MONDI LIMITED

(Registration number: 1967/013038/06)

AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

Introduction

The Mondi Limited financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act.

Shareholders are advised to review the Mondi Group Integrated report and financial statements 2013 which is available at: www.mondigroup.com.

In terms of the dual listed company (DLC) structure, referred to as the Mondi Group, incorporating Mondi Limited and Mondi plc, ordinary shareholders of Mondi Limited or Mondi plc have economic and voting interests in the Mondi Group, comprising both the Mondi Limited group and the Mondi plc group. The Mondi Group Integrated report and financial statements 2013 provide comprehensive information regarding the financial position and the results of the operations of the Mondi Group.

Contents

Report of the directors

The directors submit their report for the year ended 31 December 2013.

Main business and operations

The Company manages forestry operations in order to manufacture pulp, uncoated fine paper and containerboard.

The Company forms an integral part of the Mondi Group and these financial statements must be read in the context of the Mondi Group. Shareholders are referred to the Mondi Group Integrated report and financial statements 2013 in this regard.

The Company earned a profit after tax for the year of R476 million (2012: R299 million).

Subsequent events

With the exception of the proposed final dividend for 2013, included in note 6, there have been no material reportable events since 31 December 2013.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Stated capital

Refer to note 20 for details of the stated capital of the Company.

Dividends

An interim dividend of 126.03689 rand cents per share (2012: 90.44358 rand cents per share) was declared and paid during the year and a final dividend of 387.39464 rand cents per share (2012: 225.16629 rand cents per share) was recommended by the directors and is subject to shareholder approval at the annual general meeting to be held on 14 May 2014. Refer to note 6 for more information.

Directors

The directors of the Company during the year and to the date of this report are as follows:

Directors	*Position*	*Independent*	*Board member since*
Fred Phaswana	Joint chairman	Yes	June 2013
Cyril Ramaphosa	Joint chairman (Resigned May 2013)	No	May 2007
David Williams	Joint chairman	Yes	May 2007
Stephen Harris	Non-executive director	Yes	March 2011
David Hathorn	Chief executive officer	No	May 1997
Andrew King	Chief financial officer	No	October 2008
Imogen Mkhize	Non-executive director	Yes	May 2007
John Nicholas	Non-executive director	Yes	October 2009
Peter Oswald	Chief executive officer, Europe & International Division	No	January 2008
Anne Quinn	Senior independent non-executive director	Yes	May 2007

Holding company

Mondi operates under a dual listed company structure. Mondi Limited is the holding company of the African component of the Mondi Group. Mondi plc is the holding company of the non-African component of the Mondi Group. Together the Mondi Group is reported as a single economic entity.

Report of the directors (continued)

Investments in subsidiaries

Refer to notes 9 and 30 of these annual financial statements for details of investments in subsidiaries.

IFRS 10 broadened the concept of control. The impact of this Standard was that Mondi Shanduka Newsprint Proprietary Limited has become a subsidiary, whilst it was previously recorded as an investment in a joint venture. Comparative information has been restated.

Secretary

The company secretary is Philip Laubscher.

Business Address	**Postal Address**
4^{th} Floor	PostNet Suite #444
No. 3 Melrose Boulevard	Private Bag X1
Melrose Arch	Melrose Arch
2196	2076
Gauteng	Gauteng
Republic of South Africa	Republic of South Africa

Auditors

During the period under review Deloitte & Touche were the auditors of the Company.

Corporate governance statement

Mondi's corporate governance is comprehensively detailed in the Mondi Group Integrated report and financial statements 2013.

Audit committee report

The committee has the following key responsibilities:

- monitor the integrity of the Group's financial statements and financial announcements and the disclosures made;
- review the consistency of the application of significant accounting policies and the impact of any changes;
- oversee the relationship with the external auditors and the effectiveness of the audit process as a whole;
- review the adequacy and effectiveness of the Group's system of internal control;
- oversee the Group's risk management processes;
- monitor and review the effectiveness of the Group's internal audit function;
- review the Group's performance against aspects of the code of business ethics reserved for review by the committee; and
- review the adequacy and security of the Group's arrangements for employees and third parties to raise concerns.

Composition

The committee is constituted as a statutory committee in respect of the duties set out in the South African Companies Act 2008 and as a committee of the board in respect of other duties assigned to it by the board.

All members of the committee are independent non-executive directors. The board considers each member to have appropriate knowledge and understanding of financial matters, sufficient to enable them to consider effectively the financial and accounting issues that are presented to the committee. The board considers John Nicholas, the chairman of the committee, to have specific recent and relevant financial experience.

In accordance with the Listings Requirements of the JSE Limited (JSE), the committee has considered and satisfied itself that Andrew King, Mondi's chief financial officer, has appropriate expertise and experience. Andrew is a chartered accountant and throughout his career has held various finance and business development roles. The committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and expertise of the senior management responsible for the finance function.

Meetings of the audit committee during 2013

The committee operates under formal terms of reference and these are reviewed annually. The committee considers that it has appropriately discharged its responsibilities as set out in its terms of reference during the year and has operated in compliance with relevant legal, regulatory and other responsibilities. There were no specific one-off matters requiring review or decision during 2013, so the committee agenda covered the regular matters reserved for its consideration. Matters covered by the committee during the meetings held in the year included:

February 2013 • reviewed the full year results and the announcement of those results, with input provided by reports from the Group financial controller and Deloitte & Touche • reviewed the Mondi Group integrated report and financial statements 2012 • reviewed Deloitte & Touche's audit effectiveness, independence and objectivity leading to the consideration of their reappointment • reviewed the Mondi Group risk management policy, plan and risk tolerance levels and most significant risks • met with the heads of internal audit and Deloitte & Touche, separately and without management present	**May 2013** • reviewed the interim management statement • reviewed the effectiveness of internal controls and risk management systems and procedures • received a presentation from Deloitte & Touche of the audit management letter • reviewed the competition compliance programme with the aid of a presentation from the chief financial officer who chairs the divisional competition compliance committees • reviewed the elements of the code of business ethics reserved for the committee together with the business integrity policy
August 2013 • reviewed the half yearly results and the announcement of those results, with input provided by reports from the Group financial controller and Deloitte & Touche • considered the restatement of comparative information as a result of the adoption of new accounting pronouncements • discussed the UK Government's Cyber Security Health Check and input from Mondi	**November 2013** • reviewed the interim management statement • considered the implications of new accounting pronouncements assisted by a report from the Group financial controller • reviewed and approved the external audit plan, fees and engagement letters with input provided by the chief financial officer, Group financial controller and Deloitte & Touche • reviewed IT risk management assisted by a presentation from the information management director • reviewed and updated the committee terms of reference to include recent governance developments • agreed the committee's work programme for 2014

In addition, there are several matters that are considered at every meeting of the committee including the report from the internal audit function, an in depth review of three of the most significant Mondi Group risks and the review of non-audit fee services provided by Deloitte & Touche.

A key role of the committee is to ensure that the interests of shareholders are protected, in particular with regard to the financial reporting of the Mondi Group and the controls in place to protect against misstatement. Although oversight and review of material matters are considered throughout the year, at the February meeting the integrity of the Mondi Group's integrated report and financial statements is assessed and the clarity of disclosures reviewed. The committee has assisted the board in it's assessment of the report to ensure that the disclosures are complete and in context and that the reports fairly reflect the financial performance as set out in the financial statements. The committee received a detailed report on the financial statements from the Group financial controller outlining the significant matters, in particular those areas where management judgement had been made. They also received a report on the audit from Deloitte & Touche. These reports were presented in the meeting and provided the opportunity for challenge by the committee. The committee also met with Deloitte & Touche without management present in order to discuss the audit in general.

Report of the directors (continued)

Audit committee report (continued)

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained. The committee confirmed that Deloitte & Touche is included in the JSE list of accredited auditors. Following these considerations the committee made a recommendation to, which was accepted by, the board that a resolution to reappoint Deloitte & Touche and B Kilpatrick as the designated partner be proposed at the annual general meeting of Mondi Limited to be held in May 2014. B Kilpatrick's term of office will conclude at the end of the audit of the 2014 financial results.

Directors' remuneration

Shareholders are referred to the Mondi DLC remuneration report in the Mondi Group Integrated report and financial statements 2013. The remuneration tables below are extracts from the remuneration report and are presented in euro, the reporting currency of the Mondi Group. With the exception of Peter Oswald, who is remunerated in euro, the remuneration of the directors is determined in pounds sterling. The amounts reported in euro are determined based on exchange rates on the dates actual payments were made.

Details of the service contracts of the executive directors who served during the period under review are as follows:

Executive director	*Effective date of contract*	*Unexpired term/notice period*
David Hathorn	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed term expiring on 30 April 2016 but terminable at any time on 12 months' notice

Remuneration for the year ended 31 December 2013

Executive directors' remuneration[1]

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

		Base salary	*Benefits*	*Annual Bonus including grant value of BSP award*	*Value of LTIP vesting in the performance year*	*Other*[2]	*Total*
David Hathorn	2013	€994,017	€46,796	€1,089,662	€3,160,051	€74,504	€5,365,030
	2012	€1,013,129	€49,826	€1,224,780	€3,648,107	€66,013	€6,001,855
Andrew King	2013	€587,480	€37,952	€515,207	€1,202,090	€30,577	€2,373,306
	2012	€570,656	€40,212	€545,038	€1,387,972	€27,257	€2,571,135
Peter Oswald	2013	€872,000	€36,956	€773,290	€1,860,218	€57,371	€3,599,835
	2012	€847,000	€40,219	€807,632	€2,283,692	€49,557	€4,028,100

Notes:
1. The table includes all remuneration received in respect of the years ended 31 December 2013 and 31 December 2012, whether received from Mondi Limited or Mondi plc, excluding pension contributions.
2. Includes cash amounts of equivalent value to dividends on vested BSP shares during the year.

