MONDI LIMITED

(Registration number: 1967/013038/06)

AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 2011 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 2011 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 2011.

Main business and operations

The company continues to operate its forestry operations in order to manufacture pulp, woodchips, 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 2011 in this regard.

The company incurred a loss after tax for the year of R21 million (2010: profit of R223 million).

Subsequent events

In November 2011 the trustees of the defined benefit pension plan in South Africa, with agreement from the participating pensioners and employees, resolved to wind up the fund subject to regulatory approval. Regulatory approval was received in January 2012. Mondi Limited will receive a reimbursement of the pension surplus of R60 million. A settlement charge of R20 million will be recognised in 2012.

Other than as set out above, with the exception of the proposed final dividend for 2011, included in note 6, there have been no material reportable events since 31 December 2011.

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 22 for details on all the changes in the stated capital of the company that took place during the year under review.

Dividends

An interim dividend of 78.79484 rand cents per share (2010: 33.35878 rand cents per share) was declared and paid during the year and a final dividend of 181.38548 cents per share (2010: 161.32545 rand cents per share) was recommended by the directors and is subject to shareholder approval at the annual general meeting to be held on 3 May 2012. 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:

Cyril Ramaphosa	Joint Chairman
David Williams	Joint Chairman
David Hathorn	Chief Executive Officer
Andrew King	Chief Financial Officer
Peter Oswald	Chief Executive Officer – Europe & International Division
Anne Quinn	Senior Independent Non-Executive Director
Imogen Mkhize	Non-Executive Director
John Nicholas	Non-Executive Director
Stephen Harris	Non-Executive Director – appointed 1 March 2011
Colin Matthews	Non-Executive Director – retired on 5 May 2011

Holding company

Mondi operates under a dual listed 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.

Investments in subsidiaries

Refer to note 9 of these annual financial statements for details of investments in subsidiaries.

Secretary

The secretary of the company is Philip Laubscher.

Business Address	**Postal Address**
4th 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 was the auditor of the company.

Corporate governance statement

Mondi's corporate governance is comprehensively detailed in the Mondi Group integrated report and financial statements 2011.

Audit committee report

The committee has responsibility, among other things, for monitoring the integrity of Mondi Limited's financial statements. In fulfilling this responsibility the committee considers significant financial reporting judgements made by management, taking into account the reports received from the Group financial controller and the external auditors and considers the compliance of the financial statements with International Financial Reporting Standards. It also has responsibility for reviewing the effectiveness of the Company's system of internal controls and risk management systems, including IT risks, ensuring that management are identifying, managing and reporting risks appropriately. At least once during each financial year the committee meets with the internal and the external auditors, separately, without executive management present. This provides an additional opportunity for an open exchange of views and feedback.

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. Specific matters reviewed by the committee relating to Mondi Limited during the year included:

- reviewing the financial information and integrity of Mondi Limited financial statements, including reports from the Group financial controller and the external auditors on those results and recommending them to the board;
- considering, and recommending to the board, the implementation of significant accounting policies for the 2011 financial year;
- reviewing and approving the external audit plan, the proposed fees for the 2011 year-end and the engagement letters;
- reviewing the effectiveness, independence and objectivity of the external auditors and considering their re-appointment for recommendation to the board;
- monitoring the risk management policy, plan and risk tolerance levels and the effectiveness of the risk management process, including an annual identification and review of all key Company risks and a more detailed review of at least three of those risks at each meeting, and specifically reviewing information technology risk management; monitoring the effectiveness of the Company's system of internal control;
- reviewing the non-audit services policy and the services approved in accordance with the policy;
- monitoring and reviewing the effectiveness of internal audit activities, which included: a review of the internal audit charter; audits carried out, the results thereof and management's response; the programme for 2011 and 2012; reports received via Speakout (the Company's whistle-blowing facility); and reports on fraud;

Report of the directors (continued)

Audit committee report (continued)

- reviewing the effectiveness and experience of the chief financial officer and the finance function;
- reviewing the competition compliance programme;
- reviewing elements of the Company's code of business ethics reserved for review by the committee;
- reviewing the audit and risk management activities of the Company's South African widely held companies until revised requirements came into force following the implementation of the new South African Companies Act; and
- a review of the terms of reference of the committee, its performance against those terms and the 2012 work programme for the committee.

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 2012.

Directors' remuneration

Shareholders are referred to the Mondi DLC remuneration report in the Mondi Group integrated report and financial statements 2011. 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 notice period expiring on 30 April 2016 but terminable at any time on 12 months' notice

Remuneration for the year ended 31 December 2011

Executive directors' remuneration

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

		Base salary	Annual cash bonus	Value of deferred shares awarded	Other cash benefits	Other non-cash benefits	Total
David Hathorn	2011	€920,175	€538,483	€538,483	€27,720	€15,607	€2,040,468
	2010	€903,629	€602,812	€602,812	€28,100	€19,123	€2,156,476
Andrew King	2011	€517,599	€248,524	€248,524	€22,199	€17,722	€1,054,568
	2010	€501,368	€264,564	€264,564	€22,504	€23,639	€1,076,639
Peter Oswald	2011	€824,000	€386,028	€386,028	€255	€35,346	€1,631,657
	2010	€800,000	€427,200	€427,200	€255	€36,104	€1,690,759

Report of the directors (continued)

Directors' remuneration (continued)

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 contributions paid by the Mondi Group in respect of the years 2011 and 2010 are:

	2011	2010
David Hathorn	€276,053	€271,089
Andrew King	€129,400	€125,418
Peter Oswald	€206,000	€200,000

Non-executive directors' remuneration

	2011			2010		
	Fees	Other benefits	Total	Fees	Other benefits	Total
Cyril Ramaphosa	€293,131	-	€293,131	€292,387	-	€292,387
David Williams	€293,131	-	€293,131	€292,387	-	€292,387
Stephen Harris[1]	€68,140	-	€68,140	-	-	-
Colin Matthews[1]	€27,381	-	€27,381	€90,726	-	€90,726
Imogen Mkhize	€80,354	-	€80,354	€74,435	-	€74,435
John Nicholas	€90,196	-	€90,196	€93,065	-	€93,065
Anne Quinn	€96,162	-	€96,162	€98,913	-	€98,913

[1]For 2011, the fee paid to Stephen Harris covers the period from his appointment on 1 March 2011 until 31 December 2011. The fee paid to Colin Matthews covers the period until 5 May 2011 when he retired as a director.

Share holding and share awards granted to executive directors

At 31 December 2011, Andrew King held 208 shares in Mondi Limited and Imogen Mkhize, 3,222 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	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2011	Release date
David Hathorn	BSP	35,156	-	-	35,156	6547	Mar 08	-	Mar 11
	BSP	38,122	-	-	-	2301	Mar 09	38,122	Mar 12
	BSP	37,347	-	-	-	4596	Mar 10	37,347	Mar 13
	BSP	-	29,838	-	-	6206	Mar 11	29,838	Mar 14
	LTIP	95,308	-	63,538	31,770	6547	Mar 08	-	Mar 11
	LTIP	256,070	-	-	-	2301	Mar 09	256,070	Mar 12
	LTIP	105,628	-	-	-	4596	Mar 10	105,628	Mar 13
	LTIP	-	80,749	-	-	6206	Mar 11	80,749	Mar 14
Andrew King	BSP	15,741	-	-	-	2301	Mar 09	15,741	Mar 12
	BSP	15,328	-	-	-	4596	Mar 10	15,328	Mar 13
	BSP	-	13,096	-	-	6206	Mar 11	13,096	Mar 14
	LTIP	90,628	-	-	-	2301	Mar 09	90,628	Mar 12
	LTIP	40,188	-	-	-	4596	Mar 10	40,188	Mar 13
	LTIP	-	29,762	-	-	6206	Mar 11	29,762	Mar 14

[1]The value on award of the BSP awards set out in this table is included in the table of executive durectors' remuneration on page 5.

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 supervision of the Group Chief Financial Officer, Andrew King CA(SA), as required by Section 29(1)(e)(ii) of the Companies Act of South Africa 2008.

We confirm that to the best of our 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.

David Hathorn Director	Andrew King Director
22 February 2012	22 February 2012

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, 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

22 February 2012

Independent auditors' report to the shareholders of Mondi Limited

Report on the financial statements

We have audited the financial statements of Mondi Limited for the year ended 31 December 2011 which comprise the report of the directors, the statement of financial position as at 31 December 2011, 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, a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 6 and 9 to 48.

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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 2011, and of 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.

