Mondi Limited

Annual report and accounts 2010

Introduction

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

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

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

Contents

2 Corporate governance statement
6 Report of the directors
8 Directors' remuneration
Financial statements
- 12 Directors' responsibility statement
- 13 Independent auditors' report
- 14 Income statements
- 15 Statements of comprehensive income
- 16 Statements of financial position
- 17 Statements of cash flows
- 18 Statements of changes in equity
- 20 Notes to the financial statements and consolidated financial statements

ibc Shareholders' information

Corporate governance statement

Dual listed company structure

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

Compliance statement

Mondi Limited has complied throughout the year with the principles contained in the South African King II Code of Corporate Practices and Conduct, save that Cyril Ramaphosa, joint chairman, was not considered independent upon appointment.

The South African King III Code of Corporate Governance Principles, published in September 2009, is effective for financial years commencing on or after 1 March 2010. Although the Company is not therefore required to report on its compliance with King III until its 2011 annual report, the board has already reviewed the requirements and has applied certain of the principles that are reported on below.

Chairmen and boards of directors

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

As at 31 December 2010 there were nine directors: the joint chairmen, three executive directors and four independent non-executive directors. There is a strong mix of skills and industry experience, particularly in Europe and South Africa, locations important to Mondi's operations.

Directors	Position	Mondi Limited board (one meeting)	DLC board (six meetings)
Cyril Ramaphosa	Joint chairman	1	6
David Williams	Joint chairman	1	6
David Hathorn	Chief executive officer	1	6
Andrew King	Chief financial officer	1	6
Colin Matthews	Non-executive director	1	6
Imogen Mkhize	Non-executive director	1	6
John Nicholas	Non-executive director	1	6
Peter Oswald	Chief executive officer, Europe & International Division	1	6
Anne Quinn	Senior independent non-executive director	1	6

Appointments to the Boards are subject to approval by the Boards as a whole, having first considered the recommendations of the DLC nominations committee, and take place in accordance with a formally adopted nominations policy. On appointment each non-executive director receives letters of appointment from each of Mondi Limited and Mondi plc setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any DLC committees of which they are a member. Non-executive directors are initially appointed for a three-year term after which their appointment may be extended for a second term subject to mutual agreement.

Joint chairmen and chief executive officer

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

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. Whilst David Williams was independent upon appointment, Cyril Ramaphosa was not considered independent upon appointment in view of his existing connection with Mondi as chairman of the Shanduka Group, which has shareholdings in Mondi Shanduka Newsprint (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited (see page 80). Notwithstanding this, Mondi benefits greatly from his considerable knowledge and experience, particularly of the South African business environment, and the Boards firmly believe that this justifies his appointment.

Senior independent director

Anne Quinn is the senior independent director providing support to the joint chairmen. During the year she has chaired a meeting of the non-executive directors at which the performance of the joint chairmen was considered. She is also available to shareholders should they have any concerns that contact through other channels has failed to resolve or for which such contact may be inappropriate.

Board committees

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

Membership of each committee is kept under review and, in particular, will be considered when each committee undertakes its annual evaluation. Each committee reviews its terms of reference on an annual basis.

DLC audit committee

Members	Committee member since	DLC audit committee (four meetings)
Colin Matthews	May 2007	4
John Nicholas (chairman)	October 2009	4
Anne Quinn	May 2007	4

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

All members of the committee are independent non-executive directors. They each have relevant financial, accounting or similar experience from current and past employment. The Boards consider each member to have appropriate knowledge and understanding of financial matters, sufficient to enable them to consider effectively the financial and accounting issues that are presented to the committee. The Boards consider John Nicholas, DLC audit committee chairman, to have specific recent and relevant financial experience. He is a chartered accountant and a member of the UK Financial Reporting Review Panel. He was formerly the group finance director of Tate & Lyle plc and is currently the audit committee chairman of Ceres Power Holdings plc, Hunting PLC and Rotork p.l.c..

The DLC audit committee oversees the relationship with the external auditors; is responsible for their appointment, reappointment and remuneration; reviews the effectiveness of the external audit process; and ensures that the objectivity

Corporate governance statement

continued

and independence of the external auditors is maintained. Deloitte & Touche was appointed as Mondi's external auditors at the time of the demerger of Mondi from Anglo American plc in July 2007 and are familiar with the reporting complexities arising from the Mondi Group's dual listed company structure. As such, the DLC audit committee does not consider that it would be appropriate at this time to put the audit out to tender, but will continue to keep this under review. Following these considerations and a review of the effectiveness of the external auditors, the committee made a recommendation to, which was accepted by, the board that a resolution to reappoint Deloitte & Touche be proposed at the annual general meeting of Mondi Limited in May 2011.

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

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

DLC nominations committee

Members	Committee member since	DLC nominations committee (five meetings)
Colin Matthews	January 2008	5
Imogen Mkhize	January 2008	5
John Nicholas	October 2009	5
Anne Quinn	May 2007	5
Cyril Ramaphosa	May 2007	5
David Williams (chairman)	May 2007	5

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

DLC remuneration committee

Members	Committee member since	DLC remuneration committee (four meetings)
Colin Matthews	May 2007	4
Imogen Mkhize	May 2007	4
Anne Quinn (chairman)	May 2007	4
David Williams	May 2007	4

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

DLC sustainable development committee

Members	Committee member since	DLC sustainable development committee (six meetings)
David Hathorn	May 2007	6
Colin Matthews (chairman)	May 2007	6
Anne Quinn	August 2009	6

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

Full details of Mondi's progress on sustainability including the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices can be found on Mondi Group's website at: www.mondigroup.com/sustainability.

DLC executive committee

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

Risk management and internal control

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

Risk management

The Board's risk management framework addresses all significant strategic, financial, operational and compliance-related risks which could undermine the Mondi Group's ability to achieve its business objectives. The risk management framework is designed to be flexible to ensure that it remains relevant at all levels of the business given the diversity of the Mondi Group's locations, markets and production processes.

Clear accountability for risk management in the day-to-day activities of the Mondi Group is a key performance criterion for the Mondi Group's line managers, who are provided with appropriate support through Mondi Group policies and procedures. The requisite risk and control capability is assured through Board challenge and appropriate management selection and skills development.

Continuous monitoring of risk and control processes across all key risk areas provides the basis for regular reports to management, the DLC executive committee and the Boards.

Internal control

The Boards are responsible for establishing and maintaining an effective system of internal controls. This system of internal control, embedded in all key operations, is designed to provide reasonable rather than absolute assurance that the Mondi Group's business objectives will be achieved within risk tolerance levels defined by the Boards. Regular management reporting provides a balanced assessment of key risks and controls and is an important component of the Boards' assurance. In addition, certain DLC committees focus on specific risks such as safety, and provide relevant assurance to the Boards.

Whistle-blowing programme

The Mondi Group has a whistle-blowing programme called 'Speakout'. The programme, monitored by the DLC audit committee, enables employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns about conduct which is considered to be contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practice in the Mondi Group's operations.

Dealing in securities

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

Business ethics

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

Report of the directors

The directors present their report and the annual financial statements of Mondi Limited and the Mondi Limited Group for the year ended 31 December 2010.

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

Nature of business

The Group is fully integrated across the paper and packaging process, from the growing of wood and the manufacture of pulp and paper (including recycled paper), to the conversion of packaging papers into corrugated packaging.

Dividends

An interim dividend of 33.35878 cents per ordinary share was declared to shareholders registered on 27 August 2010 and was paid on 14 September 2010.

The directors have proposed a final dividend of 161.32545 cents per ordinary share to shareholders registered on 15 April 2011.

The final dividend is subject to the approval of shareholders of Mondi Limited at the annual general meeting scheduled for 5 May 2011 and, if approved, will be paid on 12 May 2011.

Interest of directors in contracts

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

Going concern

The Mondi Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review in the Mondi Group annual report and accounts 2010. The financial position of the Mondi Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 12 to 80. In addition, notes 35 and 36 to the financial statements include the Mondi Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

Mondi's geographical spread, product diversity and large customer base mitigate potential risks of customer or supplier liquidity issues. Proactive initiatives by management in rationalising the business through cost-cutting, asset closure and divestitures have consolidated the Group's leading cost

Director details

The following directors have held office during the year ended 31 December 2010:

Name of director	Capacity	Independent	Effective date of appointment
David Hathorn	Executive	No	7 May 1997
Andrew King	Executive	No	23 October 2008
Colin Matthews	Non-executive	Yes	23 May 2007
Imogen Mkhize	Non-executive	Yes	23 May 2007
John Nicholas	Non-executive	Yes	2 October 2009
Peter Oswald	Executive	No	1 January 2008
Anne Quinn	Non-executive	Yes	23 May 2007
Cyril Ramaphosa	Non-executive	No	3 December 2004
David Williams	Non-executive	Yes	23 May 2007

position in its chosen markets. Working capital levels and capital expenditure programmes are strictly monitored and controlled.

The Mondi Group meets its funding requirements from a variety of sources including the Eurobond, the syndicated five year revolving credit facility expiring in June 2012 and various facilities in the larger operations in Russia, Poland and South Africa. The availability of some of these facilities is dependent on the Mondi Group meeting certain financial covenants all of which have been complied with. The Mondi Group had €1.5 billion of undrawn committed debt facilities as at 31 December 2010 which should provide sufficient liquidity for Mondi in the medium term.

The Mondi Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Mondi Group should be able to operate well within the level of its current facilities and related covenants.

After making enquiries, the directors have a reasonable expectation that the Mondi Group and Mondi Limited have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Share capital

Full details of the Company's share capital can be found in note 26 to the financial statements.

Auditors

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

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Deloitte & Touche has indicated its willingness to continue as auditors of Mondi Limited. The board has decided that a resolution to reappoint them will be proposed at the annual general meeting of Mondi Limited scheduled to be held on 5 May 2011.

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

Annual general meeting

The annual general meeting of Mondi Limited will be held at 12:00 (SA time) on Thursday 5 May 2011 at the Hyatt Regency, 191 Oxford Road, Rosebank, Johannesburg 2132, Republic of South Africa. The notice convening the meeting is being sent with this report. The reports of Mondi Limited and of the Mondi Group are available on the Mondi Group's website at: www.mondigroup.com.

By order of the board

Philip Laubscher
Company secretary
Mondi Limited

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18 February 2011

Directors' remuneration

for the year ended 31 December 2010

Executive directors' remuneration

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

		Salary[1]	Annual cash bonus	Value of deferred shares awarded	Other cash benefits	Non-cash benefits	**Total**
David Hathorn	2010	€903,629 (R8,756,284)	€602,812 (R5,849,043)	€602,812 (R5,849,043)	€28,100 (R272,292)	€19,123 (R180,170)	€2,156,476 (R20,906,832)
	2009	€867,115 (R10,051,611)	€538,799 (R6,277,007)	€538,799 (R6,277,007)	€26,964 (R312,573)	€18,023 (R207,007)	€1,989,700 (R23,125,205)
Andrew King	2010	€501,368 (R4,784,386)	€264,564 (R2,567,049)	€264,564 (R2,567,049)	€22,504 (R218,060)	€23,639 (R219,451)	€1,076,639 (R10,355,995)
	2009	€447,543 (R5,187,927)	€221,124 (R2,576,090)	€221,124 (R2,576,090)	€21,594 (R250,318)	€14,291 (R164,677)	€925,676 (R10,755,102)
Peter Oswald	2010	€800,000 (R7,726,972)	€427,200 (R4,145,094)	€427,200 (R4,145,094)	€255 (R2,478)	€36,104 (R379,519)	€1,690,759 (R16,399,157)
	2009	€800,000 (R9,231,103)	€393,600 (R4,585,440)	€393,600 (R4,585,440)	€255 (R2,964)	€34,913 (R388,550)	€1,622,368 (R18,793,497)

[1] The salaries of David Hathorn (£775,000) and Peter Oswald (€800,000) remained constant in local currency terms from 2009 to 2010.

Non-executive directors' remuneration

	2010			2009		
	Fees	Other benefits	**Total**	Fees	Other benefits	Total
Cyril Ramaphosa[1]	€292,387 (R2,746,783)	–	€292,387 (R2,746,783)	€356,641 (R4,145,263)	–	€356,641 (R4,145,263)
David Williams[1]	€292,387 (R2,746,783)	–	€292,387 (R2,746,783)	€175,565 (R1,965,574)	–	€175,565 (R1,965,574)
Colin Matthews	€90,726 (R850,088)	–	€90,726 (R850,088)	€90,957 (R1,044,025)	–	€90,957 (R1,044,025)
Imogen Mkhize	€74,435 (R697,138)	–	€74,435 (R697,138)	€71,155 (R822,544)	–	€71,155 (R822,544)
John Nicholas[2]	€93,065 (R872,062)	–	€93,065 (R872,062)	€25,354 (R273,769)	–	€25,354 (R273,769)
Anne Quinn	€98,913 (R926,998)	–	€98,913 (R926,998)	€94,117 (R1,078,247)	–	€94,117 (R1,078,247)

[1] Until 4 August 2009 the joint chairmen's fees were capped at €466,110 (R3,881,174) per annum, comprising a core fee of €302,971 (R2,522,763) per annum plus supplemental fees reflecting their additional commitments. With effect from 5 August 2009, the remuneration of the joint chairmen was reduced to a fee of €291,319 (R2,425,733) per annum with no supplemental fees for their additional commitments.