Pension contributions in respect of executive directors

The executive directors all participate in defined contribution pension schemes under arrangements established by the Mondi Group.

The pension contributions paid by the Mondi Group in respect of the years 2013 and 2012 are:

	2013	*2012*
David Hathorn	€298,205	€303,939
Andrew King	€146,870	€142,664
Peter Oswald	€218,003	€211,753

Directors' remuneration (continued)

Non-executive directors' remuneration

	2013			2012[1]		
	Fees	Other benefits	Total	Fees	Other benefits	Total
Fred Phaswana[3]	€184,896	-	€184,896	-	-	-
Cyril Ramaphosa[2]	€101,855	-	€101,855	€316,497	-	€316,497
David Williams	€310,425	-	€310,425	€316,497	-	€316,497
Stephen Harris	€98,093	-	€98,093	€95,618	-	€95,618
Imogen Mkhize	€101,375	-	€101,375	€84,601	-	€84,601
John Nicholas	€100,577	-	€100,577	€98,150	-	€98,150
Anne Quinn	€106,785	-	€106,785	€104,698	-	€104,698

Notes:
1 Fees were not increased in 2012.
2 For 2013, the fee paid to Cyril Ramaphosa covers the period until his resignation on 3 May 2013.
3 For 2013, the fee paid to Fred Phaswana covers the period from his appointment on 1 June 2013 until 31 December 2013.

Share holding and share awards granted to executive directors
At 31 December 2013, David Hathorn held no shares (2012: 25,000 shares) in Mondi Limited, Andrew King held 208 (2012: 208 shares) shares and Imogen Mkhize, 3,222 (2012: 3,222 shares) shares. None of the other directors held any shares in Mondi Limited. The following tables set out the share awards in respect of Mondi Limited granted to the executive directors.

	Type of award[1]	Awards held at beginning of year or on appointment to the board	Awards granted during year	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2013	Release date
David Hathorn	BSP	37,347	-	(37,347)	4596	Mar 10	-	Mar 13
	BSP	29,838	-	-	6206	Mar 11	29,838	Mar 14
	BSP	24,216	-	-	6979	Mar 12	24,216	Mar 15
	BSP	-	17,506	-	11464	Mar 13	17,506	Mar 16
	LTIP	105,628	-	(105,628)	4596	Mar 10	-	Mar 13
	LTIP	80,749	-	-	6206	Mar 11	80,749	Mar 14
	LTIP	74,355	-	-	6979	Mar 12	74,355	Mar 15
	LTIP	-	55,233	-	11464	Mar 13	55,233	Mar 16
Andrew King	BSP	15,328	-	(15,328)	4596	Mar 10	-	Mar 13
	BSP	13,096	-	-	6206	Mar 11	13,096	Mar 14
	BSP	11,177	-	-	6979	Mar 12	11,177	Mar 15
	BSP	-	7,790	-	11464	Mar 13	7,790	Mar 16
	LTIP	40,188	-	(40,188)	4596	Mar 10	-	Mar 13
	LTIP	29,762	-	-	6206	Mar 11	29,762	Mar 14
	LTIP	28,719	-	-	6979	Mar 12	28,719	Mar 15
	LTIP	-	22,939	-	11464	Mar 13	22,939	Mar 16

Note:
1 The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 6.

The information presented above, in conjunction with the compensation for board and key management (see note 2), satisfies the disclosure requirements of the South African Companies Act 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Company.

Directors' responsibility statement

The directors are responsible for preparing the annual financial statements in accordance with applicable laws and regulations.

South African company law requires the directors to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for each financial year giving a true and fair view of Mondi Limited's state of affairs at the end of the year and profit and loss for the year.

In preparing the Company's financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

- properly select and consistently apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

Report on the financial statements

These financial statements have been prepared under the supervision of the Group chief financial officer, Andrew King CA(SA), and have been audited in compliance with the applicable requirements of the Companies Act of South Africa 2008.

The board confirms that to the best of its knowledge the financial statements, prepared in accordance with IFRS and the Companies Act of South Africa, give a true and fair view of the assets, liabilities, financial position and profit and loss of Mondi Limited.

The Company's financial statements, and related notes 1 to 31, were approved by the board and authorised for issue on 27 February 2014 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

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 and notices as are required for a public company in terms of section 88(1)(e) of the Companies Act of South Africa 2008, as amended, and that all such returns and notices are true, correct and up to date in respect of the financial year reported upon.

Philip Laubscher
Company secretary
Johannesburg

Independent auditor's report to the shareholders of Mondi Limited

Report on the financial statements

We have audited the financial statements of Mondi Limited set out on pages 10 to 48, which comprise the statement of financial position as at 31 December 2013, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 about 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 auditor's judgement, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and 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 Company'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 Mondi Limited as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche
Registered Auditors

Per: Bronwyn Kilpatrick
Partner
Sandton
27 February 2014

Building 1, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead, Sandton, Republic of South Africa

Income statement

for the year ended 31 December 2013

R million	Notes	**2013**	(Restated) 2012
Revenue		**7,047**	6,173
Materials, energy and consumables used		(3,007)	(2,926)
Variable selling expenses		(959)	(912)
Gross margin		**3,081**	2,335
Maintenance and other indirect expenses		(363)	(335)
Personnel costs		(1,027)	(1,033)
Other net operating (expenses)/income		(140)	153
Depreciation and impairments		(530)	(573)
Operating profit before special items	2	**1,021**	547
Operating special items	3	(160)	-
Operating profit		**861**	547
Non-operating special item	3	105	58
Total profit from operations		**966**	605
Net finance costs	4	**(179)**	(204)
Investment income		5	33
Finance costs		(184)	(237)
Financing special item: impairment of loan	3	(100)	-
Profit before tax		**687**	401
Tax charge	5	(211)	(102)
Profit for the year		**476**	299

Statement of comprehensive income

for the year ended 31 December 2013

R million	2013 Before tax amount	2013 Tax benefit/ (expense)	2013 Net of tax amount	(Restated) 2012 Before tax amount	(Restated) 2012 Tax benefit/ (expense)	(Restated) 2012 Net of tax amount
Profit for the year			**476**			299
Other comprehensive (expense)/income:						
Items that may subsequently be reclassified to the income statement:						
Effect of cash flow hedges:	(2)	1	(1)	2	(1)	1
Fair value gains arising during the year	-			3		
Less: Reclassification adjustments for losses included in income statement	(2)			(1)		
Gains arising on available-for-sale investments	31	-	31	14	-	14
Items that will not subsequently be reclassified to the income statement:						
Remeasurements on retirement benefits plans:	125	(35)	90	(86)	24	(62)
Actuarial gains/(losses) arising from changes in financial assumptions	105			(110)		
Actuarial gains/(losses) arising from experience adjustments	20			(245)		
Asset ceiling movement	-			269		
Other comprehensive income/(expense) for the year	**154**	**(34)**	**120**	(70)	23	(47)
Total comprehensive income			**596**			252

Statement of financial position

as at 31 December 2013

R million	Notes	**2013**	(Restated) 2012	(Restated) At 1 January 2012
Property, plant and equipment	7	5,265	5,308	5,396
Forestry assets	8	2,752	2,856	2,294
Investments in subsidiaries	9	85	182	415
Investment in associate	10	24	24	24
Financial asset investments	11	-	1	5
Net retirement benefits asset	19	-	-	80
Total non-current assets		**8,126**	8,371	8,214
Inventories	12	524	572	531
Trade and other receivables	13	1,582	1,375	1,343
Investments in subsidiaries	9	100	95	76
Current tax assets		3	21	-
Financial asset investments	11	127	55	47
Cash and cash equivalents	23b	3	-	54
Derivative financial instruments	16	-	11	17
Assets held for sale	22	-	26	5
Total current assets		**2,339**	2,155	2,073
Total assets		**10,465**	10,526	10,287
Short-term borrowings	15	(1,318)	(2,150)	(1,905)
Trade and other payables	14	(924)	(939)	(927)
Provisions	17	(61)	(66)	(65)
Derivative financial instruments	16	(9)	-	(1)
Liabilities directly associated with assets held for sale	22	-	(1)	-
Total current liabilities		**(2,312)**	(3,156)	(2,898)
Medium and long-term borrowings	15	-	(2)	(1)
Retirement benefits liability	19	(797)	(912)	(789)
Deferred tax liabilities	18	(1,472)	(1,505)	(1,554)
Provisions	17	(27)	(27)	(27)
Total non-current liabilities		**(2,296)**	(2,446)	(2,371)
Total liabilities		**(4,608)**	(5,602)	(5,269)
Net assets		**5,857**	4,924	5,018
Equity				
Stated capital	20	4,188	4,188	4,188
Retained earnings and other reserves		1,669	736	830
Total equity		**5,857**	4,924	5,018

