While management believes that the assumptions used are appropriate, significant changes in the assumptions may materially affect our pension and other post-retirement obligations and future expense.

In terms of the Pension Funds Second Amendment Act 2001, the Sasol Pension Fund in South Africa undertook a surplus apportionment exercise as at December 2002. The surplus apportionment exercise, and the 31 December 2002 statutory valuation of the fund, was approved by the Financial Services Board on 26 September 2006. Payments of benefits to former members in terms of the surplus apportionment scheme have been substantially completed and an amount of R108 million has been set aside for members that have not claimed their benefits. Based on the rules of the fund, the latest actuarial valuation of the fund and the approval of the trustees of the surplus allocation, the company has an unconditional entitlement to only the funds in the employer surplus account and the contribution reserve. The estimated surplus due to the company amounted to approximately R178 million as at 31 March 2010 and has been included in the pension asset recognised in the current year.

Fair value estimations of financial instruments

We base fair values of financial instruments on listed market prices, where available. If listed market prices are not available, fair value is determined based on other relevant factors, including dealers' price quotations and price quotations for similar instruments traded in different markets. Fair value for certain derivatives is based on pricing models that consider current market and contractual prices for the underlying financial instruments or commodities, as well as the time value and yield curve or fluctuation factors underlying the positions. Pricing models and their underlying assumptions impact the amount and timing of unrealised gains and losses recognised, and the use of different pricing models or assumptions could produce different financial results. See "Item 11—Quantitative and qualitative disclosures about market risk".

Deferred tax

We apply significant judgement in determining our provision for income taxes and our deferred tax assets and liabilities. Temporary differences arise between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes. These temporary differences result in tax liabilities being recognised and deferred tax assets being considered based on the probability of our deferred tax assets being recoverable from future taxable income. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be realised. We provide deferred tax using enacted or substantively enacted tax rates at the reporting date on all temporary differences arising between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes unless there is a temporary difference that is specifically excluded in accordance with IFRS. The carrying value of our net deferred tax assets assumes that we will be able to generate sufficient future taxable income in applicable tax jurisdictions, based on estimates and assumptions.

Secondary Taxation on Companies

In South Africa, we pay both income tax and Secondary Taxation on Companies (STC). STC is levied on companies currently at a rate of 10% (2009—10%) of dividends distributed. The Minister of Finance in his budget speech delivered during February 2008 announced that STC would be replaced by a dividend withholding tax at the same rate of 10%, to be imposed on individual and non-resident corporate shareholders. The effective date for the introduction of the new dividend tax is expected to be during the first half of the 2011 calendar year, in order to afford the Minister of Finance time to finalise the renegotiation of appropriate double taxation conventions to permit the imposition of such a tax on foreign shareholders. In the case of liquidations, STC is only payable on undistributed earnings earned after 1 April 1993. The tax becomes due and payable on declaration of a dividend. When dividends are received in the current year that can be offset against future dividend payments to reduce the STC liability, a deferred tax asset is recognised to the extent of the future reduction in STC payable.

We do not provide for deferred tax on undistributed earnings at the tax rate applicable to distributed earnings. We believe that this is consistent with the accounting principle that does not allow the accrual of dividend payments if a dividend is declared after year end.

If we were to provide for deferred taxes on the potential STC arising on our undistributed earnings, should these be declared as dividends, there would be the following effects on our reported results:

Statement of financial position	2010	2009
	(Rand in millions)	
Net deferred tax liability as reported	**9 307**	7 984
Increase in the deferred tax liability	**10 089**	9 205
Net deferred tax liability based on the tax rate applicable to distributed earnings	**19 396**	17 189
Shareholders' equity as reported	**94 730**	83 835
Decrease in shareholders' equity	**(10 089)**	(9 205)
Shareholders' equity after the effect of providing for deferred tax using the tax rate applicable to distributed earnings	**84 641**	74 630

Income statement	2010	2009	2008
	(Rand in millions)		
Income tax as reported	**(6 985)**	(10 480)	(10 129)
Increase in income tax	**(884)**	(533)	(2 148)
Income tax after providing for deferred tax at the rate applicable to distributed earnings	**(7 869)**	(11 013)	(12 277)
Earnings attributable to shareholders as reported	**15 941**	13 648	22 417
Decrease in earnings attributable to shareholders	**(884)**	(533)	(2 148)
Earnings attributable to shareholders after providing for deferred tax at the rate applicable to distributed earnings	**15 057**	13 115	20 269

We expect that R1 885 million of undistributed earnings earned before 1 April 1993 of two dormant companies will be distributed without attracting STC of R189 million.

