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/Dividend Withholding Tax

In South Africa, we pay income tax only. Secondary Taxation on Companies (STC) was levied on companies until 1 April 2012 at a rate of 10% (2011—10%) of dividends distributed. STC has been replaced by a dividend withholding tax at the rate of 15% on dividends distributed to shareholders with effect from 1 April 2012. The change to the dividend withholding tax has resulted in the shareholders being liable for this tax. See "Item 10.E—South African taxation—Taxation of dividends".

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.

Dividend withholding tax is payable at a rate of 15% on dividends distributed to shareholders. This tax is not attributable to the company paying the dividend but is collected by the company and paid to the tax authorities on behalf of the shareholder. On receipt of a dividend, the dividend withholding tax is recognised as part of the current tax charge in the income statement in the period in which the dividend is received.

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 2012, 2011 and 2010 below are stated in accordance with IFRS as issued by the IASB.

Results of operations

	2012	2011	Change 2012/2011	Change 2012/2011	2010	Change 2011/2010	Change 2011/2010
		(Rand in millions)		(%)	(Rand in millions)		(%)
Turnover	**169 446**	142 436	27 010	19	122 256	20 180	17
Cost of sales and services rendered	**(111 042)**	(90 467)	(20 575)	23	(79 183)	(11 284)	14
Gross profit	**58 404**	51 969	6 435	12	43 073	8 896	21
Other operating income	**1 416**	1 088	328	30	854	234	27
Operating expenditure	**(23 062)**	(23 107)	45	—	(19 990)	(3 117)	16
Operating profit	**36 758**	29 950	6 808	23	23 937	6 013	25
Net other expenses	**(755)**	(534)	(221)	41	(565)	31	(5)
Profit before tax	**36 003**	29 416	6 587	22	23 372	6 044	26
Taxation	**(11 746)**	(9 196)	(2 550)	28	(6 985)	(2 211)	32
Profit	**24 257**	20 220	4 037	20	16 387	3 833	23
Attributable to							
Shareholders	**23 583**	19 794	3 789	19	15 941	3 853	24
Non-controlling interests in subsidiaries	**674**	426	248	58	446	(20)	(4)
	24 257	20 220	4 037	20	16 387	3 833	23

Overview

Turnover has increased by 19%, operating profit by 23% and profit attributable to shareholders by 19% for this year. This has primarily resulted from the higher average crude oil prices and product prices, as well as the impact of the weaker average rand/US dollar exchange rate. Overall, group production volumes are in line with the prior year, despite interruptions in Sasol Synfuels' production resulting from industrial action and production incidents in the first half of the year. Our operating margin has been enhanced by the cost containment initiatives implemented over the last three years.

Operating profit of R36,8 billion increased by 23% compared with the prior year. The higher operating profit resulted due to a 17% improvement in the average crude oil (average dated Brent was US$112,42/b at 30 June 2012 compared with US$96,48/b at 30 June 2011) and product prices as well as an 11% weaker average rand/US dollar exchange rate (R7,78/US$ at 30 June 2012 compared with R7,01/US$ at 30 June 2011). This was coupled with a solid operational performance in our businesses, despite lower overall sales volumes throughout the group. In addition, the results have been positively impacted by exchange gains on forward exchange contracts, primarily related to the Canadian shale gas assets.

In addition, operating profit in 2012 was negatively impacted by once-off charges totalling R2 121 million (2011—R1 103 million). These items relate primarily to the partial impairment of our Canadian shale gas assets and impairment of Block 16 & 19 in Mozambique of R964 million and R434 million, respectively, and the write off of unsuccessful exploration wells in Australia amounting to R274 million, offset by the profit of R124 million on the sale of our Sasol Nitro Phalaborwa operations and certain of the downstream fertiliser businesses and the profit realised on the disposal of the Witten plant in Germany of R285 million. The operating profit in 2011 includes once-off competition related administrative penalties of R112 million, the partial impairment of Escravos GTL of R123 million, the reversal of the impairment of Sasol Italy of R491 million and the share-based payment expense related to the Ixia Coal transaction of R565 million. Operating profit includes the Sasol Inzalo share-based payment expense of R470 million, which is lower than the expense of R830 million in the previous year. In addition, there was a general decrease in the Sasol incentive schemes expense in line with the Sasol share price performance.

Group production volumes remained consistent with the prior year. Sasol Synfuels' production for the year of 7,2 million tons (Mt) was above expectations, despite the negative effect of industrial action and plant instabilities in the first half of the year. We reprioritised our focus in respect of production utilisation, especially in our European chemical businesses, to match lower demand and optimise margins in light of the weakening European macroeconomic conditions.

Turnover

Turnover consists of the following categories:

	2012	2011	Change 2012/2011	Change 2012/2011	2010	Change 2011/2010	Change 2011/2010
	(Rand in millions)			(%)	(Rand in millions)		(%)
Sale of products	**167 893**	141 018	26 875	19	120 820	20 198	17
Services rendered	**1 027**	867	160	18	889	(22)	(2)
Commission and marketing income	**526**	551	(25)	(5)	547	4	1
Turnover	**169 446**	142 436	27 010	19	122 256	20 180	17

The primary factors contributing to these increases were:

	Change 2012/2011 (Rand in millions)	%	Change 2011/2010 (Rand in millions)	%
Turnover, 2011 and 2010, respectively	**142 436**		122 256	
Exchange rate effects	**8 944**	6	(6 206)	(5)
Product prices	**23 722**	17	22 630	19
—crude oil	**2 036**	2	3 101	3
—other products (including chemicals)	**21 686**	15	19 529	16
Net volume changes	**(5 836)**	(4)	3 639	3
Other effects	**180**	—	117	—
Turnover, 2012 and 2011, respectively	**169 446**		142 436	

Cost of sales and services rendered

Cost of sales of products. The cost of sales in 2012 amounted to R110 763 million, an increase of R20 675 million, or 23%, compared with R90 088 million in 2011 which increased by 14% from R78 886 million in 2010. The increase in 2012 compared with 2011 was mainly due to the increase in feedstock prices resulting from higher average crude oil prices. Included in cost of sales in 2012, is an amount of R331 million (2011—R120 million and 2010—R172 million) in respect of the net write-down of inventories to net realisable value. The increase in 2011 compared with 2010 was mainly due to the increase in feedstock prices resulting from higher average crude oil prices. Compared to turnover from the sale of products, cost of sales of products was 66% in 2012, 64% in 2011 and 65% in 2010.

