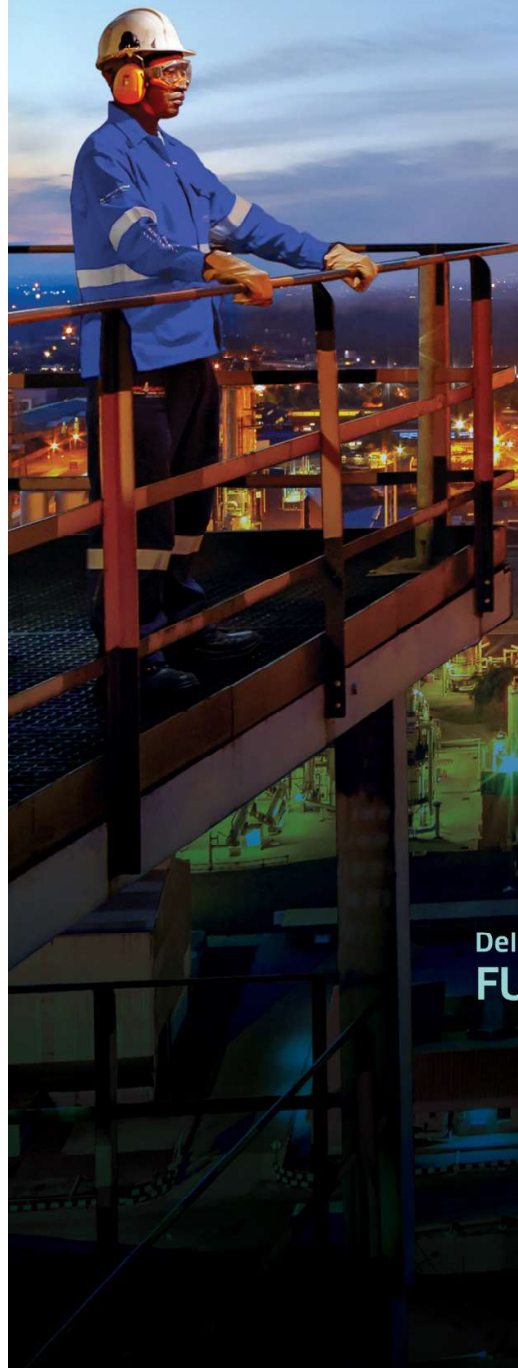




SASOL FINANCING LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022



Delivering with Purpose
FUTURE SASOL



Sasol Financing Limited

Registration number 1998/019838/06

Separate and consolidated annual financial statements
for the year ended 30 June 2022

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Preparer of the separate and consolidated annual financial statements

The separate and consolidated Annual Financial Statements of Sasol Financing Limited have been audited in compliance with section 30 of the South African Companies Act. Ms Amelia Van den Berg CA (SA), VP Consolidation & Reporting, is responsible for this set of financial statements and has supervised the preparation thereof in conjunction with Ms Thandeka Dhlamini CA (SA), Senior Manager Reporting and Ms Precious Mdletshe, Senior Accountant Reporting.

Report of the Audit Committee

The Committee presents its financial year 2022 Audit Committee report.

This report has been prepared for Sasol Financing Limited, a subsidiary within the Sasol group, and is based on the requirements of the Companies Act, 71 of 2008 (South Africa) as amended (the Companies Act), the King IV Report on Corporate Governance for South Africa 2016 (King IV), applicable regulatory requirements and the terms of reference of the Audit Committee (the Committee).

Composition and meetings

The members of the Committee consist of Mss GMB Kennealy, NNA Matyumza, KC Harper and Messrs S Westwell, S Subramoney.

Ms GMB Kennealy has been appointed as chairman of the audit committee with effect from 1 September 2021 upon the retirement of Mr C Beggs on 31 August 2021.

All the members of the Audit Committee are independent non-executive directors. They are financially literate and most have extensive audit committee experience. We believe that the experience of the Committee members gives perspective and insight to the Committee's considerations and decisions.

The Committee met five times during the financial year. All committee members attended all the meetings.

Statutory duties and functions

The Committee is constituted as a statutory committee of Sasol Limited in line with the Companies Act and accountable in this regard to both the Board and Sasol's shareholders. The Committee also acts as the audit committee for all South African companies within the Sasol group. Oversight of the following specific matters has been delegated to the Committee:

- quality and integrity of the company's financial statements and public announcements in respect of the financial results;
- overseeing the appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process as a whole, including the approval of non-audit services by the external auditor;
- effectiveness of the company's internal controls, internal audit function and financial risk management;
- assessment of expertise, resources, succession plans and experience of the company's finance function; and
- compliance with legal and regulatory requirements to the extent that might have an impact on financial statements.

The Committee fulfilled all its statutory duties as required by section 94(7) of the Companies Act.

Significant financial statement reporting issues

Assumptions and estimates or judgements are a significant part of the financial reporting process and are evaluated carefully by the Committee ahead of the finalisation of results. The Committee reviewed in detail the main judgements and assumptions made by management, relevant sensitivity analyses performed and the conclusions drawn from the available information and evidence, with the main areas of focus during the year set out below. Where appropriate, the Committee sought input and views from the external auditor and encourages rigorous challenge on control, accounting and disclosure matters. In addition to these main areas of focus, the Committee also covered matters relating to cost savings programmes, budgeting and forecasting, taxation and accounting policy choices.

Key issues	Judgements in financial reporting	Audit Committee review	Conclusions
Fair, balanced and understandable reporting	Judgements and assumptions are applied by management in the preparation of financial statements.	<ul style="list-style-type: none"> ▪ The Committee considered and obtained assurance from management that disclosures in financial statements were fair, balanced and understandable. ▪ The Committee evaluated the outputs of Sasol's Sarbanes-Oxley s404 internal control process and reviewed issues on control deficiencies and remediation efforts. ▪ Established via reports from management that there were no indications of fraud relating to financial reporting matters. ▪ Assessed disclosure controls and procedures. ▪ Considered matters of accounting, tax and disclosure issues raised by the external auditors. ▪ The Committee obtained assurance on the skills and capabilities of resources. 	<ul style="list-style-type: none"> ▪ Having assessed all of the available information and the assurances provided by management, the Committee concluded that the processes underlying the preparation of financial statements were appropriate.
Impairment and recoverability of assets carrying values	Judgement is required in assessing the recoverability of the investment in subsidiaries and in deciding whether impairments are appropriate.	<ul style="list-style-type: none"> ▪ Key impairment assessments reviewed by the Committee includes the investments in Sasol Financing International Limited (SFIL) and Sasol Financing International Limited (SFI). ▪ The Committee assessed the appropriateness of the review of impairment triggers. ▪ The impairment in SFIL was triggered by the negative net asset value which arose as a result of significant losses in the current year mainly attributable to the subsidiary's hedging activities. SFI is a dormant entity with its only asset being the 0.1% shareholding in SFIL, the significant decrease in the net asset value of SFIL triggered the impairment of this subsidiary. 	<ul style="list-style-type: none"> ▪ The Committee supported managements' recommendation to impair the investments in Sasol Financing International Limited (SFIL) and Sasol Financing International Limited (SFI) amounting to R5,9 billion.
Accounting for financial instruments	<p>Derivative financial instruments</p> <p>Judgement may be required to determine whether contracts to buy or sell commodities meet the definition of a derivative.</p> <p>Valuation of derivatives requires the use of assumptions in relation to uncertain future factors i.e. forward curves, volatility assumptions and discount curves.</p>	The Committee reviewed the assumptions in the calculations, and critically assessed the competence, independence and objectivity of the financial instruments specialists engaged to perform the valuations.	<ul style="list-style-type: none"> ▪ The Committee reviewed the valuations undertaken by the external financial instrument's specialists, which supported the accounting entries. ▪ The Committee reviewed the adequacy of the disclosures relating to derivative financial instruments.

Key issues	Judgements in financial reporting	Audit Committee review	Conclusions
Accounting for income taxes	Computation of the income tax expense and liability, provisions for potential tax liabilities, and recognition of deferred tax assets in terms of the Group's taxation policy. Recognition of deferred tax assets in respect of accumulated tax losses are underpinned by management judgement.	<ul style="list-style-type: none"> ▪ The Committee reviewed the judgements exercised on tax provisions as part of its annual review of key provisions. ▪ In relation to the recognition of the deferred tax assets, the Committee challenged management's expectations for future taxable income, and in considering management's position, the Committee took into account the work and views of external audit. ▪ The Committee reviewed adherence to the Group taxation policy including transparency and due regard to commercial and reputational risks. 	<ul style="list-style-type: none"> ▪ The Committee received a report during the year from management on the Group's tax policy, approach to tax management and status of compliance. ▪ Management has disclosed a contingent liability of R2,6 billion relating to the SARS audit over a number of tax years in Sasol Financing International Plc (SFI). Refer to Note 14 for more detail. ▪ The Committee requested and received a report from management detailing the key tax exposures across the Group and the methodologies used to determine the treatment of uncertain tax positions. The Committee reviewed and challenged management's assessment of the facts, circumstances and advice from our external tax and legal advisers.
Going concern assessment	<p>The conclusion by the Board to prepare the annual financial statements on a going concern basis requires management judgement on issues which includes uncertain future forecasts of net group cash inflows, management's ability to achieve targets set as part of the Sasol 2.0 transformation program, net debt and financing facilities available and utilised by the Group, debt structure, debt maturity profile and covenants.</p> <p>The assessment was done for the foreseeable future based on current assumptions and stress tested against a number of scenarios.</p>	<ul style="list-style-type: none"> ▪ The Committee assessed the liquidity of Sasol based on the latest projected future cash flows and stress tested it using lower oil and product prices and stronger exchange rates. These projections were compared with cash balances and committed facilities available to the Group, after considering the Committee's assessment of management's ability to achieve targets set as part of the comprehensive response plan strategy, net debt and financing facilities utilised by the Group, debt structure, debt maturity profile and covenants. ▪ At 30 June 2022 the Company's subsidiary (SFIL) assets indicate that their fair values, after accounting for expected credit losses, does not exceed the fair values of liabilities. 	<ul style="list-style-type: none"> ▪ After examining the forecast and stress tested scenarios along with Sasol's ability to generate capital and raise funding in current market conditions, the Committee concluded that Sasol's liquidity and capital position was adequate to meet its obligations over the ensuing year and that the going concern basis of accounting is appropriate. ▪ The external auditors have confirmed that the going concern basis is appropriate. ▪ To remedy the technical insolvency at 30 June 2022 in SFIL, the board has approved that Sasol Financing International Limited is capitalized by its parent company Sasol Financing Limited which will amount to approximately R6,6 billion. ▪ Based on the going concern assessment, the Committee is of the view that the company and group have adequate resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis.

Executing on our statutory duties and other areas of responsibilities

Adequate processes and structures have been implemented to assist the Audit Committee in providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to subsidiaries.

In satisfying its duties, the Committee in particular:

- Considered legal and regulatory compliance requirements to the extent that they might have an impact on financial statements and reviewed the internal control environment.

The Committee is of the opinion that there were no material breakdowns in internal control of Sasol Financing Limited during the 2022 financial year.

- Considered the going concern assumption as the basis of preparation of the Annual Financial Statements.

The committee has taken appropriate steps to remedy the technical insolvency in the company's subsidiary, Sasol Financing International Limited that existed at 30 June 2022. After examining the evidence provided to support the conclusion, the Committee concluded that the group and company's liquidity and capital position for the foreseeable future was adequate and that the going concern basis could be applied.

- Relied on management, the external auditor, internal audit as well as the group's independent ethics reporting telephone line to highlight any concerns, complaints or allegations relating to internal financial controls, the content of the financial statements and potential violations of the law or questionable accounting or auditing practices. Separate meetings are also held with management, the external auditor and internal audit every quarter.

The Committee is satisfied with the reporting process and confirms that where matters were raised by stakeholders, management has responded promptly.

- Nominated for appointment PricewaterhouseCoopers Inc. (PwC) as auditor of Sasol Limited and the group for the financial year ended 30 June 2022 in line with the requirements of the Companies Act and any other legislation relating to the appointment of auditors. The Committee is satisfied that PwC and the designated auditor are qualified and independent of the company and the Sasol.

In June 2017, the Independent Regulatory Board for Auditors (IRBA) issued a rule prescribing that auditors of public interest entities in South Africa must comply with mandatory audit firm rotation with effect from 1 April 2023. The company's current auditor will remain in function until the conclusion of the audit for the 2023 financial year. The tendering process will commence in the first half of the 2023 financial year under the leadership of the Audit Committee.

- Appropriate controls are in place to manage the provision of non-audit services by the external auditor and the Committee also determined, subject to the provisions of the Companies Act, the nature and extent of any non-audit services which PwC may provide and pre-approved all audit and permissible non-audit services that PwC provides.

The quality of the external audit process was reviewed and the Committee concluded it to be satisfactory. It was confirmed that no unresolved issues of concern exist between the Group, Sasol Financing International Limited and the external auditors.

- Reviewed the assurance services charter and approved the integrated internal audit plan. The Committee also evaluated the independence, effectiveness and performance of the internal audit function and compliance with its charter and found them to be satisfactory.
- Reviewed the Sasol Group's policies on risk assessment and management as they pertain to financial reporting and found them to be sound. The Committee also considered fraud risks and controls.

The Committee also considered the plans and outputs of the external and internal auditors and concluded that they were adequate to address all significant financial risks facing the business.

The Committee is also satisfied with the appropriateness of the expertise, resources, succession plans and experience of the finance function.

Conclusion

The Committee is satisfied that it has complied with all its statutory and other responsibilities. Having had regard to all material risks and factors that may impact on the integrity of the Group's and Company's annual financial statements, the Committee recommends the separate and consolidated annual financial statements of Sasol Financing Limited for the year ended 30 June 2022 for approval to the Board.

On behalf of the Audit Committee

Trix Kennealy

Chairman of the Audit Committee

22 August 2022

Certificate of the Company Secretary

In my capacity as the company secretary, I hereby confirm, in terms of the South African Companies Act, No. 71 of 2008, as amended, that for the year ended 30 June 2022, Sasol Financing Limited has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

Nontando Khoza

For Sasol South Africa Limited

12 December 2022

Directors' report

The directors have pleasure in presenting their report for the year ended 30 June 2022.

Nature of business

The Sasol Financing Group, comprising Sasol Financing Limited ("SF") (Reg no: 1998/019838/06) (the company) and its wholly owned subsidiaries, Sasol Financing International Limited ("SFIL") and Sasol Financing International Limited (Isle of Man) (formerly Sasol Financing International Plc) ("SFI") are responsible for centrally managing the Sasol group's cash and liquidity, the Sasol group's credit rating process, in-house banking, domestic and international financing arrangements, foreign exchange, interest rate and treasury risk management, as well as general financing and treasury matters. SFI is dormant.

SFIL is also responsible for executing the hedging programme on behalf of the Sasol Group to mitigate the impact of financial risks on the business. SFIL entered into various hedging contracts to protect the Sasol Group against volatility in commodity prices and currencies.

Share capital

The authorised and issued share capital of the company remained unchanged during the year.

Directors

The directors in office during the year were:

Sasol Financing Limited

Mr VD Kahla
Ms B Baijnath
Mr BV Griffith
Mr FC Meyer

alternate director

Going concern

Based on the going concern assessment (refer to note 28), the Board is of the view that the group and company have adequate resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis. The Board is not aware of any new material changes that may adversely impact the group and company other than those disclosed in the going concern note to the financial statements. The Board is not aware of any material non-compliance with statutory or regulatory requirements.

Subsequent events

On 7 October 2022 Sasol Financing Limited received approval from the JSE Limited in terms of its R15 billion Domestic Medium-Term Note Programme Memorandum ("the Programme"). On 12 October 2022, the company concluded and allocated two tranches to the value of R2,1 billion in the local debt market under the Programme, at 144 and 159 basis points above 3 month JIBAR, repayable in July 2025 and July 2027 respectively.

On 12 August 2022, the company settled the outstanding balance of R2,2 billion under the previous R8 billion Domestic Medium-Term Note Programme. On 14 November 2022, Sasol Financing international Limited settled its US\$1 billion bond.

On 27 July 2022 the company subordinated its shareholder loan to its subsidiary (SFIL) of US\$334 million and will not call on the loan until the company is solvent. Subsequently on 1 November 2022, the board of Sasol Financing Limited approved the recapitalisation of SFIL, this will be done through the subscription of no par value B shares by Sasol Financing Limited in the share capital of SFIL in exchange for a subscription price totalling R3,5 billion and US\$170 million (or rand equivalent) to be drawn down in tranches at appropriate intervals until the total amount is received by SFIL.

