mondi

Annual report
and accounts 2007

Mondi Limited

Contents

Introduction

The Mondi Limited financial statements have been prepared to comply with the South African Companies Act and the JSE Limited Listings Requirements.

In terms of the dual listed company (DLC) structure incorporating Mondi Limited and Mondi plc, ordinary shareholders of Mondi Limited have economic and voting interests in the Mondi Group, comprising both the Mondi Limited group and the Mondi plc group. The Mondi Group annual report, which has been issued together with this report, provides comprehensive information regarding the financial position and the results of the operations of the Mondi Group, as well as additional information on the matters reported on in this report as it relates to the Mondi Group.

Shareholders interested in the financial results and performance of the Mondi Group are advised to review the Mondi Group annual report which is available at: www.mondigroup.com.

Corporate governance statement

Dual listed company structure

Mondi operates under a dual listed company (DLC) structure, which requires compliance with the corporate and accounting regulations of South Africa and the UK. Mondi Limited and Mondi plc (together 'the Mondi Group' or 'Mondi') have separate corporate identities and separate stock exchange listings. Under the DLC structure, any ordinary share held in either Mondi Limited or Mondi plc gives the holder an effective economic interest in the whole Mondi Group.

Compliance statement

Mondi Limited has complied with the principles contained in the South African King II Code of Corporate Practices and Conduct since 3 July 2007 when it was listed on the Johannesburg Stock Exchange save that Cyril Ramaphosa, the joint chairman, was not considered to be independent upon appointment.

Chairmen and boards of directors

Pursuant to the DLC structure under which Mondi operates, the boards of Mondi Limited and Mondi plc are identical (together the 'Boards'). The Boards manage Mondi as if it were a single unified economic enterprise and, in addition to their duties to the company concerned, have regard to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc in the management of the Mondi Group. The Boards have defined their responsibilities and have clearly defined the matters reserved for decision by the Boards.

As at 31 December 2007 there were eight directors: the joint chairmen, two executive directors and four independent non-executive directors. An additional executive director, Peter Oswald, chief executive officer of the newly created Europe & International division, was appointed on 1 January 2008. This provides a good balance between executive and non-executive directors, with three executives and four independent non-executives (excluding the joint chairmen), resulting in a strong mix of skills and experience.

Directors	Mondi Limited board (3 meetings)
Sir John Parker	3
Cyril Ramaphosa	3
David Hathorn	3
Paul Hollingworth	3
Colin Matthews	2
Imogen Mkhize	3
Anne Quinn	3
David Williams	3

Appointments to the Boards are subject to approval by the Boards as a whole, having first considered the recommendations of the DLC nominations committee, and take place in accordance with a formally adopted nominations process. On appointment each non-executive director receives a letter of appointment setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any DLC committees of which they are a member. Non-executive directors are initially appointed for a three-year term after which, whilst not automatic, their appointment may be extended for a second term subject to mutual agreement and shareholder approval.

Joint chairmen and chief executive officer

Mondi has joint chairmen, Sir John Parker and Cyril Ramaphosa, with the chief executive officer role held separately by David Hathorn. The division of responsibilities between the joint chairmen and the chief executive officer has been clearly defined and approved by the Boards.

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. Whilst Sir John Parker was independent upon appointment, Cyril Ramaphosa was not considered independent upon appointment in view of his existing connection with Mondi as chairman of the Shanduka Group, which has shareholdings in Mondi Shanduka Newsprint (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited. Notwithstanding this, Mondi benefits greatly from his considerable knowledge and experience, particularly of the South African business environment, and the Boards firmly believe that this justifies his appointment.

Senior independent director

David Williams is the senior independent director. His responsibilities include chairing meetings of the non-executive directors at which the performance of the joint chairmen is considered. He is also available to shareholders should they have any concerns that contact through other channels has failed to resolve or for which such contact may be inappropriate.

Board committees

The DLC committees (which are single committees for both Mondi Limited and Mondi plc, acting in the combined interest of both entities), to which the Boards delegate specific areas of responsibility as described below, have authority to make decisions according to their terms of reference. Each committee is empowered, through its terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of its duties.

Membership of each committee is kept under review and, in particular, will be considered when each committee undertakes its annual evaluation, as demonstrated by the recent change to the composition of the DLC nominations committee. Each committee reviews its terms of reference on an annual basis.

DLC audit committee

Members	DLC audit committee (2 meetings)
Colin Matthews	1
Anne Quinn	2
David Williams (Chairman)	2

The DLC audit committee operates on a Group-wide basis. The committee has responsibility, among other things, for monitoring the integrity of the Mondi Group's financial statements and reviewing the results announcements. It oversees the relationship with the external auditors, reviews the effectiveness of the external audit process as well as the objectivity and independence of the external auditors and has established the principles for the use of the external auditors for non-audit services. It also has responsibility for reviewing the effectiveness of the Mondi Group's system of internal controls and risk management systems. An effective internal audit function has been established, which formally collaborates with the external auditors to ensure efficient coverage of internal controls and is responsible for providing independent assurance to the DLC executive committee and Boards on the effectiveness of the Company's risk management process.

The Boards consider that David Williams, who is a chartered accountant and was finance director of Bunzl plc until his recent retirement, has recent and relevant financial experience. In addition, each of the members of the DLC audit committee is an independent non-executive director and has appropriate knowledge and understanding of financial issues.

The DLC audit committee has concluded that it is satisfied that auditor independence and objectivity have been maintained.

DLC nominations committee

Members	DLC nominations committee (2 meetings)
Sir John Parker (Chairman)	2
Cyril Ramaphosa	2
Anne Quinn	2
David Williams	2

Colin Matthews and Imogen Mkhize, both independent non-executive directors, were appointed as additional members of the DLC nominations committee on 17 January 2008.

The DLC nominations committee operates on a Group-wide basis. The committee is responsible for making recommendations to the Boards on the composition of each board and the committees and on retirements and appointments of additional and replacement directors.

DLC remuneration committee

Members	DLC remuneration committee (4 meetings)
Colin Matthews	3
Imogen Mkhize	4
Anne Quinn (Chairman)	4
David Williams	4

The DLC remuneration committee operates on a Group-wide basis. The committee has responsibility for making recommendations to each board on the Mondi Group's policy on remuneration of senior management, for the determination, within agreed terms of reference, of the remuneration of the joint chairmen and of specific remuneration packages for each of the executive directors and members of senior management, including pension rights and any compensation payments. In addition, the committee is responsible for the implementation of employee share plans.

DLC sustainable development committee

Members	DLC sustainable development committee (3 meetings)
Sir John Parker	3
David Hathorn	3
Colin Matthews (Chairman)	3

The DLC sustainable development committee operates on a Group-wide basis. During the period the committee reviewed the Mondi Group's key sustainable development policies, received detailed reports of major incidents within the Mondi Group and monitored the senior management's response to such incidents.

The Mondi sustainability report 2007 on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices has been published simultaneously with this report.

DLC executive committee

The DLC executive committee operates on a Group-wide basis. The committee is chaired by David Hathorn. The DLC executive committee is responsible for the day-to-day management of the Mondi Group and its business operations within the limits set by the Boards, together with policy implementation in line with the Mondi Group's strategy agreed by the Boards.

Risk management and internal control

The DLC executive committee, mandated by the Boards, has established a Group-wide system of internal control to manage Mondi Group risks. This system, which complies with corporate governance codes in South Africa and the UK, supports the Boards in discharging their responsibility for ensuring that the wide range of risks associated with Mondi's diverse international operations is effectively managed.

Risk management

The Board's risk management policy encompasses all significant financial, operational and compliance-related risks which could undermine the Mondi Group's ability to achieve its business objectives.

Whistleblowing programme

The Mondi Group has maintained a whistleblowing programme in almost all operations following the demerger from Anglo American plc.

Dealing in securities

The Boards have adopted a share dealing code for dealing in securities of Mondi Limited and Mondi plc which is based on regulatory and governance best practice. The code sets out the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Mondi Group pending its public release and availability to shareholders and other interested parties.

Business ethics

The Boards have adopted a Code of Business Ethics, which is applied throughout the Mondi Group and sets clear principles for the conduct of the Mondi Group's business activities. The code is available at the Mondi Group's website: www.mondigroup.com.

Report of the directors

The directors present their report and the annual financial statements of Mondi Limited and the Mondi Limited Group for the year ended 31 December 2007.

In the context of this report and the financial statements, the term 'Group' refers to Mondi Limited (also 'the Company') and its subsidiaries, joint ventures and associates.

Nature of business

The Mondi Group is an international paper and packaging group. Its key operations and interests are in western and emerging Europe, Russia and South Africa. It is principally involved in the manufacture of packaging paper, converted packaging products (including corrugated packaging, industrial bags and speciality packaging products) and uncoated fine paper.

Mondi is integrated across the paper and packaging production process from the growing of wood for pulp production and the manufacture of pulp and paper, to the conversion of packaging papers into corrugated packaging. It also has a growing speciality packaging business.

Director details

The following directors remained on the board following the demerger from Anglo American plc and the listing of Mondi Limited on the JSE Limited:

Name of director	Capacity	Effective date of appointment
Cyril Ramaphosa*	Non-executive	3 December 2004
David Hathorn	Executive	7 May 1997

* Cyril Ramaphosa was appointed joint chairman of the Company on 23 May 2007.

The following directors were appointed during the financial year ended 31 December 2007:

Name of director	Capacity	Effective date of appointment
Paul Hollingworth	Executive	23 May 2007
Colin Matthews	Non-executive/Independent	23 May 2007
Imogen Mkhize	Non-executive/Independent	23 May 2007
Sir John Parker	Joint Chairman/ Independent	23 May 2007
Anne Quinn	Non-executive/Independent	23 May 2007
David Williams	Non-executive/Independent	23 May 2007

Peter Oswald was appointed as an executive director on 1 January 2008.

The following directors retired from the board during the year ended 31 December 2007:

Name of director	Capacity	Effective date of resignation
David Barber	Non-executive	12 Feb 2007
John Barton	Non-executive	23 May 2007
Godfrey Gomwe	Chairman	23 May 2007
Günther Hassler	Executive	23 May 2007
Claudia Manning	Non-executive/Independent	23 May 2007
Vivien McMenamin	Executive	23 May 2007
Otto Pichler	Executive	23 May 2007
Theo van Breda	Executive	23 May 2007
Lazarus Zim	Non-executive	14 Feb 2007

Dividends

An interim dividend of 71.73637 cents per ordinary share was declared to shareholders registered on 31 August 2007 and was paid on 17 September 2007.

The directors have proposed a final dividend of 177.37939 cents per ordinary share to shareholders registered on 25 April 2008. The final dividend is subject to the approval of shareholders of Mondi Limited at the annual general meeting scheduled for 7 May 2008 and, if approved, will be paid on 21 May 2008.

Special resolution of subsidiaries

During the year under review, there were no special resolutions lodged.

Interest of directors in contracts

The directors have certified that they were not personally materially interested in any transaction of any significance with the Company or its subsidiaries. Accordingly, a conflict of interest with regards to directors' interest in contracts does not exist.

Share capital

Full details of the Company's share capital can be found in note 27 to the financial statements.

Auditors

Each of the directors of Mondi Limited at the date when this report was approved confirms that:

– so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and

– each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Deloitte & Touche has indicated its willingness to continue as auditors of Mondi Limited. The board has decided that a resolution to reappoint them will be proposed at the annual general meeting of Mondi Limited scheduled to be held on 7 May 2008.

The reappointment of Deloitte & Touche has the support of the DLC audit committee, which will be responsible for determining their audit fee on behalf of the directors.

Annual general meeting

The annual general meeting of Mondi Limited will be held at 12h00 on Wednesday 7 May 2008 at the Hyatt Regency, Johannesburg, at 191 Oxford Road, Rosebank. The notice convening the meeting is being sent with this report. The reports of Mondi Limited and of the Mondi Group are available at the Group's website: www.mondigroup.com

By order of the board

Philip Laubscher

Company Secretary
Mondi Limited

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Melrose Arch 2196
PostNet Suite #444
Private Bag X1
Melrose Arch 2076
Gauteng
Republic of South Africa

27 February 2008

Directors' remuneration
for the year ended 31 December 2007

Executive directors' remuneration

The remuneration of the executive directors who served during the period under review was as follows:

		Base salary	Annual cash bonus	Grant value of BSP share award	Other cash benefits	Other non-cash benefits	Total
David Hathorn	2007	€959,532 (R9,269,079)	€1,375,368 (R13,286,055)	€735,662 (R7,106,495)	€123,282 (R1,190,943)	€14,799 (R142,958)	€3,208,643 (R30,995,490)
	2006	€764,706 (R7,387,060)	€407,206 (R3,933,610)	€407,206 (R3,933,610)	€70,063 (R676,809)	€3,208 (R30,989)	€1,652,389 (R15,962,078)
Paul Hollingworth	2007	€661,765 (R6,392,650)	€692,206 (R6,686,710)	€361,324 (R3,490,390)	€27,000 (R260,820)	€6,562 (R63,389)	€1,748,857 (R16,893,949)
	2006	€353,275 (R3,412,636)	€98,406 (R950,602)	€98,406 (R950,602)	€14,299 (R138,128)	€2,705 (R26,130)	€567,091 (R5,478,098)
Others	2007	R3,306,633	R486,188	–	R496,224	R132,541	R4,421,586

(i) The table covers all remuneration in respect of the years ended 31 December 2007 and 31 December 2006, whether received from Mondi Limited, Mondi plc or companies in the Anglo American group, including remuneration in respect of the period prior to listing on 3 July 2007.
(ii) David Hathorn's salary was increased from €1,066,176 (R10,299,265) to €1,139,706 (R11,009,558) per annum with effect from 1 January 2008 and Paul Hollingworth's salary was increased from €661,765 (R6,392,647) to €735,294 (R7,102,941) with effect from the same date. Peter Oswald's salary with effect from 1 January 2008 is €800,000 (R7,728,000) per annum.
(iii) The table includes the cash element of the retention award of €330,882 (R3,196,320) for Paul Hollingworth and a bonus of €639,706 (R6,169,900) paid to David Hathorn by Anglo American plc.
(iv) The table includes remuneration for the full 2007 calendar year. For the period since listing on 3 July 2007, base salary payments were €533,088 (R5,149,630) (Hathorn) and €330,882 (R3,196,320) (Hollingworth). Other cash benefits were €16,860 (R162,867) (Hathorn) and €13,500 (R130,410) (Hollingworth) and non-cash benefits were €5,958 (R57,554) (Hathorn) and €3,281 (R31,694) (Hollingworth). On a time apportioned basis, the cash bonuses were €367,831 (R3,553,247) (Hathorn) and €511,544 (R4,941,515) (Hollingworth) and the grant value of the BSP share award was €367,831 (R3,553,247) (Hathorn) and €180,662 (R1,745,194) (Hollingworth). Total remuneration for this period was therefore €1,291,568 (R12,475,967) (Hathorn) and €1,039,869 (R10,045,135) (Hollingworth).
(v) David Hathorn also benefited from the vesting of shares under Anglo American plc share schemes on the Mondi Group's demerger from Anglo American plc.
(vi) Paul Hollingworth joined Mondi on 6 June 2006.
(vii) The remuneration paid to the executive directors is in respect of their services to both Mondi Limited and Mondi plc.
(viii) The remuneration listed under the heading 'Others' relates to the total remuneration paid to executive directors who resigned on 23 May 2007 in respect of their services during 2007.

Non-executive directors' remuneration

	Fees	Other benefits	Total
Sir John Parker	€588,235 (R5,682,350)	–	€588,235 (R5,682,350)
Cyril Ramaphosa	€283,088 (R2,734,630)	–	€283,088 (R2,734,630)
Colin Matthews	€124,265 (R1,200,400)	–	€124,265 (R1,200,400)
Imogen Mkhize	€69,583 (R672,172)	–	€69,583 (R672,172)
Anne Quinn	€126,471 (R1,221,710)	–	€126,471 (R1,221,710)
David Williams	€135,110 (R1,305,163)	–	€135,110 (R1,305,163)
Others	R35,500	–	R35,500

(i) The remuneration paid to non-executive directors refers to their appointments to both Mondi Limited and Mondi plc. As their obligations are to the Mondi Group as a whole the remuneration is viewed as a Mondi Group cost and not split between the two companies, with individual directors being taxed in the different jurisdictions in accordance with tax directives obtained from the relevant taxing authorities.
(ii) Sir John Parker received €368,778 (R3,562,395) in respect of the period from his appointment to the Boards in May 2007. The balance of €219,457 (R2,119,955) relates to his services as a consultant to Mondi Investments Limited (formerly Anglo Mondi Investments Limited) during the period from 1 January 2007 up to appointment to the Boards. The fee paid to Sir John was capped at €588,235 (R5,682,350) in agreement with him.
(iii) David Williams received €76,400 (R738,024) in respect of the period from his appointment to the Boards in May 2007. The balance of €58,710 (R567,138) relates to his services as consultant to Mondi Investments Limited (formerly Anglo Mondi Investments Limited) during the period up to his appointment to the Boards.
(iv) The fees paid to Colin Matthews and Anne Quinn include in each case a sum of €58,824 (R568,240) in respect of their preparatory work during the period up to their appointment to the Boards.
(v) The remuneration listed under the heading 'Others' relates to the total remuneration paid to non-executive directors who resigned on 23 May 2007.