Deloitte & Touche
Registered Auditors
Per Bronwyn Kilpatrick
Partner
Sandton
22 February 2011

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

Income statement

for the year ended 31 December 2011

R million	Notes	**2011**	2010
Revenue	2	**5,759**	5,606
Materials, energy and consumables used		(2,667)	(2,624)
Variable selling expenses		(921)	(857)
Gross margin		**2,171**	2,125
Maintenance and other indirect expenses		(386)	(351)
Personnel costs		(958)	(905)
Other net operating income/(expenses)		64	(3)
Depreciation		(524)	(507)
Operating profit before special items	2	**367**	359
Operating special items	3	-	(241)
Operating profit		**367**	118
Non-operating special items	3	(230)	152
Total profit from operations		**137**	270
Net finance (costs)/income	4	**(28)**	67
Investment income		353	480
Financing costs		(381)	(413)
Profit before tax		**109**	337
Tax charge	5	(130)	(114)
(Loss)/profit for the financial year		**(21)**	223

Statement of comprehensive income

for the year ended 31 December 2011

R million	Notes	**2011**	2010
(Loss)/profit for the financial year		**(21)**	223
Other comprehensive income:			
Effect of cash flow hedges	21	-	-
Actuarial losses on post-retirement benefit schemes	21	(51)	(166)
Surplus restriction on post-retirement benefit schemes	21	16	(30)
Tax relating to components of other comprehensive income	21	10	54
Other comprehensive income for the financial year, net of tax	21	**(25)**	(142)
Total comprehensive income for the financial year		**(46)**	81

Statement of financial position

as at 31 December 2011

R million	Notes	**2011**	2010
Property, plant and equipment	7	5,396	5,653
Forestry assets	8	2,294	2,101
Investments in subsidiaries	9	10	2,397
Investments in associates	10	24	-
Investments in joint ventures	11	405	368
Financial asset investments	12	5	152
Retirement benefits surplus	20	80	60
Total non-current assets		**8,214**	10,731
Inventories	13	531	373
Trade and other receivables	14	1,343	1,183
Investments in subsidiaries	9	76	77
Financial asset investments	12	47	22
Cash and cash equivalents		54	8
Derivative financial instruments	17	17	17
Assets held for sale	24	5	10
Total current assets		**2,073**	1,690
Total assets		**10,287**	12,421
Short-term borrowings	16	(1,905)	(1,719)
Trade and other payables	15	(927)	(743)
Provisions	18	(65)	(83)
Derivative financial instruments	17	(1)	(2)
Total current liabilities		**(2,898)**	(2,547)
Medium and long-term borrowings	16	(1)	(299)
Retirement benefits obligation	20	(789)	(741)
Deferred tax liabilities	19	(1,554)	(1,468)
Provisions	18	(27)	(27)
Total non-current liabilities		**(2,371)**	(2,535)
Total liabilities		**(5,269)**	(5,082)
Net assets		**5,018**	7,339
Equity			
Ordinary share capital and stated capital	22	4,188	5,176
Retained earnings and other reserves		830	2,163
Total attributable to equity holders of the company		**5,018**	7,339

Statement of cash flows
for the year ended 31 December 2011

R million	Notes	**2011**	2010
Cash generated from operations	25a	1,003	1,154
Income tax paid		(32)	(16)
Dividends received		15	-
Net cash generated from operating activities		**986**	1,138
Cash flows from investing activities			
Acquisition of business	25b	(93)	-
Investment in subsidiaries	9	(1,938)	-
Proceeds from disposal of business, net of cash and cash equivalents		-	357
Investment in property, plant and equipment	7	(269)	(269)
Proceeds from the disposal of property,plant and equipment		2	(3)
Investment in forestry assets	8	(356)	(381)
Investment in financial asset investments	12	(69)	(24)
Proceeds from disposal of financial asset investments	12	-	4
Investment in associates	10	(24)	-
Loan repayments from/(advances to) related parties		2,250	(281)
Loan repayments from/(advances to) external parties		4	(23)
Interest received		205	321
Net cash used in investing activities		**(288)**	(299)
Cash flows from financing activities			
Repayment of short-term borrowings	25d	(190)	(454)
(Repayment of)/proceeds from medium and long-term borrowings	25d	(200)	200
Interest paid		(207)	(241)
Dividends paid to equity holders of Mondi Limited	6	(330)	(157)
Payment of Mondi plc share-based payment charge		-	(1)
Other financing activities		-	1
Net cash used in financing activities		**(927)**	(652)
Net (decrease)/increase in cash and cash equivalents		**(229)**	187
Cash and cash equivalents at beginning of year[1]		(425)	(612)
Cash movement in the year	25d	(229)	187
Cash and cash equivalents at end of year[1]		**(654)**	(425)

Note:
[1] 'Cash and cash equivalents' includes overdrafts and cash flows from disposal groups and is reconciled to the statement of financial position in note 25c.

Statement of changes in equity

for the year ended 31 December 2011

R million	Stated capital[1]	Retained earnings	Other reserves[2]	**Total attributable to equity holders of the Company**
At 1 January 2010	5,176	1,927	299	**7,402**
Dividends paid	-	(157)	-	**(157)**
Total comprehensive income for the year	-	223	(142)	**81**
Issue of Mondi Limited shares under employee share schemes[3]	-	8	(2)	**6**
Share options exercised – Anglo American share scheme	-	(1)	-	**(1)**
Shares vested from Mondi Incentive Schemes Trust	-	(1)	-	**(1)**
Other	-	-	9	**9**
At 31 December 2010	5,176	1,999	164	**7,339**
Dividends paid	-	(330)	-	**(330)**
Effect of dividend in specie distributed (see note 9)	(988)	(977)	-	**(1,965)**
Total comprehensive income for the year	-	(21)	(25)	**(46)**
Issue of Mondi Limited shares under employee share schemes[3]	-	23	(21)	**2**
Share options exercised – Anglo American share scheme	-	(2)	-	**(2)**
Shares vested from Mondi Incentive Schemes Trust	-	(3)	-	**(3)**
Reclassification	-	160	(160)	**-**
Other	-	-	23	**23**
At 31 December 2011	**4,188**	**849**	**(19)**	**5,018**

Notes:

1 In August 2011, Mondi limited's par value shares were converted by special resolution to shares with no par value. As a result Mondi Limited's share capital and share premium were combined into a stated capital account. The share consolidation described in notes 9 and 22 had no impact on the share capital and stated capital of Mondi Limited.

2 Other reserves are analysed further below.

3 The net amount of R2 million (2010: R6 million) is a deferred tax asset for a future tax deduction available to the Company when the shares held by the Mondi Share Incetive Schemes Trust are issued to share scheme participants.

Other reserves

R million	Share-based payment reserve	Post-retirement benefit reserve	Statutory reserves[1]	Total
At 1 January 2010	11	119	169	299
Total comprehensive income for the year	-	(142)	-	(142)
Mondi share schemes' charge	10	-	-	10
Issue of Mondi Limited shares under employee share schemes	(2)	-	-	(2)
Issue of Mondi plc shares under employee share schemes	(1)	-	-	(1)
At 31 December 2010	18	(23)	169	164
Total comprehensive income for the year	-	(25)	-	(25)
Mondi share schemes' charge	23	-	-	23
Issue of Mondi Limited shares under employee share schemes	(21)	-	-	(21)
Reclassification	9	-	(169)	(160)
At 31 December 2011	**29**	**(48)**	**-**	**(19)**

Note:

1 Statutory reserves are no longer required under the new South African Companies Act that was enacted on 1 May 2011 and have accordingly been reclassified to retained earnings.

Notes to the financial statements

1 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 South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice. 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 revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for 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 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, associates and joint ventures
The Company's investments in subsidiaries, associates and joint ventures are reflected at cost less amounts written off and provisions for any impairments.

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.

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

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

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes all costs incurred in bringing the 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.

1 Accounting policies (continued)

Non-current non-financial assets excluding goodwill, deferred tax and retirement benefits surplus (continued)

Property, plant and equipment (continued)
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.

Assets in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated 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.

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

Licences, other intangibles and research and development expenditure
Licences and other intangibles are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is written off in the year in which it is incurred. Development costs are reviewed annually and are recognised as an expense if they do not qualify for capitalisation. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and is amortised on a systematic basis over the economic life of the related development .

Impairment of tangible and intangible assets excluding goodwill
At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the 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 to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a 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 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 in the statement of cash flows.