[2] For 2009, the fee paid to John Nicholas covers the period from his appointment on 2 October 2009 until 31 December 2009.

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 2010 and 2009 are:

	Mondi Group contribution	
	2010	2009
David Hathorn	€271,089 (R2,626,885)	€261,236 (R3,015,483)
Andrew King	€125,418 (R1,213,579)	€112,360 (R1,296,982)
Peter Oswald	€200,000 (R2,102,660)	€200,000 (R2,514,960)

Share awards granted to executive directors

The following tables set out the share awards granted to the executive directors.

Mondi Limited

	Type of award[1,2]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	**Awards held as at 31 December 2010**	Release date
David Hathorn	BSP	35,156	–	–	–	6547	Mar 08	35,156	Mar 11
	BSP	38,122	–	–	–	2301	Mar 09	38,122	Mar 12
	BSP	–	37,347	–	–	4596	Mar 10	37,347	Mar 13
	LTIP	84,336	–	74,665	9,671	6423	Aug 07	–	Mar 10
	LTIP	95,308	–	–	–	6547	Mar 08	95,308	Mar 11
	LTIP	256,070	–	–	–	2301	Mar 09	256,070	Mar 12
	LTIP	–	105,628	–	–	4596	Mar 10	105,628	Mar 13
Andrew King	BSP	15,741	–	–	–	2301	Mar 09	15,741	Mar 12
	BSP	–	15,328	–	–	4596	Mar 10	15,328	Mar 13
	LTIP	90,628	–	–	–	2301	Mar 09	90,628	Mar 12
	LTIP	–	40,188	–	–	4596	Mar 10	40,188	Mar 13

For notes 1 and 2 please refer to the table on page 10.

for the year ended 31 December 2010

Mondi plc

	Type of award[1,2]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (GBp)	Date of award	**Awards held as at 31 December 2010**	Release date
David Hathorn	BSP	59,677	–	–	59,677	464	Aug 07	–	Mar 10
	BSP	88,877	–	–	–	394	Mar 08	88,877	Mar 11
	BSP	110,393	–	–	–	129	Mar 09	110,393	Mar 12
	BSP	–	89,752	–	–	374	Mar 10	89,752	Mar 13
	LTIP	191,407	–	169,458	21,949	464	Aug 07	–	Mar 10
	LTIP	240,959	–	–	–	394	Mar 08	240,959	Mar 11
	LTIP	735,950	–	–	–	129	Mar 09	735,950	Mar 12
	LTIP	–	253,844	–	–	374	Mar 10	253,844	Mar 13
	Co-Investment	538,795	–	–	–	464	Aug 07	538,795	Jul 11
Andrew King	BSP	13,012	–	–	13,012	464	Aug 07	–	Mar 10
	BSP	35,026	–	–	–	394	Mar 08	35,026	Mar 11
	BSP	45,582	–	–	–	129	Mar 09	45,582	Mar 12
	BSP	–	36,835	–	–	374	Mar 10	36,835	Mar 13
	LTIP	64,656	–	57,242	7,414	464	Aug 07	–	Mar 10
	LTIP	98,985	–	–	–	394	Mar 08	98,985	Mar 11
	LTIP	260,465	–	–	–	129	Mar 09	260,465	Mar 12
	LTIP	–	96,578	–	–	374	Mar 10	96,578	Mar 13
Peter Oswald	BSP	39,707	–	–	39,707	464	Aug 07	–	Mar 10
	BSP	67,803	–	–	–	394	Mar 08	67,803	Mar 11
	BSP	115,923	–	–	–	129	Mar 09	115,923	Mar 12
	BSP	–	92,683	–	–	374	Mar 10	92,683	Mar 13
	LTIP	111,605	–	98,807	12,798	464	Aug 07	–	Mar 10
	LTIP	186,270	–	–	–	394	Mar 08	186,270	Mar 11
	LTIP	662,417	–	–	–	129	Mar 09	662,417	Mar 12
	LTIP	–	226,055	–	–	374	Mar 10	226,055	Mar 13

1 Awards under the LTIP and Co-Investment Plan are subject to performance conditions.
2 The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 8.

Sharesave

Executive directors held the following options over Mondi plc ordinary shares under the Mondi Sharesave Option Plan.

	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards exercised/ lapsed during year	Exercise price per share (GBp)	Date of award	**Awards held as at 31 December 2010**	Exercise period
David Hathorn	15,808	–	–	99	Mar 09	15,808	1 May 14 – 31 Oct 14
Andrew King	15,808	–	–	99	Mar 09	15,808	1 May 14 – 31 Oct 14

Share Incentive Plan

Details of shares purchased and awarded to executive directors in accordance with the terms of the Share Incentive Plan.

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during year	Matching shares awarded during year	Shares released during year	**Total shares held as at 31 December 2010**
David Hathorn	1,992	344	344	–	2,680
Andrew King	2,436	344	344	–	3,124

[1] Since 1 January 2011 up to the date of this report, David Hathorn has acquired 49 partnership shares and was awarded 49 matching shares. Andrew King acquired 48 partnership shares and was awarded 48 matching shares.

Directors' beneficial share interests

The beneficial share interests of the directors and their connected persons as at 1 January 2010 or, if later, on appointment, and as at 31 December 2010 were as follows:

	1 January 2010	**31 December 2010**
Mondi Limited		
David Hathorn	1,066	558
Andrew King	802	802
Imogen Mkhize	4,000	4,000
Total	**5,868**	**5,360**
Mondi plc		
Cyril Ramaphosa	7,050	7,050
David Williams	5,000	5,000
David Hathorn	493,107	250,437
Andrew King	110,026	92,059
Colin Matthews	5,825	5,825
Imogen Mkhize	–	2,000
John Nicholas	6,000	6,000
Peter Oswald	201,889	140,000
Anne Quinn	11,882	11,882
Total	**840,779**	**520,253**

There has been no change in the interests of the directors and their connected persons between 31 December 2010 and the date of this report.

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2010 was R53.80 and the range during the period between 1 January 2010 and 31 December 2010 was R42.00 (low) and R60.77 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2010 was 513.5p and the range during the period between 1 January 2010 and 31 December 2010 was 335.0p (low) to 557.5p (high).

Directors’ responsibility statement

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

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

In preparing the Group’s consolidated financial statements and 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 Group’s and Company’s ability to continue as a going concern.

Report on the financial statements

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 or loss of Mondi Limited and the undertakings included in the consolidation taken as a whole.

David Hathorn
Director

18 February 2011

Andrew King
Director

18 February 2011

Compliance statement by the company secretary

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

Philip Laubscher
Company secretary
Johannesburg

18 February 2011

Independent auditors' report to the members of Mondi Limited

Report on the financial statements

We have audited the Group's consolidated financial statements and the financial statements of Mondi Limited for the year ended 31 December 2010 which comprise the directors' report, the audit committee statement on pages 3 to 4 of the corporate governance statement, the consolidated statement of financial position and the statement of financial position, the consolidated income statement and the income statement, the consolidated statement of comprehensive income and the statement of comprehensive income, the consolidated statement of cash flows and the statement of cash flows, the consolidated statement of changes in equity and the statement of changes in equity for the year then ended, the summary of significant accounting policies and the explanatory notes 1 to 39.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present, in all material respects, the financial position of the Group and of the Company as at 31 December 2010, and of their financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Bronwyn Kilpatrick
Partner
Sandton

18 February 2011

Deloitte & Touche
Registered Auditors
Building 33, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead, Sandton
Republic of South Africa

National Executive **GG Gelink** Chief Executive **AE Swiegers** Chief Operating Officer **GM Pinnock** Audit **DL Kennedy** Risk Advisory **NB Kader** Tax & Legal Services **L Geeringh** Consulting **L Bam** Corporate Finance **JK Mazzocco** Human Resources **CR Beukman** Finance **TJ Brown** Clients **NT Mtoba** Chairman of the Board **MJ Comber** Deputy Chairman of the Board.

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

Income statements

for the year ended 31 December 2010

		Group		Company	
R million	Notes	**2010**	2009	**2010**	2009
Revenue	2	**11,717**	11,137	**5,606**	5,568
Materials, energy and consumables used		(5,422)	(5,371)	(2,624)	(2,785)
Variable selling expenses		(1,482)	(1,430)	(857)	(864)
Gross margin		**4,813**	4,336	**2,125**	1,919
Maintenance and other indirect expenses		(667)	(631)	(351)	(335)
Personnel costs		(1,939)	(1,773)	(905)	(766)
Other net operating expenses		(351)	(355)	(3)	(85)
Depreciation, amortisation and impairments		(842)	(845)	(507)	(505)
Operating profit before special items	2/3	**1,014**	732	**359**	228
Operating special items	4	(256)	(171)	(241)	(248)
Operating profit/(loss)		**758**	561	**118**	(20)
Non-operating special items	4	152	–	152	–
Net income from associates	13	3	–	–	–
Total profit/(loss) from operations and associates		**913**	561	**270**	(20)
Net finance (costs)/income	5	**(334)**	(483)	**67**	1
Investment income	5	250	181	480	418
Financing costs	5	(584)	(664)	(413)	(417)
Profit/(loss) before tax		**579**	78	**337**	(19)
Tax charge	6	(159)	(123)	(114)	(28)
Profit/(loss) from continuing operations		**420**	(45)	**223**	(47)
Attributable to:					
Non-controlling interests		**56**	31		
Equity holders of the parent company		**364**	(76)		
Earnings per share (EPS) for profit/(loss) attributable to equity holders of the parent company					
Basic EPS (R cents)	7	**247.6**	(51.8)		
Diluted EPS (R cents)	7	**247.6**	(51.8)		
Basic underlying EPS (R cents)	7	**291.8**	34.7		
Diluted underlying EPS (R cents)	7	**291.8**	34.4		
Basic headline EPS (R cents)	7	**266.0**	(3.4)		
Diluted headline EPS (R cents)	7	**266.0**	(3.4)		

Statements of comprehensive income

for the year ended 31 December 2010

		Group		Company	
R million	Notes	**2010**	2009	**2010**	2009
Profit/(loss) for the financial year		**420**	(45)	**223**	(47)
Other comprehensive income:					
Effect of cash flow hedges	24	(7)	6	–	–
Actuarial (losses)/gains and surplus restriction on post-retirement benefit schemes	24	(214)	91	(196)	74
Effect of option	24	3	–	–	–
Tax relating to components of other comprehensive income	24	67	(26)	54	(21)
Other comprehensive income for the financial year, net of tax	24	**(151)**	71	**(142)**	53
Total comprehensive income for the financial year		**269**	26	**81**	6
Attributable to:					
Non-controlling interests		**54**	35		
Equity holders of the parent company		**215**	(9)		

Statements of financial position

as at 31 December 2010

R million	Notes	Group 2010	Group 2009	Company 2010	Company 2009
Intangible assets	9	649	689	–	–
Property, plant and equipment	10	7,697	8,119	5,653	6,077
Forestry assets	11	2,838	2,675	2,101	2,007
Investments in subsidiaries	12	–	–	2,397	2,238
Investments in associates	13	56	30	–	–
Investments in joint ventures	14	–	–	368	249
Financial asset investments	15	133	94	152	135
Deferred tax assets	22	37	71	–	–
Retirement benefits surplus	23	81	83	60	79
Total non-current assets		**11,491**	11,761	**10,731**	10,785
Inventories	16	1,133	1,209	373	475
Trade and other receivables	17	2,244	2,153	1,183	1,160
Investments in subsidiaries	12	–	–	77	74
Financial asset investments	15	4	–	22	–
Cash and cash equivalents		216	422	8	4
Derivative financial instruments	20	19	7	17	3
Total current assets		**3,616**	3,791	**1,680**	1,716
Assets held for sale	30	12	372	10	371
Total assets		**15,119**	15,924	**12,421**	12,872
Short-term borrowings	19	(1,815)	(1,549)	(1,719)	(1,182)
Trade and other payables	18	(1,621)	(1,728)	(743)	(821)
Current tax liabilities		(12)	(28)	–	–
Provisions	21	(110)	(65)	(83)	(59)
Derivative financial instruments	20	(9)	(3)	(2)	(1)
Total current liabilities		**(3,567)**	(3,373)	**(2,547)**	(2,063)
Medium and long-term borrowings	19	(1,567)	(2,739)	(299)	(1,270)
Retirement benefits obligation	23	(827)	(637)	(741)	(584)
Deferred tax liabilities	22	(1,715)	(1,710)	(1,468)	(1,429)
Provisions	21	(32)	(48)	(27)	(31)
Other non-current liabilities		(51)	(67)	–	–
Derivative financial instruments	20	(27)	(19)	–	–
Total non-current liabilities		**(4,219)**	(5,220)	**(2,535)**	(3,314)
Liabilities directly associated with assets classified as held for sale	30	–	(93)	–	(93)
Total liabilities		**(7,786)**	(8,686)	**(5,082)**	(5,470)
Net assets		**7,333**	7,238	**7,339**	7,402
Equity					
Ordinary share capital	26	103	103	103	103
Share premium	26	5,073	5,073	5,073	5,073
Retained earnings and other reserves		1,802	1,750	2,163	2,226
Total attributable to equity holders of the parent company		**6,978**	6,926	**7,339**	7,402
Non-controlling interests in equity		355	312	–	–
Total equity		**7,333**	7,238	**7,339**	7,402