Directors' remuneration
continued

Pension contributions in respect of executive directors

David Hathorn and Paul Hollingworth both participate in defined contribution pension schemes under arrangements established by the Mondi Group. The contributions payable by the Group in respect of the years 2007 and 2006 are:

Group contribution	2007	2006
David Hathorn	€287,685 (R2,779,037)	€210,294 (R2,031,440)
Paul Hollingworth	€165,441 (R1,598,160)	€88,235 (R852,350)

Share awards granted to executive directors

The following table sets out the share awards granted to the executive directors under the BSP and LTIP, the transitional share award granted to David Hathorn, the award granted to David Hathorn under his Co-Investment Plan and the retention share award granted to Paul Hollingworth.

Mondi Limited

	Type of award	Awards held as at 1 January 2007	Awards granted during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2007	Release date
David Hathorn	LTIP	–	84,336	6423	August 2007	84,336	March 2010

Mondi plc

	Type of award	Awards held on appointment to the Boards	Awards granted during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2007	Release date
David Hathorn	BSP	–	59,677	464	August 2007	59,677	March 2010
	LTIP	–	191,407	464	August 2007	191,407	March 2010
	Transitional	–	152,017	464	August 2007	152,017	March 2009
	Co-Investment	–	538,795	464	August 2007	538,795	August 2011
Paul Hollingworth	BSP	–	14,422	464	August 2007	14,422	March 2010
	LTIP	–	116,308	464	August 2007	116,308	March 2010
	Retention	–	63,039	464	August 2007	63,039	July 2008
	Retention	–	63,039	464	August 2007	63,039	July 2009

(i) Awards under the LTIP and the Co-Investment Plan are subject to performance conditions.
(ii) The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 5.

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the Johannesburg Stock Exchange on 31 December 2007 was R64.50 and the range of closing prices during the period between Listing on 3 July 2007 and 31 December 2007 was R58.48 (low) to R70.25 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2007 was £4.25 and the range of closing prices during the period between Listing on 3 July 2007 and 31 December 2007 was £3.67 (low) to £4.90 (high).

Directors' beneficial share interests

The beneficial share interests of the directors and their connected persons as at 1 January 2007 or, if later, on appointment, and as at 31 December 2007 were as follows:

Mondi Limited

	Ordinary shares held as at 1 January 2007	Ordinary shares held as at 31 December 2007
David Hathorn	–	1,066

Mondi plc

	Ordinary shares held on appointment to the Boards	Ordinary shares held as at 31 December 2007
Sir John Parker	–	11,750
Cyril Ramaphosa	–	7,050
David Hathorn	–	273,086
Paul Hollingworth	–	100,000
Colin Matthews	–	5,825
Imogen Mkhize	–	–
Anne Quinn	–	9,401
David Williams	–	5,000

Directors' responsibility statement

The directors are responsible for preparing the Company's financial statements and the Group's consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year giving a true and fair view of the Company's and Group's state of affairs at the end of the year and profit and loss for the year. The directors have prepared the Company's financial statements and the Group's consolidated financial statements in accordance with the Companies Act of South Africa and in compliance with International Financial Reporting Standards (IFRS).

In preparing these financial statements, the directors are required to:

- ensure that suitable accounting policies are consistently applied;
- make judgments that are reasonable and prudent;
- ensure that the consolidated financial statements comply with IFRS, and with regard to the Mondi Limited financial statements that the applicable South African accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with the above requirements in preparing both the consolidated financial statements of the Group and those of Mondi Limited. Furthermore, the directors believe that adequate resources exist for Mondi Limited and every company within the Group to continue on a going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group on a consolidated basis and Mondi Limited on an individual basis and to enable them to ensure compliance with the Companies Act of South Africa and comply with IFRSs. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements were approved by the board of directors and are signed on its behalf by:

David Hathorn
Chief Executive Officer

Paul Hollingworth
Chief Financial Officer

Compliance statement by the company secretary

The company secretary, Philip Laubscher, certifies that Mondi Limited has lodged with the Registrar of Companies all such returns as are required for a public company in terms of section 268G(d) of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date in respect of the financial year reported upon.

Philip Laubscher

Company Secretary
Johannesburg
27 February 2008

Report of independent auditors

To the members of Mondi Limited

Report on the financial statements

We have audited the annual financial statements and Group annual financial statements of Mondi Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of recognised income and expense and the consolidated statement of recognised income and expense, the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and explanatory notes 2 to 40.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Emphasis of matter

Without qualifying our opinion above we draw your attention to note 1 and the comments on page 1, which refer to the basis of preparation of the annual financial statements and more specifically the fact that the sharing agreement resultant from the dual listing agreement has been ignored for the purposes of these annual financial statements.

Deloitte & Touche
Audit KZN
Registered Auditors
Per CA Sagar
Partner – Audit KZN

2 Pencarrow Crescent
La Lucia Ridge Office Estate
Durban
4001

27 February 2008

Income statements
for the year ended 31 December 2007

		Group		Company	
R million	Note	**2007**	2006	**2007**	2006
Group revenue	2	**10,058**	8,758	**5,662**	5,091
Materials, energy and consumables		(4,471)	(4,009)	(2,672)	(2,556)
Variable selling expenses		(1,448)	(1,372)	(974)	(906)
Gross margin		**4,139**	3,377	**2,016**	1,629
Maintenance and other indirect expenses		(510)	(487)	(255)	(279)
Personnel costs		(1,423)	(1,317)	(595)	(627)
Other net operating expenses		(392)	(287)	(109)	(89)
Depreciation and amortisation		(628)	(540)	(413)	(412)
Operating special items	4	(50)	–	(51)	–
Operating profit	2,3	**1,136**	746	**593**	222
Net (loss)/profit on disposals	4	(22)	–	141	(46)
Net income/(loss) from associates	14	5	(1)	–	–
Total profit from operations and associates		**1,119**	745	**734**	176
Investment income		189	200	222	318
Interest expense		(520)	(577)	(216)	(393)
Financing special item	4	(271)	–	(271)	–
Net finance costs	5	**(602)**	(377)	**(265)**	(75)
Profit before taxation		**517**	368	**469**	101
Taxation charge	6	(180)	(97)	(137)	(46)
Profit from continuing operations		**337**	271	**332**	55
Attributable to:					
Minority interests		**51**	76	**–**	–
Equity holders		**286**	195	**332**	55
Pro forma earnings per share (EPS) for profit attributable to equity holders					
Basic EPS (R cents)	8	**194.7**	132.7		
Diluted EPS (R cents)	8	**194.4**	132.7		
Basic underlying EPS (R cents)	8	**392.1**	132.7		
Diluted underlying EPS (R cents)	8	**391.5**	132.7		
Basic headline EPS (R cents)	8	**223.3**	126.6		
Diluted headline EPS (R cents)	8	**222.9**	126.6		

There were no discontinued operations in either of the years presented.

Balance sheets
as at 31 December 2007

R million	Note	Group 2007	Group 2006	Company 2007	Company 2006[1]
Intangible assets	9	806	236	–	–
Property, plant and equipment	10	8,337	7,791	6,492	6,661
Forestry assets	11	2,250	2,038	1,779	1,578
Investment in subsidiaries	12	–	–	600	141
Investment in joint venture	13	–	–	128	128
Investments in associates	14	31	33	–	–
Financial asset investments	15	60	175	122	20
Deferred tax assets	23	78	92	–	–
Retirement benefits surplus	24	75	45	72	42
Total non-current assets		**11,637**	10,410	**9,193**	8,570
Inventories	16	1,195	1,084	573	648
Trade and other receivables	17	2,408	2,220	1,430	1,457
Current tax assets		38	36	36	36
Investment in subsidiaries	12	–	–	65	777
Investment in joint venture	13	–	–	–	330
Financial asset investments	15	–	–	43	–
Cash and cash equivalents	18	260	436	12	103
Derivative financial instruments	18,21	4	6	2	1
Total current assets		**3,905**	3,782	**2,161**	3,352
Assets held for sale	31	–	204	–	12
Total assets		**15,542**	14,396	**11,354**	11,934
Short-term borrowings	20	(1,291)	(406)	(697)	(293)
Trade and other payables	19	(1,390)	(1,105)	(716)	(619)
Current tax liabilities		(22)	(15)	–	–
Provisions	22	(3)	(23)	–	(17)
Derivative financial instruments	21	(3)	(5)	(1)	–
Total current liabilities		**(2,709)**	(1,554)	**(1,414)**	(929)
Medium and long-term borrowings	20	(3,388)	(2,594)	(682)	(1,007)
Retirement benefits obligation	24	(709)	(696)	(663)	(647)
Deferred tax liabilities	23	(1,414)	(1,277)	(1,215)	(1,087)
Provisions	22	(65)	(47)	(35)	(36)
Total non-current liabilities		**(5,576)**	(4,614)	**(2,595)**	(2,777)
Liabilities directly associated with assets classified as held for sale	31	–	(178)	–	(34)
Total liabilities		**(8,285)**	(6,346)	**(4,009)**	(3,740)
Net assets		**7,257**	8,050	**7,345**	8,194
Equity					
Ordinary share capital	25,27	103	3	103	3
Share premium	25,27	5,073	4,168	5,073	4,168
Retained earnings and other reserves	25	1,824	3,679	2,169	4,023
Total attributable to equity holders		**7,000**	7,850	**7,345**	8,194
Minority interests		257	200	–	–
		7,257	8,050	**7,345**	8,194

1 Restated due to the early adoption of IFRIC 14.

Cash flow statements
for the year ended 31 December 2007

R million	Note	Group 2007	Group 2006	Company 2007	Company 2006
Cash inflows from operations	32a	1,597	1,322	1,009	574
Dividends from associates	14	1	–	–	–
Dividends from subsidiaries		–	–	6	45
Income tax paid		(36)	(17)	(10)	–
Net cash inflows generated from operating activities		**1,562**	1,305	**1,005**	619
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash and cash equivalents	29	(670)	(4)	–	(51)
Investment in associates		(1)	(24)	–	–
Proceeds from the disposal of subsidiaries, net of cash and cash equivalents	30	137	139	163	139
Purchases of property, plant and equipment		(739)	(891)	(245)	(629)
Proceeds from the disposal of property, plant and equipment		22	21	10	15
Investment in forestry assets		(398)	(432)	(317)	(332)
Purchases of financial asset investments		(10)	–	–	–
Proceeds from the disposal of forestry assets		8	8	6	8
Loan repayments from related parties		139	105	553	101
Interest received		60	91	105	173
Other investing activities		(3)	(12)	(9)	–
Net cash flows from investing activities		**(1,455)**	(999)	**266**	(576)
Cash flows from financing activities					
Proceeds from/(repayment of) short-term borrowings	32c	131	(3,972)	(141)	(3,991)
Proceeds from/(repayment of) medium and long-term borrowings	32c	926	6	(147)	–
Interest paid		(397)	(503)	(129)	(335)
Financing special item	4	(271)	–	(271)	–
Dividends paid to minority interests		–	(15)	–	–
Dividends paid to equity holders	8,25	(105)	–	(105)	–
Dividends paid to Anglo American plc group of companies	25	(1,914)	(159)	(1,914)	(159)
Shares issued to Anglo American plc group of companies	25	1,005	2,600	1,005	2,600
Other financing activities		–	(24)	–	–
Net cash used in financing activities		**(625)**	(2,067)	**(1,702)**	(1,885)
Net decrease in cash and cash equivalents		**(518)**	(1,761)	**(431)**	(1,842)
Cash and cash equivalents at start of year[1]		436	2,212	103	1,945
Cash movement in the year	32c	(518)	(1,761)	(431)	(1,842)
Transferred to disposal groups	32c	–	(15)	–	–
Reclassifications	32c	(27)	–	–	–
Cash and cash equivalents at end of year[1]		**(109)**	436	**(328)**	103

1 'Cash and cash equivalents' includes overdrafts and cash flows from disposal groups and is reconciled to the balance sheet in note 32b.

Statements of recognised income and expense
for the year ended 31 December 2007

R million	Group 2007	Group 2006	Company 2007	Company 2006[2]
Fair value gains accreted on cash flow hedges, net of amounts recycled to the income statement	–	2	–	2
Actuarial gains on post-retirement benefit schemes[1]	52	1	4	101
Total gain recognised directly in equity	**52**	3	**4**	103
Profit for the year	337	271	332	55
Total recognised income and expense for the year	**389**	274	**336**	158
Attributable to:				
Minority interests	**51**	76	**–**	–
Equity holders	**338**	198	**336**	158

1 Net of related tax.
2 Restated due to the early adoption of IFRIC 14.

Notes to the financial statements and consolidated financial statements

1 Accounting policies

Basis of preparation

The financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). These financial statements should be read in conjunction with the Mondi Group's dual listed company (DLC) combined and consolidated financial statements.

Dual listed structure
With effect from 3 July 2007 the Mondi Group demerged from Anglo American plc and the DLC was commenced in terms of a sharing agreement, the details of which were set out in the Prospectus, with Mondi plc and its shareholders. The effects of this sharing agreement and the DLC have been ignored for the purpose of preparing these South African silo financial statements which have been prepared to comply with the South African Companies Act of 1973.

Basis of consolidation

Subsidiary undertakings
The consolidated financial statements incorporate the assets, liabilities, equity, revenues, expenses and cash flows of Mondi Limited, and of its respective subsidiary undertakings drawn up to 31 December each year. All intra-group balances, transactions, income and expenses are eliminated in full. Subsidiary undertakings are those entities over which the Company has the power, directly or indirectly, to govern operating and financial policy in order to gain economic benefits.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated income statement from the effective date of gaining control or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into alignment with those used by the Group.

The interest of minority shareholders is initially stated as the minority's proportion of the fair values of the assets and liabilities recognised on acquisition. Subsequently, any losses applicable to the minority interest in excess of the minority interest's capital are allocated against the interests of the Company. Should future profits accrue to any such loss-making entity, the Group will recover the losses incurred on behalf of the minority interest. Once the losses are fully recovered, future profits will become allocable to the minority interest concerned.

The Company's investments in subsidiaries and joint ventures are reflected at cost less amounts written off and provisions for any impairments.

Associates
Associates are investments over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Typically, the Group owns between 20% and 50% of the voting equity of its associates. Investments in associates are accounted for using the equity method of accounting except when classified as held for sale.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Where the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition exceeds the cost of the acquisition, the surplus, which represents the discount on the acquisition, is credited to the income statement in the year of acquisition.

The Group's share of associates' profit or loss, presented net of tax, is based on financial statements drawn up to reporting dates that are either coterminous with that of the Group's or no more than three months prior to that date. Where reporting dates are not coterminous, adjustments are made to an associate's profit or loss for the effects of significant transactions or events that occur after the associate's reporting date.

The total carrying values of investments in associates represent the cost of each investment including the carrying value of goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long-term debt interests which in substance form part of the Group's net investment. The carrying values of associates are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the year in which those circumstances are identified. The Group's share of an associate's losses in excess of its interest in that associate is not recognised unless the Group has an obligation to fund such losses.

Joint venture entities
A joint venture entity is an entity in which the Group holds a long-term interest and shares joint control over the strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

The Group's share of the assets, liabilities, income, expenditure and cash flows of jointly controlled entities are accounted for using proportionate consolidation. Proportionate consolidation combines the Group's share of the results of the joint venture entity on a line-by-line basis with similar items in the Group's financial statements.

Revenue recognition

Sale of goods
Revenue is derived principally from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have passed. This is when title and insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location.

Interest income
Interest income which is derived from cash and cash equivalents, available for sale investments and loans and receivables is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Operating profit

Operating profit is stated after charging restructuring costs but before the share of results of associates, investment income and finance costs.

Business combinations and goodwill arising thereon

Identifiable net assets
At the date of acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint venture or an associate, which can be measured reliably, are recorded at their provisional fair values. Provisional fair values are finalised within 12 months of the acquisition date.

Cost of a business combination
The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs are also included in the cost of a business combination.

Goodwill
Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Goodwill in respect of subsidiaries and joint ventures is included within intangible fixed assets. Goodwill relating to associates is included within the carrying value of associates.

Notes to the financial statements and consolidated financial statements

1 Accounting policies (continued)

Where the fair values of the identifiable net assets acquired exceed the cost of the acquisition, the surplus, which represents the discount on the acquisition ('negative goodwill'), is credited to the income statement in the year of acquisition.

For non-wholly owned subsidiaries, minority interests are initially recorded at the minorities' proportion of the fair values for the assets and liabilities recognised at acquisition.