Statement of cash flows

for the year ended 31 December 2013

R million	Notes	**2013**	(Restated) 2012
Cash generated from operations	23a	1,894	1,289
Income tax paid		(248)	(143)
Net cash generated from operating activities		**1,646**	1,146
Cash flows from investing activities			
Investment in property, plant and equipment		(664)	(538)
Proceeds from the disposal of property, plant and equipment		78	83
Proceeds from disposal of forestry assets	8	111	28
Investment in forestry assets	8	(461)	(752)
Investment in financial asset investments	11	(78)	(45)
Loan (advanced to)/repayments from related parties	23c	(8)	214
Loan repayments from external parties	11	5	4
Interest received		5	30
Other investing activities		1	-
Net cash used in investing activities		**(1,011)**	(976)
Cash flows from financing activities			
(Repayment of)/proceeds from short-term borrowings	23c	(674)	148
Proceeds from medium and long-term borrowings	23c	-	1
Interest paid		(132)	(148)
Dividends paid to equity holders of the Company	6	(416)	(322)
Transfer from Mondi plc		750	-
Net cash used in financing activities		**(472)**	(321)
Net increase/(decrease) in cash and cash equivalents		**163**	(151)
Cash and cash equivalents at beginning of year		(805)	(654)
Cash movement in the year	23c	163	(151)
Cash and cash equivalents at end of year	23b	**(642)**	(805)

Statement of changes in equity

for the year ended 31 December 2013

R million (restated)	Stated capital	Retained earnings	Other reserves	**Total equity**
At 1 January 2012	4,188	849	(19)	**5,018**
Dividends paid	-	(322)	-	**(322)**
Total comprehensive income/(expense) for the year	-	299	(47)	**252**
Issue of Mondi Limited shares under employee share schemes[1]	-	22	(18)	**4**
Shares vested from Mondi Incentive Schemes Trust	-	(46)	-	**(46)**
Reclassification	-	19	(19)	**-**
Mondi share schemes' charge	-	-	18	**18**
At 31 December 2012	4,188	821	(85)	**4,924**
Dividends paid	-	(416)	-	**(416)**
Total comprehensive income for the year	-	476	120	**596**
Issue of Mondi Limited shares under employee share schemes[1]	-	30	(17)	**13**
Shares vested from Mondi Incentive Schemes Trust	-	(29)	-	**(29)**
Share options exercised – Anglo American share scheme	-	(1)	-	**(1)**
Transfer from Mondi plc	-	750	-	**750**
Mondi share schemes' charge	-	-	20	**20**
At 31 December 2013	**4,188**	**1,631**	**38**	**5,857**

Note:

[1] The net amount of R13 million (2012: R4 million) is a deferred tax asset for a future tax deduction available to the Company when the shares held by the Mondi Share Incentive Schemes Trust are issued to share scheme participants.

Other reserves

R million (restated)	Share-based payment reserve	Post-retirement benefit reserve	Available-for-sale reserve	Cash flow hedge reserve	**Total**
At 1 January 2012	29	(48)	-	-	**(19)**
Total comprehensive (expense)/income for the year	-	(62)	14	1	**(47)**
Mondi share schemes' charge	18	-	-	-	**18**
Issue of Mondi Limited shares under employee share schemes	(18)	-	-	-	**(18)**
Reclassification	-	(19)	-	-	**(19)**
At 31 December 2012	29	(129)	14	1	**(85)**
Total comprehensive income/(expense) for the year	-	90	31	(1)	**120**
Mondi share schemes' charge	20	-	-	-	**20**
Issue of Mondi Limited shares under employee share schemes	(17)	-	-	-	**(17)**
At 31 December 2013	**32**	**(39)**	**45**	**-**	**38**

Notes to the financial statements

1a Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company has also complied with the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Reporting Standards Council of South Africa. There are no differences for the Company in applying IFRS as issued by the IASB. The financial statements have been prepared on a going concern basis. These financial statements should be read in conjunction with the Mondi Group's dual listed company (DLC) combined and consolidated financial statements.

The financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments and forestry assets. The principal accounting policies adopted are set out below.

Basis of consolidation

Dual listed structure
The Mondi Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a DLC structure. The substance of the DLC structure is such that Mondi Limited and its subsidiaries, and Mondi plc and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. The effects of this sharing agreement and the DLC structure have been ignored for the purpose of preparing these South African financial statements which have been prepared to comply with the South African Companies Act of 2008.

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market, at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

The Company measures the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure.

Revenue recognition

Sale of goods
Revenue is derived principally from the sale of goods and is measured at the fair value of the 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 been transferred. This is when title and insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location.

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

Dividend income
Dividend income from investments is recognised when the Company's right to receive payment has been established.

1a Accounting policies (continued)

Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefits asset

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

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Assets in the course of construction are carried at cost, less any recognised impairment. Cost includes all costs incurred in bringing the assets to the location and condition for their intended use and includes borrowing costs incurred to the extent that the asset is a qualifying asset.

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 to their estimated residual values. Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated to their residual values at varying rates, on a straight-line basis over their estimated useful lives. Estimated useful lives range from three years to 20 years for items of plant and equipment and to a maximum of 50 years for buildings.

Impairment of tangible assets
At each reporting date, the Company reviews the carrying amounts of its tangible 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 Company estimate 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 of disposal 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 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 as an expense in the income statement. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to 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.

Agriculture - owned forestry assets
Owned forestry assets are measured at fair value, 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 determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted to present value by applying a market related pre tax discount rate.

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 and investments in standing timber are capitalised and presented within cash flows from investing activities.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal from the date on which these conditions are met.

Any resulting impairment is reported through the income statement. On classification as held for sale, the assets are no longer depreciated or amortised. Comparative amounts are not adjusted.

1a Accounting policies (continued)

Current non-financial assets

Inventory
Inventory is valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs of disposal.

Retirement benefits
The Company operates defined contribution pension plans for its employees as well as a post-retirement medical plan.

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

Post-retirement medical plans
For post-retirement medical plans, actuarial valuations are performed at each financial year end using the Projected Unit Credit Method. The average discount rate for the plans' liabilities is based on AA rated corporate bonds or similar government bonds of a suitable duration and currency.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to operating profit. A net interest expense or net interest income is calculated by applying the discount rate, on a per plan basis, to the net defined benefit liability and recognised in the income statement within net finance costs.

Remeasurements comprising actuarial gains and losses are recognised in the statement of financial position with a charge or credit to other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled through the income statement, but those amounts recognised in other comprehensive income may be transferred within equity.

Tax
The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current tax
The current tax payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company'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 and associates, except where the Company is 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 reporting date. The carrying amount is reduced 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 within a reasonable period of time. Similarly, it is increased to the extent that it is probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

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 to the income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

1a Accounting policies (continued)

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets held under finance leases are recognised as assets of the Company at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting lease payments using the interest rate implicit in the lease. The interest element of the rental is recognised as a finance charge in the income statement, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Company's policy on borrowing costs. These assets are depreciated over the shorter of the lease term and the expected useful economic lives of the assets.

Operating leases

Rental costs under operating leases are charged to the income statement in equal annual amounts over the lease term unless another systematic basis is more representative of the pattern of use.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, which it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect of discounting is material.

Restoration and environmental costs

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the ongoing production of a plant or landfill site. Costs for restoration of site damage are provided for at their present values and charged against profit and loss as the obligation arises.

Foreign currency transactions

Foreign currency transactions are recorded in their functional currencies at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the income statement and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

Share-based payments

The Company operates 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 and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Company revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. 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 statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial asset investments

Investments, other than investments in subsidiaries and associates, are either classified as available-for-sale or loans and receivables.

1a Accounting policies (continued)

Available-for-sale investments are initially recorded at fair value. They are subsequently remeasured at each reporting date to fair value. Any unrealised gains and losses are recognised in other comprehensive income and deferred in equity until an investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is included in the income statement.

Loans and receivables are measured on 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 in the statement of financial position. Cash and cash equivalents in the statement of cash flows 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.

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

Borrowings
Interest bearing 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 rate method.

Net debt
Net debt is a non-IFRS measure comprising short, medium and long-term borrowings and bank overdrafts less cash and cash equivalents, loans to related parties and current financial asset investments.

Borrowing costs
Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised 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.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting

The Company enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange and interest rate risks. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the statement of financial position within ‘derivative financial instruments’, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of 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 to which the derivative relates.

1a Accounting policies (continued)

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 other comprehensive income and accumulated 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 the Company's cash flow hedge reserve 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 a non-financial liability, amounts deferred in the Company's cash flow hedge reserve in equity are recognised in the income statement in the same period in which the hedged item affects profit and 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 the income statement. Gains or losses from remeasuring the associated derivative are also recognised in the income statement.

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

Equity instruments, share issue costs and dividend payments

Equity instruments
An equity instrument is any contract which evidences a residual interest in the net assets of an entity.

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.

Dividend payments
Dividend distributions to 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 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 believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Company. Such items must exceed €5 million or are material in nature in relation to the financial year's results.

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Company

There were no Standards or Interpretations early adopted by the Company in the current year. An amendment to IAS 36 - Impairment of Assets which clarifies certain disclosure requirements was adopted with effect from 1 January 2013.

Standards, amendments to published Standards and Interpretation effective during 2013

The Company has adopted the amendments to IAS 19 (revised) Employee Benefits during the current year, and the impact on the Company's results are detailed in note 1b.