Commitments and contingencies

Management's current estimated range of liabilities relating to certain pending liabilities for claims, litigation, competition matters, tax matters and environmental remediation is based on management's judgement and estimates of the amount of loss. The actual costs may vary significantly from estimates for a variety of reasons. A liability is recognised for these types of contingencies if management determines that the loss is both probable and estimable. We have recorded the estimated liability where such amount can be determined. As additional information becomes available, we will assess the potential liability related to our pending litigation proceedings and revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operation and financial position. See "Item 4.B—Business overview—Legal proceeding and other contingencies" and "Item 5.E—Off-balance sheet arrangements".

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OUR RESULTS OF OPERATIONS

The financial results for the years ended 30 June 2010, 2009 and 2008 below are stated in accordance with IFRS as issued by the IASB.

Results of operations

	2010	2009	Change 2010/2009	Change 2010/2009	2008	Change 2009/2008	Change 2009/2008
	(Rand in millions)			(%)	(Rand in millions)		(%)
Turnover	**122 256**	**137 836**	(15 580)	(11)	129 943	7 893	6
Cost of sales and services rendered	**(79 183)**	**(88 508)**	9 325	11	(74 634)	(13 874)	(19)
Gross profit	**43 073**	**49 328**	(6 255)	(13)	55 309	(5 981)	(11)
Other operating income	**854**	**1 021**	(167)	(16)	635	386	61
Other operating expenditure	**(19 990)**	**(25 683)**	5 693	22	(22 128)	(3 555)	(16)
Operating profit	**23 937**	**24 666**	(729)	(3)	33 816	(9 150)	(27)
Net other expenses	**(565)**	**(471)**	(94)	(20)	(159)	(312)	196
Profit before tax	**23 372**	**24 195**	(823)	(3)	33 657	(9 462)	(28)
Taxation	**(6 985)**	**(10 480)**	3 495	33	(10 129)	(351)	(3)
Profit	**16 387**	**13 715**	2 672	19	23 528	(9 813)	(42)
Attributable to							
Shareholders	**15 941**	**13 648**	2 293	17	22 417	(8 769)	(39)
Non-controlling interest	**446**	**67**	379	566	1 111	(1 044)	(94)
	16 387	**13 715**	2 672	19	23 528	(9 813)	(42)

Overview

The effect of higher average international oil prices (dated Brent US$74,37/b for 2010 compared to US$68,14/b for 2009 and US$95,51/b in 2008) and the reduction of cash fixed costs in the group as a result of cost containment initiatives positively impacted operating profit for the year. The benefit of higher oil prices was, however, mostly realised in the energy and fuel-related businesses. The group's chemical businesses was also positively impacted by an increase in chemical product prices and improved volumes. The impact of higher crude oil prices and chemical prices was partially offset by a stronger rand during 2010 (average rate R7,59 per US dollar for 2010 compared to R9,04 per US dollar for 2009 and R7,30 per US dollar for 2008).

In addition, operating profit in 2010 was not affected by large once-off items compared to 2009. The once-off items in 2009 included competition related administrative penalties of R3 947 million and Sasol Inzalo share-based payment expenses of R3 202 million, offset by the positive impact of crude oil hedges of R5,1 billion. Similar hedges were not entered into in 2010 and the current period includes a much lower Sasol Inzalo share-based payment expense of R824 million and no competition related administrative penalities.

