



**CEEF**  
**Group of Companies**

**EDD SC Presentation**

**19 June 2012**

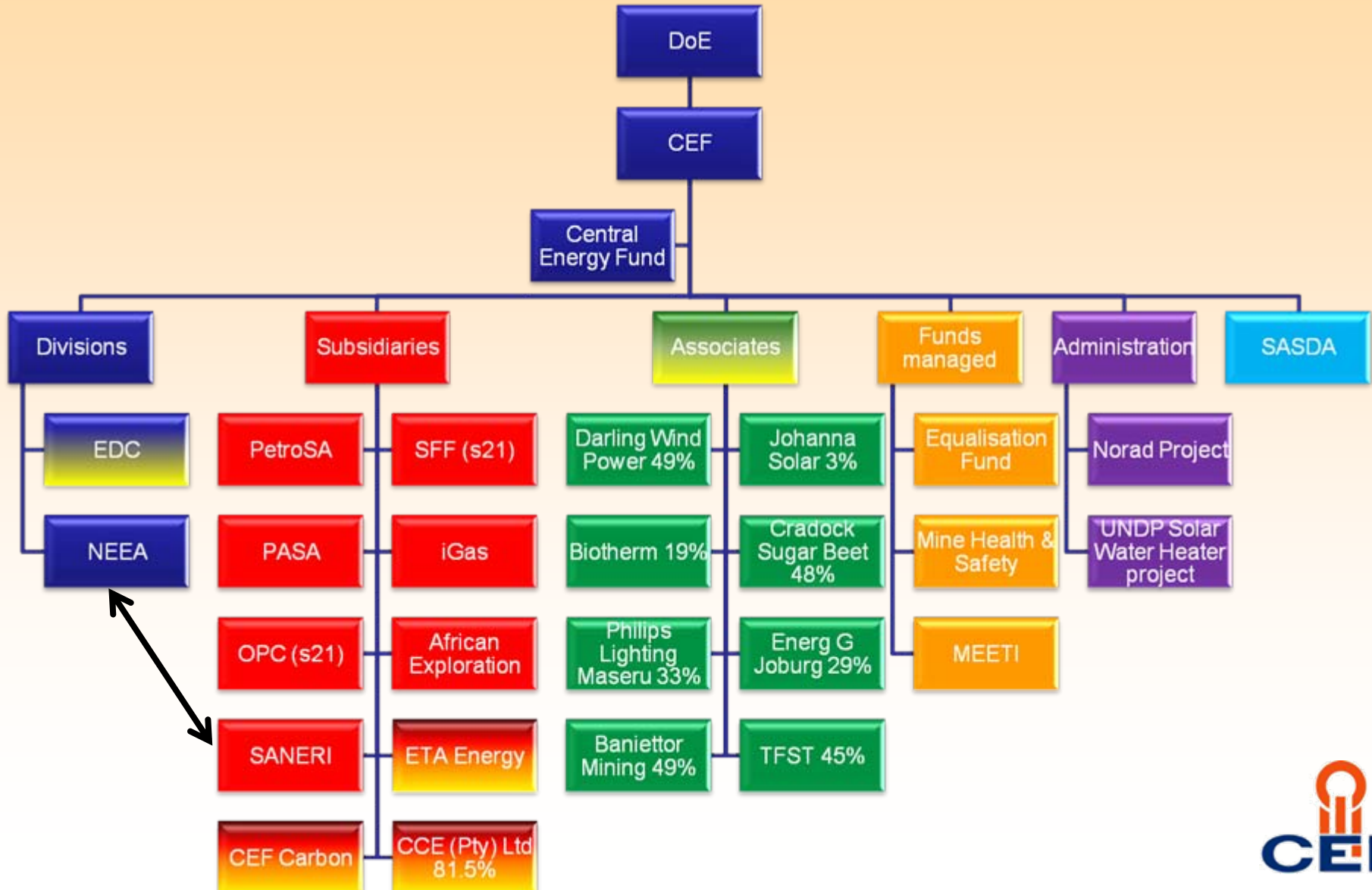
# Overview

- CEF structure
- Introduction to current status
- CEF Objectives and budget
- Group activities and job creation potentials