1a Accounting policies (continued)

The following Standards, amendments to published Standards and Interpretation which the Company has adopted during the current year, had no significant impact on the Company's results except for the addition of certain disclosures:

- IFRS 1 - First time adoption of International Financial Reporting Standards
- IFRS 7 - Financial Instruments: Disclosure
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 1 - Presentation of Financial Statements
- IAS 16 - Property, Plant and Equipment
- IAS 27 - Separate Financial Statements
- IAS 28 - Investments in Associates and Joint Ventures
- IAS 32 - Financial Instruments: Presentation
- IAS 34 - Interim Financial Reporting
- IFRIC 20 - Stripping costs in the production phase of a surface mine

Standards, amendments to published Standards and Interpretation that are not yet effective and have not been early adopted by the Company

The following amendments to published Standards and Interpretation are not expected to have a significant impact on the Company's results, and will become effective for the annual reporting period beginning on 1 January 2014:

- IFRS 1 - First time adoption of International Financial Reporting Standards
- IFRS 2 - Share-based Payments
- IFRS 3 - Business Combinations
- IFRS 8 - Operating Segments
- IFRS 10 - Consolidated Financial Statements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 1 - Presentation of Financial Statements
- IAS 7 - Statement of Cash Flows
- IAS 12 - Income Taxes
- IAS 16 - Property, Plant and Equipment
- IAS 19 - Employee Benefits
- IAS 24 - Related Party Disclosures
- IAS 27 - Separate Financial Statements
- IAS 32 - Financial Instruments: Presentation
- IAS 36 - Impairment of Assets
- IAS 38 - Intangible Assets
- IAS 39 - Financial Instruments
- IAS 40 - Investment Property
- IFRIC 21 - Levies

The Company is in the process of assessing the impact of the following Standard on the Company's results, which currently has no effective date:

- IFRS 9 - Financial Instruments

Accounting estimates and critical judgements

The preparation of the Company's financial statements includes the use of estimates and assumptions which affect certain items reported in the statement of financial position and the 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 information about current circumstances and future events and actions, actual results may differ from those estimates. Such estimates relate to management's assumptions about expected future cash flows, market exposures, useful lives and discount rates, amongst others.

1a Accounting policies (continued)

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:

- Capitalisation of tangible assets - residual values and useful economic lives – refer to accounting policies.
- Impairment of tangible assets – refer to accounting policies.
- Fair value of owned forestry assets – refer to note 8.
- Retirement benefits – refer to note 19.

1b Restatement of comparative information

IAS 19 (revised) impacted the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures. As the Company has always recognised actuarial gains and losses immediately, the Company's total obligation was unchanged. This Standard has been adopted with effect from 1 January 2012 as it was impractical to complete revised actuarial valuations prior to that date. Following the replacement of expected returns on plan assets with a net finance cost in the income statement, the profit for the period was reduced and accordingly other comprehensive income increased in 2012. Comparative information for the year ended 31 December 2012 has been restated.

The following tables summarise the impacts resulting from the change in accounting policy on the Company's income statement, statement of comprehensive income, statement of financial position and statement of cash flows.

Income statement

	Year ended 31 December 2012		
R million	As previously reported	Effect of restatement	**As restated**
Revenue	6,173	-	6,173
Gross margin	2,335	-	2,335
Operating profit before special items	547	-	547
Non-operating special items	58	-	58
Total profit from operations	605	-	605
Net finance costs	(182)	(22)	(204)
Investment income	37	(4)	33
Finance costs	(219)	(18)	(237)
Profit before tax	423	(22)	401
Tax charge	(108)	6	(102)
Profit for the year	315	(16)	299

The restatement had no impact on special items.

Statement of comprehensive income

	Year ended 31 December 2012		
R million	As previously reported	Effect of restatement	**As restated**
Profit for the year	315	(16)	299
Other comprehensive income/(expense):			
Items that may subsequently be reclassified to the combined and consolidated income statement	15	-	15
Items that will not subsequently be reclassified to the combined and consolidated income statement	(78)	16	(62)
Other comprehensive (expense)/income for the year, net of tax	(63)	16	(47)
Total comprehensive income for the year	252	-	252

The restatement had no impact on the statement of financial position or statement of cash flows.

2 Operating profit before special items

Operating profit before special items includes:

R million	**2013**	2012
Depreciation of property, plant and equipment (see note 7)	(526)	(543)
Impairment of property, plant and equipment (excluding special items)	(4)	(30)
Profit/(loss) on disposal of property, plant and equipment	2	(15)
Operating lease charges	(59)	(52)
Research and development expenditure	(10)	(16)
Increase in allowance for impairment of trade receivables (see note 13)	(4)	(5)
Net foreign currency gains	16	14
Fair value gains on forestry assets (see note 8)	98	334
Felling costs (see note 8)	(552)	(496)
Total employee costs	(1,027)	(1,033)
Wages and salaries	(947)	(956)
Share-based payments (see note 21)	(20)	(18)
Defined benefit post-retirement medical plan service costs (see note 19)	(1)	(1)
Defined contribution retirement benefit service costs (see note 19)	(59)	(58)
Auditors' remuneration	(6)	(5)
Audit fees	(5)	(5)
Non-audit fees	(1)	-

Compensation for the board and key management[1/2]

R million	**2013**	2012
Salaries and short-term employee benefits	64.4	55.6
Non-executive directors	12.9	10.7
Defined contribution retirement benefit service costs	10.6	9.4
Social security costs	12.1	14.5
Share-based payments	49.9	45.0
Total	**149.9**	135.2

Notes:

[1] In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Mondi Limited, directly or indirectly, and includes directors (both executive and non-executive) of Mondi Limited.

[2] The information presented in the table above, in conjunction with the directors' remuneration included in the report of the directors, satisfies the disclosure requirements of the South African Companies Act 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Company.

3 Special items

R million	**2013**	2012
Operating special items		
Asset impairments	(133)	-
Restructuring and closure costs:		
Restructuring and closure costs excluding related personnel costs	(16)	-
Personnel costs relating to restructuring	(11)	-
Total operating special items	**(160)**	-
Non-operating special item		
Profit on disposal	**105**	**58**
Financing special item	**(100)**	-
Total special items before tax	**(155)**	58
Tax (see note 5)	25	(6)
Total special items attributable to equity holders of the Company	**(130)**	52

Operating special items

In May 2013, Mondi announced the closure of one of the two newsprint machines located in Merebank, South Africa. Further restructuring activities in the Merebank mill as a result of the closure of the newsprint machine have also been implemented. An impairment charge of R133 million and associated closure and restructuring costs of R27 million were recognised.

Non-operating special item

In December 2013, land in Richards Bay with a carrying value of R15 million was sold for R120 million, realising a gain of R105 million.

Financing special item

The Mondi Shanduka Newsprint Proprietary Limited shareholder loan has been impaired by R100 million (see note 9).

4 Net finance costs

Net finance costs are presented below:

R million	**2013**	(Restated) 2012
Investment income		
Interest income		
Bank deposits, loan receivables and other	5	28
Total interest income	**5**	28
Reversal of impairment of financial assets (excluding trade receivables)	-	5
Total investment income	**5**	33
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(131)	(145)
Interest on obligations under finance leases	(1)	(3)
Net interest expense on retirement benefits liability (see note 19)	(66)	(89)
Total interest expense	**(198)**	(237)
Less: interest capitalised (see note 7)	14	-
Total finance costs	**(184)**	(237)
Net finance costs	**(179)**	(204)

5 Tax charge

(a) Analysis of tax charge for the year

R million	2013	(Restated) 2012
South African corporation tax at 28% (2012: 28%)	252	114
Current tax	**252**	114
Deferred tax in respect of the current period	(16)	(12)
Deferred tax in respect of prior period over provision	-	(6)
Total tax charge before special items	**236**	96
Current tax on special items	18	16
Deferred tax on special items	(43)	(10)
Total tax (credit)/charge on special items (see note 3)	**(25)**	6
Total tax charge	**211**	102

(b) Factors affecting tax charge for the year

The Company's effective rate of tax before special items for the year ended 31 December 2013, calculated on profit before tax before special items, is 28% (2012: 28%).

The Company's total tax charge for the year can be reconciled to the tax on the Company's profit before tax at the South African corporation tax rate of 28% (2012: 28%), as follows:

R million	2013	(Restated) 2012
Profit before tax	687	401
Tax on profit before tax calculated at the South African corporation tax rate of 28% (2012: 28%)	**192**	112
Tax effects of:		
Expenses not deductible for tax purposes	**31**	4
Non-qualifying depreciation	1	2
Special items not deductible	28	-
Other non-deductible expenses	2	2
Non-taxable income	**(17)**	(10)
Special items not taxable	(10)	(9)
Other non-taxable income	(7)	(1)
Temporary difference adjustments	**-**	(6)
Prior period tax losses and other temporary differences not previously recognised	-	(6)
Other adjustments	**5**	2
Current tax prior period adjustments	5	2
Tax charge for the year	**211**	102

6 Dividends

Dividends paid to the equity holders of the Company are presented below:

R cents per share	2013	2012
Final dividend paid (in respect of prior year)	225.16629	181.38548
Interim dividend paid	126.03689	90.44358
Final dividend proposed for the year ended 31 December[1]	**387.39464**	225.16629

Note:
[1] The dividend proposed is subject to approval by shareholders at the annual general meeting of the Company scheduled for 14 May 2014 and therefore has not been included as a liability in the Company's statement of financial position.

