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 R113 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 R265 million as at 31 March 2011 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 quoted market prices of identical instruments, where available. If quoted 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% (2010—10%) of dividends distributed. STC will be replaced by a dividend withholding tax at the rate of 10% with effect from 1 April 2012. Currently, the company is liable to pay the STC arising on dividends distributed to shareholders. 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. The change to the dividend withholding tax will result in the shareholders being liable for this tax.

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	2011	2010
	(Rand in millions)	
Net deferred tax liability as reported	**11 171**	9 307
Increase in the deferred tax liability	**11 017**	10 089
Net deferred tax liability based on the tax rate applicable to distributed earnings	**22 188**	19 396
Shareholders' equity as reported	**107 649**	94 730
Decrease in shareholders' equity	**(11 017)**	(10 089)
Shareholders' equity after the effect of providing for deferred tax using the tax rate applicable to distributed earnings	**96 632**	84 641

Income statement	2011	2010	2009
		(Rand in millions)	
Income tax as reported	**(9 196)**	(6 985)	(10 480)
Increase in income tax	**(928)**	(884)	(533)
Income tax after providing for deferred tax at the rate applicable to distributed earnings	**(10 124)**	(7 869)	(11 013)
Earnings attributable to shareholders as reported	**19 794**	15 941	13 648
Decrease in earnings attributable to shareholders	**(928)**	(884)	(533)
Earnings attributable to shareholders after providing for deferred tax at the rate applicable to distributed earnings	**18 866**	15 057	13 115

We expect that R1 885 million of undistributed earnings 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".

OUR RESULTS OF OPERATIONS

The financial results for the years ended 30 June 2011, 2010 and 2009 below are stated in accordance with IFRS as issued by the IASB.

Results of operations

	2011	2010	Change 2011/2010	Change 2011/2010	2009	Change 2010/2009	Change 2010/2009
	(Rand in millions)			(%)	(Rand in millions)		(%)
Turnover	**142 436**	122 256	20 180	17	137 836	(15 580)	(11)
Cost of sales and services rendered	**(90 467)**	(79 183)	(11 284)	14	(88 508)	9 325	(11)
Gross profit	**51 969**	43 073	8 896	21	49 328	(6 255)	(13)
Other operating income	**1 088**	854	234	27	1 021	(167)	(16)
Other operating expenditure	**(23 107)**	(19 990)	(3 117)	16	(25 683)	5 693	(22)
Operating profit	**29 950**	23 937	6 013	25	24 666	(729)	(3)
Net other expenses	**(534)**	(565)	31	(5)	(471)	(94)	20
Profit before tax	**29 416**	23 372	6 044	26	24 195	(823)	(3)
Taxation	**(9 196)**	(6 985)	(2 211)	32	(10 480)	3 495	(33)
Profit	**20 220**	16 387	3 833	23	13 715	2 672	19
Attributable to							
Shareholders	**19 794**	15 941	3 853	24	13 648	2 293	17
Non-controlling interests in subsidiaries	**426**	446	(20)	(4)	67	379	566
	20 220	16 387	3 833	23	13 715	2 672	19

Overview

The effect of higher average crude oil prices (dated Brent US$96,48/b for 2011 compared with US$74,37/b for 2010 and US$68,14/b in 2009) 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 were 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 2011 (average rate R7,01 per US dollar for 2011 compared with R7,59 per US dollar for 2010 and R9,04 per US dollar for 2009).

In addition, operating profit in 2011 was negatively impacted by once-off charges totalling R1 103 million (2010—R46 million credit). The once-off charges in 2011 included competition related administrative penalties of R112 million, the share-based payment expense of R565 million resulting from the Ixia Coal transaction and remeasurement items of R426 million (2010—R46 million credit). The current period also includes a Sasol Inzalo share-based payment expense of R830 million compared with R824 million in the prior year.

Turnover

Turnover consists of the following categories:

	2011	2010	Change 2011/2010	Change 2011/2010	2009	Change 2010/2009	Change 2010/2009
	(Rand in millions)			(%)	(Rand in millions)		(%)
Sale of products	**141 018**	120 820	20 198	17	136 482	(15 662)	(11)
Services rendered	**867**	889	(22)	(2)	777	112	14
Commission and marketing income	**551**	547	4	1	577	(30)	(5)
Turnover	**142 436**	122 256	20 180	17	137 836	(15 580)	(11)

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

	Change 2011/2010 (Rand in millions)	%	Change 2010/2009 (Rand in millions)	%
Turnover, 2010 and 2009, respectively	**122 256**		137 836	
Exchange rate effects	**(6 206)**	(5)	(11 493)	(8)
Product prices	**22 630**	19	(8 573)	(6)
—crude oil	***3 101***	3	*480*	—
—other products (including chemicals)	***19 529***	16	*(9 053)*	(6)
Net volume increases	**3 639**	3	4 510	3
Other effects	**117**	—	(24)	—
Turnover, 2011 and 2010, respectively	**142 436**		122 256	

Cost of sales and services rendered

Cost of sales of products. The cost of sales in 2011 amounted to R90 088 million, an increase of R11 202 million, or 14%, compared with R78 886 million in 2010 which decreased by 10% from R87 995 million in 2009. The increase in 2011 compared with 2010 was mainly due to the increase in feedstock prices resulting from higher average crude oil prices. Included in cost of sales in 2011 is an amount of R112 million (2010—R118 million and 2009—R965 million) in respect of the write-down of inventories to net realisable value. The decrease in 2010 compared with 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 inflation levels. Compared to turnover from the sale of products, cost of sales of products was 64% in 2011, 65% in 2010 and 64% in 2009.