The Group's consolidated financial statements and the Company's financial statements, and related notes 1 to 39, were approved by the board and authorised for issue on 18 February 2011 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Statements of cash flows

for the year ended 31 December 2010

R million	Notes	Group 2010	Group 2009	Company 2010	Company 2009
Cash generated from operations	31a	2,020	2,518	1,154	1,263
Dividends from associates	13	–	1	–	–
Income tax paid		(63)	(41)	(16)	(13)
Net cash generated from operating activities		**1,957**	2,478	**1,138**	1,250
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash and cash equivalents	28	–	(1)	–	–
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	29	357	1	357	–
Investment in property, plant and equipment	10	(578)	(524)	(269)	(302)
Proceeds from the disposal of tangible and intangible assets		1	64	(3)	61
Investment in forestry assets	11	(448)	(465)	(381)	(392)
Investment in financial asset investments	15	(10)	(9)	(24)	(8)
Proceeds from disposal of financial asset investments	15	–	–	4	–
Investment in associates	13	(20)	–	–	–
Loan advances to related parties		(50)	(51)	(281)	(317)
Loan repayments from/(advances to) external parties		8	12	(23)	9
Interest received		75	54	321	291
Other investing activities		–	1	–	–
Net cash used in investing activities		**(665)**	(918)	**(299)**	(658)
Cash flows from financing activities					
Repayment of short-term borrowings	31c	(914)	(891)	(454)	(640)
Proceeds from/(repayment of) medium and long-term borrowings	31c	189	(59)	200	270
Interest paid		(397)	(560)	(241)	(316)
Dividends paid to non-controlling interests	8	(7)	(4)	–	–
Dividends paid to equity holders of the parent company	8	(157)	(135)	(157)	(135)
Purchases of treasury shares		(20)	(8)	–	–
Payment of Mondi plc share-based payment charge		(1)	(1)	(1)	(1)
Repayment of non-current liabilities		(7)	–	–	–
Other financing activities		–	–	1	–
Net cash used in financing activities		**(1,314)**	(1,658)	**(652)**	(822)
Net (decrease)/increase in cash and cash equivalents		**(22)**	(98)	**187**	(230)
Cash and cash equivalents at beginning of year[1]		(199)	149	(612)	(132)
Cash movement in the year	31c	(22)	(98)	187	(230)
Reclassification	31c	–	(250)	–	(250)
Cash and cash equivalents at end of year[1]		**(221)**	(199)	**(425)**	(612)

Note:
[1] 'Cash and cash equivalents' includes overdrafts and cash flows from disposal groups and is reconciled to the statements of financial position in note 31b.

Statements of changes in equity

for the year ended 31 December 2010

	Group						
R million	Mondi Limited share capital	Mondi Limited share premium	Retained earnings	Other reserves[1]	**Total attributable to equity holders of the parent company**	Non-controlling interests	**Total equity**
At 1 January 2009	103	5,073	1,712	172	**7,060**	277	**7,337**
Dividends paid	–	–	(135)	–	**(135)**	(4)	**(139)**
Total comprehensive income for the year	–	–	(76)	67	**(9)**	35	**26**
Issue of Mondi Limited shares under employee share schemes	–	–	13	(13)	**–**	–	**–**
Purchases of treasury shares (see note 26)	–	–	(8)	–	**(8)**	–	**(8)**
Share options exercised – Anglo American share scheme	–	–	(4)	–	**(4)**	–	**(4)**
Disposal of businesses (see note 30)	–	–	3	–	**3**	–	**3**
Other	–	–	5	14	**19**	4	**23**
At 31 December 2009	103	5,073	1,510	240	**6,926**	312	**7,238**
Dividends paid	–	–	(157)	–	**(157)**	(7)	**(164)**
Total comprehensive income for the year	–	–	364	(149)	**215**	54	**269**
Issue of Mondi Limited shares under employee share schemes[2]	–	–	12	(6)	**6**	–	**6**
Purchases of treasury shares (see note 26)	–	–	(20)	–	**(20)**	–	**(20)**
Share options exercised – Anglo American share scheme	–	–	(1)	–	**(1)**	–	**(1)**
Reclassification	–	–	(2)	6	**4**	(4)	**–**
Other	–	–	(12)	17	**5**	–	**5**
At 31 December 2010	**103**	**5,073**	**1,694**	**108**	**6,978**	**355**	**7,333**

Notes:
[1] Other reserves are analysed further below.
[2] The net amount of R6 million is a deferred tax asset for a future tax deduction available to the Group when the treasury shares are issued to share scheme participants.

Other reserves[1]

	Group						
R million	Share-based payment reserve	Cumulative translation adjustment reserve	Cash flow hedge reserve	Post-retirement benefit reserve	Option reserve	Non-distributable reserves	Total
At 1 January 2009	18	(5)	(18)	62	(54)	169	172
Total comprehensive income for the year	–	–	5	62	–	–	67
Mondi share schemes' charge	10	–	–	–	–	–	10
Issue of Mondi Limited shares under employee share schemes	(13)	–	–	–	–	–	(13)
Issue of Mondi plc shares under employee share schemes	(1)	–	–	–	–	–	(1)
Non-controlling put option issued	–	–	–	–	5	–	5
At 31 December 2009	14	(5)	(13)	124	(49)	169	240
Total comprehensive income for the year	–	–	–	(152)	3	–	(149)
Mondi share schemes' charge	18	–	–	–	–	–	18
Issue of Mondi Limited shares under employee share schemes	(6)	–	–	–	–	–	(6)
Issue of Mondi plc shares under employee share schemes	(1)	–	–	–	–	–	(1)
Reclassification	6	–	–	–	–	–	6
At 31 December 2010	**31**	**(5)**	**(13)**	**(28)**	**(46)**	**169**	**108**

Note:
[1] All movements in other reserves are disclosed net of non-controlling interests. The movements in non-controlling interests as a direct result of the movements in other reserves for the year ended 31 December 2010 are as follows – decrease in non-controlling interests related to total comprehensive income for the year of R2 million (2009: increase of R4 million).

R million	Company				
	Mondi Limited share capital	Mondi Limited share premium	Retained earnings	Other reserves[1]	**Total attributable to equity holders of the Company**
At 1 January 2009	103	5,073	2,114	245	**7,535**
Dividends paid	–	–	(135)	–	**(135)**
Total comprehensive income for the year	–	–	(47)	53	**6**
Issue of Mondi Limited shares under employee share schemes	–	–	4	(4)	**–**
Share options exercised – Anglo American share scheme	–	–	(4)	–	**(4)**
Shares vested from Mondi Incentive Schemes Trust	–	–	(5)	–	**(5)**
Other	–	–	–	5	**5**
At 31 December 2009	103	5,073	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[2]	–	–	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	**103**	**5,073**	**1,999**	**164**	**7,339**

Notes:

[1] Other reserves are analysed further below.

[2] The net amount of R6 million is a deferred tax asset for a future tax deduction available to the Company when the treasury shares are issued to share scheme participants.

Other reserves

R million	Company			
	Share-based payment reserve	Post-retirement benefit reserve	Non-distributable reserves	Total
At 1 January 2009	10	66	169	245
Total comprehensive income for the year	–	53	–	53
Mondi share schemes' charge	6	–	–	6
Issue of Mondi Limited shares under employee share schemes	(4)	–	–	(4)
Issue of Mondi plc shares under employee share schemes	(1)	–	–	(1)
At 31 December 2009	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**

Notes to the financial statements and consolidated financial statements

for the year ended 31 December 2010

1 Accounting policies

Basis of preparation

The consolidated financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group has also complied with South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice. There are no differences for the Group and 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 silo financial statements which have been prepared to comply with the South African Companies Act of 1973.

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

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

The interest of non-controlling interests is measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition, except for those instances where the Group elects to measure the non-controlling interests at fair value in accordance with the allowance provided in IFRS 3, 'Business Combinations' (revised).

After initial recognition non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses.

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

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

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

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

1 Accounting policies (continued)

Joint ventures

A joint venture is an entity in which the Group holds a long-term interest with a contractually agreed sharing of control over the strategic, financial and operating decisions with one or more other venturers.

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint venture's individual income, expenditure, assets, liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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.

Sale of green energy and CO_2 credits

Revenues generated from the sale of green energy and CO_2 credits issued under international schemes are recorded as income within 'other net operating expenses' in the income statement when ownership rights pass to the buyer.

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 shareholder's right to receive payment has been established.

Business combinations

Identifiable net assets

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint venture or an associate, are recorded at their fair values on acquisition date. Assets and liabilities, which cannot be measured reliably, are recorded at provisional fair values which are finalised within 12 months of the acquisition date.

Cost of a business combination

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

Goodwill

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

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

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

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

1 Accounting policies (continued)

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

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

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 up to the date of commissioning.

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

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.

Residual values and useful lives are reviewed at least annually.

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

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 ten 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 Group and Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Group and 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.

1 Accounting policies (continued)

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. 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.

Non-current assets held for sale

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 sold or are part of a single co-ordinated plan for disposal, or represent a subsidiary acquired exclusively with a view to resale.

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 Group and Company operate both defined benefit and defined contribution schemes for its employees as well as post-retirement medical plans.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

1 Accounting policies (continued)

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

The retirement benefits obligation recognised in the 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 Group and 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).

Current tax

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

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

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 Group's consolidated financial statements and 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 Group and Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

1 Accounting policies (continued)

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 Group and 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 Group and 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 Group's and Company's policy on borrowing costs.

Provisions

Provisions are recognised when the Group and Company have 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.

Foreign currency transactions and translation

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.

Translation of overseas operations

The Group's and Company's results are presented in rands (the Group's and Company's functional and presentation currency), the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates at the dates of transactions. Exchange differences arising, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the overseas operation.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

1 Accounting policies (continued)

Share-based payments

The Group and Company operate a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions 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 Group and Company revise their estimate 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 Group's consolidated statement of financial position and in the Company's statement of financial position when the Group and Company become 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, 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 Group or 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 Group and Company enter into forward contracts in order to hedge its exposure to foreign exchange risk. The Group and Company do 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, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative. Derivatives that are not designated as hedges are classified as current, even when their actual maturity is expected to be greater than one year.

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 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 Group's or 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 Group's or 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, treasury shares 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.

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

1 Accounting policies (continued)

Treasury shares

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

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 Group and Company believe should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items are material by nature or amount in relation to the financial year's results.

Earnings per share (EPS)

Basic EPS

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

Diluted EPS

For diluted EPS, the weighted average number of Mondi Limited ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net EPS. The effect of anti-dilutive potential shares is excluded from the calculation of diluted EPS.

Underlying and headline EPS

Underlying EPS excludes the impact of special items and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Segmental reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the DLC executive committee, being the chief operating decision-making body.

1 Accounting policies (continued)

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Group

There were no Standards or Interpretations early adopted by the Group and Company in the current year.

Standards, amendments to published Standards and Interpretations effective during 2010

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

- IFRS 1 – First-time Adoption of International Financial Reporting Standards
- IFRS 2 – Share-based Payment
- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 – Operating Segments
- IAS 1 – Presentation of Financial Statements
- IAS 7 – Statement of Cash Flows
- IAS 10 – Events after the Reporting Period
- IAS 12 – Income Taxes
- IAS 17 – Leases
- IAS 18 – Revenue
- IAS 28 – Investments in Associates
- IAS 31 – Interests in Joint Ventures
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets
- IAS 39 – Financial Instruments: Recognition and Measurement
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

The Group has adopted IFRS 3, 'Business Combinations' (revised 2008), and IAS 27, 'Consolidated and Separate Financial Statements' (revised 2008). Both Standards became effective for annual reporting periods beginning on or after 1 July 2009.