Turnover

Turnover consists of the following categories:

	2010	2009	Change 2010/2009	Change 2010/2009	2008	Change 2009/2008	Change 2009/2008
		(Rand in millions)		(%)	(Rand in millions)		(%)
Sale of products	**120 820**	**136 482**	(15 662)	(11)	128 492	7 990	6
Services rendered	**889**	**777**	112	14	889	(112)	(13)
Commission and marketing income	**547**	**577**	(30)	(5)	562	15	3
Turnover	**122 256**	**137 836**	(15 580)	(11)	129 943	7 893	6

The primary factors contributing to these increases/(decreases) were:

	Change 2010/2009		Change 2009/2008	
	(Rand in millions)	%	(Rand in millions)	%
Turnover, 2009 and 2008, respectively	**137 836**		129 943	
Exchange rate effects	**(11 493)**	(8)	13 711	11
Product prices	**(8 573)**	(6)	(5 871)	(5)
—crude oil	***480***	—	*(3 203)*	(3)
—other products (including chemicals)	***(9 053)***	(6)	*(2 668)*	(2)
Net volume increases	**4 510**	3	75	—
Once off impacts	**(24)**	—	(22)	—
Turnover, 2010 and 2009, respectively	**122 256**		137 836	

Cost of sales and services rendered

Cost of sales of products. The cost of sales in 2010 amounted to R78 886 million, a decrease of R9 109 million, or 10%, compared to R87 995 million in 2009 which increased by 19% from R74 160 million in 2008. The decrease in 2010 compared to 2009 was mainly due to the strengthening of the average rand/US dollar exchange rate and the reduction of cash fixed costs which resulted from the group's cost containment initiative to contain cash fixed costs to within inflationary levels. Included in cost of sales in 2010 is an amount of R118 million (2009—R965 million and 2008—R105 million) in respect of the write-down of inventories to net realisable value. The increase in 2009 compared to 2008 is due to the weakening of the average rand/US dollar exchange rate and the inclusion of full year results for Arya Sasol Polymer Company and the Oryx GTL plant. Compared to turnover from the sale of products, cost of sales of products was 65% in 2010, 64% in 2009 and 58% in 2008.

Cost of services rendered. Cost of services rendered amounted to R297 million in 2010, a decrease of R216 million, or 42%, compared to R513 million in 2009 which increased by 8% from R474 million in 2008. The decrease was mainly due to reduced activities as a result of the business improvement programme in Sasol Solvents Germany and the winding down of activities in the Sasol Chevron joint venture. The increase in 2009 compared to 2008 was in line with turnover from services rendered. Compared to turnover from services rendered, the cost of services rendered was 33% in 2010, 66% in 2009 and 53% in 2008.

Other operating income

Other operating income in 2010 amounted to R854 million, which represents a decrease of R167 million, or 16%, compared to R1 021 million in 2009, which increased by R386 million compared to R635 million in 2008. Included in operating income for the 2010 year is a gain on hedging activities realised by Sasol Financing on foreign exchange contracts of R218 million (2009—R187 million and 2008—R128 million), insurance proceeds of R25 million (2009—R111 million and 2008—R5 million) and R143 million (2009—R182 million and 2008—R133 million) in respect of deferred income received related to emission rights.

Other operating expenditure

Other operating expenditure consists of the following categories:

	2010	2009	Change 2010/2009	Change 2010/2009	2008	Change 2009/2008	Change 2009/2008
	(Rand in millions)			(%)	(Rand in millions)		(%)
Translation (losses)/gains	**(1 007)**	(166)	(841)	507	300	(466)	155
Marketing and distribution expenditure	**(6 496)**	(7 583)	1 087	(14)	(6 931)	(652)	9
Administrative expenditure	**(9 451)**	(10 063)	612	(6)	(7 691)	(2 372)	31
Other expenses	**(3 036)**	(7 871)	4 835	(61)	(7 806)	(65)	1
Other operating expenditure	**(19 990)**	(25 683)	5 693	(22)	(22 128)	(3 555)	16

The variances in operating costs and expenses are described in detail in each of the various reporting segments, included in the Segment overview below.

Translation (losses)/gains. Translation losses arising primarily from the translation of monetary assets and liabilities amounted to R1 007 million in 2010. The loss recognised is due to the strengthening of the rand/US dollar exchange rate towards the end of the year closing at R7,67 at 30 June 2010 compared to the closing rate at 30 June 2009 of R7,73 per US dollar. The closing rate is used to translate to rand all our monetary assets and liabilities denominated in a currency other than the rand at the reporting date and as a result a net loss was recognised on these translations in 2010. The strengthening of the rand has a positive impact on the translation of our monetary liabilities, whilst the weakening of the rand has a negative impact the translation of our monetary assets. In 2009, foreign exchange losses of R166 million were recognised due to the strengthening of the rand/US dollar exchange rate towards the end of the year closing at R7,73 at 30 June 2009 compared to the closing rate at 30 June 2008 of R7,83 per US dollar. A net foreign exchange gain of R300 million was recognised in 2008.