6 Dividends (continued)

R million	**2013**	2012
Final dividend paid (in respect of prior year)	266	215
Interim dividend paid	150	107
Final dividend proposed for the year ended 31 December	**458**	266

7 Property, plant and equipment

2013/*R million*	**Land and buildings**	**Plant and equipment**	**Other[1]**	**Total**
Cost				
At 1 January	991	8,808	535	10,334
Additions[2]	-	-	678	678
Disposal of assets	(65)	(227)	(25)	(317)
Transferred to/(from) capital work in progress	27	660	(687)	-
Reclassification from assets held for sale	22	53	8	83
Reclassification	1	-	-	1
At 31 December	**976**	**9,294**	**509**	**10,779**
Accumulated depreciation and impairments				
At 1 January	261	4,558	207	5,026
Charge for the year	33	473	20	526
Impairment loss recognised[3]	3	133	1	137
Disposal of assets	(49)	(167)	(25)	(241)
Reclassification from assets held for sale	15	43	8	66
At 31 December	**263**	**5,040**	**211**	**5,514**
Carrying value as at 31 December	**713**	**4,254**	**298**	**5,265**

2012/*R million*	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January	875	8,985	455	10,315
Additions[2]	95	1	442	538
Disposal of assets	(14)	(45)	(8)	(67)
Transferred to/(from) capital work in progress	60	296	(356)	-
Reclassification to assets held for sale (see note 22)	(22)	(53)	(8)	(83)
Reclassification	(3)	(376)	10	(369)
At 31 December	991	8,808	535	10,334
Accumulated depreciation and impairments				
At 1 January	257	4,462	200	4,919
Charge for the year	29	489	25	543
Impairment loss recognised[3]	-	30	-	30
Disposal of assets	(7)	(19)	(5)	(31)
Reclassification to assets held for sale (see note 22)	(15)	(43)	(8)	(66)
Reclassification	(3)	(361)	(5)	(369)
At 31 December	261	4,558	207	5,026
Carrying value as at 31 December	730	4,250	328	5,308

Notes:
[1] Other includes R254 million (2012: R276 million) of assets in the course of construction, which are not yet being depreciated in accordance with the accounting policy set out in note 1.
[2] Included in the additions above is R14 million (2012: Rnil) of interest incurred on qualifying assets which has been capitalised during the year.
[3] Impairments include R133 million (2012: Rnil) of asset impairments reflected in operating special items and R4 million (2012: R30 million) of other impairments.

The carrying value and depreciation charges relating to assets held under finance leases amount to R2 million (2012: R6 million) and R4 million (2012: R5 million), respectively.

7 Property, plant and equipment (continued)

The carrying value of land and buildings comprises:

R million	**2013**	2012
Freehold	709	725
Leasehold – short (less than 50 years)	4	5
Total land and buildings	**713**	730

8 Forestry assets

R million	**2013**	2012
At 1 January	2,856	2,294
Capitalised expenditure	442	357
Acquisition of assets	19	395
Fair value gains	98	334
Felling costs	(552)	(496)
Disposal of assets	(111)	(28)
At 31 December	**2,752**	2,856

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

R million	**2013**	2012
Mature	1,661	1,699
Immature	1,091	1,157
Total forestry assets	**2,752**	2,856

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.

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy contained in IAS39 and this category is consistent with prior years. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Group's owned forestry assets, discounted using a discount rate relevant in the local country, based on a pre tax real yield on long-term bonds over the last five years.

Management's judgement is exercised in determining the future net cash flows and the discount rate. Future net cash flows are dependent upon inputs including expected selling prices; costs of transport, harvesting, extraction and loading (THEL); and the factor used to convert hectares of land under afforestation to tonnes of standing timber which in itself is dependent on a variety of environmental factors. Net selling price is selling price after deduction of THEL costs.

The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions:

R million	**2013**
Effect of R10 increase in net selling price	125
Effect of 1% increase in conversion factor (hectares to tonnes)	32
Effect of 1% increase in discount rate	(30)

9 Investments in subsidiaries

R million	**2013**	(Restated) 2012
Unlisted		
Shares at cost	10	10
Loans advanced	275	267
Impairment	(100)	-
Total investments in subsidiaries	**185**	277
Repayable within one year classified as current asset	(100)	(95)
Total long-term investments in subsidiaries	**85**	182

Mondi Shanduka Newsprint Proprietary Limited (MSN)
The loans to MSN include a shareholder's loan with a carrying value of R28 million (2012: R128 million) and a Mezzanine loan of R47 million (2012: R44 million). The shareholder's loan is unsecured and interest free. The shareholder's loan has been impaired by R100 million during the current year. The shareholder's loan is only repayable by agreement of the MSN board from surplus cash and once the Mezzanine loan is settled in full. Should the Mezzanine loan not be repaid in January 2017, the shareholder would have the option to convert the loan into equity. The Mezzanine loan is unsecured and incurs interest at the six month JIBAR plus 300 basis points.

Mondi Zimele Proprietary Limited (Mondi Zimele)
The closing balance of the loan advanced by the Company to Mondi Zimele amounts to R53 million (2012: R48 million). This loan is unsecured, interest free and is repayable on liquidation of Mondi Zimele or earlier on demand by the Company.

Mondi Timber (Wood Products) Proprietary Limited (MTWP)
The closing balance of the loan advanced by the Company to MTWP amounts to R47 million (2012: R47 million). This loan is interest free and is repayable on demand by the Company.

Details of principal subsidiary companies are set out in note 30.

10 Investment in associate

R million	**2013**	2012
Mpact Recycling Proprietary Limited		
Shares at cost	**24**	24

Details of the associate is set out in note 30.

11 Financial asset investments

R million	**2013** Loans and receivables	**2013** Available-for-sale investments	**2013** Total	2012 Loans and receivables	2012 Available-for-sale investments	2012 Total
At 1 January	5	51	56	9	43	52
Fair value gain	-	31	31	-	14	14
Additions	-	78	78	-	45	45
Repayments	(5)	-	(5)	(4)	-	(4)
Disposal of assets	-	(33)	(33)	-	(51)	(51)
At 31 December	**-**	**127**	**127**	5	51	56
Current	-	127	127	4	51	55
Non-current	-	-	-	1	-	1

The fair values of available-for-sale investments represent the published prices of the securities concerned. Loans and receivables are held at amortised cost. The fair value of loans and receivables approximate the carrying values presented.

Available-for-sale investments
The Company advanced to the Mondi Incentive Schemes Trust (MIS) a further R78 million during 2013 (2012: R45 million) to fund the purchase of the Company's shares awarded to senior management. Shares vested during 2013 to the value of R33 million (2012: R51 million).

The fair value of available-for-sale investments is a level 1 measure in terms of the fair value measurement hierarchy contained in IAS39. The fair value is calculated on the quoted market price of Mondi Limited shares held by the MIS.

Loans and receivables
The Company advanced a loan to Upper Edge Products Proprietary Limited of R9 million in 2007, which earned interest at the three month JIBAR rate plus 75 basis points and was repayable in three annual instalments of R3 million that commenced on 19 December 2011 with a final payment made on 19 December 2013.

12 Inventories

R million	**2013**	2012
Valued using first-in-first-out cost formula		
Raw materials and consumables	189	242
Work in progress	61	56
Finished products	137	129
Total valued using first-in-first-out cost formula	**387**	427
Valued using the weighted average cost formula		
Raw materials and consumables	116	123
Finished products	21	22
Total valued using the weighted average cost formula	**137**	145
Total inventories	**524**	572
Of which, held at net realisable value	**18**	24

R million	**2013**	2012
Income statement		
Cost of inventories recognised as expense	(2,441)	(2,467)
Write-down of inventories to net realisable value	(23)	(21)

13 Trade and other receivables

R million	**2013**	2012
Trade receivables (a)	1,233	1,261
Allowance for doubtful debts (b)	(16)	(21)
Net trade receivables	**1,217**	1,240
Other receivables	345	120
Prepayments and accrued income	20	15
Total trade and other receivables	**1,582**	1,375

The fair values of trade and other receivables approximate the carrying values presented.

(a) Trade receivables: credit risk

The Company's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Company deploys in order to mitigate this risk are discussed in note 28. 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 operates. Interest is charged at appropriate market rates on 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 estimated recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is R16 million (2012: R21 million).

Included within the Company's aggregate trade receivables balance are specific debtor balances with customers totalling R69 million (2012: R27 million) which are past due but not impaired as at the reporting date. The Company has assessed these balances for recoverability and believes that their credit quality remains intact. An ageing analysis of these past due trade receivables is as follows:

	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 2013	**46**	**15**	**6**	**2**	**69**
Carrying value as at 31 December 2012	8	13	4	2	27

There are no debtor balances with customers, included within the Company's aggregate trade receivables balances, where contractual terms have been renegotiated to extend the credit period offered for both years presented. The Company believes that these balances are fully recoverable and therefore no impairment loss has been recognised. The Company has not entered into debt factoring arrangements in which the financial counterparties retain recourse in the event of debtor default.