The most significant changes, all of which are applied prospectively, to the Group's previous accounting policies for business combinations are as follows:

- acquisition related costs which previously would have been included in the cost of a business combination are included in administrative expenses in the income statement as they are incurred;
- any pre-existing equity interest in the acquiree is remeasured to fair value at the date of obtaining control (the acquisition date), with any resulting gain or loss recognised in profit or loss;
- any changes in the Group's ownership interest subsequent to the acquisition date are recognised directly in equity, with no adjustment to goodwill; and
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the acquisition date are recognised in profit or loss. Previously, such changes resulted in an adjustment to goodwill.

Any adjustments to contingent consideration for acquisitions made prior to 1 January 2010 which result in an adjustment to goodwill continue to be accounted for under IFRS 3 (2004) and IAS 27 (2005), for which the accounting policies can be found in the Group's annual financial statements for the year ended 31 December 2009. The application of both revised Standards did not have a material impact on the Group's results.

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

1 Accounting policies (continued)

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

The following Standards, amendments to published Standards and Interpretations are not expected to have a significant impact on the Group's and Company's results in the first year of adoption:

- 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 19 – Extinguishing Financial Liabilities With Equity Instruments

The Group and Company is in the process of assessing the impact of IFRS 9, 'Financial Instruments', on the Group's and Company's results in the period of initial adoption. This Standard will become effective for annual reporting periods beginning on or after 1 January 2013.

Accounting estimates and critical judgements

The preparation of the Group's consolidated financial statements and the Company's financial statements include 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 Group and 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 goodwill and tangible fixed assets

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

The Group and Company assess 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.

1 Accounting policies (continued)

Fair value of owned forestry assets

The Group and Company determine 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 Group's and 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 23.

2 Operating segments

Identification of the Group's externally reportable operating segments

The Group's externally reportable segments reflect the internal reporting structure of the Group, which is the basis on which resource allocation decisions are made by management in the attainment of strategic objectives. The Group operates primarily in South Africa. This geographic region is further split by product segments reflecting the management of the Group.

Product revenues

The material product types from which the Group's externally reportable segments derive both their internal and external revenues are presented as follows:

Operating segments	Internal revenues[1]	External revenues
South Africa Division	– Uncoated fine paper – Pulp – Corrugated products	– Uncoated fine paper – Pulp – Corrugated products – Woodchips
Mondi Packaging South Africa	– Corrugated products – Recycled fibre	– Corrugated products – Plastic packaging products

Note:

[1] The Group operates a vertically-integrated structure in order to benefit from economies of scale and to more effectively manage the risk of adverse price movements in key input costs. Internal revenues are therefore generated across the supply chain.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

2 Operating segments (continued)

Measurement of operating segment revenues, profit or loss, assets and non-current non-financial assets

Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed adhere to the recognition and measurement criteria presented in the Group's accounting policies. In addition, the Group has presented certain non-IFRS measures by segment to supplement the user's understanding. All inter-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of retirement benefits surpluses and deficits on an appropriate basis. The measure of segment results exclude, however, the financing effects of the Group's defined benefit pension plans. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results includes the effects of certain movements in these unallocated balances.

The Group's geographic analysis is presented on the following level:

- continental; or
- sub-continental; or
- by individual country (if greater than 10% of the Group total).

There has been no change in the basis of measurement of segment profit or loss in the financial year.

Operating segment revenue

	2010			2009		
R million	**Segment revenue**	**Internal revenue**[1]	**External revenue**[2]	Segment revenue	Internal revenue[1]	External revenue[2]
South Africa Division	5,609	(722)	4,887	5,576	(738)	4,838
Mondi Packaging South Africa	6,258	(163)	6,095	5,774	(193)	5,581
Corporate & other businesses	743	(8)	735	727	(9)	718
Segments total	**12,610**	**(893)**	**11,717**	12,077	(940)	11,137
Inter-segment elimination	(893)	893	–	(940)	940	–
Group total	**11,717**	**–**	**11,717**	11,137	–	11,137

Notes:

[1] Inter-segment transactions are conducted on an arm's length basis.

[2] The description of each business segment reflects the nature of the main products they sell. In certain instances the business segments sell minor volumes of other products and due to this reason the external segment revenues will not necessarily reconcile to the external revenues by each type of product presented below.

2 Operating segments (continued)

External revenue by product type

R million	2010	2009
Products		
Corrugated products	5,133	4,752
Uncoated fine paper	2,065	2,467
Pulp	1,287	729
Woodchips	560	587
Other[1]	2,672	2,602
Group total	**11,717**	11,137

Note:
[1] Revenues derived from product types that are not individually material in nature are classified as other.

External revenue by location of customer

R million	2010	2009
Revenue		
Africa		
South Africa (Country of domicile)	7,880	7,396
Rest of Africa	1,254	1,045
Africa total	9,134	8,441
Western Europe		
Austria	1,305	1,716
Rest of western Europe	151	162
Western Europe total	1,456	1,878
South America	24	19
Asia and Australia	1,103	799
Group total	**11,717**	11,137

External revenue by location of production

R million	2010	2009
Revenue		
Africa		
South Africa (Country of domicile)	11,567	11,023
Rest of Africa	150	114
Group total	**11,717**	11,137

Revenues from one customer of the Uncoated Fine Paper segment and from one customer of the Containerboard segment represent approximately R284 million and R966 million, respectively (2009: R710 million and R968 million, respectively) of the Group's total revenues.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

2 Operating segments (continued)

Operating profit before special items

R million	**2010**	2009
South Africa Division	545	395
Mondi Packaging South Africa	484	406
Corporate & other businesses	(15)	(69)
Segments total	**1,014**	732
Special items (see note 4)	(104)	(171)
Net income from associates (see note 13)	3	–
Net finance costs (see note 5)	(334)	(483)
Group profit before tax	**579**	78

Significant components of operating profit before special items

	Depreciation and amortisation		Operating lease charges	
R million	**2010**	2009	**2010**	2009
South Africa Division	506	506	49	54
Mondi Packaging South Africa	319	307	91	80
Corporate & other businesses	17	32	15	14
Group and segments total	**842**	845	**155**	148

Operating segment assets

	2010		2009	
R million	**Segment assets**[1]	**Net segment assets**	Segment assets[1]	Net segment assets
South Africa Division	9,671	8,448	10,115	8,951
Mondi Packaging South Africa	4,485	3,482	4,492	3,454
Corporate & other businesses	454	292	418	287
Inter-segment elimination	(223)	–	(286)	–
Segments total	**14,387**	**12,222**	14,739	12,692
Unallocated:				
Investments in associates	56	56	30	30
Deferred tax assets/(liabilities)	37	(1,678)	71	(1,639)
Other non-operating assets/(liabilities)[2]	286	(238)	568	(73)
Group trading capital employed	**14,766**	**10,362**	15,408	11,010
Financial asset investments	137	137	94	94
Net debt	216	(3,166)	422	(3,866)
Group assets	**15,119**	**7,333**	15,924	7,238

Notes:

[1] Segment assets are operating assets and as at 31 December 2010 consist of property, plant and equipment of R7,697 million (2009: R8,119 million), intangible assets of R649 million (2009: R689 million), forestry assets of R2,838 million (2009: R2,675 million), retirement benefits surplus of R81 million (2009: R83 million), inventories of R1,133 million (2009: R1,209 million) and operating receivables of R1,989 million (2009: R1,964 million).

[2] Other non-operating assets consist of derivative assets of R19 million (2009: R7 million), other non-operating receivables of R255 million (2009: R189 million) and assets held for sale of R12 million (2009: R372 million). Other non-operating liabilities consist of derivative liabilities of R36 million (2009: R22 million), non-operating provisions of R138 million (2009: R111 million), current income tax liabilities of R12 million (2009: R28 million), other non-operating liabilities of R338 million (2009: R387 million) and liabilities directly associated with assets classified as held for sale of Rnil (2009: R93 million).

2 Operating segments (continued)

Non-current non-financial assets

R million	2010 Non-current non-financial assets[1]	2010 Segment assets	2010 Net segment assets	2009 Non-current non-financial assets[1]	2009 Segment assets	2009 Net segment assets
Africa						
South Africa (Country of domicile)	11,144	14,292	12,156	11,453	14,658	12,640
Rest of Africa	40	95	66	30	81	52
Group total	**11,184**	**14,387**	**12,222**	11,483	14,739	12,692

Note:
[1] Non-current non-financial assets are non-current assets and consist of property, plant and equipment, intangible assets and forestry assets, but exclude retirement benefits surplus, deferred tax assets and non-current financial assets.

Additions to non-current non-financial assets

R million	Additions to non-current non-financial assets[1]		Capital expenditure cash payments[2]	
	2010	2009	**2010**	2009
South Africa Division	687	731	270	300
Mondi Packaging South Africa	270	194	270	193
Corporate & other businesses	69	65	38	31
Group and segments total	**1,026**	990	**578**	524

Notes:
[1] Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment, intangible assets and forestry assets and include interest capitalised as well as additions resulting from acquisitions through business combinations. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets, retirement benefits surplus and non-current financial assets.
[2] Capital expenditure cash payments exclude business combinations, interest capitalised and investments in intangible and forestry assets.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

3 Operating profit before special items

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

	Group		Company	
R million	**2010**	2009	**2010**	2009
Depreciation of property, plant and equipment (see note 10)	(802)	(803)	(507)	(505)
Amortisation of intangible assets (see note 9)	(40)	(42)	–	–
Operating lease charges (see note 2)	(155)	(148)	(49)	(54)
Research and development expenditure	(23)	(22)	(5)	(5)
Increase in allowance for impairment of trade receivables (see note 17)	(7)	(5)	(5)	–
Foreign currency gains	30	43	26	69
Fair value (losses)/gains on forward foreign exchange contracts	(5)	1	–	(1)
Fair value gains on forestry assets (see note 11)	349	323	208	243
Felling costs (see note 11)	(635)	(581)	(496)	(455)
(Loss)/profit on disposal of tangible and intangible assets	(2)	53	(4)	53
Total employee costs	(1,939)	(1,773)	(905)	(766)
Employee costs	(1,824)	(1,650)	(844)	(704)
Defined benefit pension plan costs	(30)	(34)	(21)	(21)
Defined contribution pension plan costs	(85)	(89)	(40)	(41)
Auditors' remuneration	(12)	(14)	(5)	(6)
Audit fees	(11)	(11)	(4)	(4)
Non-audit fees	(1)	(3)	(1)	(2)

Total revenue, as defined under IAS 18, 'Revenue', consisting of revenue, interest income and dividend income was R11,779 million and R5,926 million for Group and Company respectively (2009: R11,192 million and R5,879 million respectively).

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

4 Special items

R million	Group 2010	Group 2009	Company 2010	Company 2009
Operating special items				
Asset impairments	(200)	(226)	(186)	(216)
Restructuring and closure costs				
Restructuring and closure costs excluding related personnel costs	(37)	(2)	(37)	(2)
Personnel costs relating to restructuring	(19)	(29)	(18)	(29)
Proceeds on insurance	–	87	–	–
Demerger arrangements	–	(1)	–	(1)
Total operating special items	**(256)**	(171)	**(241)**	(248)
Non-operating special items				
Profit on disposals (see note 29)	152	–	152	–
Total non-operating special items	**152**	–	**152**	–
Total special items before tax and non-controlling interests	**(104)**	(171)	**(89)**	(248)
Tax (see note 6)	38	60	(13)	70
Non-controlling interests	1	(16)	–	–
Total special items attributable to equity holders of the parent company	**(65)**	(127)	**(102)**	(178)

Special items before tax and non-controlling interests by operating segment:

R million	Group 2010	Group 2009
South Africa Division	(89)	(248)
Mondi Packaging South Africa	(6)	77
Corporate & other businesses	(9)	–
Segments total	**(104)**	(171)

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.

Mondi Packaging South Africa impaired assets at its Versapak Plant of R6 million.

Underperforming assets in Mondi Shanduka Newsprint have been partially impaired by R8 million.

Year ended 31 December 2009

The South Africa Division announced the mothballing of its PM32 paper machine which represents a 120,000 tonne capacity reduction. An operating special item of R247 million relating to this machine was recognised of which R216 million related to an asset impairment and R31 million related to restructuring and personnel costs.

Mondi Packaging South Africa received insurance proceeds in excess of net book value of R87 million to replace fire damaged assets at one of its subsidiaries, while an impairment of R10 million of the damaged assets was recognised.