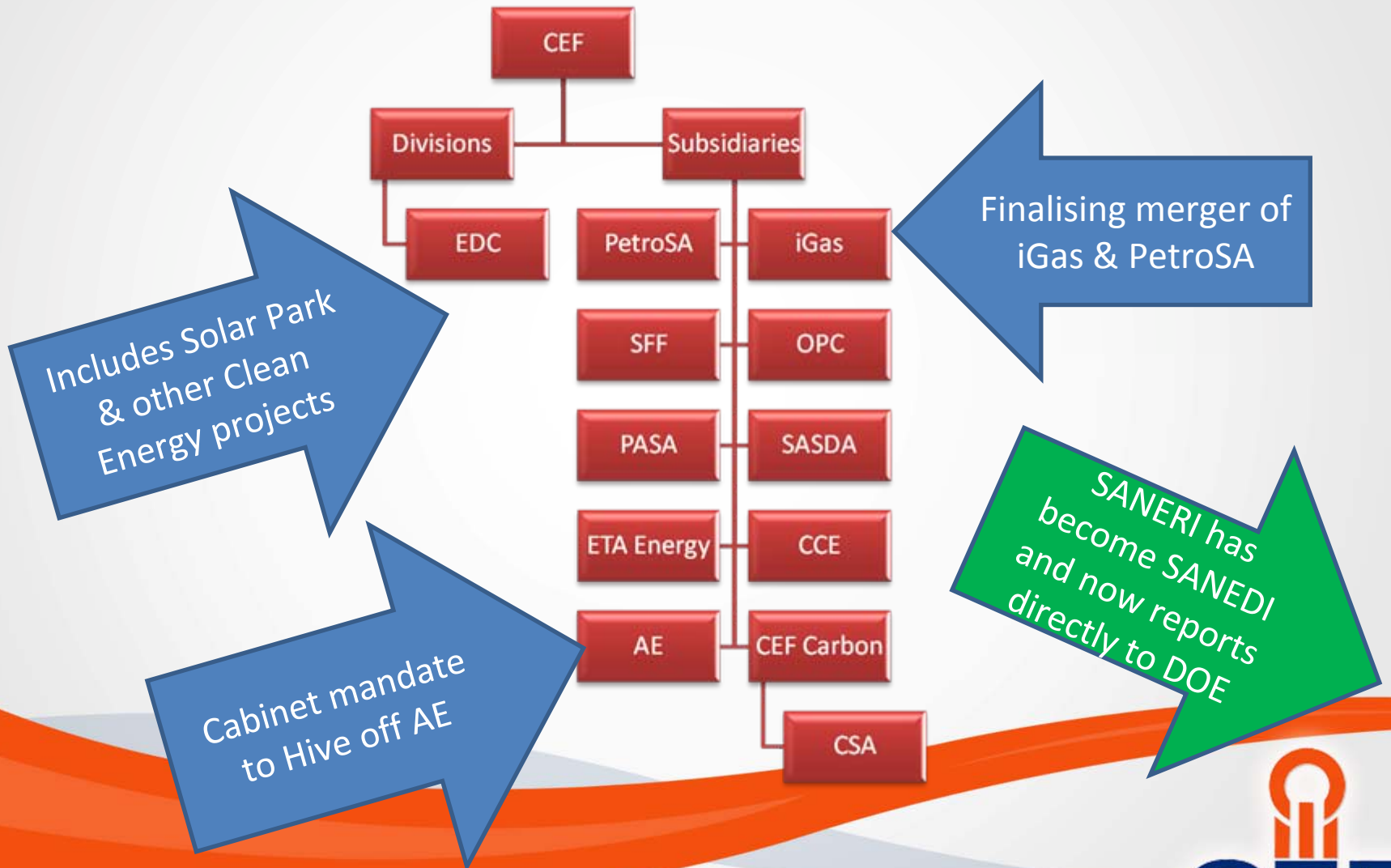
# CEF STRUCTURE



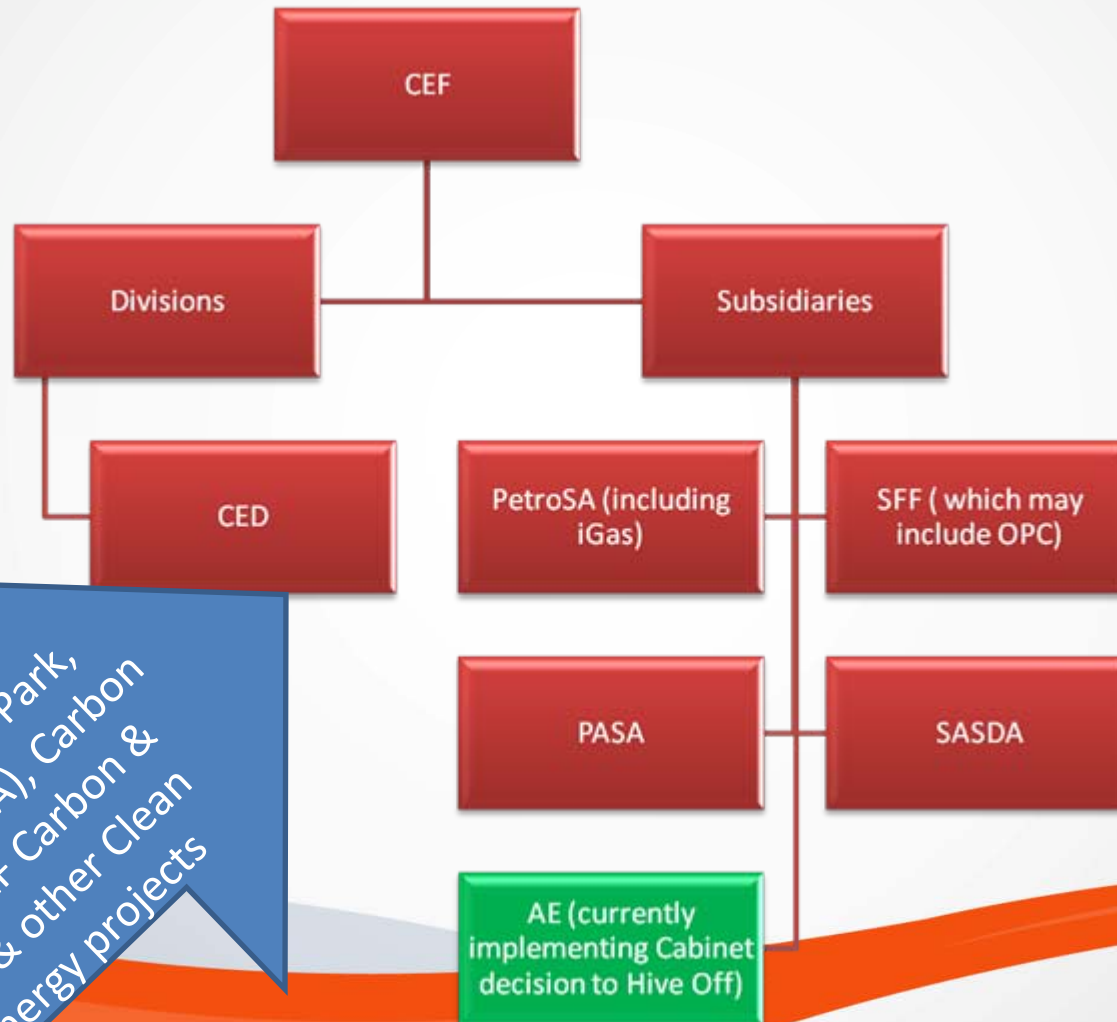
# Where we come from - Comprehensive Corporate structure



# Group Structure as at March 2012



# Potential Group Structure



Includes Solar Park, CCE, SWH(ETA), Carbon Desk (CEF Carbon & CSA) & other Clean Energy projects

# **INTRODUCTION TO CURRENT STATUS**



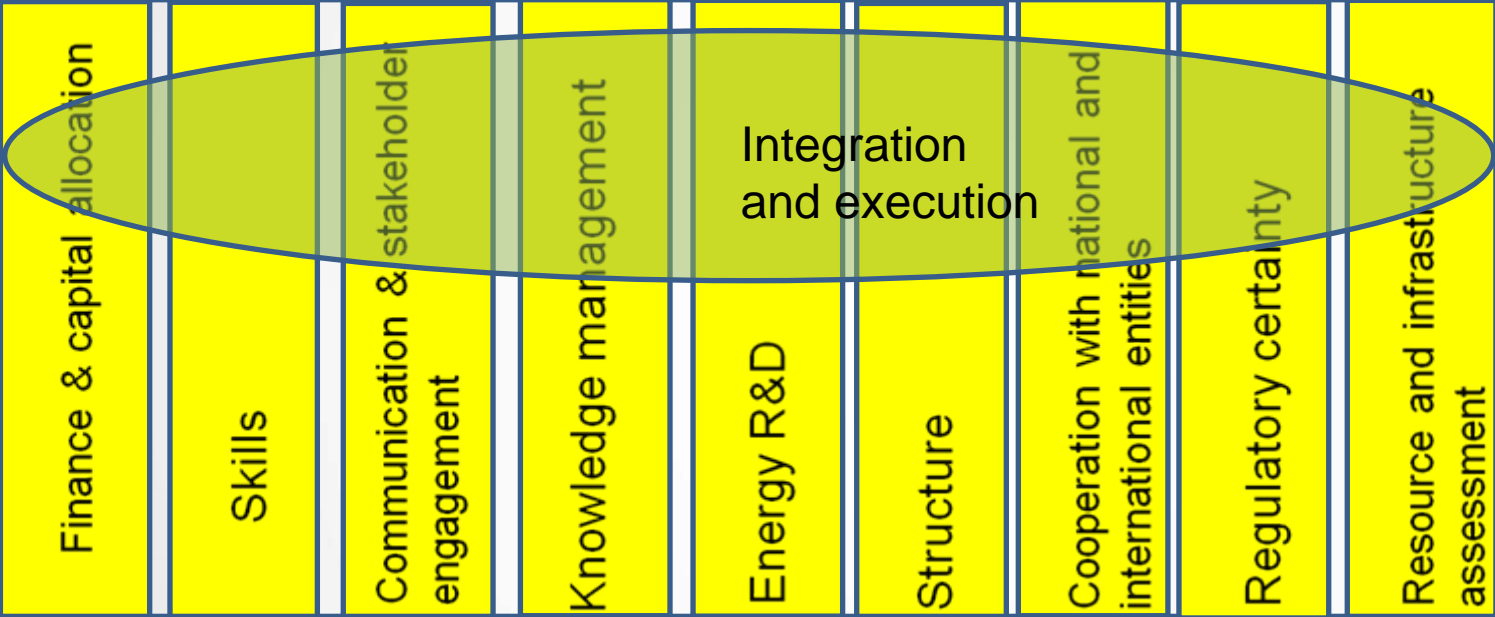
# Introduction

- CEF has reviewed strategic and mandate issues at a number of strategic workshops
- The strategic intent for the CEF Group as well as an assessment of critical supporting pillars were defined.