1 Accounting policies (continued)

Non-current assets held for sale and discontinued operations
Non-current assets, and disposal groups, are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Non-current assets, and disposal groups, classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell from the date on which these conditions are met.

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

Discontinued operations are either a separate major line of business or geographical area of operations that have been disposed of or are part of a single co-ordinated plan for disposal, or represent a subsidiary acquired exclusively with a view to resale. Once an operation has been identified as discontinued, its net profit or loss is presented separately in the income statement and related notes. Comparative information is also restated. Information presented in the statements of financial position and cashflows, including related notes to these statements, is not separated between continuing and discontinued operations.

Current non-financial assets

Inventory
Inventory and work-in-progress are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) basis. Cost comprises direct materials and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

Retirement benefits
The Company operates both defined benefit and defined contribution schemes for its employees as well as a post-retirement medical plan.

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

Defined benefit and post-retirement medical plans
For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end. 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. Pension plans' assets are measured using year end market values.

Actuarial gains and losses, which arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in other comprehensive income net of deferred tax and accumulated in equity. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The expected return on plan assets and the expected increase during the year in the present value of plan liabilities are included in investment income and interest expense respectively.

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

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

Tax

The tax expense represents the sum of the current tax charge, the movement in deferred tax and Secondary Tax on Companies (STC), which is an income tax charge on dividends declared.

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.

The Company pays STC on dividends declared by South African entities net of dividends received, based on the applicable STC rate.

1 Accounting policies (continued)

Current tax (continued)
The STC regime is being replaced with a new Dividend Tax (DT) regime, effective 1 April 2012, which will constitute a withholding tax imposed at a shareholder level but payable by the Company on behalf of the shareholder. DT will be imposed in respect of any dividend approved by a company on or after 1 April 2012, and will be levied at a rate of 15%. This rate may be reduced under the provisions of certain Double Tax Agreements. In addition, the DT legislation includes a number of exemptions, including an exemption for dividends paid to certain exempt entities.

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, joint ventures 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. 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.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Company intend 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.

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.

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 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.

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 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 or loss as the obligation arises.

1 Accounting policies (continued)

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 for the year 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. 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, joint ventures and associates, are either classified as available-for-sale or loans and receivables.

Available-for-sale investments are initially recorded at fair value. They are subsequently remeasured at each reporting date 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 at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the 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 and consists of short-term, medium and long-term borrowings and bank overdrafts less cash and loans to related parties, cash equivalents and current financial asset investments.

1 Accounting policies (continued)

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, interest rate and commodity price risk. 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 that the derivative relates to.

Cash flow hedges
The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in 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 or loss on a proportionate basis.

Fair value hedges
For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in 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 when the forecast transaction is ultimately recognised in the income statement. 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.

1 Accounting policies (continued)

Dividend payments
Dividend distributions to Mondi Limited'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 Mondi Limited'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 are material by nature or amount 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.

Standards, amendments to published Standards and Interpretations effective during 2011
The Company has adopted the following Standards, amendments to published Standards and Interpretations during the current year, all of which had no significant impact on the Company's results:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards
- IFRS 3 - Business Combinations
- IFRS 7 - Financial Instruments: Disclosures
- IAS 1 - Presentation of Financial Statements
- IAS 21 - The Effects of Changes in Foreign Exchange Rates
- IAS 24 - Related Party Disclosures
- IAS 27 - Consolidated and Separate Financial Statements
- IAS 28 - Investments in Associates
- IAS 31 - Interests in Joint Ventures
- IAS 32 - Financial Instruments: Presentation
- IAS 34 - Interim Financial Reporting
- IFRIC 13 - Customer Loyalty Programs
- IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

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

The following Standards, amendments to published Standards and Interpretations are not expected to have a significant impact on the Company's results:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards
- IFRS 3 - Business Combinations
- IFRS 7 - Financial Instruments: Disclosures
- IAS 1 - Presentation of Financial Statements
- IAS 12 - Income Taxes
- IAS 24 - Related Party Disclosures
- IAS 34 - Interim Financial Reporting
- IFRIC 13 - Customer Loyalty Programs
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

1 Accounting policies (continued)

The Company is in the process of assessing the impact of the following Standards and amendments to published Standards on the Company's results, which will become effective for annual reporting periods beginning on or after 1 January 2013:

- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 19 - Employee Benefits
- IAS 27 - Consolidated and Separate Financial Statements
- IAS 28 - Investments in Associates

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 knowledge of current circumstances and future events and actions, actual results may differ from those estimates. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are disclosed below.

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

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

Fair value of owned forestry assets
The Company determines the fair value based on the present value of expected net cash flows arising from its owned forestry assets, discounted at a current, market determined pre tax rate. Management's judgement is exercised in determining 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.

Retirement benefits
The Company's scheme liabilities are sensitive to changes in various underlying actuarial assumptions set by management. These assumptions include the discount and inflation rates to apply to scheme liabilities, the mortality rates to apply to scheme members, the long-term medical cost trend rates to apply to medical schemes and the rates of increase of future salaries. Further details regarding the assumptions are set out in note 20.

In November 2011 the trustees of the defined benefit pension plan in South Africa, with agreement from the participating pensioners and employees, resolved to wind up the fund subject to regulatory approval. Regulatory approval was received in January 2012. Mondi Limited will receive a reimbursement of the pension surplus of R60 million. A settlement charge of R20 million will be recognised in 2012.

2 Operating profit before special items

Operating profit before special items for the year has been arrived at after (charging)/crediting:

R million	**2011**	2010
Depreciation of property, plant and equipment (see note 7)	(524)	(507)
Operating lease charges	(51)	(49)
Research and development expenditure	(19)	(5)
Increase in allowance for impairment of trade receivables (see note 14)	(14)	(5)
Foreign currency (losses)/gains	(24)	26
Fair value gains on forestry assets (see note 8)	302	208
Felling costs (see note 8)	(465)	(496)
Loss on disposal of property, plant & equipment	(16)	(4)
Total employee costs	(958)	(905)
Employee costs	(896)	(843)
Defined benefit pension plan costs	(16)	(21)
Defined benefit post-retirement medical plan costs	(2)	(1)
Defined contribution pension plan costs	(44)	(40)
Auditors' remuneration	(5)	(5)
Audit fees	(4)	(4)
Non-audit fees	(1)	(1)

Total revenue from continuing operations, as defined under IAS 18, 'Revenue', consisting of revenue (comprising sale of uncoated fine paper, pulp, woodchips and corrugated products), interest income and dividend income was R5,979 million (2010: R5,926 million).

Other than depreciation and fair value movements on forestry assets which are disclosed above, there are no other significant non-cash items recorded within operating profit before special items.

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

R million	**2011**	2010
Salaries and short-term employee benefits	53.8	55.4
Non-executive directors	9.6	9.1
Defined contribution plan payments	8.6	9.7
Defined benefit plan payments	2.1	4.7
Termination payments	7.2	-
Social security	11.8	3.4
Share-based payments	46.3	26.8
Total	**139.4**	109.1

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, see note 31 for further details.

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 Group.

3 Special items

R million	**2011**	2010
Operating special items		
Asset impairments	(4)	(186)
Restructuring and closure costs		
Restructuring and closure costs excluding related personnel costs	-	(37)
Personnel costs relating to restructuring	-	(18)
Reversal of restructuring and closure costs excluding related personnel costs	3	-
Reversal of personnel costs relating to restructuring	1	-
Total operating special items	**-**	(241)
Non-operating special items		
(Loss)/profit on disposals	(230)[1]	152
Total non-operating special items	**(230)**	152
Total special items before tax	**(230)**	(89)
Tax (see note 5)	-	(13)
Total special items attributable to equity holders of the company	**(230)**	(102)

Note:
[1] See note 9.

Year ended 31 December 2011

Further asset impairments relating to the 2010 mothballing of the uncoated fine paper machine has resulted in a R4 million charge in 2011 as well as the reversal of previously recognised restructuring provisions of R4 million.

Mondi demerged Mpact during July 2011 and the loss on demerger amounted to R230 million. See note 9 for more detailed information.

Year ended 31 December 2010

In South Africa Division, a 120,000 tonne uncoated fine paper machine and related converting capacity in the Merebank plant was mothballed in September 2010 and the business restructured. This led to the recognition of an asset impairment of R186 million and related restructuring costs of R55 million. The sale of 38,425 hectares of forestry assets realised a gain of R152 million.