Equity-settled demerger arrangements for senior management have resulted in a fair value charge of R1 million for the Group and R1 million for the Company.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

5 Net finance (costs)/income

Net finance (costs)/income and related foreign exchange gains are presented below:

	Group		Company	
R million	**2010**	2009	**2010**	2009
Investment income				
Interest income				
Bank deposits, loan receivables and other	62	54	320	310
Past due receivables	–	1	–	1
Total interest income	**62**	55	**320**	311
Expected return on defined benefit arrangements (see note 23)	179	128	160	111
Impairment of financial assets (excluding trade receivables) (see note 15)	(3)	(2)	–	(4)
Fair value gains	12	–	–	–
Total investment income	**250**	181	**480**	418
Financing costs				
Interest expense				
Interest on bank overdrafts and loans	(381)	(508)	(234)	(282)
Interest on obligations under finance leases	(6)	(3)	(2)	(2)
Interest on defined benefit arrangements (see note 23)	(197)	(153)	(177)	(133)
Total financing costs	**(584)**	(664)	**(413)**	(417)
Net finance (costs)/income	**(334)**	(483)	**67**	1

6 Tax charge

(a) Analysis of charge for the year from continuing operations

	Group		Company	
R million	**2010**	2009	**2010**	2009
South African corporation tax at 28% (2009: 28%)	30	42	–	–
Secondary Tax on Companies at 10% (2009: 10%)	17	14	16	13
Current tax (excluding tax on special items)	**47**	56	**16**	13
Deferred tax in respect of the current period (excluding tax on special items)	166	38	118	61
Deferred tax asset impairment	4	56	–	–
Deferred tax in respect of prior period (under)/over provision	(20)	33	(33)	24
Total tax charge before special items	**197**	183	**101**	98
Deferred tax on special items (see note 4)	(38)	(60)	13	(70)
Total tax charge	**159**	123	**114**	28

6 Tax charge (continued)

(b) Factors affecting tax charge for the year

The Group's and Company's effective rates of tax before special items for the year ended 31 December 2010, calculated on profit before tax before special items and including net income from associates, are 29% and 24% respectively (2009: 73% and 43% respectively).

The Company has an estimated tax loss of R267 million (2009: R949 million).

The Group's and Company's total tax charges for the year can be reconciled to the tax on the Group's and Company's profit/(loss) before tax at the South African corporation tax rate of 28% (2009: 28%), as follows:

	Group		Company	
R million	**2010**	2009	**2010**	2009
Profit/(loss) before tax	579	78	337	(19)
Tax on profit/(loss) before tax calculated at the South African corporation tax rate of 28% (2009: 28%)	**162**	22	**94**	(5)
Tax effects of:				
Expenses not (taxable)/deductible for tax purposes	**(5)**	10	**36**	7
Intangible amortisation and non-qualifying depreciation	19	4	–	4
Special items not (taxable)/deductible	(31)	–	38	–
Other non-deductible expenses	7	6	(2)	3
Non-taxable income	**(1)**	(21)	**–**	(11)
Profits and losses on disposals	–	(11)	–	(11)
Other non-taxable income	(1)	(10)	–	–
Temporary difference adjustments	**(15)**	97	**(33)**	24
Current year tax losses and other temporary differences not recognised	1	8	–	–
Impairment of deferred tax asset previously recognised	4	56	–	–
Prior period tax losses and other temporary differences not previously recognised	(20)	33	(33)	24
Other adjustments	**18**	15	**17**	13
Secondary Tax on Companies	17	14	16	13
Other adjustments	1	1	1	–
Tax charge for the year	**159**	123	**114**	28

IAS 1 requires income from associates to be presented net of tax on the face of the income statement. The Group's share of its associates' tax is therefore not presented within the Group's total tax charge. The associates' tax charge included within 'Net income from associates' for the year ended 31 December 2010 is R1 million (2009: Rnil).

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

7 Earnings per share

	Group	
R cents per share	**2010**	2009
Profit/(loss) for the financial year attributable to equity holders of the parent company		
Basic EPS	**247.6**	(51.8)
Diluted EPS	**247.6**	(51.8)[3]
Underlying earnings for the financial year[1]		
Basic EPS	**291.8**	34.7
Diluted EPS	**291.8**	34.4
Headline earnings/(loss) for the financial year[2]		
Basic EPS	**266.0**	(3.4)
Diluted EPS	**266.0**	(3.4)[3]

Notes:

1 Underlying EPS excludes the impact of special items.

2 The presentation of headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

3 Diluted EPS is consistent with basic EPS as the impact of potential ordinary shares is anti-dilutive.

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

	Earnings	
R million	**2010**	2009
Profit/(loss) for the financial year attributable to equity holders of the parent company	**364**	(76)
Special items (see note 4)	104	171
Related tax (see note 4)	(38)	(60)
Related non-controlling interests (see note 4)	(1)	16
Underlying earnings for the financial year	**429**	51
Loss/(profit) on disposal of tangible and intangible assets (see note 3)	2	(53)
Special items: demerger arrangements (see note 4)	–	(1)
Special items: restructuring and closure costs (see note 4)	(56)	(31)
Impairments not included in special items (see note 10)	–	5
Related tax	16	24
Headline earnings/(loss) for the financial year	**391**	(5)

	Number of shares	
million	**2010**	2009
Basic number of ordinary shares outstanding[1]	**147**	147
Effect of dilutive potential ordinary shares[2]	–	1
Diluted number of ordinary shares outstanding	**147**	148

Notes:

1 The basic number of ordinary shares outstanding represents the weighted average number in issue for the Company for the year, as adjusted for the weighted average number of treasury shares held during the year.

2 Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, net of treasury shares, on the assumption of conversion of all potentially dilutive ordinary shares.

8 Dividends

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

	Group		Company	
R million	**2010**	2009	**2010**	2009
Interim dividend paid	49	42	49	42
Final dividend paid (in respect of prior year)	108	93	108	93
Final dividend proposed for the year ended 31 December[1]	**237**	108	**237**	108
Paid to non-controlling interests	7	4	–	–

Note:

[1] The dividend proposed is subject to approval by shareholders at the annual general meeting of Mondi Limited scheduled for 5 May 2011 and therefore this dividend and the related STC have not been included as a liability in the Group's consolidated statement of financial position and in the Company's statement of financial position.

	Company	
R cents per share	**2010**	2009
Interim dividend paid	33.4	28.4
Final dividend paid (in respect of prior year)	73.5	63.3
Final dividend proposed for the year ended 31 December	**161.3**	73.5

9 Intangible assets

	Group[1]		
2010/R million	**Goodwill**	**Licences and other intangibles**[2]	**Total**
Cost			
At 1 January	580	211	791
At 31 December	**580**	**211**	**791**
Accumulated amortisation and impairment			
At 1 January	–	102	102
Charge for the year	–	40	40
At 31 December	**–**	**142**	**142**
Net book value as at 31 December	**580**	**69**	**649**

Notes:

[1] There are no intangible assets in the Company.

[2] Licences and other intangibles mainly relate to software development costs, and customer relationships and contractual arrangements capitalised as a result of business combinations.

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

9 Intangible assets (continued)

2009/R million	Group[1]		
	Goodwill	Licences and other intangibles[2]	Total
Cost			
At 1 January	581	211	792
Disposal of businesses (see note 29)	(1)	–	(1)
At 31 December	580	211	791
Accumulated amortisation and impairment			
At 1 January	–	60	60
Charge for the year	–	42	42
At 31 December	–	102	102
Net book value as at 31 December	580	109	689

Notes:
1 There are no intangible assets in the Company.
2 Licences and other intangibles mainly relate to software development costs, and customer relationships and contractual arrangements capitalised as a result of business combinations.

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to cash-generating units (CGUs) which reflect how it is monitored for internal management purposes.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three year period that are based on the latest forecasts for revenue and cost as approved by the board. Cash flow projections beyond three years are based on internal management forecasts and assume a growth rate not exceeding gross domestic product. Zero percent growth rates are assumed in perpetuity given the commodity nature of the majority of the products (i.e. volume growth is assumed to be offset by real price declines). Post tax cash flow projections are discounted using a post tax discount rate of 8.1% (2009: 10.3%), as adjusted for the economic and political risks of South Africa that are not reflected in the underlying cash flows. Perpetuity maintenance capital expenditure has been assumed at 60% of depreciation.

Expected future cash flows are inherently uncertain and could change materially over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure. In respect of the CGUs that have not been impaired, sensitivity analyses of a 1% increase in discount rate or a 1% decrease in cash flows were performed and these did not give rise to an impairment.

No impairment in the CGUs have been recorded and management have applied prudent estimates in the value-in-use calculations, which still reflect sufficient headroom above the capital employed of these CGUs.

9 Intangible assets (continued)

Carrying value of goodwill at the reporting dates is as follows:

R million	**2010**	2009
Mondi Packaging South Africa	580	580
Total goodwill	**580**	580

10 Property, plant and equipment

	Group			
2010/R million	**Land and buildings**	**Plant and equipment**	**Other**[1]	**Total**
Cost				
At 1 January	1,052	11,932	734	13,718
Additions	12	196	370	578
Disposal of assets	(1)	(23)	(10)	(34)
Transferred to/(from) capital work in progress	34	256	(290)	–
Reclassification from/(to) assets held for sale (see note 30)	6	(1)	(4)	1
Other reclassifications	–	6	(2)	4
At 31 December	**1,103**	**12,366**	**798**	**14,267**
Accumulated depreciation				
At 1 January	272	4,998	329	5,599
Charge for the year	32	722	48	802
Impairment loss recognised[2]	3	197	–	200
Disposal of assets	–	(22)	(9)	(31)
At 31 December	**307**	**5,895**	**368**	**6,570**
Net book value as at 31 December	**796**	**6,471**	**430**	**7,697**

Notes:

1 Other includes R317 million (2009: R302 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 R200 million (2009: R220 million) asset impairments reflected in operating special items and Rnil (2009: R5 million) of other impairments.

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

10 Property, plant and equipment (continued)

	Group			
2009/R million	Land and buildings	Plant and equipment	Other	Total
Cost				
At 1 January	970	11,338	1,014	13,322
Acquired through business combinations (see note 28)	–	1	–	1
Additions	5	155	364	524
Disposal of assets	(7)	(40)	(29)	(76)
Disposal of businesses (see note 29)	–	(1)	(1)	(2)
Transferred to/(from) capital work in progress	121	482	(603)	–
Reclassification to assets held for sale (see note 30)	(45)	(2)	(6)	(53)
Other reclassifications	8	(1)	(5)	2
At 31 December	1,052	11,932	734	13,718
Accumulated depreciation				
At 1 January	247	4,098	305	4,650
Charge for the year	32	726	45	803
Impairment loss recognised	1	220	4	225
Disposal of assets	–	(37)	(28)	(65)
Disposal of businesses (see note 29)	–	(1)	–	(1)
Reclassification to assets held for sale (see note 30)	(8)	(1)	(6)	(15)
Other reclassifications	–	(7)	9	2
At 31 December	272	4,998	329	5,599
Net book value as at 31 December	780	6,934	405	8,119

The net book value and depreciation charges relating to assets held under finance leases amount to R69 million (2009: R47 million) and R19 million (2009: R14 million), respectively.

The Group has pledged property, plant and equipment with a net book value of R1,930 million (2009: R2,221 million) as security for certain long-term borrowings (see note 19).

The net book value of land and buildings comprises:

R million	**2010**	2009
Freehold	777	757
Leasehold – long	13	15
Leasehold – short (less than 50 years)	6	8
Total land and buildings	**796**	780

10 Property, plant and equipment (continued)

	Company			
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 (see note 30)	6	(1)	(4)	1
At 31 December	**830**	**8,800**	**435**	**10,065**
Accumulated depreciation				
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 R191 million (2009: R199 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 R186 million (2009: R210 million) asset impairments reflected in operating special items.

	Company			
2009/R million	Land and buildings	Plant and equipment	Other	Total
Cost				
At 1 January	722	8,128	736	9,586
Additions	–	20	282	302
Disposal of assets	(7)	(1)	(23)	(31)
Transferred to/(from) capital work in progress	120	459	(579)	–
Reclassification to assets held for sale (see note 30)	(44)	(2)	(6)	(52)
At 31 December	791	8,604	410	9,805
Accumulated depreciation				
At 1 January	198	2,696	157	3,051
Charge for the year	19	465	21	505
Impairment loss recognised	1	209	–	210
Disposal of assets	–	–	(23)	(23)
Reclassification to assets held for sale (see note 30)	(8)	(1)	(6)	(15)
Other reclassifications	–	(7)	7	–
At 31 December	210	3,362	156	3,728
Net book value as at 31 December	581	5,242	254	6,077

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

10 Property, plant and equipment (continued)

The net book value and depreciation charges relating to assets held under finance leases amount to R14 million (2009: R18 million) and R4 million (2009: R3 million), respectively.