Marketing and distribution expenditure. These costs comprise marketing and distribution of products as well as advertising, salaries and expenses of marketing personnel, freight, railage and customs and excise duty. Marketing and distribution costs in 2010 amounted to R6 496 million, R7 583 million in 2009 and R6 931 million in 2008. Compared to sales of products, marketing and distribution costs represented 5% in 2010 compared to 6% in 2009 and 5% in 2008. The variation in these costs has been contained to inflationary levels during the years under review.

Administrative expenditure. These costs comprise expenditure of personnel and administrative functions, including accounting, information technology, human resources, legal and administration, pension and post-retirement healthcare benefits. Administrative expenses in 2010 amounted to R9 451 million, a decrease of R612 million, or 6%, compared to R10 063 million in 2009 which increased by 31% from R7 691 million in 2008. The decrease in 2010 is mainly related to the strengthening of the rand against the US dollar and the reduction of costs in line with the group's cost containment initiative to contain costs to within inflationary levels. The increase in 2009 was mainly due to higher corporate costs due to inflation and increased costs associated with the establishing and advancing of various growth initiatives at SPI and SSI, including costs related to the Oryx project, which is now fully established and operational in 2010. In 2010, costs related to this plant are no longer included.

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Other expenses. Other expenses in 2010 amounted to R3 036 million, a decrease of R4 835 million, compared to R7 871 million in 2009 which increased by R65 million from R7 806 million in 2008. This amount includes impairments of R110 million (2009—R458 million and 2008—R821 million), reversal of impairments of R365 million (2009—Nil and 2008—R381 million), scrapping of assets of R156 million (2009—R234 million and 2008—R107 million), the write off of unsuccessful exploration wells of R58 million (2009—R16 million and 2008—Nil) and net profit on the disposal of property, plant and equipment of R3 million (2009—R9 million and 2008—R91 million). Other expenses also includes the effects of our crude oil hedging activities amounting to a net loss of R87 million (2009—a gain of R4 603 million and 2008—a loss of R2 201 million), share-based payment expenses of R943 million (2009—R3 325 million and 2008—R1 782 million) and a profit of R2 million (2009—loss of R770 million and 2008—profit of R349 million) which was realised on the disposal of businesses. Further, impairments of R138 million (2009—R198 million and 2008—R60 million) were raised in respect of trade receivables during the year resulting from the effects of the global economic downturn. In addition, for 2009, other expenses also included R3 947 million in respect of competition related administrative penalties. Details of the impairments, scrapping of assets and the profit / (loss) on disposals are detailed in the "Segment overview".

The effects of remeasurement items[1] recognised for the year ended 30 June are set out below:

	2010	2009	2008
	(Rand in millions)		
South African Energy Cluster			
Sasol Mining	**1**	3	*7*
—scrapping of assets	***5***	*5*	*8*
—profit on disposal of property, plant and equipment	***(4)***	*(2)*	*(1)*
Sasol Gas	**—**	4	*104*
—impairments	**—**	*—*	*104*
—scrapping of assets	**—**	*4*	*—*
Sasol Synfuels	**58**	137	*25*
—scrapping of assets	***59***	*138*	*27*
—profit on disposal of property, plant and equipment	***(1)***	*(1)*	*(2)*
Sasol Oil	**10**	(3)	*(20)*
—impairments	**—**	*—*	*11*
—scrapping of assets	***15***	*3*	*—*
—profit on disposal of property, plant and equipment	***(5)***	*(6)*	*(31)*
International Energy Cluster			
Synfuels International	**4**	777	*396*
—impairments	**—**	*—*	*362*
—scrapping of assets	**—**	*5*	*—*
—loss on disposal of property, plant and equipment	***4***	*1*	*—*
—loss on disposal of business (EGTL)	**—**	*771*	*—*
—loss on repurchase of participation right in GTL project	**—**	*—*	*34*
Petroleum International	**108**	17	*(27)*
—loss/(profit) on disposal of property, plant and equipment	**—**	*1*	*(27)*
—impairments	***50***	*—*	*—*
—write off of unsuccessful exploration wells	***58***	*16*	*—*