4 Net finance (costs)/income

Net finance (costs)/income are presented below:

R million	**2011**	2010
Investment income		
Interest income		
Bank deposits, loan receivables and other	205	320
Total interest income	**205**	320
Dividend income	15	-
Expected return on defined benefit arrangements (see note 20)	135	160
Impairments of financial assets (excluding trade receivables) (see note 12)	(2)	-
Total investment income	**353**	480
Financing costs		
Interest expense		
Interest on bank overdrafts and loans	(206)	(234)
Interest on obligations under finance leases	(1)	(2)
Interest on defined benefit arrangements (see note 20)	(174)	(177)
Total financing costs	**(381)**	(413)
Net finance (costs)/income	**(28)**	67

There was no interest capitalised for the years presented.

5 Tax charge

(a) Analysis of charge for the year

R million	**2011**	2010
South African corporation tax at 28% (2010: 28%)	-	-
Secondary Tax on Companies at 10% (2010: 10%)	32	16
Current tax (excluding tax on special items)	**32**	16
Deferred tax in respect of the current period (excluding tax on special items)	100	118
Deferred tax in respect of prior period under provision	(2)	(33)
Total tax charge before special items	**130**	101
Deferred tax on special items (see note 3)	-	13
Total tax charge	**130**	114

(b) Factors affecting tax charge for the year

The Company's effective rate of tax before special items for the year ended 31 December 2011, calculated on profit before tax before special items, is 38% (2010: 24%).

The Company has an estimated tax loss of R9 million (2010: R267 million).

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% (2010: 28%), as follows:

R million	**2011**	2010
Profit before tax	109	337
Tax on profit before tax calculated at the South African corporation tax rate of 28% (2010: 28%)	**30**	94
Tax effects of:		
Expenses not (taxable)/deductible for tax purposes	**74**	36
Non-qualifying depreciation	2	-
Special items not deductible	67	38
Other non-deductible expenses	5	(2)
Non-taxable income	**(4)**	-
Profits and losses on disposals	-	-
Other non-taxable income	(4)	-
Temporary difference adjustments	**(2)**	(33)
Prior period tax losses and other temporary differences not previously recognised	(2)	(33)
Other adjustments	**32**	17
Secondary Tax on Companies	32	16
Other adjustments	-	1
Tax charge for the financial year	**130**	114

6 Dividends

The dividend in specie declared to Mondi Limited shareholders on 18 July 2011, as discussed in note 9, was measured at the fair value of the Mpact shares distributed of R1,965 million. The interim dividend paid and final dividend proposed for the year ended 31 December 2011 are based on the new Mondi Limited ordinary shares in issue after the Mondi Limited share consolidation during the year ended 31 December 2011.

R cents per share	**2011**	2010
Final dividend paid (in respect of prior year)	161.32545	73.54690
Interim dividend paid	78.79484	33.35878
Final dividend proposed for the year ended 31 December	**181.38548**	161.32545

6 Dividends (continued)

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

R million	**2011**	2010
Final dividend paid (in respect of prior year)	237	108
Interim dividend paid	93	49
Final dividend proposed for the year ended 31 December[1]	**215**	237

Notes:
[1] The dividend proposed is subject to approval by shareholders at the annual general meeting of Mondi Limited scheduled for 3 May 2012 and therefore this dividend has not been included as a liability in the Company's statement of financial position.

7 Property, plant and equipment

2011/*R million*	**Land and buildings**	**Plant and equipment**	**Other**[1]	**Total**
Cost				
At 1 January	830	8,800	435	10,065
Additions	-	-	269	269
Disposal of assets	(1)	(32)	(8)	(41)
Transferred to/(from) capital work in progress	43	216	(259)	-
Acquired through business acquisition (see note 25b)	-	1	4	5
Reclassification from assets held for sale	3	-	-	3
Reclassification from inventory	-	-	14	14
At 31 December	**875**	**8,985**	**455**	**10,315**
Accumulated depreciation and impairments				
At 1 January	232	4,005	175	4,412
Charge for the year	26	471	27	524
Impairment loss recognised[2]	-	3	1	4
Disposal of assets	(1)	(17)	(5)	(23)
Acquired through business acquisition (see note 25b)	-	-	2	2
At 31 December	**257**	**4,462**	**200**	**4,919**
Net book value as at 31 December	**618**	**4,523**	**255**	**5,396**

2010/*R million*	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January	791	8,604	410	9,805
Additions	-	-	269	269
Disposal of assets	-	(4)	(6)	(10)
Transferred to/(from) capital work in progress	33	201	(234)	-
Reclassification from/(to) assets held for sale	6	(1)	(4)	1
At 31 December	830	8,800	435	10,065
Accumulated depreciation and impairments				
At 1 January	210	3,362	156	3,728
Charge for the year	19	463	25	507
Impairment loss recognised[2]	3	183	-	186
Disposal of assets	-	(3)	(6)	(9)
At 31 December	232	4,005	175	4,412
Net book value as at 31 December	598	4,795	260	5,653

Notes:
[1] Other includes R197 million (2010: R191 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] Impairments include R4 million (2010: R186 million) of asset impairments reflected in operating special items.

7 Property, plant and equipment (continued)

The net book value and depreciation charges relating to assets held under finance leases amount to R10 million (2010: R14 million) and R5 million (2010: R4 million), respectively.

The residual values and useful lives were reviewed during the current year and there were no material changes from previous years.

The net book value of land and buildings comprises:

R million	**2011**	2010
Freehold	612	592
Leasehold – long	-	-
Leasehold – short (less than 50 years)	6	6
Total land and buildings	**618**	598

A register of South African land and buildings and of leased assets is open for inspection upon prior arrangement at the registered office of Mondi Limited.

8 Forestry assets

R million	**2011**	2010
At 1 January	2,101	2,007
Capitalised expenditure	323	362
Acquisition of assets	33	19
Fair value gains[1]	302	208
Felling costs	(465)	(496)
Reclassification from assets held for sale (see note 24)	-	1
At 31 December	**2,294**	2,101

Note:
[1] Forestry assets are revalued to fair value less estimated costs to sell each reporting year in accordance with the accounting policy set out in note 1. The fair value is calculated on the basis of future expected cash flows discounted using a discount rate based on a pre tax real yield on long-term bonds over the last five years.

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

R million	**2011**	2010
Mature	1,333	950
Immature	961	1,151
Total forestry assets	**2,294**	2,101

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.

9 Investments in subsidiaries

R million	**2011**	2010
Unlisted		
Shares at cost	10	255
Loans advanced	76	2,219
Total investments in subsidiaries	**86**	2,474
Repayable within one year classified as current asset	(76)	(77)
Total long-term investments in subsidiaries	**10**	2,397

Mpact Limited (formerly Mondi Packaging South Africa (Proprietary) Limited (MPSA))

On 30 June 2011, the Mondi Group shareholders approved a special resolution to separate the Group's interest in MPSA via a demerger in terms of which all the ordinary shares in MPSA held by Mondi Limited were distributed to the Mondi Limited ordinary shareholders by way of a dividend in specie. MPSA was listed on 11 July 2011 under a new name, Mpact Limited (Mpact), on the securities exchange operated by the JSE Limited (JSE).

Prior to the demerger (i) Mondi Limited and Shanduka Packaging (Proprietary) Limited (Shanduka Packaging) subscribed for new Mpact shares; (ii) all shareholder loans made to Mpact were repaid using the cash proceeds received from the new share subscription and newly arranged borrowing facilities of Mpact; and (iii) the Mpact shares held by Mondi Limited's employee share ownership trust were acquired by Mondi Limited. Mondi Limited's shareholding in Mpact increased to 89.55% of the total number of Mpact shares in issue following these steps and Shanduka Packaging's shareholding reduced to 10.45%.

The resulting interest in Mpact held by Mondi Limited was distributed to Mondi Limited shareholders by way of a dividend in specie.

The dividend in specie declared to Mondi Limited shareholders was measured at the fair value of the Mpact shares distributed, which was R1,965 million. The carrying value of the investment, immediately prior to distribution as a dividend in specie, was R2,182 million. The resulting net loss on disposal of the business was R230 million, after deducting demerger costs incurred of R13 million. The demerger and disposal of Mpact was completed during July 2011.

Subsequent to the demerger, a consolidation of the Mondi Limited ordinary shares owned by Mondi Limited shareholders, the effect of which was to reduce their proportionate interest in the Mondi Group, was undertaken in order to compensate Mondi plc shareholders for the value distributed to Mondi Limited shareholders in terms of the demerger.

The Mondi Limited share consolidation was intended to have, as far as practicable, an equivalent but not necessarily identical economic effect on Mondi plc shareholders as the economic effect that the demerger had on Mondi Limited shareholders.

