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% (2007—12.5%) 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 imposed on shareholders. The effective date is expected to be during the latter part of the 2009 calendar year. 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 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	2008	2007
	(Rand in millions)	
Net deferred tax liability as reported	**6,993**	7,459
Increase in the deferred tax liability	**8,672**	6,524
Net deferred tax liability based on the tax rate applicable to distributed earnings	**15,665**	13,983
Shareholders' equity as reported	**76,474**	61,617
Decrease in shareholders' equity	**(8,672)**	(6,524)
Shareholders' equity after the effect of providing for deferred tax using the tax rate applicable to distributed earnings	**67,802**	55,093

Income statement	2008	2007	2006
	(Rand in millions)		
Income tax as reported	**(10,129)**	(8,153)	(6,534)
Increase in income tax	**(2,148)**	(202)	(1,328)
Income tax after providing for deferred tax at the rate applicable to distributed earnings	**(12,277)**	(8,355)	(7,862)
Earnings attributable to shareholders as reported	**22,417**	17,030	10,406
Decrease in earnings attributable to shareholders	**(2,148)**	(202)	(1,328)
Earnings attributable to shareholders after providing for deferred tax at the rate applicable to distributed earnings	**20,269**	16,828	9,078

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 R170 million.

Commitments and contingencies

Management's current estimated range of liabilities relating to certain pending liabilities for claims, litigation, 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 5.E—Off-balance sheet arrangements".

OUR RESULTS OF OPERATIONS

The financial results for the years ended 30 June 2008, 2007 and 2006 below are stated in accordance with IFRS as issued by the IASB.

Results of operations

	2008	2007	Change 2008/2007	Change 2008/2007	2006	Change 2007/2006	Change 2007/2006
	(Rand in millions)			(%)	(Rand in millions)		(%)
Turnover	**129,943**	98,127	31,816	32	82,395	15,732	19
Cost of sales and services rendered	**(74,634)**	(59,997)	(14,637)	(24)	(48,547)	(11,450)	(24)
Gross profit	**55,309**	38,130	17,179	45	33,848	4,282	13
Other operating income	**635**	639	(4)	—	533	106	20
Other operating expenditure	**(22,128)**	(13,148)	(8,980)	(68)	(17,169)	4,021	23
Operating profit	**33,816**	25,621	**8,195**	32	**17,212**	**8,409**	49
Net other (expenses)/income	**(159)**	82	(241)	(293)	(96)	178	185
Profit before tax	**33,657**	25,703	**7,954**	31	**17,116**	**8,587**	50
Income tax	**(10,129)**	(8,153)	(1,976)	(24)	(6,534)	(1,619)	(25)
Profit	**23,528**	17,550	**5,978**	34	**10,582**	**6,968**	66
Attributable to							
Shareholders	**22,417**	17,030	5,387	32	10,406	6,624	64
Minority interest	**1,111**	520	591	114	176	344	195
	23,528	17,550	**5,978**	34	**10,582**	**6,968**	66

Overview

Higher average annual international oil prices (dated Brent US$95.51/b for 2008 compared to US$63.95/b for 2007 and US$62.45/b in 2006) boosted operating profit in all three years. The benefit of higher oil prices was, however, mostly realised in the energy and fuel-related businesses and to a lesser extent in the group's chemical businesses which have been adversely impacted by the effect of higher crude oil prices on the cost of their feedstock. This benefit was further enhanced by the positive impact of the slightly weaker rand during 2008 (average rate R7.30 per US dollar for 2008 compared to R7.20 per US dollar for 2007 and R6.41 per US dollar 2006).