Company secretary

Sasol South Africa Limited acted as secretary for the company during the year and their addresses are:

Postal address

Private Bag X10014
Sandton
2146
South Africa

Physical address

50 Katherine Street
Sandton
2090
South Africa

Registered office

The registered office addresses of the company are:

Postal address

Private Bag X10014
Sandton
2146
South Africa

Physical address

50 Katherine Street
Sandton
2090
South Africa

Approval of the separate and consolidated annual financial statements

The separate and consolidated annual financial statements for the year ended 30 June 2022, as set out on pages 16 to 66 were approved by the board of directors on 12 December 2022 and are signed on its behalf by:

Signed by: Freddie Meyer
Signed at: 2022-12-12 07:18:42 +02:00
Reason: I approve



Director

Signed by: Vuyo Kahle
Signed at: 2022-12-12 15:09:08 +02:00
Reason: I approve



Director



Independent auditor's report

To the Shareholder of Sasol Financing Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sasol Financing Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sasol Financing Limited's consolidated and separate financial statements set out on pages 16 to 66 comprise:

- the consolidated and separate statements of financial position as at 30 June 2022;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

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Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Our audit approach

Overview

	Overall group materiality <ul style="list-style-type: none"> R962 million, which represents 1% of consolidated total assets.
	Group audit scope <ul style="list-style-type: none"> We conducted full scope audit procedures at the Company and its financially significant subsidiary, Sasol Financing International Limited.
	Key audit matters <ul style="list-style-type: none"> Derivative financial instruments.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	R962 million
<i>How we determined it</i>	1% of total consolidated assets.



<p><i>Rationale for the materiality benchmark applied</i></p>	<p>The Group is responsible for in-house banking, international financing arrangements, foreign exchange, interest rate and treasury matters, in respect of entities within the Sasol Limited Group. Given the nature of its activities, it is not a profit oriented entity and, as such, an appropriate benchmark is total assets due to the large value and volume of loans and receivables that the Group has with other companies within the Sasol Limited Group. We chose 1% which is consistent with quantitative materiality thresholds used for similar entities of this nature.</p>
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How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In-scope business units were identified based on scoping benchmarks such as the business unit's contribution to key financial statement line items (consolidated total assets), risk associated with the business unit and known accounting matters related to the business unit. We conducted full scope audit procedures at the Company and its financially significant subsidiary, Sasol Financing International Limited.

The group engagement team is responsible for the audit of all the entities within the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Derivative financial instruments</i></p> <p>This key audit matter relates to both the consolidated and separate financial statements.</p> <p>Refer to note 29 to the consolidated and separate financial statements (Financial risk management and financial instruments).</p> <p>As at 30 June 2022 the Group had derivative financial assets of R159 million, and derivative financial liabilities of R6 852 million. At that date</p>	<p>We assessed the valuation of the derivative financial instruments by performing the following procedures:</p> <ul style="list-style-type: none"> • We utilised our valuation expertise to independently value a sample of significant open derivative financial instrument positions at year-end and assessed the significant input variables for reasonableness against external market and third party data. For those



the Company had derivative financial assets of R68 million and derivative financial liabilities of R88 million.

The Group entered into a number of derivative financial instruments (foreign exchange zero cost collars, foreign exchange contracts, coal swaps, crude oil put options and crude oil zero cost collars) to hedge foreign currency and commodity price risks as a result of the volatile macro-economic environment and fluctuating commodity prices. These derivative financial instruments are classified at fair value through profit or loss at 30 June 2022.

The valuation of derivative financial instruments included a number of variables and required the application of significant judgement. The significant input variables utilised for valuation purposes include volatility, market observable commodity prices and exchange rates. As a result, the valuation of derivative financial instruments was considered to be a matter of most significance to the current year audit.

instruments tested, management's fair value determination fell within our independently calculated fair value range;

- We obtained counterparty confirmations and agreed the details per the accounting records in respect of the derivative financial instruments to the confirmations received. No material differences were noted;
- For a sample of derivatives, we agreed settlements during the year to underlying documentation and recalculated the gains and losses recorded in the consolidated and separate income statements. No material differences were noted; and
- We tested management's internal controls over the derivative financial instruments process.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sasol Financing Limited Annual Financial Statements for the year ended 30 June 2022", which includes the Directors' Report, the Report of the Audit Committee and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.



However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sasol Financing Limited for nine years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: E.P.V. Bergh
Registered Auditor
Johannesburg, South Africa
12 December 2022

Income Statements

for the year ended 30 June

	Note	Group		Company	
		2022 R '000	2021 R '000	2022 R '000	2021 R '000
Revenue	2	3 755 980	4 835 130	2 220 293	2 163 711
Finance costs	3	(2 161 677)	(2 945 040)	(1 033 201)	(888 578)
Remeasurement items	8	-	-	(5 875 634)	-
Other expenses and income		(16 090 260)	554 763	273 525	208 543
Translation gains/(losses)	4	981 079	(1 001 432)	699 099	(975 992)
Financial instruments (losses)/ gains	5	(17 778 984)	1 195 858	(422 205)	1 194 364
Credit impairment losses released/(raised)	6	689 552	(293 135)	18 695	15 724
Gain on derecognition of financial liability	20	49 582	698 233	-	-
Other operating expenses	7	(31 489)	(44 761)	(22 064)	(25 553)
(Loss)/profit before tax		(14 495 957)	2 444 853	(4 415 017)	1 483 676
Taxation	9	4 066 482	(751 505)	(404 070)	(411 589)
(Loss)/profit for the year		(10 429 475)	1 693 348	(4 819 087)	1 072 087

Statements of comprehensive income

for the year ended 30 June

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
(Loss)/profit for the year	(10 429 475)	1 693 348	(4 819 087)	1 072 087
Other comprehensive income/(loss), net of tax Items that can be subsequently reclassified to the income statement	186 302	(1 430 846)	-	-
Effect of translation of foreign entity	186 302	(1 430 846)	-	-
Tax on items that can be subsequently reclassified to the income statement	-	-	-	-
Total comprehensive (loss)/income for the year	(10 243 173)	262 502	(4 819 087)	1 072 087

Statements of financial position

at 30 June

	Note	Group		Company	
		2022 R '000	2021 R '000	2022 R '000	2021 R '000
Assets					
Cash and cash equivalents	10	31 693 490	20 465 472	25 305 413	12 389 113
Financial assets	11	159 350	1 428 433	68 335	77 714
Loans to Sasol group companies	12	57 475 678	56 836 980	23 024 357	22 266 326
Other receivables and prepaid expenses	13	980 066	1 083 895	787 532	820 368
Tax receivable	14	277 734	266 156	–	–
Investment in subsidiaries	15	–	–	–	5 875 634
Deferred tax assets	16	5 617 458	664 498	54	115
Total assets		96 203 776	80 745 434	49 185 691	41 429 270
Equity and liabilities					
Equity					
Shareholder's equity		10 721 959	20 965 132	14 951 116	19 770 203
Liabilities					
Financial liabilities	19	6 883 627	2 651 484	89 654	23 780
Loans and deposits by Sasol group companies	12	53 325 191	34 765 201	31 843 618	19 171 992
External debt	20	18 553 036	21 444 297	2 193 190	2 190 830
Other payables	21	6 690 751	884 825	78 901	237 970
Tax payable	14	29 212	34 495	29 212	34 495
Total equity and liabilities		96 203 776	80 745 434	49 185 691	41 429 270

Statements of changes in equity

for the year ended 30 June

	Group			Shareholder's equity R '000
	Share capital Note 17 R '000	Foreign currency translation reserve R '000	Retained earnings R '000	
	Balance at 30 June 2020	422 088	2 749 905	
Total comprehensive income for the year	–	(1 430 846)	1 693 348	262 502
profit for the year	–	–	1 693 348	1 693 348
other comprehensive loss for the year	–	(1 430 846)	–	(1 430 846)
Dividends paid	–	–	(535 295)	(535 295)
Balance at 30 June 2021	422 088	1 319 059	19 223 985	20 965 132
Total comprehensive (loss) for the year	–	186 302	(10 429 475)	(10 243 173)
loss for the year	–	–	(10 429 475)	(10 429 475)
other comprehensive income for the year	–	186 302	–	186 302
Balance at 30 June 2022	422 088	1 505 361	8 794 510	10 721 959

	Company		Shareholder's equity R '000
	Share capital Note 17 R '000	Retained earnings R '000	
	Balance at 30 June 2020	422 088	
Total comprehensive income for the year	–	1 072 087	1 072 087
Dividends paid	–	(535 295)	(535 295)
Balance at 30 June 2021	422 088	19 348 115	19 770 203
Total comprehensive loss for the year	–	(4 819 087)	(4 819 087)
Balance at 30 June 2022	422 088	14 529 028	14 951 116

Statements of cash flows

for the year ended 30 June

	Note	Group		Company	
		2022 R '000	2021 R '000	2022 R '000	2021 R '000
Cash generated by operating activities	22	14 504 364	59 791 063	12 136 632	4 771 497
Finance income received	2	3 507 226	4 794 168	2 220 100	2 138 848
Finance costs paid	3	(2 082 388)	(2 985 315)	(1 030 841)	(923 476)
Tax paid	14	(453 792)	(492 763)	(409 591)	(365 173)
Cash available from operating activities		15 475 410	61 107 153	12 916 300	5 621 696
Dividends paid	18	–	(535 295)	–	(535 295)
Cash retained from operating activities		15 475 410	60 571 858	12 916 300	5 086 401
Repayment of external debt	20	(5 201 820)	(60 975 082)	–	(4 250 000)
Cash used in financing activities		(5 201 820)	(60 975 082)	–	(4 250 000)
Translation effects on cash and cash equivalents of foreign entity		954 428	(1 880 836)	–	–
Increase/(decrease) in cash and cash equivalents		11 228 018	(2 284 060)	12 916 300	836 401
Cash and cash equivalents at the beginning of year		20 465 472	22 749 532	12 389 113	11 552 712
Cash and cash equivalents at the end of the year	10	31 693 490	20 465 472	25 305 413	12 389 113

Notes to the financial statements

Reporting segments

The group has two main reportable segments that reflects the structure used by the Chief Financial Officer of Sasol Limited to make key operating decisions and assess performance. The group's reportable segments are operating segments that are differentiated by the activities that each undertakes and the pools of cash they manage (referred to as business segments). The group evaluates the performance of its reportable segments based on profit before tax.

The operating model structure reflects how the results are reported to the Chief Operating Decision Maker (CODM). The CODM for the Sasol Financing Group is the Chief Financial Officer of Sasol Limited.

Operating business units

Local Treasury

The local treasury is responsible for centrally managing the Sasol group's cash and liquidity, in-house banking, domestic financing arrangements, foreign exchange, interest rate and treasury risk management, as well as general financing and treasury matters in respect of local entities within the Sasol group. Income is earned on long-term and short-term loans, issuing of guarantees and gains on foreign exchange optimisation on behalf of local Sasol group companies.

Offshore Treasury

The offshore treasury is responsible for in-house banking, international financing arrangements, foreign exchange, interest rate and treasury risk management, as well as general financing and treasury matters, in respect of foreign entities within the Sasol group. It also manages the hedging programme on behalf of the Sasol Group to mitigate the impact of financial risks on the business. Income is earned on long-term and short-term loans and issuing of guarantees on behalf of offshore Sasol group companies, and gains on derivative instruments.

The majority of the income earned is from Sasol group companies, refer to note 25.

Segment information

	Local Treasury R '000	Offshore Treasury R '000	Elimination of intersegmental transactions R '000	Sasol Financing Group R '000
for the year ended 30 June				
2022				
Statement of financial position				
Assets				
Cash and cash equivalents	25 305 413	6 388 077	–	31 693 490
Financial assets	68 335	91 015	–	159 350
Long-term loans to Sasol group companies	6 877 885	38 227 889	–	45 105 774
Short-term loans to Sasol group companies	16 146 472	1 643 768	(5 420 336)	12 369 904
Liabilities				
Financial liabilities	89 654	6 793 973	–	6 883 627
Loans and deposits by Sasol group companies	31 843 618	26 916 311	(5 434 738)	53 325 191
External debt	2 193 190	16 359 846	–	18 553 036

	Local Treasury R '000	Offshore Treasury R '000	Elimination of intersegmental transactions R '000	Sasol Financing Group R '000
for the year ended 30 June				
2021				
Statement of financial position				
Assets				
Cash and cash equivalents	12 389 113	8 076 359	–	20 465 472
Financial assets	77 714	1 350 719	–	1 428 433
Long-term loans to Sasol group companies	9 901 290	36 855 981	–	46 757 271
Short-term loans to Sasol group companies	12 365 036	1 985 886	(4 271 213)	10 079 709
Liabilities				
Financial liabilities	23 780	2 627 704	–	2 651 484
Loans and deposits by Sasol group companies	19 171 992	19 875 986	(4 282 777)	34 765 201
External debt	2 190 830	19 253 467	–	21 444 297

	Local Treasury	Offshore Treasury	Elimination of intersegmental transactions	Sasol Financing Group
for the year ended 30 June	R '000	R '000	R '000	R '000
2022				
Income statement				
Revenue	2 220 293	1 545 534	(9 847)	3 755 980
Finance income	2 026 203	1 280 009	(9 847)	3 296 365
Fees (Guarantee, Arranging and Commitment)	1 561	16 964	–	18 525
Foreign exchange optimisation profit	192 336	–	–	192 336
Notional interest received	193	248 561	–	248 754
Finance costs	(1 033 201)	(1 128 476)	–	(2 161 677)
Remeasurement items	(5 875 634)	–	5 875 634	–
Other expenses and income	273 525	(16 360 982)	(2 803)	(16 090 260)
Translation gains	699 099	281 980	–	981 079
Financial instruments losses	(422 205)	(17 356 779)	–	(17 778 984)
Credit impairment losses released	18 695	673 660	(2 803)	689 552
Gain on derecognition of financial liability	–	49 582	–	49 582
Other operating expenses	(22 064)	(9 425)	–	(31 489)
Profit/(loss) before tax	(4 415 017)	(15 943 924)	5 862 984	(14 495 957)
Taxation	(404 070)	4 470 552	–	4 066 482
Profit/(loss) for the year	(4 819 087)	(11 473 372)	5 862 984	(10 429 475)

	Local Treasury	Offshore Treasury	Elimination of intersegmental transactions	Sasol Financing Group
for the year ended 30 June	R '000	R '000	R '000	R '000
2021				
Income statement				
Revenue	2 163 711	2 676 252	(4 833)	4 835 130
Finance income	2 001 136	2 624 495	(4 833)	4 620 798
Fees (Guarantee, Arranging and Commitment)	13 576	35 658	–	49 234
Foreign exchange optimisation profit	124 136	–	–	124 136
Notional interest received	24 863	16 099	–	40 962
Finance costs	(888 578)	(2 056 462)	–	(2 945 040)
Other expenses and income	208 543	342 275	3 945	554 763
Translation losses	(975 992)	(25 440)	–	(1 001 432)
Financial instruments gains	1 194 364	1 494	–	1 195 858
Credit impairment losses (raised)/released	15 724	(312 804)	3 945	(293 135)
Other operating expenses	(25 553)	679 025	–	653 472
Profit before tax	1 483 676	962 065	(888)	2 444 853
Taxation	(411 589)	(339 916)	–	(751 505)
Profit for the year	1 072 087	622 149	(888)	1 693 348

Geographic segment information

	Local Treasury R '000	Offshore Treasury R '000	Elimination of intersegmental transactions R '000	Sasol Financing Group R '000
for the year ended 30 June				
2022				
Income statement				
Revenue (excluding notional interest and interest receivable on tax)^{1,2}				
South Africa	2 218 709	396 172	(9 847)	2 605 034
Rest of Africa	–	108 338	–	108 338
Europe	–	50 390	–	50 390
North America	1 388	732 969	–	734 357
Asia, Australia and Middle East	3	6 548	–	6 551
Total operations	2 220 100	1 294 417	(9 847)	3 504 670

	Local Treasury R '000	Offshore Treasury R '000	Elimination of intersegmental transactions R '000	Sasol Financing Group R '000
for the year ended 30 June				
2021				
Income statement				
Revenue (excluding notional interest)^{1,2}				
South Africa	2 129 254	883 955	(4 833)	3 008 376
Rest of Africa	–	143 771	–	143 771
Europe	–	53 635	–	53 635
North America	9 594	1 561 385	–	1 570 979
Asia, Australia and Middle East	–	17 407	–	17 407
Total operations	2 138 848	2 660 153	(4 833)	4 794 168

1 The analysis of revenue is based on the location of the customer.

2 Revenue from Sasol Chemicals (USA) LLC and Sasol Investment Company (Pty) Ltd comprise more than 10% of total revenue for Sasol Financing Group, respectively, and it forms part of the offshore treasury segment.

1 Statement of compliance

The consolidated and separate financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those standards, as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the South African Companies Act, 2008. The consolidated and separate financial statements were approved for issue by the board of directors on 12 December 2022.

Basis of preparation of financial results

The consolidated and separate financial statements are prepared using the historic cost convention except that, as set out in the accounting policies below, certain items, including derivative instruments, are stated at fair value. Short-term is considered a period within 12 months or less after the reporting period. The consolidated and separate financial results are presented in rand, which is Sasol Financing Limited's functional and presentation currency, rounded to the nearest thousand.

The consolidated and separate financial statements are prepared on the going concern basis. Refer note 28.

Accounting standards, interpretations and amendments to published accounting standards

The accounting policies applied in the preparation of these consolidated and separate financial statements are in terms of IFRS and are consistent with those applied in the consolidated and separate annual financial statements for the year ended 30 June 2021.

Interest Rate Benchmark (IBOR) Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The group and Company's remaining exposure to IBORs arise from the revolving credit facility which references the variable 3-month US dollar London Interbank Overnight Rate (LIBOR). On 29 September 2021 the Financial Conduct Authority (FCA) confirmed that it expects that the 3-month US dollar settings will continue to be published based on the current 'panel bank' LIBOR methodology, and on a representative basis, until end-June 2023.

