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 judgment 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 balance sheet 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 12.5% of dividends distributed. The Minister of Finance in his budget speech delivered during February 2007, announced that the rate of STC would be reduced from 12.5% to 10% with effect from 1 October 2007 and, thereafter, with effect from a date to be determined, STC would be replaced by a dividend withholding tax imposed on shareholders. The effective date is expected to be during the latter part of 2008. In the case of liquidation 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:

Balance sheet	2007	2006
	(Rand in millions)	
Net deferred tax liability as reported	**7,459**	5,465
Increase in the deferred tax liability	**6,524**	6,322
Net deferred tax liability based on the tax rate applicable to distributed earnings	**13,983**	11,787
Shareholders' equity as reported	**61,617**	52,605
Decrease in shareholders' equity	**(6,524)**	(6,322)
Shareholders' equity after the effect of providing for deferred tax using the tax rate applicable to distributed earnings	**55,093**	46,283

Income statement	2007	2006	2005
	(Rand in millions)		
Income tax as reported	**(8,153)**	(6,534)	(4,573)
Increase in income tax	**(202)**	(1,328)	(745)
Income tax after providing for deferred tax at the rate applicable to distributed earnings	**(8,355)**	(7,862)	(5,318)
Earnings attributable to shareholders as reported	**17,030**	10,406	9,449
Decrease in earnings attributable to shareholders	**(202)**	(1,328)	(745)
Earnings attributable to shareholders after providing for deferred tax at the rate applicable to distributed earnings	**16,828**	9,078	8,704

We expect that R1,877 million of undistributed earnings earned before 1 April 1993 of two dormant companies will be distributed without attracting STC of R171 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 judgment 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. Where there is a range of possible loss outcomes and no amount within the range is more likely than the others, the mid-point in that range is recorded as a liability. 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 2007, 2006 and 2005 below are stated in accordance with IFRS as approved by the IASB. For a discussion of the principal differences between IFRS and US GAAP, refer below "Principal differences between IFRS and US GAAP" and Note 67 to our consolidated financial statements.

Results of operations

	2007	2006	Change 2007/2006	Change 2007/2006	2005	Change 2006/2005	Change 2006/2005
		(Rand in millions)		(%)	(Rand in millions)		(%)
Turnover	**98,127**	82,395	15,732	19	69,239	13,156	19
Cost of sales and services rendered	**(59,997)**	(48,547)	(11,450)	(24)	(42,250)	(6,297)	(15)
Other operating income	**639**	533	106	20	417	116	28
Other operating expenditure	**(13,148)**	(17,169)	4,021	23	(13,020)	(4,149)	(32)
Operating profit	**25,621**	**17,212**	**8,409**	49	**14,386**	**2,826**	20
Net other income/(expenses)	**82**	(96)	178	185	(254)	158	62
Profit before tax	**25,703**	**17,116**	**8,587**	50	**14,132**	**2,984**	21
Income tax	**(8,153)**	(6,534)	(1,619)	(25)	(4,573)	(1,961)	(43)
Profit	**17,550**	**10,582**	**6,968**	66	**9,559**	**1,023**	11
Attributable to							
Shareholders	**17,030**	10,406	6,624	64	9,449	957	10
Minority interest	**520**	176	344	195	110	66	60
	17,550	**10,582**	**6,968**	66	**9,559**	**1,023**	11

Overview

Higher average annual international oil prices (dated Brent US$63.95/b compared to US$62.45/b for 2006 and US$46.17/b in 2005) 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 2007 (average rate R7.20 per US dollar for the 2007 year compared to R6.41 per US dollar for the 2006 year and R6.21 per US dollar in the 2005 year).

Turnover

Turnover consists of the following categories:

	2007	2006	Change 2007/2006	Change 2007/2006	2005	Change 2006/2005	Change 2006/2005
		(Rand in millions)		(%)	(Rand in millions)		(%)
Sale of products	**96,785**	81,172	15,613	19	68,432	12,740	19
Services rendered	**918**	714	204	29	448	266	59
Commission and marketing income	**424**	509	(85)	(17)	359	150	42
Turnover	**98,127**	**82,395**	**15,732**	19	**69,239**	**13,156**	19

The primary factors contributing to these increases were:

	Change 2007/2006 (Rand in millions)	Change 2007/2006 (%)	Change 2006/2005 (Rand in millions)	Change 2006/2005 (%)
Turnover, 2006 and 2005 respectively	**82,395**		69,239	
Exchange rates effects	**8,512**	10	1,283	2
Product prices	**6,672**		11,827	
—crude oil	***694***	1	*5,902*	9
—other products (including chemicals)	***5,978***	7	*5,925*	9
Net volume increases	**548**	1	46	—
Turnover, 2007 and 2006 respectively	**98,127**		82,395	

Cost of sales and services rendered

Cost of sales. The cost of sales in 2007 amounted to R59,434 million, an increase of R11,309 million, or 23%, compared to R48,125 million in 2006 which increased by 15% from R41,978 million in 2005. The increase over the past two years is due to the increase in the crude oil price and other feedstock prices. Compared to turnover from the sale of products, the cost of sales was 61% in 2007, 58% in 2006 and 61% in 2005. The marginal increase in 2007 was mainly due to the weakening of the rand/US dollar exchange rate.