Impairment of goodwill
Goodwill arising on business combinations is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the board for internal management purposes. The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when such events or changes in circumstances indicate that it may be impaired.

Any impairment is recognised immediately in the income statement. Impairments of goodwill are not subsequently reversed.

Non-current non-financial assets excluding goodwill, deferred tax and retirement benefit-surplus

Property, plant and equipment
Property, plant and equipment comprises land and buildings, property, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes all costs incurred in bringing the plant to the location and condition for its intended use and includes financing costs, up to the date of commissioning.

Depreciation is charged so as to write off the cost of assets, other than land, and assets in the course of construction, over their estimated useful lives.

Assets in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated down to their residual values at varying rates, on a straight-line basis over their estimated useful lives. Estimated useful lives normally vary between three years and twenty years for items of plant and equipment to a maximum of fifty years for buildings.

Residual values and useful economic lives are reviewed at least annually.

Assets held under finance leases are capitalised at the lower of cash cost and the present value of minimum lease payments at the inception of the lease. These assets are depreciated over the shorter of the lease term and the expected useful lives of the assets.

Borrowing costs
Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the construction period.

Licences and other intangibles
Licences and other intangibles are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and ten years. Research expenditure is written off in the year in which it is incurred.

Impairment of tangible and intangible assets excluding goodwill
At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the asset, or cash-generating unit, is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows generated by the asset are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment is recognised immediately as an expense. Where an impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the income statement immediately.

Owned forestry assets
Owned forestry assets are measured at fair value. The fair value is calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The estimated volume of timber on hand is calculated by applying the mean annual increment for each age class, by species, to the area under afforestation. The product of these is then adjusted to present value by applying a current market determined post-tax discount rate. Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Plantations are considered harvestable after a specific age depending on the species planted and regional considerations.

Changes in fair value are recognised in the income statement within 'other net operating expenses'. At point of felling, the carrying value of forestry assets is transferred to inventory.

Directly attributable costs incurred during the year of biological growth are capitalised and presented within cash flows from investing activities in the cash flow statement.

Non-current assets held for sale and discontinued operations
Non-current assets, and disposal groups, classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets, and disposal groups, are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when it is highly probable and the asset, or disposal group, is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment is reported through the income statement as a special item. On classification as held for sale, the assets are no longer depreciated. Comparative amounts are not adjusted.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that have been sold or are part of a single co-ordinated plan for disposal, or represent a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated.

Current non-financial assets

Inventory
Inventory and work-in-progress are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out ('FIFO') basis. Cost comprises direct materials and overheads that have been incurred in bringing the inventories to their present location and condition.

Retirement benefits

The Group operates both defined benefit and defined contribution schemes for its employees, as well as post-retirement medical plans.

Defined contribution plans
For defined contribution schemes, the amount charged to the income statement is the contributions paid or payable during the year.

Defined benefit and post-retirement medical plans
For defined benefit pension and post-retirement medical plans, full actuarial valuations are carried out every three years using the projected unit credit method and updates are performed for each financial year end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds of a suitable duration and currency. Pension plans' assets are measured using year end market values.

The Company and Group have adopted the amendment to IAS 19, 'Employee Benefits' and as such actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of recognised income and expense. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The expected return on plan assets and the expected increase during the year in the present value of plan liabilities are included in investment income and interest expense respectively.

Past service cost is recognised immediately to the extent that the benefits are already vested or is amortised on a straight-line basis over the period until the benefits become vested.

The retirement benefits obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset ('retirement benefits surplus') resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the relevant Company and Group's schemes.

Taxation

The tax expense represents the sum of the current tax charge, the movement in deferred tax and Secondary Taxation on Companies (STC).

Current taxation
The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's and Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The Company and Group pays STC on dividends declared net of dividends received based on the applicable STC rate.

Deferred taxation
Deferred tax is the Company's and Group's tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's and Group's financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Company and Group are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company and Group intend to settle their current tax assets and liabilities on a net basis.

Leases

Operating leases
Rental costs under operating leases are charged to the income statement in equal annual amounts over the lease term.

Finance leases
Assets held under finance leases are recognised as assets of the Company and Group on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is charged against profit or loss so as to produce a constant yearly rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Company's and Group's general policy on borrowing costs.

Provisions

Provisions are recognised when the Company and Group have a present obligation as a result of a past event, and it is probable that the Company and Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Notes to the financial statements and consolidated financial statements

1 Accounting policies (continued)

Foreign currency transactions

Foreign currency transactions
Foreign currency transactions by companies comprising the Group are recorded in their functional currencies (rands) at the exchange rates ruling on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit or loss for the year and are classified as either operating or financing depending on the nature of the monetary items giving rise to them.

Share-based payments

The Company and Group operate a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions where applicable. Service and non-market vesting conditions are included in assumptions about the number of share awards that are expected to vest. At each balance sheet date, the Company and Group revise its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's and Group's balance sheet when it becomes party to the contractual provisions of an instrument.

Financial asset investments
Investments, other than investments in subsidiaries, joint ventures and associates, are either classified as available for sale or loans and receivables. Available for sale investments are initially recorded at fair value. They are subsequently remeasured at each reporting date at fair value. Any unrealised gains and losses are recognised in equity until an investment is disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement. Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. Cash and cash equivalents in the cash flow statement and in the presentation of net debt are reflected net of overdrafts.

Trade receivables
Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method less allowance for any impairment as appropriate. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows, where the time value of money has a material impact discounted at the effective interest rate computed at initial recognition.

Trade payables
Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Bank borrowings
Interest bearing bank loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method.

Net debt
Net debt is a non-GAAP measure and consists of short-term and medium-term borrowings, bank overdrafts less cash and cash equivalents and current financial asset investments.

Derivative financial instruments and hedge accounting

The Company and Group enter into forward exchange contracts in order to hedge their exposure to foreign exchange risk. The Company or Group do not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value in the balance sheet within 'Derivative financial instruments', and, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative. Derivatives that are not designated as hedges are classified as current, in accordance with IAS 1, 'Presentation of Financial Statements', even when their actual maturity is expected to be greater than one year.

Changes in the fair value of any derivative instruments that are not formally designated in hedge relationships are recognised immediately in the income statement and are classified within 'Operating profit' or 'Net finance costs' depending on the type of risk the derivative relates to.

Cash flow hedges
The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or non-financial liability, amounts deferred in equity are recognised in the income statement in the same year in which the hedged item affects profit or loss on a proportionate basis.

Fair value hedges
For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from remeasuring the associated derivative are also recognised in profit or loss.

Ineffective, expired, sold, terminated or exercised hedging instruments
Hedge accounting is discontinued when the hedging relationship is revoked or hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included immediately in the income statement.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the income statement.

Equity instruments, own shares and dividend payments

Equity instruments
An equity instrument is any contract which evidences a residual interest in the net assets of an entity. A financial instrument is treated by the Company and Group as equity if:

– there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on unfavourable terms; and

– the instrument is either a non-derivative which contains no contractual obligation to deliver a variable number of shares, or is a derivative which will be settled only by the Company or Group exchanging a fixed amount of cash or other financial assets, for a fixed number of its own equity instruments.

Share issue costs
Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of applicable tax, from the proceeds. An incremental share issue cost is one which would not have arisen if shares had not been issued.

Treasury shares
The purchase by any Group entity of the Company's equity instruments results in the recognition of treasury shares. The consideration paid is deducted from equity. Where such treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of the Company, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments
Dividend distributions to the Company's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by the Company's ordinary equity holders at its annual general meeting and interim dividends are recognised when approved by the board.

Special items

Special items are those items of financial performance that the Company and Group believe should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items are material by nature or amount to the financial period's/year's results and require separate disclosure in accordance with IAS 1. Special items that relate to the operating performance of the Company and the Group are classified as special operating items and include impairment charges and reversals of impairments and other items including material restructuring costs. Non-operating special items include profits and losses on disposals of investments in subsidiaries, associates and joint ventures.

Pro forma earnings per share (EPS)

Basic EPS
Basic EPS is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year. For this purpose, net profit is defined as the profit after tax and special items attributable to equity holders.

Diluted EPS
For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net EPS.

Underlying and headline EPS
Underlying EPS excludes the impact of special items and is a non-GAAP measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the JSE Listing Requirements and is not necessarily a measure of sustainable earnings. It is calculated in accordance with Circular 8/2007, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Segmental reporting

The Group's primary segmental information is presented for business segments as this reflects the dominant source and nature of the Group's risks and returns and the manner in which the Group's internal organisational and management structure operates.

New accounting policies, early adoption and future requirements

Standards, amendments to published Standards and Interpretations effective during 2007
IFRS 7, 'Financial Instruments: Disclosures', is a disclosure-based Standard and does not require any modification of the recognition and measurement principles applied to financial instruments. Consequently, IFRS 7 has had no impact on reported earnings or equity for the years presented. In accordance with the transitional provisions of IFRS 7, the Company and Group have introduced certain comparatives that report their financial performance, financial position and financial risk management policies and practices. Disclosure is made in note 37.

IAS 1 has been consequentially amended upon the introduction of IFRS 7 and now requires the Company and Group to disclose their definitions of, and the principal objectives and means by which they manage, capital, including any regulatory compliance requirements. Disclosure is made in note 36.

IFRIC 10, 'Interim financial reporting and impairment', is effective for annual periods beginning on or after 1 November 2006. The Interpretation prohibits impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets held at cost to be reversed at a subsequent balance sheet date. The interpretation has had no impact on the Company's or Group's financial statements in the years presented.

Standard effective during 2007, but not relevant to the Company or Group
IFRS 4, 'Insurance Contracts', has been consequentially amended upon the introduction of IFRS 7.

Interpretations early adopted by the Company and Group
IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', is retrospectively effective for annual accounting periods beginning on or after 1 March 2007. The Company has elected to adopt this interpretation early. IFRIC 11 clarifies that the purchase by an entity of its own equity instruments, in settlement of awards made to employees for the fair value of their services, falls to be treated as an equity-settled transaction. The Company has applied this aspect of the Interpretation in full. The guidance contained in IFRIC 11 on the appropriate accounting treatment for Group entities that participate in a group-wide share-based scheme has no impact on the Group's financial statements.

IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', is retrospectively effective for annual accounting periods beginning on or after 1 January 2008. It provides interpretive guidance on the recognition of a defined benefit asset, whether derived from an unconditional right to plan refunds or from the availability of contribution reductions, as constrained by the existence of any minimum funding requirements, or a combination of the two. The Company and Group have early adopted IFRIC 14.

1 Accounting policies (continued)

The availability of a retirement benefit surplus was limited prior to 31 December 2006. As a result, there was no impact on the surplus restriction at 1 January 2006. However, in line with the transitional provisions of IFRIC 14, the Company and Group have retrospectively increased its surplus restriction during the year ended 31 December 2006. The consequential decrease in net assets of R215 million for the Group and R173 million for the Company have been recognised. The Group's and Company's retirement benefit surplus presented as at the same date have decreased from R260 million to R45 million and R215 million to R42 million respectively. The Group's reported earnings are unaffected by this adjustment and there is therefore no impact on the Group's reported EPS.

Standards, amendments to Standards and Interpretations that are not yet effective and have not been early adopted by the Company or Group.

IFRS 8, 'Operating Segments', is effective for annual accounting periods beginning on or after 1 January 2009. The Group has elected not to early adopt IFRS 8 and will assess its expected impact on the future presentation of the Group's segmental results, assets and liabilities during the year ended 31 December 2008.

IAS 23, 'Borrowing Costs', has been amended such that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset may no longer be expensed. The amendment is effective for annual accounting periods beginning on or after 1 January 2009. The Company's and Group's accounting policy already stipulates that such borrowing costs are capitalised as part of the cost of a qualifying asset and, consequently, this amendment is expected to have no impact on the Company's and Group's financial statements.

IFRIC 12, 'Service Concession Arrangements', effective for annual accounting periods beginning on or after 1 January 2008, applies solely to public-to-private sector concessions and will therefore have no impact on the Company's and Group's financial statements.

IFRIC 13, 'Customer Loyalty Programmes', is effective for annual periods beginning on or after 1 July 2008 and provides interpretive guidance on the appropriate revenue recognition treatment for revenues that are interrelated with the award of customer credits. The Company and Group do not operate customer loyalty schemes and IFRIC 13 is therefore not expected to have an impact on the Company's and Group's recognition of future revenues.

Accounting estimates and critical judgments

The preparation of the financial statements includes the use of estimates and assumptions which affect certain items reported in the Company's and Group's balance sheet and the Company's and Group's income statement. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below.

Estimated residual values and useful economic lives

The carrying values of certain tangible fixed assets are sensitive to assumptions relating to projected residual values and useful economic lives, which determine the depreciable amount and the rate at which capital expenditure is depreciated respectively. The Company and Group reassess these assumptions at least annually or more often if there are indications that they require revision. Estimated residual values are based on available secondary market prices as at the reporting date. Useful economic lives are based on the expected usage, wear and tear, technical or commercial obsolescence and legal limits on the usage of capital assets.

Estimated impairment of goodwill and tangible fixed assets

The Group assesses annually whether goodwill and tangible fixed assets have suffered any impairment, in accordance with the stated Company accounting policy. The recoverable amounts of goodwill allocated to cash-generating units and tangible fixed assets are determined based on value-in-use calculations, which require the exercise of management's judgment across a limited range of input assumptions and estimates. The principal assumptions used relate to the time value of money and expected future cash flows.

The Company and Group assess annually whether there are any indications that items of property, plant and equipment, including assets under the course of construction, have suffered any impairment. Indications of impairment are inherently judgmental and may require management to assess both internal and external sources of information.

Possible indications include, but are not limited to, a decline in an asset or entity's financial performance, technological obsolescence, adverse legal or regulatory changes and an increase in the cost of money.

Fair value of owned forestry assets

The Company and Group determine the fair value based on the present value of expected net cash flows arising from its owned forestry assets discounted at a current risk-adjusted post-tax rate. Management exercises judgment in the determination of the appropriate discount rate to apply and in the estimation of future net cash flows.

Retirement benefits

The Company's and Group's scheme liabilities are sensitive to changes in various underlying actuarial assumptions set by management. These assumptions include the discount and inflation rates to apply to scheme liabilities, the mortality rates to apply to scheme members, the long-term medical cost trend rates to apply to medical schemes and the rates of increase of future salaries.

2 Segmental information

Based on the risks and returns of the Group in South Africa, the board considers the primary reporting format is by business segment and that there is no secondary reporting format as the majority of the business is South African based.

Primary reporting format – by business segment

R million	**2007** Segment revenue	**2007** Inter-segment revenue[1]	**2007** Group revenue	2006 Segment revenue	2006 Inter-segment revenue[1]	2006 Group revenue
Subsidiaries and joint ventures						
Mondi Business Paper	5,697	(330)	5,367	5,257	(299)	4,958
Mondi Packaging South Africa	4,059	(273)	3,786	3,058	(122)	2,936
Corporate and other businesses	921	(16)	905	883	(19)	864
Elimination of inter-segment revenue	(619)	619	–	(440)	440	–
Total subsidiaries and joint ventures	**10,058**	–	**10,058**	8,758	–	8,758

R million	Segment operating profit after operating special items[2] **2007**	Segment operating profit after operating special items[2] 2006
Subsidiaries and joint ventures		
Mondi Business Paper	703	341
Mondi Packaging South Africa	331	304
Corporate and other businesses	102	101
Total subsidiaries and joint ventures	**1,136**	746

1 Inter-segment transactions are conducted on an arm's length basis.
2 Segment result is defined as being segment revenue less segment expense; that is operating profit and fair value gains/(losses) that have been recycled to the income statement on cash flow hedges of operating transactions. There are no material inter-segment transfers or transactions that would affect the segment result.