As a result, the contractual arrangements relating to the revolving credit facility was amended to replace the US dollar LIBOR with the Secured Overnight Financing Rate (SOFR) effective 15 March 2022. The transition also entailed the addition of a fixed credit adjustment spread to the SOFR and new fallback clauses. The fixed credit adjustment spread is based on the rate published by Bloomberg Index Services Limited following the FCA's Cessation Announcement on 5 March 2021.

The group and company has applied the relief of 'Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) to these contract amendments. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The company's subsidiary has a short-term loan payable with Sasol International Insurance DAC amounting to R1 872 million (US\$115 million) and a long-term loan receivable with Sasol Chemicals (USA) LLC amounting to R25 584 million (US\$1 572 million). The loans bear interest at 3-month LIBOR + 1%, repayable in February 2023 and 30 June 2026 respectively. In line with announcements from the Financial Conduct Authority (FCA), publication of the 3-month LIBOR 3M will continue to be calculated using panel bank submissions until mid-2023.

The group and company has exposure to the Johannesburg Interbank Average Rate (JIBAR). The South African Reserve Bank has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, and a suitable alternate for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group and company.

The South African Reserve Bank (SARB) commenced publishing the South African Rand Overnight Index Average (ZARONIA), the preferred successor rate that will replace JIBAR, on 3 November 2022. The ZARONIA is a financial benchmark that reflects the interest rate at which rand-denominated overnight wholesale funds are obtained by commercial banks. ZARONIA is based on actual transactions and calculated as a trimmed, volume-weighted mean of interest rates paid on eligible unsecured overnight deposits.

Market participants are not yet using ZARONIA in financial contracts until such time as the SARB indicate otherwise. The duration of the observation period will be communicated in due time and may depend on the Market Practitioners Group's information needs, transition plans, as well as the SARB's decision regarding the cessation date for JIBAR. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group and company.

The company's treasury function monitors and manages the transition to alternative rates and evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Accounting standards, interpretations and amendments not yet effective

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract). The amendments are effective for the group and company's reporting period beginning on 1 July 2022. The effect of the implementation of the standard will not have a material impact on the group and company's results.

IFRS 17 'Insurance Contracts'

IFRS 17 supersedes IFRS 4 'Insurance Contracts' which currently permits a wide variety of practices in accounting for insurance contracts. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 is effective for the group and company's reporting period starting on 1 July 2023, with comparative figures required. The effect of the implementation of the new standard is ongoing but is not expected to have a material impact on the group and company's results.

Amendments to IAS 1 'Presentation of Financial Statements'

Published January 2020

The amendments provide guidance on the classification of liabilities as current or non-currents in the statement of financial position and does not impact the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in place at the end of the reporting period which enable the reporting entity to defer settlement by at least twelve months. The amendments further make it explicit that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are effective for the group and company from 1 July 2024, will be applied retrospectively and are not expected to significantly impact the group and company.

Published November 2022

The amendment proposes that covenants with which a company must comply after the reporting date do not affect the classification of a liability as current or non-current at that date. The amendment also introduces additional presentation and disclosure requirements.

Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. Post the implementation of IFRS 9 on 1 July 2018, unless otherwise stated, no material changes to assumptions have occurred during the year. The following represents the most material key management assumptions applied in preparing these consolidated and separate financial statements.

Expected credit loss measurement

IFRS 9 outlines a "three stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the group and company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

ECL on financial assets – IFRS 9 drivers

Expected credit loss is calculated as a function of probability of default, loss given default and exposure at default.

The group and company allocate probability of default based on the external and internal information. The major portion of the financial assets at amortised cost consist of externally rated customers and the group and company use the average of Moody's, Fitch and S&P Corporate and Sovereign probability of defaults, depending on whether the customer or holder of the financial asset is corporate or government related. For customers or debtors that are not rated by the rating agency, the group and company allocate internal credit ratings and default rates taking into account forward looking information, based on the debtors profile and financial status.

As a result of the continued economic downturn following the COVID-19 pandemic and aggravated by the Russian/Ukrainian conflict, the group and the company applied the Board of Governors of the Federal Reserve System's formula to derive a downturn LGD to be used for 2022 and 2021, namely 50% for unsecured financial assets and 40% for secured financial assets. Credit enhancement is only taken into account if it is integral to the asset. Trade receivables expected credit loss is calculated over lifetime.

Other financial assets expected credit loss is measured over 12 months when the credit risk is low and over lifetime where the credit risk has increased significantly.

Expected credit loss measurement period

The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset).

- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetimes include consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime and the potential ECL.

Significant increase in credit risk

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. The group and company determines the SICR by utilising the external or internal credit rating of the counterparty. Ratings are mapped to probability of defaults that are determined by the average of Moody's, Fitch and S&P Corporate and Sovereign probability of defaults. These credit ratings are evaluated at least annually or more frequently as appropriate.

Exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2.

To determine whether a client's credit risk has increased significantly since origination, the group and company would need to determine the extent of the change in credit risk using the counterparty's credit rating per the table below:

	Low risk	Medium risk	High risk
S&P	BBB to BBB-	B-	CCC/C
Moody's	Baa2 to Baa3	B3	Ca to C
Fitch	BBB to BBB-	B-	CCC to C

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the group and company's internal credit risk management approach and definitions. While the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the group and company's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities, in excess of the current limit). The group and company has not rebutted IFRS 9's 90 days past due rebuttable presumption.

Write-off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectation of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. The classification of a financial asset out of stage 3 may be made subsequent to an evaluation which takes into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
2 Revenue				
Effective interest rate interest income on	3 545 119	4 661 760	2 026 396	2 025 999
Cash and cash equivalents	621 282	394 615	607 676	385 248
Loans and receivables*	2 675 083	4 226 183	1 418 527	1 615 888
Financial guarantees (notional interest received)**	248 754	40 962	193	24 863
Other revenue	210 861	173 370	193 897	137 712
Fees (Guarantee, Arranging and Commitment)	18 525	49 234	1 561	13 576
Foreign exchange optimisation profit	192 336	124 136	192 336	124 136
Per income statement	3 755 980	4 835 130	2 220 293	2 163 711
Less: Notional interest received	(248 754)	(40 962)	(193)	(24 863)
Per the statement of cash flows	3 507 226	4 794 168	2 220 100	2 138 848

* Decrease due to lower interest received from Sasol Investment Company (Pty) Ltd and from Sasol Chemicals USA LLC as a result of loan repayments made during the financial year.

** Increase due to the acceleration of the notional interest received on the disposal of CTRG and cancellation of guarantees.

Accounting policies:

Revenue consists primarily of the interest income, guarantee fees, arranging fees and commitment fees.

Interest income

Interest income is recognised using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Fees

Fee income includes guarantee, arranging and commitment fees. The fees are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements.

	Note	Group		Company	
		2022	2021	2022	2021
for the year ended 30 June		R '000	R '000	R '000	R '000
3 Finance costs					
Debt – inter-company	25	936 107	758 989	887 191	718 597
Finance charges (arranging and commitment fees)		365 668	354 862	30 940	25 192
Debt – external*		831 934	1 676 821	115 070	103 200
Bank overdraft		–	41 589	–	41 589
		2 133 709	2 832 261	1 033 201	888 578
Amortisation of loan costs		26 690	50 227	–	–
Expected credit loss adjustment on guarantees		(58 331)	53 094	–	–
Notional interest		59 609	9 458	–	–
Per income statement		2 161 677	2 945 040	1 033 201	888 578
Total finance expenses before non-cash movements		2 133 709	2 832 261	1 033 201	888 578
Interest accrued on debt		3 449	210 600	(2 360)	34 898
Accrued finance charges		(54 770)	(57 546)	–	–
Per statement of cash flows		2 082 388	2 985 315	1 030 841	923 476

* The decrease is due to lower interest relating to revolving credit facilities, which have been paid in the current year.

Accounting policies:

Finance expenses are recognised in the income statement in the period they were incurred. Finance costs on debt are recognised using the effective interest rate method.

		Group		Company	
for the year ended 30 June		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
4	Translation gains/(losses)				
	Arising from				
	Other receivables*	(30 215)	32	–	–
	Foreign currency loans	1 081 541	(1 037 193)	617 704	(915 561)
	Other financial instruments	(70 247)	35 729	81 395	(60 431)
		981 079	(1 001 432)	699 099	(975 992)

* Comprise mainly of translation losses of tax receivable of approximately R30 million (US\$2 million).

Differences arising on the translation of monetary assets and liabilities from one currency into the functional currency of the group and company at a different exchange rate.

		Group		Company	
for the year ended 30 June		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
5	Financial instruments (losses)/gains				
	Net (loss)/gain on derivative instruments				
	Coal swaps	691 226	–	–	–
	Foreign exchange zero cost collars	(1 580 081)	4 027 774	–	–
	Crude oil put options	–	(1 544 928)	–	–
	Crude oil zero cost collars	(11 351 382)	(1 871 600)	–	–
	Crude oil swaps	(5 141 082)	(1 267 239)	–	–
	Ethane swaps	279 372	680 253	–	–
	Foreign exchange contracts	(677 037)	1 171 598	(422 205)	1 194 364
		(17 778 984)	1 195 858	(422 205)	1 194 364

		Group		Company	
for the year ended 30 June		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
6	Credit impairment losses (released)/raised				
	Net expected credit loss IFRS 9				
	Long-term loans to Sasol group companies	(251 181)	225 208	(31 308)	(2 957)
	Short-term loans to Sasol group companies	(438 371)	67 927	12 648	(12 803)
	Other receivables with Sasol group companies	–	–	(35)	36
		(689 552)	293 135	(18 695)	(15 724)

The release of the credit impairment mainly relates to the derecognition of the loan to CTRG and strengthening of certain counter-party credit ratings. Refer note 12 and note 29.

		Group		Company	
for the year ended 30 June		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
7	Other operating expenses				
	Audit remuneration	1 843	2 339	1 035	986
	Professional fees	2 901	1 367	1 533	1 367
	Other expenses	26 745	41 055	19 496	23 200
		31 489	44 761	22 064	25 553

	Note	Group		Company	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
for the year ended 30 June					
8 Remeasurement items					
Impairment of investments in subsidiaries	15	–	–	(5 875 634)	–
Remeasurement items per income statement		–	–	(5 875 634)	–
Tax effect thereon		–	–	–	–
Remeasurement items, net of tax		–	–	(5 875 634)	–

	Note	Group		Company	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
for the year ended 30 June					
9 Taxation					
South African normal tax		404 009	403 577	404 009	403 577
current year		404 009	403 577	404 009	403 577
Foreign tax		70 868	5 517	–	–
current year*		70 868	5 517	–	–
Income tax		474 877	409 094	404 009	403 577
Deferred tax – South Africa	16	(4 735 794)	342 411	59	8 012
current year		(4 697 607)	342 411	59	8 012
prior years		(38 187)	–	–	–
tax rate change**		194 435	–	2	–
		(4 066 482)	751 505	404 070	411 589

* Increase in foreign tax from withholding taxes on CTRG loan settlement due to disposal of CTRG in current year.

** On 23 February 2022, a decrease in the South African corporate tax rate from 28% to 27% was announced, effective from 1 July 2022. The decrease in rate is considered to be substantively enacted.

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
for the year ended 30 June				
Reconciliation of effective tax rate				
The table below shows the difference between the South African enacted tax rate (28%) compared to the effective tax rate in the income statement. Total income tax expense differs from the amount computed by applying the South African normal tax rate to profit before tax. The reasons for these differences are:				
South African normal tax rate	28,0	28,0	28,0	28,0
Increase/(decrease) in rate of tax due to:				
prior year adjustments	0,2	(0,1)	–	–
expected credit loss on loans and receivables*	0,4	2,8	–	–
Foreign tax credits	0,4	–	–	–
(Decrease)/increase in rate of tax due to:				
expected credit loss on loans and receivables*	–	–	(0,3)	(0,3)
change in tax rate	(1,0)	–	–	–
impairment of investment in subsidiaries**	–	–	(36,8)	–
Effective tax rate	28,0	30,7	(9,1)	27,7

* Expected credit loss released/raised on capital portion of inter-company loans not taxable/tax deductible.

** Refer to note 15.

		Group		Company	
for the year ended 30 June		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
10	Cash and cash equivalents				
	Cash	31 693 490	20 465 472	25 305 413	12 389 113
	Per the statement of cash flows	31 693 490	20 465 472	25 305 413	12 389 113
	Cash on hand and in bank	6 414 300	8 303 982	26 223	227 623
	Short-term deposits	25 279 190	12 161 490	25 279 190	12 161 490
		31 693 490	20 465 472	25 305 413	12 389 113

Fair value of cash and cash equivalent

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. This is considered a level 1 fair value measurement.

Accounting policies:

Cash and cash equivalents are stated at amortised cost which is deemed to be fair value.

		Group		Company	
for the year ended 30 June		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
11	Financial assets				
	Foreign exchange contracts	68 335	77 714	68 335	77 714
	Crude oil zero cost collars	17 285	–	–	–
	Crude oil put options	–	45 966	–	–
	Foreign exchange zero cost collars	73 730	1 149 226	–	–
	Ethane swaps	–	155 527	–	–
	Short-term derivative financial instruments	159 350	1 428 433	68 335	77 714

Short-term financial assets include the revaluation of in-the-money derivative instruments, refer note 29.

Fair value of derivative financial instruments

The fair value of derivative instruments was based upon market valuations. This is considered to be a level 2 fair value measurement in terms of the IFRS 13 fair value hierarchy.

Accounting policies:

The group and company classifies and measures its financial assets into the following categories:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

The classification is dependent on the business model for which the financial asset is held. Management determines the classification of its financial assets at the time of the initial recognition and re-evaluates such designation at least at each reporting date to assess if the business model has changed.

Financial assets are recognised on transaction date when the group and company becomes a party to the contracts and thus obtains rights to receive economic benefits and are derecognised when these rights expire or are transferred.

Financial assets are stated initially on transaction date at fair value including transaction costs. Loans and receivables are considered for impairment under the expected credit loss model. Refer to note 29 for detail on the impairment recognised.

The fair values of financial assets are based on quoted market prices or amounts derived using a discounted cash flow model.

Premiums or discounts arising from the difference between the fair value of a financial asset and the amount receivable at maturity date are charged to the income statement based on the effective interest method.

Expected credit loss

An assessment is performed at each reporting date to determine the expected credit loss on the financial assets that are measured at amortised cost. The assessment takes into account indications of a debtor or group of debtors experiencing significant financial difficulty, default or delinquency of payments, the probability of a debtor entering bankruptcy, or other forward looking observable data indicating a measurable decrease in estimated future cash flows, such as economic conditions that correlate with defaults.

Expected credit loss is calculated as a function of probability of default, loss given default and exposure at default. The entity allocates probability of default based on the external and internal information. The major portion of the financial assets at amortised cost consist of externally rated customers and the group and company use the average of Moody's, Fitch and S&P Corporate and Sovereign probability of defaults, depending on whether the customer or holder of the financial asset is corporate or government related. Credit enhancement is only taken into account if it is integral to the asset. Other financial assets expected credit loss is measured over 12 months when the credit risk is low and over lifetime where the credit risk has increased.

When a subsequent event causes the impairment loss to decrease, the impairment loss is reversed in the income statement. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery.

Modification

The group and company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The group and company assess whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the group and company derecognise the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The group and company also assess whether the new loan or debt instrument meets the Solely Payments of Principal and Interest (SPPI) criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the group and company compare the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The group and company recalculate the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

12 Loans to/deposits by Sasol group companies

During the year the group and company in the ordinary course of business, granted long- and short-term loans to fellow subsidiaries in the Sasol Group. Terms and conditions are determined on an arm's length basis (Refer note 25).

Long-term loans provided by the company to Sasol group companies bear interest at rates linked to JIBAR which are set per the loan agreements. The interest rates charged ranged between 5,35% - 6,02% (2021: 5,35% - 7,25%). Long-term loans provided by the company's subsidiary to Sasol group companies bear interest at market related rates that range between 1,55% - 9,80% (2021: 1,55% - 10,53%). Loan repayments made to the company during the year from Sasol South Africa Limited and Sasol Mining (Pty) Ltd amounting to R3 billion and R1 billion respectively. During the year Sasol Investment Company (Pty) Ltd made partial repayments of R9,2 billion (US\$565,9 million), while loan advancements of R4,9 billion (US\$302,5 million) were made to Sasol Chemicals (USA) LLC by the company's subsidiary. The loan movements were exacerbated by fluctuations in exchange rates. The term of the loans provided by the company range from 2 years to 8 years, while loans provided by the company's subsidiary range from 4 years to 10 years.

Short-term loans provided by the company to Sasol group companies bear interest based on the average daily bank rate. The interest rates charged ranged between 6,02% - 7,29% (2021: 6,18% - 7,99%). During the year net loan advances were made to Sasol South Africa Limited and Sasol Oil (Pty) Ltd of approximately R2 billion to each entity respectively. Short-term loans provided by the company's subsidiary to Sasol group companies bear interest at market related rates. During the year net loan advances of R1,3 billion (EUR76 million) were made to Sasol Italy SPA under the revolving credit facility. The market related rates ranged between 4,09% - 4,76% (2021: 4,09% - 4,17%) for US dollar deposits, and 1,80% (2021: 1,80%) for Euro loans. There were no new short-term loans provided by the company's subsidiary to Sasol group companies in the current and previous year.

