Ltd., is a co-share owner in PAMDC (Pty) Ltd.

The memorandum of agreement states that decisions on activities require the unanimous consent of all the parties. PAMDC (Pty) Ltd. is a JV since the partners have rights to the net assets of PAMDC (Pty) Ltd. and the memorandum gives the parties the rights to a share of the net outcome generated by the economic activity.

GTL.F1 AG
GTL.F1 AG is the process licensor of Low Temperature Fischer Tropsch (LTFT) technology and its principal place of business is Germany. On 28 July 2020, the PetroSA Board approved the dissolution of GTL.F1 AG. The investment of R29.6 million, which was previously impaired, has been written off.

The aggregated individually immaterial joint ventures accounted for using the equity method currently have a balance of zero.

Reporting Period
The end of the reporting period of GTL.F1 AG Ltd. is 31 December 2021. The reporting period is different from the Group reporting period as the investment is not controlled by the Group.

6. Joint Arrangements (continued)

Unrecognised Losses

PAMDC (Pty) Ltd.

The Group has discontinued recognising its share of the losses of PAMDC (Pty) Ltd., as the investment at a Group level is held at Rnil (2020: Rnil) and the Group has no obligation for any losses of the JV. The total unrecognised losses for the current period amount to R2.3 million (2020: R797 000). The accumulated unrecognised losses amounted to R11.7 million (2020: R10.46 million).

GTL.F1 AG

The Group has discontinued recognising its share of the losses of GTL.F1 AG, as the investment at a Group level is held at Rnil (2020: Rnil) and the Group has no obligation for any losses of the joint venture. The total unrecognised losses for the current period amount to R43.5 million (2020: R3.5 million). The accumulated unrecognised losses to date amount to R220.5 million (2020: R176.9 million).

7. Investment in Associate

The following table lists all of the associates in the Group:

Name of Company	Held By	% Ownership Interest 2021	% Ownership Interest 2021	Carrying Amount 2021	Carrying Amount 2020
African Royalty Minerals (Pty) Ltd.	AEMFC SOC Ltd.	40	40	134 475	185 984
Mzimkhulu Mining (Pty) Ltd.	AEMFC SOC Ltd.	26	26	124 970	130 980
Republic of Mozambique Pipeline Company (Pty) Ltd.	iGAS SOC Ltd.	25	25	938 084	825 742
Energy Joburg (Pty) Ltd.	CEF SOC Ltd.	29	29	2 816	5 571
Total				**1 200 345**	**1 148 277**

African Royalty Minerals (Pty) Ltd.

AEMFC SOC Ltd. holds a 40% shareholding in African Royalty Minerals (Pty) Ltd., which operates Chilwavhusiku Colliery, a coal mine operating in Mpumalanga. The associate's principal business is conducted in the Republic of South Africa. The financial year-end for the entity is 28 February 2021.

Mzimkhulu Mining (Pty) Ltd.

AEMFC SOC Ltd. holds a 26% shareholding in Mzimkhulu Mining (Pty) Ltd., which is a coal-mining company that extracts and delivers thermal coal. Mzimkhulu Mining (Pty) Ltd. is incorporated in South Africa. The financial year-end of the entity is 28 February 2021.

Energy Joburg (Pty) Ltd.

CEF SOC Ltd. holds a 29% shareholding in Energy Joburg (Pty) Ltd., which is a company that converts landfill gas to power. Energy Joburg (Pty) Ltd. is incorporated in South Africa. The financial year-end of the entity is 31 March 2021.

The percentage ownership interest is equal to the percentage voting rights in all cases. The country of incorporation is the same as the principle place of business.

Impairment testing was peformed in respect to investments in associates at the end of each reporting date, and there were no indications of impairment.

7. Investment in Associate (continued)

Material Associates
The following associates are material to the Group:

	Country of Incorporation	Method	% Ownership Interest	
			2021	2020
Republic of Mozambique Pipeline Company (Pty) Ltd.	South Africa	Equity	25%	25%

Rompco (Pty) Ltd.
Shares beneficially owned in the company, is involved in the supply of gas from Mozambique to South Africa. The percentage voting rights is equal to the percentage ownership.

The summarised information presented below reflects the financial information of the associates (as at 31 March 2021). The year-end of ROMPCO is 30 June 2021.

Summarised Financial Information of Material Associates

Figures in R '000 Summarised Statement of Profit or Loss and Other Comprehensive Income	Republic of Mozambique Pipeline Company (Pty) Ltd.	
	2021	2020
Revenue	2 509 780	2 696 999
Other income and expenses	(799 729)	(670 671)
Profit before tax	1 710 051	2 026 328
Tax expense	(419 466)	(633 604)
Profit (loss) from continuing operations	1 290 585	1 392 724
Total comprehensive income	**1 542 585**	**1 710 224**
Dividends received from associate	**252 000**	**317 500**

Figures in R '000 Summarised Consolidated Statement of Financial Position	Republic of Mozambique Pipeline Company (Pty) Ltd.	
	2021	2020
Assets		
Non-current	4 396 689	4 664 504
Current	1 168 669	1 575 484
Total assets	**5 565 358**	**6 239 988**
Liabilities		
Non-current	1 064 208	1 748 937
Current*	748 816	1 188 083
Total liabilities	**1 813 024**	**2 937 020**
Total net assets	**3 752 334**	**3 302 968**

7. Investment in Associate (continued)

Figures in R '000	Republic of Mozambique Pipeline Company (Pty) Ltd.	
Reconciliation of Net Assets to Equity Accounted Investments in Associates	**2021**	**2020**
Interest in associates at percentage ownership	938 084	825 742
Carrying value of investment in associate	938 084	825 742
Investment at beginning of period	825 742	734 283
Share of profit	364 342	408 959
Dividends received from associate	(252 000)	(317 500)
Investment at end of period	**938 084**	**825 742**

** Includes cash and cash equivalents of R869 million (2020: R1.01 billion)*

Aggregated Individually Immaterial Associates Accounted for Using the Equity Method

Figures in R '000	2021	2020
Carrying value of investments	259 903	322 534
Share of profit (loss) from continuing operations	23 227	90 529
Share of total comprehensive income	23 227	90 529

Associates with Different Reporting Dates
The end of the reporting year of CEF Group is 31 March 2021. It was impracticable to obtain financial statements of the following associates as at 31 March 2021 because the CEF Group does not control the associates.

African Royalty Minerals (Pty) Ltd.
The financial year end for the entity is 28 February 2021.

Mzimkhulu Mining (Pty) Ltd.
The financial year end of the entity is 28 February 2021.

Rompco (Pty) Ltd.
The year end of ROMPCO is 30 June 2021.

Associates Pledged as Security
The investment in Rompco (Pty) Limited, with a carrying value of R938.1 million (2020: R825.7 million), has been used to secure banking facilities granted to the company of R5.8 billion (2020: R5.8 billion) for the construction of Loopline 2 from Mozambique to South Africa.

8. Loans to Group Companies

Joint Ventures

Figures in R '000	2021	2020
GTL.F1 AG	–	–

The loan of R0 (2020: R278.1 million) has been fully impaired.

On 28 July 2020, the PetroSA Board approved the dissolution of GTL.F1 AG. As part of the dissolution, all loans relating to GTL.F1 AG and Lurgi were written off.

Figures in R '000	2021	2020
Associates		
African Royalty Minerals (Pty) Ltd.	–	21 167
Mzimkhulu Mining (Pty) Ltd.	153	14 553
Energy Joburg (Pty) Ltd.	47 516	44 263
	47 669	**79 983**

African Royalty Minerals (Pty) Ltd.
The loan is an advance towards capital expenditure of the company. The loan is unsecured, interest free and there are no fixed repayment terms. The loan to African Royalty Minerals (Pty) Ltd. has been fully repaid during the reporting period.

Mzimkhulu Mining (Pty) Ltd.
The loan is an advance towards working capital of the company. The loan is unsecured, accrues interest at the prevailing prime rate of + 3% and has no fixed repayment terms.

Energy Joburg (RF) (Pty) Ltd.
The loan attracts interest at prime. Interest shall be payable only when the principal amount is repaid. The loan is payable in full on the maturity date of 30 September 2026.

Split between Non-Current and Current Portionss

Figures in R '000	2021	2020
Non-current assets	47 516	44 263
Current assets	153	35 720
	47 669	**79 983**

Exposure to Credit Risk
Loans receivable inherently expose the Group to credit risk, the risk being that the Group will incur financial loss if counterparties fail to make payments as they fall due.

8. Loans to Group Companies

Credit Loss Allowances
The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

2021

Instrument	Basis of Loss Allowance	Gross Carrying Amount	Loss Allowance	Amortised Cost
Loans to Associates				
Mzimkhulu Mining (Pty) Ltd.	12m ECL	153	–	153
Energy Joburg (RF) (Pty) Ltd.	12m ECL	47 516	–	47 516
		47 669	**–**	**47 669**

2020

Instrument	Basis of Loss Allowance	Gross Carrying Amount	Loss Allowance	Amortised Cost
Loans to Joint Ventures				
GTL.F1 AG	Lifetime EC	278 132	(278 132)	–

Instrument	Basis of Loss Allowance	Gross Carrying Amount	Loss Allowance	Amortised Cost
Loans to associates				
African Royalty Minerals Ltd.	12m ECL	21 167	–	21 167
Mzimkhulu Mining (Pty) Ltd.	12m ECL	14 553	–	14 553
Energy Joburg (Pty) Ltd.	12m ECL	44 263	–	44 263
		79 983	**–**	**79 983**

Fair Value of Group Loans Receivable
The fair value of group loans receivable approximates their carrying amounts.

9. Other Financial Assets

Figures in R '000	2021	2020
Equity Investments at Fair Value Through Profit or Loss		
Listed shares	129	111
2 164 Sanlam Limited shares valued at R59.53 (2020: R51.09)		
Unlisted shares	1 475	1 475
19% shareholding in Methcap		
	1 604	**1 586**
Loans and Receivables		
Ghana National Petroleum Corporation (GNPC)	93 818	114 620
The loan for TEN Development capital expenditure bears interest at LIBOR, plus a margin percentage of 1.5% per annum, and the loan for TEN Development gas export pipeline expenditure bears interest at 15% per annum. There is currently no signed agreement in place between the GNPC and the JV partners on repayment terms, but repayment proposals are currently being considered and evaluated by the JV partners.		
Darling Wind Power (Pty) Ltd.	502	502
The loan is due, but the liquidators have not repaid it. The loan is interest free.		
Lurgi	–	237 256
The amount owed by Lurgi is in respect of a purchase of a 12.5% share in the GTL.F1 AG Joint Venture. The loan accrues interest at EURIBOR + 0.75%. The loan is repayable based on dividends received by Lurgi from the GTL.F1 AG technology company.		
AEMFC SOC Ltd. Insurance Guarantee	86 583	68 749
An insurance rehabilitation guarantee is in place whereby the insurer guarantees to pay Department of Mineral Resources R61.5 million and R42.9 million for environmental rehabilitation of Vlakfontein Mine and T Project respectively. A portion of the premium is invested and earns interest to meet environmental obligations at the end of LOM. The cash is restricted for use.		
	180 903	421 127
Loans and receivables (impair)	(1 262)	(237 758)
	179 641	**183 369**
Total Other Financial Assets	**181 245**	**184 955**

9. Other Financial Assets (continued)

Figures in R '000	2021	2020
Non-Current Assets		
Other financial assets at FV through profit (loss)	1 604	1 586
Held for trading (FV through income)	–	–
Loans and receivables	179 641	183 369
	181 245	**184 955**

Loans and Receivables Impaired
As of 31 March 2021, loans and receivables of R1.3 million (2020: R237.7 million) were impaired and provided for. The amount of the provision was R 1.3 million as of 31 March 2021 (2020: R237.7 million).

The ageing of these loans is as follows:

Over 6 months	502	237 758

Credit Quality of Other Financial Assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

On 28 July 2020, the PetroSA Board approved the dissolution of GTL.F1 AG. As part of the dissolution, all loans relating to GTL.F1 AG and Lurgi were written off.

The investment in Methcap has been impaired by R760 000 million. The impairment has been determined by comparing carrying amount to the net asset value (NAV) of Methcap.

10. Contract Assets

Figures in R '000	2021	2020
Contract assets	20 768	–
Loss allowance	(20 768)	–
	–	–

Contract assets are recognised to the extent that performance obligations have been performed by the Group and that revenue has been recognised in accordance with IFRS 15 revenue, but for which the Group's right to consideration is not yet unconditional. When the right to consideration becomes unconditional, the contract asset is transferred to trade receivables.

11. Deferred Tax

Figures in R '000	2021	2020
Deferred Tax Liability		
Property, plant and equipment	(1 113 773)	(1 604 894)
Prepayments	(330)	(131)
Right of use of asset	9 007	9 392
Underlift	–	(1 516)
Total Deferred Tax Liability	**(1 105 096)**	**(1 597 149)**
Deferred Tax Asset		
Provisions	109 035	112 577
Lease liabilities	323 981	389 555
Other	–	31 601
Deferred tax balance from temporary differences other than unused tax losses	433 016	533 733
Tax losses avail for set-off against future tax income	138 656	244 162
	571 672	777 895
Total Deferred Tax Asset	**571 672**	**777 895**
Deferred tax liability	(1 105 096)	(1 597 149)
Deferred tax asset	571 672	777 895
Total Net Deferred Tax Liability	**(533 424)**	**(819 254)**
Reconciliation of Deferred Tax Asset/(Liability)		
At beginning of year	(819 253)	(1 523 022)
Increases (decreases) in tax loss available for set-off against future taxable income – gross of valuation allowance	(105 514)	98 808
Increases (decreases) in valuation allowance of provisions and accruals	9 313	(16 362)
Taxable/(deductible) temporary difference movement on tangible fixed assets	476 314	487 568
Taxable/(deductible) temporary difference ROU	(385)	9 392
Taxable/(deductible) temporary difference movement in fair value on acquisition of subsidiary	–	78 162
Taxable/(deductible) temporary difference on prepayments	(199)	(13)
Taxable/(deductible) temporary difference on lease liability	(95 216)	47 730
Taxable/(deductible) temporary difference movement on underlift	1 516	(1 516)
	(533 424)	**(819 253)**

11. Deferred tax (continued)

Recognition of Deferred Tax Asset
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.

As it is unlikely that the assessed loss will be utilised in the foreseeable future, since no deferred tax asset has been recognised. The current unrecognised deferred tax asset is R10.4 billion (2020: R10.3 billion). The unused estimated/ assessed tax loss at year-end is R23.9 billion (2020: R23.2 billion).