The segment result, as shown above, is reconciled to 'Profit from continuing operations' in the consolidated income statement as follows:

R million	**2007**	2006
Operating profit before special items and associates' net income	**1,186**	746
Operating special items (see note 4)		
Subsidiaries and joint ventures:	(50)	–
Mondi Business Paper	(51)	–
Mondi Packaging South Africa	1	–
Operating profit after operating special items and before associates' net income	**1,136**	746
Net loss on disposal of subsidiaries and joint ventures	(22)	–
Net income/(loss) from associates	5	(1)
Total profit from operations and associates	**1,119**	745
Net finance costs	(602)	(377)
Profit before taxation	**517**	368
Taxation charge	(180)	(97)
Consolidated profit from continuing operations	**337**	271

Notes to the financial statements and consolidated financial statements

2 Segmental information (continued)

Primary segment disclosures for segment assets, liabilities and capital expenditure are as follows:

	Segment assets[1]		Segment liabilities[2]		Net segment assets		Capital expenditure[3]	
R million	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Mondi Business Paper	10,439	10,473	(1,022)	(1,045)	9,417	9,428	276	624
Mondi Packaging South Africa	4,089	2,167	(619)	(478)	3,470	1,689	1,545	223
Corporate and other businesses	349	636	(147)	(67)	202	569	19	37
	14,877	13,276	**(1,788)**	(1,590)	**13,089**	11,686	**1,840**	884
Unallocated:								
Investment in associates	31	33	–	–	31	33		
Deferred tax assets/(liabilities)	78	92	(1,414)	(1,277)	(1,336)	(1,185)		
Other non-operating assets/(liabilities)[4]	236	384	(404)	(479)	(168)	(95)		
Trading capital employed	**15,222**	13,785	**(3,606)**	(3,346)	**11,616**	10,439		
Financial investments	60	175	–	–	60	175		
Net debt[5]	260	436	(4,679)	(3,000)	(4,419)	(2,564)		
Net assets	**15,542**	14,396	**(8,285)**	(6,346)	**7,257**	8,050		

1 Segment assets are operating assets and at 31 December 2007 consist of property, plant and equipment of R8,337 million (2006: R7,791 million), intangible assets of R806 million (2006: R236 million), forestry assets of R2,250 million (2006: R2,038 million), retirement benefits surplus of R75 million (2006: R45 million), inventories of R1,195 million (2006: R1,084 million) and operating receivables of R2,408 million (2006: R2,220 million).
2 Segment liabilities are operating liabilities and at 31 December 2007 consist of non-interest bearing current liabilities of R1,078 million (2006: R894 million) and provisions for post-retirement benefits of R709 million (2006: R696 million).
3 Capital expenditure reflects cash payments and accruals in respect of additions to property, plant and equipment and intangible assets of R1,840 million (2006: R884 million) and includes additions resulting from acquisitions through business combinations of R1,042 million (2006: Rnil).
4 Other non-operating assets consist of current income tax receivables of R38 million (2006: R36 million), other non-operating receivables of R194 million (2006: R138 million) and assets held for sale of Rnil (2006: R204 million). Other non-operating liabilities consist of derivative liabilities of R3 million (2006: R5 million), non-operating provisions of R68 million (2006: R70 million), current income tax liabilities of R22 million (2006: R15 million), other non-operating liabilities of R358 million (2006: R211 million) and liabilities directly associated with assets held for sale of Rnil (2006: R178 million).
5 Overdrafts of R369 million (2006: Rnil) have been included in borrowings.

Primary segment disclosures for depreciation, amortisation and impairments are as follows:

	Depreciation and amortisation		Impairments[1]	
R million	**2007**	2006	**2007**	2006
Mondi Business Paper	415	418	(34)	–
Mondi Packaging South Africa	184	97	(3)	–
Corporate and other businesses	29	25	–	–
Total	**628**	540	**(37)**	–

1 See operating special items in note 4.

There are no significant non-cash operating expenses, other than depreciation and amortisation and impairments, as shown above, and share-based payments.

3 Operating profit

R million	Group 2007	Group 2006	Company 2007	Company 2006
Operating profit for the year has been arrived at after charging/(crediting):				
Depreciation of property, plant and equipment (see note 10)	613	540	413	412
Amortisation of intangible assets (see note 9)	15	–[1]	–	–
Rentals under operating leases	58	37	49	28
Research and development expenditure	21	20	6	6
Impairment of plant and equipment	37	–	34	–
Impairment of trade receivables (see note 17)	3	5	–	2
Fair value gains on forestry assets (see note 11)	(311)	(318)	(256)	(207)
Felling costs (see note 11)	489	486	366	358
Foreign currency gains	(15)	(20)	(26)	(17)
Fair value losses on forward foreign exchange contracts	5	1	–	5
Employee costs	1,423	1,317	595	627
Defined benefit fund contributions	29	24	19	18
Defined contribution fund contributions	39	48	26	25
Auditors' remuneration				
– Audit	7	5	2	3
– Expenses	–[1]	–[1]	–[1]	–[1]
– Other services	1	1	1	1
	8	6	**3**	4

1 Nil due to rounding.

4 Special items

R million	Group 2007	Group 2006	Company 2007	Company 2006
Operating special items				
Mondi Business Paper impairment of plant and equipment	(34)	–	(34)	–
Mondi Packaging South Africa negative goodwill	10	–	–	–
Mondi Packaging South Africa impairment of plant and equipment	(3)	–	–	–
Accelerated charge on Anglo American plc share-based award schemes	(19)	–	(14)	–
Retention arrangements – Mondi share scheme	(4)	–	(3)	–
Total operating special items	**(50)**	–	**(51)**	–
(Loss)/profit on disposal				
Disposal of non core businesses	(22)	–	141	(46)
Financing special item				
Interest expense on financing arrangement	(271)	–	(271)	–
Total non operating special items	**(293)**	–	**(130)**	(46)
Total special items before tax and minority interests	**(343)**	–	**(181)**	(46)
Taxation	53	–	52	13
Total special items attributable to equity holders	**(290)**	–	**(129)**	(33)

4 Special items (continued)

Year ended 31 December 2007

Operating specials
An impairment of the carbonless plant of R34 million has been recognised, which has resulted from a decline in the market for carbonless paper. The fair value exit charge on Anglo American plc share award and share option schemes, resulting from the demerger, total R14 million for the Company and R19 million for the Group. Equity-settled retention arrangements for senior management have resulted in a fair value charge of R3 million for the Company and R4 million for the Group. Negative goodwill of R10 million arose on the acquisition of Mondi Plastic Containers.

Non-operating specials
The Company disposed of Peak Timbers Limited for a consideration of R71 million and a profit of R59 million for the Company and a profit of R2 million for the Group. This investment was reflected as an asset held for sale in 2006. In addition the Company sold a 10.8% shareholding in Siyaqhubeka Forests (Proprietary) Limited for R15 million, resulting in a profit of R15 million in the Company and a loss of R13 million in the Group. During December 2007, the Company concluded a share buyback with the minority shareholders, therefore disposing its 73.5% shareholding in Finewright Holdings (Proprietary) Limited. The proceeds on this transaction amounted to R92 million. This resulted in a profit of R67 million in the Company, and a loss of R4 million for the Group.

A once-off finance cost of R271 million resulted from a financing arrangement entered into as part of the demerger from Anglo American plc.

Year ended 31 December 2006

Non-operating specials
On 7 February 2006, after having received Competition Commission approval on 19 January 2006, the Company sold its shares and loan account in North East Cape Forests Joint Venture and Goeiehoop Farms (Proprietary) Limited to Steinhoff Africa Holdings (Proprietary) Limited for R139 million. The total loss recognised in the Company on the transaction was R46 million and it had no impact on the Group.

5 Net finance costs

Finance costs are presented net of effective cash flow hedges for respective interest-bearing borrowings.

	Group		Company	
R million	**2007**	2006	**2007**	2006
Investment income				
Interest income on bank deposits, loan receivables and other	59	92	101	178
Expected return on defined benefit arrangements	131	108	115	95
Dividend income	–	–	6	45
Impairment of financial assets:				
Loans and receivables (excluding trade receivables)	(1)	–	–	–
Total investment income	**189**	200	**222**	318

	Group		Company	
R million	**2007**	2006	**2007**	2006
Financing costs				
Interest on bank overdrafts and loans	(405)	(429)	(112)	(259)
Interest on obligations under finance leases	(1)	–	–	–
Interest on defined benefit arrangements	(150)	(165)	(134)	(151)
Total interest expense	(556)	(594)	(246)	(410)
Less: interest capitalised	36	17	30	17
	(520)	(577)	(216)	(393)
Special items financing cost (see note 4)	(271)	–	(271)	–
Total financing costs	**(791)**	(577)	**(487)**	(393)
Net finance costs	**(602)**	(377)	**(265)**	(75)

The weighted average interest rate applicable to interest on general borrowings capitalised for the year ended 31 December 2007 is 11% (2006: 10%).

6 Tax on profit on ordinary activities

Analysis of charge for the year from continuing operations

	Group		Company	
R million	**2007**	2006	**2007**	2006
South African corporation tax at 29%	30	19	–	1
Secondary Tax on Companies at 12.5%	10	4	10	–
Other overseas tax	2	1	–	–
Current tax (excluding tax on special items)	42	24	10	1
Deferred tax (excluding tax on special items)	191	73	179	58
Total tax before special items	233	97	189	59
Total tax on special items	(53)	–	(52)	(13)
Total tax charge	**180**	97	**137**	46

Factors affecting tax charge for the year

The effective tax rate of the Group for the year ended 31 December 2007 of 35% (2006: 26%), and the effective tax rate of the Company for the year ended 31 December 2007 of 29% (2006: 46%), differs from the standard rate of corporation tax in South Africa (29%). The differences are explained below.

The Company has an estimated tax loss of R1,417 million (2006: R847 million).

	Group		Company	
R million	**2007**	2006	**2007**	2006
Profit on ordinary activities before tax	517	368	469	101
Tax on profit on ordinary activities calculated at South Africa corporation tax rate of 29% (2006: 29%)	150	107	136	29
Tax effect of net income from associates, calculated at 29%	(1)	–	–	–
Tax effects of:				
Expenses not deductible for tax purposes				
Special items	69	–	30	4
Other non-deductible expenses	3	2	3	–
Non-taxable income				
Profits and losses on disposals	–	(2)	–	–
Other non-taxable income	(2)	(9)	(2)	(24)
Temporary difference adjustments				
Movement in tax losses	(40)	1	(40)	–
Other temporary differences	(8)	(6)	–	37
Other adjustments				
Secondary Tax on Companies	10	4	10	–
Other	(1)	–	–	–
Tax charge for the year	**180**	97	**137**	46

7 Dividends

Dividends paid to the equity holders of the Company are presented below. Dividends paid to the Group's former parent, Anglo American plc, during the pre-merger period presented, are analysed separately.

	Group		Company	
R million	**2007**	2006	**2007**	2006
Current year interim dividend	105	–	105	–
Final dividend proposed for year ended 31 December 2007[1]	261	–	261	–
Paid to Anglo American plc group companies	1,914	159	1,914	159

1 The dividend proposed is subject to approval by shareholders at the annual general meeting of Mondi Limited scheduled for 7 May 2008 and therefore has not been included as a liability in the Company's and Group's balance sheet.

Notes to the financial statements and consolidated financial statements

7 Dividends (continued)

	Group and Company	
Cents per share	**2007**	2006
Interim dividend paid	71.7	–
Final dividend proposed	177.4	–
	249.1	–

8 Pro forma EPS

	Group	
Cents per share	**2007**	2006
Profit for the financial year attributable to equity holders		
Basic EPS	**194.7**	132.7
Diluted EPS	**194.4**	132.7
Underlying earnings for the financial year[1]		
Basic EPS	**392.1**	132.7
Diluted EPS	**391.5**	132.7
Headline earnings for the financial year[2]		
Basic EPS	**223.3**	126.6
Diluted EPS	**222.9**	126.6

1 The directors believe that underlying EPS provides a useful additional non-GAAP measure of the Group's underlying performance. Underlying EPS excludes the impact of special items.
2 The presentation of Headline EPS is mandated under the JSE Listing Requirements. Headline earnings has been calculated in accordance with Circular 8/2007, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants. Please see the reconciliation below.

The calculation of basic and diluted EPS, basic and diluted underlying EPS, and basic and diluted headline EPS is based on the following data:

	Earnings	
R million	**2007**	2006
Profit for the financial year attributable to equity holders	**286**	195
Special items: operating	50	–
Special items: financing costs	271	–
Net loss on disposals	22	–
Related taxation	(53)	–
Underlying earnings	**576**	195
Special items: financing costs	(271)	–
Special items: retention arrangements	(4)	–
Special items: accelerated charges on exiting Anglo American plc schemes	(19)	–
Loss/(profit) on disposal of tangible fixed assets	9	(13)
Related taxation	37	4
Headline earnings	**328**	186

	Number of shares	
Million	**2007**	2006[3]
Basic number of ordinary shares outstanding[1]	**147**	147
Effect of dilutive potential ordinary shares[2]	–[4]	–[4]
Diluted number of ordinary shares outstanding[1]	**147**	147

1 The basic number of ordinary shares outstanding represent the weighted average number in issue for the Company since the demerger from Anglo American plc.
2 Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.
3 The number of ordinary shares issued on Admission has been retrospectively applied to the comparative periods, so that a meaningful comparison can be made.
4 Nil due to rounding.

9 Intangible assets

R million	Group[4]					
	2007			2006		
	Goodwill	**Licences and other intangibles[3]**	**Total**	Goodwill	Licences and other intangibles[3]	Total
Cost						
At 1 January	236	1	237	236	1	237
Acquired through business combinations[1]	364	225	589	–	–	–
Disposal of businesses[2]	(4)	–	(4)	–	–	–
At 31 December	**596**	**226**	**822**	236	1	237
Accumulated amortisation						
At 1 January	–	1	1	–	1	1
Charge for the year	–	15	15	–	–	–
At 31 December	**–**	**16**	**16**	–	1	1
Net book value at 31 December	**596**	**210**	**806**	236	–	236

1 The increase in goodwill relating to the acquisition of subsidiaries represents the excess of fair value of the purchase price over the provisional fair value of the net assets (see note 29).
2 See note 30.
3 Licences and other intangibles mainly consist of software development costs, customer relationships and contractual arrangements capitalised as a result of business combinations.
4 There are no intangible assets in the Company.

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to cash-generating units (CGUs) which reflect how it is monitored for internal management purposes. This allocation largely represents the Group's primary reporting segment set out below.

R million	**2007**	2006
Mondi Packaging South Africa	**596**	236

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three year period that are based on latest forecasts for sales prices and exchange rates. Cash flow projections beyond three years are based on internal management forecasts and assume a constant growth rate. Cash flow projections are discounted using a real post-tax discount rate of 10.5% (2006: 10.5%), as adjusted for any risks that are not reflected in the underlying cash flows. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

Notes to the financial statements and consolidated financial statements

10 Property, plant and equipment

R million	Group Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January 2007	814	9,617	969	11,400
Acquired through business combinations[2]	51	330	72	453
Additions	37	437	288	762
Disposal of assets	(37)	(184)	(126)	(347)
Disposal of businesses[3]	(10)	(54)	(12)	(76)
Transferred to/(from) capital work in progress	4	80	(84)	–
Interest capitalised	–	–	36	36
At 31 December 2007	**859**	**10,226**	**1,143**	**12,228**
Accumulated depreciation				
At 1 January 2007	228	3,019	362	3,609
Charge for the year	18	537	58	613
Impairment	–	37	–	37
Disposal of assets	(19)	(173)	(124)	(316)
Disposal of businesses[3]	(3)	(43)	(6)	(52)
Other reclassifications	–	31	(31)	–
At 31 December 2007	**224**	**3,408**	**259**	**3,891**
Net book value at 31 December 2007	**635**	**6,818**	**884**	**8,337**

R million	Group Land and buildings	Plant and equipment	Other[1]	Total
At 1 January 2006	897	8,982	1,297	11,176
Additions	15	166	686	867
Disposal of assets	(8)	(391)	(86)	(485)
Disposal of businesses[3]	(86)	(1)	(7)	(94)
Transferred to/(from) capital work in progress	14	641	(655)	–
Transferred to disposal groups[4]	(18)	(43)	(12)	(73)
Other reclassifications	–	263	(271)	(8)
Interest capitalised	–	–	17	17
At 31 December 2006	814	9,617	969	11,400
Accumulated depreciation				
At 1 January 2006	228	2,932	434	3,594
Charge for the year	14	468	58	540
Disposal of assets	(5)	(387)	(85)	(477)
Disposal of businesses[3]	(4)	(1)	(6)	(11)
Transferred to disposal groups[4]	(5)	(15)	(9)	(29)
Other reclassifications	–	22	(30)	(8)
At 31 December 2006	228	3,019	362	3,609
Net book value at 31 December 2006	586	6,598	607	7,791

1 Other property, plant and equipment includes R791 million (2006: R540 million) of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.
2 See note 29.
3 See note 30.
4 See note 31.

10 Property, plant and equipment (continued)

Included in the cost is R36 million of interest (2006: R17 million) incurred on qualifying assets. Aggregate interest capitalised included in the cost above totals R111 million (2006: R75 million).

The net book value and depreciation charges relating to assets held under finance leases amounts to R13 million (2006: R5 million) and R2 million (2006: Rnil), respectively.

The Group has pledged property, plant and equipment with a net book value of R2,097 million (2006: R1,363 million) as security for certain long-term borrowings.