Other operating income

Other operating income in 2012 amounted to R1 416 million, which represents an increase of R328 million, or 30%, compared with R1 088 million in 2011, which increased by R234 million compared with R854 million in 2010. Included in other operating income for the 2012 year is a gain on hedging activities realised by Sasol Financing on foreign exchange contracts of R335 million (2011—R276 million and 2010—R218 million), insurance proceeds of R39 million (2011—R46 million and 2010—R25 million) and R128 million (2011—R79 million and 2010—R143 million) in respect of deferred income received related to emission rights.

Operating expenditure

Operating expenditure consists of the following categories:

	2012	2011	Change 2012/2011	Change 2012/2011	2010	Change 2011/2010	Change 2011/2010
	(Rand in millions)			(%)	(Rand in millions)		(%)
Marketing and distribution expenditure	**(6 701)**	(6 796)	95	(1)	(6 496)	(300)	5
Administrative expenditure	**(11 672)**	(9 887)	(1 785)	18	(9 451)	(436)	5
Other expenses	**(4 932)**	(5 408)	476	(9)	(3 036)	(2 372)	78
Translation gains/(losses)	**243**	(1 016)	1 259	(124)	(1 007)	(9)	1
Operating expenditure	**(23 062)**	(23 107)	45	—	(19 990)	(3 117)	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.

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 2012 amounted to R6 701 million, R6 796 million in 2011 and R6 496 million in 2010. Compared to sales of products, marketing and distribution costs represented 4% in 2012 compared with 5% in both 2011 and 2010. 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 2012 amounted to R11 672 million, an increase of R1 785 million, or 18%, compared with R9 887 million in 2011 which increased by 5% from R9 451 million in 2010. The increase in 2012 is mainly related to higher labour costs due to inflation and increased costs associated with the establishing and advancing of various further growth initiatives at SPI and SSI, including costs related for a full 12 months relating 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 increase in 2011 was mainly due 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.

Other expenses. Other expenses in 2012 amounted to R4 932 million, a decrease of R476 million, compared to R5 408 million in 2011, which increased by R2 372 million from R3 036 million in 2010. This amount includes impairments of R1 642 million (2011—R190 million and 2010—R110 million), reversal of impairments of R12 million (2011—R535 million and 2010—R365 million), scrapping of assets of R459 million (2011—R359 million and 2010—R156 million), the write off of unsuccessful exploration wells of R270 million (2011—R441 million and 2010—R58 million) and net profit on the disposal of property, plant and equipment and other intangible assets of R138 million (2011—R14 million and 2010—R3 million). Other expenses also includes the effects of our crude oil hedging activities amounting to a net loss of R214 million (2011—a gain of R118 million and 2010—a loss of R87 million), share-based payment expenses of R691 million (2011—R2 071 million and 2010—R943 million) and a profit of R361 million (2011—profit of R15 million and 2010—profit of R2 million) which was realised on the disposal of businesses. Further, impairments of R135 million (2011—R293 million and 2010—R138 million) were recognised in respect of trade receivables during the year. Other expenses in 2011 included amounts in respect of competition related administrative penalties of R112 million. There were no competition related administrative penalties in 2012 and 2010. Details of the impairments, scrapping of assets and the profit/(loss) on disposals are detailed in the "Segment overview".

Translation gains. Translation gains arising primarily from the translation of monetary assets and liabilities amounted to R243 million in 2012. The gain recognised is due to the weakening of the rand/US dollar exchange rate during the year closing at R8,17 at 30 June 2012, compared with the closing rate at 30 June 2011 of R6,77 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 2012. 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 on the translation of our monetary assets. In 2011, foreign exchange losses of R1 016 million were recognised 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 to the closing rate at 30 June 2010 of R7,67 per US dollar. A net foreign exchange loss of R1 007 million was recognised in 2010.

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

	2012	2011	2010
	(Rand in millions)		
South African Energy Cluster			
Sasol Mining	**61**	3	1
—scrapping of assets	***55***	*5*	5
—profit on disposal of property, plant and equipment	**—**	(2)	(4)
—impairments	***6***	*—*	—
Sasol Gas	**11**	6	—
—scrapping of assets	***11***	*6*	—
Sasol Synfuels	**238**	197	58
—scrapping of assets	***238***	*197*	59
—profit on disposal of property, plant and equipment	**—**	—	(1)
Sasol Oil	**14**	17	10
—impairments	***1***	*7*	—
—scrapping of assets	***13***	*25*	15
—profit on disposal of property, plant and equipment	**—**	(15)	(5)
International Energy Cluster			
Synfuels International	**34**	126	4
—impairments	**—**	123	—
—scrapping of assets	***34***	*3*	—
—loss on disposal of property, plant and equipment	**—**	—	4
Petroleum International	**1 609**	442	108
—impairments	***1 398***	*1*	50
—write off of unsuccessful exploration wells	***270***	*441*	58
—profit on disposal of businesses	***(59)***	—	—