ETA has accumulated an assessed loss/estimated assessed loss of R19.130 million (2020: R19.023 million). The deferred tax asset has not been recognised as management is of the opinion that the company will not generate sufficient taxable income that will be utilised against deductible differences.

Figures in R '000	2021	2020
Unrecognised Deferred Tax Asset		
Deductible temporary differences not recognised as deferred tax assets	10 400 000	10 200 000

Use and Sales Rate
The deferred tax rate applied to the fair value adjustments of investment properties/financial assets is determined by the expected manner of recovery. Where the expected recovery of the investment property/financial assets is through sale the capital gains tax rate of 22% (2020: 22%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2020: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

12. Prepayments

Prepayments relates mainly to the annual subscriptions, licence fees, membership fees, advances and insurance of the Group's onshore and offshore assets, The premium is paid in advance for the following 12 months.

Figures in R '000	2021	2020
Prepayments	178 954	147 800
Current assets	178 540	147 282
Non-current assets	414	518
	178 954	**147 800**

13. Strategic Stock

These inventories are being held in accordance with Ministerial Directives as prescribed by the Minister of Energy. The carrying amount of these inventories is expected to be realised past 12 months after the reporting date, thus it is included in non-current assets.

Strategic crude oil is measured at the lower of cost and net realisable value.

Diesel
An amount of R1.074 billion was spent to purchase the 155 million litres of diesel white product (D500) that was injected into the New National Multi-Products Pipeline by the company during the 2011/12 financial year. Based on market conditions, the resultant effect of this conversion is a change in volume (volume held as at 31 March 2021 is 153 410 000 litres).

The net realisable value (NRV) was R1.001 billion (31 March 2020: R714 million) and thus this inventory is carried at the lower of cost (R1.074 billion) and NRV (R1.001 billion).

Crude Oil
The judgement of the Western Cape High Court that was delivered on 20 November 2020 declared the sale of strategic stock in 2015 and 2016 to be invalid and thus the strategic stock was re-instated into the statement of financial position during the 2019/20 financial year.

Whilst there are 10 million barrels of crude oil in Saldanha, 8 761 641 are accounted for as inventory in the context of International Accounting Standards 2 (IAS 2). A total of 1 275 663 barrels of crude oil at the Saldanha terminal is defined as unpumpable crude oil and has been classified as property, plant and equipment (refer to note 4). These volumes are required to be maintained for the operation of the oil storage facilities. Cost is determined on a weighted average basis which is R201.34 million against a net realisable value of R875.70 million at 31 March 2021 (2020: R368.75 million). A total of 21 030 (2020: 55 111) barrels of crude oil at the Milnerton terminal are carried at weighted average cost price of R4 234 180 (2020: R11 096 049).

Prior Period Correction
The prior period error in relation to the stock imbalance has been corrected and has resulted in a write down of R21.538 million.

Figures in R '000	2021	2020
Values of Products Held:		
Crude oil	1 768 303	1 789 192
Diesel	1 000 860	714 930
	2 769 163	**2 504 122**
Right to Receive Oil		
Right to recive oil	262 710	110 626
Impairment of right to receive oil	(262 710)	(110 626)
	–	–

This relates to the right for the return of 300 000 barrels of crude oil to the company. It is measured at the fair value of the crude oil, being the spot price of oil at each reporting date. The right to receive has also been impaired to zero at the end of each reporting date.

14. Inventories

Figures in R '000	2021	2020
Petroleum fuels	530 225	722 353
Crude oil	1 133	45 403
Consumable stores, spares and catalysts	219 481	232 467
Run of mine stock (ROM)	45 503	2 247
Crushed coal	5 800	5 883
	802 142	1 008 353
Inventories (write-downs)	(176 051)	(159 202)
	626 091	**849 151**

15. Trade and Other Receivables

Financial instruments		
Trade receivables	2 160 112	2 337 402
Loss allowance	(347 605)	(334 795)
Trade receivables at amortised cost	1 812 507	2 002 607
Deposits	12 434	619
Underlift	–	4 332
Payroll receivable	5 087	8 261
Interest receivable	40 343	73 138
Sundry debtors	33 811	215 182
Non-Financial Instruments		
VAT	41 677	37 793
Statutory receivables (tax and levies)	95 804	139 882
Total Trade and Other Receivables	**2 041 663**	**2 481 814**
Split between Non-Current and Current Portions		
Non-current assets	295 048	252 800
Current assets	1 746 615	2 229 014
	2 041 663	**2 481 814**
Financial Instrument and Non-Financial Instrument Components of Trade and Other Receivables		
At amortised cost	1 904 182	2 304 139
Non-financial instruments	137 481	177 675
	2 041 663	**2 481 814**

15. Trade and Other Receivables (continued)

Trade and Other Receivables Pledged as Security
The Group does not hold any collateral over trade and other receivables as security.

Exposure to Credit Risk
Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

The credit exposure in respect of trade and sundry receivables is as follows:

Figures in R '000	2021 Estimated Gross Carrying Amount at Default	2021 Loss Allowance (Lifetime Expected Credit Loss)	2020 Estimated Gross Carrying Amount at Default	2020 Loss Allowance (Lifetime Expected Credit Loss)
Expected Credit Loss Rate				
Not past due	1 471 269	(56 522)	2 191 069	(281 999)
Less than 30 days past due	193 996	(852)	61 509	(225)
31 – 60 days past due	53 214	(639)	5 610	(11)
61 – 90 days past due	46 173	(11 945)	1 061	(1)
91 – 120 days past due	266 547	(157 262)	33 979	(6 259)
More than 120 days past due	128 913	(120 385)	44 176	(46 300)
Total	**2 160 112**	**(347 605)**	**2 337 404**	**(334 795)**

Prior Period Correction

AEMFC
Deposits
In prior years deposits that were not realisable by the company within twelve months after financial year-end were incorrectly classified under current assets. Trade and other receivables increased by R13.4 million and deposits under non-current assets increased by R13.4 million.

Exposure to Currency Risk
Refer to note 41 for details of currency risk management for trade receivables.

Fair Value of Trade and Other Receivables
The fair value of trade and other receivables approximates their carrying amounts.

16. Cash and Cash Equivalents

Figures in R '000	2021	2020
Cash and Cash Equivalents consist of		
Cash on hand	84	87
Bank balances	181 335	324 573
Short-term deposits	13 507 770	20 498 099
Other cash and cash equivalents	1 859	–
	13 691 048	**20 822 759**
Restricted Cash not Available for Use By the Group		
SFF cash relating to the sale of strategic stock	599 509	5 422 654
PetroSA cash held by CEF for guarantees	486 585	486 585
PetroSA rehabilitation ring-fenced funds	1 826 746	1 769 997
PASA deposit held in a trust	2 543	2 545
AEMFC bank gaurantee	1	–

Included in the short-term deposits are USD investments to the value of R599.5 million(2020: R5.422 billion), which relate to the proceeds from the sale of strategic stock in December 2015. On 20 November 2020 the Western Cape High Court has ruled that the contracts should stay or be set aside on basis that SFF and CEF should repay all proceeds received. Refer to contingencies in note 37 and events after reporting date in note 45.

CEF SOC Ltd. is holding a cash collateral of R486.585 million (2020: R486.585 million) for PetroSA for guarantees issued on behalf of PetroSA. Refer to contingencies in note 37.

PetroSA is holding cash of R1.826 billion (2020: R1.769 billion) to fund the rehabilitation provision refer to provisions, note 23.

PASA has deposits held in a trust of R2.543 million (2020: R2.545 million) related to cash deposits received from operators and licencees in terms of issued rights and permits. These deposits can only be paid back to the holder on relinquishment of the rights in terms of Section 43 of the MPRDA and on granting of a closure certificate by the Minister.

The company has entered into bank guarantees related to its future performance which are in the normal course of business which amount to R1.858 million.

The carrying amount of cash and cash equivalents approximates the fair value due to the short-term nature of the instruments.

Credit Quality of Cash at Bank and Short-Term Deposits, Excluding Cash on Hand
The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates.

Restricted cash in PetroSA Rehabilitation NPC was assessed for credit impairment based on a credit risk model. This credit risk model is an intuitive and robust default prediction model that provides a view of a counterparty's credit condition and financial health by analysing a wide array of accounting ratios which includes, but is not limited to, profitability, liquidity and leverage. An expected credit loss of R120.1 million (2020: R21 million) was recognised.

PetroSA Rehabilitation NPC (non-profit company) currently has a R528 million fixed deposit investment with the Land and Agricultural Bank of South Africa SOC Limited (Land Bank). During April 2020 Land Bank defaulted on certain of its debt obligations triggering cross-defaults within its other debt issuances. This has forced Land Bank to restructure its debt book to ensure it is able to satisfy its debt obligations. National Treasury, as the shareholder of Land Bank, has committed R7 billion to assist with the restructuring exercise. It is envisaged that current investments will be switched into new investments, of which the final details and the potential impact on the company is not yet known.

16. Cash and Cash Equivalents (continued)

Figures in R '000	2021	2020
Other Restricted Cash and Cash Equivalents		
Demand site management levy	31 137	31 436
Cash held on behalf (Upstream training Trust and DWP)	81 642	68 768
PetroSA's restricted cash that earns interest (credit facilities)	350 000	350 000
	462 779	**450 204**

Exposure to Currency Risk
Refer to note 41, Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

17. Discontinued Operations or Disposal Groups or Non-Current Assets Held for Sale

2020
Thin Solar Film Technology (Pty) Ltd. (TSFT)
CEF SOC Ltd. held a 45% share in Thin Solar Film Technology (Pty) Ltd., which is a company intended to build a 30 MW solar plant. TSFT is incorporated in South Africa. In the current year the disposal of the investment in TSFT was finalised and therefore the investment has been derecognised.

18. Share Capital

There were no changes in issued capital of R1 from the previous financial year to the current financial year.

19. Foreign Currency Translation Reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

Figures in R '000	2021	2020
Foreign currency translation reserve arising from consolidation of PetroSA's foreign subsidiaries	982 584	1 466 588

20. Other Financial Liabilities

Figures in R '000	2021	2020
Held at Amortised Cost		
Reserve-based lending facility The loan accrues interest at LIBOR plus a margin percentage, varying between 3.25% and 4.50% over the period of the loan. The loan is due to mature in February 2022. 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.	277 152	1 092 578
The facility is a revolving credit facility secured against the producing asset of PetroSA Ghana. The security package comprises a share pledge and subordination of future loans to PetroSA Ghana. Additional security includes an offshore debenture comprising security over contemplated hedging agreement, intercompany loans granted by PetroSA Ghana to its subsidiaries and certain project accounts into which transaction funds are deposited.		
The available facility amount/borrowing base is redetermined six monthly at the end of June and December and is a function of the present value of future cash flows generated by a producing/developing assets. The available facility amount most sensitive to economic assumptions such as the Brent crude oil price and changes to independently audited oil reserves. The loan covenants applicable are the field life cover ratio of 1.3 and a loan life cover ratio of 1.1. All loan covenants relating to this facility have been satisfied.		
Transaction costs of R63.123 million was incurred (2020: R76.071 million).		
Cash on Call (Darling Wind Power) These are funds held and invested in call accounts on behalf of Darling Wind Power (Pty) Ltd.	601	574
Cash on Call (Upstream Training Trust) These are funds held and invested in call accounts on behalf of the Upstream Training Trust that is managed by PASA.	81 041	68 194
Demand Site Management Levy These are levies collected by CEF SOC Ltd. on behalf of the DMRE from the oil companies as mandated by the CEF Act 38 of 1977 and payable into the National Revenue Fund.	31 137	31 436
	389 931	**1 192 782**
Split Between Non-Current and Current Portions		
Non-current liabilities	–	930 765
Current liabilities	389 931	262 017
	389 931	**1 192 782**

21. Lease Liabilities

Figures in R '000	2021	2020
Minimum Lease Payments Due		
– within one year	195 093	212 302
– in second to fifth year inclusive	654 671	819 739
– later than five years	1 636 384	1 955 817
	2 486 148	2 987 858
less: future finance charges	(1 324 911)	(1 566 575)
Present Value of Minimum Lease Payments	**1 161 237**	**1 421 283**
Present Value of Minimum Lease Payments Due		
– within one year	115 848	106 477
– in second to fifth year inclusive	421 401	472 370
– later than five years	623 988	842 436
	1 161 237	**1 421 283**
Non-current liabilities	1 045 389	1 314 806
Current liabilities	115 849	106 477
	1 161 238	**1 421 283**

Finance Leases

AEMFC
AEMFC entered into a finance lease with Innovent Rental and Asset Management Solution (Pty) Ltd. for mining machinery. The finance lease was initially recognised at R144.2 million. The present value of the lease liability unwinds over the expected life of the lease and is reported within the finance costs as finance leases. The initial lease period is five years and the impute interest rate is 9.5%.

PetroSA
PetroSA Ghana Ltd., together with its JV partners, entered into a finance lease with MODEC for the leasing of a floating production storage and offloading unit (FPSO) in the TEN field. The finance lease was initially recognised at R850.3 million. The present value of the lease liability unwinds over the expected life of the lease and is reported within finance costs as finance leases.

The initial lease period is 10 years, with an option to renew for an additional 10 years, until end of life of field. The imputed interest rate is 8.4%.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

IFRS16 Lease Liabilities
Details pertaining to leasing arrangements, where the Group is lessee are presented below:

AEMFC
The right of use lease liability relates to the right of use asset disclosed in note 3. Interest is based on incremental borrowing rate of 10.75% per annum. The right of use assets is in respect of a lease of office premises for a non-cancelable lease period of 10 years and one month that commenced on 1 March 2018. The lease agreement makes a provision for an option for renewal of 5 years which the company does not expect to exercise. There are no restrictions on covenants imposed by leases. The lease agreement does constitute a sale and leaseback transaction.

21. Lease Liabilities (continued)

CEF

The incremental borrowing rate used to determine the present value of the lease liability as at the date on initial adoption 1 April 2019 is 10.60%. The incremental borrowing rate is the rate that is obtained from banks if we were to obtain financing for the purchase of a similar asset.

- The finance lease liabilities relates to leases of printing machines.
- The lease payments are fixed per annum.
- The original lease period is 3 years and ends on 30 November 2021.

SFF

The company is leasing properties that are located in the Saldanha Port land from the Transnet National Ports Authority. The company leases are for an average period of 25 years and the average effective borrowing rate is 10.25%.

No contingent rent is payable.

