

**sasol**  
reaching new frontiers



## ***Sasol Mining***

***Update on Provisions,  
Accruals and Contingent  
Liabilities***





## ***Provisions, Accruals and Contingent Liabilities***

- IAS 37 . Definitions
  
- Provision
  - *A provision is a liability of uncertain timing or amount. A liability is a present obligation that arises from past events, which is expected to result in the outflow of the entity's resources upon settlement.*
  
- Accrual
  - *Accruals are liabilities to pay for goods or services that have been received or supplied but not yet paid for or invoiced. The uncertainty of timing and amount generally is less for an accrual than for a provision. Possible examples of accruals are fees for services rendered such as audit or consulting fees.*



## *Provisions, Accruals and Contingent Liabilities*

- Contingent Liability
  - *It is 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*



## Provisions

- IAS 37 . Recognition criteria
  - *A present obligation as a result of a past event*
  - *Legal or constructive nature*
  - *Probable outflow of economic benefits*
  - *Estimated reliably*

### Legal

- " Contract
- " Law / legislation
- " Other operation of law

### Constructive

- " Established pattern of past practice
- " Published policies
- " Creation of a valid expectation (communication)



## *Provisions*

- Measurement
  - *Best estimate*
    - *Most likely outcome (e.g. law suit), or*
    - *Weighted average (e.g. warranty provisions)*
  - *Inherent risks and uncertainties to be considered*
  - *Discounting required, when the effect is material*
  - *Expected reimbursements to be recognised as separate receivables, if virtually certain*
  - *Expected gains from disposal of assets should not be recognised as reduction of provision*



## Provisions

### Overview

- *A provision is recognised on the basis of a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably.*
- *No provision is recognised for future operating losses.*
- *A provision is measured at the best estimate of the anticipated outflow of resources.*
- *Provisions are discounted if the effect of discounting is material.*



## ***Provisions***

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### Overview (continue)

- A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.
- Provisions are not recognised for repairs or maintenance of own assets or for self-insurance.
- A provision is recognised for a contract that is onerous (i.e., one in which the costs of meeting the obligations under the contract exceed the benefits to be derived).