The net book value of land and buildings comprises:

R million	**2010**	2009
Freehold	592	573
Leasehold – long	–	–
Leasehold – short (less than 50 years)	6	8
Total land and buildings	**598**	581

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.

11 Forestry assets

	Group		Company	
R million	**2010**	2009	**2010**	2009
At 1 January	2,675	2,801	2,007	2,160
Capitalised expenditure	429	434	362	361
Acquisition of assets	19	31	19	31
Fair value gains[1]	349	323	208	243
Felling costs	(635)	(581)	(496)	(455)
Reclassification from/(to) assets held for sale (see note 30)	1	(333)	1	(333)
At 31 December	**2,838**	2,675	**2,101**	2,007

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:

	Group		Company	
R million	**2010**	2009	**2010**	2009
Mature	1,296	1,260	950	1,004
Immature	1,542	1,415	1,151	1,003
Total forestry assets	**2,838**	2,675	**2,101**	2,007

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.

12 Investments in subsidiaries

R million	Company 2010	2009
Unlisted		
Shares at cost	255	255
Loans advanced	2,219	2,057
Total investments in subsidiaries	**2,474**	2,312
Repayable within one year classified as current asset	(77)	(74)
Total long-term investments in subsidiaries	**2,397**	2,238

Mondi Packaging South Africa (Proprietary) Limited (MPSA)

As part of the BBBEE transaction, a Mezzanine loan agreement was entered into between the Company and MPSA. The Mezzanine loan of R700 million that was advanced by the Company to MPSA during 2005 was repaid in 2007 and refinanced by an external loan with Standard Bank. This loan with Standard Bank incurred interest at the three month JIBAR plus 60 basis points and is repayable in 11 quarterly payments that commenced 2 January 2008. Operating cash flow requirements are and will be met by a Mezzanine loan 1 facility with the Company of R900 million, of which R804 million (2009: R788 million) has been utilised. The Company advanced a further R1,099 million (2009: R956 million) to MPSA (including interest) on a Mezzanine loan 2 facility of R1 billion. The Mezzanine loan 1 facility incurs interest at the three month JIBAR plus 450 basis points and the Mezzanine loan 2 facility incurs interest at prime plus 400 basis points. These loans are repayable subject to the covenants imposed by Standard Bank and by the 12th anniversary of the transaction date, being 1 January 2017.

Furthermore, the Company advanced a shareholder's loan to MPSA of R102 million in 2006 with a further loan of R137 million being advanced by the Company during 2007. The total loan of R239 million (2009: R239 million) is unsecured, interest free and is only repayable once the external loan repayable to Standard Bank and the Mezzanine loans have been settled in full. The Standard Bank loan will be settled by drawing upon the Mezzanine loan 1 facility with the Company. As the Mezzanine loan facilities are available until January 2017, the shareholder's loan is considered to be only repayable in January 2017.

The Mezzanine loans and shareholder's loan to MPSA have been subordinated to the benefit of creditors of MPSA and its subsidiaries.

Mondi Zimele (Proprietary) Limited (Mondi Zimele)

The closing balance of the loan advanced by the Company to Mondi Zimele amounts to R30 million (2009: R28 million), which is net of an impairment raised of R5 million (2009: R5 million). This loan is interest free and is repayable on liquidation of Mondi Zimele or earlier on demand by the Company. The total loan facility available to Mondi Zimele over a three year period amounts to a maximum value of R70 million.

Details of principal subsidiary companies are set out in note 38.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

13 Investments in associates

	Group	
R million	**2010**	2009
At 1 January	30	31
Net income from associates	3	–
Dividends received	–	(1)
Investment in associates	20	–
Other	3	–
At 31 December	**56**	30

The Group's total investment in associates comprises:

R million	**2010**	2009
Equity[1]	56	30
Total investments in associates	**56**	30

Note:
1 As at 31 December 2010, there is R15 million of goodwill in respect of associates (2009: R5.5 million).

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

R million	**2010**	2009
Total non-current assets	20	12
Total current assets	72	41
Total current liabilities	(20)	(11)
Total non-current liabilities	(21)	(12)
Share of associates' net assets (including share of losses)	51	30
Unrecognised losses in associates	5	–
Share of associates' net assets[1]	**56**	30
Total revenue	167	101
Total operating costs	(163)	(101)
Income tax expense	(1)	–
Share of associates' profit for the financial year	**3**	–

Note:
1 There are no material contingent liabilities for which the Group is jointly or severally liable at the reporting dates presented.

14 Investments in joint ventures

	Company	
R million	**2010**	2009
Mondi Shanduka Newsprint (Proprietary) Limited (MSN)		
Shareholder's loan	128	128
Mezzanine loan	240	121
Total investments in joint ventures	**368**	249
Repayable within one year classified as current asset	–	–
Total long-term investments in joint ventures	**368**	249

14 Investments in joint ventures (continued)

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.

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

R million	**2010**	2009
Total non-current assets	329	559
Total current assets	280	274
Total current liabilities	(272)	(283)
Total non-current liabilities[1]	(350)	(374)
Share of joint venture entities' net (liabilities)/assets, proportionately consolidated[2]	**(13)**	176
Revenue	794	767
Total operating costs	(724)	(688)
Special items	(9)	(8)
Net finance costs	(21)	(28)
Income tax credit/(expense)	37	(18)
Share of joint venture entities' profit for the financial year	**77**	25

Notes:
[1] Included in total non-current liabilities is a deferred tax liability of R35 million (2009: R74 million).
[2] There are no material contingent liabilities at the reporting dates presented. There are capital commitments of R12 million (2009: R23 million) at the reporting date.

Details of principal joint ventures are set out in note 38.

15 Financial asset investments

	Group					
	2010			2009		
R million	**Loans and receivables**	**Available-for-sale investments**	**Total**	Loans and receivables	Available-for-sale investments	Total
At 1 January	81	13	94	44	4	48
Impairment	(3)	–	(3)	(2)	–	(2)
Additions	10	–	10	–	9	9
Repayments from related parties	(7)	–	(7)	(14)	–	(14)
Repayments – other	(1)	–	(1)	(9)	–	(9)
Advances	50	–	50	62	–	62
Reclassifications	7	(13)	(6)	–	–	–
At 31 December	**137**	**–**	**137**	81	13	94
Current	**4**	**–**	**4**	–	–	–
Non-current	**133**	**–**	**133**	81	13	94

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

15 Financial asset investments (continued)

	Company					
	2010			2009		
R million	**Loans and receivables**	**Available-for-sale investments**	**Total**	Loans and receivables	Available-for-sale investments	Total
At 1 January	133	2	135	128	–	128
Interest accrued	19	–	19	18	–	18
Impairment reversal	–	–	–	2	–	2
Additions	4	20	24	–	8	8
Repayments – other	–	–	–	(9)	–	(9)
Disposal of assets	–	(4)	(4)	–	(12)	(12)
Reclassifications	–	–	–	(6)	6	–
At 31 December	**156**	**18**	**174**	133	2	135
Current	**4**	**18**	**22**	–	–	–
Non-current	**152**	**–**	**152**	133	2	135

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

Available-for-sale investments

The Company advanced to the Mondi Incentive Schemes Trust (MIS) a further R19.9 million during 2010 (2009: R8.2 million) to fund the purchase of Mondi Limited shares awarded to senior management. Shares vested during 2010 to the value of R3.8 million (2009: R11.7 million), which increased the investment in the MIS to R18 million (2009: R2 million).

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 commencing on 19 December 2011 with a final payment falling due on 19 December 2013. The interest is payable every quarter.

A loan of R142 million was advanced by the Company to Mondi Packaging South Africa (Proprietary) Limited in 2007 to finance the purchase of the Paperlink business from the Company. R42 million was repaid in 2008, with repayment of the remaining R100 million as free cash flow is available, which is only expected to be after one year. The loan bears interest at JIBAR plus 60 basis points and accrued interest amounts to R43 million.

16 Inventories

R million	Group 2010	Group 2009	Company 2010	Company 2009
Valued using first-in-first-out cost formula				
Raw materials and consumables	489	509	168	147
Work in progress	65	63	41	40
Finished products	282	306	71	128
Total valued using first-in-first-out cost formula	**836**	878	**280**	315
Valued using the weighted average cost formula				
Raw materials and consumables	214	245	93	160
Work in progress	8	11	–	–
Finished products	75	75	–	–
Total valued using the weighted average cost formula	**297**	331	**93**	160
Total inventories	**1,133**	1,209	**373**	475
Of which, held at net realisable value	31	62	11	33

R million	Group 2010	Group 2009	Company 2010	Company 2009
Income statements				
Write-downs of inventories to net realisable value	63	26	50	6
Aggregate reversal of previous write-downs of inventories	(18)	–	–	–
Cost of inventories recognised as expense	4,603	4,965	2,190	2,400

17 Trade and other receivables

R million	Group 2010	Group 2009	Company 2010	Company 2009
Trade receivables (a)	1,997	1,982	1,062	1,076
Allowance for doubtful debts (b)	(31)	(39)	(6)	(9)
Net trade receivables	**1,966**	1,943	**1,056**	1,067
Other receivables	255	189	118	88
Prepayments and accrued income	23	21	9	5
Total trade and other receivables	**2,244**	2,153	**1,183**	1,160

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

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

17 Trade and other receivables (continued)

(a) Trade receivables: credit risk

The Group's and Company's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group and Company deploy in order to mitigate this risk are discussed in note 36. 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 Group and Company operate. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of these impaired trade receivables for the Group and the Company as at the reporting date are R45 million (2009: R58 million) and R15 million (2009: R23 million), respectively, and the associated aggregate impairments are R31 million (2009: R39 million) and R6 million (2009: R9 million) for the Group and Company, respectively.

Included within the Group's and Company's aggregate trade receivables balance are specific debtor balances with customers totalling R222 million (2009: R266 million) and R16 million (2009: R82 million), respectively, which are past due but not impaired as at the reporting date. The Group and Company have 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:

	Group				
	Trade receivables past due by				
R million	Less than 1 month	1–2 months	2–3 months	More than 3 months	Total
Carrying value as at 31 December 2010	**111**	**40**	**23**	**48**	**222**
Carrying value as at 31 December 2009	109	64	46	47	266

	Company				
	Trade receivables past due by				
R million	Less than 1 month	1–2 months	2–3 months	More than 3 months	Total
Carrying value as at 31 December 2010	**7**	**4**	**4**	**1**	**16**
Carrying value as at 31 December 2009	29	25	17	11	82

Included within the Group's and Company's aggregate trade receivables balances are debtor balances with customers totalling R2 million (2009: R18 million) and Rnil (2009: R5 million), respectively, where contractual terms have been renegotiated to extend the credit period offered. The Group and Company believe that these balances are fully recoverable and therefore no impairment loss has been recognised.

The Group and Company do not enter into debt factoring arrangements.

17 Trade and other receivables (continued)

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

	Group		Company	
R million	**2010**	2009	**2010**	2009
At 1 January	39	43	9	13
Amounts written off and recovered during the year	(10)	(9)	(3)	(4)
Increase in allowance recognised in the income statement	7	5	5	–
Reclassification	(5)	–	(5)	–
At 31 December	**31**	39	**6**	9

18 Trade and other payables

	Group		Company	
R million	**2010**	2009	**2010**	2009
Trade payables	761	655	352	281
Other payables	205	212	34	47
Accruals and deferred income	655	861	357	493
Total trade and other payables	**1,621**	1,728	**743**	821

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

19 Borrowings

	Group					
	2010			2009		
R million	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Bank loans and overdrafts	194	1,111	1,305	388	1,300	1,688
Obligations under finance leases	16	33	49	17	45	62
Total secured	**210**	**1,144**	**1,354**	405	1,345	1,750
Unsecured						
Bank loans and overdrafts	1,603	288	1,891	1,142	1,256	2,398
Other loans[1]	2	135	137	2	138	140
Total unsecured	**1,605**	**423**	**2,028**	1,144	1,394	2,538
Total borrowings	**1,815**	**1,567**	**3,382**	1,549	2,739	4,288

Note:
[1] Includes loans to related parties of R100 million (2009: R100 million).