Prior Period Correction

SFF

IFRS 16 in relation to leases where the company is a lessee was implemented in the annual financial statements for the first time during the 2019/20 financial year. During the preparation of the financial statements for the 2020/21 financial year, it was noted that there were differences between the lease schedule calculation and the disclosure on minimum lease payments, present value due and the split between the current and non-current portion of the lease liability. This adjustment was done in the current year. The minimum lease payments note disclosure have been updated.

AEMFC

In prior year the right of use liability and the related asset were calculated using the interest quoted on 1 April 2019 instead of the rate at 1 March 2018, which was the commencement of the lease. This has resulted in the right of use asset and liability being understated. PPE, lease liability, deffered tax and retained earnings have been adjusted for this prior period error.

22. Retirement Benefits

Defined Benefit Plan

Post-Employment Medical Aid Scheme

Two subsidiaries of the Group, SFF and PetroSA, have a post-retirement medical scheme in place that is governed by the Medical Aid Schemes Act of 1998. The post-employment medical arrangement provides health benefits to retired employees and certain dependents. The benefit was applicable and on offer only to employees in the service of the affected Group companies before the changes to the new current benefit policy.

PetroSA

The obligation is partially funded and was valued using the projected unit credit method. The group has provided for an amount of R165 million of which R82.9 million was funded (2020: R164.9 million of which R78.8 million was funded). The commitment is actuarially valued annually, with the most recent valuation performed at 31 March 2020.

The post-employment medical arrangement provides health benefits to retired employees and certain dependents. The benefit was applicable and on offer only to employees in the service 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. The current value of the annuity policy is R82.9 million (2020: R78.8 million).

The net defined benefit obligation in respect of promised post-retirement medical scheme costs as at 31 March 2021 is R82.2 million (2020: R86.1 million). The obligation is partially funded and was valued using the projected unit credit method.

22. Retirement Benefits (continued)

SFF

The obligation is not funded. The plan is a post-employment medical benefit plan. The company contributes to a medical scheme for retired employees and their dependants. The promised rates are 100% in respect of all active employees and 100% or 70% for the continuation members. An actuarial valuation was conducted by ARCH Actuarial Consulting as at 31 March 2021 based on the projected unit credit valuation method, as prescribed by IAS 19.

The plan is a final salary pension/flat plan or a post-employment medical benefit plan.

Figures in R '000	2021	2020
Carrying Value		
Present value of the defined benefit obligation – wholly unfunded	(67 285)	(57 159)
Present value of the defined benefit obligation – partially or wholly funded	(222 944)	(164 885)
Fair value of plan assets	82 912	78 784
	(207 317)	**(143 260)**
Non-current liabilities	(203 123)	(139 716)
Current liabilities	(4 194)	(3 544)
	(207 317)	**(143 260)**
The fair value of plan assets includes		
Movements for the Year		
Opening balance	143 260	160 056
Current year service costs	1 226	1 599
Past service costs	477	701
Net interest return (costs)	17 570	15 375
Net benefits payments	(25 253)	(9 884)
Net actuarial (gains) and losses	70 037	(24 587)
	207 317	**143 260**
Key Assumptions Used		
Assumptions used on last valuation on 31 March 2021.		
PetroSA		
Discount rates used	12.68 %	12.81 %
Expected rate of return on assets	9.14 %	8.45 %
SFF		
Discount rates used	10.17 %	12.36 %
Expected rate of return on assets	6.98 %	8.55 %

22. Retirement Benefits (continued)

Other Assumptions

PetroSA

A sensitivity analysis was performed on key assumptions. A 1% or 1 year-downward rating change in assumptions will increase or (decrease) the net obligation as follows:

- Discount rate – R33.4 million and (R26.7 million) respectively (2020: R17.5 million and (R14.7 million) respectively).
- Mortality rate – (R5.7 million) and R5.7 million respectively (2020: (R3.9 million) and R3.9 million respectively).
- Health care cost inflation – R34.3 million and (R27.8 million) respectively (2020: R18.1 million and (R15.4 million) respectively))
- A 1% or 1 year-downward rating change in assumptions will increase or (decrease) combined interest and service cost as follows:
- Discount rate – R3.1 million and (R2.6 million) respectively (2020: R700 000 and (R600 000) respectively).
- Mortality rate – (R900 000) and R900 000 respectively (2020: (R500 000) and R500 000 respectively).
- Health care cost inflation – R5.8 million and (R4.6 million) respectively (2020: R2.5 million and (R2.1 million) respectively.

The plan asset is unquoted and is a policy of insurance. Therefore the split of the underlying investments is not readily available, and is most likely to be predominantly invested in CPI-linked bonds.

SFF

Discount Rate Assumption

IAS 19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled. IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds are not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 10.17% per annum has been used. The corresponding index-linked yield at this terms is 3.98%. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 31 March 2021. These rates were calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed interest and index-linked yields were taken from the respective bond yield curves at the component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

Health Care Cost Inflation Rate

The assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). A health care cost inflation of 6.98% has been assumed. This is 1.5% in excess of expected CPI inflation over the expected term of the liability, namely 5.48%. A larger differential would be unsustainable. This implies a net discount rate of 2.98%. The expected inflation assumption of 5.48% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.98%) and those of fixed interest bonds (10.17%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases.

22. Retirement Benefits (continued)

Demographic Valuation Assumptions

Mortality During Employment
SA85-90 ultimate table, adjusted for female lives.

Post-Employment Mortality
PA(90) ultimate table, adjusted down by 1 year of age and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year and in the year after, we expect 1.99% fewer people to die and so on.

Continuation of Membership
It has been assumed that 100% of in-service members will remain on the company's health care arrangement should they stay until retirement.

Average Retirement Age
The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 64 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-services members who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Withdrawal from Service
If an in-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

The assumed rates are set out below:

Age Band	This valuation	Previous Valuation
20	13%	17%
25	13%	17%
30	11%	13%
35	8%	9%
40	6%	6%
45	4%	4%
50	3%	2%
55+	0%	0%

22. Retirement Benefits (continued)

Family Profile
It has been assumed that female spouses will be 3 years younger than their male counterparts. Furthermore, we have assumed that 90% of eligible in-service members on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Medical Scheme Option
It has been assumed that continuation members will remain on the same medical scheme and option. In service members were assumed to remain on the same medical scheme and option should they continue to receive the subsidy after retirement.

Plan Assets
There are no long-term assets set aside off-balance sheet in respect of the post employment health care liability.

Other Assumptions
It was assumed that the company's health care arrangements and subsidy policy would remain as previous. Furthermore, it was assumed that the level of benefits receivable and contributions payable would remain unchanged with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

Sensitivity Analysis
The liabilty at valuation date was recalculated to show the effect of:
- 1% increase and decrease in the assumed rate of health care cost inflation;
- 1% increase and decrease in the discount rate;
- 1 year age increase and decrease in the assumed rates of post-employment mortality;
- 1 year decrease in the assumed average retirement age; and
- a decrease fo 10% in the assumed proportion of in-service members that remain members at retirement.

Defined Contribution Plan
It is the policy of the Group to provide retirement benefits to all its eligible employees. All eligible Group employees are members of the respective CEF Group subsidiaries' retirement funds and medical aid contribution funds, all of which are subject to the Pensions Fund Act of 1956 and the Medical Aid Schemes Act of 1998 respectively. This excludes instances where a defined benefit plan is applicable – refer to above.

The Group is under no obligation to cover any unfunded benefits.

23. Provisions

Reconciliation of Provisions – 2021

	Opening Balance	Additions	Utilised During the Year	Reversed During the Year	Change in Estimates	Unwinding of Discount	Total
Environmental rehabilitation	13 442 033	79 648	–	(3 701)	(743 511)	473 564	13 248 034
Bonus	177 087	57 027	(31 383)	(8 550)	–	–	194 181
Social investment	4 606	–	(154)	–	–	–	4 452
Damages	4 341	–	(4 341)	–	–	–	–
	13 628 067	**136 675**	**(35 878)**	**(12 251)**	**(743 511)**	**473 564**	**13 446 667**

Reconciliation of Provisions – 2020

	Opening Balance	Additions	Utilised During the Year	Reversed During the Year	Change in Estimates	Unwinding of Discount	Total
Environmental rehabilitation	10 700 090	70 016	20 133	–	2 218 529	433 265	13 442 033
Bonus	98 682	174 264	(90 685)	(5 174)	–	–	177 087
Social investment	6 516	–	(1 910)	–	–	–	4 606
Damages	–	4 341	–	–	–	–	4 341
	10 805 288	**248 621**	**(72 462)**	**(5 174)**	**2 218 529**	**433 265**	**13 628 067**
Non-current liabilities						13 252 486	13 429 719
Current liabilities						194 181	198 348
						13 446 667	**13 628 067**

Change in estimate includes foreign exchange of -R82.6 million (2020: R80.6 million).

23. Provisions (continued)

Environmental Rehabilitation

PetroSA

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas interests, the majority of which are expected to be incurred up to 2027. The assumptions are based on the current economic environment and provide a reasonable basis for estimating the future liability. The program also assumes the decommissioning will be executed in one campaign in aid of managing logistical costs. These estimates are reviewed annually to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market conditions. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

PetroSA has commissioned an expert to assess the quantum and scope of the abandonment provision. PetroSA has undertook to submit all plugged and abandoned legacy well packages to the regulator as part of the efforts to justify the exclusion of these wells from the provision. No provision has been made for the plugged and abandoned legacy wells.

The base cost of the provision increased by R2.1 billion, however, strengthening of the Rand against the US Dollar and the increase in the USD risk free rate from 0.7% to 1.7% largely eliminated most of the negative effect of the base cost change. Major assumptions included in the calculation of local provisions is a discount rate of 3.2% (2020: 3%). A sensitivity analysis indicates that a R1 weakening of the Rand against the US Dollar translates into R657 million (2020: R568 million) increase in the provision. The programme also assumes the decommissioning will be executed in one campaign in aid of managing logistical costs. It is assumed that each well will take an average of 15 days to abandon.

For international provisions, the discount rate used is 1.23% (2020: 4.02%) with an expected realisation date of 2036. Changes in cost estimates are driven by revisions to the operator's cost assumptions and estimates.

Included in the environmental rehabilitation provision for PetroSA is an amount of R12.3 million (2020:12.3 million) for the rehabilitation of the land at the Voorbaai terminal and Bloemfontein depot.

SFF NPC

The provision amount of R563 million (2020: R484 million) relates to the decommissioning and rehabilitation of the Milnerton and Saldanha tank farms under the requirements of NERA and the environmental monitoring and rehabilitation of the underground crude oil tanks in Ogies, with the requirements contained in the MPRDA.

Major assumptions included in the calculation of the provision are the South African inflation rate of 3.21% (2020: 4.19%).

The discount rate applied was 8.5%. Whilst International Accounting Standards IAS 37:45 state that "Where the effect of time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle obligation".

The discounted amount of R384 million is deemed not reflective of the costs that will be needed for the purposes of restoring the operational sites to their original state and therefore management deem it prudent to disclose the provision as R564 million which is the best estimate of the expenditure required to settle the present obligation at the balance sheet date of 31 March 2021.

Also the shortcomings of this discounted amount are that Saldanha Terminal has a remaining useful life of more than 40 years which is too far out in the future, as a result there are reasonably potential changes in the assumptions used in the calculation like South African inflation, Rand to Dollar exchange rate, oil prices etc.

23. Provisions (continued)

Saldanha and Milnerton
The six Saldanha in-ground tanks will be decommissioned and withdrawn from service but not demolished. The scope of work includes the cleaning, decommissioning and mothballing of the equipment within the perimeter fences of the tankfarm. The value of any recovered material, including steel from tanks, steel piping, transformers and electrical cabling, will not be used to offset the cost of demolition of the various facilities. Allowance will be made for potentially recoverable material to be placed in waste skips after demolition. The cost of removal from the tank farm to a scrap yard will be deemed to be offset by the value of the recovered materials. No allowance has been made for the removal of crude oil/ sludge from the tanks and pipeline. The decommissioning cost estimate will not include the removal or mothballing of the Chevron facilities as it is assumed that this would be undertaken by Chevron at its expense. Total provisions for Saldanha and Milnerton tank farms are R206.1 million and R216.5 million (2020: R142.3 million and R207.1 million) respectively.

Ogies
The provision for this site is to address the economic analysis of the worst-case environmental damages and the cleanup costs for the assessed hazard. Environmental damage affects groundwater, soil that produces food in the surrounding area, property and trading damages such as human life and mineral rights. The assumptions used in the calculation take into account the probability of occurrence. At year end, the total provision for the Ogies tank storage mine infrastructure was R141.1 million (2020: R135.0 million).

AEMFC
As at 31 March 2021 the environmental rehabilitation balance of R 44.3 million (2020 : R44.7 million) was recognised for Vlakfontein Mine rehabilitation based on estimates provided by independent environmental consultants. The net present value of the environmental rehabilitation provision is based on discount rates taking into account long bond yield rates of 5.98% for 2022, 9.465% for 2030, 9.915% for 2031, 10.995% 2035 (2020: 4.76% for 2020, 10.95% for 2030, 11.195% for 2031, 11.62% 2035 cashflows) and inflation rate of 4.54% (2020: 4.1%) in line with South African Reserve Bank long-term inflation targets. Current mine plans envisage the expected outflow to occur at the end of the life of mine.

In respect of the rehabilitation provision, there was asset write down of R3.7 million (2020: R19.5 million) recognised in property, plant and equipment in the mine infrastructure asset class.

Damages Provisions
This relates to Transnet fuel pipeline damage and diesel spillage. On 27 October 2018, a Transnet fuel pipeline located underneath the ground was damaged by an excavator operator while he was creating a trench required as a security barrier following the mine pipe theft incidents. The damaged fuel pipe line led to the spillage of diesel to the environment.

Funding of Rehabilitation Provision
PetroSA is working with all key stakeholders to ensure compliance with the requirements of the financial provision regulations before 19 February 2024. To this extent, the Group has committed to assist PetroSA, through various support and oversight mechanisms, to close the funding gap. In addition, PetroSA is working closely with the regulator (the Petroleum Agency of South Africa) to ensure that it discharges its responsibilities as required under the NEMA financial provision regulations. Other key stakeholders involved include the Departments of Energy, National Treasury, Mineral Resources and Environmental Affairs. No funds have been set aside for the funding of international provisions valued at R294 million. In terms of the signed petroleum agreements, this will commence once 50% of the estimated reserves have been produced from the relevant fields. PetroSA has set aside funds towards the cost of decommissioning. These funds are not available for the general purposes of the Group and comprise of the following investments:

23. Provisions (continued)

Figures in R '000	2021	2020
Cash deposits	477	477
Cash in escrow account	2 311	2 12
Financial guarantee	180	180
	2 968	**2 786**

Social Investment
This provision amount of R4.5 million (2020: R4.6 million) is for commitments to community investment projects as a pre-condition for the issuing of exploration licences.