The total number of new Mondi Limited ordinary shares held by Mondi Limited shareholders after the Mondi Limited share consolidation was determined by reference to the volume weighted average price (VWAP) of Mpact shares traded on the JSE, the VWAP of existing Mondi Limited ordinary shares traded on the JSE and the VWAP of Mondi plc ordinary shares traded on the London Stock Exchange plc (LSE) and JSE, in each case during the applicable VWAP determination period, being the nine business days from 11 July 2011 to 21 July 2011.

The result of the Mondi Limited share consolidation was that the number of Mondi Limited shares in issue reduced from 147 million to 118 million.

Mpact paid interest of R131 million (2010: R270 million) to Mondi Limited in respect of intercompany financing provided prior to the demerger.

Mondi Zimele (Proprietary) Limited (Mondi Zimele)
The closing balance of the loan advanced by the Company to Mondi Zimele amounts to R28 million (2010: R30 million), which is net of an impairment raised of R5 million (2010: R5 million). This loan is interest free and is repayable on liquidation of Mondi Zimele or earlier on demand by the Company.

Details of principal subsidiary companies are set out in note 32.

10 Investments in associates

R million	2011	2010
Mpact Recycling (Proprietary) Limited		
Shares at cost	24	-
Total long-term investments in associates	**24**	-

Details of principal associates are set out in note 32.

11 Investments in joint ventures

R million	2011	2010
Mondi Shanduka Newsprint (Proprietary) Limited (MSN)		
Shareholder's loan	128	128
Mezzanine loan	277	240
Total investments in joint ventures	**405**	368
Repayable within one year classified as current asset	-	-
Total long-term investments in joint ventures	**405**	368

The shareholder's loan is unsecured and interest free. The shareholder's loan is only repayable once the Mezzanine loan is settled in full and upon the Mezzanine facility of R330 million ending in January 2017. 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 facility incurs interest at the six month JIBAR plus 300 basis points.

Details of principal joint ventures are set out in note 32.

12 Financial asset investments

	2011			2010		
R million	**Loans and receivables**	**Available-for-sale investments**	**Total**	Loans and receivables	Available-for-sale investments	Total
At 1 January	156	18	174	133	2	135
Interest accrued	-	-	-	19	-	19
Impairment	-	(2)	(2)	-	-	-
Additions	-	69	69	4	20	24
Repayments – other	(4)	-	(4)	-	-	-
Disposal of assets	-	(42)	(42)	-	(4)	(4)
Reclassification	(143)	-	(143)	-	-	-
At 31 December	**9**	**43**	**52**	156	18	174
Current	4	43	47	4	18	22
Non-current	5	-	5	152	-	152

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 R69.4 million during 2011 (2010: R19.9 million) to fund the purchase of Mondi Limited shares awarded to senior management. Shares vested during 2011 to the value of R41.8 million (2010: R3.8 million), which increased the investment in the MIS to R43 million (2010: R18 million).

12 Financial asset investments (continued)

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

A loan of R142 million was advanced by the Company to Mondi Packaging South Africa (Proprietary) Limited (MPSA) in 2007 to finance the purchase of the Paperlink business from the Company. R42 million was repaid in 2008, and the balance plus interest accrued was reclassified to loans to subsidiaries and repaid in full as part of the recapitalisation of MPSA, immediately before its demerger from Mondi.

13 Inventories

R million	**2011**	2010
Valued using first-in-first-out cost formula		
Raw materials and consumables	189	168
Work in progress	49	41
Finished products	177	71
Total valued using first-in-first-out cost formula	**415**	280
Valued using the weighted average cost formula		
Raw materials and consumables	116	93
Total valued using the weighted average cost formula	**116**	93
Total inventories	**531**	373
Of which, held at net realisable value	**5**	11

R million	**2011**	2010
Write-down of inventories to net realisable value	(12)	(50)
Aggregate reversal of previous write-down of inventories	-	-
Cost of inventories recognised as expense	(2,495)	(2,190)

14 Trade and other receivables

R million	**2011**	2010
Trade receivables (a)	1,289	1,062
Allowance for doubtful debts (b)	(26)	(6)
Net trade receivables	**1,263**	1,056
Other receivables	55	118
Prepayments and accrued income	25	9
Total trade and other receivables	**1,343**	1,183

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 deploy in order to mitigate this risk are discussed in note 30. 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 operate. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

14 Trade and other receivables (continued)

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of these impaired trade receivables as at the reporting date is R28 million (2010: R15 million).

Included within the Company's aggregate trade receivables balance are specific debtor balances with customers totalling R67 million (2010: R16 million) which are past due but not impaired as at the reporting date. The Company has assessed these balances for recoverability and believe that their credit quality remains intact. An ageing analysis of these past due trade receivables is provided 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 2011	**47**	**15**	**3**	**2**	**67**
Carrying value as at 31 December 2010	7	4	4	1	16

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 does not enter into debt factoring arrangements.

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

R million	**2011**	2010
At 1 January	6	9
Amounts written off or recovered during the year	(1)	(3)
Increase in allowance recognised in income statement	14	5
Reclassification	7	(5)
At 31 December	**26**	6

15 Trade and other payables

R million	**2011**	2010
Trade payables	416	352
Other payables	51	34
Accruals and deferred income	460	357
Total trade and other payables	**927**	743

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

16 Borrowings

	2011			2010		
R million	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Obligations under finance leases	11	1	12	4	10	14
Total secured	**11**	**1**	**12**	4	10	14
Unsecured						
Bank loans and overdrafts	1,797	-	1,797	1,603	289	1,892
Other loans	97	-	97	112	-	112
Total unsecured	**1,894**	**-**	**1,894**	1,715	289	2,004
Total borrowings	**1,905**	**1**	**1,906**	1,719	299	2,018

16 Borrowings (continued)

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 within note 30.

Included in borrowings of the Company are two revolving loans of R500 million each (2010: R500 million each). These loans are repayable on their extended maturity dates of 17 June 2012 and 23 July 2012 and bear interest at one month JIBAR plus different margins, payable monthly.

The Company also have amortising term loans of R89 million (2010: R260 million). Capital and interest repayments on these loans are payable quarterly in arrears. These loans bear interest at three month JIBAR plus various margins and mature on 30 June 2012.

Included in other loans of the Company is a loan of R85 million (2010: R101 million) from Siyaqhubeka Forests (Proprietary) Limited (SQF), a subsidiary of Mondi Limited. 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 a 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	**2011**	2010
Not later than one year	12	5
Later than one year but not later than five years	1	12
Later than five years	-	-
Future value of finance lease liabilities	**13**	17
Future finance charges	(1)	(3)
Present value of finance lease liabilities	**12**	14

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.

The Company have pledged specific assets as collateral against certain borrowings. The fair values of these assets as at 31 December are as follows:

R million	**2011**	2010
Assets held under finance leases		
Property, plant and equipment (see note 7)	10	14
Total value of assets pledged as collateral	**10**	14

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

Borrowing capacity

	2011		2010	
R million	**Maximum permissible**	**Actual**	Maximum permissible	Actual
Medium and long-term borrowings		1		1,567
Short-term borrowings		1,869		1,815
Contingent liabilities		84		98
Total borrowing capacity	**13,043**	**1,954**	17,445	3,480

The maximum borrowing limit as determined by the Memorandum of Incorporation of Mondi Limited is 2.5 times the equity of the Mondi South Africa Group and is not affected by the deed poll guarantee given by Mondi Limited and entering into a revolving credit facility agreement with Mondi plc and other banks and financial institutions.

17 Derivative financial instruments

R million	2011 Asset	2011 Liability	2011 Notional amount	2010 Asset	2010 Liability	2010 Notional amount
Current derivatives						
Held for trading						
Foreign exchange contracts	17	(1)	564	17	(2)	421
Total held for trading	17	(1)	564	17	(2)	421
Total current derivative financial instruments	**17**	**(1)**	**564**	17	(2)	421

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 30 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.

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 same period as 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	**2011**	2010
Revenue	(18)	-
Other net operating expenses	-	-
Net finance costs	-	-
Included in profit from discontinued operation	-	-
Total reclassification adjustments (see note 21)	**(18)**	-

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

18 Provisions

R million	**2011**	2010
At 1 January	110	90
Charged to income statement[1]	76	82
Released to income statement	-	(10)
Amounts applied	(94)	(52)
At 31 December	**92**	110

Note:
[1] Net of unwound discounts.