There were no short term loans advancements by the company to its subsidiary in the current year and prior year. Interest on the short term loan advanced by the company to its subsidiary was charged at market related rates and ranged between 0,06% - 0,79% (2021: 0,06% - 0,13%).

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
Long-term loans to Sasol group companies	45 105 774	46 757 271	6 877 885	9 901 290
Intercompany long-term receivables	48 705 278	51 738 522	9 958 989	14 039 268
Expected credit loss on long-term receivables	(359 128)	(550 418)	(26 391)	(57 699)
Short-term portion of long-term receivables	(3 240 376)	(4 430 833)	(3 054 713)	(4 080 279)
Short-term loans to Sasol group companies	12 369 904	10 079 709	16 146 472	12 365 036
Intercompany short-term receivables	9 153 463	6 088 394	13 126 221	8 306 571
Expected credit loss on short-term receivables	(23 935)	(439 518)	(34 462)	(21 814)
Short-term portion of long-term receivables	3 240 376	4 430 833	3 054 713	4 080 279
	57 475 678	56 836 980	23 024 357	22 266 326

During the year the company in the ordinary course of business, received long- and short-term loans/deposits from its holding company, its subsidiary, fellow subsidiaries, Sasol group associates, Sasol group special purpose entities and Sasol group joint ventures. Terms and conditions are determined on an arm's length basis (Refer note 25).

Deposits from Sasol group companies to the company bear interest based on the average daily bank rate. The interest rates ranged between 3,46% - 5,06% (2021: 3,46% - 4,02%). During the year, Sasol South Africa Limited increased its deposit by R11 billion. Deposits from Sasol Group companies to the company's subsidiary bear interest at market related rates. The market related rates ranged between 0,07% - 0,80% (2021: 0,06% - 0,13%) for US dollar deposits, Australian dollar 0,00% - 0,58% (2021: 0,00% - 1,65%). Pound sterling 0,04% - 0,82% (2021: 0,01% - 0,06%).

The company's subsidiary has a loan with Sasol International Insurance DAC amounting to R1 872 million (US\$115 million). The loan bears interest at 3-month LIBOR + 1% and is repayable in February 2023.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
Deposits by Sasol group companies	51 453 048	33 123 564	31 843 618	19 171 992
Loan from Sasol group company	1 872 143	1 641 637	-	-
Intercompany long-term loan	-	1 641 637	-	-
Short-term portion of long-term loan	1 872 143	-	-	-
	53 325 191	34 765 201	31 843 618	19 171 992

Fair value

The carrying value approximates fair value, due to market related interest rates being charged on these loans. The long-term and short-term loans to/deposits by Sasol group companies and the short-term loan from Sasol group company have been classified as a level 3 for fair value hierarchy purposes.

Impairment

Long-term loans and receivables are considered for impairment under the expected credit loss model. Refer to note 29 for details on the impairment recognised.

Exposure to credit risk

The carrying value represents the maximum credit exposure as it relates to loans and receivables. Refer to note 19 for the group and company's credit rate exposure as it relates to guarantees.

	Group			Company
	Stage 1 R'000	Stage 3 R'000	Total IFRS 9 provision* R'000	Total IFRS 9 provision** (Stage 1) R'000
for the year ended 30 June				
Expected credit loss reconciliation of long-term loans to Sasol group companies***				
2022				
Balance at beginning of year	550 418	–	550 418	57 699
Net impairments released	(251 181)	–	(251 181)	(31 308)
Subsequent changes in ECL	(251 181)	–	(251 181)	(31 308)
Exchange and other movements	59 891	–	59 891	–
Balance at end of year	359 128	–	359 128	26 391
2021				
Balance at beginning of year	421 174	–	421 174	60 656
Net impairments raised/(released)	225 208	–	225 208	(2 957)
Subsequent changes in ECL	225 208	–	225 208	(2 957)
Exchange and other movements	(95 964)	–	(95 964)	–
Balance at end of year	550 418	–	550 418	57 699

* There were no stage 2 exposures in the current and previous years.

** All the exposures at company level were classified as stage 1.

*** In the current year, the expected credit loss reconciliation was presented per class of financial asset. Comparative information has been presented on a similar basis.

The release of the credit impairment mainly relates to the derecognition of the loan to CTRG and strengthening of certain counter-party credit ratings.

	Group			Company
	Stage 1 R'000	Stage 3 R'000	Total IFRS 9 provision* R'000	Total IFRS 9 provision** (Stage 1) R'000
for the year ended 30 June				
Expected credit loss reconciliation of short-term loans to Sasol group companies***				
2022				
Balance at beginning of year	22 785	416 733	439 518	21 814
Net impairments raised/(released)	5 767	(444 138)	(438 371)	12 648
ECL on new exposures raised	4 417	–	4 417	4 417
Loan repayment on disposal of CTRG	–	(444 138)	(444 138)	–
Subsequent changes in ECL	1 350	–	1 350	8 231
Exchange and other movements	(4 617)	27 405	22 788	–
Balance at end of year	23 935	–	23 935	34 462
2021				
Balance at beginning of year	–	434 636	434 636	34 617
Net impairments raised/(released)	4 651	63 276	67 927	(12 803)
ECL on new exposures raised	9 673	–	9 673	–
Subsequent changes in ECL	(5 022)	63 276	58 254	(12 803)
Exchange and other movements	18 134	(81 179)	(63 045)	–
Balance at end of year	22 785	416 733	439 518	21 814

* There were no stage 2 exposures in the current and previous years.

** All the exposures at company level were classified as stage 1.

*** In the current year, the expected credit loss reconciliation was presented per class of financial asset. Comparative information has been presented on a similar basis.

The release of the credit impairment mainly relates to the derecognition of the loan to CTRG and strengthening of certain counter-party credit ratings.

	Note	Group		Company	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
for the year ended 30 June					
13 Other receivables and prepaid expenses					
Long-term receivable*		696 150	696 150	696 150	696 150
Related party receivables	25	2 646	2 446	1 315	84 180
Other receivables		88 881	146 604	88 881	38 870
		787 677	845 200	786 346	819 200
Prepaid expenses		192 229	238 561	1 186	1 168
Value added tax		160	134	–	–
		980 066	1 083 895	787 532	820 368
Maturity profile					
Within one year		172 555	220 225	91 382	124 218
Two to five years		807 511	863 670	696 150	696 150
		980 066	1 083 895	787 532	820 368

* The long-term receivable relates to the SARS suspension of payment as detailed in note 14.

Fair value of related party and other receivables

The carrying amount approximates fair value because of the short period to maturity of these instruments. This is considered a level 3 fair value measurement.

Exposure to credit risk

The carrying value represents the maximum credit exposure.

Collateral

The group and company hold no collateral over other receivables which can be sold or pledged to a third party.

Accounting policies:

Related party and other receivables are considered for impairment under the expected credit loss model. Other receivables are written off when there is no reasonable prospect that the customer will pay. There were no impairments recognised.

		Group		Company	
	Note	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June					
14 Tax receivable/(payable)					
Net amounts (receivable)/payable at beginning of year		(231 661)	(186 638)	34 495	(4 127)
Interest (receivable)/payable		(2 263)	(2 642)	299	218
Income tax per income statement	9	474 877	409 094	404 009	403 577
Translation of foreign entity		(35 683)	41 288	–	–
		205 270	261 102	438 803	399 668
Net tax receivable/(payable) per statement of financial position		248 522	231 661	(29 212)	(34 495)
tax payable		(29 212)	(34 495)	(29 212)	(34 495)
tax receivable		277 734	266 156	–	–
Per the statement of cash flows		453 792	492 763	409 591	365 173
Comprising					
Normal tax					
South Africa		383 344	487 247	409 591	365 173
Foreign		70 448	5 517	–	–
		453 792	492 764	409 591	365 173

Contingent liability

Following a request by SARS for information on Sasol Financing International Plc (SFI) which performs an off-shore treasury function for Sasol, SARS proceeded with an audit over a number of tax years. This audit culminated in the issuance of a final audit letter on 16 February 2018. Consequently, revised assessments were issued by SARS in respect of the 2002 to 2012 tax years. Sasol objected to these revised assessments. The dispute relates to the place of effective management of SFI.

After the submission of Sasol's objection to the disputed assessments and following requests for further information by SARS at the end of 2018, SARS rejected Sasol's objection. On 17 April 2019, Sasol appealed the decision to the Tax Court in terms of the relevant provisions of the Tax Administration Act. The parties have agreed to suspend the litigation in the Tax Court pending the outcome of the legal review application.

In addition to the objection to the revised assessments, Sasol has also launched a judicial review application against the SARS decision to register SFI as a South African taxpayer. The Tax Court does not have jurisdiction to determine the first ground of Sasol's objection, namely that the disputed assessments constitute unlawful, substantially unreasonable and procedurally unfair administrative action. Accordingly, a further review application has been filed in the High Court.

All pleadings were exchanged in the review matter. The SFI hearing took place in the High Court on the 16 and 17 November 2022, which was a consolidated hearing for both Judicial Reviews. Judgement has been reserved on this matter and we expect a judgement by no later than the last quarter of calendar year 2023. A contingent liability of R2,65 billion (2021 – R2,58 billion) (including interest and penalties) is reported in respect of this matter as at 30 June 2022.

Areas of judgement

The group and company are involved in tax litigation and tax disputes with tax authorities in the normal course of business. A detailed assessment is performed regularly on each matter and a provision is recognised where appropriate. Although the outcome of these claims and disputes cannot be predicted with certainty, Sasol believes that open engagement and transparency will enable appropriate resolution thereof.

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 utilised. This includes the significant tax losses incurred in Sasol Financing International Limited where we anticipate sufficient profits to be generated in future to utilise the deferred tax asset against. These losses do not expire. The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities.

Accounting policies:

The income tax charge is determined based on net income before tax for the year and includes current tax, deferred tax and interest withholding tax.

Deferred tax is provided for using the liability method, on all temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for tax purposes and on any tax losses using enacted or substantively enacted tax rates at the reporting date that are expected to apply when the asset is realised or liability settled. 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 utilised.

The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when the related income taxes are levied by the same taxation authority, there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Interest withholding tax is payable at rates ranging between 5% and 15,6% on interest received from certain countries outside of South Africa. This tax is collected by the company and paid to the tax authorities on behalf of the group and company. On recognition of the interest received, the interest withholding tax is recognised as part of the current tax charge in the Income statement in the period in which the interest is received.

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
15 Investment in subsidiaries				
Reflected as non-current assets				
Investments at cost				
Balance at the beginning of the year	–	–	5 875 634	5 875 634
Impairment of investment in subsidiaries	–	–	(5 875 634)	–
Balance at end of year	–	–	–	5 875 634

Investments in subsidiaries are accounted for at cost less impairment losses.

Interest in significant operating subsidiaries

The company's interest in the aggregate profits and losses of subsidiaries amounts to a loss of R11,5 billion (2021 - profit of R342 million).

Impairment

During the current financial year the company recognised a total impairment amounting to R5,9 billion (2021 - Rnil) relating to its investments in SFIL of R0,4 billion and SFI of R5,5 billion respectively. The impairment in SFIL was triggered by the negative net asset value which arose as a result of significant losses in the current year mainly attributable to the subsidiary's hedging activities. SFI is a dormant entity with its only asset being the 0,1% shareholding in SFIL, the significant decrease in the net asset value of SFIL triggered the impairment of this subsidiary. Further impairment reviews indicated that the recoverable amount of investments were negative at 30 June 2022, resulting in the recognition of the impairment in the current financial year. Reasonably possible changes to key assumptions applied in the recoverable amount calculations will not result in a different outcome.

The following table presents each of the company's significant subsidiaries (including direct and indirect holdings), the nature of activities, the percentage of shares of each subsidiary owned and the country of incorporation at 30 June.

Name	Country of incorporation	Nature of activities	Company			
			% of equity owned		Investment at cost ¹	
			2022	2021	2022	2021
			%	%	R '000	R '000
Significant operating subsidiaries						
Direct						
Sasol Financing International Limited	Republic of South Africa	Treasury management	99,9	99,9	422 088	422 088
Sasol Financing International Limited ²	Isle of Man	Treasury management	100	100	5 453 546	5 453 546
Indirect						
Sasol Financing International Limited	Republic of South Africa	Treasury management	0,1	0,1	–	–

¹ The subsidiary is registered in the Isle of Man and was dormant as at 30 June 2022.

² Before impairment.

	Note	Group		Company	
		2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June					
16 Deferred tax asset/(liability)					
Reconciliation					
Balance at beginning of year		664 498	1 190 874	115	8 127
Current year charge		4 735 794	(342 411)	(59)	(8 012)
per the income statement	9	4 735 794	(342 411)	(59)	(8 012)
Tax rate change		(194 435)	–	(2)	–
Translation of foreign entity		411 601	(183 965)	–	–
Balance at end of year		5 617 458	664 498	54	115
Comprising					
Deferred tax assets		5 670 914	727 849	374	442
Deferred tax liabilities		(53 456)	(63 351)	(320)	(327)
		5 617 458	664 498	54	115

Deferred tax assets and liabilities are determined based on the tax status and rates of the company. The increase in deferred tax assets relates mainly to the unrealised losses on the fair value adjustment of the derivatives. We anticipate sufficient profits to be generated in future to utilise the deferred tax asset against. These south african tax losses do not expire.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
Deferred tax is attributable to the following temporary differences				
Net deferred tax assets:				
Financial liabilities	1 810 043	456 760	374	442
Expected credit loss on loans and receivables	21 897	35 145	–	–
Calculated tax losses	3 749 288	215 868	–	–
Foreign tax credits	88 384	5 110	–	–
External debt	–	13 033	–	–
Deferred income	1 302	1 933	–	–
	5 670 914	727 849	374	442
Net deferred tax liabilities:				
Other receivables	(53 456)	(63 351)	(320)	(327)
Financial assets	–	–	–	–
	(53 456)	(63 351)	(320)	(327)

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the group and company's operations where, among other things, taxation losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward.

Deferred tax assets are not recognised for carry forward of unused tax losses when it cannot be demonstrated that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
Calculated tax losses				
(before applying the applicable tax rate)				
Available for offset against future taxable income	13 886 254	770 970	–	–
Utilised against the deferred tax balance	(13 886 254)	(770 970)	–	–
	–	–	–	–

A portion of the estimated tax losses available may be subject to various statutory limitations as to its usage.

Areas of judgement

The group and company are involved in tax litigation and tax disputes with tax authorities in the normal course of business. A detailed assessment is performed regularly on each matter and a provision is recognised where appropriate. Although the outcome of these claims and disputes cannot be predicted with certainty, Sasol believes that open engagement and transparency will enable appropriate resolution thereof.

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 utilised. This includes the significant tax losses incurred in Sasol Financing International Limited where we anticipate sufficient profits to be generated in future to utilise the deferred tax asset against. These losses do not expire. The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities.

		Group and Company	
for the year ended 30 June		2022	2021
		R '000	R '000
17 Share capital			
Issued share capital (as per statement of changes in equity)		422 088	422 088

		Group and Company	
		Number of shares	
for the year ended 30 June		2022	2021
Authorised			
Ordinary no par value shares		10 000	10 000
Issued - no par value shares			
Ordinary shares in issue at beginning and end of year		202	202

The capital of the group and company are managed by its ultimate holding company, Sasol Limited, by means of an approved group funding policy, which determines each group entity's required rate of return.

Accounting policies:

Issued share capital is stated in the statement of changes in equity at the amount of the proceeds received less directly attributable issue costs.

		Group		Company	
for the year ended 30 June		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
18 Dividends paid					
Special dividend		-	535 295	-	535 295

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
19 Financial liabilities				
Derivative instruments	6 852 156	2 387 928	88 268	22 201
Foreign exchange contracts	110 359	42 100	88 268	22 201
Crude oil put options	–	45 966	–	–
Crude oil zero cost collars	6 175 840	1 125 435	–	–
Foreign exchange zero cost collars	453 889	1 174 427	–	–
Coal swaps	112 068	–	–	–
Non-derivative instruments	31 471	263 556	1 386	1 579
Balance at beginning of year	263 556	296 240	1 579	30 503
Financial guarantees recognised	98 972	7 917	–	–
Add: expected credit loss adjustment on guarantee liabilities	(58 331)	53 094	–	–
Less: amortisation of financial guarantees	(248 754)	(40 962)	(193)	(24 863)
Less: translation gains	(2 323)	(4 076)	–	(4 061)
Translation of foreign entity	(21 649)	(48 657)	–	–
	6 883 627	2 651 484	89 654	23 780

Derivative instruments are all short-term in nature and include the revaluation of out-of-the-money derivative instruments, refer to note 29.

Fair value of derivative financial instruments

The fair value of derivative instruments was based upon market valuations. This is considered to be a level 2 fair value measurement in terms of the IFRS 13 fair value hierarchy.

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000
Fair value of financial guarantees	31 471	263 556	1 386	1 579

Fair value of financial guarantees

Initial fair value is calculated by reference to either the premium received or the expected loss model where three factors are considered: The notional amount of the guarantee, the probability of default and the loss given default. A premium of the weighted average cost of capital is then applied to determine the minimum level of return required.