Bonus
Provision for performance bonus for an amount of R194 million (2020: R177 million) represents incentives for employees who qualify in terms of their performance during the current year. The bonus liability is anticipated to be paid within the next twelve months.

24. Deferred Income

CEF SOC Ltd.
The deferred grant was received by CEF SOC Ltd. from the DMRE. This funds grant is used to fund feasibility studies for the Vaal Dam projects. The balance of this grant is R1 million (2020: R1 million).

SFF NPC
An upfront reservation fee of R74.6 million ($5.95 million) is applicable to one of the crude oil storage contracts with a duration of seven years and is being recognised as revenue over the duration of the contract. As at 31 March 2021, there were 35 months left on the contract. The balance as at year end is R31.10 million (2020: R41.76 million). Income received in advance for the 2020 and 2019 financial years were previously translated at the spot exchange rate on the reporting date (R17.909/USD at 31 March 2020, R14.565/USD at 31 March 2019). In terms of IAS 21, this is a non-monetary asset and not translated.

The related errors have been corrected in the current year.

PASA
These relate to cash deposits received from operators and licencees in terms of issued rights and permits. The environmental deposits can only be paid back to the holder on relinquishment of the rights in terms of section 43 of the MPRDA and on granting of a closure certificate by the Minister. Refer to cash and cash equivalents for ring-fenced funds under note 16. The balance as at year end is R2.543 million (2020: R2.545 million).

Prior Period Correction
Income received in advance for the 2020 and 2019 financial years were previously translated at the spot exchange rate on the reporting date (R17.909/USD at 31 March 2020, R14.565/USD at 31 March 2019). In terms of IAS 21, this is a non-monetary asset and not translated. Deferred income (non-current) increased by R8.4 million and retained earnings decrease by R8.4 million.

Deferred Income

Figures in R '000	2021	2020
Split Between Non-Current and Current Portions		
Non-current liabilities	24 037	52 745
Current liabilities	10 663	–
	34 700	**52 745**

25. Trade and Other Payables

Figures in R '000	2021	2020
Financial Instruments		
Trade payables	1 144 801	6 970 242
Sundry creditors	221 266	305 338
Accrued leave pay	118 638	88 670
Cash calls in advance	143 642	284 463
Liability to transfer to equalisation fund	61 520	–
Payroll related liabilities	35 264	11 051
Non-Financial Instruments		
Amounts received in advance	63 463	57 318
Statutory payables (tax and levies)	313 789	893 675
VAT	3 267	369
Operating lease payables	45	(254)
	2 105 695	**8 610 872**
Financial Instrument and Non-Financial Instrument Components of Trade and Other Payables		
At amortised cost	1 725 131	7 659 765
Non-financial instruments	380 564	951 108
	2 105 695	**8 610 873**

Fair Value of Trade and Other Payables

The fair value of trade and other payables approximates their carrying amounts.

26. Revenue

Revenue from Contracts with Customers		
Fuel production sales	7 629 552	12 178 490
Data sales	7 026	8 050
Crude oil sales	1 105 036	1 512 169
Oil pollution control	47 961	19 256
Application fees	40	26
Coal sales	302 499	536 818
Administration and management fees	1 367	3 142
	9 093 481	**14 257 951**
Revenue Other than from Contracts with Customers		
Rental Income	1 128 295	205 259
Interest received (trading)	22	24
Government grants	117 146	92 530
	1 245 463	**297 813**
	10 338 944	**14 555 764**

26. Revenue (continued)

Figures in R '000	2021	2020
Disaggregation of Revenue from Contracts with Customers		
The group disaggregates revenue from customers as follows:		
Timing of Revenue Recognition		
At a Point in Time		
Fuel production sales	7 629 552	12 178 490
Coal sales	302 499	536 818
Application fees	40	26
Data sales	7 026	8 050
Oil pollution control	47 961	19 256
	7 987 078	**12 742 640**
Over Time		
Crude oil sales	1 105 036	1 512 169
Administration and management fees	1 367	3 142
	1 106 403	**1 515 311**
Total Revenue from Contracts with Customers	**9 093 481**	**14 257 951**

27. Cost of Sales

Cost of sales	9 797 940	14 177 637

28. Other Income

Commissions received	145	20
Royalties received	50	50
Other rental income	58 594	13 174
Other recoveries	8 421	2 421
Revaluation-hedging activities	(29 838)	41 289
Recovery of coal transport costs	17 297	122 661
Other income	43 854	3 021
Income from landfill	16 897	36 507
Diesel rebate	14 775	14 621
Nitrogen sales	8 842	7 295
Management fees	–	(52)
Insurance claims	1 179	99 405
Profit (loss) on sale of assets and liabilities	–	7 255
Gantry fee	32 630	44 581
Impairment reversals	1 487 768	–
	1 660 614	**392 248**

29. Operating Profit (Loss)

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Figures in R '000	2021	2020
Auditor's Remuneration – External		
Audit fees	26 408	25 126
Remuneration Other than to Employees		
Directors remuneration	17 908	20 348
Leases		
Short-Term and Low Value Leases		
Premises	7 866	10 677
Equipment	1 805	1 440
	9 671	**12 117**
Short-Term and Low Value Leases	9 671	12 117
Less: Operating lease charges included in cost of merchandise sold and inventories	(941)	(221)
Total Operating Lease Charges Expensed	**8 730**	**11 896**
Impairment Losses		
Reversal of impairments of property, plant and equipment	(999 944)	5 071 025
Reversal of impairments property, plant and equipment	(201 243)	–
Impairment/(reversal) of intangible assets	9 646	(39 153)
Impairment/(reversal) inventories	(286 580)	358 874
	(1 478 121)	**5 390 746**
Movement in Credit Loss Allowances		
Trade and other receivables	19 731	9 610
Other financial assets	129 937	31 075
	149 668	**40 685**

29. Operating Profit (Loss) (continued)

Figures in R '000	2021	2020
Expenses by Nature		
Research and development costs	54 988	96 797
Impairment/(reversal) on property, plant and equipment	(1 201 187)	5 071 018
Depreciation on property, plant and equipment*	683 578	1 251 604
Depreciation on right-of-use asset	12 139	9 350
Tax related expenses	1 789	1 843
Profit (loss) on exchange differences	18 586	90 673
Impairment/(reversal) on intangible assets	9 646	(39 153)
Impairment/(reversal) on other financial assets	129 937	31 075
Impairment of trade and other receivables	19 731	9 610
Restatement of financial assets and financial liabilities	(16)	(9 558)
Other administration expenses PetroSA	101 608	245 006
Participating fees	7 152	6 456
Impairment/(reversal) of inventories	(286 580)	358 874
Amortisation on intangible assets	6 434	5 611
Training	5 497	5 548
Travel – Local	5 750	16 752
Travel – Overseas	2 908	22 627
Municipal expenses	9 338	12 468
Hedge premium	4 029	13 248
Employee costs	884 628	934 221
Staff welfare	2 012	7 379
Security	5 122	3 904
Corporate social responsibility	59 065	27 361
Accounting fees	2 283	1 667
Repairs and maintenance	16 275	20 376
Motor vehicle maintenance expenses and other related expenses	6 039	5 098
Insurance	84 507	76 121
Consulting and professional fees	135 229	67 315
Financial services fees	4 156	9 197
Computer expenses	9 280	9 039
Administration and management fees	–	3 137
Transport and freight	325 692	314 592
IT facilities and software	86 911	82 792

** Includes the deprection that has been allocated to cost of sales.*

30. Investment Income

Figures in R '000	2021	2020
Dividend Income		
Equity instruments at fair value through profit or loss:		
Listed investments – Local	6	5
Interest Income		
Investments in financial assets		
Bank and other cash	749 816	1 181 538
Trade and other receivables	59 391	2 534
Other financial assets	1 885	4 031
Loans to group companies		
Associates	2 310	4 617
Total Interest Income	**813 402**	**1 192 720**
Total Investment Income	**813 408**	**1 192 725**

Interest is charged at South African prime rate on the loan to an associate.

31. Finance Costs

Trade and other payables	389	18 040
Lease liabilities	115 521	97 809
Bank overdraft	2 722	2 615
Current borrowings	29 023	64 065
Tax authorities	1 976	(18)
Unwinding of discount on provisions and other liabilities	474 515	427 762
Other interest paid	3 663	4 742
Total Finance Costs	**627 809**	**615 015**

32. Taxation

Figures in R '000	2021	2020
Major Components of the Tax Income		
Current		
Local income tax – Current period	72 859	255 327
Local income tax – Recognised in current tax for prior periods	3 684	(99)
Foreign income tax or withholding tax – Current period	(92)	3 152
Foreign income tax or withholding tax – Recognised in current tax for prior periods	–	14
	76 451	**258 394**
Deferred		
Originating and reversing temporary differences	(221 113)	(794 561)
Benefit of unrecognised tax loss/tax credit/te	67 963	(53 203)
	(153 150)	**(847 764)**
	(76 699)	**(589 370)**
Reconciliation of the Tax Expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	463 531	(5 853 244)
Tax at the applicable tax rate of 28% (2020: 28%)	129 789	(1 638 908)
Tax Effect of Adjustments on Taxable Income		
Income not subject to tax	(984 552)	(222 596)
Expenses not deductable for tax purposes	460 333	294 456
Associates' results reported net of tax	(100 442)	(140 131)
Unrecognised deferred tax asset	–	1 486
Effects of tax rates in different jurisdictions	17 981	143 970
Tax losses carried forward	396 513	970 205
Tax expense in respect of prior years	3 680	2 148
	(76 698)	**(589 370)**

The average effective tax rate is -16.5% (2020: -10%). Companies are subject to income tax at company level and not Group/level. The tax expense arises from individual Group companies that are subject to income tax and generated taxable profits during the financial year.

Non-deductible and non-taxable income is made up of income and expenditure from subsidiaries (SFF, PASA, OPCSA) that are not subject to income tax and non-ductable expenses resulting from the apportionment method applied in some of the entities in the Group.

Tax losses carried forward originate from PetroSA Ghana and ETA Energy.

33. Other Comprehensive Income

Components of Other Comprehensive Income – 2021

	Gross	Tax	Net
Items that will not be Reclassified to Profit (Loss)			
Remeasurements on Net Defined Benefit Liability/Asset			
Remeasurements on net defined benefit liability/as	(42 241)	–	(42 241)
Items that may be Reclassified to Profit (Loss)			
Exchange Differences on Translating Foreign Operations			
Exchange differences arising during the year	(484 004)	–	(484 004)
Total	**(526 245)**	**–**	**(526 245)**

Components of Other Comprehensive Income – 2020

	Gross	Tax	Net
Items that will not be Reclassified to Profit (Loss)			
Remeasurements on Net Defined Benefit Liability/Asset			
Remeasurements on net defined benefit liability/asset	19 649	–	19 649
Items that may be Reclassified to Profit (Loss)			
Exchange differences on Translating Foreign Operations			
Exchange differences arising during the year	603 372	–	603 372
Total	**623 021**	**–**	**623 021**

34. Cash (Used in)/Generated from Operations

Figures in R '000	2021	2020
Profit before taxation	463 531	(5 853 244)
Adjustments for		
Depreciation and amortisation	706 906	1 266 564
Losses (gains) on disposals, scrappings and settlements of assets and liabilities	8	(6 366)
Losses on foreign exchange	651 837	31 406
Income from equity accounted investments	(348 132)	(500 469)
Investment income	(813 408)	(1 192 725)
Finance costs	627 809	615 015
Fair value (gains) losses	(18)	9 698
Net impairments and movements in credit loss allowances	(969 647)	5 036 570
Movements in retirement benefit assets and liabilities	2 081	(4 139)
Movements in provisions	31 249	195 319
Other non-cash items	62 194	2 107
Changes in Working Capital		
Inventories	187 059	1 326 390
Trade and other receivables	384 196	614 953
Prepayments	(31 154)	(49 065)
(Increase)/Decrease in strategic stock	(286 579)	358 874
Trade and other payables	(5 622 349)	(1 673 843)
	(4 954 417)	**114 233**

35. Tax Paid

Balance at beginning of the year	4 274	2 083
Current tax for the year recognised in profit or loss	(94 946)	(256 147)
Non-cash adjustment	109	(2 247)
Exchange differences arising on the translation of foreign operations (OCI)	(116 498)	144 233
Balance at end of the year	(16 142)	(4 274)
	(223 203)	**(116 352)**

36. Commitments

Figures in R '000	2021	2020
Authorised Capital Expenditure		
Already Contracted for but not Provided for		
AEMFC SOC Ltd. Vlakfontein extensions	14 038	72 936
PASA shale gas project	31 498	–
PASA SOC Ltd. – Server storage	525	3 994
PetroSA SOC Ltd. – Jubile and TEN development	155 735	200 805
SFF NPC – South Sudan investment	645 323	777 617
Not yet Contracted for and Authorised by Directors	–	–
CEF SOC Ltd. – Authorised by directors' resolution	575 822	722 000
AEMFC SOC Ltd. – Total authorised capital budget	141 570	499 625

This committed expenditure relating to the above will be financed by available bank facilities, retained profits, existing cash resources, funds internally generated and debts.

Other Authorised Major Commitments		
CEF-Sponsorship – Solar Water Heaters – Contracted for	62 835	48 722
CEF- Sponsorship – Solar Water Heaters – Not yet contracted for	81 469	139 610

The commited expenditure relates to the Solar Water Heaters Programme CEF is currently implementing in partnership with the Department of Mineral Resources and Energy and Department of Labour (DoL).

37. Contingencies

SFF NPC

Customer Claim – Uplifting of Crude Oil

A court case (arbitration) is currently under way for an alleged breach of storage contract relating to SFF's refusal to allow a customer to uplift 300 000 barrels of crude oil in Saldanha Terminal that were loaned by SFF to a service provider who later sold the crude oil barrels to the Court Applicant.

Metering System

An interim arbitration award (in which SFF is the respondent) has been finalised whereby the parties agree that the arbitration is postponed sine die and the costs of the arbitration are reserved. An independent expert has been appointed to establish whether the metering system operates within the specification agreed to by the parties. The independent expert has requested that additional work should be undertaken to bring the flow meters to a position where they are operating before they can proceed with the agreed scope of work. The parties have agreed to share the costs of remedial work on an equal basis and the metering system has been taken overseas by the claimant for remedial work. Costs of the remedial work will be shared by the parties on an equal basis.