Provisions mainly consist of provisions for bonuses.

18 Provisions (continued)

Maturity analysis of total provisions on a discounted basis:

R million	**2011**	2010
Current	65	83
Non-current	27	27
Total provisions	**92**	110

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.

19 Deferred tax

Deferred tax liabilities

R million	**2011**	2010
At 1 January	(1,468)	(1,429)
Charged to income statement	(98)	(98)
Credited to statement of comprehensive income	10	54
Credited to retained earnings	2	6
Business restructuring[1]	-	(1)
At 31 December	**(1,554)**	(1,468)

Note:
[1] Deferred tax on the transfer of employees and related obligations from Mondi Shanduka Newsprint (Proprietary) Limited to Mondi Limited (see note 20).

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

R million	**2011**	2010
Deferred tax liabilities		
Capital allowances in excess of depreciation	(1,093)	(1,145)
Fair value adjustments	(641)	(578)
Tax losses	2	75
Other temporary differences	178	180
Total deferred tax liabilities	**(1,554)**	(1,468)

The amount of deferred tax charged to the income statement is presented as follows:

R million	**2011**	2010
Capital allowances in excess of depreciation	(52)	(107)
Fair value adjustments	63	23
Tax losses	73	190
Other temporary differences	14	(8)
Total charge	**98**	98

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

R million	**2011**	2010
Deferred tax liabilities		
Payable within 12 months	-	-
Payable after 12 months	(1,554)	(1,468)
Total deferred tax liabilities	**(1,554)**	(1,468)

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

19 Deferred tax (continued)

The Company would crystallise an STC liability of approximately R83 million (2010: R216 million) on ultimate distribution of its unremitted earnings to external shareholders should the distribution be approved prior to 1 April 2012. No liability will be crystallised on distributions approved after that date.

20 Retirement benefits

The Company operates post-retirement defined contribution and defined benefit plans for the majority of its employees. It also operates a post-retirement medical plan. The accounting policy for pensions and post-retirement benefits is included in note 1.

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 for the Company totalling R44 million (2010: R40 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.

Defined benefit pension plan and post-retirement medical plan

The post-retirement defined benefit pension plan is funded. The assets of this plan are held separately from those of the Company in an independently administered fund, in accordance with the South African Pension Funds Act of 1956.

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

On 30 June 2006, the Financial Services Board (FSB) approved certain amendments to the Mondi Pension Fund rules, effective 1 January 2005. In terms of the rule amendments, all future surpluses arising in the Fund will be for the benefit of the employer. Accordingly, the latest available actuarial estimate of this surplus, after the surplus restriction, amounting to R80 million (2010: R60 million) at 31 December 2011, has been recognised.

In November 2011 the trustees of the defined benefit pension plan in South Africa, with agreement from the participating pensioners and employees, resolved to wind up the fund subject to regulatory approval. Regulatory approval was received in January 2012. Mondi Limited will receive a reimbursement of the pension surplus of R60 million. A settlement charge of R20 million will be recognised in 2012.

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.

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below:

%	**2011**	2010
Defined benefit pension plan		
Average discount rate for plan liabilities	**8.73**	8.39
Average rate of inflation	**6.55**	5.63
Average rate of increase in salaries	**7.80**	6.88
Average rate of increase of pensions in payment	**6.55**	5.63
Average long-term rate of return on plan assets	**7.71**	7.61
Post-retirement medical plan		
Average discount rate for plan liabilities	**8.73**	8.39
Expected average increase of healthcare costs	**8.05**	7.13

The assumption for the average discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency.

20 Retirement benefits (continued)

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

years	**2011**	2010
Retiring today:		
Males	**15.87-20.00**	15.83-17.86
Females	**19.81-24.80**	19.76-22.21
Retiring in 20 years:		
Males	**17.27-21.60**	19.70-20.04
Females	**21.50-26.50**	24.00-24.38

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

Independent qualified actuaries carry out full valuations every three years using the projected unit credit method. The actuaries have updated the valuations to 31 December 2011.

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 122% (2010: 122%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. The Company is paying contributions at rates agreed with the schemes' trustees and in accordance with local actuarial advice and statutory provisions.

The expected contributions to be paid to the post-retirement medical plan during 2012 is R53 million (2010 was R53 million). The aggregate benefit obligation in respect of the unfunded plans as at 31 December 2011 is R789 million (2010: R741 million).

The total loss before tax, recognised in equity relating to experience movements on scheme liabilities and plan assets and actuarial assumption changes, excluding surplus restriction movements, for the year ended 31 December 2011 is a loss of R51 million (2010: loss of R166 million). The cumulative total recognised since 1 January 2004 is a gain of R354 million.

Retirement benefits surplus/(obligation)

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

R million	**2011**	2010
Present value of unfunded obligations	(789)	(741)
Present value of funded obligations	(1,483)	(1,469)
Present value of pension plan liabilities	**(2,272)**	(2,210)
Fair value of plan assets	1,809	1,791
Deficit	**(463)**	(419)
Surplus restrictions	(246)	(262)
Deficit on pension and post-retirement medical plans	**(709)**	(681)
Amounts reported in statement of financial position		
Assets		
Retirement benefits surplus	**80**	60
Liabilities		
Post-retirement medical plans	(789)	(741)
Total retirement benefits obligation	**(789)**	(741)

20 Retirement benefits (continued)

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

	2011			2010		
R million	**Pension plans**	**Post-retirement medical plans**	**Total Plans**	Pension plans	Post-retirement medical plans	Total Plans
At 1 January	(1,469)	(741)	(2,210)	(1,380)	(584)	(1,964)
Current service cost	(16)	(2)	(18)	(21)	(1)	(22)
Interest cost	(117)	(57)	(174)	(126)	(51)	(177)
Actuarial (losses)/gains	12	(40)	(28)	(25)	(149)	(174)
Contributions paid by other members	(4)	-	(4)	(5)	-	(5)
Benefits paid	125	52	177	96	48	144
Business acquisition	(14)	(1)	(15)	-	-	-
Transfer of members[1]	-	-	-	(8)	(4)	(12)
At 31 December	**(1,483)**	**(789)**	**(2,272)**	(1,469)	(741)	(2,210)

Note:
[1] Members have been transferred from Mondi Shanduka Newsprint (Proprietary) Limited to Mondi Limited in March 2010.

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

R million	**2011**	2010
At 1 January	1,791	1,690
Expected return on plan assets	135	160
Actuarial (losses)/gains	(23)	9
Contributions paid by employer	11	13
Contributions paid by other members	4	5
Benefits paid	(125)	(96)
Business acquisition	16	-
Transfer of members[1]	-	10
At 31 December	**1,809**	1,791

Note:
[1] Members have been transferred from Mondi Shanduka Newsprint (Proprietary) Limited to Mondi Limited in March 2010.

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

For the year ended 31 December 2011, the actual return on plan assets in respect of defined benefit pension scheme was a gain of R112 million (2010: gain of R169 million).

The market values of the pension assets in this plan and the long-term expected rates of return as at the reporting dates presented is detailed below:

	2011		2010	
	Rate of return (%)	**Fair value (R million)**	Rate of return (%)	Fair value (R million)
External equity	-	-	10.97	292
Property	-	-	8.97	148
Insurance contracts	8.23	1,181	-	-
Cash	6.73	628	5.97	663
Other	-	-	7.47	688
Fair value of plan assets		**1,809**		1,791

There are no financial instruments or property owned by the Company which is included in the fair value of plan assets.

20 Retirement benefits (continued)

Income statement

The amounts recognised in the income statement are as follows:

	2011			2010		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total Plans
Analysis of the amount charged to operating profit						
Current service costs	16	2	18	21	1	22
Total within operating costs	**16**	**2**	**18**	21	1	22
Analysis of the amount charged/(credited) to net finance costs on plan liabilities						
Expected return on plan assets[1]	(135)	-	(135)	(160)	-	(160)
Interest costs on plan liabilities[2]	117	57	174	126	51	177
Net (credit)/charge to net finance costs	**(18)**	**57**	**39**	(34)	51	17
Total (credit)/charge to income statement	**(2)**	**59**	**57**	(13)	52	39

Notes:
1 Included in investment income (see note 4).
2 Included in interest expense (see note 4).