Cost of services rendered. Cost of services rendered amounted to R563 million in 2007, an increase of R141 million, or 33%, compared to R422 million in 2006 which increased by 55% from R272 million in 2005. The increase is in line with turnover from services rendered. The cost of services rendered compared to turnover was 61% in 2007, 59% in 2006 and 61% in 2005.

Other operating income

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 income recognised relating to the deferred income received in respect of emission rights received.

Other operating income in 2006 amounted to R533 million, which represents an increase of R116 million or 28%, compared to R417 million in 2005. Included in other operating income for 2006 is a gain on hedging activities of R84 million, insurance proceeds of R40 million and R185 million in respect of income recognised relating to emission rights received.

Other operating expenditure

Other operating expenditure consists of the following categories:

	2007	2006	Change 2007/2006	Change 2007/2006	2005	Change 2006/2005	Change 2006/2005
	(Rand in millions)			(%)	(Rand in millions)		(%)
Net foreign exchange (losses)/gains	**(232)**	243	(475)	(195)	91	152	167
Marketing and distribution costs	**(5,818)**	(5,234)	(584)	11	(5,097)	(137)	3
Administrative expenses	**(6,094)**	(4,316)	(1,778)	41	(4,212)	(104)	2
Other operating expenses	**(1,004)**	(7,862)	6,858	(87)	(3,802)	(4,060)	52
Other operating expenditure	**(13,148)**	(17,169)	4,021	23	(13,020)	(4,149)	32

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

Net foreign exchange (losses)/gains. Net foreign exchange losses arising primarily from the translation of monetary assets and liabilities amounted to R232 million in 2007. The closing rate is used to translate to rand all our monetary assets and liabilities denominated in a currency other than the rand at balance sheet date and as a result a net loss was recognised on these remeasurements in 2007. When the rand weakens, this has a positive impact on the translation of our monetary assets, whilst when the rand strengthens, the translation of our monetary liabilities is negatively impacted. Foreign exchange gains of R243 million and R91 million were recognised in 2006 and 2005, respectively. The loss recognised in 2007 is due to the strengthening of the rand/US dollar exchange rate towards the end of the year closing at R7.04 per US dollar at 30 June 2007 compared to the closing exchange rate at 30 June 2006 of R7.17 per US dollar.

Marketing and distribution costs. 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 2007 amounted to R5,818 million, R5,234 million in 2006 and R5,097 million in 2005. Compared to sales of products, selling and distribution costs represented 6% in 2007 and 2006 compared to 7% in 2005. The variation in these costs has been contained to inflationary levels during the years under review.

Administrative expenses. These costs comprise expenditure of personnel and administrative functions, including accounting, information technology, human resources, legal and administration, pension, post-retirement healthcare benefits and Sasol Share Incentive Scheme costs. Administrative expenses in 2007 amounted to R6,094 million, an increase of R1,778 million, or 41%, compared to R4,316 million in 2006 which increased by 2% from R4,212 million in 2005. The main factors contributing to the increase include the cost of restructuring the Sasol O&S business following the decision to retain and restructure the business (R405 million), the costs related to corporate projects (R117 million), the fair value of the financial guarantee issued in respect of the Tshwarisano transaction (R39 million), the cost of the group incentive bonus recognised in 2007 (R143 million) and the group insurance expense of (R74 million).

Other operating expenses. Other operating expenses in 2007 amounted to R1,004 million, a decrease of R6,858 million, or 87%, compared to R7,862 million in 2006 which increased by 107% from R3,802 million in 2005. This amount includes impairments of R208 million (2006—R897 million and 2005—R660 million), scrapping of assets of R204 million (2006—R281 million and 2005—R290 million) and net profit on the disposal of property, plant and equipment of R53 million (2006—a net loss of R66 million and 2005—a net profit of R20 million). Other operating expenses also includes the effects of our crude oil hedging activities amounting to a net gain of R211 million (2006—a loss of R93 million and 2005—a loss of R1.2 billion) and in 2006 the fair value write-down of disposal group held for sale of R3,196 million relating to Sasol O&S. 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 (refer to "Item 5A—Operating results—Reclassification of Sasol Olefins & Surfactants (Sasol O&S)"). In addition, a profit of R696 million (2006: R198 loss) was realised on the disposal of businesses. Details of the impairments, scrapping of assets and profit/(loss) on disposals are detailed in the Segment Review.