Other operating income

Other operating income in 2011 amounted to R1 088 million, which represents an increase of R234 million, or 27%, compared with R854 million in 2010, which decreased by R167 million compared with R1 021 million in 2009. Included in other operating income for the 2011 year is a gain on hedging activities realised by Sasol Financing on foreign exchange contracts of R276 million (2010—R218 million and 2009—R187 million), insurance proceeds of R46 million (2010—R25 million and 2009—R111 million) and R79 million (2010—R143 million and 2009—R182 million) in respect of deferred income received related to emission rights.

Other operating expenditure

Other operating expenditure consists of the following categories:

	2011	2010	Change 2011/2010	Change 2011/2010	2009	Change 2010/2009	Change 2010/2009
	(Rand in millions)			(%)	(Rand in millions)		(%)
Translation losses	**(1 016)**	(1 007)	(9)	1	(166)	(841)	507
Marketing and distribution expenditure	**(6 796)**	(6 496)	(300)	5	(7 583)	1 087	(14)
Administrative expenditure	**(9 887)**	(9 451)	(436)	5	(10 063)	612	(6)
Other expenses	**(5 408)**	(3 036)	(2 372)	78	(7 871)	4 835	(61)
Other operating expenditure	**(23 107)**	(19 990)	(3 117)	16	(25 683)	5 693	(22)

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. Translation losses arising primarily from the translation of monetary assets and liabilities amounted to R1 016 million in 2011. The loss recognised is due to the strengthening of the rand/US dollar exchange rate towards the end of the year closing at R6,77 at 30 June 2011, compared with the closing rate at 30 June 2010 of R7,67 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 2011. The strengthening of the rand has a positive impact on the translation of our monetary liabilities, while the weakening of the rand has a negative impact the translation of our monetary assets. In 2010, foreign exchange losses of R1 007 million were recognised 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. A net foreign exchange loss of R166 million was recognised in 2009.

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 2011 amounted to R6 796 million, R6 496 million in 2010 and R7 583 million in 2009. Compared to sales of products, marketing and distribution costs represented 5% in 2011 compared with 5% in 2010 and 6% in 2009. The variation in these costs has been contained to inflation 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 2011 amounted to R9 887 million, an increase of R436 million, or 5%, compared with R9 451 million in 2010 which decreased by 6% from R10 063 million in 2009. The increase in 2011 is mainly related to higher labour 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 our Canadian shale gas operations. These increases were partially offset by the reduction of costs in line with the group's cost containment initiative to contain costs to within inflation levels. The decrease in 2010 was mainly due 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 inflation levels.

Other expenses. Other expenses in 2011 amounted to R5 408 million, an increase of R2 372 million, compared to R3 036 million in 2010 which decreased by R4 835 million from R7 871 million in 2009. This amount includes impairments of R190 million (2010—R110 million and 2009—R458 million), reversal of impairments of R535 million (2010—R365 million and 2009—Nil), scrapping of assets of R359 million (2010—R156 million and 2009—R234 million), the write off of unsuccessful exploration wells of R441 million (2010—R58 million and 2009—R16 million) and net profit on the disposal of property, plant and equipment and other intangible assets of R14 million (2009—R3 million and 2009—R9 million). Other expenses also includes the effects of our crude oil hedging activities amounting to a net gain of R118 million (2010—a loss of R87 million and 2009—a gain of R4 603 million), share-based payment expenses of R2 071 million (2009—R943 million and 2009—R3 325 million) and a profit of R15 million (2010—profit of R2 million and 2009—loss of R770 million) which was realised on the disposal of businesses. Further, impairments of R293 million (2010—R138 million and 2009—R198 million) were raised in respect of trade receivables during the year resulting from the impairment of a specific debtor in 2011. In addition, other expenses also included R112 million in respect of competition related administrative penalties (2010—Nil and 2009—R3 947 million). 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:

	2011	2010	2009
	(Rand in millions)		
South African Energy Cluster			
Sasol Mining	**3**	1	3
—scrapping of assets	***5***	*5*	*5*
—profit on disposal of property, plant and equipment	***(2)***	*(4)*	*(2)*
Sasol Gas	**6**	—	4
—scrapping of assets	***6***	*—*	*4*
Sasol Synfuels	**197**	58	137
—scrapping of assets	***197***	*59*	*138*
—profit on disposal of property, plant and equipment	**—**	*(1)*	*(1)*
Sasol Oil	**17**	10	(3)
—impairments	***7***	*—*	*—*
—scrapping of assets	***25***	*15*	*3*
—profit on disposal of property, plant and equipment	***(15)***	*(5)*	*(6)*
International Energy Cluster			
Synfuels International	**126**	4	777
—impairments	***123***	*—*	*—*
—scrapping of assets	***3***	*—*	*5*
—loss on disposal of property, plant and equipment	**—**	*4*	*1*
—loss on disposal of business (EGTL)	**—**	*—*	*771*
Petroleum International	**442**	108	17
—loss on disposal of property, plant and equipment	**—**	*—*	*1*
—impairments	***1***	*50*	*—*
—write off of unsuccessful exploration wells	***441***	*58*	*16*