Should the expert conclude that the system operates as intended, SFF shall be liable for R7.67 million plus mora interest (calculated at 9.5% per annum on the capital sum from 1 April 2014 to date of payment), 50% of the independent expert's costs and the legal costs of the arbitration proceedings paid by the claimant. Together with legal costs and interest, the legal department estimate the total value of the claim to be R12 million.

During the reporting period the expert ruled against SFF and as SFF was raising disputes on the evaluation of expert the other party approached the court seeking to make the arbitration award a court order.

37. Contingencies (continued)

Demurrage Claim
A crude oil storage customer is claiming demurrage costs (of approximately USD1.3 million, translated to R19.285 million as at year end) paid to Transnet National Port Authority from SFF. SFF is disputing this claim on the basis of force majeure. SFF's legal advisors are of the opinion that the customer's case is less than likely to succeed.

Strategic Stock
On 12 March 2018 the company (SFF), together with the holding company (CEF SOC Ltd.) lodged an application in the Western Cape High Court to set aside the disposal of the strategic crude oil stocks on the grounds that these disposals were unlawful, invalid and unconstitutional. On 20 November 2020 the Western Cape High Court has ruled that the contracts should stay or be set aside on basis that CEF and SFF should repay all proceeds recieved and also be responsible for out-of-pocket expenses (those are interest earned by SFF on proceeds and on storage fees and as well as hedging costs) that the buyers would have suffered.

The Boards of SFF and CEF have resolved to appeal everything but paying back proceeds received from sale of strategic stock and the storage income that SFF received which both amount to about R5.5 billion.

There is a chance that the Supreme Court of Appeal may confirm the judgement of the Western Cape High Court and therefore SFF would be expected to further incur an amount of about R2.6 billion which is the amount of the out-of-pocket expenses which are claimed by the buyers of strategic stock.

Security Cameras Claim
A supplier has lodged a claim amounting to R802 988 against the company relating to non-payment for the supply, installation and comissioning of security cameras as well as an intruder detection system at the Saldanha Terminal. The non-payment by the company was due to the fact that the camera system delivered was not in accordance with the specifications of the contract.

Other Contingencies Arising out of Operations
PetroSA
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.

Claim aginst third party
In September 2005, a vessel owned by a shipping company (the defendant) snagged and damaged a carrier and product pipeline owned by PetroSA. Judgment in respect of the merits of this matter has been received. The quantum of PetroSA's claim needs to be assessed although the judge exercised his discretion by apportioning it 80%-20%, which means the vessel owner is liable for only 20% of the claim. The expected amount cannot be determined.

DAS audit assessment
On 18 February 2020, SARS issued a letter of demand for R1 billion with respect to exports from unlicensed depots for the period May 2015 to March 2017. On 28 February 2020, PetroSA requested for a suspension of the payment amount but the application for suspension was denied by SARS. On 17 April 2020, PetroSA lodged a DA96 notice with SARS, notifying the Commissioner of its intention to approach the High Court for an urgent interim interdict, interdicting SARS from taking any enforcement and/or collection steps against PetroSA until the merits of the SARS audit assessment are heard in the High Court. PetroSA was successful in this regard.

On 30 June 2020, the DA96 application to litigate was submitted to SARS. The next step is for SARS to submit a replying affidavit and SARS have far exceeded the time period afforded to it in terms of the Uniform Rules of Court to file its affidavit. Furthermore there has been an amendment to the Uniform Rules of Court requiring an applicant to indicate whether mediation of the matter is possible before consideration of the matter by the High Court. On 18 March 2021, PetroSA sent notice indicating PetroSA's amenability to mediation. The dates for mediation are not yet set. Mediation may lead to settlement or partial agreement reached between SARS and PetroSA. Should the mediation be unsuccessful (in full or in part), the merits of those matters still in dispute between SARS and PetroSA will be argued in the High Court. The High Court date will only be set following the outcome of the mediation process.

37. Contingencies (continued)

Ghana Revenue Authority
The Ghana Revenue Authority (GRA) conducted an audit of PetroSA Ghana Limited (PGL) in respect of 2014-2018 years of assessment and on 31 March 2021, issued the final audit assessment of R708.7 million in respect to corporate tax, withholding tax and branch profit tax. PetroSA Ghana sent notice of objection to the GRA on 26 April 2021. On 21 May 2021, EY Ghana on behalf of PGL issued notice of dispute to the Minister of Energy and Minister of Finance requesting consultation and negotiation with the State. Subsequent to year end, on 26 October 2021 GRA sent a notice withdrawing their assessment.

AEMFC
Contingent Asset
The company has filed a court application for damages against one of its suppliers for the contract awarded to be set aside. The legal counsel anticipates judgement in favour of the company. The claim includes an amount of R2.5 million in respect of estimated legal fees. It is not practical to measure the best estimate of the damages claim for the contract at this stage.

Contingent Liabilities
Legal actions were taken against the company by former employees and labour unions. These cases are currently being heard at the CCMA. Should these matters be decided against the company the costs to settle is estimated at R48.7 million.

AEMFC purchased a 26% share in Mzimkhulu Mining (Pty) Ltd. at a total consideration of R13 million. R9.1 million of the purchase consideration is outstanding and is payable on execution of specific suspensive conditions contained in the agreement of sale which have not been fulfilled.

Guarantees
The Group has guaranteed the fulfilment of various subsidiaries' obligations in terms of contractual agreements and has also guaranteed the banking arrangements of certain subsidiaries as shown in the table below:

Figures in R '000	2021	2020
Guarantees		
Rehabilitation of land disturbed by mining on the Sable field	180 000	180 000
Manufacture and excisable bond in favour of the South African Revenue Service	5 000	5 000
Evergreen VAT guarantee in favour of the Dutch VAT authorities (€0.5 million)	8 689	9 870
DME for rehabilitation of E-BT/E-AR mining lease	27 100	27 100
Eskom for payment of guarantee for electrical supply	9 485	9 485
DMRE for rehabilitation of FA mining lease	450 000	450 000
Absa Bank for OPCSA's deed of suretyship	2 000	2 000
Absa Bank for iGAS' deed of suretyship	2 100	2 100
	684 374	**685 555**

38. Related Parties

Relationships

Ultimate holding company	Department of Mineral Resource and Energy
Subsidiaries	Refer to note 5
Joint ventures	Refer to note 6
Associates	Refer to note 7
Unconsolidated structure	Gannet Trust
	PetroSA Development Trust
Affiliates	Extended Continental Shelf Claim
	Upstream Training Trust
Under common control	Equalization Fund
	South African National Energy Development Institute (SANEDI)
Members of key management	Refer to note 40

Figures in R '000	2021	2020
Related Party Balances		
Loan Accounts – Owing (to) by Related Parties		
Energy-G Systems(Pty) Ltd.	47 516	44 263
GTL.1 AG	–	278 132
Mzimkhulu Mining (Pty) Ltd.	153	14 553
Amounts Included in Trade Receivable (Trade Payable) Regarding Related Parties		
DMRE	694	694
Equalisation Fund	873	598
PAMDC (Pty) Ltd.*	8 387	6 252
SANEDI	1 040	1 591
Equalisation Fund – Relating to sale of feedstock	(61 520)	–
Extended Continental Shelf Claim Project	186	186
Upstream Training Trust (UTT)	12	10
Cash on Call Held on Behalf of Others		
Upstream Training Trust	(81 041)	(68 194)
Provisions Balances Relating to Related Parties		
GTL.1 AG	–	(278 132)
PAMDC (Pty) Ltd.*	(8 387)	(6 252)
DMRE	(694)	(694)
SANEDI	(592)	–

38. Related Parties (continued)

Figures in R '000	2021	2020
Related Party Transactions		
Interest Paid to (Received from) Related Parties		
Energy-G Systems (Pty) Ltd.	(3 253)	(4 151)
Upstream Training Trust	3 576	4 629
Rent Paid to (Received from) Related Parties		
PAMDC (Pty) Ltd.*	(94)	(90)
Rompco (Pty) Ltd.	–	(14)
SANEDI	(999)	(999)
Administration Fees Paid to (Received from) Related Parties		
DMRE	(2)	(1)
Equalisation Fund	(2 223)	(2 070)
PAMDC (Pty) Ltd.*	(1 759)	(1 070)
SANEDI	(1 011)	(982)
Upstream Training Trust	(112)	(93)
Recoveries Paid to (Received from) Related Parties		
Equalisation Fund	(2 613)	(1 351)
PAMDC (Pty) Ltd.*	1	(25)
SANEDI	(550)	(1 122)
Loss Allowances Relating to Related Parties		
PAMDC (Pty) Ltd.*	2 135	1 463
SANEDI	529	–
Government Grant – DMRE		
Allocated income	(91 318)	(86 836)
Conditional grant	(43 214)	(40 610)
Guarantees Given To Related Parties		
DMRE – PetroSA rehabilitation	(477 100)	(477 100)
	–	–

* *The balance and transactions for PAMDC relating to revenue has not be recognised as the recognition criteria per IFRS15 has not been met.*

39. Interests in Unconsolidated Structured Entities

PetroSA Development Trust
The PetroSA Development Trust was established to facilitate the development and transformation of the lives of people from historically disadvantaged and impoverished communities and the enhancement of the education and literacy levels in these communities, in particular those within which PetroSA operates, such as the Mossel Bay region and other deserving communities.

Gannet Trust
The Gannet Trust group of companies was created to underwrite insurance risks for PetroSA and other companies with similar risk profiles. Gannet Trust enables PetroSA to access the reinsurance markets that would not otherwise be available to it. Gannet Trust is also available to accept risks that are either uninsured, uninsurable or that bridge the gap between the underwriters' imposed risk retentions and PetroSA's preferred risk retentions.

Upstream Training Trust
The UTT was established to receive irrevocable and unconditional contributions and grants from any persons or entities for the purpose of applying these funds for education and educational development, research, provision of funding, assets, services and other resources to public benefit organisations. PASA nominates and serves as a trustee on the board of trustees of UTT.

PASA is responsible for the administration of UTT, but is not able to control it as all decisions have to be made by majority vote of the trustees, which may be a minimum of three and a maximum of seven (PASA has only one vote). PASA receives no administration fees from UTT and makes no contribution to UTT.

At 31 March 2021 Petroleum Agency SA had an inter-company receivable from UTT of Rnil (2020: R1). Terms and conditions of the receivable is that it is due and receivable 30 days from date of invoice receipt by UTT.

Petroleum Agency SA's maximum exposure to loss from UTT is Rnil (2020: R1)

40. Key Management Personnel and Directors' Emoluments

Executive

Figures in R '000	Emoluments	Bonuses and Performance Payments	Other Allowances	Pension/ Retirement	Total
2021					
Dr I Poolo (CEF Group CEO)*	3 761	–	300	172	4 233
Mr L Makhuba (CFO and acting CEO)***	393	–	53	179	625
Ms Z Sibisi (Acting CEO AEMFC)**	2 491	–	217	24	2 732
Ms M Modipa (Interim CEO AEMFC)$	645	–	–	–	645
Mr G Moagi (SFF NPC CEO)	4 310	851	454	–	5 615
Mr P Naidoo (PetroSA Group CEO)	5 408	–	437	199	6 044
Mr M Seedat (iGAS SOC Ltd.)##	651	596	–	–	1 247
Ms L Mekwe (PASA SOC Ltd.)	1 103	–	195	85	1 383
Dr PC Masangane (PASA SOC Ltd.)#	2 032	–	366	101	2 499
	20 794	**1 447**	**2 022**	**760**	**25 023**

Figures in Rand thousand	Emoluments	Bonuses and Performance Payments	Other Allowances	Pension/ Retirement	Total
2020					
Mr S Makhanya (CEF Group interim CEO)*	2 918	1 134	159	418	4 629
Mr K Zono (CEF Group Previous Interim CEO)**	3 801	–	646	559	5 006
Mr L Makhuba (Acting CEF Group CEO)***	2 795	1 166	279	236	4 476
Mr S Madondo (AEMFC SOC Ltd.)	3 495	–	194	28	3 717
Mr B Sayidini (PetroSA Group Interim CEO)	2 574	–	350	372	3 296
Mr P Naidoo (PetroSA Group CEO)	2 863	750	56	–	3 669
Mr M Seedat (iGAS SOC Ltd.)	3 526	937	137	–	4 600
Ms L Mekwe (PASA SOC Ltd.)	1 873	320	374	309	2 876
Mr M Moagi (SFF)##	4 244	1 021	404	–	5 669
	28 089	**5 328**	**2 599**	**1 922**	**37 938**

The CEOs/Equivalent of the holding company and operating subsidiaries are key management personnel for the Group.

2021

* *On 1 June 2020 Dr Ishmael Poolo was appointed as CEF Group CEO.*
** *Ms M Modipa acted as the AEMFC CEO from June 2019 to May 2020.*
$ *During June 2020 Ms Z Sibisi was appointed as the acting AEMFC CEO.*
On 1 May 2020 Dr P Masangane was appointed as PASA CEO.
*** *Mr L Makhuba was the acting CEO from January 2020 to 31 May 2020. The salary disclosed is for the period while acting as the CEO.*
Mr M Seedat resigned as the Acting COO of iGAS and Dr I Poolo was appointed as the interim CEO of iGAS on 1 July 2020.

2020

* *Mr S Makhanya was the CEF Group interim CEO from December 2018 to 31 July 2019, however the executive's remuneration disclosed above is for the full year.*
** *Mr K Zono was CEF Group interim CEO from August 2019 to December 2019. The total remuneration disclosed above is for the full year.*
*** *Mr L Makhuba was the acting CEF Group CEO from January 2020 to 31 May 2020, however the executive's remuneration disclosed above is for the full year.*
Mr P Naidoo was appointed as fulltime PetroSA CEO from January 2020.
Mr M Moagi was appointed as the SFF acting CEO for the period and subsequently appointed as full time CEO, see events after reporting note.

40. Key Management Personnel and Directors' Emoluments (continued)

Non-Executive

Figures in R '000	Directors' Fees	Other Expenses[@]	Directors' Fees for Services as Directors' of Subsidiaries	Total
2021				
Ms A Noah – Chairperson*	403	45	–	448
Mr M Besnaar CA (SA)	622	14	375	1 011
Ms G Leketi[#]	–	–	–	–
Mr T Maqubela[#]	–	18	–	18
Mr . Mompati	648	12	–	660
Dr M Mnyande (Chairperson)[+]	526	2	–	528
Ms N Sondlo CA (SA)	675	9	–	684
Adv P Hassan	613	63	–	676
Mr N Poya	671	114	–	785
	4 158	**277**	**375**	**4 810**

Figures in R '000	Directors' Fees	Other Expenses[@]	Directors' Fees for Services as Directors' of Subsidiaries	Total
2020				
Dr M Mnyande – Chairperson*	848	159	–	1 007
Mr M Besnaar-[$]	770	68	675	1 513
Mr . Mompati (Interim Chairperson)[#**]	785	257	–	1 042
Mr T Maqubela*[#]	–	23	–	23
Ms G Leketi*[#]	–	3	–	3
Ms N Sondlo CA (SA)	320	–	–	320
Adv P Hassan	364	110	–	474
Mr N Poya	569	113	–	682
	3 656	**733**	**675**	**5 064**

Changes in Directorship

[@] Relates to directors' travel.