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

R million	**2013**	2012
At 1 January	21	26
Amounts written off or recovered during the year	(9)	(10)
Increase in allowance recognised in income statement	4	5
At 31 December	**16**	21

14 Trade and other payables

R million	**2013**	2012
Trade payables	273	493
Other payables	188	42
Accruals and deferred income	463	404
Total trade and other payables	**924**	939

The fair values of trade and other payables approximate the carrying values presented.

15 Borrowings

	2013			2012		
R million	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Obligations under finance leases	2	-	2	6	2	8
Total secured	**2**	**-**	**2**	6	2	8
Unsecured						
Bank loans and overdrafts	1,145	-	1,145	2,005	-	2,005
Other loans	171	-	171	139	-	139
Total unsecured	**1,316**	**-**	**1,316**	2,144	-	2,144
Total borrowings	**1,318**	**-**	**1,318**	2,150	2	2,152

The maturity analysis of the Company's borrowings, presented on an undiscounted future cash flow basis, is included as part of a review of the Company's liquidity risk in note 28.

Financing facilities

Included in borrowings of the Company is a revolving loan of R500 million (2012: R500 million). This loan is repayable on 11 June 2014 and bears interest at one month JIBAR plus a margin, payable monthly.

The Company settled the revolving loan of R700 million that was outstanding at 31 December 2012 on 31 October 2013.

Included in other loans of the Company is a loan of R158 million (2012: R127 million) from Siyaqhubeka Forests Proprietary Limited (SQF), a subsidiary of the Company. The loan is divided into two portions, a fixed deposit portion earning interest at the Standard Bank three month fixed deposit rate plus 100 basis points and an overnight call amount earning interest at the Standard Bank call deposit rate plus 100 basis points. The loan is repayable upon request from SQF with 24 hour notice on the call amount and upon maturity of the fixed deposit amount.

Obligations under finance leases

The maturity of obligations under finance leases is:

R million	**2013**	2012
Not later than one year	2	7
Later than one year but not later than five years	-	2
Future value of finance lease liabilities	**2**	9
Future finance charges	-	(1)
Present value of finance lease liabilities	**2**	8

The Company does not have any individual finance lease arrangements which are considered material.

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

15 Borrowings (continued)

The Company is entitled to receive all cash flows from these assets pledged under finance leases. Further, there is no obligation to remit these cash flows to another entity.

Borrowing capacity

R million	**2013** Maximum permissible	**2013** Actual	2012 Maximum permissible	2012 Actual
Medium and long-term borrowings		-		2
Short-term borrowings		1,147		2,011
Contingent liabilities		92		86
Total borrowing capacity	**15,190**	**1,239**	12,833	2,099

The maximum borrowing limit as determined by the Memorandum of Incorporation of the Company is 2.5 times the equity of the Mondi Limited Group and is not affected by the deed poll guarantee given by the Company.

16 Derivative financial instruments

R million	**2013** Asset	**2013** Liability	**2013** Notional amount	2012 Asset	2012 Liability	2012 Notional amount
Current derivatives						
Held-for-trading						
Foreign exchange contracts	-	(9)	478	9	-	416
Total held-for-trading	-	(9)	478	9	-	416
Cash flow hedges						
Foreign exchange contracts	-	-	-	2	-	50
Total cash flow hedges	-	-	-	2	-	50
Total current derivative financial instruments	**-**	**(9)**	**478**	11	-	466

Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments.

The notional amounts presented represent the aggregate face value of all foreign exchange contracts outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Company's exposure to credit or market risks. Note 28 provides an overview of the Company's management of financial risks through the selective use of derivative financial instruments and also includes a presentation of the undiscounted future contractual cash flows of the derivative contracts outstanding at the reporting date.

16 Derivative financial instruments (continued)

Hedging

Cash flow hedges
The Company designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to profit and loss in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

The fair value gains reclassified from the cash flow hedge reserve during the year and matched against the realisation of hedged risks in the income statement were as follows:

R million	**2013**	2012
Revenue	2	1
Total reclassification adjustments	**2**	1

There was no ineffectiveness recognised in profit and loss arising on cash flow hedges for both the years presented.

Held-for-trading derivatives

R million	**2013**	2012
Net fair value losses on held-for-trading derivatives	**17**	7

Held-for-trading derivatives are used primarily to hedge foreign exchange balance sheet exposures. Held-for-trading derivative gains/(losses) have corresponding (losses)/gains which arise on the revaluation of the foreign exchange balance sheet exposures being hedged. The Company elected not to apply hedge accounting to the held-for-trading derivatives.

17 Provisions

R million	**2013**	2012
At 1 January	93	92
Charged to income statement (net of unwound discounts)	74	76
Released to income statement	-	(5)
Amounts applied	(79)	(70)
At 31 December	**88**	93

Provisions mainly comprise of provisions for bonuses.

Maturity analysis of total provisions on a discounted basis:

R million	**2013**	2012
Current	61	66
Non-current	27	27
Total provisions	**88**	93

Non-current provisions are discounted using a discount rate based on a pre tax real yield on long-term bonds over the last five years.

18 Deferred tax

Deferred tax liabilities

R million	**2013**	(Restated) 2012
At 1 January	(1,505)	(1,554)
Credited to income statement (including special items)	59	28
(Charged)/credited to statement of comprehensive income	(34)	23
Credited/(charged) to retained earnings	8	(2)
At 31 December	**(1,472)**	(1,505)

The amount of deferred tax provided is presented as follows:

R million	**2013**	2012
Deferred tax liabilities		
Capital allowances in excess of depreciation	(963)	(1,022)
Fair value adjustments	(717)	(714)
Other temporary differences	208	231
Total deferred tax liabilities	**(1,472)**	(1,505)

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

R million	**2013**	(Restated) 2012
Capital allowances in excess of depreciation	(60)	(71)
Fair value adjustments	3	72
Tax losses	-	2
Other temporary differences	(2)	(31)
Total credit	**(59)**	(28)

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

R million	**2013**	2012
Deferred tax liabilities		
Payable after 12 months	(1,472)	(1,505)
Total deferred tax liabilities	**(1,472)**	(1,505)

The Company does not have any unrecognised timing differences that would give rise to unrecognised deferred tax assets.

19 Retirement benefits

The Company operates post-retirement defined contribution and defined benefit pension plans for the majority of its employees. It also operates a post-retirement medical plan.

Defined contribution plan

The assets of the defined contribution plan are held separately in an independently administered fund. The charge in respect of this plan of R59 million (2012: R58 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 this plan as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2014 are R58 million.

19 Retirement benefits (continued)

Defined benefit pension plan and post-retirement medical plan

The defined benefit pension plan entered the liquidation process in 2012 and the Company expects to receive a reimbursement of the pension surplus of R60 million once the fund is wound up, subject to any potential claims. No further claims have been lodged with the fund since it has entered the liquidation process. The expected reimbursement is included in trade and other receivables.

The post-retirement medical plan provides health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. This plan is unfunded and there are no plan assets in respect of this post-retirement medical plan. The plan has been closed to new participants since 1 January 1999.

The boards of trustees of the plans are required to act in the best interest of the plans and of all relevant stakeholders of the plans, i.e. active employees, inactive employees, retirees and employers. The boards of trustees are responsible for the investment policy with regard to the assets of the plans.

Defined benefit plans typically expose the Company to the following actuarial risks:

Interest risk	A decrease in the bond interest rate will increase plan liabilities.
Longevity risk	The present value of the net retirement benefit liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method. The actuaries have updated the valuations to 31 December 2013.

Actuarial assumptions
The principal assumptions used to determine the actuarial valuations of the post-retirement medical obligation are detailed below:

%	**2013**	2012
Discount rate	8.68	7.51
Rate of inflation	6.57	6.49
Rate of increase in salaries	7.57	7.74
Expected average increase of medical cost trend rates	8.07	7.99

The assumption for the discount rate for plan liabilities is based on the South African zero coupon government bond yield curve.

Mortality assumptions
The assumed life expectations on retirement at age 65 are:

years	**2013**	2012
Retiring today:		
Males	15.94	15.91
Females	19.89	19.85
Retiring in 20 years:		
Males	20.34	20.24
Females	24.64	24.55

The mortality assumptions have been based on published mortality tables in South Africa.

19 Retirement benefits (continued)

The expected contributions to be paid to the post-retirement medical plan during 2014 is R57 million (2013: R55 million).

The weighted average duration of the Company's defined retirement benefits liability is 11 years. The expected maturity analysis of undiscounted retirement benefits is as follows:

2013/*R million*	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Between 5-10 years**
Post-retirement medical plan	57	59	190	352

Statement of financial position

The amounts recognised in the statement of financial position are determined as follows:

R million	**2013**	2012
Present value of unfunded obligations	(797)	(912)
Net retirement benefits liability	**(797)**	(912)
Liabilities reported in statement of financial position		
Post-retirement medical plan	(797)	(912)
Net retirement benefits liability	**(797)**	(912)

The changes in the present value of defined benefit obligations are as follows:

	2013			2012		
R million	**Pension plans**	**Post-retirement medical plan**	**Total plans**	Pension plans	Post-retirement medical plan	Total plans
At 1 January	-	(912)	(912)	(1,483)	(789)	(2,272)
Current service cost	-	(1)	(1)	-	(1)	(1)
Liabilities extinguished on settlement	-	-	-	1,723	-	1,723
Interest cost	-	(66)	(66)	(5)	(66)	(71)
Remeasurement gains/(losses)	-	125	125	(246)	(109)	(355)
Actuarial gains/(losses) arising from changes in financial assumptions	-	105	105	-	(110)	(110)
Actuarial gains/(losses) arising from experience adjustments	-	20	20	(246)	1	(245)
Benefits paid	-	57	57	-	54	54
Transfer of members[1]	-	-	-	-	(1)	(1)
Reclassification	-	-	-	11	-	11
At 31 December	**-**	**(797)**	**(797)**	-	(912)	(912)

Note:
[1] Members were transferred from Mondi Shanduka Newsprint Proprietary Limited to the Company in June and November 2012.