Subsequent to initial recognition, financial guarantees are measured at the higher of the:

- amount initially recognised less cumulative adjustments relating to amortisation; and
- expected credit loss.

	2022		2021	
	Maximum exposure	Liability included in statement of financial position	Maximum exposure	Liability included in statement of financial position
for the year ended 30 June	R '000	R '000	R '000	R '000
Sasol Financing Limited				
Financial guarantees	497 689	1 386	497 689	1 579
FirstRand Bank Limited ¹	497 689	1 386	497 689	1 579
Performance guarantees	826 206	–	835 777	–
Boardwalk Louisiana Midstream LLC ²	814 698	–	824 269	–
Eskom Holdings SOC Ltd ³	11 508	–	11 508	–
Total guarantees	1 323 895	1 386	1 333 466	1 579

¹ Guarantees issued to FirstRand Bank Limited, to facilitate the issuance of a guarantee by FirstRand Bank Limited on behalf of Sasol Mining (Pty) Ltd in respect of the mine rehabilitation obligation of Sasol Mining (Pty) Ltd to the Department of Mineral Resources.

² Guarantee issued in favour of Boardwalk Louisiana Midstream LLC enabling Sasol Chemicals (USA) LLC to satisfy its obligations under the Ethane Storage Agreement and the Ethylene Storage Agreement.

³ Guarantee issued in favour of Eskom for contestable works relating to integration of Oxygen Train 17 into Eskom's network.

	2022		2021	
	Maximum exposure R '000	Liability included in statement of financial position R '000	Maximum exposure R '000	Liability included in statement of financial position R '000
for the year ended 30 June				
Sasol Financing International Limited				
Financial guarantees	2 580 887	30 085	3 117 068	260 562
Exxon Mobil Corporation - slack wax obligations ¹	–	–	71 376	1 570
UniCredit S.p.A. ²	133 736	391	176 569	8 194
Various oil suppliers ³	1 627 950	19 894	1 427 510	31 405
Intesa Sanpaolo S.p.A. ⁴	819 201	9 800	812 410	17 872
ABSA Bank Limited - Political Risk Insurance ⁵	–	–	562 096	156 455
ABSA Bank Limited, International Finance Corporation and Société de Promotion et de Participation pour la Coopération Économique S.A.- Corporate Guarantee ⁶	–	–	67 107	45 066
Performance guarantees	4 054 094	–	2 202 962	–
Companhia Mocambicana De Hidrocarbonetos S.A and International Finance Corporation (GSA 1) ⁷	79 330	–	168 546	–
Sasol Petroleum Temane Limitada (GSA 1) ⁷	822 815	–	393 279	–
Companhia Mocambicana De Hidrocarbonetos S.A and International Finance Corporation (GSA 2) ⁷	352 630	–	37 929	–
Sasol Petroleum Temane Limitada (GSA 2) ⁷	185 114	–	88 477	–
Obsidian Energy Limited ⁸	–	–	10 578	–
Sasol Gas (Pty) Ltd (GSA 1) ⁷	274 277	–	131 088	–
Sasol Gas (Pty) Ltd (GSA 2) ⁷	61 699	–	29 492	–
Central Termica De Ressano Garcia S.A (GSA 3) ⁹	28 750	–	23 126	–
Huntsman International Trading Deutschland GmbH ¹⁰	1 505 854	–	1 320 447	–
Republic of Mozambique Pipeline Company ¹¹	743 625	–	–	–
Total guarantees	6 634 981	30 085	5 320 030	260 562
Sasol Financing Group	7 958 876	31 471	6 653 496	262 141

- 1 Guarantee related working capital liabilities and purchases made by fellow subsidiaries and consolidation, and released on the disposal of the wax operations in the current financial year.
- 2 Guarantee issued for obligations generated by the credit line.
- 3 Guarantee issued for the obligations arising from the purchase of crude oil.
- 4 Guarantee issued for the obligations arising from the credit facilities granted.
- 5 Political Risk Insurance guarantee - over the debt of Central Termica De Ressano Garcia S.A. The guarantee was subsequently cancelled following the disposal of CTRG.
- 6 Corporate guarantee - over the debt of Central Termica De Ressano Garcia S.A. The guarantee was subsequently cancelled on 2 July 2021 when the debt service reserve agreement (DSRA) was fully subscribed.
- 7 Guarantees provided in terms of the gas sales agreement between Sasol Petroleum Temane Limitada and Sasol Gas (Pty) Ltd.
- 8 Guarantee for indemnity, with regards to an office sub-lease agreement and was released on disposal of the Canada operations.
- 9 Guarantees provided in terms of the gas sales agreement between Sasol Petroleum Temane Limitada and Central Termica De Ressano Garcia S.A.
- 10 Guarantee issued for breach of representations and warranties or indemnities or the non-compete covenant under the Share and Interest Purchase Agreement.
- 11 Guarantee issued for a transaction between Sasol Gas (Pty) Ltd and Republic of Mozambique Pipeline Company (Pty) Ltd (Rompc) for Required Shipper Security.

Accounting policies:

Financial liabilities are recognised on the transaction date when the group and company become a party to a contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Financial liabilities are stated initially on the transaction date at fair value including transaction costs. Subsequently, they are stated at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented when the group and company have a current legal enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
20 External debt				
Interest bearing				
Long-term debt	–	19 302 246	–	2 176 000
Short-term portion of long-term debt	18 553 036	2 142 051	2 193 190	14 830
	18 553 036	21 444 297	2 193 190	2 190 830
Analysis of debt				
At amortised cost				
Unsecured debt	18 568 332	21 482 753	2 193 190	2 190 830
Unamortised loan costs	(15 296)	(38 456)	–	–
	18 553 036	21 444 297	2 193 190	2 190 830
Reconciliation				
Balance at beginning of year	21 444 297	94 582 289	2 190 830	6 475 728
Loans repaid	(5 201 820)	(60 975 082)	–	(4 250 000)
Accrued interest paid	(110 020)	(325 629)	(14 830)	(49 728)
Gain on derecognition of financial liability*	(49 582)	(698 233)	–	–
Interest accrued	106 571	110 020	17 190	14 830
Amortisation of loan costs	26 690	50 227	–	–
Translation of foreign entity	2 336 900	(11 299 295)	–	–
Balance at end of year	18 553 036	21 444 297	2 193 190	2 190 830
Maturity profile				
Within one year	18 553 036	2 142 048	2 193 190	14 830
Two to five years	–	19 302 249	–	2 176 000
	18 553 036	21 444 297	2 193 190	2 190 830

* In the prior year, the Mizuho Bank term loan and a significant portion of the RCF, which was modified in FY20, were repaid resulting in a gain on derecognition of financial liability. During the current year, the RCF was settled resulting in the gain amounting to the remaining balance of the loan modification.

Financial Covenants

The group and company are in compliance with all of the financial covenants per their loan agreements, none of which is expected to present a material restriction on funding or their investment policy in the near future. The group and company have sufficient undrawn borrowing facilities, which could be utilised to settle obligations. The next material maturity was the \$1 billion (R16 billion) bond which was due in November 2022.

The net debt to EBITDA (bank definition) at 30 June 2022 was 0,8 times, significantly below the threshold of 3 times.

Borrowing powers

The Memorandum of Incorporation does not limit the borrowing powers of the company.

	Terms of repayment	Security	Currency	Interest rate at	2022	2021
				30 June 2022	R '000	R '000
Unsecured debt						
US Bond ¹	On maturity (14 November 2022)	n/a	USD	Fixed 4,50%	16 359 846	14 320 509
Revolving credit facility ^{2,3}	RCF (23 November 2024)	n/a	USD	SOFR+ Credit Adj +2%	–	896 190
Revolving credit facility ^{2,3}	RCF (23 November 2024)	n/a	USD	SOFR+ Credit Adj +2%	–	429 780
Revolving credit facility ^{2,3}	RCF (23 November 2024)	n/a	USD	SOFR+ Credit Adj +2%	–	3 606 988
Domestic Medium Term Note (DMTN)	On maturity (12 August 2022)	n/a	ZAR	3 months Jibar + 1,3%	2 193 190	2 190 830
Total unsecured debt					18 553 036	21 444 297

1 Included in this amount is the US\$1 billion (R16 billion) bond, with a fixed interest rate of 4,5% which is listed on the New York Stock Exchange and is recognised in Sasol Financing International Limited (SFIL), a 100% owned subsidiary of the group. Sasol Limited has fully and unconditionally guaranteed the bond. There are no restrictions on the ability of Sasol Limited to obtain funds from the finance subsidiary, SFIL, by dividend or loan.

2 During the year Sasol Financing International Limited, repaid R5 billion (\$348 million) on the revolving credit facility.

3 Effective 15 March 2022 contractual arrangements relating to the revolving credit facility were amended to replace the US dollar LIBOR with the Secured Overnight Financing Rate (SOFR). (2021: Variable Libor + 1,6% on the RCF).

				Contract amount	Total Rand equivalent	Utilised facilities	Available facilities
30 June 2022	Expiry date	Currency	Thousand	R'000	R'000	R'000	
Banking facilities and debt arrangements							
Group treasury facilities							
Commercial paper (uncommitted) ¹	None	Rand	8 000 000	8 000 000	2 176 000	5 824 000	
Commercial banking facilities	Evergreen	Rand	8 150 000	8 150 000	–	8 150 000	
Revolving credit facility ²	November 2024	US dollar	2 845 000	46 317 000	–	46 317 000	
Debt arrangements							
US Dollar Bond ³	November 2022	US dollar	1 000 000	16 280 000	16 280 000	–	

¹ In August 2019, Sasol issued its inaugural paper to the value of R2 176 million in the local debt market under the current Domestic Medium Term Note (DMTN) programme, at 130 basis points above 3 month Jibar and was repaid on 12 August 2022.

² The RCF is available until November 2024, with total availability reducing to US\$2 549 million by November 2022 and to US\$2 075 million by November 2023.

³ The US\$1 billion bond was repaid on 14 November 2022.

Accounting policies:

Debt, which constitutes a financial liability, includes short-term and long-term debt. Debt is initially recognised at fair value, net of transaction costs incurred and is subsequently stated at amortised cost. Debt is classified as short-term unless the borrowing entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Debt is derecognised when the obligation in the contract is discharged, cancelled or has expired. Premiums or discounts arising from the difference between the fair value of debt raised and the amount repayable at maturity date are charged to the income statement as finance expenses based on the effective interest method.

An exchange between the company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss.

		Group		Company	
		2022	2021	2022	2021
		R '000	R '000	R '000	R '000
for the year ended 30 June					
	Note				
21 Other payables					
Related party payables	25	77 447	232 605	68 791	224 946
Other payables*		6 613 304	652 220	10 110	13 024
		6 690 751	884 825	78 901	237 970

* Other payables in the group include payables of R6 541 million (2021: R585 million) relating to derivatives that matured out of the money.

Fair value of trade and other payables

The carrying value approximates fair value because of the short period to settlement of these obligations. This is considered a level 3 fair value measurement.

Accounting policies:

Other payables are initially recognised at fair value and subsequently stated at amortised cost.

	Note	Group		Company	
		2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June					
22 Cash generated by operating activities					
Cash flow from operations	23	(18 026 855)	1 095 846	(362 580)	1 104 144
Decrease in working capital	24	32 531 219	58 695 217	12 499 212	3 667 353
		14 504 364	59 791 063	12 136 632	4 771 497

	Note	Group		Company	
		2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June					
23 Cash flow from operations					
(Loss)/profit before tax		(14 495 957)	2 444 853	(4 415 017)	1 483 676
Adjusted for					
expected credit loss on loans and receivables	6	(689 552)	293 135	(18 695)	(15 724)
remeasurement items	8	–	–	5 875 634	–
interest accrued on tax receivable		(2 556)	(2 899)	–	(39)
interest accrued on tax payable		299	257	299	257
finance income	2	(3 507 226)	(4 791 269)	(2 220 100)	(2 138 809)
finance costs	3	2 082 388	2 985 315	1 030 841	923 476
interest accrued on debt	20	(3 449)	(215 609)	2 360	(34 898)
gain on derecognition of financial liability	20	(49 582)	(698 233)	–	–
accrued finance charges	3	(54 770)	(57 546)	–	–
notional interest received	2	(248 754)	(40 962)	(193)	(24 863)
notional interest paid	3	59 609	9 458	–	–
expected credit loss adjustment on guarantee liabilities	3	(58 831)	53 094	–	–
translation (gains)/losses on guarantee liabilities		(2 323)	(4 076)	–	(4 061)
amortisation of loan costs	3	26 690	50 227	–	–
translation effects		(1 082 271)	1 036 808	(617 704)	915 169
other non-cash movements		(570)	(348)	(5)	(40)
		(18 026 855)	1 095 846	(362 580)	1 104 144

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
24 Decrease/(increase) in working capital				
Decrease/(increase) in other receivables				
Per the statement of financial position	57 523	(51 839)	32 859	(81 200)
Expected credit loss - income statement	–	–	35	(36)
Translation of foreign entity	105 631	18 276	–	–
	163 154	(33 563)	32 894	(81 236)
Decrease/(increase) in other assets and prepaid expenses				
Per the statement of financial position	46 306	135 650	(18)	14
Translation of foreign entity	28 136	(60 183)	–	–
	74 442	75 467	(18)	14
Increase/(decrease) in other payables				
Per the statement of financial position	5 805 926	(946 397)	(159 069)	69 766
Accrued finance charges	54 777	57 546	–	–
Translation of foreign entity	(1 118 011)	1 157 489	–	–
	4 742 692	268 638	(159 069)	69 766
Decrease/(increase) in financial assets				
Per the statement of financial position	1 269 083	(793 896)	9 379	338 382
Translation of foreign entity	94 783	(130 986)	–	–
	1 363 866	(924 882)	9 379	338 382
Increase/(decrease) in financial liabilities				
Per the statement of financial position	4 232 141	(915 563)	65 874	(12 971)
Notional interest paid	(59 609)	(9 458)	–	–
Notional interest received	248 754	40 962	193	24 863
Expected credit loss adjustment on guarantee liabilities	58 831	(53 094)	–	–
Translation (gains)/losses on guarantee liabilities	2 323	4 076	–	4 061
Translation of foreign entity	(638 872)	641 650	–	–
	3 843 568	(291 427)	66 067	15 953
(Increase)/decrease in loans to Sasol group companies				
Per the statement of financial position	(638 698)	85 789 813	(758 031)	10 209 810
Expected credit loss - income statement	689 552	(293 135)	18 660	15 760
Translation effect of foreign currency loans	1 081 541	(1 039 473)	617 704	(915 169)
Translation of foreign entity	4 974 030	(15 850 466)	–	–
	6 106 425	68 606 739	(121 667)	9 310 401
Increase/(decrease) in loans and deposits by Sasol group companies				
Per the statement of financial position	18 559 990	(12 572 396)	12 671 626	(5 985 927)
Translation effect of foreign currency loans	730	2 665	–	–
Translation of foreign entity	(2 323 648)	3 563 976	–	–
	16 237 072	(9 005 755)	12 671 626	(5 985 927)
Decrease in working capital	32 531 219	58 695 217	12 499 212	3 667 353

25 Related party transactions

During the year the group and company, in the ordinary course of business, entered into various treasury related transactions with its holding company, fellow subsidiaries, subsidiaries, special purpose entities, joint operations and joint ventures. The effect of these transactions is included in the financial performance and results of the group and company. Terms and conditions are determined on an arm's length basis. Amounts owing to / by related parties are disclosed in the respective notes to the financial statements for those statement of financial position items.

Material related party transactions

The following table shows the material transactions that are included in the financial statements.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
Services rendered by related parties included in operating expenses				
fellow subsidiaries				
Sasol South Africa Limited	17 995	31 245	11 711	15 556
Other income statement items from related parties				
Finance expenses				
holding company				
Sasol Limited	1 698	397	–	–
fellow subsidiaries	901 127	756 354	853 909	716 359
Sasol South Africa Limited	463 773	343 045	463 598	342 998
Sasol Oil (Pty) Ltd	33 748	82 582	33 357	82 582
ROMPCO (Pty) Ltd**	–	23 945	–	23 945
Sasol Mining (Pty) Ltd	141 010	97 564	141 010	97 564
Sasol Gas (Pty) Ltd	178 821	133 051	178 821	133 051
Sasol Middle East and India (Pty) Ltd	4 888	592	–	88
Sasol Investment Company (Pty) Ltd	10 817	7 860	10 415	6 784
Sasol Holdings USA (Pty) Ltd	529	463	529	–
Sasol New Energy Holdings (Pty) Ltd	3 004	2 648	3 004	28
Sasol Africa (Pty) Ltd	22 516	5 077	19 991	2 218
Sasol Mining Holdings (Pty) Ltd	1 904	23 254	1 904	23 254
Sasol Petroleum Temane Limitada	8 587	2 905	–	–
Sasol International Insurance DAC	24 181	28 597	–	–
Sasol USA Corporation	1 016	1 303	–	–
Sasol Gabon S.A.	1 773	942	–	–
Other*	4 560	2 526	–	3 083
joint ventures and associates				
Sasol Dyno Nobel (Pty) Ltd	5 021	1 899	5 021	1 899
ROMPCO (Pty) Ltd**	27 637	–	27 637	–
special purpose entities				
The Sasol Inzalo Foundation	624	339	624	339
	936 107	758 989	887 191	718 597

* Other comprise of balances less than R1 million in current and prior year.