To provide energy resources for national energy security whilst minimising environmental impacts and in pursuit of Government's policies

Strategic intent



Common pillars

Subsidiary strategies, plans and objectives

Subsidiaries

Governance, transformation and regulation



# Introduction (continued)

- This led to a review and rationalisation of the Group structure and the CEF organisational structure
- Structured and deep interventions to re-build the management team have been initiated
- A detailed review of all past project activities & lessons learnt has been initiated and is nearing completion
- It is necessary to balance social and sustainability issues in project selection and portfolio mix

# Progress to Date on Organisational Review Process

- The high capital requirements of energy projects has been identified as a major challenge
- Interactions between CEF and subsidiaries is being strengthened to support sustainability of CEF
- A Project Finance Committee (sub-committee of the CEF Board) has been created to robustly review CEF projects and subsidiary projects requiring CEF funding
- Urgent action is being taken to attract skilled staff for a number of positions



# Challenges require a committed team

- Financial – calls on cash for projects over next 2 years are high and will put stress on cash balances
- Projects – Focus on *sustainable* renewable energy projects
- Projects – SWH pilot rollout did not achieve desired results– but currently progress is being made in enhancing systems and sharpening financial viability
- Staff – A number of senior staff departed by the end of April 2012
- Must establish a pragmatic balance on our dual mandate (developmental & commercial)
- Restructuring of some subsidiaries will impact on the financial health of CEF

# Performance against 2011/12 Objectives

<b>To reposition CEF in terms of a redefined mandate</b>			
	To develop a revised mandate for CEF	Submission of new mandate proposals to the Minister	Included in new corporate plan
	Investigation to clarify a repositioned role for CEF and subsidiaries	Repositioning plan	Not complete
<b>To identify new opportunities for CEF</b>			
	To investigate opportunities for the manufacture of energy equipment by CEF or subsidiaries	Investigative report on manufacturing opportunities for CEF including due diligence and risk assessment.	Report concluded but not tabled at Board
	To investigate opportunities for CEF to initiate an energy poverty alleviation project	Investigative report on energy poverty alleviation opportunities for CEF including due diligence and risk assessment.	Report concluded but not tabled at Board
<b>To maintain proactive engagement with the DOE</b>			
	To proactively engage with DOE on a quarterly basis to address issues pertinent to both parties	Minutes of meetings held with DOE	Meetings held
	Collaborate with DoE on a feasibility study for the Solar Park	Predetermined milestones	Behind schedule in last quarter due to land access issues
<b>To build and maintain an appropriate human capital base</b>			
	An appropriate human capital base is developed and maintained for CEF	Exco minutes indicating the tabling of a human capital plan	Not completed
<b>To manage the business efficiently and effectively</b>			
	Financial return on cash investments	Return on funds invested relative to JIBAR	Above target
	Manage investments in associate companies	Adherence to signed shareholders agreement	Reported quarterly
	Manage investments in subsidiaries	Adherence to signed shareholders compact	
	Services delivered to subsidiaries	Client satisfaction with services delivered as defined in the relevant SLA	Customers satisfied
	Sustainability drive/energy efficiency	Rollout of Basa Ngenjo Magoga	Above target for the year
	Each existing EDC project is evaluated on a quarterly basis as to whether it should be progressed, concluded or exited	A quarterly evaluation of existing EDC projects to determine whether individual projects should continue or be terminated.	Quarterly evaluations done

# 2011-12 Draft Statement of Comprehensive Income

	2012 R'000	2011 R'000	Budget 2012 R'000	Budget 2013 R'000
Investment income	232,955	278,116	202,344	159,516
Operating income	27,692	24,323	23,427	23,948
Finance costs	(66,248)	(80,545)	(160,824)	(53,025)
Operating costs	(106,588)	(29,384)	(132,386)	(148,330)
Project & Development costs	(2,949)	(16,374)	(214,750)	(168,500)
Profit / (loss) before impairment of loans, projects and taxation	<b>84,862</b>	<b>176,136</b>	<b>(282,189)</b>	<b>(186,391)</b>
Impairment of investments and projects *	(132,136)	(184,623)	(59,190)	(41,637)
Taxation	(14,724)	(33,752)	0	0
<b>Net loss for the year</b>	<b>(61,998)</b>	<b>(42,239)</b>	<b>(341,379)</b>	<b>(228,028)</b>
*Impairment of investment and projects – CEF provides funding to a number of its subsidiaries and the loans are impaired until the subsidiary becomes profitable.				
AE	102,434	73,884		
CCE	4,383	77,061		
CEF Carbon	15,257	-		
Carbon Stream	2,045	-		
ETA	8,016	5,432		
Projects	-	28,246		

# 2011-12 Draft Statement of Financial Position

	2012 R'000	2011 R'000
<b>Property, plant and equipment</b>	85,291	89,492
<b>Intangible assets</b>	2,786	2,057
<b>Investment in Associates</b>	56,258	53,379
<b>Other non-current assets</b>	3,384,544	3,694,795
<b>Current assets</b>	43,513	103,622
<b>Cash and cash equivalents</b>	3,610,552	3,477,185
<b>TOTAL ASSETS</b>	<b>7,182,944</b>	<b>7,420,530</b>
<b>Equity and Reserves</b>	6,095,601	6,157,596
<b>Non-current liabilities</b>	1,023,754	1,150,784
<b>Current liabilities</b>	63,589	112,150
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,182,944</b>	<b>7,420,530</b>

# CEF OBJECTIVES AND BUDGET



# 2012/13 Objectives & KPI's

<b>To develop a portfolio of projects that will enhance the country's energy security of supply</b>	
	To collate and analyse data on hydrocarbons to support policy and strategy to enhance security of supply of hydrocarbon fuels
	To develop a portfolio of clean energy and manufacturing projects
	To develop education and training programmes that will help change energy utilisation behaviours
<b>To design and implement a range of internal business processes, systems and structures to improve the management and effectiveness of the organisation</b>	
	To reorganise the CEF Group and improve accountability
	To review past projects so as to develop and implement a robust project management system
	To identify, develop and execute viable projects in pursuit of the CEF mandate
	Complete an internal resource assessment (skills and funding) to support the development of a new resource allocation plan
	To develop and implement guidelines and systems to improve treasury performance
	To develop and implement processes and systems to improve oversight of the business
<b>To develop and implement appropriate systems and planning to facilitate the long-term financial sustainability of CEF</b>	
	Develop a robust 10 year cash flow plan that demonstrates long-term financial sustainability

**CEF (SOC) LTD**  
**BUDGET PROJECTIONS FOR 2012 - 2016**  
**STATEMENT OF COMPREHENSIVE INCOME**

		<b>ESTIMATED</b>		
		<b>ACTUALS</b>	<b>ACTUALS</b>	<b>BUDGET</b>
		<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
	<b>Notes:</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Recoveries	<b>1</b>	23,725	22,449	22,148
Other income		209	75	-
<b>Gross profit</b>		<b>23,934</b>	<b>22,524</b>	<b>22,148</b>
<b>Operating Costs</b>		<b>45,798</b>	<b>107,832</b>	<b>316,061</b>
Office and General Costs	<b>2</b>	5,104	4,427	11,972
Exchange Fluctuations		93	2	
Direct Personnel Costs	<b>3</b>	62,273	62,996	79,628
Personnel Related Costs	<b>4</b>	3,820	14,968	17,557
Conferences and seminars	<b>5</b>	1,276	731	1,931
Directors cost		1,741	1,875	2,730
Travel & Accommodation	<b>6</b>	2,269	1,947	5,093
Consulting & Legal Costs	<b>7</b>	(51,379)	4,373	10,108
Depreciation & Amortisation		9,593	6,580	9,832
Overheads	<b>8</b>	4,355	4,621	5,645
Repairs & Maintenance	<b>9</b>	1,692	1,553	3,066
Projects and development costs	<b>10</b>	2,949	2,609	168,500
Other Expenses		2,012	1,150	-
<b>Loss/earnings from operation</b>		<b>(21,864)</b>	<b>(85,308)</b>	<b>(293,914)</b>
Dividends Received/(paid)				
Finance costs		(80,546)	(76,418)	(53,025)
Interest received	<b>11</b>	278,116	262,628	159,516
Guarantee fees		-	(549)	(768)
Impairment of projects		(28,246)	-	-
Impairment of investment		(156,377)	(295,369)	(464,731)
Receipt from WE Geysers (manufacturing)				1,800
<b>Profit before tax</b>		<b>(8,917)</b>	<b>(194,467)</b>	<b>(651,122)</b>