2021

** Ms A Noah was appointed in December 2020 as the CEF Group Chairperson.*
+ It is with great sadness that Dr M Mnyande passed on during the year.

2020

*** Mr Mompati was the Interim Chairperson from March 2019 until the appointment of a new Chairperson in October 2019.*
** These Board members were appointed on the 16 October 2019.*
[#] Department of Mineral Resources and Energy representative.
[$] Mr M Besnaar acted as chair of AEMFC and a director of SFF including SFF audit committee.

41. Financial Instruments and Risk Management

Categories of Financial Instruments

Categories of Financial Assets

2021

Figures in R '000	Note(s)	Fair Value Through Profit or Loss – Designated	Amortised Cost	Total
Loans to group companies	8	–	47 669	47 669
Trade and other receivables	15	–	1 904 182	1 904 182
Cash and cash equivalents	16	–	13 691 048	13 691 048
Other financial assets	9	1 604	179 641	181 245
		1 604	**15 822 540**	**15 824 144**

2020

Figures in R '000	Note(s)	Fair Value Through Profit or Loss – Designated	Amortised Cost	Total
Loans to group companies	8	–	79 983	79 983
Trade and other receivables	15	–	2 304 139	2 304 139
Cash and cash equivalents	16	–	20 822 759	20 822 759
Other financial assets		1 586	183 369	184 955
		1 586	**23 390 250**	**23 391 836**

Categories of Financial Liabilities

2021

Figures in R '000	Note(s)	Amortised Cost	Leases	Total
Trade and other payables	25	1 725 131	45	1 725 176
Other financial liabilities	20	389 931	–	389 931
Lease liabilities	21	–	1 161 238	1 161 238
Bank overdraft	16	–	–	–
		2 115 062	**1 161 283**	**3 276 345**

2020

Figures in R '000	Note(s)	Amortised Cost	Leases	Total
Trade and other payables	25	7 659 765	(254)	7 659 511
Other financial liabilities	20	1 192 782	–	1 192 782
Lease liabilities	21	–	1 421 283	1 421 283
		8 852 547	**1 421 029**	**10 273 576**

41. Financial Instruments and Risk Management (continued)

Pre-Tax Gains and Losses on Financial Instruments

Gains and losses on financial assets

2021

Figures in R '000	Note(s)	Fair value Through Profit or Loss – Mandatory	Amortised Cost	Total
Recognised in Profit or Loss				
Interest income	30	–	813 402	813 402
Dividend income	30	6	–	6
Gains (losses) on foreign exchange		–	(28 633)	(28 633)
Movement in credit loss allowances	29	–	(19 731)	(19 731)
Net Gains (Losses)		**6**	**765 038**	**765 044**

2020

Figures in R '000	Note(s)	Fair value Through Profit or Loss – Mandatory	Amortised Cost	Total
Recognised in Profit or Loss				
Interest income	30	–	1 192 720	1 192 720
Dividend income	30	5	–	5
Gains (losses) on foreign exchange		–	(131 791)	(131 791)
Movement in credit loss allowances	29	–	(9 610)	(9 610)
Net Gains (Losses)		**5**	**1 051 319**	**1 051 324**

Gains and Losses on Financial Liabilities

2021

Figures in R '000	Note(s)	Amortised Cost	Leases	Total
Recognised in Profit or loss				
Finance costs	31	(35 797)	(115 521)	(151 318)
Gains (losses) on foreign exchange		994	–	994
Net Gains (Losses)		**(34 803)**	**(115 521)**	**(150 324)**

2020

Figures in R '000	Note(s)	Amortised Cost	Leases	Total
Recognised in Profit or Loss				
Finance costs	31	(89 462)	(97 809)	(187 271)
Gains (losses) on foreign exchange		(56)	–	(56)
Net Gains (Losses)		**(89 518)**	**(97 809)**	**(187 327)**

41. Financial Instruments and Risk Management (continued)

Capital Risk Management

The Group is exposed to capital risk which is the risk the entity will lose all or part of the principal amount invested.

The Group's objective when managing capital is to ensure it will be able to continue as a going concern while maximizing the returns to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8, 20 and 21, cash and cash equivalents disclosed in note 15, and equity as disclosed in the statement of financial position.

In order to preserve capital the Group constantly monitors the credit and sovereign risk of the counterparties.

Consistent with others in the state-owned companies, the Group monitors capital on the basis of the gearing ratio as per the National Treasury guidance. The ratio is calculated as total interest bearing debt divided by total capital. Total capital is calculated as equity as shown in the statement of financial position and total interest bearing debts is calculated as external debt excluding finance lease liabilities.

There have been no changes to what the Group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Figures in R '000	Notes	2021	2020
Other financial liabilities	20	389 931	1 192 781
Equity		10 580 128	10 634 481
Gearing ratio		4%	11%

Financial Risk Management

Overview

The company is exposed to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (currency risk, interest rate risk and price risk).

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.

The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

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.

41. Financial Instruments and Risk Management (continued)

Credit Risk
The Group is exposed to credit risk which is the risk of financial loss to the entity if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables and investment securities.

The degree of risk involved is (theoretically) reflected in the borrower's credit rating. It is key to ensure that the credit risk taken in the cash portfolios is diversified and does not exceed the risk appetite of the CEF Group, either on an individual counterparty or industry sector basis.

The Group is exposed to credit risk on loans receivable, trade and other receivables, cash and cash equivalents, loan commitments and financial guarantee.

Cash and Cash Equivalents
Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings. Credit limits with financial institutions are revised and approved by the Board annually. The Group obtains independent information of counterparty ratings from the rating agency.

Trade and Other Receivables
Trade receivables comprise a widespread customer base. Management evaluated credit risk relates to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash. Credit guarantee insurance is purchased when deemed appropriate.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determines whether the loss allowances should be calculated on a 12 month or a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year-on-year.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
Figures in R '000		Gross Carrying Amount	Credit Loss Allowance	Amortised Cost/Fair Value	Gross Carrying Amount	Credit Loss Allowance	Amortised Cost/Fair Value
Loans to group companies	8	47 669	–	47 669	358 115	(278 132)	79 983
Trade and other receivables	15	2 251 787	(347 605)	1 904 182	2 634 602	(334 795)	2 299 807
Contract assets	10	20 768	(20 768)	–	–	–	–
Other financial assets	9	182 507	(1 262)	181 245	422 713	(237 758)	184 955
Cash and cash equivalents	16	13 811 144	(120 096)	13 691 048	20 843 766	(21 007)	20 822 759
		16 313 875	**(489 731)**	**15 824 144**	**24 259 196**	**(871 692)**	**23 387 504**

41. Financial Instruments and Risk Management (continued)

Liquidity Risk

The Group is exposed to liquidity risk, which is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short-term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

In mitigating liquidity, the Group strives to ensure that loan and overdraft facilities of appropriate terms are available and that revenue match loan redemption commitments.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

Figures in R '000		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying Amount
Non-Current Liabilities							
Lease liabilities	21	–	–	421 401	623 987	1 045 388	1 045 389
Current Liabilities							
Trade and other payables	25	1 778 052	–	–	–	1 778 052	1 725 131
Other financial liabilities	20	389 931	–	–	–	389 931	389 931
Lease liabilities	21	115 848	–	–	–	115 848	115 849
		2 283 831	**–**	**421 401**	**623 987**	**3 329 219**	**3 276 300**
Non-Current Assets							
Trade and other receivable	15	–	295 048	–	–	295 048	295 048
Other financial assets	9	–	–	–	181 245	181 245	181 245
Loans to group companies	8	–	–	47 516	–	47 516	47 516
Current Assets							
Trade and other receivable	15	1 875 055	–	–	–	1 875 055	1 875 055
Cash and cash equivalents	16	13 691 048	–	–	–	13 691 048	13 691 048
Loans to group companies	8	153	–	–	–	153	153
		15 566 256	**295 048**	**47 516**	**181 245**	**16 090 065**	**16 090 065**
		13 282 425	**295 048**	**(373 885)**	**(442 742)**	**12 760 846**	**12 813 765**

41. Financial Instruments and Risk Management (continued)

2020

Figures in R '000		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying Amount
Non-Current Liabilities							
Other financial liabilities	20	–	930 765	–	–	930 765	930 765
Lease liabilities	21	–	–	472 370	842 436	1 314 806	1 314 806
Current Liabilities							
Trade and other payables	25	7 659 765	–	–	–	7 659 765	7 659 765
Other financial liabilities	20	262 017	–	–	–	262 017	262 017
Lease liabilities	21	106 477	–	–	–	106 477	106 477
		8 028 259	**930 765**	**472 370**	**842 436**	**10 273 830**	**10 273 830**
Non-Current Assets							
Trade and other receivables	15	–	–	252 800	–	252 800	252 800
Other financial assets	9	–	–	–	184 955	184 955	–
Loans to group companies	8	–	–	–	44 263	44 263	44 263
Current Assets							
Trade and other receivables	15	2 304 139	–	–	–	2 304 139	2 304 139
Cash and cash equivalents	16	20 822 759	–	–	–	20 822 759	20 822 759
Loans to group companies	8	35 720	–	–	–	35 720	35 720
		23 162 618	**–**	**252 800**	**229 218**	**23 644 636**	**23 459 681**
		15 134 359	**(930 765)**	**(219 570)**	**(613 218)**	**13 370 806**	**13 185 851**

Prior Period Error

In preparing the maturity profile of contractual cash flows which is needed to asses the Group's liquidity risk as required by IFRS 7, management identified that undiscounted contractual cash flows were incorrectly calculated in the 2020 financial year. In light of this, the maturity profile has been updated to accurately reflect undiscounted contractual cash flows. This correction only affects the disclosure in note liquidity risk. Other financial liabilities increased by R176.7 million, trade and other receivables by R252.5 million and R59.1 million, non-current and current respectively.

Foreign Currency Risk

The Group is exposed to foreign currency risk as it raises funding on the offshore financial markets, imports raw material and spares and furthermore exports finished products and crude oil which are denominated in foreign currencies. The Group takes cover on foreign exchange transactions where there is future currency exposure. The Group also makes use of a natural hedge situation to manage foreign currency exposure. The foreign currencies in which the Group deals primarily are US Dollars and Euros.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

41. Financial Instruments and Risk Management (continued)

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

Figures in R '000	Notes	2021	2020
US Dollar Exposure			
Non-Current Assets			
Other financial assets	9	93 818	161 813
Current Assets			
Trade and other receivables	15	485 190	215 459
Cash and cash equivalents	16	1 255 876	7 306 786
Non-Current Liabilities			
Other financial liabilities		(129 205)	(930 764)
Current Liabilities			
Trade and other payables	25	(229 234)	(5 787 554)
Other financial liabilities		(147 947)	–
Net US Dollar exposure		**1 328 498**	**965 740**
Euro Exposure			
Current Assets			
Trade and other receivables	15	148	6 594
Cash and cash equivalents	16	37 358	100 678
Current Liabilities			
Trade and other payables	25	(4 913)	(5 408)
Net Euro exposure		**32 593**	**101 864**
Net exposure to foreign currency in Rand		**1 361 091**	**1 067 604**

* *The RBL is a dollar denominated loan with an interest rate based on the Libor + a premium (Refer to note 20).*

The Group is therefore not exposed to the currency risk arising from this loan as the loan and the revenue generated by PetroSA Ghana Limited are based on the same currency.

41. Financial Instruments and Risk Management (continued)

Exchange Rates
The following closing exchange rates were applied at reporting date:

Figures in R '000	2021	2020
Rand Per Unit of Foreign Currency		
US Dollar	14 790	17 980
Euro	17 380	19 740

Forward Exchange Contracts
Certain forward exchange contracts have been entered into for the purposes of managing foreign currency risk. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date. The present value of these net market values are then calculated using the appropriate currency specific discount curve.

There were no forward exchange contracts for both at 31 March 2021 and 31 March 2020.

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 adjust their translation at the period end for a 10% change in foreign currency rates.

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Commodity Price Risk
Commodity price risk is the risk of fluctuations in our earnings as a result of fluctuation in the price of commodities.

Crude Oil and Fuel Price
The crude oil price volatility has a significant impact in the following businesses:
- Petroleum products business: The oil price forms part of the key variables that influence the selling price of the product and cost price for sourcing feedstock and finished products.
- Crude oil storage business: the oil price forms part of the key factors that affect the demand for crude oil storage space. The lower price of crude oil encourages drives to store products at the storage facility with the intention to sell the products when prices increase.

The average crude oil price per barrel was USD59.19 in the current year and USD61.10 in the prior year.

Foreign Currency Sensitivity Analysis
The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

41. Financial Instruments and Risk Management (continued)

Group
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 adjust their translation at the period end for a 10% change in foreign currency rates.

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

For financial assets as at 31 March 2021, a 10% strengthening in ZAR against the relevant currencies would have resulted in a decrease in foreign currency denominated assets of R4.7 million (2020: R57.7 million) and a 10% weakening in ZAR against the relevant currencies would have resulted in an increase in foreign currency denominated assets of R50.1 million (2020: R57.7 million).

For financial liabilities as at 31 March 2021, a 10% strengthening in ZAR against the relevant currencies would have resulted in a decrease in foreign currency denominated liabilities of R5.1 million (2020: R0.5 million) and a 10% weakening in ZAR against the US Dollar would have resulted in an increase in foreign currency denominated liabilities of R500 000 million (2020: R500 000 million).

Interest Rate Risk
Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The Group policy with regards to financial assets is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

41. Financial Instruments and Risk Management (continued)

Interest Rate Profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Figures in R '000	Note	Average Effective Interest Rate		Carrying Amount	
		2021	2020	2021	2020
Assets					
Loans to group companies	8	7.25%	6.98%	181 245	184 955
Cash and cash equivalents	16	4.75%	6.02%	13 691 048	20 822 759
				13 872 293	**21 007 714**
Liabilities					
Other financial liabilities		7.75%	6.05%	389 931	1 192 782
Liabilities					
Lease liabilities	21	10.00%	9.87%	1 157 491	1 421 283

Interest Rate Sensitivity Analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

An interest rate sensitivity analysis is based on an increase or decrease of 1% (100 basis points) in the South African market interest rates and the prevailing information as at the reporting date.