Sensitivity analysis

Assumed healthcare trend rates have a significant effect on the amounts recognised in the income statement. A 1% change in assumed healthcare cost trend rates would have the following effects on the post-retirement medical plan:

R million	1% increase	1% decrease
Effect on aggregate of the current service cost and interest cost	8	(7)
Effect on defined benefit obligation	88	(75)

The Company's defined benefit pension and post-retirement medical arrangements, for the five years ended 31 December 2011, are summarised as follows:

R million	**2011**	2010	2009	2008	2007
Present value of unfunded obligations	(789)	(741)	(584)	(593)	(663)
Present value of funded obligations	(1,483)	(1,469)	(1,380)	(1,342)	(1,252)
Present value of pension plan liabilities	**(2,272)**	(2,210)	(1,964)	(1,935)	(1,915)
Fair value of plan assets	1,809	1,791	1,690	1,535	1,498
Deficit	**(463)**	(419)	(274)	(400)	(417)
Surplus restrictions	(246)	(262)	(231)	(193)	(174)
Deficit on pension and post-retirement medical plans	**(709)**	(681)	(505)	(593)	(591)
Assets					
Defined benefit plans in surplus	**80**	60	79	-	72
Liabilities					
Post-retirement medical plans	**(789)**	(741)	(584)	(593)	(663)
Experience adjustments					
On plan liabilities	98	(49)	(124)	(144)	(134)
On plan assets	(23)	9	164	(34)	16
Total experience adjustments	**75**	(40)	40	(178)	(118)

21 Other comprehensive income

R million	2011 Before-tax amount	2011 Tax benefit	2011 Net-of-tax amount	2010 Before-tax amount	2010 Tax benefit	2010 Net-of-tax amount
Cash flow hedges:	-	-	-	-	-	-
Fair value losses arising during the year	(18)			-		
Less: Reclassification adjustments for losses included in income statement	18			-		
Less: Adjustments for amounts transferred to initial carrying amount of hedged items	-			-		
Actuarial losses and surplus restriction on post-retirement benefit schemes:	(35)	10	(25)	(196)	54	(142)
Actuarial losses on post-retirement benefit schemes	(51)			(166)		
Surplus restriction on post-retirement benefit schemes	16			(30)		
Total other comprehensive income	**(35)**	**10**	**(25)**	(196)	54	(142)

22 Share capital and stated capital

As part of the Mpact demerger, as more fully described in note 9, the following actions, which directly impacted on the Company's share capital and share premium, were undertaken during the year ended 31 December 2011:

- In order to facilitate the share consolidation of Mondi Limited, all Mondi Limited's authorised and issued share capital was converted from par value shares to shares with no par value prior to the share consolidation, in compliance with the South African Companies Act 2008 which came into effect on 1 May 2011. As a result, both the amounts of Mondi Limited's share capital and share premium were converted to stated capital.
- Mondi Limited's ordinary shares were subject to a share consolidation which was recognised from 1 August 2011, the date on which the new Mondi Limited ordinary shares commenced trading on the JSE. The share consolidation is the matching action to compensate Mondi plc shareholders for the dividend in specie declared to Mondi Limited shareholders.
- The dividend in specie distributed to Mondi Limited shareholders was partially apportioned to the stated capital of Mondi Limited resulting in a reduction of stated capital from R5,176 million to R4,188 million.

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

There has been no change to the authorised share capital of the Company since listing on the JSE Limited on 3 July 2007, other than converting the share capital from par value shares to shares with no par value.

2011	**Number of shares**	**Called up, allotted and fully paid/R million – Stated capital**
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	4,114
Mondi Limited special converting shares with no par value[1]	367,240,805	74
Total shares	**485,553,780**	**4,188**

2010	Number of shares	Called up, allotted and fully paid/R million – Share capital	Share premium	Total
Mondi Limited R0.20 ordinary shares issued on the JSE	146,896,322	29	5,073	5,102
Mondi Limited R0.20 special converting shares[1]	367,240,805	74	-	74
Total shares	514,137,127	103	5,073	5,176

Note:
[1] 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 arrangement for both Mondi Limited and Mondi plc ordinary equity holders.

23 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 2011.

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 BSP share schemes are paid in cash upon vesting.

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	**2011**	2010
Bonus Share Plan (BSP)	14,796	5,102
Long-Term Incentive Plan (LTIP)	7,948	3,624
Total share-based payment expense	**22,744**	8,726

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 2009**	**BSP 2010**	**BSP 2011**
Date of grant	27 March 2009	29 March 2010	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (R)	18.87	53.06	63.70

Mondi Limited	**LTIP 2009**	**LTIP 2010**	**LTIP 2011**
Date of grant	27 March 2009	29 March 2010	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	84	100	100
TSR component	100	25	25
Grant date fair value per instrument (R)	19.26		
ROCE component		50.51	56.09
TSR component[1]		12.63	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:

	Mondi Limited				
2011/Scheme	**1 January**	**Shares conditionally awarded**	**Shares vested**	**Shares lapsed**	**31 December**
BSP	1,121,556	233,074	(673,399)	(5,273)	675,958
LTIP	1,008,538	200,663	(40,761)	(107,157)	1,061,283
Total	**2,130,094**	**433,737**	**(714,160)**	**(112,430)**	**1,737,241**

	Mondi Limited				
2010/Scheme	1 January	Shares conditionally awarded	Shares vested	Shares lapsed	31 December
BSP	824,360	383,683	(86,487)	-	1,121,556
LTIP	811,634	292,375	(10,948)	(84,523)	1,008,538
Total	1,635,994	676,058	(97,435)	(84,523)	2,130,094

24 Disposal groups and assets held for sale

R million	**2011**	2010
Property, plant and equipment	5	10
Total assets classified as held for sale	**5**	10
Total liabilities directly associated with assets classified as held for sale	**-**	-
Net assets	**5**	10

25 Cash flow analysis

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

R million	**2011**	2010
Profit before tax	**109**	337
Depreciation and amortisation	524	507
Share-based payments	23	10
Share options exercised – Anglo American share scheme	(2)	(1)
Non-cash effect of special items	230	34
Net finance costs/(income)	28	(67)
(Decrease)/increase in provisions	(18)	20
Decrease in post-employment benefits	(45)	(39)
(Increase)/decrease in inventories	(105)	103
(Increase)/decrease in operating receivables	(109)	45
Increase/(decrease) in operating payables	148	(76)
Fair value gains on forestry assets	(302)	(208)
Felling costs	465	496
Loss on disposal of property, plant & equipment	16	4
Increase in held for trading derivatives	(1)	(13)
Disposal of non-current assets held for sale	2	-
Refund for shares purchased on behalf of group companies	38	3
Other adjustments	2	(1)
Cash generated from operations	**1,003**	1,154

(b) Acquisition of business

R million	**2011**	2010
Property, plant & equipment (see note 7)	3	-
Inventories	66	-
Trade and other receivables	97	-
Trade and other payables	(72)	-
Medium and long-term borrowings	(1)	-
Net assets acquired	**93**	-
Net cash paid per statement of cash flows	**93**	-

The merchanting business, Paperlink, was purchased from Mpact Limited in April 2011, prior to Mpact Limited's demerger from Mondi. The transaction was concluded at book value as it was a transaction between related parties under common control within the same group.

25 Cash flow analysis (continued)

(c) Cash and cash equivalents

R million	**2011**	2010
Cash and cash equivalents per statement of financial position	54	8
Bank overdrafts included in short-term borrowings (see note 25d)	(708)	(433)
Net cash and cash equivalents per statement of cash flows	**(654)**	(425)

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

(d) Movement in net debt

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

R million	Cash and cash equivalents	Debt due within one year[1]	Debt due after one year	Current financial asset investments	Loans to related parties	Total net debt
At 1 January 2010	(612)	(566)	(1,270)	-	2,306	(142)
Cash flow	187	454	(200)	-	281	722
Movement in unamortised loan costs	-	-	(3)	-	-	(3)
Reclassifications	-	(1,174)	1,174	22	-	22
At 31 December 2010	(425)	(1,286)	(299)	22	2,587	599
Cash flow	(229)	190	200	-	(2,250)	(2,089)
Movement in unamortised loan costs	-	-	(1)	-	-	(1)
Reclassifications	-	(101)	99	25	144	167
At 31 December 2011	**(654)**	**(1,197)**	**(1)**	**47**	**481**	**(1,324)**

Note:
[1] Excludes overdrafts, which are included as cash and cash equivalents. As at 31 December 2011, short-term borrowings in the statement of financial position R1,905 million (2010: R1,719 million), includes R708 million of overdrafts (2010: R433 million).