	Company			
R million	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January 2007	686	7,695	697	9,078
Additions	–	–	268	268
Disposal of assets	(30)	(177)	(121)	(328)
Transferred to/(from) capital work in progress	4	62	(66)	–
Interest capitalised	–	–	30	30
At 31 December 2007	**660**	**7,580**	**808**	**9,048**
Accumulated depreciation				
At 1 January 2007	195	1,983	239	2,417
Charge for the year	10	367	36	413
Impairment	–	34	–	34
Disposal of assets	(19)	(170)	(119)	(308)
Other reclassifications	–	31	(31)	–
At 31 December 2007	**186**	**2,245**	**125**	**2,556**
Net book value at 31 December 2007	**474**	**5,335**	**683**	**6,492**

	Company			
R million	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January 2006	680	7,185	1,065	8,930
Additions	14	–	603	617
Disposal of assets	(8)	(386)	(82)	(476)
Transferred to/(from) capital work in progress	–	641	(641)	–
Interest capitalised	–	–	17	17
Other reclassifications	–	255	(265)	(10)
At 31 December 2006	686	7,695	697	9,078
Accumulated depreciation				
At 1 January 2006	191	1,988	309	2,488
Charge for the year	9	360	43	412
Disposal of assets	(5)	(385)	(83)	(473)
Other reclassifications	–	20	(30)	(10)
At 31 December 2006	195	1,983	239	2,417
Net book value at 31 December 2006	491	5,712	458	6,661

1 Other property, plant and equipment includes R631 million (2006: R422 million) of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.

Included in the cost above is R30 million of interest (2006: R17 million) incurred on qualifying assets. Aggregate interest capitalised included in the cost above totals R105 million (2006: R75 million).

The net book value and depreciation charges relating to assets held under finance leases amounts to R1 million (2006: Rnil) and R159,000 (2006: Rnil), respectively.

A register of land and buildings is open for inspection at the registered office of the Company.

The Company has pledged plant and equipment with a net book value of R1 million (2006: Rnil) as security for certain long-term borrowings.

11 Forestry assets

R million	Group 2007	Group 2006	Company 2007	Company 2006
At 1 January	2,038	1,998	1,578	1,405
Capitalised expenditure	354	385	273	285
Fair value gains[1]	311	318	256	207
Felling costs	(489)	(486)	(366)	(358)
Acquisition of assets	44	47	44	47
Disposal of assets	(8)	(8)	(6)	(8)
Disposal of businesses[2]	–	(105)	–	–
Transferred to disposal groups[3]	–	(111)	–	–
At 31 December	**2,250**	2,038	**1,779**	1,578

1 Forestry assets are revalued to fair value less estimated point of sale costs each reporting date in accordance with the accounting policy set out in note 1.
2 See note 30.
3 See note 31.

Forestry assets comprise forests with the maturity profile disclosed in the table below:

R million	Group 2007	Group 2006	Company 2007	Company 2006
Mature	1,149	958	932	717
Immature	1,101	1,080	847	861
	2,250	2,038	**1,779**	1,578

12 Investment in subsidiaries

R million	Company 2007	Company 2006
Unlisted		
Shares at cost	11	39
Loans advanced	654	879
Total investment in subsidiaries	**665**	918
Repayable within one year disclosed as current asset	(65)	(777)
Total long-term investment in subsidiaries	**600**	141
Directors' valuation of investment in subsidiaries	665	918

As part of the BBBEE transaction, a Mezzanine loan agreement was entered into between the Company and Mondi Packaging South Africa (Proprietary) Limited (MPSA). The Mezzanine loan of R700 million that was advanced by the Company to MPSA during 2005 was repaid in 2007 and refinanced by an external loan with Standard Bank. This loan incurred interest at the three month JIBAR plus 60 basis points and is repayable in 11 quarterly payments commencing 2 January 2008. Operating cash flow requirements are and will be met by a new Mezzanine loan facility with the Company. This Mezzanine loan incurs interest at the three month JIBAR plus 450 basis points and is repayable subject to the covenants imposed by Standard Bank and by the twelfth anniversary of the transaction date, being 1 January 2017.

Furthermore, the Company advanced a shareholder's loan to MPSA of R102 million in 2006 with a further loan of R137 million being advanced by the Company during the current year. The total loan of R239 million (2006: R102 million) is unsecured, interest free and is only repayable once the external loan repayable to Standard Bank and the Mezzanine loan has been settled in full. The Standard Bank loan will be settled by drawing upon the Mezzanine loan facility with the Company. As the Mezzanine loan facility is available until January 2017, the shareholder's loan is considered to be only repayable in January 2017.

Details of principal subsidiary companies are set out in note 39.

13 Investment in joint venture

R million	Company 2007	Company 2006
Mondi Shanduka Newsprint (Proprietary) Limited (MSN)		
Shares at cost	–[1]	–[1]
Shareholder's loan	128	128
Mezzanine loan	–	330
Total investment in joint venture	**128**	458
Repayable within one year disclosed as a current asset	–	(330)
Total long-term investment in joint venture	**128**	128
Directors' valuation of investment in joint venture	128	458

1 Nil due to rounding.

The shareholder's loan is unsecured and interest free. The loan is only repayable once the Mezzanine loan has been settled in full and the facility ends in January 2017. Subsequent to 31 December 2007, MSN has drawn on the Mezzanine loan facility and therefore the shareholder's loan is considered to be of a long-term nature.

The Group's share of the summarised financial information of joint venture entities that are proportionately consolidated in the Group's financial statements is as follows:

R million	2007	2006
Total non-current assets	542	540
Total current assets	265	197
Total current liabilities	(208)	(96)
Total non-current liabilities	(498)	(583)
Share of joint venture entities' net assets, proportionately consolidated	**101**	58
Revenue	651	614
Total operating costs	(544)	(522)
Net finance costs	(45)	(50)
Income tax expense	(19)	(12)
Share of joint venture entities' profit for the financial year	**43**	30
Capital commitments	9	1

There are no material contingent liabilities.

Details of principal joint ventures are set out in note 39.

Notes to the financial statements and consolidated financial statements

14 Investment in associates

R million	Group 2007	Group 2006
At 1 January	33	10
Net income/(loss) from associates	5	(1)
Dividends received	(1)	–
Investment in associates	1	24
Impairment	(7)	–
At 31 December	**31**	33
The Group's total investment in associates comprises:		
Equity[1]	31	33
Total investment in associates	**31**	33
Directors' valuation of investment in associates	31	33

1 At 31 December 2007, there was R5.5 million of goodwill in respect of associates (2006: R5.5 million).

The Group's share of the summarised financial information of principal associates, all of which are unlisted, is as follows:

R million	**2007**	2006
Total non-current assets	33	43
Total current assets	31	24
Total current liabilities	(9)	(19)
Total non-current liabilities	(24)	(15)
Share of associates' net assets	**31**	33
Revenue	95	74
Total operating costs	(90)	(74)
Net finance costs	–[1]	–[1]
Income tax expense	–[1]	(1)
Share of associates' profit/(loss) for the financial year	**5**	(1)

1 Nil due to rounding.

There are no material contingent liabilities for which the Group is jointly or severally liable.

15 Financial asset investments

Financial asset investments held by the Company and Group are accounted for using the available for sale and loans and receivables categories, as defined by IAS 39 and in accordance with the accounting policy set out in note 1. All financial asset investments are non-current in nature.

	Group					
	2007			2006		
R million	**Loans and receivables[1]**	**Available for sale investments[2]**	**Total**	Loans and receivables[1]	Available for sale investments[2]	Total
At 1 January	170	5	175	170	5	175
Impairment	(11)	–	(11)	–	–	–
Additions	9	10	19	–	–	–
Repayments from related parties	(139)	–	(139)	–	–	–
Advances – other	16	–	16	–	–	–
At 31 December	**45**	**15**	**60**	170	5	175
Disclosed as follows						
Non-current	**45**	**15**	**60**	170	5	175

	Company					
	2007			2006		
R million	**Loans and receivables[1]**	**Available for sale investments[2]**	**Total**	Loans and receivables[1]	Available for sale investments[2]	Total
At 1 January	9	11	20	113	5	118
Movements in fair value	–	1	1	1	2	3
Additions	9	–	9	–	4	4
Advances/(repayments)	142	–	142	(105)	–	(105)
Disposals	–	(7)	(7)	–	–	–
At 31 December	**160**	**5**	**165**	9	11	20
Disclosed as follows						
Current asset – repayable within 1 year	**43**	**–**	**43**	–	–	–
Non-current	**117**	**5**	**122**	9	11	20

1 Loans and receivables are held at amortised cost in accordance with the accounting policy set out in note 1.
2 Available for sale investments are held at fair value in accordance with the accounting policy set out in note 1.

Available for sale investments

At 31 December 2007, an investment in preference shares of R4.6 million that represents 460 convertible redeemable preference shares of R1 each in Luck of the Draw (Proprietary) Limited, which were issued at a premium of R9,999 each. The rate attached to the preference shares is 65% of the prime lending rate and the preference shares are redeemable in equal tranches of 92 shares over five years commencing on 25 September 2006. The redemption of the preference shares has been delayed and the preference share subscription agreement will be amended in this regard. The full amount of the preference share investment is considered to be recoverable.

Loans and receivables

The loan to Mondi Imbani Mining Supplies (Proprietary) Limited of R9 million is interest free and is repayable in 60 successive monthly tranches of R208,333 commencing on 1 July 2008 with a final payment falling due on 30 June 2013. The increase in the loan balance during the current year represents the unwinding of the discounted loan balance for one year.

The Company advanced a loan to Upper Edge Products (Proprietary) Limited of R8.5 million in 2007, which earns interest at the 3-month JIBAR rate plus 75 basis points and is repayable in three annual instalments of R2.8 million commencing on 19 December 2011 with a final payment falling due on 19 December 2013. The interest is payable every quarter.

A loan of R142 million was advanced to Mondi Packaging South Africa (Proprietary) Limited to finance the purchase of the Paperlink business from the Company. R42 million is repayable in 2008, with repayment of the remaining R100 million as free cash flow is available. The loan bears interest at JIBAR plus 60 basis points.

16 Inventories

	Group		Company	
R million	**2007**	2006	**2007**	2006
Raw materials and consumables	582	540	278	300
Work in progress	61	182	23	160
Finished products	552	362	272	188
	1,195	1,084	**573**	648

Of the total carrying value of inventories in the Group and the Company as at 31 December 2007, R10 million (2006: R21 million) and Rnil (2006: R15 million) is held at net realisable value, respectively. The write-down of inventories to net realisable value, recognised as an expense for the year ended 31 December 2007, total R4 million (2006: Rnil) and Rnil (2006: Rnil) for the Group and Company respectively. The aggregate reversals of previous write-downs was Rnil for both years presented. The cost of inventories recognised as an expense for the year ended 31 December 2007 for the Group total R3,962 million (2006: R3,926 million) and for the Company R2,242 million (2006: R2,268 million).

17 Trade and other receivables

	Group		Company	
R million	**2007**	2006	**2007**	2006
Trade receivables (a)	1,421	1,407	301	437
Allowance for doubtful debts (b)	(22)	(37)	(7)	(17)
	1,399	1,370	294	420
Amounts owed by related parties	769	685	995	940
Other receivables	193	137	119	86
Prepayments and accrued income	47	28	22	11
	2,408	2,220	**1,430**	1,457

All trade and other receivables are current in nature.

The fair values of trade and other receivables are not materially different to the carrying values presented.

(a) Trade receivables: credit risk

The Company's and Group's exposure to the credit risk inherent in their trade receivables and the associated risk management techniques that the Company and Group deploy in order to mitigate this risk are discussed in note 37. Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by participants operating in, the various markets in which the Company and Group operate. Interest is charged at an appropriate rate on all balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of these impaired trade receivables for the Group as at the reporting date is R22 million (2006: R94 million) and the associated aggregate impairment is R22 million (2006: R37 million). The total gross carrying value of these impaired trade receivables for the Company as at the reporting date is R8 million (2006: R17 million) and the associated aggregate impairment is R7 million (2006: R17 million).

17 Trade and other receivables (continued)

The Company and Group have assessed all past due receivable balances for recoverability and believe that their credit quality remains intact. An ageing analysis of these past due trade receivables is provided as follows:

	Group				
	Trade receivables past due by				
R million	Less than 1 month	1-2 months	2-3 months	More than 3 months	Total
Carrying value as at 31 December 2007	**10**	**20**	**101**	**87**	**218**
Carrying value as at 31 December 2006	18	5	82	59	164

	Company				
	Trade receivables past due by				
R million	Less than 1 month	1-2 months	2-3 months	More than 3 months	Total
Carrying value as at 31 December 2007	**4**	**5**	**1**	**6**	**16**
Carrying value as at 31 December 2006	17	4	1	18	40

(b) Movement in the allowance account for bad and doubtful debts

	Group		Company	
R million	**2007**	2006	**2007**	2006
At 1 January	37	39	17	17
Amounts written off during the year net of recoveries	(16)	(2)	(10)	–
Increase in allowance recognised in profit or loss	1	–	–	–
At 31 December	**22**	37	**7**	17

18 Financial assets

The carrying amounts and fair values of financial assets are as follows:

	Group			
	2007		2006	
R million	**Estimated fair value**	**Carrying amount**	Estimated fair value	Carrying amount
Trade and other receivables[1]	2,408	2,408	2,220	2,220
Cash and cash equivalents[1]	260	260	436	436
Financial asset investments[2]	60	60	175	175
Derivative assets[3]	4	4	6	6
Total financial assets	**2,732**	**2,732**	2,837	2,837

	Company			
	2007		2006	
R million	**Estimated fair value**	**Carrying amount**	Estimated fair value	Carrying amount
Trade and other receivables[1]	1,430	1,430	1,457	1,457
Cash and cash equivalents[1]	12	12	103	103
Financial asset investments[2]	165	165	20	20
Derivative assets[3]	2	2	1	1
Total financial assets	**1,609**	**1,609**	1,581	1,581

1 The fair values of trade and other receivables and cash and cash equivalents are not materially different to the carrying values presented.
2 The fair values of available for sale investments represent the published prices of the securities concerned (R15 million for Group and R5 million for Company). Loans and receivables are held at amortised cost (R45 million for Group and R160 million for Company).
3 Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments.

The fair value of financial asset investments represents the directors' valuation of loans and receivables and the published prices, as at the reporting date, of financial investments designated as available for sale.

19 Trade and other payables

R million	Group 2007	Group 2006	Company 2007	Company 2006
Trade payables	656	595	331	281
Amounts owed to related parties	119	94	187	179
Taxation and social security	1	2	–	–
Other payables	183	129	88	58
Accruals and deferred income	431	285	110	101
	1,390	1,105	**716**	619

The fair values of trade and other payables are not materially different to the carrying values presented.

20 Borrowings

	Group					
	2007			2006		
R million	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Bank loans and overdrafts	518	2,469	2,987	99	1,580	1,679
Obligations under finance leases[1]	4	10	14	1	4	5
	522	**2,479**	**3,001**	100	1,584	1,684
Unsecured						
Bank loans and overdrafts	743	809	1,552	184	1,010	1,194
Loans from related parties	26	100	126	122	–	122
	769	**909**	**1,678**	306	1,010	1,316
	1,291	**3,388**	**4,679**	406	2,594	3,000

20 Borrowings (continued)

R million	Company 2007 Current	Non-current	Total	2006 Current	Non-current	Total
Secured						
Bank loans and overdrafts	–	–	–	–	–	–
Obligations under finance leases[1]	1	1	2	–[2]	2	2
	1	**1**	**2**	–	2	2
Unsecured						
Bank loans and overdrafts	679	681	1,360	184	1,005	1,189
Loans from related parties	17	–	17	109	–	109
	696	**681**	**1,377**	293	1,005	1,298
	697	**682**	**1,379**	293	1,007	1,300

1 The maturity of obligations under finance leases is:

R million	Group 2007	Group 2006	Company 2007	Company 2006
Not later than one year	8	2	1	–[2]
Later than one year but not more than five years	9	4	2	3
More than five years	2	1	–	–
	19	7	3	3
Future finance charges	(5)	(2)	(1)	(1)
Present value of finance lease liabilities	**14**	5	**2**	2

2 Nil due to rounding.

Included in borrowings is fixed rate debt with a carrying value of R500 million (2006: R500 million) and a fair value of R470 million (2006: R549 million). The maturity analysis of borrowings, presented on an undiscounted future cash flows basis, is included as part of a review of liquidity risk within note 37.

Post-demerger financing

In order to provide for its ongoing capital needs post-demerger, the Company entered into an additional external financing arrangement during the year. The amounts initially drawn down on these facilities were used to finance existing and ongoing working capital requirements.

ZAR 2 billion Term Loan Facility (SATF)

The SATF is a South African rand three year amortising term loan which was signed and drawn down on 4 May 2007. Interest is charged on the balance outstanding at a market-related rate linked to JIBAR. The Company and Group use interest rate swaps to limit the exposure to adverse movements in JIBAR.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and Group for similar financial instruments.

The Company and Group have pledged certain financial assets as collateral against certain borrowings. The fair value of these assets as at 31 December 2007 is R373 million (2006: R560 million). The Company and Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

Borrowing capacity

R million	Group 2007 Maximum permissible	2007 Actual	2006 Maximum permissible	2006 Actual
Medium and long-term borrowings		3,388		2,594
Short-term borrowings		1,291		406
Contingent liabilities		73		64
	10,000	**4,752**	10,000	3,064

The R10 billion maximum borrowing limit is not affected by the deed poll guarantee given by Mondi Limited and entering into a revolving credit facility agreement with Mondi plc and other banks and financial institutions.

