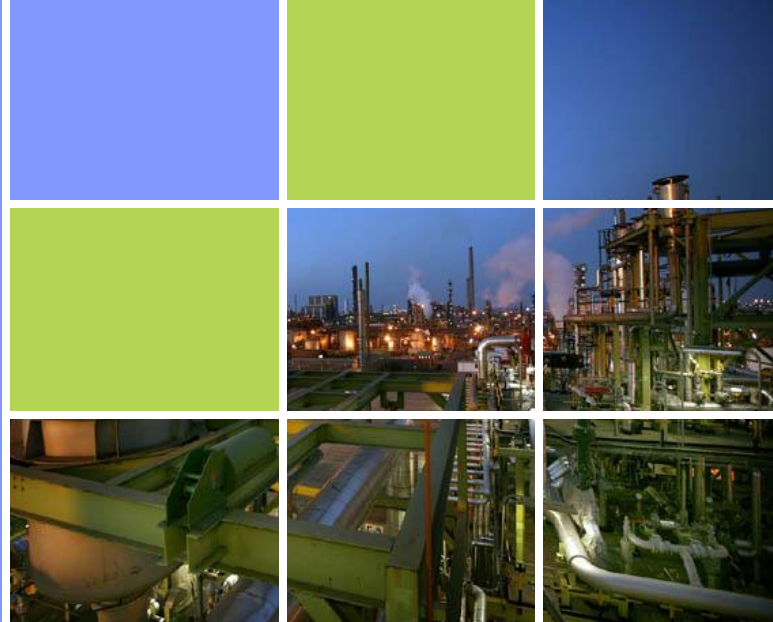


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reaching new frontiers



***Sasol Mining -
Accounting Practices
Committee (FY09/02)***

15 October 2008





Agenda

- Welcome
- Critical spares process
- IFRS 2 Share-based Payment: Practical application and valuation issues
- Accounting Manual . Chapter 8
- General



Accounting Manual – Chapter 8

Impairment of assets

- When is an asset impaired?
 - Carrying amount exceeds the recoverable amount
 - Carrying amount = Bookvalue
 - Recoverable amount = the higher of fair value less cost to sell & value in use



Accounting Manual – Chapter 8 (continued)

Fair value less cost to sell

- Amount obtainable from the sale of an asset in an arm's length transaction less costs directly attributable to the disposal of the asset

Value in use

- Present value of estimated future cash flows expected to arise from the future use of the asset.



Accounting Manual – Chapter 8 (continued)

- When do I perform impairment reviews?
 - Twice a year When there is an indication that an asset is impaired (change in use, change in business climate etc)
- Goodwill, intangible assets not yet in use and intangible assets with an indefinite useful life - impairment test must be performed at least annually



Accounting Manual – Chapter 8 (continued)

- When do I perform impairment tests?

Impairment indicators - External

- Decline in market value
- Significant changes with an adverse effect on the entity (technological, market, economic or legal environment)
- Increase in market interest rates (i.e. changes discount rates resulting in material decreases in the assets recoverable amount)
- Carrying amount of net assets exceeds market capitalisation



Accounting Manual – Chapter 8 (continued)

Impairment indicators - Internal

- Evidence of obsolescence or physical damage
- Changes with an adverse effect on the entity (plans to discontinue / restructure etc)
- Poor economic performance of the asset

- ***Impairment tests are performed per cash - generating unit***
 - Smallest identifiable group of assets that generates cash inflows
 - These are largely independent from the cash inflows from other asset groups



Accounting Manual – Chapter 8 (continued)

Accounting treatment

- Expensed in the income statement
- The cost of the asset is not decreased
- % Accumulated depreciation and amounts written off+
- May be reversed limited to carrying value, (except goodwill)



Accounting Manual – Chapter 8 (continued)

Scrapping vs. impairment of assets

Impairment:

- Carrying amount exceeds the recoverable amount
- There is still an expectation that future economic benefits will flow to the entity, (use or disposal)

Scrapping:

- An asset is derecognised when **no** future economic benefits are expected from its use or disposal
- The asset is removed from the asset register and removed from the premises
- Management no longer intends to have internal controls to safeguard these assets



General