** ROMPCO (Pty) Ltd become an associate as at 30 June 2022, previously a subsidiary.

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
Finance income				
holding company				
Sasol Limited	–	–	–	–
fellow subsidiaries	2 582 192	4 128 870	1 410 211	1 624 593
Sasol South Africa Limited	1 288 384	1 447 109	1 288 550	1 442 412
Sasol Chemicals (USA) LLC	725 261	1 565 438	1 388	5 284
Sasol Mining (Pty) Ltd	49 926	105 915	49 926	105 915
Sasol Oil (Pty) Ltd	68 242	18 020	66 630	17 728
Sasol Investment Company (Pty) Ltd	373 707	892 839	–	45 541
Sasol Chemicals North America LLC	–	–	–	4 310
Sasol Financing USA LLC	9 282	–	–	–
Sasol Italy S.p.A	50 403	37 950	–	–
Sasol International Services Ltd	–	15 286	–	–
Sasol (China) Chemical Co. Ltd	6 549	17 408	–	–
Sasol Gas (Pty) Ltd	4 982	–	–	–
Sasol Petroleum Temane Limitada	1 382	1 451	–	–
Sasol Middle East and India (Pty) Ltd	3 712	521	3 712	521
Other*	362	26 933	5	282
joint ventures / operations	106 979	142 301	30	–
Central Termica de Ressano Garcia S.A.	106 949	142 301	–	–
Other*	30	–	30	–
subsidiary				
Sasol Financing International Limited	–	–	9 847	4 833
	2 689 171	4 271 171	1 420 088	1 629 426

* Other comprise of balances less than R1 million.

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
Amounts reflected as assets				
Long-term loans to Sasol group companies				
fellow subsidiaries	48 705 278	51 738 522	9 958 989	14 039 268
Sasol Chemicals (USA) LLC	25 584 107	17 436 649	–	–
Sasol South Africa Limited	9 958 989	13 013 702	9 958 989	13 013 702
Sasol Mining (Pty) Ltd	–	1 025 566	–	1 025 566
Sasol Investment Company (Pty) Ltd	11 619 128	18 451 951	–	–
Sasol Italy S.p.A	1 542 013	1 529 263	–	–
Sasol (China) Chemical Co. Ltd	1 041	281 391	–	–
	48 705 278	51 738 522	9 958 989	14 039 268
Expected credit loss	(359 128)	(550 418)	(26 391)	(57 699)
	48 346 150	51 188 104	9 932 598	13 981 569
Short-term portion of long-term receivables				
fellow subsidiaries	(3 240 376)	(4 430 833)	(3 054 713)	(4 080 279)
Sasol South Africa Limited	(3 054 713)	(3 054 713)	(3 054 713)	(3 054 713)
Sasol Mining (Pty) Ltd	–	(1 025 566)	–	(1 025 566)
Sasol Investment Company (Pty) Ltd	(178 604)	(341 546)	–	–
Sasol Italy S.P.A	(6 018)	(5 982)	–	–
Sasol (China) Chemical Co. Ltd	(1 041)	(3 026)	–	–
	45 105 774	46 757 271	6 877 885	9 901 290

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
Short-term loans to Sasol group companies				
fellow subsidiaries	9 153 463	4 591 193	7 691 483	4 023 794
Sasol South Africa Limited	5 902 776	3 994 079	5 902 775	3 994 079
Sasol Italy S.p.A	1 461 978	155 901	–	–
Sasol Oil (Pty) Ltd	1 666 977	407 114	1 666 976	–
Sasol Middle East and India (Pty) Ltd	121 732	29 040	121 732	29 040
Sasol Holdings Asia Pacific (Pty) Ltd	–	675	–	675
Sasol Financing (USA) LLC	–	4 384	–	–
joint operation				
Central Termica de Ressano Garcia S.A.*	–	1 497 201	–	–
subsidiaries				
Sasol Financing International Limited	–	–	5 434 738	4 282 777
	9 153 463	6 088 394	13 126 221	8 306 571
Expected credit loss	(23 935)	(439 518)	(34 462)	(21 814)
Short-term portion of long-term receivables	3 240 376	4 430 833	3 054 713	4 080 279
	12 369 904	10 079 709	16 146 472	12 365 036

* Reclassified to short-term at 30 June 2021.

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
Other receivables				
fellow subsidiaries	2 646	2 446	1 315	2 445
Sasol Italy S.p.A	1 331	–	–	–
Sasol Chemicals (USA) LLC	1 221	2 432	1 221	2 432
Other*	94	14	94	13
subsidiary				
Sasol Financing International Limited	–	–	–	81 771
	2 646	2 446	1 315	84 216
Expected credit loss	–	–	–	(36)
	2 646	2 446	1 315	84 180

* Other comprise of balances less than R1 million.

	Group		Company	
	2022	2021	2022	2021
for the year ended 30 June	R '000	R '000	R '000	R '000
Amounts reflected as liabilities				
Long-term loan from Sasol group company				
fellow subsidiaries				
Sasol International Insurance DAC	–	1 641 637	–	–
Short-term portion of long-term loan from Sasol group company				
fellow subsidiaries				
Sasol International Insurance DAC	1 872 143	–	–	–
	1 872 143	1 641 637	–	–

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
Deposits by Sasol group companies				
holding company				
Sasol Limited	2 942 369	1 362 680	1 998 235	672 712
fellow subsidiaries	47 817 287	31 674 554	29 151 991	18 412 949
Sasol South Africa Limited	19 873 754	8 754 864	19 757 496	8 635 881
Sasol Oil (Pty) Ltd	165 215	2 380 534	–	2 380 534
ROMPCO (Pty) Ltd**	–	554 993	–	554 993
Sasol Mining (Pty) Ltd	4 404 515	2 421 864	4 404 515	2 421 864
Sasol Gas (Pty) Ltd	4 315 450	4 164 523	4 315 450	4 164 523
Sasol Technology (Pty) Ltd	24 100	10 533	24 100	10 533
Sasol Middle East and India (Pty) Ltd	3 587 343	272 271	–	–
Sasol Investment Company (Pty) Ltd	395 059	1 288 463	5 705	52 621
Sasol Holdings USA (Pty) Ltd	14 040	13 511	14 040	13 511
Sasol New Energy (Pty) Ltd	973 104	77 231	78 550	77 231
Sasol Holdings Asia Pacific (Pty) Ltd	46 767	114 215	2 542	–
Sasol Mining Holdings (Pty) Ltd	24 256	28 256	24 256	28 256
Sasol Africa (Pty) Ltd	1 214 312	468 357	525 337	73 002
Sasol Performance Chemicals GmbH	2 245 142	3 562 798	–	–
Sasol Petroleum Temane Limitada	3 555 803	2 207 669	–	–
Sasol Wax International AG	2 613 555	1 889 511	–	–
Sasol Financing (USA) LLC	6 383	–	–	–
Sasol International Services Limited	–	339 711	–	–
Sasol USA Corporation	410 970	402 419	–	–
Sasol UK Limited	587 717	854 469	–	–
Sasol UK GSO	171 236	–	–	–
Sasol Petroleum Mozambique Limitada	404 474	8 149	–	–
Sasol Gabon S.A	913 157	912 846	–	–
Sasol Chemie GmbH & Co. KG	1 053 762	746	–	–
Sasol Chemicals Pacific Limited	296 999	145 771	–	–
Sasol European Holdings Limited	219 749	140 676	–	–
Inter Chem Terminal FZCO	59 258	51 866	–	–
Sasol Petroleum International Holdings Limited	13 898	12 575	–	–
Wesco China Limited	–	88 091	–	–
Sasol Holdings (Netherlands) BV	51 846	51 416	–	–
Sasol Middle East FZCO	128 828	70 009	–	–
Sasol Chemicals North America LLC	2 355	344 490	–	–
Sasol Australasia (Pty) Ltd	1 769	1 821	–	–
Sasol Petroleum Australia Ltd	17 183	14 539	–	–
Sasol Petroleum Mozambique Exploration Limitada	23 060	19 972	–	–
Other*	2 228	5 395	–	–
joint ventures and associates				
Sasol Dyno Nobel (Pty) Ltd	78 010	80 000	78 010	80 000
ROMPCO (Pty) Ltd**	599 649	–	599 649	–
special purpose entities				
The Sasol Inzalo Foundation	15 733	6 330	15 733	6 330
	51 453 048	33 123 564	31 843 618	19 171 991

* Other comprise of balances less than R1 million in the current and prior year.

** ROMPCO (Pty) Ltd become an associate as at 30 June 2022, previously a subsidiary.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
for the year ended 30 June				
Other payables				
holding company				
Sasol Group Services, a division of Sasol South Africa Limited	4 533	–	–	–
fellow subsidiaries	68 723	226 413	68 723	224 934
Sasol South Africa Limited	68 723	226 413	68 723	224 934
joint venture				
Sasol Dyno Nobel (Pty) Ltd	–	8	–	8
special purpose entities				
The Sasol Inzalo Foundation	–	4	–	4
	73 256	226 425	68 723	224 946
Deferred income				
fellow subsidiaries	4 191	3 522	–	–
Sasol Gas (Pty) Ltd	3 284	2 659	–	–
Sasol Petroleum Temane Limitada	907	863	–	–
joint operations				
Central Termica de Ressano Garcia S.A.	–	2 658	–	–
	4 191	6 180	–	–
	77 447	232 605	68 723	224 946

for the year ended 30 June	Remuneration ¹ R '000	Gains on exercise/vesting of share options, share appreciation rights and long-term incentives ² R '000	Total R '000
2022			
Sasol Financing Limited			
Directors - other services			
Ms B Baijnath ³	7 037	4 094	11 131
Mr BV Griffith ^{3,5}	16 504	11 940	28 444
Mr FC Meyer ³	6 835	5 256	12 091
Mr VD Kahla ³	13 576	9 399	22 975
Total directors remuneration	43 952	30 689	74 641
Prescribed officer			
Mr P Victor ⁴	18 313	–	18 313
Prescribed officer remuneration	18 313	–	18 313
2021			
Sasol Financing Limited			
Directors - other services			
Ms B Baijnath ³	7 814	696	8 510
Mr BV Griffith ^{3,5}	16 542	885	17 427
Mr FC Meyer ³	7 941	706	8 647
Mr VD Kahla ³	15 366	1 326	16 692
Total directors remuneration	47 663	3 613	51 276
Prescribed officer			
Mr P Victor [*]	19 199	2 243	21 442
Prescribed officer remuneration	19 199	2 243	21 442

* Chief Financial Officer of Sasol Limited, thus regarded as prescribed officer.

1 Remuneration includes salary (including post retirement benefits) plus short term incentives.

2 Long-term incentives (LTIs) for the financial year represent the number of units x corporate performance target achieved x average share price for June. Long-term incentives (LTIs) for the 2021 financial year represent the number of units x corporate performance target achieved (2021) x average share price for June 2021.

3 Permanent employee within the Sasol Group, hence full remuneration is disclosed.

4 Mr Victor resigned as a prescribed officer effective 30 June 2022.

5 Mr Griffith is appointed in the USA. Dollar denominated salary and benefits have been converted to ZAR using the monthly average of daily closing exchange rates. ZAR/USD depreciation contributes to increase in year-on-year totals.

All directors and the prescribed officer are permanent employees within the Sasol Group, hence full remuneration is disclosed.

Key management personnel comprises the board of directors and the executive committee of the company. The remuneration of the board of directors have been disclosed separately and has been excluded from key management compensation.

Amounts due to and from related parties are included in the respective notes to the financial statements for those statement of financial position items.

Included in the above amounts are a number of transactions with related parties which are individually insignificant.

26 Subsequent events

On 7 October 2022 Sasol Financing Limited received approval from the JSE Limited in terms of its R15 billion Domestic Medium-Term Note Programme Memorandum ("the Programme"). On 12 October 2022, the company concluded and allocated two tranches to the value of R2,1 billion in the local debt market under the Programme, at 144 and 159 basis points above 3 month Jibar, repayable in July 2025 and July 2027 respectively.

On 27 July 2022 the company subordinated its shareholder loan to its subsidiary (SFIL) of US\$334 million and will not call on the loan until the company is solvent. Subsequently on 1 November 2022, the board of Sasol Financing Limited approved the recapitalisation of SFIL, this will be done through the subscription of no par value B shares by Sasol Financing Limited in the share capital SFIL in exchange for a subscription price totalling R3,5 billion and US\$170 million (or rand equivalent) to be drawn down in tranches at appropriate intervals until the total amount is received by SFIL.

On 12 August 2022, the company settled the outstanding balance of R2,2 billion under the previous R8 billion Domestic Medium-Term Note Programme. On 14 November 2022, Sasol Financing International Limited settled its US\$1 billion bond.

27 Ultimate holding company

The ultimate holding company of Sasol Financing Limited is Sasol Limited, incorporated and domiciled in South Africa.

28 Going concern

Introduction

In determining the appropriate basis of preparation of the annual financial statements, the Directors are required to consider whether the Sasol Financing Group (Group) and Sasol Financing Limited (Company) can continue in operational existence for the foreseeable future.

Financial performance during the year

The financial performance of the Group and Company reflects a loss for the year of R10 429 million (2021: R1 693 million profit) and a loss of R4 819 million (2021: R1 072 million profit), respectively. The decreased profitability in the current year is mainly attributable to losses on hedging activities compared to gains on hedging activities in the previous year. These hedging activities are performed on behalf of the Sasol Limited Group.

Solvency and Liquidity

Solvency

The asset base of the Group and Company comprises mainly cash and cash equivalents, financial assets and loans to Sasol group companies. At 30 June 2022 the Group's and Company's assets indicate that their fair values, after accounting for expected credit losses and impairments, exceed the fair values of liabilities.

As such, the Board is of the view that given the headroom in the fair value of the assets over the fair value of the liabilities (including contingent liabilities), the Group and Company is solvent as at 30 June 2022 and at the date of this report.

Liquidity management

At 30 June 2022, the Group and Company had cash and cash equivalents of R31 693 million (30 June 2021: R20 465 million) and R25 305 million (30 June 2021: R12 389 million), respectively. The Group and Company also had available facilities of R60,3 billion (30 June 2021: R54,7 billion). Increased cash generation, through delivery of the Sasol Group's self-help measures and asset disposals contributed to balance sheet deleveraging and compliance with debt covenant levels at 30 June 2022.

Conclusion

Based on the above, the Directors are therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

29 Financial risk management and financial instruments

Financial instruments overview

The following table summarises the company's classification of financial instruments.

	Note	Group			Company		
		Carrying value		Fair value	Carrying value		Fair value
		At fair value through profit and loss	Amortised cost		At fair value through profit and loss	Amortised cost	
R'000	R'000	R'000	R'000	R'000	R'000		
2022							
Financial assets							
Loans to Sasol group companies**	12	–	57 475 678	57 475 678	–	23 024 357	23 024 357
Other receivables*	13	–	91 527	91 527	–	90 196	90 196
Financial assets	11	159 350	–	159 350	68 335	–	68 335
Cash and cash equivalents*	10	–	31 693 490	31 693 490	–	25 305 413	25 305 413
Financial liabilities							
Listed external debt (Bonds issued)*	20	–	18 553 036	18 412 140	–	2 193 190	2 193 190
Loans and deposits by Sasol group companies**	12	–	53 325 191	53 325 191	–	31 843 618	31 843 618
Financial liabilities	19	6 852 156	31 471	6 883 627	88 268	1 386	89 654
Other payables*	21	–	6 690 751	6 690 751	–	78 901	78 901

	Note	Group			Company		
		Carrying value		Fair value	Carrying value		Fair value
		At fair value through profit and loss	Amortised cost		At fair value through profit and loss	Amortised cost	
R'000	R'000	R'000	R'000	R'000	R'000		
2021							
Financial assets							
Loans to Sasol group companies**	12	–	56 836 980	56 836 980	–	22 266 326	22 266 326
Other receivables*	13	–	149 050	149 050	–	123 050	123 050
Financial assets	11	1 428 433	–	1 428 433	77 714	–	77 714
Cash and cash equivalents*	10	–	20 465 472	20 465 472	–	12 389 113	12 389 113
Financial liabilities							
Listed external debt (Bonds issued)*	20	–	16 511 336	16 883 792	–	2 190 830	2 180 439
Unlisted external debt*	20	–	4 932 961	4 932 961	–	–	–
Loans and deposits by Sasol group companies**	12	–	34 765 201	34 765 201	–	19 171 992	19 171 992
Financial liabilities	19	2 387 928	263 556	2 651 484	22 201	1 579	23 780
Other payables*	21	–	884 825	884 825	–	237 970	237 970

* The fair value of these instruments approximates carrying value due to their short-term nature.

** The fair value of these instruments approximates carrying value due to market related interest rates being charged on these loans.

* Includes unamortised loan costs.

29.1 Financial risk management

The Sasol group is exposed in varying degrees to a number of financial instrument related risks. The Group Executive Committee (GEC) has the overall responsibility for the establishment and oversight of the group's risk management framework. The GEC established the risk and safety, health and environment committee, which is responsible for providing the board with the assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels. A comprehensive risk management process has been developed to continuously monitor and control these risks. Based on the risk management process Sasol refined its hedging policy and the Board appointed a subcommittee, the Audit Committee that meets regularly to review and, if appropriate, approve the implementation of hedging strategies for the effective management of financial market related risks. The Sasol group has a central treasury function that manages the financial risks relating to the group's operations. Sasol Financing is integrated in these risk management processes.