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

R million	(Restated) 2012
At 1 January	1,809
Interest income	5
Assets distributed on settlement	(1,743)
Reclassification	(71)
At 31 December	-

For the year ended 31 December 2012, up to the date the fund was placed in liquidation, the actual return on plan assets in respect of defined benefit plans was a gain of R5 million.

19 Retirement benefits (continued)

The changes in the asset ceiling were as follows:

R million	2012
At 1 January	246
Interest cost	23
Asset ceiling movement	(269)
At 31 December	-

Statement of comprehensive income

The amounts recognised in the income statement are as follows:

	2013			(Restated) 2012		
R million	**Pension plan**	**Post-retirement medical plan**	**Total plans**	Pension plan	Post - retirement medical plan	Total plans
Analysis of the amount charged to operating profit						
Current service costs	-	1	1	-	1	1
Losses from settlements	-	-	-	20	-	20
Total within operating costs	**-**	**1**	**1**	20	1	21
Analysis of the amount charged to net finance costs						
Net interest expense	-	66	66	23	66	89
Net charge to net finance costs	**-**	**66**	**66**	23	66	89
Total charge to income statement	**-**	**67**	**67**	43	67	110
Remeasurement on the net retirement benefits						
Actuarial gains arising from changes in financial assumptions	-	(105)	(105)	-	(110)	(110)
Actuarial (gains)/losses arising from experience adjustments	-	(20)	(20)	(246)	1	(245)
Asset ceiling movement	-	-	-	269	-	269
Total (income)/expense recognised in other comprehensive income	**-**	**(125)**	**(125)**	23	(109)	(86)
Total (income)/expense recognised in statement of comprehensive income	**-**	**(58)**	**(58)**	66	(42)	24

Sensitivity analysis

Significant actuarial assumptions for the determination of the net retirement benefits assets/liabilities are discount rate, rate of inflation and medical cost trend rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

19 Retirement benefits (continued)

A 1% change in the assumptions would have the following effects on the net retirement benefits plans:

R million	1% increase	1% decrease
Discount rate		
Effect on aggregate of the current service cost and interest cost	(0.1)	0.1
Effect on net retirement benefit liability	(78)	84
Rate of inflation		
Effect on aggregate of the current service cost and interest cost	0.1	(0.1)
Effect on net retirement benefit liability	78	(78)
Medical cost trend rate		
Effect on aggregate of the current service cost and interest cost	7	(6)
Effect on net retirement benefit liability	85	(72)

The sensitivity analysis presented above may not be representative of the actual changes in the net retirement benefits liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses above.

20 Stated capital

Number of shares	Authorised
Mondi Limited ordinary shares with no par value	250,000,000
Mondi Limited special converting shares with no par value	650,000,000

	2013		2012	
	Number of shares	**Called up, allotted and fully paid, Stated capital R million**	Number of shares	Called up, allotted and fully paid, Stated capital R million
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	4,114	118,312,975	4,114
Mondi Limited special converting shares with no par value	367,240,805	74	367,240,805	74
Total shares	**485,553,780**	**4,188**	485,553,780	4,188

The special converting shares are held in trust and do not carry dividend rights. The special converting shares provide a mechanism for equality of treatment on termination of the DLC agreement for both the Company and Mondi plc ordinary equity holders.

21 Share-based payments

Mondi share awards

The Company has set up its own share-based payment arrangements to incentivise employees. Full details of the Company's share schemes are set out in the remuneration report in the Mondi Group Integrated report and financial statements 2013.

All of these schemes are settled by the award of ordinary shares in the Company. The Company has no obligation to settle the awards made under these schemes in cash. Dividends foregone on Bonus Share Plan share awards and, for awards made in 2013 and thereafter in respect of the Long-Term Incentive Plan, are paid in cash upon vesting.

21 Share-based payments (continued)

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

R'000	**2013**	2012
Bonus Share Plan (BSP)	11,856	10,996
Long-Term Incentive Plan (LTIP)	7,794	7,017
Total share-based payment expense	**19,650**	18,013

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	**BSP 2013**	BSP 2012	BSP 2011
Date of grant	25 March 2013	28 March 2012	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (R)	125.55	71.29	63.70

Mondi Limited	**LTIP 2013**	LTIP 2012	LTIP 2011
Date of grant	25 March 2013	28 March 2012	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	99	100	100
TSR component	25	25	25
Grant date fair value per instrument (R)			
ROCE component	125.55	63.60	56.09
TSR component[1]	31.39	15.90	14.02

Note:
[1] 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:

2013/*Scheme*	**1 January**	**Shares conditionally awarded**	**Shares vested**	**Shares lapsed**	**31 December**
BSP	533,142	126,627	(199,011)	-	460,758
LTIP	647,272	139,373	(263,622)	-	523,023
Total	**1,180,414**	**266,000**	**(462,633)**	**-**	**983,781**

2012/*Scheme*	1 January	Shares conditionally awarded	Shares vested	Shares lapsed	31 December
BSP	675,958	166,892	(297,572)	(12,136)	533,142
LTIP	1,061,283	186,452	(546,555)	(53,908)	647,272
Total	1,737,241	353,344	(844,127)	(66,044)	1,180,414

The weighted average share price of share awards that vested during the period was R121.03 (2012: R70.56).

22 Assets held for sale

There were no assets held for sale as at 31 December 2013. Details of the aggregate assets held for sale are presented as follows:

R million	**2013**	2012
Property, plant and equipment	-	17
Inventory	-	9
Total assets classified as held for sale	**-**	26
Trade and other payables	-	(1)
Total liabilities directly associated with assets classified as held for sale	**-**	(1)
Net assets	**-**	25

23 Cash flow analysis

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

R million	**2013**	(Restated) 2012
Profit before tax	**687**	401
Depreciation	526	543
Impairment of property, plant and equipment (not included in special items)	4	30
Share-based payments	20	18
Share options exercised – Anglo American share scheme	(1)	-
Non-cash effect of special items	128	(58)
Net finance costs (not included in special items)	179	204
Increase/(decrease) in provisions	(5)	1
Decrease in retirement benefits	(56)	(32)
Decrease/(increase) in inventories	57	(48)
(Increase)/decrease in receivables	(102)	27
(Decrease)/increase in payables	(15)	16
Fair value gains on forestry assets	(98)	(334)
Felling costs	552	496
(Profit)/loss on disposal of property, plant and equipment	(2)	15
Movement in held-for-trading derivatives	16	5
Disposal of non-current assets held for sale	-	(4)
Reversal of impairment of financial assets	-	5
Refund for shares purchased on behalf of group companies	4	4
Cash generated from operations	**1,894**	1,289

(b) Cash and cash equivalents

R million	**2013**	2012
Cash and cash equivalents per statement of financial position	3	-
Bank overdrafts included in short-term borrowings	(645)	(805)
Net cash and cash equivalents per statement of cash flows	**(642)**	(805)

The fair value of cash and cash equivalents approximate the carrying values presented.

23 Cash flow analysis (continued)

(c) Movement in net debt

The net debt position is as follows:

R million	Cash and cash equivalents	Debt due within one year	Debt due after one year	Current financial asset investments	Loans to related parties	**Total net debt**
At 1 January 2012	(654)	(1,197)	(1)	47	481	**(1,324)**
Cash flow	(151)	(148)	(1)	(41)	(214)	**(555)**
Reclassifications	-	-	-	49	-	**49**
At 31 December 2012	(805)	(1,345)	(2)	55	267	**(1,830)**
Cash flow	163	674	-	73	8	**918**
Impairment	-	-	-	-	(100)	**(100)**
Reclassifications	-	(2)	2	(1)[1]	-	**(1)**
At 31 December 2013	**(642)**	**(673)**	**-**	**127**	**175**	**(1,013)**

Note:
[1] R1 million was reclassified from non-current financial asset investments to current financial asset investments.

24 Capital commitments

R million	**2013**	2012
Contracted for but not provided	**88**	207
Approved, not yet contracted for	**726**	674

These capital commitments are in respect of property, plant and equipment.

The expected maturity of these capital commitments is:

R million	**2013**	2012
Within one year	617	720
One to two years	197	161
Total capital commitments	**814**	881

Capital commitments are based on capital projects approved to date and the budget approved by the board. Major capital projects still require further approval before they commence. These capital commitments are expected to be financed from existing cash resources and borrowing facilities.

25 Contingent liabilities

Contingent liabilities comprise aggregate amounts at 31 December 2013 of R80 million (2012: R75 million), in respect of loans and guarantees given to banks and other third parties.

26 Operating leases

As at 31 December, the Company had the following outstanding commitments under non-cancellable operating leases:

R million	**2013**	2012
Expiry date		
Within one year	65	72
One to two years	55	57
Two to five years	113	129
After five years	121	74
Total operating leases	**354**	332

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

27 Capital management

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

- gearing, defined as net debt divided by total equity plus net debt; and
- return on capital employed, defined as trailing 12 month underlying operating profit, divided by trailing 12 month average capital employed.