CEF (SOC) LTD  
 BUDGET PROJECTIONS FOR 2012 - 2016  
 STATEMENT OF FINANCIAL POSITION

ACTUALS 2010/2011 R'000		Notes	ESTIMATED	
			ACTUALS 2011/2012 R'000	BUDGET 2012/2013 R'000
<b>3,840,373</b>	<b>Non-current assets</b>		<b>3,909,960</b>	<b>4,234,620</b>
89,485	Property Plant & Equipment	1	86,448	80,812
2,057	Intangibles	1	2,230	2,278
5,337	Deferred tax		5,337	5,871
3,378,652	Investments in subsidiaries	2	3,506,512	3,461,439
54,036	Investments in Associates	3	57,127	490,414
310,806	Other financial assets		252,306	193,806
<b>3,577,541</b>	<b>Current assets</b>		<b>3,076,961</b>	<b>2,181,274</b>
36,636	Trade and other receivables		46,933	51,626
58,500	Other Financial assets	4	58,500	58,500
5,220	Current tax receivable		8,911	-
3,477,185	Cash & cash equivalents		2,962,617	2,071,147
<b>7,417,914</b>	<b>TOTAL ASSETS</b>		<b>6,986,921</b>	<b>6,415,894</b>
	<b>EQUITY AND LIABILITIES</b>			
<b>6,157,207</b>			<b>5,941,618</b>	<b>5,290,497</b>
-	Share Capital		-	-
6,157,207	Accumulated Profit/(Loss)		5,941,618	5,290,497
<b>1,209,284</b>	<b>Non-current liabilities</b>		<b>976,608</b>	<b>928,256</b>
940,867	Owing to subsidiaries & third parties	5	971,465	922,892
263,274	Other financial liabilities		-	-
1,957	Deferred tax		1,957	1,859
3,186	Provisions		3,186	3,505
<b>51,423</b>	<b>Current liabilities</b>		<b>68,695</b>	<b>68,140</b>
-	Current tax payable		-	-
38,257	Trade and other payables		39,048	39,048
12,830	Provisions		16,924	18,278
336	Deferred income		12,723	10,815
<b>7,417,914</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,986,921</b>	<b>6,286,894</b>



**CEF (SOC) LTD**  
**BUDGET PROJECTIONS FOR 2012 - 2016**  
**STATEMENT OF CASH FLOWS**

<b>ACTUALS</b> <b>2010/2011</b> <b>R'000</b>		<b>ESTIMATED</b>	
		<b>ACTUALS</b> <b>2011/2012</b> <b>R'000</b>	<b>BUDGET</b> <b>2012/2013</b> <b>R'000</b>
<b>108,867</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(420,132)</b>	<b>(443,829)</b>
34,623	Cash receipts from customers	32,819	26,841
(82,776)	Cash paid to suppliers and employees	(628,584)	(577,161)
<b>(48,153)</b>	<b>Cash generated by/(utilised in) operating activities</b>	<b>(595,765)</b>	<b>(550,319)</b>
278,116	Interest received	262,628	159,516
-	Dividends received	-	-
(40,550)	Tax paid	(10,577)	-
(80,546)	Interest paid	(76,418)	(53,025)
<b>(79,952)</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>181,897</b>	<b>(424,104)</b>
<b>(79,952)</b>	<b>Expenditure to maintain operating capacity</b>	<b>181,897</b>	<b>(424,104)</b>
(1,496)	Property, plant and equipment acquired	(748)	(1,674)
(1,007)	Intangible assets acquired	(624)	(2,570)
(3,551)	Investments in associates & group companies	(3,091)	(433,287)
(9,686)	Other financial assets	58,500	58,500
(64,212)	(Decrease)/Increase in investment in Subsidiaries	127,860	(45,073)
<b>(48,792)</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(276,333)</b>	<b>(23,538)</b>
(48,792)	Repayment of other financial liabilities	(263,274)	-
-	Deferred income	(13,059)	(23,538)
-	Proceeds from / (repayment of) shareholders loan	-	-
<b>(19,877)</b>	<b>INCREASE/(DECREASE) IN CASH</b>	<b>(514,568)</b>	<b>(891,470)</b>
3,497,062	Opening Cash Balance	3,477,185	2,962,617
<b>3,477,185</b>	<b>CLOSING CASH BALANCE</b>	<b>2,962,617</b>	<b>2,071,147</b>

# CEF GROUP ACTIVITIES



# CEF Group activities

## Entity

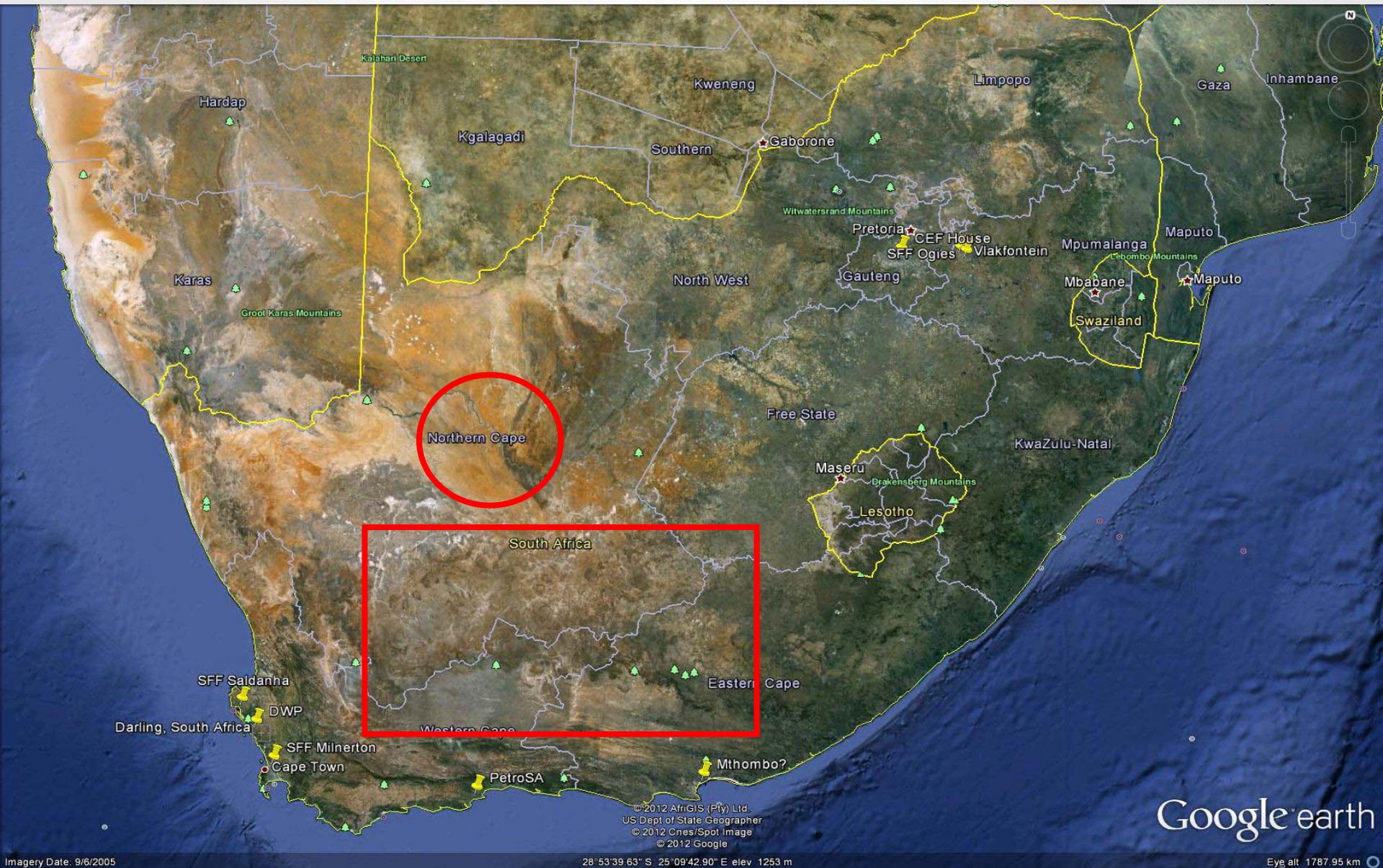
- CEF
- PetroSA/iGas
- SFF
- OPC
- PASA
- SASDA
- ETA
- AE