The analysis assumes that all other variables remain constant.

The Group's interest rate risk arises from cash and cash equivalents, loans to group companies and finance lease liabilities. The cash on call is invested at variable rates (JIBAR) which expose the company to cash flow interest rate risk, and are managed by CEF Treasury Department. Loans to group companies and finance leases are charged at fixed interest rate.

If interest rates had been 100 basis points higher/lower and all other were held constant, the profit for the year ended 31 March 2021 would decrease/variables increase by R123.249 million (31 March 2020: decrease/increase by R183.936 million).

42. Fair Value Information

Fair Value Hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group accesses at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of Fair Value Measurements

Level 1
Recurring Fair Value Measurements

Figures in R '000	2021	2020
Assets		
Financial assets at fair value through profit (loss)		
Listed shares	129	111
Total	**129**	**111**

43. Going Concern

The Board is confident that the going concern assumption is appropriate in the preparation of the Group Consolidated Annual Financial Statements for the year ended 31 March 2021. While difficult economic conditions persist, the Board and management continuously review the operational and financial risks of the Group and ensure that appropriate initiatives, strategies and controls are in place to mitigate the risks and their impact on business.

PetroSA

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for 12 months from approval of the financial statements. The Group's total liabilities exceed total assets by R6.3 billion, rendering the group technically insolvent. The shareholder and the ultimate shareholder, on 25 May 2021, resolved that the company will not proceed with voluntary business rescue nor liquidation of the group. It was resolved to continue trading on the assumption that the initiatives in the corporate plan would be executed and implemented through robust engagements with Central Energy Fund SOC Ltd. (CEF), Department of Mineral Resources and Energy (DMRE) and Ministry through the War Room, established between PetroSA, CEF and DMRE. The Board will aggressively monitor the implementation of interventions as detailed in the approved Corporate Plan.

Subsequent to the announcement of the merger in the previous financial year, work has progressed and the submission of the cabinet memo to expedite and obtain approvals and implementation thereof is expected in the 2022/23 financial year. Whilst the merger process is progressing, PetroSA developed and presented to the Board its updated corporate plan which was approved for execution with the shareholder, aimed at ensuring a commercially viable entity that will be merged into SANPC.

PetroSA is facing a number of key strategic challenges and consequently, a material uncertainty exists regarding the entity's ability to honour obligations as they fall due and continue as a going concern.

43. Going Concern (continued)

The company's financial distress position continued in the period under review. The weakened financial strength of the balance sheet has led to several suppliers reluctant to offer unsecured and/or open favourable credit terms. While some suppliers do not afford favourable terms to PetroSA, there remains a number of suppliers who continues to offer open and favourable credit terms to PetroSA, both in the past and current financial year. PetroSA will continue to depend on its own cash reserves and utilise stringent working capital management processes to fund trading and marketing operations to fulfil customer contractual obligations and source new customers. The letter of credit facility with Standard Bank of R350 million that was financed from own cash reserves matured in the current financial year, and consequently these funds were remitted to PetroSA. These funds have been utilised to fund working capital and operational activities.

The GTLR ceased operations and production in December 2020 resulting in the company realising a net loss of R1.5 billion in the current financial year. Management is exploring various initiatives, including increasing finished product volumes for placement in the market, utilising funding support through a stream of dividend income from PetroSA Ghana Limited and other funding strategies.

Management's projected cash flows have been erratic, fluctuating on a month-to-month basis and performance is under severe pressure. PetroSA has entered into negotiated payment terms with suppliers on an ongoing basis to smoothen and manage working capital and cash. Management's cash projection for a positive cash balance was achieved for March 2021. Whilst the projected cash balance for March 2022 is positive, there are instances where payments have been deferred but by no later than two days. Management is convinced that this situation is contained and has been assisted by the dividends received subsequent to financial year-end. There are anticipated dividend declarations for the period January to March 2022.

SARS issued a letter of demand for R1 billion with respect to exports from unlicensed depots for the period May 2015 to March 2017. PetroSA sequentially effected the following actions in relation to the SARS DAS matter. At first, PetroSA requested for a suspension of the payment amount, however SARS denied it. Subsequently, PetroSA lodged a DA96 notice with SARS, notifying the Commissioner of its intention to approach the High Court for an urgent application to interdict SARS from taking any enforcement and/or collection steps against PetroSA. PetroSA was successful in this regard. The DA96 application to litigate was submitted to SARS. The next step is for SARS is to submit a replying affidavit and for PetroSA to effect the same. The High Court will then adjudicate on the date when the matter will be expostulated.

As part of cost optimisation process, PetroSA has embarked on a section 189 process including voluntary severance process, which has since been concluded. The voluntary severance process was concluded in October 2021, with 115 employees exiting the company. The next steps in the S189 process, including involuntary separation is anticipated to conclude before March 2022. Ongoing risk assessment, as part of the selection process by the Headcount Reduction Committee process during the section 189 process, was conducted to ensure that key personnel that are required for the current operating model are not lost. The GTLR has not been producing since December 2020 owing to high feedstock costs, thus not commercially attractive for production and is progressively being put under preserved state, which requires only critical employees to ensure safety of the plant.

43. Going Concern (continued)

In addition, the Directors have considered appropriateness of the going concern assumption used in the preparation of the company and consolidated annual financial statement for the year ended 31 March 2021 and in particular considered the matters below:

- PetroSA over the last year has experienced operating losses.
- Indigenous gas reserves are close to depletion and reached a technical cut-off point for supply to the GTLR in December 2020.
- The GTLR has been in parked mode since December 2020 due to poor market product cracks relative to a high fixed cost structure. The processing of condensate in a depressed market environment will result in negative yields and consequently, is not commercially viable.
- The Trading, Supply and Logistics division continues to import finished product for resale at a profit and satisfy contractual commitments. The trading of hydrocarbons has proved profitable, however not adequate to cover the high fixed cost structure of PetroSA.
- PetroSA was unable to pay staff salaries for May and June 2021. CEF made funds available for remuneration.
- The prioritisation of payments to suppliers in relation to the available funds on monthly basis remains an ongoing assessment.
- A precarious financial position impacting negatively on the organisation's credit rating status.
- PetroSA remains vulnerable to exogenous factors such as fluctuations in the crude oil price (a decrease in the Brent price has resulted in an impairment of PetroSA Ghana Limited (PGL)) and volatility in foreign exchange rates (a devaluation in the ZAR/USD has resulted in an increase in the ZAR value of the decommissioning liability).
- At a company level, PetroSA's total liabilities exceeded its total assets by R7.5 billion (2020: R6 billion).
- The declining financial strength of the balance sheet that has led to several suppliers no longer being prepared to offer unsecured, favourable credit terms but insisting on letters of credit (LCs).

Initiatives on the Corporate Plan
CEF and DMRE have been working closely with PetroSA in the formulation of the corporate plan. To counter and respond to the challenges listed, PetroSA is aggressively pursuing the following initiatives, short, medium to long term to ensure a commercial and sustainable company.

Short-term Initiatives
Increased Purchase and Resale of Finished Products
The aggressive yields on increased purchase and resale of purchased products is providing much relief in the source of income for PetroSA. Revenue in the first quarter of 2021/22 increased by 15.7% compared to Quarter 4 of 2020/21, where revenue increased by 65.5%. This increase is associated with the conclusion of a contract that was secured during the new financial year for the supply of finished products, which has since been extended a further period of two months.

This increase in demand is expected to continue during the planning period and the economic forecast is that South Africa needs finished product due to limited local producing companies. Furthermore, PetroSA continues to attract new business for supply of finished products, which will further improve the downstream business and related margins.

Dividend Income and PetroSA Ghana Limited (PGL)
PetroSA received dividends of R504.2 million from PGL to support the operational liquidity needs of the company. PetroSA has expectations of future dividends in the ensuing year, based on revenues from PGL. The tax assessment issued by Ghana Revenue Authority (GRA) has been assessed as low risk and not a threat to the company's income stream. The GRA issued a final audit assessment for the period 2014 to 2018 in respect to Ghanaian corporate taxes, withholding tax and branch profit tax, inclusive of penalties and interest amounting to USD47.9 million. A dispute was lodged by PGL which considers the merits of the tax assessment and outlines the grounds of objection thereto.

43. Going Concern (continued)

Cost Optimisation

PetroSA continues to implement stringent cost-containment measures for the Group. In the previous financial year, PetroSA achieved R2.8 billion in cost containment savings, including feedstock savings of R2 billion. In Quarter 1 of the new financial year, the company achieved R63 million in savings compared to the budget. The cost containments will continue to be implemented in the new financial year. In order to strengthen cost containment measures, the cash flow management and evaluation process has been reintroduced in the new financial year, which is aimed at ensuring all expenditures are approved at the highest levels within the organisation, being GCEO, GCFO and COO.

Financing Instruments

Increase Equity through Pre-Emption – PGL

PetroSA has signed an MOU with a Ghana-entity to acquire Occidental Petroleum Corporation's (Oxy) participating interests in Ghana's Jubilee and TEN oilfields in return for a free carry interest of equity. The funding for the acquisition will be secured through a UK-based regulated financial investor and PetroSA would benefit from the transaction by an increased negotiated share for a free carry.

Reserved Based Lending

PetroSA has engaged Standard Bank (PetroSA's transactional banker) for a bridge loan for the exercise of the preemption on the DWT portion of Jubilee field and TEN (USD70 million) and that this funding will be converted to Reserved Based Lending (RBL) with PetroSA Ghana Limited shares as security. The indicative term offer from Standard Bank indicates that the quantum of the RBL would be USD150 million to USD200 million.

Right Sizing of the Business

The consultation process with labour was conducted and finalised at the beginning of the 2021/22 financial year. The right sizing process is premised on a liquefied natural gas (LNG) plus gas sales and associated structure, as the basis for consultation with labour on the headcount reduction. With the implementation of the S189, the entity will be able to secure savings of approximately R112.6 million per annum, through voluntary separation packages and salary reduction when these interventions are implemented.

Disposal of Non-Core Assets

The disposal of non-core assets falls within the management level of authority and approved materiality framework, however as a prudent measure, concurrence with the Minister has been obtained to progress this initiative further during the 2021/22 financial year. The Minister has subsequently approved the disposal of non-core assets and provided the requisite S54 approval in support of this decision. PetroSA will receive the proceeds from the disposals of non-core assets, which includes the ORCA, excess spares no longer required for operations and Christmas trees. All disposals have undergone a competitive bidding process and adjudication of bids completed. In some of the disposals, agreements of sale have been concluded.

Medium to Long-Term Initiatives

Feedstock for the Refinery

The options for the GTLR are currently being evaluated through an external service provider who will advise PetroSA on the most commercial and sustainable solution. The evaluation and/or recommended solution will be presented to PetroSA by March 2022. The options for the FTLR are currently being evaluated through an external service provider who will advise PetroSA on the most commercial and sustainable solution. The evaluation and/or recommended solution will be presented to PetroSA by March 2022.

43. Going Concern (continued)

Divestment and Farm-Outs
PetroSA concluded a competitive bidding process to find equity participation partners for some of its offshore petroleum rights to bring in technical expertise and financial resources required to fund the forward work programmes associated with these rights, thus limiting PetroSA's technical risk and financial exposure.

For one asset (Exploration Right 248 – Block 2C) a farm-out agreement has been signed and completion of the farm-out is expected before November 2021. Farm-out negotiation for another asset (ER 224 – Blocks 5,6,7) have commenced and the funds are expected to be received by the end of 2021 and cover PetroSA's share of operating cost capped at USD1 million.

The farm-outs will allow PetroSA to remain active in the upstream activities whilst the state free carry envisaged in the UPRD Bill is undergoing Parliament approval processes.

Financing Instruments
Approach to Market to Secure Borrowings
PetroSA, per CEF letter dated 11 October 2021, will issue a tender to the market for the appointment of a Mandated Lead Arranger to evaluate PetroSA's medium to long-term funding requirements holistically and to secure bespoke funding solutions comprised of debt and partnership strategies.

Management acknowledges that material uncertainty remains over Group's ability to continue operating as a going concern due to liquidity constraints. In considering the uncertainties described above, and weighing these against interventions by shareholder, management has a reasonable expectation that the group has adequate financial resources and support from both shareholder and the executive authority to continue operations for the foreseeable future and therefore continues to adopt the going concern basis of accounting to prepare the financial statements.

AEMFC
Although the company's assets were greater than its liabilities in the year under review, AEMFC reported a loss of R38.6 million and as a result the entity had cash constraints challenges. This was further exacerbated by not having access to alternative financial resources. The above are concerns that may affect the company's ability to continue as a going concern into the future.

Short-term initiatives to mitigate these risks have been identified, such that management has implemented a turnaround strategy in returning to profitability and improving cash resources.

These initiatives are as follows:
- Implementing a business improvement initiative to address efficiencies in our production performance. This initiative is yielding positive results.
- Obtaining a toll wash beneficiation solution to address our coal quality challenges within the short-term.
- Performing a feasibility study on long-term coal beneficiation options for the life of mine.
- Perform cost analysis on all spend in order to be classified as essential or non-essential. Funds can only be spent on the basis that a direct link to bottom-line earnings can be demonstrated.
- Determine which operational functions are essential for revenue generation.
- Review an optimal organisation structure for all levels that will fit the current mine output.
- Identified alternative sources of financial resources that can be utilised in the raising of funds.
- Review the positive impact of our partnership that can bolster our bottom line, cash resources and sustainability.

The AEMFC Board confirms that it has assessed the key sustainability risks and there is no reason to believe the business will not be a going concern in the year ahead.

44. Events After the Reporting Period

ACWA Project

15% Investment in ACWA

During February 2021 the CEF board resolved to approve that CEF re-enter the ACWA Redstone project with and equity share of 15% through our subsidiary, CEF Carbon. The Section 54 approval for the 15% was already obtained in prior years and this has been disclosed as a commitment in the financial statements. During April 2021 the first draw-down was transferred to ACWA in the form of a Shareholder loan (R57.2 million) and a equity (R171.5 million) shareholder contribution, the rest of the contributions are still to follow as per the approved schedule.

Additional 10% Investment in ACWA

In addition to the above, in February the board also resolved that CEF take up the additional 10% equity share on offer from ACWA Power subject to this being within the risk management protocols of CEF. This has not been disclosed as a commitment as it is conditional on the above and as at the end of the financial year the Section 54 approval was not obtained. The approval was only obtained subsequent to year end and is disclosed as a non-adjusting event as it is indicative of a decision taken after the reporting period.