21 Derivative financial instruments

The Company and Group enter into forward exchange contracts to hedge foreign sales and purchases. These exchange contracts are valued at mark to market at year end and are disclosed on the balance sheet. The following forward exchange contracts have been entered into for items not included in the balance sheet:

	Group			
	2007		2006	
R million	**Foreign currency**	**Rand**	Foreign currency	Rand
To purchase				
USD	3	20	7	48
Euro	10	103	19	172
GBP	–	–	1	6
Swedish Krone	–	–	10	10
To sell				
USD	30	212	52	367
Euro	31	314	31	285
GBP	3	46	2	31

In addition, the Company and Group take financial cover for plant and equipment imported during the year and apply hedge accounting in terms of IAS 39. The value of these instruments accounted for as cash flow hedges amount to Rnil (2006: R1 million) for the Company and Group.

22 Provisions for liabilities and charges

	Group	Company
R million	**2007**	**2007**
At 1 January 2007	70	53
Charged to profit and loss[1]	31	7
Acquired with subsidiaries through business combinations[2]	9	–
Disposal of businesses[3]	(6)	–
Unused amounts reversed to the income statement	(4)	(4)
Amounts applied	(32)	(19)
Reclassification to accruals	–	(2)
At 31 December 2007	**68**	**35**

1 Net of unwound discounts.
2 See note 29.
3 See note 30.

Provisions mainly consist of provisions for an employee ownership share plan and restructuring costs.

Maturity analysis of total provisions on a discounted basis:

	Group		Company	
R million	**2007**	2006	**2007**	2006
Current	3	23	–	17
Non-current	65	47	35	36
At 31 December	**68**	70	**35**	53

23 Deferred tax

Deferred tax assets

	Group		Company	
R million	**2007**	2006	**2007**	2006[3]
At 1 January	92	128	–	–
Charged to the income statement	(8)	(26)	–	–
Charged directly to equity	(3)	(10)	–	–
Disposal of businesses	(4)	–	–	–
Other	1	–	–	–
At 31 December	**78**	92	**–**	–

Deferred tax liabilities

	Group		Company	
R million	**2007**	2006	**2007**	2006[3]
At 1 January	1,277	1,168	1,087	1,000
Credited to the income statement	130	47	127	45
(Charged)/credited directly to equity	(47)	139	1	92
Acquired through business combinations[1]	52	–	–	–
IFRIC 14 adjustment[2]	–	(62)	–	(50)
Other	2	(15)	–	–
At 31 December	**1,414**	1,277	**1,215**	1,087

1 See note 29.
2 The Company's and Group's adoption of IFRIC 14 have resulted in the retrospective reduction of the surplus and related deferred tax available from the Mondi Pension Fund in South Africa. See note 24 for further details.
3 Restated due to the early adoption of IFRIC 14.

The amount of deferred taxation provided in the accounts is as follows:

	Group		Company	
R million	**2007**	2006	**2007**	2006
Deferred tax assets				
Tax losses	205	50	–	–
Other temporary differences	(127)	42	–	–
	78	92	–	–
Deferred tax liabilities				
Capital allowances in excess of depreciation	1,406	1,195	1,200	1,018
Fair value adjustments	231	184	516	458
Tax losses	(431)	(237)	(389)	(231)
Other temporary differences	208	135	(112)	(158)
	1,414	1,277	**1,215**	1,087

The amount of deferred taxation (credited)/charged to the income statement is as follows:

	Group		Company	
R million	**2007**	2006	**2007**	2006
Capital allowances in excess of depreciation	182	199	182	164
Fair value adjustments	51	76	58	50
Tax losses	(302)	(221)	(158)	(223)
Other temporary differences	207	19	45	54
	138	73	**127**	45

23 Deferred tax (continued)

The current expectation regarding the maturity of deferred tax balances is:

	Group		Company	
R million	**2007**	2006	**2007**	2006
Deferred tax assets				
Recoverable within 12 months	–	2	–	–
Recoverable after 12 months	78	90	–	–
	78	92	–	–
Deferred tax liabilities				
Payable after 12 months	1,414	1,277	1,215	1,087
	1,414	1,277	**1,215**	1,087

Balances in subsidiary entities are shown on a 100% basis, regardless of ownership percentage. Balances for joint ventures are shown in proportion to the Company's ownership percentage. Balances in associates are not included.

Deferred tax that has not been raised on undistributable reserves is R7 million (2006: R5 million).

No liability has been recognised in respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the Company or Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24 Retirement benefits

The Company and Group operate post-retirement defined contribution and defined benefit plans for the majority of its employees. They also operate post-retirement medical arrangements. The policy for accounting for pensions and post-retirement benefits is included in note 1.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans for the Company that amounts to R26 million (2006: R25 million) is calculated on the basis of the contribution payable by the Company in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at 31 December 2007 and 31 December 2006.

Defined benefit pension plans

The defined benefit scheme is actuarially valued at intervals of not more than three years using the projected unit credit method. The last statutory actuarial valuation was performed as at 31 December 2007, with the fund being in a sound financial position at this time. The next full statutory actuarial valuation will be undertaken during the 2010 financial year. The assets of this plan are held separately from those of the Company in independently administered funds, in accordance with the South African Pension Funds Act of 1956.

Any deficits advised by the actuaries or that may arise from improved benefits are funded either immediately or through increased contributions to ensure the ongoing soundness of the schemes.

On 30 June 2006, the Financial Services Board (FSB) approved certain amendments to the Mondi Pension Fund rules, effective 1 January 2005. In terms of the rule amendments, all future surpluses arising in the Fund will be for the benefit of the employer. Accordingly, the latest available actuarial estimate of this surplus, amounting to R75 million (2006: R45 million) at 31 December 2007, has been recognised.

Post-retirement medical arrangements

The post-retirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. There are no plan assets in respect of post-retirement medical plans.

The post-retirement medical aid liability is valued at intervals of not more than three years using the projected unit credit method. The actuarial present value of the promised benefits at the most recent valuation was performed during the 2007 financial year and indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

24 Retirement benefits (continued)

The Company's and Group's defined benefit pension and post-retirement healthcare arrangements are summarised as follows:

	Group		Company	
R million	**2007**	2006	**2007**	2006[2]
Assets				
Defined benefit plans in surplus	**75**	45	**72**	42
Liabilities				
Post-retirement medical plans	**(709)**	(696)	**(663)**	(647)
Experience adjustments				
On plan liabilities	(146)	130	(134)	262
On plan assets	21	187	16	178
	(125)	317	**(118)**	440
Income statement charge				
Defined benefit pension plan costs	4	34	(3)	28
Post-retirement medical plan costs	61	62	55	56
	65	96	**52**	84

Balance sheet

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
R million	**2007**	2006	**2007**	2006[2]
Present value of unfunded obligations	(709)	(696)	(663)	(647)
Present value of funded obligations	(1,445)	(1,289)	(1,252)	(1,139)
Present value of pension plan liabilities	(2,154)	(1,985)	(1,915)	(1,786)
Fair value of plan assets	1,723	1,674	1,498	1,479
	(431)	(311)	(417)	(307)
Surplus restrictions[1]	(203)	(340)	(174)	(298)
Deficit on pension plans	**(634)**	(651)	**(591)**	(605)
Amounts reported in the balance sheet				
Defined benefit pension assets	**75**	45	**72**	42
Retirement benefit liabilities:				
Post-retirement medical plans	**(709)**	(696)	**(663)**	(647)

1 An amendment to the Mondi Pension Fund (MPF) was approved by the Financial Services Board on 30 June 2006. The amendment has the effect of attributing all surpluses, realisable through reduced future contributions, arising from 1 January 2004 to the Employer Surplus Account (ESA). The adoption of IFRIC 14 has resulted in the application of a more prudent basis to the valuation of the surplus available in the ESA and a retrospective increase in the surplus restriction of R173 million in the Company and R215 million in the Group has resulted before related deferred tax. The basis applied reflects the minimum funding requirement imposed by the trustees of the MPF.

2 Restated due to the early adoption of IFRIC 14.

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 120% (2006: 130%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the schemes' trustees and in accordance with local actuarial advice and statutory provisions.

The defined benefit pension plan is closed to new members. Consequently, it is expected that the Company's and Group's share of contributions will increase as the scheme's members age.

24. Retirement benefits (continued)

The expected return of plan assets is based on market expectations, at the beginning of a reporting period, for returns over the entire life of the related pension obligations. Expected returns may vary from one reporting period to the next in line with changes in long-run market sentiment and updated evaluations of historic fund performance.

For the year ended 31 December 2007, the actual return on plan assets in respect of defined benefit pension schemes was R131 million (2006: R273 million).

Income statement

The amounts recognised in the income statement are as follows:

	Group					
	2007			2006		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
Analysis of the amount charged to operating profit						
Current service costs	38	8	46	32	7	39
Total within operating costs	**38**	**8**	**46**	32	7	39
Analysis of the amount charged to net finance costs on plan liabilities						
Expected return on plan assets[1]	(131)	–	(131)	(108)	–	(108)
Interest costs on plan liabilities[2]	97	53	150	110	55	165
Net charge to other net finance costs	**(34)**	**53**	**19**	2	55	57
Total charge to income statement	**4**	**61**	**65**	34	62	96

1 Included in investment income.
2 Included in interest expense.

Assured healthcare trend rates have a significant effect on the amounts recognised in profit or loss. A 1% change in assumed healthcare cost trend rates would have the following effects:

R million	1% increase	1% decrease
Effect on the aggregate of the current service cost and interest cost	9	(7)
Effect on the defined benefit obligation	95	(78)

	Company					
	2007			2006		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
Analysis of the amount charged to operating profit						
Current service costs	27	6	33	23	5	28
Total within operating costs	**27**	**6**	**33**	23	5	28

24 Retirement benefits (continued)

	Company					
	2007			2006		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
Analysis of the amount charged to net finance costs on plan liabilities						
Expected return on plan assets[1]	(115)	–	(115)	(95)	–	(95)
Interest costs on plan liabilities[2]	85	49	134	100	51	151
Net charge to other net finance costs	**(30)**	**49**	**19**	5	51	56
Total charge to income statement	**(3)**	**55**	**52**	28	56	84

1 Included in investment income.
2 Included in interest expense.

Assured healthcare trend rates have a significant effect on the amounts recognised in profit or loss. A 1% change in assumed healthcare cost trend rates would have the following effects:

R million	1% increase	1% decrease
Effect on the aggregate of the current service cost and interest cost	9	(6)
Effect on the defined benefit obligation	88	(72)

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs under IAS 19, 'Employee Benefits', are detailed below:

	Group and Company	
%	**2007**	2006
Defined benefit pension plan		
Average discount rate for plan liabilities	**8.20**	7.80
Average rate of inflation	**5.50**	4.70
Average rate of increase in salaries	**6.75**	5.70
Average rate of increase of pensions in payment	**5.50**	4.70
Average long-term rate of return on plan assets	**8.83**	8.08

	Group and Company	
%	**2007**	2006
Post-retirement medical plan		
Average discount rate for plan liabilities	**8.20**	7.80
Expected average increase of healthcare costs	**7.00**	5.70

The assumption for the average discount rate for plan liabilities is based on AA corporate bonds at a suitable duration and currency. The mortality assumptions have been based on published mortality tables in the relevant jurisdiction.

24 Retirement benefits (continued)

The market value of the pension assets in these plans and long-term expected rate of return as at 31 December 2007 and 31 December 2006 are detailed below:

	Group			
	2007		2006	
	Rate of return (%)	**Fair value (R million)**	Rate of return (%)	Fair value (R million)
Equity	**10.84**	684	10.52	671
Bonds	**7.74**	148	6.51	104
Other	**7.48**	891	6.44	899
Fair value of plan assets		**1,723**		1,674

	Company			
	2007		2006	
	Rate of return (%)	**Fair value (R million)**	Rate of return (%)	Fair value (R million)
Equity	**10.84**	595	10.52	593
Bonds	**7.74**	129	6.51	92
Other	**7.48**	774	6.44	794
Fair value of plan assets		**1,498**		1,479

Movement analysis

The changes in the fair value of plan assets are as follows:

	Group		Company	
R million	**2007**	2006	**2007**	2006[1]
At 1 January	1,674	1,448	1,479	1,447
Expected return on plan assets	131	108	115	95
Actuarial gains	21	187	16	178
Contribution paid by employer	29	24	19	18
Contribution paid by other members	7	8	5	6
Benefit paid	(139)	(88)	(136)	(82)
Transfer of assets to MPSA and MSN	–	(13)	–	(183)
At 31 December	**1,723**	1,674	**1,498**	1,479

1 Restated due to the early adoption of IFRIC 14.

The changes in the present value of defined benefits obligation are as follows:

	Group					
	2007			2006		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pensions plans	Post-retirement medical plans	Total plans
At 1 January	(1,289)	(696)	(1,985)	(1,448)	(603)	(2,051)
Current service cost	(38)	(8)	(46)	(32)	(6)	(38)
Interest cost	(97)	(53)	(150)	(110)	(55)	(165)
Actuarial (losses)/gains	(153)	7	(146)	211	(81)	130
Contributions paid by other members	(7)	–	(7)	(8)	–	(8)
Benefit paid	139	41	180	88	36	124
Other	–	–	–	10	13	23
At 31 December	**(1,445)**	**(709)**	**(2,154)**	(1,289)	(696)	(1,985)

24 Retirement benefits (continued)

R million	Company					
	2007			2006[1]		
	Pension plans	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
At 1 January	(1,139)	(647)	(1,786)	(1,447)	(712)	(2,159)
Current service cost	(27)	(6)	(33)	(23)	(5)	(28)
Interest cost	(85)	(49)	(134)	(100)	(51)	(151)
Actuarial (losses)/gains	(132)	(2)	(134)	214	48	262
Contributions paid by other members	(5)	–	(5)	(6)	–	(6)
Benefit paid	136	41	177	82	36	118
Transfer of obligation to MPSA and MSN	–	–	–	141	37	178
At 31 December	**(1,252)**	**(663)**	**(1,915)**	(1,139)	(647)	(1,786)

1 Restated due to the early adoption of IFRIC 14.

25 Reconciliation of movement in equity

R million	Group				
	2007				
	Mondi Limited share capital	**Mondi Limited share premium**	**Retained earnings**	**Other reserves[1]**	**Total equity attributable to equity holders**
At 1 January	3	4,168	3,474	205	7,850
Issue of shares pre demerger	–[2]	1,005	–	–	1,005
Share consolidation	26	(26)	–	–	–
Issue of special converting shares	74	(74)	–	–	–
Dividends paid to Anglo American group companies	–	–	(1,914)	–	(1,914)
Interim dividend	–	–	(105)	–	(105)
Total recognised income and expense	–	–	286	52	338
Disposal of businesses	–	–	(3)	–	(3)
Reclassifications	–	–	(136)	136	–
Other	–	–	–	(171)	(171)
At 31 December	**103**	**5,073**	**1,602**	**222**	**7,000**

1 Other reserves are further analysed below.
2 Nil due to rounding.

R million	Group				
	2006				
	Mondi Limited share capital	Mondi Limited share premium	Retained earnings	Other reserves[1]	Total equity attributable to equity holders
At 1 January	2	1,569	3,442	190	5,203
Issue of shares	1	2,599	–	–	2,600
Dividends paid to Anglo American group companies	–	–	(159)	–	(159)
Total recognised income and expense	–	–	195	3	198
Disposal of businesses	–	–	(4)	–	(4)
Other	–	–	–	12	12
At 31 December 2006	3	4,168	3,474	205	7,850

1 Other reserves are further analysed below.

Notes to the financial statements and consolidated financial statements

25 Reconciliation of movement in equity (continued)

Other reserves

R million	Group 2007 Share-based payment reserve	Cash flow hedge reserve	Defined benefit obligations reserve	Non-distributable reserves	Total
At 1 January	43	–	(7)	169	205
Actuarial losses net of deferred tax	–	–	52	–	52
Share-based payments – Mondi share scheme	10	–	–	–	10
Share-based payments – Anglo American share scheme	32	–	–	–	32
Share options exercised – Anglo American share scheme	(213)	–	–	–	(213)
Reclassification	136	–	–	–	136
At 31 December 2007	**8**	**–**	**45**	**169**	**222**

Other reserves

R million	Group 2006 Share-based payment reserve	Cash flow hedge reserve	Defined benefit obligations reserve	Non-distributable reserves	Total
At 1 January	31	(2)	(8)	169	190
Actuarial losses net of deferred tax	–	–	154	–	154
Fair value gain accreted on cash flow hedge	–	2	–	–	2
Share-based payments – Anglo American share scheme	22	–	–	–	22
Share options exercised – Anglo American share scheme	(9)	–	–	–	(9)
IFRIC 14 adjustment[1]	–	–	(153)	–	(153)
Minority share	(1)	–	–	–	(1)
At 31 December 2006	43	–	(7)	169	205

1 The Company's and Group's adoption of IFRIC 14 have resulted in the reduction of the surplus available from the Mondi Pension Fund in South Africa. See note 24 for further details.