Turnover

Turnover consists of the following categories:

	2008	2007	Change 2008/2007	Change 2008/2007	2006	Change 2007/2006	Change 2007/2006
	(Rand in millions)			(%)	(Rand in millions)		(%)
Sale of products	**128,492**	96,785	31,707	33	81,172	15,613	19
Services rendered	**889**	918	(29)	(3)	714	204	29
Commission and marketing income	**562**	424	138	33	509	(85)	(17)
Turnover	**129,943**	**98,127**	**31,816**	32	**82,395**	**15,732**	19

The primary factors contributing to these increases were:

	Change 2008/2007 (Rand in millions)	%	Change 2007/2006 (Rand in millions)	%
Turnover, 2007 and 2006 respectively	**98,127**		82,395	
Exchange rate effects	**4,417**	4	8,512	10
Product prices	**25,732**	26	6,672	8
—crude oil	***8,321***	8	*694*	1
—other products (including chemicals)	***17,411***	18	*5,978*	7
Net volume increases	**2,029**	2	548	1
Once off impacts(1)	**(362)**	—	—	—
Turnover, 2008 and 2007 respectively	**129,943**		98,127	

(1) Primarily includes the effects of flaring losses incurred during the completion and commissioning of the selective catalytic cracker (SCC) at Sasol Synfuels in 2008.

Cost of sales and services rendered

Cost of sales of products. The cost of sales in 2008 amounted to R74,160 million, an increase of R14,726 million, or 25%, compared to R59,434 million in 2007 which increased by 23% from R48,125 million in 2006. The increase over the past two years is due to the increase in the crude oil price and other feedstock prices. The increase in cost of sales of products in 2008 was mainly due to the increase in crude oil prices on our energy related businesses, which generates the majority of the group's operating profit, and the weakening of the rand/US dollar exchange rate. The increase in 2007 compared to 2006 was mainly due to the increase in the crude oil price and other feedstock prices as well as the weakening of the rand/US dollar exchange rate. Compared to turnover from the sale of products, cost of sales of products was 58% in 2008, 61% in 2007 and 58% in 2006.

Cost of services rendered. Cost of services rendered amounted to R474 million in 2008, a decrease of R89 million, or 16%, compared to R563 million in 2007 which increased by 33% from R422 million in 2006. The decrease was mainly due to the higher refinery margins attained by Natref which resulted in an increase in the turnover from services rendered. The increase in 2007 compared to 2006 was in line with the increase in turnover from services rendered. Compared to turnover from services rendered, the cost of services rendered was 53% in 2008, 61% in 2007 and 59% in 2006.

Other operating income

Other operating income in 2008 amounted to R635 million, which represents a decrease of R4 million or 0.6%, compared to R639 million in 2007. Included in operating income for the 2008 year is a gain on hedging activities realised by Sasol Financing on foreign exchange contracts of R128 million, bad debts recovered of R9 million and R133 million in respect of deferred income received related to emission rights.

Other operating income in 2007 amounted to R639 million, which represents an increase of R106 million or 20%, compared to R533 million in 2006. Included in operating income for the 2007 year is a gain on hedging activities of R91 million, bad debts recovered of R60 million and R185 million in respect of deferred income received related to emission rights.

Other operating expenditure

Other operating expenditure consists of the following categories:

	2008	2007	Change 2008/2007	Change 2008/2007	2006	Change 2007/2006	Change 2007/2006
	(Rand in millions)			(%)	(Rand in millions)		(%)
Translation gains/(losses)	**300**	(232)	532	229	243	(475)	(195)
Marketing and distribution expenditure	**(6,931)**	(5,818)	(1,113)	19	(5,234)	(584)	11
Administrative expenditure	**(6,697)**	(6,094)	(603)	10	(4,316)	(1,778)	41
Other expenses	**(8,800)**	(1,004)	(7,796)	776	(7,862)	6,858	(87)
Other operating expenditure	**(22,128)**	(13,148)	(8,980)	68	(17,169)	4,021	23

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 gains/(losses). Translation gains arising primarily from the translation of monetary assets and liabilities amounted to R300 million in 2008. The gain recognised is due to the weakening of the rand/US dollar exchange rate towards the end of the year closing at R7.83 at 30 June 2008 compared to the closing rate at 30 June 2007 of R7.04 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 gain was recognised on these translations in 2008. Also included is a foreign exchange loss of R557 million related to the realisation of the foreign currency translation reserve. In 2007, foreign exchange losses of R232 million was recognised, as the rand had strengthened marginally against the US dollar towards the end of the year closing at R7.04 per US dollar compared to the closing exchange rate at 30 June 2006 at R7.17 per US dollar. A net foreign exchange gain of R243 million was recognised in 2006.