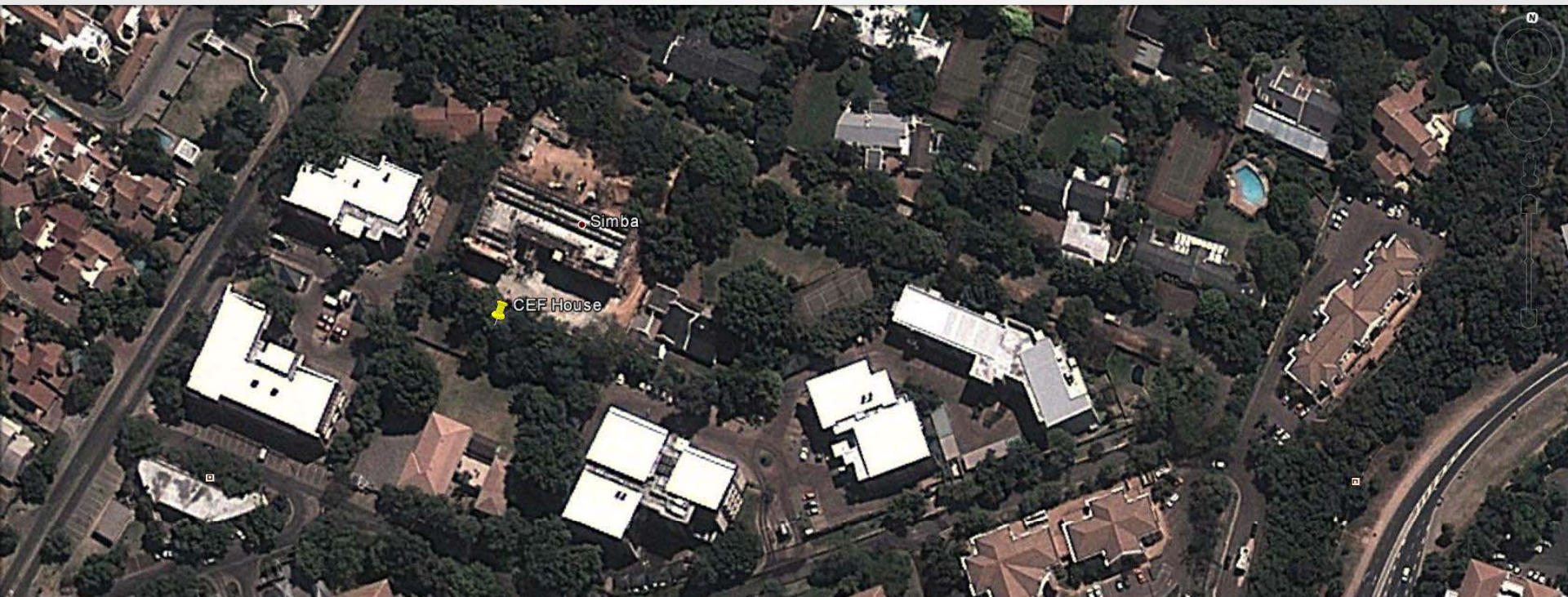
## Activity

- Clean energy
- GTL, oil & gas
- Strategic oil
- Oil pollution control
- Oil and gas licensing
- Supplier development
- SWH
- State mining company

**The energy sector is like a lever. It will not create many jobs itself, but it provides the means for other sectors of the economy to provide many jobs. We need to understand and optimise this leverage effect.**

# CEF Group





CEF	2012-13	2013-14	2014-15	2015-16
CEF	85	97	97	97
SASDA	9	9	9	9
SRA	13	13	13	13
ETA	2 contract	?	?	?