26 Capital commitments

R million	**2011**	2010
Contracted for but not provided	**179**	92
Approved, not yet contracted for	**389**	321

These capital commitments relate to the following categories of non-current non-financial assets:

R million	**2011**	2010
Property, plant and equipment	568	413
Total capital commitments	**568**	413

The expected maturity of these capital commitments is:

R million	**2011**	2010
Within one year	482	341
One to two years	86	72
Total capital commitments	**568**	413

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 will be financed by existing cash resources and borrowing facilities.

27 Contingent liabilities and contingent assets

Contingent liabilities comprise aggregate amounts at 31 December 2011 of R73 million (2010: R74 million), in respect of loans and guarantees given to banks and other third parties.

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

There were no contingent assets at 31 December 2011 or 31 December 2010.

28 Operating leases

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

R million	**2011**	2010
Expiry date		
Within one year	78	139
One to two years	60	117
Two to five years	110	239
After five years	84	97
Total operating lease commitments	**332**	592

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

29 Capital management

The Company reviews its total capital employed on a regular basis and make 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 capital employed; and
- return on capital employed, defined as underlying operating profit, plus share of associates' net income, before special items, divided by average capital employed.

30 Financial risk management

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.

Market risk

The Company's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a continuous 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 economic rather than residual financial risk inherent to the Company.

Foreign exchange risk

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

30 Financial risk management (continued)

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

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

Currencies bought or sold forward 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 with any gains and losses on foreign exchange contracts designed to off-set gains and losses on monetary items.

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.

R million	**2011**	2010
Euro	3	(20)
Pounds sterling	1	(6)
Swedish krona	(4)	1
US dollar	(16)	(25)
Total	**(16)**	(50)

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 +/-R1 million (2010: +/-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 (2010: Rnil). 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 in hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Company'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. Group treasury uses interest rate swaps to hedge certain exposures to movements in the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are ordinarily formally designated as cash flow hedges and are fair valued at each reporting date. The fair value of interest rate swaps are determined at each reporting date by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract. The Company's cash and cash equivalents also act as a natural hedge against possible unfavourable movements in the relevant inter-bank lending rates on its variable rate debt, subject to any interest rate differentials that exist between corporate saving and lending rates.

30 Financial risk management (continued)

Net variable rate debt sensitivity analysis
The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on the Company's income statement. A 50 basis points movement in the interest rate will impact the earnings for the year by R9 million (2010: R10 million).

Credit risk

The Company's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligate the Company to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Company as a whole. The Company has also provided committed loan facilities to Mondi Shanduka Newsprint.

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 concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Company believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total trade receivables balance of R1,289 million (2010: R1,062 million) included in trade and other receivables reported in the statement of financial position (see note 14), credit insurance covering R624 million (2010: R325 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 of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The Company has Rnil (2010: Rnil) amounts 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 at 31 December 2011. The Company also has R442 million (2010: R718 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 contractually-determined cash outflows, principally related to supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Company's trade receivables and trade payables respectively.

30 Financial risk management (continued)

The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the 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. The Company also assesses its commitments under interest rate swaps, which hedge future cash flows from two to five years from the reporting date presented.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset 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.

Maturity profile of outstanding financial liabilities

2011/*R million*	**< 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total[1]**
Bank loans and overdrafts	1,797	-	-	-	1,797
Finance leases	11	-	1	-	12
Other loans	97	-	-	-	97
Total borrowings	**1,905**	**-**	**1**	**-**	**1,906**
Interest on borrowings	37	-	-	-	37
Trade and other payables (see note 15)	927	-	-	-	927
Total undiscounted cash flows	**2,869**	**-**	**1**	**-**	**2,870**

2010/*R million*	< 1 year	1-2 years	2-5 years	5+ years	Total[1]
Bank loans and overdrafts	1,603	289	-	-	1,892
Finance leases	4	4	6	-	14
Other loans	112	-	-	-	112
Total borrowings	1,719	293	6	-	2,018
Interest on borrowings	72	42	1	-	115
Trade and other payables (see note 15)	743	-	-	-	743
Total undiscounted cash flows	2,534	335	7	-	2,876

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.

30 Financial risk management (continued)

Maturity profile of outstanding derivative positions

2011/*R million*	**< 1 year**	**1-2 years**	**2-5 years**	**Total**[1]
Foreign exchange contracts	16	-	-	16
Discounted cash profile of derivatives	**16**	**-**	**-**	**16**
Discounting and interest	-	-	-	-
Total undiscounted cash flows	**16**	**-**	**-**	**16**

2010/*R million*	< 1 year	1-2 years	2-5 years	Total[1]
Foreign exchange contracts	15	-	-	15
Discounted cash profile of derivatives	15	-	-	15
Discounting and interest	-	-	-	-
Total undiscounted cash flows	15	-	-	15

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.

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value requires 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).
- 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 observable. The Company does not hold any financial instruments categorised as either level 1 or level 3 financial instruments.

Specific valuation methodologies used to value financial instruments include:

- the fair values of 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.

31 Related party transactions

The Company has related party relationships with its subsidiaries, associates and joint ventures (see note 32).

The Company and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with joint ventures and associates 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 Mondi Group DLC executive committee is deemed to comprise the key management personnel of the Company. Their remuneration, including that of the executive directors who serve on this committee, is disclosed in note 2. The remuneration of the directors is disclosed in the report of the directors and further detail is disclosed in the Mondi Group integrated report and financial statements 2011.

31 Related party transactions (continued)

2011/*R million*	**Associates**	**Joint ventures**	**Mondi plc subsidiaries**	**Subsidiaries**	**Mondi Incentive Schemes Trust**
Sales to related parties	-	-	1,221	333	-
Purchases from related parties	19	9	6	222	-
Net finance income	-	22	-	124	-
Investment in and loans to related parties	-	277	-	86	-
Receivables due from related parties	-	111	363	13	-
Payables due to related parties	4	12	4	112	-
Shareholder's loan to related parties	-	128	-	-	-
Total borrowings from related parties	-	-	-	97	-
Investment	24	-	-	-	43

2010/*R million*	Joint ventures	Mondi plc subsidiaries	Subsidiaries	Mondi Incentive Schemes Trust
Sales to related parties	-	1,322	722	-
Purchases from related parties	8	4	232	-
Net finance income	21	-	263	-
Investment in and loans to related parties	240	-	2,235	-
Receivables due from related parties	158	235	189	-
Payables due to related parties	12	7	115	-
Shareholder's loan to related parties	128	-	239	-
Total borrowings from related parties	-	-	112	-
Investment	-	-	-	18

Cyril Ramaphosa, joint chairman of Mondi, has a 29.6% (2010: 33.1%) stake in Shanduka Group (Proprietary) Limited. The Company, in its normal course of business, and on an arm's length basis, enters into various transactions with Shanduka Group (Proprietary) Limited and its subsidiaries, the details of which are disclosed as follows:

R million	**2011**	2010
Purchases from Shanduka Group	123	121
Payables due to Shanduka Group	8	5

32 Group companies

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

	Country of incorporation	**Business**	**Percentage equity owned**[1] **2011**	2010
Subsidiaries				
Mpact Limited (formerly Mondi Packaging South Africa (Proprietary) Limited[2])	South Africa	Packaging	-	70
Siyaqhubeka Forests (Proprietary) Limited	South Africa	Forestry	51	51
Joint venture				
Mondi Shanduka Newsprint (Proprietary) Limited[3,4]	South Africa	Newsprint	50	50
Associate				
Mpact Recycling (Proprietary) Limited	South Africa	Recycling	25	-

Notes:

1 This represents the percentage of equity owned and the proportion of voting rights held by the Company.

2 Consolidated at 75% in 2010 due to the contractual arrangement with the subsidiary's employee share ownership trust. Refer to note 9 for details of the demerger of Mpact Limited from the Mondi Group during the current year.

3 The presumption of significant influence over this entity does not apply because the economic activities of this entity are jointly controlled under a contractual arrangement that has been entered into with the venturer party.

4 Due to the contractual arrangements with the entity's employee share and community ownership trust, shareholdings are proportionately consolidated at 58%.

32 Group companies (continued)

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

33 Events occurring after 31 December 2011

In November 2011 the trustees of the defined benefit pension plan in South Africa, with agreement from the participating pensioners and employees, resolved to wind up the fund subject to regulatory approval. Regulatory approval was received in January 2012. Mondi Limited will receive a reimbursement of the pension surplus of R60 million. A settlement charge of R20 million will be recognised in 2012.

Other than as set out above, with the exception of the proposed final dividend for 2011, included in note 6, there have been no material reportable events since 31 December 2011.