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 2008 amounted to R6,931 million, R5,818 million in 2007 and R5,234 million in 2006. Compared to sales of products, marketing and distribution costs represented 5% in 2008 compared to 6% in 2007 and 2006. 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 2008 amounted to R6,697 million, an increase of R603 million, or 10%, compared to R6,094 million in 2007 which increased by 41% from R4,316 million in 2006. The increase in 2008 is mainly related to higher corporate costs due to inflation and weakening of the rand against the US dollar, increased costs associated with the establishing and advancing of various growth initiatives at SPI and SSI and additional administration costs incurred in the start-up businesses, including Arya Sasol Polymers and the Oryx GTL plant.

Other expenses. Other expenses in 2008 amounted to R8,800 million, an increase of R7,796 million, compared to R1,004 million in 2007 which decreased by 87% from R7,862 million in 2006. This amount includes impairments of R821 million (2007—R208 million and 2006—R897 million), reversal of impairments of R381 million (2007—nil and 2006—R140 million), scrapping of assets of R96 million (2007—R204 million and 2006—R281 million) and net profit on the disposal of property, plant and equipment of R91 million (2007—a net profit of R53 million and 2006—a net loss of R66 million). Other expenses also includes the effects of our crude oil hedging activities amounting to a net loss of R2,428 million (2007—a gain of R211 million and 2006—a loss of R93 million) as well as the share-based payment expenses of R1,782 million (2007—R190 million and 2006—R169 million). In 2007, we recorded the reversal of a portion of the fair value write-down of disposal group held for sale of R803 million due to the termination of the divestiture process (2006—fair value write-down of R3,196 million). In addition, a profit of R349 million (2007—profit of R696 million and 2006—loss of R198) was realised on the disposal of businesses. Details of the impairments, scrapping of assets and 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:

	2008	2007	2006
	(Rand in millions)		
South African Energy Cluster			
Sasol Mining	**7**	13	16
—impairments	**—**	—	—
—scrapping of assets	***8***	*16*	*25*
—profit on disposal of property, plant and equipment	***(1)***	*(3)*	*(9)*
—profit on disposal of business	**—**	—	—
Sasol Gas	**104**	(370)	(138)
—impairments	***104***	—	*67*
—scrapping of assets	**—**	*1*	—
—profit on disposal of business	**—**	*(371)*	*(205)*
Sasol Synfuels	**25**	64	187
—impairments	**—**	—	—
—scrapping of assets	***27***	*72*	*205*
—profit on disposal of property, plant and equipment	***(2)***	*(8)*	*(18)*
Sasol Oil	**(20)**	2	8
—impairments	***11***	*10*	*5*
—scrapping of assets	**—**	*13*	*3*
—profit on disposal of property, plant and equipment	***(31)***	*(21)*	—
International Energy Cluster			
Synfuels International	**396**	—	—
—impairments	***362***	—	—
—loss on repurchase of participation rights in GTL project	***34***	—	—
Petroleum International	**(27)**	—	82
—(profit)/loss on disposal of property, plant and equipment	***(27)***	—	*82*
Chemical Cluster			
Sasol Polymers	**(12)**	9	17
—impairments	**—**	—	*23*
—scrapping of assets	**—**	*5*	*2*
—profit on disposal of property, plant and equipment	***(12)***	*(3)*	*(8)*
—loss on disposal of business	**—**	*7*	—
Sasol Solvents	**104**	146	(105)
—impairments	***269***	*57*	*26*
—reversal of impairment of property, plant and equipment	***(191)***	—	*(140)*
—scrapping of assets	***38***	*89*	*7*
—(profit)/loss on disposal of property, plant and equipment	***(12)***	—	—
—loss on disposal of business	**—**	—	*2*