Financing risk

Financing risk refers to the risk that financing of the Sasol group's capital requirements and refinancing of existing borrowings could become more difficult or more costly in the future. This risk can be decreased by achieving the targeted gearing ratio, ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed liquidity levels. The group and company's goals for long-term borrowings include an average time to maturity of at least 2 years, and an even spread of maturities.

Credit rating

On 18 October 2021, S&P affirmed Sasol's BB rating and revised the outlook from negative to positive on the back of significant debt reduction, stronger cash flow generation and liquidity, and restored headroom in its financial profile. The positive outlook reflects the materially increased headroom in Sasol's credit metrics, and the expectation that rating upside could materialise over the next 12 months if Sasol maintains its ratio of Funds From Operations (FFO)/Net debt substantially above 30%.

In April 2022, Moody's affirmed Sasol's rating of Ba2 but changed its outlook to positive from negative, as a direct consequence of the sovereign rating action, Moody's cited that the change in outlook to positive reflects the company's recent strong performance and adherence to the disposal and deleveraging strategy put in place during 2020. The positive outlook reflects Moody's expectation that Sasol's credit metrics will continue to improve supported by high commodity prices and could be upgraded if Sasol's Debt/EBITDA is sustained at 2.5x or below through economic volatility and commodity price cycles, whilst strong liquidity is maintained over the next 12 to 18 months.

Risk profile

Risk management and measurement relating to each of these risks is discussed under the headings below (subcategorised into credit risk, liquidity risk, and market risk) which entails an analysis of the types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the statement of financial position. The Sasol group's objective in using derivative instruments is for hedging purposes to reduce the uncertainty over future cash flows arising from foreign currency, interest rate and commodity price risk exposures.

Credit risk

Credit risk, or the risk of financial loss due to counterparties not meeting their contractual obligations.

How we manage the risk

The risk is managed by the application of credit approvals, limits and monitoring procedures. Where appropriate, the group and company obtain collateral to mitigate risk. Counterparty credit limits are in place and are reviewed and approved continuously. The central treasury function provides credit risk management for the company-wide exposure in respect of a diversified company of banks and other financial institutions. These are evaluated regularly for financial robustness especially in the current global economic environment. Management has evaluated treasury counterparty risk and does not expect any treasury counterparties to fail in meeting their obligations. The credit risk or the risk of financial loss due to intergroup companies not meeting their obligations, is managed at a group level.

For all financial assets measured at amortised cost, the company calculates the expected credit loss based on contractual payment terms of the asset. The contractual payment terms for receivables vary from 30 days to 10 years. The exposure to credit risk is influenced by the individual characteristics and long and short term nature of the counterparty with whom we have transacted. Financial assets at amortised cost are carefully monitored and reviewed on a regular basis for expected credit loss and impairment based on our credit risk policy.

Expected credit loss is calculated as a function of probability of default, loss given default and exposure at default. The group and company allocate probability of default based on the external and internal information. The major portion of the financial assets at amortised cost consist of externally rated customers and the group and company use the average of Moody's, Fitch and S&P Corporate and Sovereign probability of defaults, depending on whether the customer or holder of the financial asset is corporate or government related. For customers or debtors that are not rated by the rating agency, the group and company allocate internal credit ratings and default rates taking into account forward looking information, based on the debtors profile and financial status. Loss given default is based on the Basel model. As a result of the continued economic downturn conditions following COVID-19 related economic restrictions as well as the Russian-Ukrainian conflict, the group and company applied the Board of Governors of the Federal Reserve System's formula for deriving downturn LGD to be used for 2022 and 2021, namely 50% for unsecured financial assets and 40% for secured financial assets. Credit enhancement is only taken into account if it is integral to the asset. The expected credit loss is measured over 12 months when the credit risk is low and over lifetime where the credit risk has increased.

Our exposure to and assessment of the risk

Approximately 74% (2021 - 58%) of the group's turnover and 100% (2021 - 100%) of the company's turnover is generated from revenue within South Africa, while about 26% (2021 - 42%) of the group's and nil% (2021 - nil%) of the company's revenue is generated outside South Africa.

Detail of allowances for credit losses:

	Group		
	Life time R'000	12 months R'000	Expected credit loss R'000
2022			
Inter-company long-term receivables	–	359 128	359 128
Inter-company short-term receivables	–	23 935	23 935
	–	383 063	383 063
	Life time R'000	12 months R'000	Expected credit loss R'000
2021			
Inter-company long-term receivables	–	550 418	550 418
Inter-company short-term receivables	416 733	22 785	439 518
	416 733	573 203	989 936

The expected credit losses relating to cash and cash equivalents are immaterial.

	Company	
	12 months R'000	Expected credit loss R'000
2022		
Inter-company long-term receivables	26 391	26 391
Inter-company short-term receivables	34 462	34 462
	60 853	60 853
	12 months R'000	Expected credit loss R'000
2021		
Inter-company long-term receivables	57 699	57 699
Inter-company short-term receivables	21 814	21 814
	79 513	79 513

The decrease in expected credit losses mainly resulted from the strengthening of the credit risk ratings of receivables and CTRG disposal.

	Group					
	2022			2021		
	AAA to A- %	BBB to B- %	CCC+ and – below %	AAA to A- %	BBB to B- %	CCC+ and – below %
Long-term receivables	75	25	–	–	100	–
Other receivables	3	97	–	–	100	–
Short-term receivables	94	6	–	–	75	25
Cash and cash equivalents	8	92	–	–	100	–

	Company					
	2022			2021		
	AAA to A- %	BBB to B- %	CCC+ and – below %	AAA to A- %	BBB to B- %	CCC+ and – below %
Long-term receivables	100	–	–	100	–	–
Other receivables	–	100	–	98	2	–
Short-term receivables	100	–	–	75	25	–
Cash and cash equivalents	19	81	–	22	78	–

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its obligations as they become due.

The group benefitted from a favourable macroeconomic environment, with a higher crude oil price, refining margins and chemicals prices following heightened geopolitical tensions. This performance was further underpinned by strong cost and capital discipline as we continue to execute our Sasol 2.0 transformation programme.

How we manage the risk

The group and company manage liquidity risk by effectively managing the pooled business unit cash investments and borrowing requirements. Currently the group and company are maintaining a positive cash position. The group and company meet their financing requirements through a mixture of cash generated from its operations and, short- and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The group has sufficient undrawn borrowing facilities, which could be utilised to settle obligations. Refer to note 20. The next material maturity is the \$1 billion (R16 billion) bond due in November 2022. Protection of downside risk for the balance sheet was a key priority for the group during volatile times, resulting in the execution of our hedging programme to address oil price, ethane price and currency exposure, thereby protecting the balance sheet.

Management believes that the company currently has sufficient liquidity to withstand the market volatility in the short-term. Refer to note 28.

Our exposure to and assessment of the risk

The maturity profile of the contractual cash flows of financial instruments at 30 June were as follows:

	Note	Group			
		Contractual cash flows* R '000	Within one year R '000	One to five years R '000	More than five years R '000
2022					
Financial assets					
Non-derivative instruments					
Loans to Sasol group companies	12	64 520 945	12 738 537	40 341 892	11 440 516
Other receivables	13	91 527	91 527	–	–
Cash and cash equivalents	10	31 693 490	31 693 490	–	–
		96 305 962	44 523 554	40 341 892	11 440 516
Derivative instruments					
Foreign exchange contracts**	11	6 606 109	6 606 109	–	–
Crude oil zero cost collars		17 286	17 286	–	–
Foreign exchange zero cost collars	11	73 730	73 730	–	–
		103 003 087	51 220 679	40 341 892	11 440 516
Financial liabilities					
Non-derivative instruments					
External debt***	20	(18 839 490)	(18 839 490)	–	–
Loans and deposits by Sasol group companies	12	(53 325 191)	(53 325 191)	–	–
Other payables	21	(6 690 751)	(6 690 751)	–	–
		(78 855 432)	(78 855 432)	–	–
Financial guarantees¹	19	(3 078 576)	(3 078 576)	–	–
Derivative instruments					
Foreign exchange contracts	19	(6 648 133)	(6 648 133)	–	–
Coal swaps	19	(112 068)	(112 068)	–	–
Crude oil zero cost collars	19	(6 175 840)	(6 175 840)	–	–
Foreign exchange zero cost collars	19	(453 889)	(453 889)	–	–
		(95 323 938)	(95 323 938)	–	–

* Contractual cash flows include interest payments. Where contractual cash flows on maturity are not fixed, the amount disclosed in the maturity analysis is determined by reference to the conditions at year-end (i.e. spot rates and forward curves, where applicable).

** The amount payable or receivable has been based on the estimated forward exchange rates at the settlement date. Forward exchange contracts are settled on a gross basis, while all other derivatives are net settled. For gross settled derivatives, the cash outflow has been included in financial liabilities, while the cash inflow is included in financial assets.

*** The outstanding amount relate to the repayment of the bond and the domestic medium term notes.

1 Issued financial guarantees contracts are all repayable on demand, however the likelihood of default is considered remote. Refer to note 19.

Available facilities at 30 June 2022 amounted to R60 billion, which is sufficient to fund the short fall gap in the foreseeable future.

	Note	Group			
		Contractual cash flows*	Within one year	One to five years	More than five years
		R '000	R '000	R '000	R '000
2021					
Financial assets					
Non-derivative instruments					
Loans to Sasol group companies	12	66 723 533	11 344 499	15 905 899	39 473 135
Other receivables	13	149 050	149 050	–	–
Cash and cash equivalents	10	20 465 472	20 465 472	–	–
		87 338 055	31 959 021	15 905 899	39 473 135
Derivative instruments					
Foreign exchange contracts**	11	6 104 677	6 104 677	–	–
Foreign exchange zero cost collars	11	1 149 226	1 149 226	–	–
Crude oil options	11	45 966	45 966	–	–
Ethane swaps	11	155 527	155 527	–	–
		94 793 451	39 414 417	15 905 899	39 473 135
Financial liabilities					
Non-derivative instruments					
External debt***	20	(22 611 548)	(2 837 812)	(19 773 736)	–
Loans and deposits by Sasol group companies	12	(39 884 455)	(38 207 100)	(1 677 355)	–
Other payables	21	(884 825)	(884 825)	–	–
		(63 380 828)	(41 929 737)	(21 451 091)	–
Financial guarantees¹					
	19	(6 653 496)	(6 653 496)	–	–
Derivative instruments					
Foreign exchange contracts	19	(6 069 057)	(6 069 057)	–	–
Crude oil zero cost collars	19	(1 125 435)	(1 125 435)	–	–
Crude oil put options	19	(45 966)	(45 966)	–	–
Foreign exchange zero cost collars	19	(1 174 427)	(1 174 427)	–	–
		(78 449 209)	(56 998 118)	(21 451 091)	–

* Contractual cash flows include interest payments. Where contractual cash flows on maturity are not fixed, the amount disclosed in the maturity analysis is determined by reference to the conditions at year-end (i.e. spot rates and forward curves, where applicable).

** The amount payable or receivable has been based on the estimated forward exchange rates at the settlement date. Forward exchange contracts are settled on a gross basis, while all other derivatives are net settled. For gross settled derivatives, the cash outflow has been included in financial liabilities, while the cash inflow is included in financial assets.

*** The amounts due in one to five years relate to the repayment of the bond, the revolving credit facility and the domestic medium term notes.

¹ Issued financial guarantees contracts are all repayable on demand, however the likelihood of default is considered remote. Refer to note 19.

	Note	Company			
		Contractual cash flows*	Within one year	One to five years	More than five years
		R '000	R '000	R '000	R '000
2022					
Financial assets					
Non-derivative instruments					
Loans to Sasol group companies	12	24 439 617	16 779 114	7 660 503	–
Other receivables	13	90 196	90 196	–	–
Cash and cash equivalents	10	25 305 413	25 305 413	–	–
		49 835 226	42 174 723	7 660 503	–
Derivative instruments					
Foreign exchange contracts**	11	5 407 075	5 407 075	–	–
		55 242 301	47 581 798	7 660 503	–
Financial liabilities					
Non-derivative instruments					
External debt***	20	(2 193 190)	(2 193 190)	–	–
Loans and deposits by Sasol group companies	12	(31 843 618)	(31 843 618)	–	–
Other payables	21	(78 901)	(78 901)	–	–
		(34 115 709)	(34 115 709)	–	–
Financial guarantees¹	19	(497 689)	(497 689)	–	–
Derivative instruments					
Foreign exchange contracts**	19	(5 427 008)	(5 427 008)	–	–
		(40 040 406)	(40 040 406)	–	–

* Contractual cash flows include interest payments. Where contractual cash flows on maturity are not fixed, the amount disclosed in the maturity analysis is determined by reference to the conditions at year-end (i.e. spot rates and forward curves, where applicable).

** Where a derivative is linked to an index, the amount payable or receivable has been based on the estimated forward exchange rates at the settlement date. Forward exchange contracts are settled on a gross basis, while all other derivatives are net settled. For gross settled derivatives, the cash outflow has been included in financial liabilities, while the cash inflow is included in financial assets.

*** The amounts due in one to five years relate to the repayment of the domestic medium term notes.

¹ Issued financial guarantees contracts are all repayable on demand, however the likelihood of default is considered remote. Refer to note 19.

	Note	Company			
		Contractual cash flows*	Within one year	One to five years	More than five years
		R '000	R '000	R '000	R '000
2021					
Financial assets					
Non-derivative instruments					
Loans to Sasol group companies	12	25 971 492	13 709 070	12 262 422	–
Other receivables	13	123 050	123 050	–	–
Cash and cash equivalents	10	12 389 113	12 389 113	–	–
		38 483 655	26 221 233	12 262 422	–
Derivative instruments					
Foreign exchange contracts**	11	4 410 345	4 410 345	–	–
		42 894 000	30 631 578	12 262 422	–
Financial liabilities					
Non-derivative instruments					
Loans and deposits by Sasol group companies	12	(19 942 706)	(19 942 706)	–	–
External debt***	20	(2 311 542)	(108 256)	(2 203 286)	–
Other payables	21	(237 970)	(237 970)	–	–
		(22 492 218)	(20 288 932)	(2 203 286)	–
Financial guarantees¹	19	1 343 826	1 343 826	–	–
Derivative instruments					
Foreign exchange contracts**	19	(4 354 832)	(4 354 832)	–	–
		(25 503 224)	(23 299 938)	(2 203 286)	–

* Contractual cash flows include interest payments. Where contractual cash flows on maturity are not fixed, the amount disclosed in the maturity analysis is determined by reference to the conditions at year-end (i.e. spot rates and forward curves, where applicable).

** Where a derivative is linked to an index, the amount payable or receivable has been based on the estimated forward exchange rates at the settlement date. Forward exchange contracts are settled on a gross basis, while all other derivatives are net settled. For gross settled derivatives, the cash outflow has been included in financial liabilities, while the cash inflow is included in financial assets.

*** The amounts due in one to five years relate to the repayment of the domestic medium term notes.

1 Issued financial guarantees contracts are all repayable on demand, however the likelihood of default is considered remote. Refer to note 19.

Market risk

Market risk is the risk arising from possible market price movements and their impact on the future cash flows of the business. The market price movements that the group and company are exposed to, include foreign currency exchange rates, commodity prices and interest rates. The Sasol group has developed policies aimed at managing the volatility inherent in these exposures which are discussed in the risks below.

Foreign currency risk

Foreign currency risk is a risk that earnings and cash flows will be affected due to changes in exchange rates. The group and company are exposed to exchange rate fluctuations that have an impact on cash flows and financing activities.

How we manage the risk

The Audit Committee sets broad guidelines in terms of tenor and hedge cover ratios specifically to assess future currency exposure and large forward cover amounts for long periods into the future, which have the potential to materially affect our financial position. These guidelines and our hedging policy are reviewed from time to time. This hedging strategy enables us to better predict cash flows and thus manage our working capital and debt more effectively. Foreign currency risks are managed through the Sasol group's hedging policy and financing policies that direct the selective use of various derivatives.

Our exposure to and assessment of the risk

Zero-cost collars

In line with the risk mitigation strategy, the Sasol group hedges a significant portion of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months. The group uses zero-cost collars to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Foreign exchange contracts

Foreign exchange contracts (FECs) are utilised throughout the group to hedge the risk of currency depreciation on committed and highly probable forecast transactions. Transactions hedged with FECs include capital and goods purchases (imports) and sales (exports). Other transactions hedged include certain intercompany loans which expose the group and company to foreign currency risk.

A number of FECs were entered into during the year and classified as held for trading. FECs are also utilised in the group in cash flow hedge relationships. FECs taken out to hedge exposure to fluctuations in the rand/US\$ exchange rate were held over a total notional amount of USD334 million and EUR70 million at 30 June 2022 (2021 – USD300 million and EUR100 million).