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

19 Borrowings (continued)

	Company					
	2010			2009		
R million	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Obligations under finance leases	4	10	14	4	14	18
Total secured	**4**	**10**	**14**	4	14	18
Unsecured						
Bank loans and overdrafts	1,603	289	1,892	1,085	1,256	2,341
Other loans	112	–	112	93	–	93
Total unsecured	**1,715**	**289**	**2,004**	1,178	1,256	2,434
Total borrowings	**1,719**	**299**	**2,018**	1,182	1,270	2,452

Included in Group borrowings is fixed rate debt with a carrying value of R9 million (2009: R511 million) and a fair value of R9 million (2009: R520 million). The maturity analysis of the Group's and Company's borrowings, presented on an undiscounted future cash flow basis, is included as part of a review of the Group's and Company's liquidity risk within note 36.

Included in borrowings of the Group and Company are two revolving loans of R500 million each (2009: R500 million each). These loans are repayable on their maturity dates of 17 June 2011 and 23 July 2011 and bear interest at one month JIBAR plus different margins, payable monthly.

The Group and Company also have amortising term loans of R101 million (2009: R80 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 R101 million (2009: R80 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:

	Group		Company	
R million	**2010**	2009	**2010**	2009
Not later than one year	21	23	5	6
Later than one year but not later than five years	34	51	12	17
Later than five years	5	5	–	–
Future value of finance lease liabilities	**60**	79	**17**	23
Future finance charges	(11)	(17)	(3)	(5)
Present value of finance lease liabilities	**49**	62	**14**	18

19 Borrowings (continued)

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 Group and Company for similar financial instruments.

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

	Group		Company	
R million	**2010**	2009	**2010**	2009
Assets held under finance leases				
Property, plant and equipment	69	47	14	18
Assets pledged as collateral for other borrowings				
Property, plant and equipment	1,930	2,221	–	–
Inventories	700	737	–	–
Financial assets	1,431	1,715	–	–
Other	181	165	–	–
Total value of assets pledged as collateral	**4,311**	4,885	**14**	18

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

Borrowing capacity

	Group			
	2010		2009	
R million	**Maximum permissible**	**Actual**	Maximum permissible	Actual
Medium and long-term borrowings		1,567		2,739
Short-term borrowings		1,815		1,549
Contingent liabilities (see note 33)		98		84
Total borrowing capacity	**17,445**	**3,480**	17,315	4,372

The maximum borrowing limit as determined by the Articles of Association of Mondi Limited is 2.5 times the equity of the 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.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

20 Derivative financial instruments

	Group					
	2010			2009		
R million	**Asset**	**Liability**	**Notional amount**	Asset	Liability	Notional amount
Current derivatives						
Held for trading						
Foreign exchange contracts	19	(9)	521	7	(3)	562
Total current derivative financial instruments	**19**	**(9)**	**521**	7	(3)	562
Non-current derivatives						
Cash flow hedges						
Interest rate swaps[1]	–	(27)	400	–	(19)	500
Total non-current derivative financial instruments	**–**	**(27)**	**400**	–	(19)	500

	Company					
	2010			2009		
R million	**Asset**	**Liability**	**Notional amount**	Asset	Liability	Notional amount
Current derivatives						
Held for trading						
Foreign exchange contracts	17	(2)	421	3	(1)	401
Total current derivative financial instruments	**17**	**(2)**	**421**	3	(1)	401

Note:

[1] The Group entered into a R400 million (2009: R500 million) interest rate swap to hedge its interest rate exposure on floating rate debt and applied hedge accounting in terms of IAS 39. The floating rate of the swap is referenced to three month JIBAR and the fixed interest rate on the R200 million (2009: R300 million) term facility is 10.1% (2009: 10.1%) and 9.8% (2009: 9.8%) on the R200 million (2009: R200 million) bullet facility.

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 and interest rate swaps 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 Group's and Company's exposure to credit or market risks. Note 36 provides an overview of the Group's and 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.

21 Provisions

R million	Group 2010	Group 2009	Company 2010	Company 2009
At 1 January	113	133	90	112
Charged to income statement[1]	104	51	82	45
Reclassification to assets held for sale (see note 30)	–	(2)	–	(2)
Reclassification to receivables	(8)	–	–	–
Released to income statement	(10)	–	(10)	–
Amounts applied	(57)	(69)	(52)	(65)
At 31 December	**142**	113	**110**	90

Note:
1 Net of unwound discounts.

Provisions mainly consist of provisions for an employee ownership plan and bonus provisions.

Maturity analysis of total provisions on a discounted basis:

R million	Group 2010	Group 2009	Company 2010	Company 2009
Current	110	65	83	59
Non-current	32	48	27	31
Total provisions	**142**	113	**110**	90

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.

22 Deferred tax

Deferred tax assets

R million	Group 2010	Group 2009	Company 2010	Company 2009
At 1 January	71	139	–	–
Charged to the income statement	(45)	(77)	–	–
Credited/(charged) to the statement of comprehensive income	11	(4)	–	–
Reclassifications	–	13	–	–
At 31 December	**37**	71	**–**	–

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

22 Deferred tax (continued)

Deferred tax liabilities

R million	Group 2010	Group 2009	Company 2010	Company 2009
At 1 January	(1,710)	(1,779)	(1,429)	(1,485)
(Charged)/credited to the income statement	(67)	10	(98)	(15)
Credited/(charged) to the statement of comprehensive income	56	(21)	54	(21)
Credited to retained earnings	6	–	6	–
Disposal of businesses (see note 29)	–	(2)	–	–
Business restructuring[1]	–	–	(1)	–
Reclassification to assets held for sale (see note 30)	–	91	–	91
Reclassifications	–	(9)	–	1
At 31 December	**(1,715)**	(1,710)	**(1,468)**	(1,429)

Note:
1 Deferred tax on the transfer of employees and related obligations from Mondi Shanduka Newsprint (Proprietary) Limited to Mondi Limited (see note 23).

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

R million	Group 2010	Group 2009	Company 2010	Company 2009
Deferred tax assets				
Tax losses[1]	313	342	–	–
Other temporary differences	(276)	(271)	–	–
Total deferred tax assets	**37**	71	**–**	–
Deferred tax liabilities				
Capital allowances in excess of depreciation	(1,164)	(1,317)	(1,145)	(1,252)
Fair value adjustments	(812)	(768)	(578)	(554)
Tax losses	94	283	75	265
Other temporary differences	167	92	180	112
Total deferred tax liabilities	**(1,715)**	(1,710)	**(1,468)**	(1,429)

Note:
1 Based on forecast data, the Group believes that there will be sufficient future taxable profits available to utilise these tax losses.

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

R million	Group 2010	Group 2009	Company 2010	Company 2009
Capital allowances in excess of depreciation	(131)	165	(107)	(28)
Fair value adjustments	43	60	23	52
Tax losses	218	52	190	14
Other temporary differences	(18)	(210)	(8)	(23)
Total charge	**112**	67	**98**	15

22 Deferred tax (continued)

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

R million	Group 2010	Group 2009	Company 2010	Company 2009
Deferred tax assets				
Recoverable within 12 months	–	14	–	–
Recoverable after 12 months	37	57	–	–
Total deferred tax assets	**37**	71	**–**	–
Deferred tax liabilities				
Payable within 12 months	–	(6)	–	–
Payable after 12 months	(1,715)	(1,704)	(1,468)	(1,429)
Total deferred tax liabilities	**(1,715)**	(1,710)	**(1,468)**	(1,429)

The Group has unrecognised tax losses, as at 31 December 2010, of R246 million (2009: R246 million) that have no expiry date. In addition, the Group has unrecognised other timing differences of R16 million (2009: Rnil). The Company does not have any amounts in respect of which no deferred tax asset has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised.

The Group and Company would crystallise an STC liability of approximately R180 million and R216 million, respectively (2009: R175 million and R222 million, respectively) on ultimate distribution of its unremitted earnings to external shareholders.

23 Retirement benefits

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

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans for the Group totalling R85 million (2009: R89 million) and for the Company totalling R40 million (2009: R41 million) is calculated on the basis of the contribution payable by the Group and Company in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

23 Retirement benefits (continued)

Defined benefit pension plans

The defined benefit scheme is actuarially valued at intervals of not more than three years using the projected unit credit method. The last statutory actuarial valuation was performed as at 31 December 2008, with the fund being in a sound financial position at that time. The next full statutory actuarial valuation will be undertaken during the 2011 financial year. The assets of this plan are held separately from those of the Company in independently administered funds, in accordance with the South African Pension Funds Act of 1956.

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

On 30 June 2006, the Financial Services Board (FSB) approved certain amendments to the Mondi Pension Fund rules, effective 1 January 2005. In terms of the rule amendments, all future surpluses arising in the Fund will be for the benefit of the employer. Accordingly, the latest available actuarial estimate of this surplus, amounting to R81 million (2009: R83 million) at 31 December 2010, has been recognised.

Post-retirement medical plans

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

The post-retirement medical aid liability is valued at intervals of not more than three years using the projected unit credit method. The actuarial present value of the promised benefits at the most recent valuation was performed during the 2010 financial year and indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

Actuarial assumptions

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

	Group and Company	
%	**2010**	2009
Defined benefit pension plan		
Average discount rate for plan liabilities	**8.39**	9.11
Average rate of inflation	**5.63**	5.65
Average rate of increase in salaries	**6.88**	6.90
Average rate of increase of pensions in payment	**5.63**	5.65
Average long-term rate of return on plan assets	**7.61**	9.73
Post-retirement medical plan		
Average discount rate for plan liabilities	**8.39**	9.11
Expected average increase of healthcare costs	**7.13**	7.15

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

23 Retirement benefits (continued)

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	Group and Company	
years	**2010**	2009
Retiring today:		
Males	**15.83-17.86**	15.72-17.66
Females	**19.76-22.21**	19.62-22.01
Retiring in 20 years:		
Males	**19.70-20.04**	19.50-19.58
Females	**24.00-24.38**	23.61-23.80

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

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 122% (2009: 122%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the schemes' trustees and in accordance with local actuarial advice and statutory provisions.

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

The total loss, net of applicable 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 2010 is a loss of R143 million (2009: gain of R81 million). The cumulative total recognised since 1 January 2004 is a gain of R168 million.

Retirement benefits surplus/(obligation)

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

	Group		Company	
R million	**2010**	2009	**2010**	2009
Present value of unfunded obligations	(827)	(637)	(741)	(584)
Present value of funded obligations	(1,639)	(1,548)	(1,469)	(1,380)
Present value of pension plan liabilities	**(2,466)**	(2,185)	**(2,210)**	(1,964)
Fair value of plan assets	1,997	1,892	1,791	1,690
Deficit	**(469)**	(293)	**(419)**	(274)
Surplus restrictions	(277)	(261)	(262)	(231)
Deficit on pension and post-retirement medical plans	**(746)**	(554)	**(681)**	(505)
Amounts reported in the statement of financial position				
Assets				
Retirement benefits surplus	**81**	83	**60**	79
Liabilities				
Post-retirement medical plans	(827)	(637)	(741)	(584)
Total retirement benefits obligation	**(827)**	(637)	**(741)**	(584)

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

23 Retirement benefits (continued)

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

	Group					
	2010			2009		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
At 1 January	(1,548)	(637)	(2,185)	(1,554)	(649)	(2,203)
Current service cost	(30)	(2)	(32)	(34)	(2)	(36)
Interest cost	(141)	(56)	(197)	(108)	(45)	(153)
Actuarial (losses)/gains	(14)	(182)	(196)	9	11	20
Contributions paid by other members	(7)	–	(7)	(7)	–	(7)
Benefits paid	105	52	157	146	48	194
Transfer of members[1]	(4)	(2)	(6)	–	–	–
At 31 December	**(1,639)**	**(827)**	**(2,466)**	(1,548)	(637)	(2,185)

	Company					
	2010			2009		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
At 1 January	(1,380)	(584)	(1,964)	(1,342)	(593)	(1,935)
Current service cost	(21)	(1)	(22)	(21)	(2)	(23)
Interest cost	(126)	(51)	(177)	(92)	(41)	(133)
Actuarial (losses)/gains	(25)	(149)	(174)	(57)	5	(52)
Contributions paid by other members	(5)	–	(5)	(5)	–	(5)
Benefits paid	96	48	144	137	46	183
Transfer of members[1]	(8)	(4)	(12)	–	1	1
At 31 December	**(1,469)**	**(741)**	**(2,210)**	(1,380)	(584)	(1,964)

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:

	Group		Company	
R million	**2010**	2009	**2010**	2009
At 1 January	1,892	1,761	1,690	1,535
Expected return on plan assets	179	128	160	111
Actuarial (losses)/gains	(2)	125	9	164
Contributions paid by employer	22	17	13	12
Contributions paid by other members	7	7	5	5
Benefits paid	(105)	(146)	(96)	(137)
Transfer of members[1]	4	–	10	–
At 31 December	**1,997**	1,892	**1,791**	1,690

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

23 Retirement benefits (continued)

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 2010, the actual return on plan assets in respect of defined benefit pension schemes was a gain of R177 million (2009: gain of R253 million).