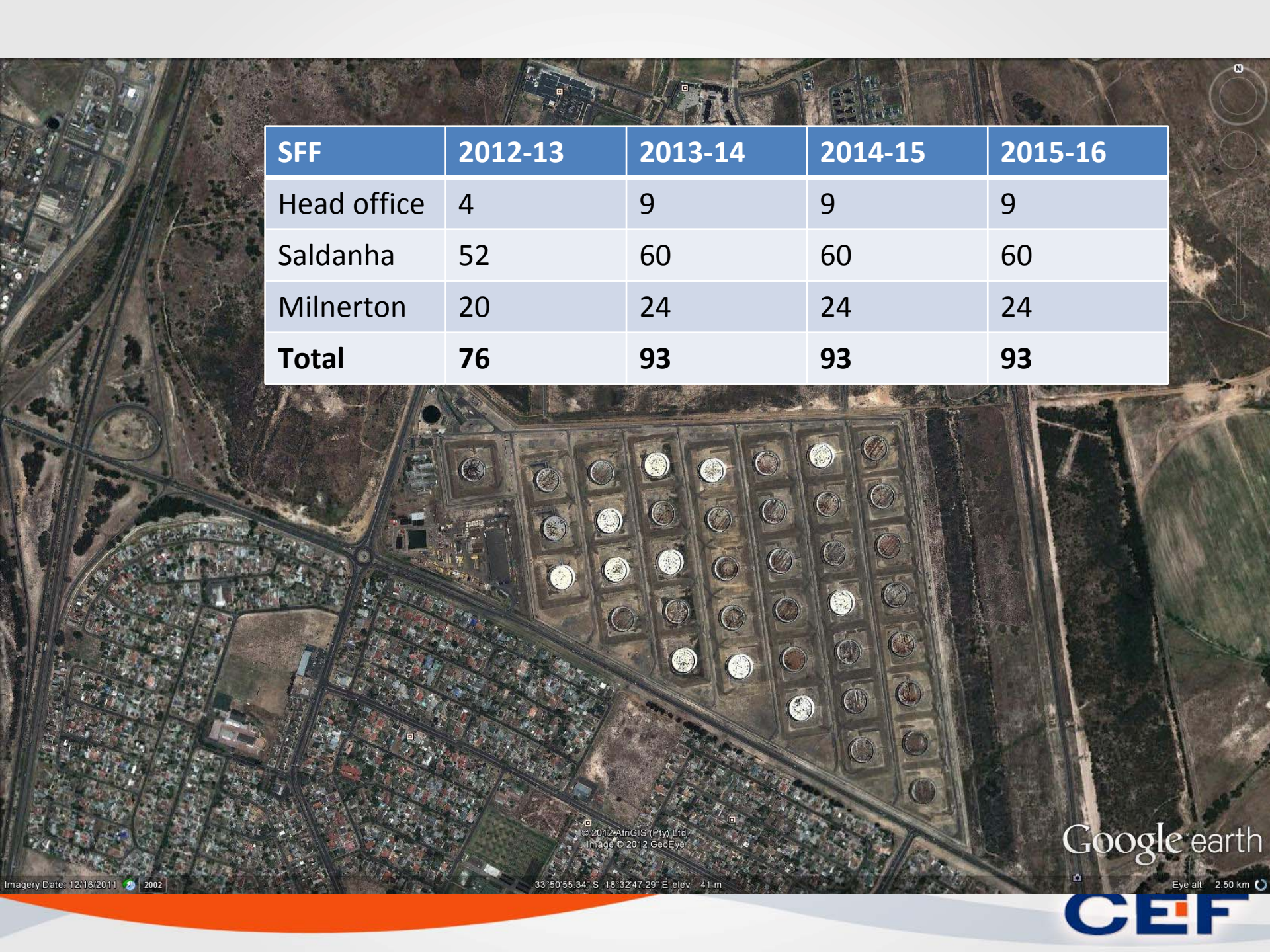
# Current CEF Projects

Project	Budget (Rm)
Solar Park Feasibility study	20,00
Carbon and climate change activities	5,00
Basa njengo Magogo demonstrations	4,00
Special projects	30,00
Renewable Energy projects	70,00

# SFF AND OPC

# SFF

- Milnerton (SFF)
- Saldanha (with support from OPC)
- Ogies (managed by OPC)
- SFF manages strategic infrastructure and strategic crude oil stock



SFF	2012-13	2013-14	2014-15	2015-16
Head office	4	9	9	9
Saldanha	52	60	60	60
Milnerton	20	24	24	24
<b>Total</b>	<b>76</b>	<b>93</b>	<b>93</b>	<b>93</b>

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Google earth

Imagery Date: 12/16/2011 2002

33°50'55.34" S 18°32'47.29" E elev 41 m

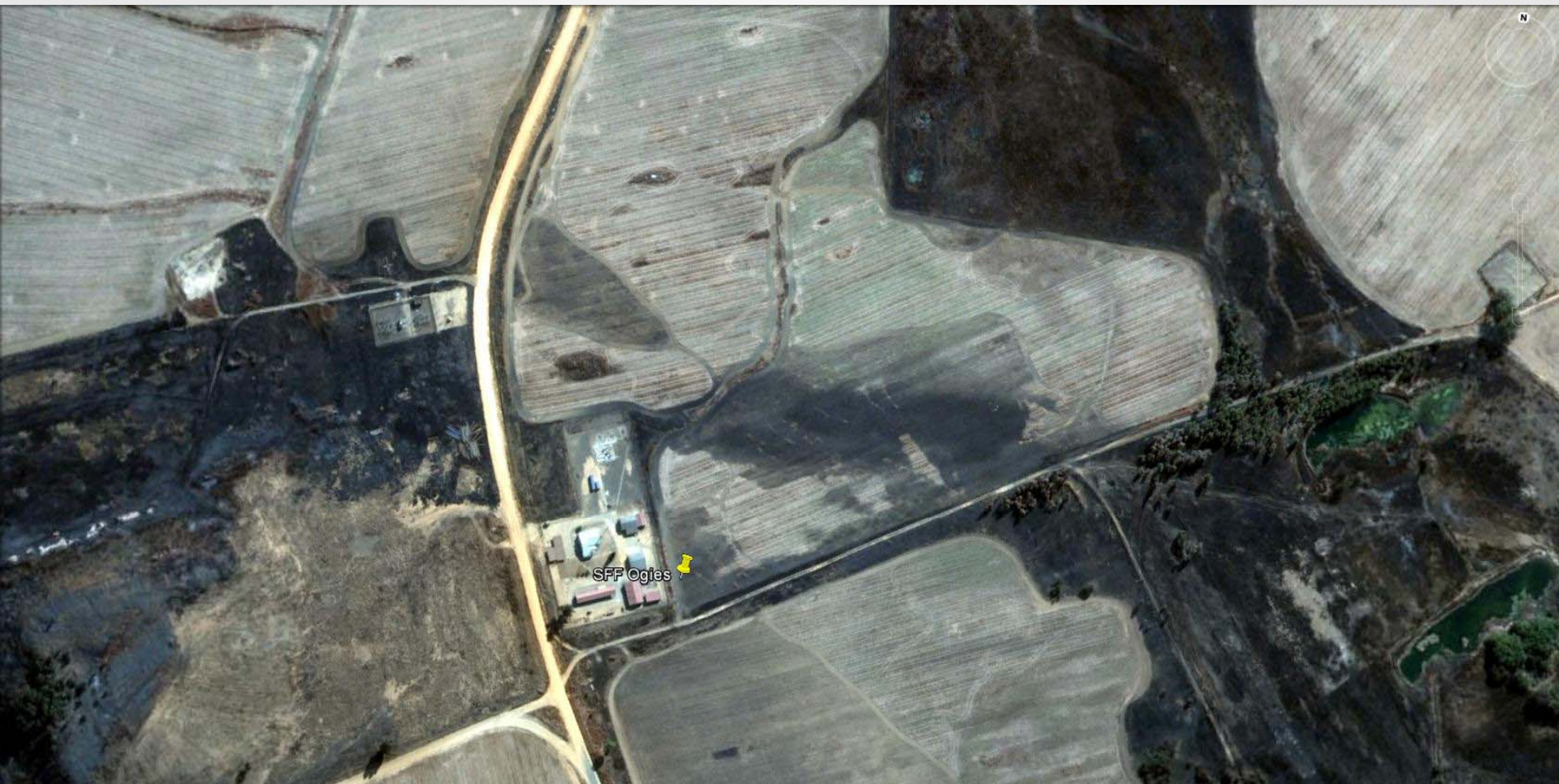
Eye alt 2.50 km



SFF	2012-13	2013-14	2014-15	2015-16
Head office	4	9	9	9
Saldanha	52	60	60	60
Milnerton	20	24	24	24
<b>Total</b>	<b>76</b>	<b>93</b>	<b>93</b>	<b>93</b>



OPC	2012-13	2013-14	2014-15	2015-16
Head office	5	6	6	6
Saldanha	25	28	28	28
Ogies	15	17	17	17
<b>Total</b>	<b>45</b>	<b>51</b>	<b>51</b>	<b>51</b>



OPC	2012-13	2013-14	2014-15	2015-16
Head office	5	6	6	6
Saldanha	25	28	28	28
Ogies	15	17	17	17
<b>Total</b>	<b>45</b>	<b>51</b>	<b>51</b>	<b>51</b>