R million	Company 2007 Mondi Limited share capital	Mondi Limited share premium	Retained earnings	Other reserves[1]	Total equity
At 1 January	3	4,168	3,759	264	8,194
Issue of shares pre demerger[2]	–[3]	1,005	–	–	1,005
Share consolidation	26	(26)	–	–	–
Issue of special converting shares	74	(74)	–	–	–
Dividends paid to Anglo American group companies	–	–	(1,914)	–	(1,914)
Interim dividend	–	–	(105)	–	(105)
Total recognised income and expense	–	–	332	4	336
Reclassifications	–	–	(135)	135	–
Other	–	–	–	(171)	(171)
At 31 December 2007	**103**	**5,073**	**1,937**	**232**	**7,345**

1 Other reserves are further analysed below.
2 Specific issue of shares for cash of 37,537,339 shares at R26.77 per share to Anglo American as part of the demerger.
3 Nil due to rounding.

25 Reconciliation of movement in equity (continued)

R million	Mondi Limited share capital	Mondi Limited share premium	Retained earnings	Other reserves[1]	Total equity
	Company				
	2006				
At 1 January	2	1,569	3,846	208	5,625
Issue of shares	1	2,599	–	–	2,600
Total recognised income and expense	–	–	55	103	158
Dividends paid to Anglo American group companies	–	–	(159)	–	(159)
Reclassifications	–	–	17	(17)	–
Other	–	–	–	(30)	(30)
At 31 December 2007	**3**	**4,168**	**3,759**	**264**	**8,194**

1 Other reserves are further analysed below.

Other reserves

R million	**Share-based payment reserve**	**Cash flow hedge reserve**	**Defined benefit obligations reserve**	**Non-distributable reserves**	**Total**
	Company				
	2007				
At 1 January	41	–	54	169	264
Share-based payments – Mondi share scheme	5	–	–	–	5
Share-based payments – Anglo American share scheme	19	–	–	–	19
Share options exercised – Anglo American share scheme	(195)	–	–	–	(195)
Actuarial losses net of deferred tax	–	–	4	–	4
Reclassifications	135	–	–	–	135
At 31 December 2007	**5**	**–**	**58**	**169**	**232**

R million	Share-based payment reserve	Cash flow hedge reserve	Defined benefit obligations reserve	Non-distributable reserves	Total
	Company				
	2006				
At 1 January	48	(2)	(7)	169	208
Share-based payments – Anglo American share scheme	19	–	–	–	19
Share options exercised – Anglo American share scheme	(9)	–	–	–	(9)
Fair value gain accreted on cash flow hedge	–	2	–	–	2
Actuarial losses net of deferred tax	–	–	224	–	224
IFRIC 14 adjustment[1]	–	–	(123)	–	(123)
Reclassifications	(17)	–	–	–	(17)
Transfer of reserves to MPSA and MSN	–	–	(40)	–	(40)
At 31 December 2006	41	–	54	169	264

1 The Company's and Group's adoption of IFRIC 14 have resulted in the reduction of the surplus available from the Mondi Pension Fund in South Africa. See note 24 for further details.

26 Asset values per share

Asset values per share are disclosed in accordance with the JSE Listing Requirements. Net asset value per share is defined as net assets divided by the number of ordinary shares in issue as at 31 December 2007 (retrospectively applied to the net assets of the comparative balance sheet). Tangible net asset value per share is defined as the net assets less intangible assets divided by the number of ordinary shares in issue as at 31 December 2007 (retrospectively applied to the net assets of the comparative balance sheet).

	Group	
	2007	2006
Net asset value per share (R)	**49.40**	54.80
Tangible net asset value per share (R)	**43.92**	53.19

27 Share capital and share premium

	Authorised	
2007[1]	**Number of shares**	**Rand million**
Mondi Limited R0.20 ordinary shares	250,000,000	50
Mondi Limited R0.20 special converting shares	650,000,000	130

	Called up, allotted and fully paid Rand *million*			
2007[1]	**Number of shares**	**Share capital**	**Share premium**	**Total**
Mondi Limited ordinary shares issued on the JSE	146,896,322	29	5,073	5,102
Mondi Limited special converting shares[2]	367,240,805	74	–	74
Total shares	**514,137,127**	**103**	**5,073**	**5,176**

1 No comparatives have been presented as the Company's shares were issued on admission to the JSE Limited on 3 July 2007. As at 31 December 2006 the ultimate holding company was Anglo American plc.
2 The special converting shares are held on trust and do not carry dividend rights. The special converting shares provide a mechanism for equality of treatment on termination for both Mondi Limited and Mondi plc ordinary equity holders.

28 Share-based payments

Anglo American plc share awards

The Company and Group participated in the share-based payment arrangements of Anglo American plc during 2006 and up to the date of demerger during 2007. All of the schemes are equity-settled, either by award of options to acquire ordinary shares, under the Employee Share Option Scheme (ESOS), or award of ordinary shares, under the Bonus Share Plan (BSP) and the Long-Term Incentive Plan (LTIP).

The total share-based payment charge for the respective periods is made up as follows:

	Group		Company	
R million	**2007**[1]	2006	**2007**[1]	2006
ESOS	2	11	1	10
BSP	21	7	12	6
LTIP	9	4	6	3
Total share-based payment expense	**32**	22	**19**	19

1 Included within the charge for 2007 for the Company and Group is an amount of R14 million and R19 million respectively, representing the accelerated charge on legacy Anglo American plc schemes, which were deemed to have fully vested on demerger. The accelerated charge has been classified as an operating special item (see note 4).

Disclosure of the assumptions used to fair value the awards made under these schemes is contained within the Prospectus dated 1 June 2007.

On demerger from Anglo American plc, the Company and Group have cash-settled their obligations in respect of share awards made under these schemes, with the minor exception of outstanding 2004 ESOS awards, which will be cash-settled as options are exercised by recipients over a period of two years from the demerger date. The share-based payments reserve has been adjusted to remove the balance attributable to these schemes, thereby reflecting the elimination of Anglo American plc's equity interest in the Company and Group.

28 Share-based payments (continued)

Mondi share awards

Subsequent to the demerger, the Company and Group have set up their own share-based payment arrangements to incentivise staff, as well as certain transitional schemes to compensate relevant employees for the benefits foregone on outstanding Anglo American plc schemes. The Company and Group also operate equity-settled retention arrangements for directors and key management to provide for an orderly transition into the post-demerger period.

All of these schemes are settled by the award of ordinary shares in the Company. The Company and Group have no legal or constructive obligation to settle the awards made under these schemes in cash, except for the reimbursement of dividends foregone on BSP awards that vest.

The retention arrangements were instituted prior to, and in anticipation of, the demerger. The associated fair value charge, attributable to the vesting period elapsed, has been recognised from 1 January 2007. The fair value charges resulting from all other share awards made by the Company and Group, attributable to the vesting periods elapsed, have been recognised from 3 July 2007.

The total fair value charge in respect of all the Mondi share awards granted during the year ended 31 December 2007 is made up as follows:

	2007	
R'000	**Group**	**Company**
Transitional BSP	1,288	438
Transitional LTIP	550	–
BSP 2007	1,686	431
LTIP 2007	1,388	1,256
Retention (shown in special items)	4,780	2,493
Total share-based payment expense	**9,692**	**4,618**

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited	**Transitional BSP**	**Transitional LTIP**	**BSP**	**LTIP**	**Retention arrangements**
Date of grant	3 July 2007	3 July 2007	3 July 2007	3 July 2007	3 July 2007
Vesting period (years)[1]	1.8	1.8	2.8	2.8	2
Vesting conditions	[2]	[2]	[2]	[3]	[2]
Expected leavers per annum (%)	3	3	3	3	Nil
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	N/A	89	N/A
Fair value per instrument (R)	61.33[4]	61.33[4]	64.23[5]	59.12[6]	59.88[4]

1 The number of years' continuous employment ('Service Condition').
2 The service condition must be satisfied in order for vesting to occur.
3 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined by the congruence of market and Group performance outcomes with specified market-based and internal Group performance targets.
4 The average mid-market share price for the month ending 3 August 2007 has been used to quantify the fair value of each instrument granted ('the base fair value'), as adjusted for the present value of anticipated dividends foregone over future vesting periods.
5 Accrued entitlements to dividends on BSP awards are accounted for on a cash-settled basis and are included in the fair value estimate.
6 The base fair value has been adjusted for contractually-determined market-based performance conditions.

A reconciliation of share award movements for the Mondi share schemes is shown below:

At 31 December 2007

	Mondi Limited			
Scheme	**Shares conditionally awarded in year**	**Shares vested in year**	**Shares expired in year**	**31 December 2007**
Transitional BSP	54,028	–	–	54,028
BSP	106,048	–	–	106,048
Transitional LTIP	23,083	–	–	23,083
LTIP	116,450	–	–	116,450
Retention arrangements	187,710	–	–	187,710
	487,319	–	–	487,319

29 Business combinations

Principal acquisition made during the year to 31 December 2007, accounted for under the acquisition method were:

Name of entity acquired	Nature of entity acquired	Date of acquisition	Percentage acquired
Lenco	Rigid plastics manufacturer	4 July 2007	100

The values used in accounting for the identifiable assets and liabilities of the acquisition is provisional in nature at the balance sheet date. If necessary, adjustments will be made to these carrying values, and to the related goodwill, within twelve months of the acquisition date.

Details of the net assets acquired and attributable goodwill are as follows:

R million	Total
Net assets acquired:	
Intangible assets	225
Property, plant and equipment	453
Financial asset investments	13
Inventories	106
Trade and other receivables	139
Cash and cash equivalents	11
Short-term borrowings	(24)
Overdrafts	(35)
Trade and other payables	(136)
Other current liabilities	(6)
Long-term borrowings	(379)
Deferred tax liabilities	(52)
Provisions for liabilities and charges	(9)
Contingent liabilities	(4)
Equity minority interest	(10)
Net assets acquired	292
Goodwill arising on acquisition[1]	354
Total cost of acquisition	**646**
Satisfied by:	
Cash acquired net of overdrafts	24
Net cash paid	**670**

1 The total capitalised goodwill is stated net of negative goodwill of R10 million arising on an immaterial acquisition, which was expensed to the income statement in the year ended 31 December 2007.

Lenco

The assets and liabilities as of 4 July 2007 arising from the acquisition are as follows:

R million	Book value	Revaluation	Fair value
Intangible assets	40	185	225
Property, plant and equipment	364	49	413
Financial asset investments	13	–	13
Deferred tax assets	50	(50)	–
Inventories	95	–	95
Trade and other receivables	127	–	127
Short-term borrowings	(35)	–	(35)
Other current liabilities	(117)	–	(117)
Long-term borrowings	(379)	–	(379)
Deferred tax liabilities	(18)	(29)	(47)
Provisions for liabilities and charges	–	(14)	(14)
Net assets acquired	**140**	**141**	**281**

29 Business combinations (continued)

The goodwill arising on the acquisition of Lenco represents the strategic value placed on the diversification of product mix and on entering the relatively higher growth rigid plastics market sector in South Africa.

The acquired business has contributed revenues of R399 million and a net loss of R36 million from 4 July 2007. If the acquisition had occurred on 1 January 2007, the acquired business would have contributed revenues of R777 million and a net loss of R82 million.

To 31 December 2006

No significant acquisitions were made during the year to 31 December 2006.

30 Disposal of subsidiaries and other businesses

R million	**2007**	2006
Net assets disposed:		
Property, plant and equipment	24	83
Forestry assets	–	105
Financial asset investments	1	–
Deferred tax assets	4	–
Inventories	64	–[2]
Trade and other receivables	67	1
Assets classified as held for sale[1]	233	–
Cash and cash equivalents	40	2
Short-term borrowings	(10)	6
Trade and other payables	(37)	–
Current income tax liabilities	(5)	–
Retirement benefit obligations	(13)	–
Provision for liabilities and charges	(6)	–[2]
Liabilities classified as held for sale[1]	(173)	–
Minority interests	6	(56)
Total net assets disposed	195	141
Loss on disposal (see note 4)	(22)	–
Disposal proceeds	**173**	141
Net cash disposed	(36)	(2)
Net cash inflow from disposal of subsidiaries during the year	**137**	139

1 Disposal of assets and liabilities previously classified as held for sale. The carrying value includes all movements since the date of reclassification up to the date of disposal.
2 Nil due to rounding.

During the year, the following disposals occurred:

(a) 100% shareholding in Peak Timbers Limited. This investment was disclosed as an asset held for sale in 2006.

(b) 73.5% shareholding in Finewright Holdings (Proprietary) Limited.

(c) Partial interest of 10.18% shareholding in Siyaqhubeka Forests (Proprietary) Limited.

During 2006, the following disposals occurred:

(a) 66.6% shareholding in North Eastern Cape Forests joint venture.

(b) 100% shareholding in Goeiehoop Farms (Proprietary) Limited.

31 Disposal groups and non-current assets held for sale

No assets are classified as held for sale as at 31 December 2007. There were no material discontinued operations to the Group in either of the years presented.

The gain resulting from the subsequent increase in fair value less costs to sell of the disposal group held at 31 December 2006, in excess of other applicable measurement movements, is included in the derecognition gain.

	Group	Company
R million	2006	2006
Peak Timbers Limited		
Property, plant and equipment	44	–
Forestry assets	111	–
Investment in subsidiary company	–	12
Financial asset investment	7	–
Total non-current assets	162	12
Inventories	15	–
Trade and other receivables	11	–
Cash and cash equivalents	16	–
Total current assets	42	–
Total assets classified as held or sale	204	12
Trade and other payables	(157)	–
Amount owing to subsidiary	–	(34)
Total current liabilities	(157)	(34)
Deferred tax liabilities	(16)	–
Medium and long-term borrowings	(5)	–
Total non-current liabilities	(21)	–
Total liabilities directly associated with assets classified as held for sale	(178)	(34)
Total net liabilities held for sale	26	(22)

32 Cash flow analysis

(a) Reconciliation of profit before tax to cash inflows from operations

	Group		Company	
R million	**2007**	2006	**2007**	2006
Profit before tax	**517**	368	**469**	101
Depreciation and amortisation	628	540	413	412
Share option expense	19	22	10	19
Share options converted	(213)	(9)	(195)	(9)
Total special items before tax	343	–	181	46
Net finance costs	331	377	(6)	75
Net (income)/loss from associates	(5)	1	–	–
Movement in provisions	(28)	14	(43)	25
Increase in inventories	(102)	(61)	(11)	(42)
Increase in operating receivables	(248)	(341)	(59)	(373)
Increase in operating payables	156	256	114	172
Fair value gains on forestry assets	(311)	(318)	(256)	(207)
Felling costs	489	486	366	358
Loss/(profit) on disposal of fixed assets	9	(13)	10	(12)
Fair value (gains)/losses on financial asset investments	(4)	4	–	–
Other adjustments	16	(4)	16	9
Cash inflows from operations	**1,597**	1,322	**1,009**	574

32 Cash flow analysis (continued)

(b) Cash and cash equivalents

R million	Group 2007	Group 2006	Company 2007	Company 2006
Cash and cash equivalents per balance sheet	260	436	12	103
Bank overdrafts	(369)	–	(340)	–
Net cash and cash equivalents per cash flow statement	**(109)**	436	**(328)**	103

(c) Movement in net debt

The net debt position, excluding disposal groups is as follows:

R million	Group					
	Cash and cash equivalents	**Debt due within one year[1]**	**Debt due after one year**	**Current financial asset investments**	**Loans to related parties**	**Total net debt**
Balance at 1 January 2007	436	(406)	(2,594)	–	–	(2,564)
Cash flow	(518)	(131)	(926)	–	–	(1,575)
Business combinations[2]	–	(24)	(379)	–	–	(403)
Disposal of businesses[3]	–	10	–	–	–	10
Reclassifications	(27)	(371)	511	–	–	113
Closing balance at 31 December 2007	**(109)**	**(922)**	**(3,388)**	**–**	**–**	**(4,419)**

R million	Group					
	Cash and cash equivalents	Debt due within one year[1]	Debt due after one year	Current financial asset investments	Loans to related parties	Total net debt
Balance at 1 January 2006	2,212	(4,378)	(2,582)	–	105	(4,643)
Cash flow	(1,761)	3,972	(6)	–	(105)	2,100
Disposal of businesses[3]	–	–	(6)	–	–	(6)
Transferred to disposal groups	(15)	–	–	–	–	(15)
Closing balance at 31 December 2006	436	(406)	(2,594)	–	–	(2,564)

R million	Company					
	Cash and cash equivalents	**Debt due within one year[1]**	**Debt due after one year**	**Current financial asset investments**	**Loans to related parties**	**Total net debt**
Balance at 1 January 2007	103	(293)	(1,007)	–	1,343	146
Cash flow	(431)	141	147	–	(553)	(696)
Reclassifications	–	(205)	178	43	(8)	8
Closing balance at 31 December 2007	**(328)**	**(357)**	**(682)**	**43**	**782**	**(542)**

R million	Company					
	Cash and cash equivalents	Debt due within one year[1]	Debt due after one year	Current financial asset investments	Loans to related parties	Total net debt
Balance at 1 January 2006	1,945	(4,730)	(1,007)	–	1,620	(2,172)
Cash flow	(1,842)	3,991	–	–	(101)	(2,048)
Disposal of businesses	–	446	–	–	(176)	270
Closing balance at 31 December 2006	103	(293)	(1,007)	–	1,343	146

1 Excludes overdrafts, which are included as cash and cash equivalents. At 31 December 2007, short-term borrowings on the balance sheet of the Group of R1,291 million (2006: R406 million) include R369 million of overdrafts (2006: Rnil). At 31 December 2007, short-term borrowings on the balance sheet of the Company of R697 million (2006: R293 million) include R340 million of overdrafts (2006: Rnil).
2 See note 29.
3 See note 30.