PetroSA Ghana

Reserve-Based Lending Facility

The current PetroSA Ghana Limited Reserve-Based Lending facility (RBL) is due to expire in February 2022. The early settlement of the RBL will result in savings of approximately R10.6 million in interest, commitment fees and withholding tax. On 8 June 2021, the directors resolved to settle the outstanding balance of R328.5 million. The facility was repaid on 18 June 2021.

Dividends Declaration

On 8 June 2021, the PetroSA Ghana Board approved a dividend of R135.7 million which was paid to PetroSA on 11 June 2021.

Ghana Revenue Authority Audit

On 26 October 2021, Ghana Revenue Authority (GRA) sent a notice withdrawing their audit assessment of R708.7 million.

PetroSA Rehabilitation (NPC) Investment Repayment

On 22 July 2021, PetroSA Rehabilitation (NPC) received an investment repayment of R76.8 million and on 19 October 2021, received another investment repayment of R70.5 million from Land Bank. Subsequent to this payment, the capital value of the investment was R427.7 million.

PetroSA Board Dissolution

On 25 May 2021, PetroSA management was informed by CEF SOC Ltd. that they had resolved to dissolve the PetroSA Board. At a board meeting between PetroSA and CEF held on 24 May 2021, the PetroSA Board was informed of the dissolution with immediate effect. CEF have indicated that the process to appoint the new board will be completed once all the approvals have been finalised.

Recovery of Long-Outstanding Debt

PASA

During April 2021, Impact Africa Limited (Impact) paid in full the historical debts (previously written off) inclusive of interest on behalf of Silver Wave Energy (Pty) Ltd. (Silver Wave) as a precondition to them farming in on the Silver Wave Block (ER 276). The farm-in by Impact and the renewal of ER276 have both been approved by the delegate of the Minister. ER 276 will now be renewed for its first renewal period.The total value of the transaction was R13 million.

44. Events After the Reporting Period

Project Trout
On 30 April 2021, iGAS together with other members of the consortium submitted a conditional binding final bid offer for the acquisition of the Sasol Pipeline Network Assets. At the date of finalising the financial statements the preferred bidder had not been announced by the seller and the PFMA section 54 approvals were still outstanding. Subsequently at the end of July 2021 Sasol withdrew from the sale process.

ROMPCO Acquisition
Subsequent to year end, iGAS in partnership with Companhia Mocambiçana de Gasoduto (CMG) exercised their preemptive rights to acquire an additional 30% equity stake in the ROMPCO pipeline. The successful conclusion of the SPA will increase iGAS's equity share from 25% to 40%.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

45. Fruitless and Wasteful Expenditure

Figures in R '000	2021	2020
Fruitless and Wasteful Expenditure		
Opening balance	21 837	19 046
Expenditure relating to the current year	11 984	55 236
Discovered during the current year but relating to the prior year	–	49
Less: Amounts recovered	(522)	(70)
Less: Amounts condoned/written off	(13 742)	(52 424)
	19 557	**21 837**
Details of Fruitless and Wasteful Expenditure Relating to the Current Year		
Fraudulent international payments	–	2 696
Penalties and late cancellation fees for travel and accommodation	36	108
Interest on late payment of suppliers	20	1
Items individually <R50 000	33	11
Penalties and interest to SARS*	389	52 268
Payroll fraud	–	145
Sale to fictitious customer	11 500	–
Traffic violations/penalties on renewal of vehicles	6	–
Expenditure not allowed (purchase of alcohol)	–	1
Wrongful dismissal	–	1
	11 984	**55 231**

45. Fruitless and Wasteful Expenditure (continued)

2021

Penalties and Interest to SARS
R389 000 penalty for late submission of VAT return and payment (AEMFC).

Penalties and Late Fees for Travel and Accommodation
R36 000 penalties and late cancellation fees for travel and accommodation (AEMFC, CEF and SFF).

Interest on Late Payment of Suppliers
R20 000 interest on late payment of suppliers (AEMFC, CEF, and SFF).

Traffic Violations
R6000 relates to traffic violations/penalties on renewal of vehicles (AEMFC, CEF and SFF).

Sale to Fictitious Customer (PetroSA)
An unknown individual/company purporting to be a JSE listed company, contacted PetroSA with a request to purchase product for its own consumption. After following up on outstanding payments, no individuals could be contacted. Upon further investigation, it was identified that the credit account was opened based on fraudulent documentation. The funds have not been recovered and the debtor has been impaired in terms of the accounting policy. The disciplinary process was concluded in the new financial year.

2020

Penalties and Interest to SARS
R52 million for overland exports for customers penalties and interest due to SARS at (PetroSA) criminal proceedings in relation to these matters have been initiated with the South African Police Service. These cases were not concluded at year end.

Fraudulent Transaction
R2.7 million for a fraudulent request to change banking details resulted in an invoice for USD153 000 being paid into the incorrect bank account at PASA. R145 000 was paid for a fraudulent request to change banking details of an existing employee with the unknown individual purporting to be a PetroSA employee.

Penalties and Late Fees for Travel and Accommodation
R61 000 penalties and late cancellation fees for travel and accommodation (CEF, iGAS and SFF).

Interest on Late Payment of Suppliers
R48 000 interest on late payment of suppliers (SFF, CEF, AEMFC and CCE).

46. Irregular Expenditure

Figures in R '000	2021	2020
Irregular Expenditure		
Opening balance	573 868	456 488
Expenditure relating to current year	276 438	114 307
Discovered during the current year but relating to the prior year	5 096	3 075
Investigation concluded that expenditure is not irregular expenditure	–	(2)
	855 402	**573 868**
Details of Irregular Expenditure Relating to the Current Year		
Contravention of procurement regulations	276 438	114 307

Contravention of Company Policy and Contravention of Procurement Regulations

2021

AEMFC

The contravention amounting to R237.9 million is a result of non-compliance with applicable laws and regulations in the appointment of suppliers.

CEF

Expenditure incurred in the current year of R6.7 million relates to services of accounting and law firms for forensic investigation at PetroSA, services were either procured without obtaining three quotes or following tender process.

R1 million relates to payments for various services where the contracts have expired or payments exceeded the contract amount.

R3.4 million relates to non-compliance with the Supply Chain Management Policy as the tenders were advertised for less than 21 days.

PASA

During the year under review, two contracts were awarded to suppliers where the validity of the bids/tenders had expired at the dates the contracts were awarded. The total value of the contracts were R10.5 million and USD1.2 million (R17.8 million) respectively. To date expenditure incurred against the contracts was R1.5 million and USD600 000 million (R8.9 million) respectively. Both contractors are performing against the terms of the contracts. An application has been made to National Tresaury to condone the irregular expenditure incurred to date and to regularise the balance of the contract.

SFF

An amount of R1 909 151 was incurred on software license renewal during the 2020/21 financial year in relation to the project that is in foreign jurisdiction as mentioned below. This amount should be added to the amount of R7 288 069 as detailed in the 2019/20 financial year.

A legal service provider was appointed by the holding company to provide a legal opinion that impacted both entities. It was envisaged that the two entities would share costs. On completion of the legal opinion, no one at the holding company was willing to pay for the legal opinion provided to SFF. Legal fees paid in relation to this matter amounted to R815 637 50.

An award amounting to R67 047 was made to a supplier that was not registered with the Construction Industry Development Board (CIDB) as required by Section 18(1) of the CIDB Act as well as CIDB regulation 18.

Two instances amounting to R89 572 were identified where suppliers had not provided the company with their declaration of local content. As a result, compliance with the minimum threshold for local content could not be determined.

46. Irregular Expenditure (continued)

Incorrect points for BBBEE were awarded to a supplier. This resulted in the incorrect supplier being awarded a purchase order with the company. This resulted in irregular expenditure amounting to R5 812.

A 10 year contract for nitrogen supply included a clause for extension on expiry. This extension was utilised and expenditure amounting to R5 780 296 was incurred. The company could not demonstrate that it went to market 11 years ago. The contract extensions were terms and conditions of the tender advert.

iGAS
Non-compliance with the Supply Chain Management Policy as the tenders were advertised for less than 21 days. Management is still assessing the full extent of the irregular expenditure of R9.3 million incurred and this will be finalised in the 2022 financial year.

2020
AEMFC
Contravention is as a result of non-compliance with applicable laws and regulations in the appointment of suppliers, an amount of R59.13 million was incurred.

CEF
Expenditure incurred in the current year of R16 million relates to services of accounting and law firms for forensic investigation at PetroSA, services were either procured without obtaining three quotes or following tender process.

SFF
SFF is pursuing a project in foreign jurisdiction and it is in a joint venture with a company of that country. The joint venture contract stipulates that SFF will incur all costs in pursuance of this project and will only be refunded all the costs it incurred once the project is cash generating. Whilst SFF is incurring these costs it has to do so in terms of the foreign jurisdiction's laws in order for it to be refunded at a later stage.

In furtherance of the above the company total expenditure was R15 million for consultant services. Also, in respect of the above mentioned project the company entered into a Services Level Agreement with a sister company, mandating the sister company to procure on its behalf a computer software at a cost of R7.8 million.

An amount of R16.3 million was incurred as irregular expenditure due to the fact that the procurement of these legal services were done by the holding company (without following due process) and with SFF supposed to pay the fees to the holding company. However at some point the holding company terminated the arrangement and SFF had to deal directly with the service provider and terminating the relationship would have put the legal case at serious risk for SFF.

iGAS
The overcharged amount incurred in the prior year was recovered in the current year.

FIELDS IN PRODUCTION AND UNDER DEVELOPMENT
FOR THE YEAR ENDED 31 MARCH 2021

1. Movement in Net Remaining Proved and Probable Reserves

	Crude Oil/ Condensate MMbbl	Gas Bscf	Crude Oil/ Condensate MMbbl	Gas Bscf
At the beginning of year	13	34	17	64
Revision of previous estimates	2	(5)	(4)	(5)
Production	(2)	(16)	(2)	(27)
Additions	2	(3)	2	1
	15	**10**	**13**	**33**

2. Proved and Probable by Type of Field

Fields in production	15	10	13	34

3 Reserves by Category

Proved	5	5	7	15
Proved and probable	15	10	13	34
	20	**15**	**20**	**49**

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 gas fields 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 independent reservoir engineers.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

DEFINITION OF FINANCIAL TERMS
FOR THE YEAR ENDED 31 MARCH 2021

Below is a list of definitions of financial terms used in the annual report of CEF 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.

Active Market
A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Actuarial Gains and Losses
The changes in the present value of the defined benefit obligation resulting from experience adjustments (the effects of differences between the previous actuarial assumptions and what have actually occurred) as well as the effects of 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, minus any reduction for impairment or uncollectability.

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

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.

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

Business
An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

Business Combination
A transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as ‘true mergers’ or ‘mergers of equals’ are also business combinations as that term is used in this IFRS.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

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 Flows
Inflows and outflows of cash and cash equivalents.

Cash-Generating Unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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 the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

Consolidated Annual Financial Statements
The annual financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Constructive Obligation
An obligation that derives from an entity's actions where:

(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and

(b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

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

Control
An investor controls an investee when the investor is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

DEFINITION OF FINANCIAL TERMS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

Corporate Assets
Assets other than goodwill that contribute to the future cash flows of both the cash generating unit under review and other cash generating units.

Cost
The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, when applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs.

Costs to Sell
The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

Credit Risk
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Date of Transaction
The date on which the transaction first qualifies for recognition in accordance with International Financial Reporting Standards.

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.

Defined Benefit Plan
Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.

Defined Contribution Plan
Post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation 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.

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.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

DEFINITION OF FINANCIAL TERMS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

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.

EBITDA
Profit/(Loss) from operations before depreciation, amortisation, impairment of assets, investment revenue, fair value adjustments, non-operational foreign gains/losses, income/(loss) from associates, net finance costs and taxation

Effective Interest Method
A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Effective Interest Rate
The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employee Benefits
All forms of consideration (excluding share options granted to employees) given in exchange for services rendered by employees or for the termination of employment.

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 and other comprehensive income of the investee.

Events After the Reporting Period (Subsequent Events)
Those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

(b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

Exchange Difference
The difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

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

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

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

Fair Value Less Costs to Sell
The amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Financial Asset
Any asset that is:
(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right (i) to receive cash or another financial asset from another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
(d) a contract that will or may be settled in the entity's own equity instruments and is (i) 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 (ii) 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. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A and 16B of IAS 32, instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D of IAS 32, or instruments that are contracts for the future receipt or delivery 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) a contractual obligation (i) to deliver cash or another financial asset to another entity or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is (i) 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 (ii) 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. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments in accordance with paragraphs 16A and 16B of IAS 32, instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D of IAS 32, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of IAS 32.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

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.

Floating Production Storage and Offloading Unit
A floating vessel used by the offshore oil and gas industry for the production and processing of hydrocarbons, and for the storage of oil.

Foreign Operation
An entity that is a subsidiary, joint arrangement 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.

Government Grants
Assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Highest and Best Use
The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.

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 other than those that:
(a) the entity upon initial recognition designates as at fair value through profit or loss;
(b) the entity designates as available for sale; and
(c) meet the definition of loans and receivables.

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.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

Interest in Other Entity
For the purpose of IFRS 12, an interest in another entity refers to contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. An entity does not necessarily have an interest in another entity solely because of a typical customer supplier relationship.

Interest Rate Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Joint Arrangement
An arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint Operation
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint Venture
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Key Management Personnel
Those persons having authority and responsibility for planning, directing and controlling the activities of the Group, i.e. the members of the Board of Directors of CEF SOC Ltd. and the CEOs/equivalent of the operating subsidiaries and the holding company.

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.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans and Receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:
(a) that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
(b) that the entity upon initial recognition designates as available for sale; or
(c) for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration,

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

which shall be classified as available for sale.

Market Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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.

Net Realisable Value
The estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value refers to the net amount an entity expects to realise from the sale of inventory in the ordinary course of business. Fair value reflects the amount for which the same inventory could be exchanged between knowledgeable and willing buyers and sellers in the marketplace. The former is an entity specific value; the latter is not. Net realisable value for inventories may not equal fair value less costs to sell.

Operating Lease
A lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset.

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.

Parent
An entity that controls one or more entities.

Past Service Cost
The change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

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

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

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

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.

Proved Reserves
- 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.

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 to be derived from the asset or cash generating unit are discounted to their present values using an appropriate 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).
   - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

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

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.

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.

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.

Value in Use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

Notes

10317 | iww.co.za | ms



CEF
Group of Companies

Tel: 010 201 4700
Fax: 010 201 4820

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

Postal Address
PO Box 786141
Sandton
2146