

**MINISTRY OF ENERGY**

REPUBLIC OF SOUTH AFRICA

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 **Memorandum from the Parliamentary Office**

**National Assembly : 2373**

**2373. Mr G Mackay (DA) to ask the Minister of Energy:**

With reference to the reply to question 507 on 3 April 2017 and her department’s presentation to the Portfolio Committee on Energy on 24 May 2017, where it was indicated that the Central Energy Fund (CEF) received US$ 280 million for the sale of strategic fuel stocks, (a) why does the CEF’s financial statements only reflect an amount of R2,1 billion from the sale of the specified strategic fuel stocks when the prevailing exchange rates at the time of payment would have amounted to R4,3 billion, (b) where is the remaining R2 billion received from this payment and (c) where will the proceeds from the sale be transferred to following its move from the Strategic Fuel Fund to the equalisation fund? NW2620E

Reply:

(a)The Annual Financial Statements of SFF Association do not only reflect R2.1 Billion for the sale of strategic fuel stocks, but they reflect the total proceeds of $280 million. The funds were accounted as follows:

**Income Statement:**

* Credit: Revenue at R3.9 Billion
* Debit: Cost of Sales at R1.8 Billion
* Debit: Transfer to EQF of R2.1 billion

**Balance Sheet**

Included in the Cash and cash equivalents and Other Financial Assets of R6.4 Billion, is R3.9 Billion ($280 million) pertaining to the sale of strategic fuel stocks. The rand value will be determined when the dollars are converted into rands. Currently the rand amount will fluctuates depending on the exchange rate that is used on the day that financial statements are prepared. Further to reflecting the cash in the balance sheet, SFF has also raised a liability to Equalisation fund. The liability is triggered by section 3A (c) of the Central Energy Fund Act.

(b) As clarified above the money is accounted for and it is part of the $280 million that is banked in a Customer Foreign Account (CFC) with one of South Africa’s major banks to preserve its dollar denomination.

(c) If and when the proceeds are paid into the Equalisation Fund, the CEF Act requires that Minister of Energy with the concurrence of the Minister of Finance to determine those amounts that are not required to execute the CEF Group mandate as defined in the CEF Act should be transferred into the National Revenue Fund.