33 Capital commitments

	Group		Company	
R million	**2007**	2006	**2007**	2006
Contracted for but not provided	388	191	170	135
Approved but not yet contracted for	218	902	158	692
	606	1,093	**328**	827

These capital commitments will be financed by existing cash resources and borrowing facilities.

34 Contingent liabilities and contingent assets

Contingent liabilities for the Group comprises aggregate amounts at 31 December 2007 of R73 million (2006: R64 million) in respect of loans and guarantees given to banks and other third parties and for the Company comprises aggregate amounts at 31 December 2007 of R67 million (2006: R64 million) in respect of loans and guarantees given to banks and other third parties.

There are a number of legal or potential claims against the Company. Provision is made for all liabilities that are expected to materialise.

There were no significant contingent assets in the Company or Group at 31 December 2007 or 31 December 2006.

35 Operating leases

At 31 December, the outstanding commitments under non-cancellable operating leases were:

	Group		Company	
R million	**2007**	2006	**2007**	2006
Expiry date				
Within one year	87	59	44	46
One to two years	96	68	52	18
Two to five years	150	123	42	28
After five years	1,256	1,199	70	27
	1,589	1,449	**208**	119

The majority of these operating leases relate to land and buildings.

36 Capital management

The Company and Group review their total capital employed on a regular basis and make use of several indicative ratios which are appropriate to the nature of the Group's operations and consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as net debt divided by total capital employed; and
- return on capital employed, defined as underlying operating profit before special items divided by average capital employed.

37 Financial risk management

The Company and Group's trading and financing activities expose them to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company and Group are actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Company and Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the board of directors and are overseen by the DLC executive committee. In turn, the executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Mondi Group and for ensuring that the Mondi Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment, identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. Local treasury teams assist Group treasury in the management of financial risk exposures and are authorised to enter into derivative contracts locally, subject to pre-agreed and constantly reviewed limits. The Company and Group do not take positions on derivative contracts speculatively and only enter into contractual arrangements with counterparties that have investment grade credit ratings.

Market risk

The Company and Group's activities are exposed to primarily foreign exchange and cash flow interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of forward foreign exchange contracts and floating-to-fixed interest rate swaps ('interest rate swaps') respectively. Although the Company and Group's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables. Consequently, the Company and Group are not substantively exposed to commodity price risk as defined in IFRS 7.

Since the impact on the Company's and Group's equity would be immaterial for a wide range of relevant commodity price changes, the Company and Group have chosen not to perform sensitivity analysis on its commodity price derivatives. The Group is also exposed to a limited extent to the equity price risk that attaches to its available for sale financial investments. Even under highly improbable stressed market conditions, the impact on earnings or equity attributable to the crystallisation of equity price risk would be immaterial. Accordingly, the Company has chosen not to disclose sensitivity analysis on equity price risk.

Foreign exchange risk

The Company and Group operate across various national boundaries and are exposed to foreign exchange risk in the normal course of their business. Multiple currency exposures arise from forecast commercial transactions denominated in foreign currencies, recognised financial assets and liabilities ('monetary items') denominated in foreign currencies and the translational exposure on net investments in foreign operations.

Forward foreign exchange contracts

The Company's and Group's foreign exchange policy require their subsidiaries to actively manage foreign currency exposures against their functional currencies by entering into forward foreign exchange contracts. The management of foreign exchange exposures incorporate both forecast transactions and recognised monetary items in the balance sheet. For segmental reporting purposes, each subsidiary enters into, and accounts for, forward foreign exchange contracts with Group treasury or with counterparties that are external to the Company and Group, whichever is more commercially appropriate.

Currencies bought or sold forward to mitigate possible unfavourable movements on forecast transactions are primarily designated as cash flow hedges. The Company and Group's budgeting and forecasting systems enable subsidiaries to assign a high degree of probability to forecast transactions and this therefore qualifies them for designation as hedged items. Any fair value gains and losses on designated forward foreign exchange contracts are initially taken to the cash flow hedging reserve in equity.

The fair value of a forward foreign exchange contract is determined by reference to the current applicable spot foreign exchange rate, adjusted by the forward points and multiplied by the contracted nominal cash flows. The forward margin reflects interest rate differentials between the two relevant currencies. Utilisation of cash flow hedging enables the Company and Group to recycle the fair value movements accreted on forward foreign exchange contracts and to match them with the crystallisation of the foreign exchange risk attributable to the designated hedged items in the income statement. The effect of applying this accounting treatment is to reduce the underlying volatility of reported earnings.

Hedging effectiveness documentation is subjected to regular internal and external review, which reduces the risk of hedging ineffectiveness.

Currencies bought or sold forward to mitigate possible unfavourable movements on recognised monetary items are fair valued at each reporting date and offset against the associated foreign currency movements in the income statement. Foreign currency monetary items are retranslated at each reporting date to incorporate the underlying foreign exchange movements, as prescribed by IAS 21, 'The Effects of Changes in Foreign Exchange Rates', and any such movements are naturally off-set against fair value movements on related forward foreign exchange contracts.

37 Financial risk management (continued)

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Company and Group's financial assets and financial liabilities at the reporting dates presented, net of related forward positions. The sensitivity analysis provides an indication of the impact on the Company and Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Company and Group operate in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Company and Group's equity, as a result of fair value adjustments to forward foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near term future volatility.

Resultant impacts of reasonably possible changes to foreign exchange rates

The Company and Group have assumed that for each local to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency.

The corresponding fair value impacts on the Group's income statement would be +/-R20 million (2006: +/-R101 million).

Cash flow interest rate risk

The Company and Group hold cash and cash equivalents, which earns interest at a variable rate and have variable rate debt in issue. Consequently, the Company and Group are exposed to cash flow interest rate risk. Although the Company and Group also have fixed rate debt in issue, the Company and Group's accounting policy stipulates that all borrowings are held at amortised cost. As a result, the carrying value of fixed rate debt is invariant to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Company and Group operating units and, in addition, to ensure that the Company and Group operating units earn the most advantageous rates of interest available.

Management of variable rate debt

The Company and Group have multiple variable rate debt facilities, of which the most significant is the syndicated facility denominated in South African rands (see note 20). Group Treasury uses interest rate swaps to hedge certain exposures to movements in the JIBAR.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on the Group's income statement. A 50 basis points movement in the interest rate will impact the earnings for the year by R19 million.

Credit risk

Credit risk is the risk that a contractual counterparty will default on its contractual obligations to the Company and Group and that the Company and Group would suffer financial loss as a consequence of such a default. The Company and Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits and derivative financial instruments is deemed to be insignificant on the basis that all relevant counterparties are investment grade entities. Several Group entities have also entered into financial guarantee contracts with external counterparties to achieve competitive funding rates for specific debt agreements. None of these financial guarantees contractually obligate the Company and Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Company or Group as a whole. The Company has also provided committed loan facilities to Mondi Packaging South Africa and Mondi Shanduka Newsprint. Full disclosure of the Company and Group's maximum exposure to credit risk is presented in the following table.

Exposure to credit risk

	Group		Company	
R million	**2007**	2006	**2007**	2006
Cash and cash equivalents	260	436	12	103
Derivative financial instruments	4	6	2	1
Trade and other receivables	2,408	2,220	1,430	1,457
Loans and receivables	45	170	160	9
	2,717	2,832	**1,604**	1,570

37 Financial risk management (continued)

Credit risk associated with trade receivables

The Company and Group have a large number of unrelated customers and do not have any significant credit risk exposure to any particular customer.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Company and Group believe that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function.

Liquidity risk

Liquidity risk is the risk that the Company and Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Company and Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on its committed loan facilities.

	Group		Company	
R million	**2007**	2006	**2007**	2006
Expiry date				
In one year or less	52	40	–	–
In more than one year	–	–	–	–
Total credit available	**52**	40	**–**	–

The Group has R875 million available to draw down on its uncommitted loan facilities.

Forecast liquidity represents the Company and Group's expected cash inflows, principally generated from sales made to customers, less the Company and Group's contractually-determined cash outflows, principally related to supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Company and Group's trade receivables and trade payables respectively. The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the balance sheet and is managed to ensure the ongoing operating liquidity of the Company and Group. Financing cash outflows may be longer term in nature. The Company and Group do not hold long-term financial assets to match against these commitments, but are significantly invested in long-term non-financial assets, which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Company and Group's borrowings.

The Company and Group also assess their commitments under interest rate swaps, which hedge future cash flows from two to five years from the balance sheet date presented.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset held by the Company and Group, are settled gross by customers. The Company and Group's financial investments, which are not held for trading and therefore do not comprise part of the Company and Group's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Company and Group's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Company and Group's financial liabilities, including any interest that will accrue, except where the Company and Group are entitled and intend to repay a financial liability, or part of a financial liability, before its contractual maturity. Non-interest bearing financial liabilities which are due to be settled in less than 12 months from maturity equal their carrying values, since the impact of the time value of money is immaterial over such a short duration.

Notes to the financial statements and consolidated financial statements

37 Financial risk management (continued)

Maturity profile of outstanding financial liabilities

	Group[1]				
2007/R million	**< 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**
Supplier payables	1,257	–	–	–	1,257
Finance leases	8	4	5	2	19
Borrowings	1,560	1,194	1,800	1,280	5,834
	2,825	1,198	1,805	1,282	7,110
2006/R million					
Supplier payables	928	–	–	–	928
Finance leases	2	2	2	1	7
Borrowings	401	459	2,009	1,146	4,015
	1,331	461	2,011	1,147	4,950

	Company[1]				
2007/R million	**< 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**
Supplier payables	588	–	–	–	588
Finance leases	1	1	1	–	3
Borrowings	742	415	340	–	1,497
	1,331	416	341	–	2,088
2006/R million					
Supplier payables	535	–	–	–	535
Finance leases	–[2]	2	1	–	3
Borrowings	128	128	1,074	–	1,330
	663	130	1,075	–	1,868

1 Undiscounted cash flows.
2 Nil due to rounding.

38 Related party transactions

The Company and Group have related party relationships with their associates and joint ventures (see note 39) and, up to the date of demerger, with certain Anglo American group companies. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are disclosed in this note.

The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint ventures and associates and others in which the Company and Group have a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

The executive directors, who together comprise the board, are deemed to be the key management personnel of the Mondi Group; their remuneration is disclosed in the Directors' remuneration report on pages 5 to 6.

	Group		
R million	**Anglo American plc group**	**Joint ventures**	**Mondi plc subsidiaries**
2007			
Sales to related parties	–	–	3,222
Purchases from related parties	–	69	–
Dividends paid to related parties	(1,914)	–	–
Receivables due from related parties	–	–	769
Payables due to related parties	–	–	119

	Group		
R million	Anglo American plc group	Joint ventures	Mondi plc subsidiaries
2006			
Sales to related parties	–	–	2,433
Purchases from related parties	–	64	–
Net finance costs paid	(88)	–	–
Dividends paid to related parties	(159)	–	–
Receivables due from related parties	–	–	685
Payables due to related parties	7	–	87
Total borrowings from related parties	88	–	–

38 Related party transactions (continued)

R million	Company: Anglo American plc group	Joint ventures	Mondi plc subsidiaries	Subsidiaries
2007				
Sales to related parties	–	106	3,106	442
Purchases from related parties	–	25	–	289
Net finance costs received	–	19	–	72
Dividends (paid)/received to/from related parties	(1,914)	–	–	6
Loans to related parties	–	–	–	796
Receivables due from related parties	–	73	747	175
Payables due to related parties	–	13	119	55
Shareholder's loan to related parties	–	128	–	239
Total borrowings from related parties	–	–	–	17

R million	Company: Anglo American plc group	Joint ventures	Mondi plc subsidiaries	Subsidiaries
2006				
Sales to related parties	–	96	2,345	299
Purchases from related parties	–	29	414	226
Net finance costs (paid)/received	(91)	41	–	89
Dividends (paid)/received to/from related parties	(159)	–	–	45
Loans to related parties	–	330	–	776
Receivables due from related parties	–	35	658	247
Payables due to related parties	7	13	85	74
Shareholder's loan to related parties	–	128	–	102
Total borrowings from related parties	88	–	–	53

Cyril Ramaphosa, joint chairman of Mondi, has a 39.96% stake in Shanduka Group (Pty) Limited, an entity that has controlling interests in Shanduka Advisors (Pty) Limited, Shanduka Resources (Pty) Limited, Shanduka Packaging (Pty) Limited and Shanduka Newsprint (Pty) Limited and participating interests in Mondi Shanduka Newsprint (Pty) Limited, Kangra Coal (Pty) Limited, Rennies Distribution Services (Pty) Limited and Mondi Packaging South Africa (Pty) Limited. Fees of R4 million and R7 million were paid to Shanduka Advisors (Pty) Limited and Shanduka Resources Services (Pty) Limited respectively for management services provided to the Group during the year ended 31 December 2007. Shanduka Packaging (Pty) Limited and Shanduka Newsprint (Pty) Limited have also provided a shareholder loan to the Group. The balance outstanding at 31 December 2007 was R168 million (2006: R68 million) and R92 million (2006: R92 million), respectively. In the normal course of business, and on an arm's length basis, the Group purchased supplies from Kangra Coal (Pty) Limited totalling R89 million (2006: R50 million) and made use of transport and warehousing services from Rennies Distribution Services (Pty) Limited totalling R129 million (2006: R141 million) during the period. R14 million (2006: R18 million) remains outstanding on these purchases at 31 December 2007.

39 Group companies

The principal subsidiaries, joint ventures and associates of the Group at 31 December 2007 and 31 December 2006 and the Group's percentage of equity owned, together with the Group's interests in joint venture entities are presented below. All of these interests are consolidated within these financial statements. The Group has restricted the information to its principal subsidiaries and joint venture.

	Country of incorporation	Business	Percentage equity owned[1] 2007	2006
Subsidiary undertaking				
Mondi Packaging South Africa (Proprietary) Limited[2]	South Africa	Packaging	55%	55%
Siyaqhubeka Forests (Proprietary) Limited	South Africa	Forestry	51%	62%
Joint venture				
Mondi Shanduka Newsprint (Proprietary) Limited[3,4]	South Africa	Newsprint	50%	50%

1 This represents the percentage of equity owned and proportion of voting rights held by the Group.
2 Consolidated at 60% due to the contractual arrangement with the subsidiary's employee share ownership trust.
3 The presumption of significant influence over this entity does not apply because the economic activities of this entity are jointly controlled under a contractual arrangement that has been entered into with the venturer party.
4 Due to the contractual arrangements with the entity's employee share and community ownership trust, shareholdings are proportionately consolidated at 58%.

These companies operate principally in the country in which they are incorporated. Non-operating intermediate holding companies are excluded from the above table.

The Group's share of profit from subsidiary companies is R88 million (2006: R109 million).

40 Events occurring after 31 December 2007

With the exception of the proposed final dividend for 2007, included in note 7, there have been no material reportable events since 31 December 2007.

Shareholders' analysis

As at 31 December 2007 Mondi Limited had 146,896,322 Ordinary shares in issue.

By size of holding

No. of shareholders	% of shareholders	Size of shareholding	No. of shares	% of shares
28,473	90.56	1 – 500	1,814,222	1.24
1,085	3.45	501 – 1,000	797,504	0.54
1,016	3.23	1,001 – 5,000	2,174,911	1.48
556	1.77	5,001 – 50,000	10,175,112	6.93
291	0.93	50,001 – 1,000,000	58,544,691	39.85
19	0.06	1,000,001 – highest	73,389,882	49.96
31,440	**100.00**		**146,896,322**	**100.00**

By type of holding

	No. of shares	% of shares
Public*	146,895,256	100.00
Non-public	1,066	0.00
Directors of Mondi Limited/Mondi plc	1,066	0.00
Holders of 10% or above	–	–
Mondi staff share schemes	–	–
Total	**146,896,322**	**100.00**

* As per the Listings Requirements of the JSE Limited.

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