The following significant exchange rates were applied during the year:

	Average rate		Closing rate	
	2022	2021	2022	2021
	Rand	Rand	Rand	Rand
Rand/Euro	17,15	18,38	17,07	16,93
Rand/US dollar	15,21	15,40	16,28	14,28

The exposure of the group's and company's financial assets and liabilities to currency risk is as follows:

	Group			
	2022		2021	
	Euro R '000	US dollar R '000	Euro R '000	US dollar R '000
Cash	2 145 809	2 584 003	1 887 095	103 438
Net exposure on assets	2 145 809	2 584 003	1 887 095	103 438
Exposure on external balances	2 145 809	2 584 003	1 887 095	103 438
Net exposure on balances between group companies	(751 758)	5 405 314	(4 171 975)	4 181 770
Foreign exchange contracts	1 141 297	(5 426 902)	1 714 389	(4 354 669)
Total net exposure	2 535 348	2 562 415	(570 491)	(69 461)

	Company			
	2022		2021	
	Euro R '000	US dollar R '000	Euro R '000	US dollar R '000
Cash	37 917	2 584 002	119 922	103 438
Net exposure on assets	37 917	2 584 002	119 922	103 438
Net exposure on liabilities	-	-	-	-
Exposure on external balances	37 917	2 584 002	119 922	103 438
Net exposure on balances between group companies	(37 917)	5 419 716	(119 922)	4 181 770
Foreign exchange contracts	106	(5 426 902)	163	(4 354 669)
Total net exposure	106	2 576 816	163	(69 461)

Sensitivity analysis

The following sensitivity analysis is provided to show the foreign currency exposure of the group and company at the end of the reporting period. This analysis is prepared based on the statement of financial position balances that exist at year end, for which there is currency risk. The expected effect on the income statement and equity is calculated based on the net balance sheet exposure at the end of the reporting period, after taking into account forward exchange contracts which exist at that point in time. The effect on equity is calculated as the effect on profit and loss. This sensitivity represents the exposure of the group and company at a point in time, based only on recognised balances for which currency risk has been identified.

A 10 percent strengthening of the rand on the group/company's exposure to foreign currency risk at 30 June would have decreased/(increased) either the equity or the income statement by the amounts below before the effect of tax. This analysis assumes that all other variables, in particular interest rates, remain constant and has been performed on the same basis for 2021.

	Group				Company			
	2022		2021		2022		2021	
	Income Equity Statement R '000	Income Statement R '000	Income Equity R '000	Income statement R '000	Income Equity Statement R '000	Income Statement R '000	Income Equity R '000	Income statement R '000
Euro	253 535	253 535	57 049	57 049	11	11	16	16
US dollar	256 242	256 242	6 946	6 946	257 682	257 682	6 946	6 946

A 10 percent weakening in the rand against the above currencies at 30 June would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Foreign exchange contracts

All forward exchange contracts are supported by underlying commitments or transactions.

	Group			
	Contract foreign currency amount thousand	Contract amount – rand equivalent R '000	Average rate of exchange (calculated)	Accumulated fair value (losses)/ gains R '000
2022				
Transactions including commitments which have been contracted for				
Derivative instruments - fair value through profit and loss				
Financial assets				
US dollar (R/US\$)	157 357	2 494 646	15,85	67 969
Financial liabilities				
Euro (US\$/EUR)	70 000	1 141 297	1,07	(20 534)
US dollar (R/US\$)	490 987	7 921 547	16,13	(88 008)
2021				
Transactions including commitments which have been contracted for				
Derivative instruments - fair value through profit and loss				
Financial liabilities				
Euro (US\$/EUR)	100 000	1 714 389	1,20	19 731
US dollar (R/US\$)	16 840	222 097	13,19	(129 175)
Financial assets				
US dollar (R/US\$)	283 160	4 132 572	14,59	73 825

	Company			
	Contract foreign currency amount thousand	Contract amount – rand equivalent R '000	Average rate of exchange (calculated)	Accumulated fair value (losses)/ gains R '000
2022				
Transactions including commitments which have been contracted for				
Derivative instruments - fair value through profit and loss				
Financial assets				
US dollar (R/US\$)	157 357	2 494 646	15,85	67 969
Financial liabilities				
US dollar (R/US\$)	490 987	7 921 547	16,13	(88 008)
2021				
Transactions including commitments which have been contracted for				
Derivative instruments - fair value through profit and loss				
Financial liabilities				
US dollar (R/US\$)	16 840	222 097	13,19	(129 175)
Financial assets				
US dollar (R/US\$)	283 160	4 132 572	14,59	73 825

Interest rate risk

Interest rate risk is the risk that the value of short term investments and financial activities will change as a result of fluctuations in the interest rates.

Fluctuations in interest rates impact on the value of short-term investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk is particularly with reference to changes in South African, European and US interest rates.

How we manage the risk

The debt of the group and company is structured on a combination of fixed and floating rates. The benefits of fixing or capping interest rates on the group and company's various financing activities are considered on a case-by-case and project-by-project basis, taking the specific and overall risk profile into consideration.

In respect of financial assets, the group and company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in short-term investments (less than one year) in order to maintain liquidity, while achieving a satisfactory return for shareholders.

Our exposure to and assessment of the risk

The group and company has exposure to the US dollar London Interbank Overnight Rate (LIBOR) through various instruments, including intercompany loans.

The group and company is still exposed to the 3-month USD LIBOR through loans to and deposits by Sasol group companies.

To the extent possible, the group and company will apply the Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' (Phase 2 amendments). As a result of applying the Phase 2 amendments, when the contractual terms of the group and company's borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the group and company changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments.

The company's subsidiary has a short-term loan payable with Sasol International Insurance DAC amounting to R1 872 million (US\$115 million) and a long-term loan receivable with Sasol Chemicals (USA) LLC amounting to R25 584 million (US\$1 572 million). The loans bear interest at 3-month LIBOR + 1%, repayable in February 2023 and 30 June 2026 respectively, and have not yet transitioned to an alternative interest rate benchmark, however the transitioning will take place by the required implementation date. In line with announcements from the Financial Conduct Authority (FCA), publication of the 3-month LIBOR 3M will continue to be calculated using panel bank submissions until mid-2023.

Effective 15 March 2022, the revolving credit facilities was transitioned to the Secure Overnight Financing Rate (SOFR). The transition also entailed the addition of a fixed credit adjustment spread to the SOFR and new fallback clauses. The fixed credit adjustment spread is based on the rate published by Bloomberg Index Services Limited following the FCA's Cessation Announcement on 5 March 2021.

Throughout 2022, the group and company has continued to make significant progress in repaying variable USD debt, with the revolving credit facility repaid by 30 June 2022.

At the reporting date, the interest rate profile of the group and company's interest-bearing financial instruments was:

	Group Carrying value		Company Carrying value	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Variable rate instruments				
Financial assets	89 169 168	77 302 452	48 329 770	34 655 439
Financial liabilities	(55 518 381)	(39 698 162)	(34 036 808)	(21 362 822)
	33 650 787	37 604 290	14 292 962	13 292 617
Fixed rate instruments				
Financial assets	–	–	–	–
Financial liabilities	(16 359 846)	(14 320 506)	–	–
	(16 359 846)	(14 320 506)	–	–
Interest profile (variable: fixed rate as a percentage of total financial assets)	100:0	100:0	100:0	100:0
Interest profile (variable: fixed rate as a percentage of total financial liabilities)	77:23	73:27	100:0	100:0

Cash flow sensitivity for variable rate instruments

Financial instruments affected by interest rate risk include borrowings, deposits and derivative financial instruments. A change of one percent in the prevailing interest rate in that region at the reporting date would have increased / (decreased) the statement of comprehensive income by the amounts shown below before the effect of tax. The sensitivity analysis has been prepared on the basis that all other variables, in particular foreign currency rates, remain constant and has been performed on the same basis for 2021.

	Group		Company	
	Income statement 1% increase	Income statement 1% decrease	Income statement 1% increase	Income statement 1% decrease
	R '000	R '000	R '000	R '000
30 June 2022	336 508	(336 508)	142 930	(142 930)
30 June 2021	376 043	(376 043)	132 926	(132 926)

Commodity price risk

Commodity price risk is the risk of fluctuations in our earnings as a result of fluctuation in the price of commodities.

How we manage the risk

The company's subsidiary, on behalf of the Group, makes use of derivative instruments, including options and commodity swaps as a means of mitigating price movements and timing risks on crude oil purchases and sales, ethane purchases and export coal sales. The company's subsidiary entered into hedging contracts which provide downside protection against decreases in the ethane price, Brent crude oil price and export coal price.

Our exposure to and assessment of the risk

Refer to summary of derivatives for further detail.

Summary of our derivatives

In the normal course of business, Sasol Financing International Limited, a subsidiary of the company, entered into various derivative transactions to mitigate the Sasol group's exposure to the Rand/US dollar exchange rates, oil price, ethane price and coal price. Derivative financial instruments are entered into over foreign exchange and commodity exposures. Derivative instruments used by the Sasol group in hedging activities include swaps, options, forwards and other similar types of instruments based on foreign exchange rates and the prices of commodities.

Statement of comprehensive income impact

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Financial instruments				
Net (loss)/gain on derivative instruments				
Foreign exchange contracts	(677 037)	1 171 598	(422 205)	1 194 364
Foreign exchange zero cost collars	(1 580 081)	4 027 774	–	–
Crude oil put options	–	(1 871 600)	–	–
Crude oil zero cost collars	(11 351 382)	(1 544 928)	–	–
Crude oil swaps	(5 141 082)	(1 267 239)	–	–
Coal swaps	691 226	–	–	–
Ethane swaps	279 372	680 253	–	–
	(17 778 984)	1 195 858	(422 205)	1 194 364

Statement of financial position impact

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Financial instrument				
Derivative financial assets				
Foreign exchange contracts	68 335	77 714	68 335	77 714
Foreign exchange zero cost collars	73 730	1 149 231	–	–
Crude oil put options	–	45 966	–	–
Crude oil zero cost collars	17 285	–	–	–
Ethane swaps	–	155 527	–	–
	159 350	1 428 438	68 335	77 714
Ethane swaps	–	–	–	–
Foreign exchange contracts	(110 359)	(42 100)	(88 268)	(22 201)
Crude oil put options	–	(45 966)	–	–
Crude oil zero cost collars	(6 175 840)	(1 125 435)	–	–
Coal swaps	(112 068)	–	–	–
Foreign exchange zero cost collars	(453 889)	(1 174 427)	–	–
	(6 852 156)	(2 387 928)	(88 268)	(22 201)

In addition to foreign exchange contracts utilised in normal operating activities, the following derivatives were entered into to mitigate the risks associated with the crude oil price, the Rand/USD exchange rate and the ethane price.

		2022	2021
Rand/US dollar currency - Zero-cost collar instruments			
US\$ exposure	US\$'000	8 300 000	8 200 000
Open positions	US\$'000	4 400 000	2 800 000
Settled	US\$'000	3 900 000	5 400 000
Annual average floor	R/US\$	15,0	14,5
Annual average cap	R/US\$	18,1	17,5
Ethane - Swap options			
Number of barrels	mm bbl	4,0	30,2
Open positions	mm bbl	-	4,0
Settled	mm bbl	4,0	26,2
Average ethane swap price (open positions)	US\$ c/gal	-	23,2
Brent crude oil - Put options			
Premium paid	US\$'000	-	108 000
Number of barrels	million	-	32,5
Open positions-purchased	million	10,0	10,0
Open positions-sold	million	(10,0)	(10,0)
Settled	million	-	32,5
Brent crude oil - Swap options			
Number of barrels - settled during year	million	18,0	18,0
Open positions	million	-	18,0
Settled	million	18,0	-
Export Coal - Swap options			
Number of barrels	tons million	1,4	-
Open positions	tons million	0,4	-
Settled	tons million	1,0	-
Average Coal swap price on open positions	US\$/ton	293,70	-
Brent crude oil - Zero cost collar instruments			
Number of barrels	mm bbl	53,0	29,1
Open positions	mm bbl	29,0	24,0
Settled	mm bbl	24,0	51,1
Annual average floor (open positions)	US\$/bbl	63,3	60,09
Annual average cap (open positions)	US\$/bbl	96,6	71,97

Sensitivity analysis

The fair value of significant derivatives held for trading is impacted by a number of market observable variables at valuation date. The sensitivities provided below reflect the impact on fair value as a result of movements in the significant input variables utilised for valuation purposes:

		Volatility		Ethane price		Brent crude oil price		Rand/US\$	
30 June 2022		+2%	-2%	+USD 2/c/g	-USD 2/c/g	+USD 2/bbl	-USD 2/bbl	+R1/USD*	-R1/USD*
Foreign exchange zero cost collars	R'000							(1 511 028)	1 511 028
Crude oil zero cost collars	R'000					(672 447)	672 447		

		Volatility		Ethane price		Brent crude oil price		Rand/US\$	
30 June 2021		+2%	-2%	+USD 2/c/g	-USD 2/c/g	+USD 2/bbl	-USD 2/bbl	+R1/USD	-R1/USD
Crude oil put options	R'000					(385 313)	385 313		
Ethane swap options	R'000			14 388	(14 388)				
Foreign exchange zero cost collars	R'000	85 685	(85 685)					(1 701 593)	1 701 593
Crude oil zero cost collars	R'000	(29 170)	29 170			(381 688)	381 688		

* No gain or loss will be made if these derivatives are settled at a spot price between the cap and floor. The exchange rate would have to weaken by at least R1,78/US\$, up to the cap of R18,06, before losses are incurred on the derivatives.

29.2 Fair value

Various valuation techniques and assumptions are utilised for the purpose of calculating fair value.

The company does not hold any financial instruments traded in an active market except for the listed long-term debt. Fair value is determined using valuation techniques as outlined below. Where possible, inputs are based on quoted prices and other market determined variables.

Fair value hierarchy

The following table is provided representing the assets and liabilities measured at fair value at reporting date, or for which fair value is disclosed at reporting date.

The calculation of fair value requires various inputs into the valuation methodologies used.

The source of the inputs used affects the reliability and accuracy of the valuations. Significant inputs have been classified into the hierarchical levels in line with IFRS 13, as shown below.

There have been no transfers between levels in the current year. Transfers between levels are considered to have occurred at the date of the event or change in circumstances.

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices that are observable for the asset or liability (directly or indirectly).

Level 3 Inputs for the asset or liability that are unobservable.

Financial instrument	Group		Company		Valuation method	Significant inputs	Fair value hierarchy of inputs
	Fair value 30 June 2022	Fair value 30 June 2021	Fair value 30 June 2022	Fair value 30 June 2021			
Financial assets							
Loans to Sasol group companies	57 475 678	56 836 980	23 024 357	22 266 326	Discounted cash flow	Market related interest rates	Level 3**
Other receivables (excl pre-payments)	787 677	845 200	786 346	819 200	Discounted cash flow	Market related interest rates	Level 3*
Cash and cash equivalents	31 693 490	20 465 472	25 305 413	12 389 113	***	***	Level 1
Financial assets (derivatives)	159 350	1 428 433	68 335	77 714	Forward rate interpolator model, appropriate currency specific discount curve, discounted expected cash flows, numerical approximation	Forward exchange contracted rates, market foreign exchange rates, forward contract rates, market commodity prices, coal prices, crude oil prices, ethane prices	Level 2
Financial liabilities							
Listed external debt ¹	(18 412 140)	(16 883 792)	(2 193 190)	(2 180 439)	Fair valued at quoted market price	Quoted market price for the instrument	Level 1
Unlisted external debt	–	(4 932 961)	–	–	Discounted cash flow	Market related interest rates	Level 3**
Loans and deposits by Sasol group companies	(53 325 191)	(34 765 201)	(31 843 618)	(19 171 992)	Discounted cash flow	Market related interest rates	Level 3**
Other payables	(6 690 751)	(884 825)	(78 901)	(237 970)	Discounted cash flow	Market related interest rates	Level 3*
Financial liabilities - guarantees ²	(31 471)	(263 556)	(1 386)	(1 579)	Expected loss model	Probability of default, WACC and loss given default	Level 3
Financial liabilities - derivative	(6 852 156)	(2 387 928)	(88 268)	(22 201)	Forward rate interpolator model, appropriate currency specific discount curve, discounted expected cash flows, numerical approximation	Forward exchange contracted rates, market foreign exchange rates, forward contract rates, market commodity prices, coal prices, crude oil prices	Level 2

* The fair value of these instruments approximates their carrying value, due to their short-term nature.

** The fair value of these instruments approximates their carrying value, due to market related interest rates being charged on these loans.

*** The carrying value of cash is considered to reflect its fair value.

¹ The fair value of listed debt is based on the quoted market price for the bond.

² Initial fair value is calculated by reference to either the premium received or the expected loss model where three factors are considered: The notional amount of the guarantee, the probability of default and the loss given default. A premium of the weighted average cost of capital is then applied to determine the minimum level of return required. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount initially recognised less cumulative adjustments relating to amortisation; and expected credit loss.

Accounting policies:**Derivative financial instruments and hedging activities**

The group is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. The group uses derivative instruments to hedge its exposure to these risks.

All derivative financial instruments are initially recognised at fair value and are subsequently stated at fair value at the reporting date. Attributable transaction costs are recognised in the income statement when incurred. Resulting gains or losses on derivative instruments, excluding designated and effective hedging instruments, are recognised in the income statement.

To the extent that a derivative instrument has a maturity period of longer than one year, the fair value of these instruments will be reflected as a non-current asset or liability.

Economic hedges

When derivative instruments, including forward exchange contracts, are entered into as fair value hedges, no hedge accounting is applied. All gains and losses on fair value hedges are recognised in the income statement.

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