The Company's trading and financing activities expose it 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 exchange risk and interest rate risk), credit risk and liquidity risk. The Company is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Company's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the board and are overseen by the Mondi Group DLC executive committee. In turn, the DLC 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. The Company does not take speculative positions on derivative contracts and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

28 Financial risk management

Market risk

The Company's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps respectively. Although the Company's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Company.

Foreign exchange risk

The Company operates across various national boundaries and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from forecast commercial transactions denominated in foreign currencies and recognised financial assets and liabilities (monetary items) denominated in foreign currencies.

Foreign exchange contracts
The Company's treasury policy requires it to actively manage transactional foreign currency exposures against its functional currency by entering into foreign exchange contracts.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign exchange contracts entered into to mitigate possible unfavourable movements on recognised monetary items are marked to market at each reporting date. Foreign currency monetary items are translated at each reporting date to incorporate the underlying foreign exchange movements and any such movements naturally off-set fair value movements on related forward foreign exchange contracts.

Foreign currency sensitivity analysis
Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Company's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Company's reported earnings of reasonably possible changes in the exposure currency. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Company's equity, as a result of fair value adjustments to 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.

28 Financial risk management (continued)

Net monetary foreign currency exposures by functional currency

R million	**2013**	2012
Euro	(2)	(43)
Pounds sterling	5	9
Swedish krona	1	(2)
US dollar	(37)	1
Total	**(33)**	(35)

Resultant impacts of reasonably possible changes to foreign exchange rates
The Company believes that for each foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the South African rand. The total corresponding fair value impact on the Company's income statement would be +/-R2 million (2012: +/-R2 million).

The corresponding fair value impact on the Company's equity, resulting from the application of these reasonably possible changes to the valuation of the Company's foreign exchange contracts designated as cash flow hedges, would have been +/-Rnil (2012: R2 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

Interest rate risk

The Company holds cash and cash equivalents, which earn interest at a variable rate and has variable rate debt in issue. Consequently, the Company is exposed to interest rate risk.

Management of cash and cash equivalents
Cash and cash equivalents comprise cash on 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's operating units and, in addition, to ensure that the Company earns the most advantageous rates of interest available.

Management of variable rate debt
The Company has multiple variable rate debt facilities. When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in interest rates.

The Company's cash and cash equivalents act as a natural hedge against possible unfavourable movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less 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 Company's income statement. A 50 basis points movement in the interest rate will impact the earnings for the year by R7 million (2012: R11 million). The potential impact on the Company's equity resulting from the application of +/- 50 basis points to the interest rate swaps designated as cash flow hedges would be Rnil for the year ended 31 December 2013 (2012: Rnil).

28 Financial risk management (continued)

Credit risk

The Company's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Company has also provided committed loan facilities to Mondi Shanduka Newsprint Proprietary Limited.

Credit risk associated with trade receivables
The Company has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Company believes that there is no significant geographical or customer concentration of credit risk.

Of the total gross trade receivables balance of R1,233 million (2012: R1,261 million) included in trade and other receivables reported in the statement of financial position (see note 13), credit insurance covering R834 million (2012: R768 million) of the total balance has been taken out by the Company to insure against the related credit default risk. The insured cover is presented gross of contractually agreed excess amounts.

Liquidity risk

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

The Company has Rnil (2012: Rnil) available to draw down on its committed loan facilities. The Company is a named borrower on the Mondi Group €750 million Syndicated Revolving Credit Facility (RCF), which was signed on 14 April 2011. The RCF was completely undrawn by Mondi Finance plc at 31 December 2013 (2012: £95 million). The Company also has R205 million (2012: R345 million) available to draw down on its uncommitted loan facilities.

Forecast liquidity represents the Company's expected cash inflows, principally generated from sales made to customers, less the Company's expected 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's trade receivables and trade payables respectively.

The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the statement of financial position and is managed to ensure the ongoing operating liquidity of the Company. Financing cash outflows may be longer-term in nature. The Company does not hold long-term financial assets to match against these commitments, but is 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's borrowings.

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

The following table presents the Company's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Company's financial liabilities, including any interest that will accrue, except where the Company is entitled and intends 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.

28 Financial risk management (continued)

Maturity profile of outstanding financial liabilities

2013/*R million*	**< 1 year**	**1-2 years**	**Total[1]**
Bank loans and overdrafts	1,145	-	1,145
Finance leases	2	-	2
Other loans	171	-	171
Total borrowings	**1,318**	**-**	**1,318**
Interest on borrowings net of amortised costs and discounts	31	-	31
Trade and other payables (excluding tax and social security) (see note 14)	924	-	924
Total undiscounted cash flows	**2,273**	**-**	**2,273**

2012/*R million*	< 1 year	1-2 years	Total[1]
Bank loans and overdrafts	2,005	-	2,005
Finance leases	6	2	8
Other loans	139	-	139
Total borrowings	2,150	2	2,152
Interest on borrowings net of amortised costs and discounts	100	-	100
Trade and other payables (excluding tax and social security) (see note 14)	939	-	939
Total undiscounted cash flows	3,189	2	3,191

Note:
[1] It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows.

The following table presents the Company's outstanding contractual maturity profile for its derivative financial instruments, which will be settled on a net basis. The amounts disclosed are the contractual undiscounted net cash flows.

Maturity profile of outstanding derivative positions

	2013		2012	
R million	**< 1 year**	**Total[1]**	< 1 year	Total[1]
Foreign exchange contracts	(9)	(9)	11	11
Discounting and interest	1	1	-	-
Total undiscounted cash flows	**(8)**	**(8)**	11	11

Note:
[1] It has been assumed that, where applicable, foreign exchange rates prevailing at the reporting date will not vary over the time periods projected.

28 Financial risk management (continued)

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value or where the fair value of financial instruments have been disclosed in notes to the financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Company specific estimates.

The significant inputs required to fair value all of the Company's financial instruments are either quoted prices or are observable. The Company holds level 1 and level 2 financial instruments and therefore does not hold any financial instruments categorised as level 3 financial instruments. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

The only assets or liabilities measured at fair value on level 3 of the fair value measurement hierarchy represent forestry assets. Refer to note 8 for more details on fair value measurement.

The directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

	Carrying amount		**Fair value**	
R million	**2013**	2012	**2013**	2012
Financial liabilities				
Borrowings	**1,318**	2,152	**1,318**	2,152

29 Related party transactions

The Company and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with equity accounted investees and others in which the Company has 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 Company has related party relationships with its subsidiaries, and equity accounted investees.

The Mondi Group DLC executive committee is deemed to comprise the key management personnel of the Company. Their remuneration, including the non-executive directors remuneration, is disclosed in note 2. The remuneration of the directors is disclosed in the remuneration report in the Mondi Group Integrated report and financial statements 2013.

2013/*R million*	**Associates**	**Mondi plc subsidiaries**	**Subsidiaries**	**Mondi Incentive Schemes Trust**
Sales to related parties	-	1,285	87	-
Purchases from related parties	-	5	230	-
Net finance expense	-	-	6	-
Investment in and loans to related parties	-	-	185	-
Receivables due from related parties	-	319	58	-
Payables due to related parties	-	1	111	-
Total borrowings from related parties	-	-	171	-
Investment	24	-	-	127

29 Related party transactions (continued)

2012/*R million*	Associates	Mondi plc subsidiaries	Subsidiaries	Mondi Incentive Schemes Trust
Sales to related parties	-	1,143	26	-
Purchases from related parties	-	3	266	-
Net finance income	-	-	18	-
Investment in and loans to related parties	-	-	277	-
Receivables due from related parties	-	275	91	-
Payables due to related parties	-	5	122	-
Total borrowings from related parties	-	-	139	-
Investment	24	-	-	51

With effect from 3 May 2013, Cyril Ramaphosa ceased to be a director of the Company. As a result, all transactions with the Shanduka Group Proprietary Limited, in which Mr Ramaphosa held a 29.6% interest, and its subsidiaries are no longer classified as related party transactions from that date.

R million	**Up to 3 May 2013**	2012
Purchases from Shanduka Group	40	123
Payables due to Shanduka Group	2	3

Details of transactions between the Company and its pension and post-retirement medical plan are disclosed in note 19.

30 Group companies

The principal subsidiaries and associate of the Company as at the reporting dates presented, and the Company's percentage of equity owned, together with the Company's interests in its associate are presented below. All of these interests are included within the Mondi Group's combined and consolidated financial statements. The Company has restricted the information to its principal subsidiaries and associate.

			Percentage equity owned and proportion of voting rights	
	Country of incorporation	**Business**	**2013**	2012
Subsidiaries				
Siyaqhubeka Forests Proprietary Limited	South Africa	Forestry	51	51
Mondi Shanduka Newsprint Proprietary Limited[1]	South Africa	Newsprint	50	50
Associate				
Mpact Recycling Proprietary Limited	South Africa	Recycling	25	25

Note:
[1] Due to the contractual arrangements with the entity's employee share and community ownership trust, non-controlling interest of 42% is recognised.

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

31 Events occurring after 31 December 2013

With the exception of the proposed final dividend for 2013, included in note 6, there have been no material reportable events since 31 December 2013.