Google earth

Eye alt 2.69 km



# **PETROSA (INCLUDING IGAS)**



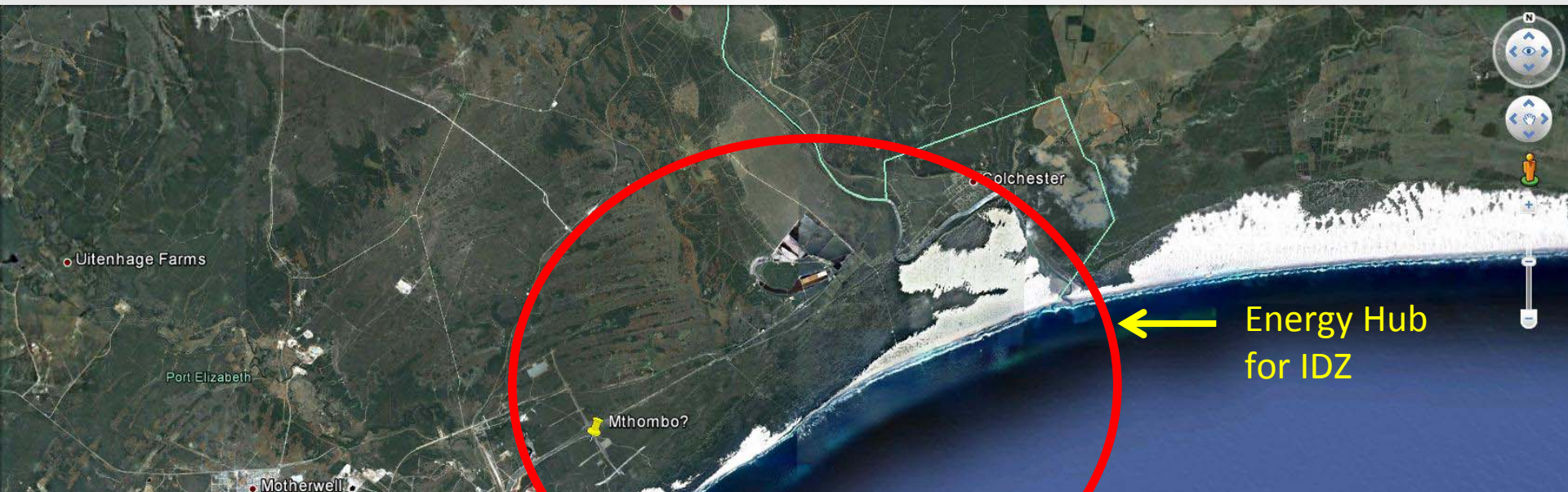
# PetroSA

- Head office in Parow
- GTL at Mossel Bay
- International activities
- Includes iGas operations as from 1 April 2012
- Three significant projects
  - FO (started)
  - LNG imports (possible project)
  - Mthombo (under consideration)





PetroSA	2012-13	2013-14	2014-15	2015-16
PetroSA	1560	1576	1591	1607
FO (permanent)	58	58	48	48
Contract	31	18	8	7
Mthombo	21	100	100	100
Contract	1	25	25	25



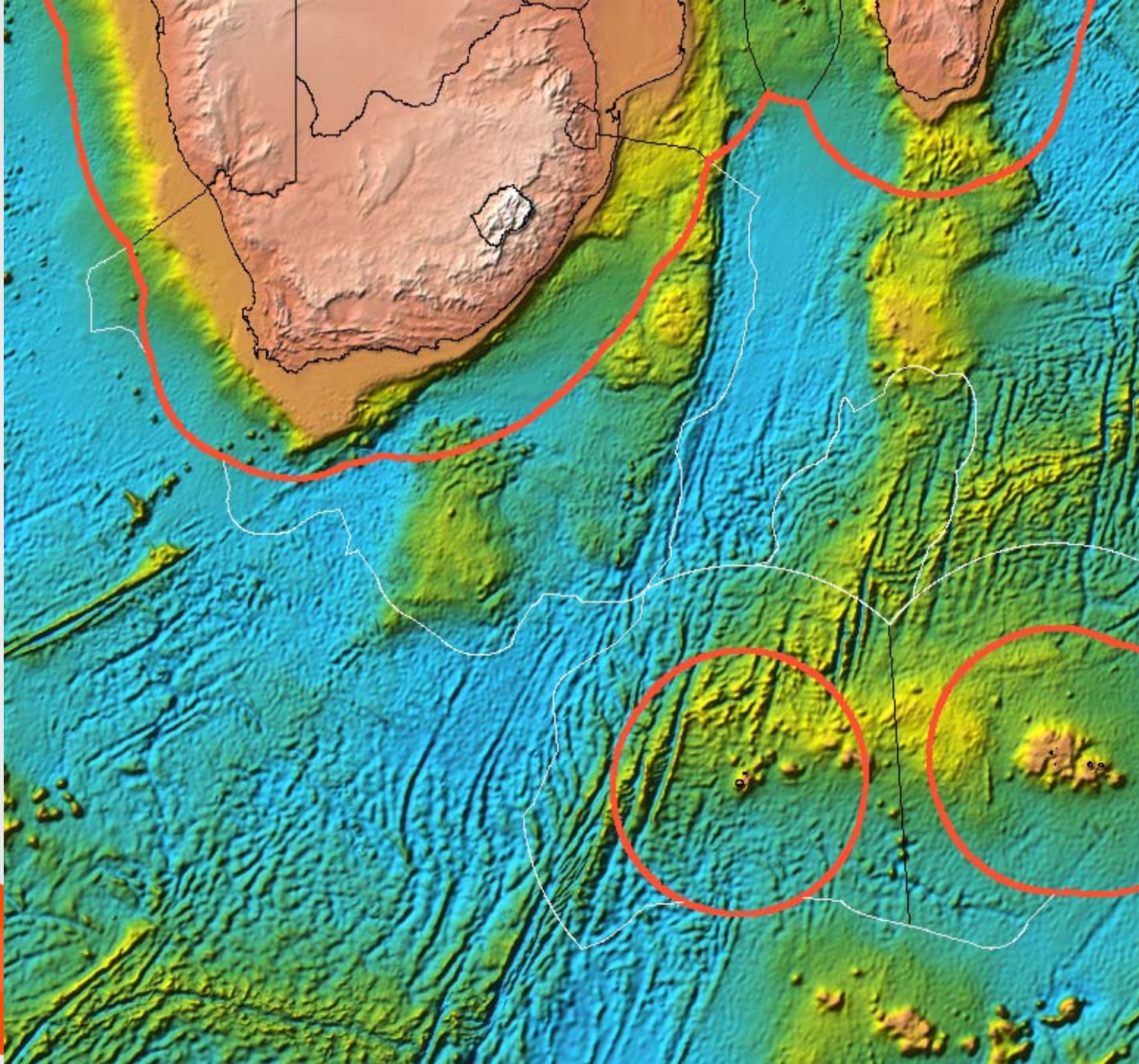
PetroSA/iGas	2012-13		
Mthombo (construction)		Estimate 6000-8000 construction jobs	
Permanent		Estimate 1500 permanent operational staff	
LNG Import terminal (construction)		1400 peak jobs over 4 years	2600 peak jobs over 3 years for power station
Operational		70 for LNG terminal	130 for power station
<b>Total</b>			

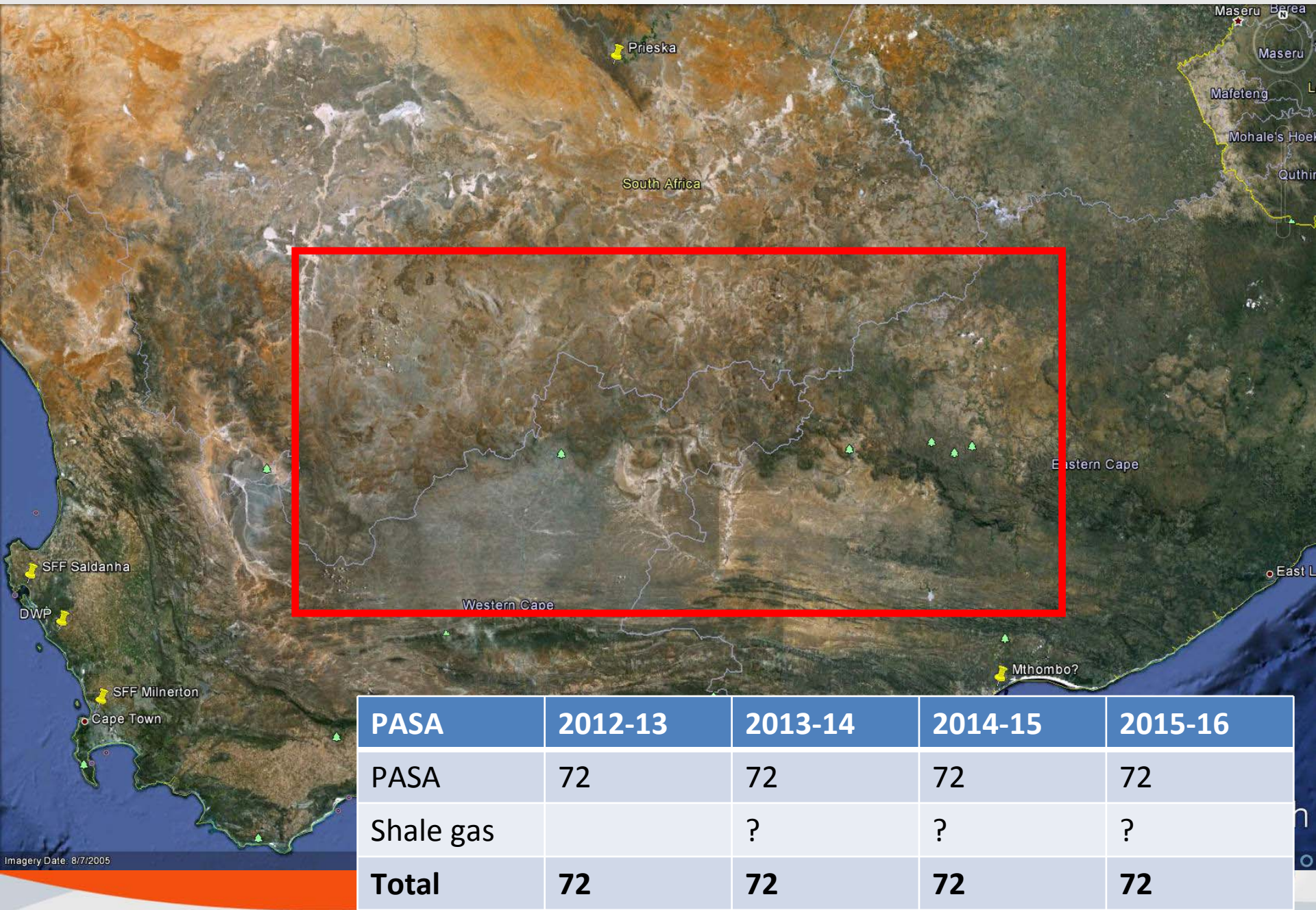
**PASA**



# PASA

- Licensing for oil and gas exploration
- Generation and maintenance of specific geological data
- Involved in extended Continental shelf claim
- Will be responsible for overseeing licensing for shale gas once a final decision is taken





**AEMFC**



# AEMFC

- Has commenced mining coal at Vlakfontein
- Is conducting feasibility studies on the T-Project
- Will be commencing resource evaluations in a number of areas





AE	2012-13	2013-14	2014-15	2015-16
Head office	23 (add 14)	23	23	23
Vlakfontein	61 (add 17)	61	151	200
T-project	0	0	30	74
<b>Total</b>	<b>84</b>	<b>84</b>	<b>204</b>	<b>297</b>

**DWP**

# DWP

- Demonstration wind project
- Is facing challenges

DWP



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Google earth

Imagery Date: 10/6/2011 2006

33°19'00.72" S 18°15'34.03" E elev 192 m

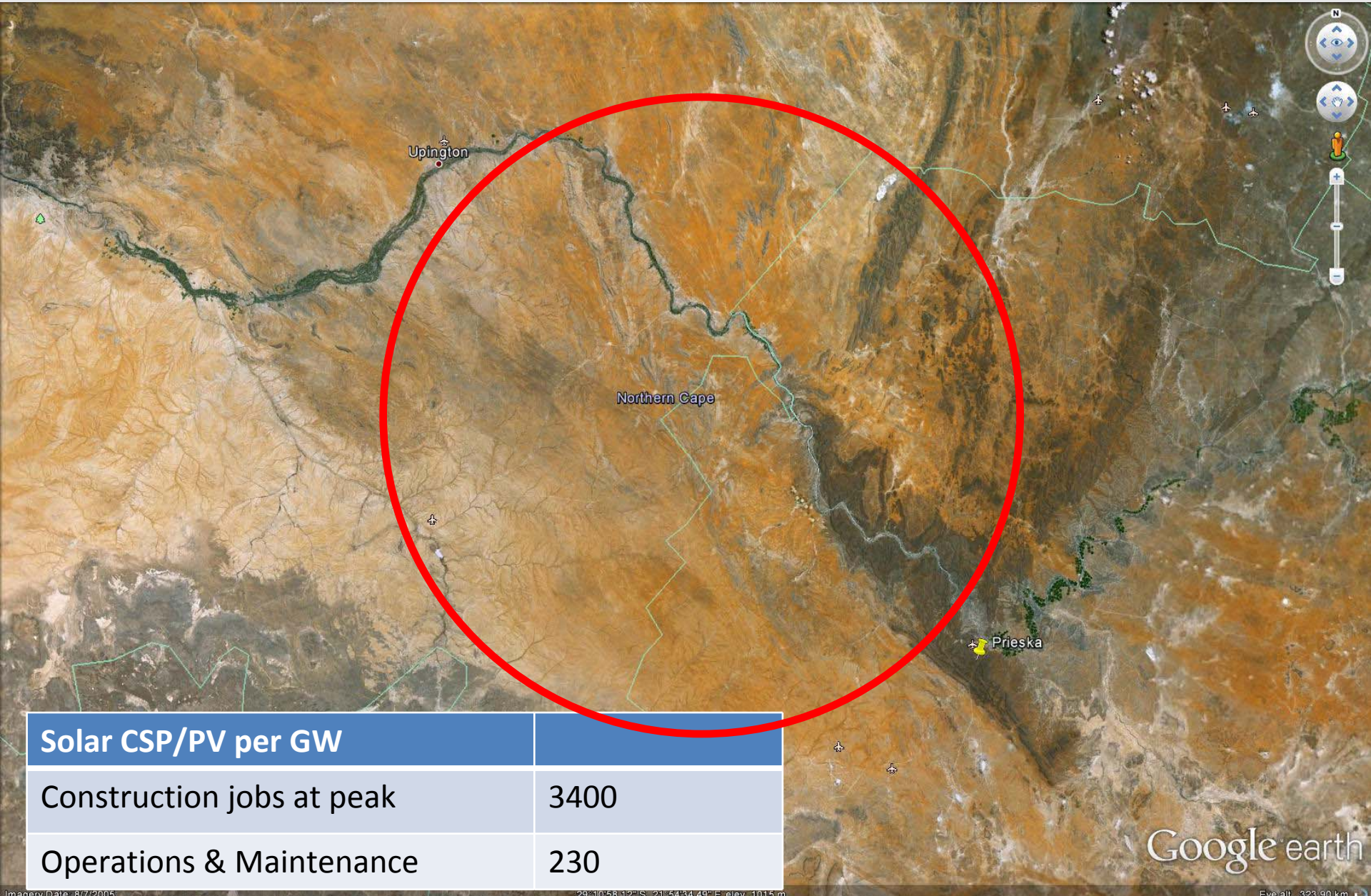
Eye alt 777 m



# SOLAR PARK

# Solar Park

- Feasibility study underway



**Solar CSP/PV per GW**

Construction jobs at peak

3400

Operations & Maintenance

230

Google earth

# Conclusion

- CEF is in the process of restructuring for growth
- Challenges remain in the immediate future
- Projects proposed by subsidiaries, and requiring CEF funding, will be more robustly scrutinised by CEF specifically for their impact on group sustainability
- A process is underway to identify new projects in the renewable and clean energy space
- Staff vacancies are being urgently filled to provide the skills needed for the new activities



**THANK YOU**