The market values of the pension assets in these plans and the long-term expected rates of return as at the reporting dates presented are detailed below:

	Group			
	2010		2009	
	Rate of return (%)	**Fair value (R million)**	Rate of return (%)	Fair value (R million)
Equity	**10.97**	326	11.72	733
Other	**6.95**	1,671	8.46	1,159
Fair value of plan assets		**1,997**		1,892

	Company			
	2010		2009	
	Rate of return (%)	**Fair value (R million)**	Rate of return (%)	Fair value (R million)
Equity	**10.97**	292	11.72	655
Other	**6.95**	1,499	8.46	1,035
Fair value of plan assets		**1,791**		1,690

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

23 Retirement benefits (continued)

Income statement

The amounts recognised in the income statement are as follows:

	Group					
	2010			2009		
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	30	2	32	34	2	36
Total within operating costs	**30**	**2**	**32**	34	2	36
Analysis of the amount charged/(credited) to net finance costs on plan liabilities						
Expected return on plan assets[1]	(179)	–	(179)	(128)	–	(128)
Interest costs on plan liabilities[2]	141	56	197	108	45	153
Net (credit)/charge to net finance costs	**(38)**	**56**	**18**	(20)	45	25
Total (credit)/charge to income statement	**(8)**	**58**	**50**	14	47	61

Notes:
1 Included in investment income (see note 5).
2 Included in interest expense (see note 5).

	Company					
	2010			2009		
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	21	1	22	21	2	23
Total within operating costs	**21**	**1**	**22**	21	2	23
Analysis of the amount charged/(credited) to net finance costs on plan liabilities						
Expected return on plan assets[1]	(160)	–	(160)	(111)	–	(111)
Interest costs on plan liabilities[2]	126	51	177	92	41	133
Net (credit)/charge to net finance costs	**(34)**	**51**	**17**	(19)	41	22
Total (credit)/charge to income statement	**(13)**	**52**	**39**	2	43	45

Notes:
1 Included in investment income (see note 5).
2 Included in interest expense (see note 5).

23 Retirement benefits (continued)

Sensitivity analysis

Assured 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 plans:

	Group		Company	
R million	1% increase	1% decrease	1% increase	1% decrease
Effect on the aggregate of the current service cost and interest cost	7	(6)	6	(5)
Effect on the defined benefit obligation	94	(80)	85	(64)

The Group's and Company's defined benefit pension and post-retirement medical arrangements, for the five years ended 31 December 2010, are summarised as follows:

	Group				
R million	**2010**	2009	2008	2007	2006
Assets					
Defined benefit plans in surplus	**81**	83	–	75	45
Liabilities					
Post-retirement medical plans	**(827)**	(637)	(649)	(709)	(696)
Experience adjustments					
On plan liabilities	(40)	(64)	(173)	(146)	130
On plan assets	(2)	125	(51)	21	187
Total experience adjustments	**(42)**	61	(224)	(125)	317

	Company				
R million	**2010**	2009	2008	2007	2006
Assets					
Defined benefit plans in surplus	**60**	79	–	72	42
Liabilities					
Post-retirement medical plans	**(741)**	(584)	(593)	(663)	(647)
Experience adjustments					
On plan liabilities	(49)	(124)	(144)	(134)	262
On plan assets	9	164	(34)	16	178
Total experience adjustments	**(40)**	40	(178)	(118)	440

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

24 Other comprehensive income

R million	Group 2010 Before-tax amount	Group 2010 Tax benefit	Group 2010 Net-of-tax amount	Group 2009 Before-tax amount	Group 2009 Tax expense	Group 2009 Net-of-tax amount
Cash flow hedges:	(7)	7	–	6	–	6
Fair value (losses)/gains arising during the year	(21)			6		
Less: Reclassification adjustments for losses included in the income statement	14			–		
Actuarial (losses)/gains and surplus restriction on post-retirement benefit schemes	(214)	60	(154)	91	(26)	65
Fair value gain on option	3	–	3	–	–	–
Total other comprehensive income	**(218)**	**67**	**(151)**	97	(26)	71
Attributable to:						
Non-controlling interests			**(2)**			4
Equity holders of the parent company			**(149)**			67

R million	Company 2010 Before-tax amount	Company 2010 Tax benefit	Company 2010 Net-of-tax amount	Company 2009 Before-tax amount	Company 2009 Tax expense	Company 2009 Net-of-tax amount
Actuarial (losses)/gains and surplus restriction on post-retirement benefit schemes	(196)	54	(142)	74	(21)	53
Total other comprehensive income	**(196)**	**54**	**(142)**	74	(21)	53

25 Asset values per share

Net asset value per share is defined as net assets divided by the number of ordinary shares in issue as at the reporting dates presented, less treasury shares held. Tangible net asset value per share is defined as the net assets less intangible assets divided by the number of ordinary shares in issue as at the reporting dates presented, less treasury shares held.

Rand	Group 2010	Group 2009
Net asset value per share	**50.03**	49.29
Tangible net asset value per share	**45.61**	44.60

26 Share capital and share premium

	Authorised	
	Number of shares	R million
Mondi Limited R0.20 ordinary shares	250,000,000	50
Mondi Limited R0.20 special converting shares	650,000,000	130

There has been no change to the authorised share capital of the Company since listing on the JSE Limited on 3 July 2007.

		Called up, allotted and fully paid/R million		
2010	**Number of shares**	**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**

		Called up, allotted and fully paid/R million		
2009	Number of shares	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 for both Mondi Limited and Mondi plc ordinary equity holders.

The treasury shares purchased represents the cost of shares in Mondi Limited purchased in the market and held by the Mondi Incentive Schemes Trust to satisfy options under the Group's employee share schemes (see note 27). These costs are reflected in the statements of changes in equity. The number of ordinary shares held by the Mondi Incentive Schemes Trust as at 31 December 2010 was 338,267 shares (2009: 53,700) at an average price of R53.40 per share (2009: R35.71 per share).

27 Share-based payments

Mondi share awards

The Group and Company have set up their own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the remuneration report.

All of these schemes are settled by the award of ordinary shares in the Company. The Group and Company have no legal or constructive obligation to settle the awards made under these schemes in cash. Dividends foregone on BSP share schemes are paid in cash upon vesting.

Certain demerger arrangements were instituted prior to, and in anticipation of, the demerger. These arrangements have all vested during the year ended 31 December 2009.

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:

	Group		Company	
R'000	**2010**	2009	**2010**	2009
Bonus Share Plan (BSP)	12,161	6,432	5,102	1,957
Long-Term Incentive Plan (LTIP)	4,686	1,812	3,624	2,014
Demerger (see note 4)	–	1,476	–	982
Transitional BSP	–	105	–	(68)
Total share-based payment expense	**16,847**	9,825	**8,726**	4,885

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

27 Share-based payments (continued)

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 2008**	**BSP 2009**	**BSP 2010**
Date of grant	31 March 2008	27 March 2009	29 March 2010
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (R)	60.92	18.87	53.06

Mondi Limited	**LTIP 2008**	**LTIP 2009**	**LTIP 2010**
Date of grant	31 March 2008	27 March 2009	29 March 2010
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
EPS component	–	N/A	N/A
ROCE component	–	66	90
TSR component	100	100	25
Grant date fair value per instrument (R)	62.12	19.26	
ROCE component			50.51
TSR component[1]			12.63

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				
2010/Scheme	**1 January**	**Shares conditionally awarded in year**	**Shares vested in year**	**Shares lapsed in year**	**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**

	Mondi Limited				
2009/Scheme	1 January	Shares conditionally awarded in year	Shares vested in year	Shares lapsed in year	31 December
BSP	336,503	558,376	(50,826)	(19,693)	824,360
LTIP	264,538	593,883	–	(46,787)	811,634
Transitional BSP	50,936	–	(49,549)	(1,387)	–
Transitional LTIP	23,083	–	(23,083)	–	–
Demerger arrangements	171,868	–	(171,868)	–	–
Total	846,928	1,152,259	(295,326)	(67,867)	1,635,994

28 Business combinations

To 31 December 2010

There were no major acquisitions for the year ended 31 December 2010.

To 31 December 2009

There were no major acquisitions for the year ended 31 December 2009.

Details of the aggregate net assets acquired, as adjusted from book to fair value, and the attributable goodwill are presented as follows:

R million	Book value	Revaluation	Fair value
Net assets acquired:[1]			
Property, plant and equipment	1	–	1
Net assets acquired	1	–	1
Goodwill arising on acquisition			–
Total cost of acquisition			1
Cash acquired net of overdrafts			–
Net cash paid			1

Note:
[1] The business combinations were not individually material and therefore have not been shown separately.

29 Disposal of subsidiaries and associates

The Group disposed of components of its BU North division in April and October 2010 that was classified as held for sale in 2009.

The Group disposed of its 100% holding in Cape Quick Packaging (Proprietary) Limited on 31 July 2009.

R million	**2010**	2009
Net assets disposed:		
Property, plant and equipment	–	1
Inventories	–	1
Trade and other receivables	–	4
Cash and cash equivalents	–	1
Assets held for sale	358	–
Deferred tax liabilities	–	2
Trade and other payables	–	(5)
Overdraft	–	(2)
Reserves	–	3
Goodwill	–	1
Liabilities held for sale	(93)	–
Total net assets disposed	**265**	6
Profit on disposal (see note 4)	152	–
Disposal proceeds	**417**	6
Net overdraft disposed	–	1
Deferred consideration	(60)	(6)
Net cash inflow from disposals	**357**	1

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

30 Disposal groups and assets held for sale

	Group		Company	
R million	**2010**	2009	**2010**	2009
Property, plant and equipment	12	38	10	37
Forestry assets	–	333	–	333
Total non-current assets	**12**	371	**10**	370
Inventories	–	1	–	1
Total current assets	–	1	–	1
Total assets classified as held for sale	**12**	372	**10**	371
Provisions	–	(2)	–	(2)
Total current liabilities	**–**	(2)	**–**	(2)
Deferred tax liabilities	–	(91)	–	(91)
Total non-current liabilities	**–**	(91)	**–**	(91)
Total liabilities directly associated with assets classified as held for sale	**–**	(93)	**–**	(93)
Net assets	**12**	279	**10**	278

31 Cash flow analysis

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

	Group		Company	
R million	**2010**	2009	**2010**	2009
Profit/(loss) before tax	**579**	78	**337**	(19)
Depreciation and amortisation	842	845	507	505
Share-based payments	18	10	10	6
Share options exercised – Anglo American share scheme	(1)	(4)	(1)	(4)
Non-cash effect of special items	48	227	34	217
Net finance costs/(income)	334	483	(67)	(1)
Net income from associates	(3)	–	–	–
Increase/(decrease) in provisions	37	(18)	20	(22)
Decrease in post-employment benefits	(42)	(29)	(39)	(35)
Decrease in inventories	89	138	103	146
(Increase)/decrease in operating receivables	(50)	497	45	367
(Decrease)/increase in operating payables	(87)	41	(76)	(75)
Fair value gains on forestry assets	(349)	(323)	(208)	(243)
Felling costs	635	581	496	455
Loss/(profit) on disposal of tangible and intangible assets	2	(53)	4	(53)
(Increase)/decrease in held for trading derivatives	(6)	20	(13)	23
Other impairments	–	(1)	–	(11)
Other adjustments	(26)	26	2	7
Cash generated from operations	**2,020**	2,518	**1,154**	1,263

31 Cash flow analysis (continued)

(b) Cash and cash equivalents

R million	Group 2010	Group 2009	Company 2010	Company 2009
Cash and cash equivalents per statement of financial position	216	422	8	4
Bank overdrafts included in short-term borrowings	(437)	(621)	(433)	(616)
Net cash and cash equivalents per statement of cash flows	**(221)**	(199)	**(425)**	(612)

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

(c) Movement in net debt

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

Group						
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 2009	149	(1,142)	(3,727)	–	–	(4,720)
Cash flow	(98)	891	59	–	–	852
Disposal of businesses (see note 29)	1	–	–	–	–	1
Reclassifications	(251)	(677)	929	–	–	1
At 31 December 2009	(199)	(928)	(2,739)	–	–	(3,866)
Cash flow	(22)	914	(189)	–	–	703
Movement in unamortised loan costs	–	–	(3)	–	–	(3)
Reclassifications	–	(1,364)	1,364	4	–	4
At 31 December 2010	**(221)**	**(1,378)**	**(1,567)**	**4**	**–**	**(3,162)**

Company						
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 2009	(132)	(640)	(1,819)	1	2,096	(494)
Cash flow	(230)	640	(270)	–	317	457
Reclassifications	(250)	(566)	819	(1)	(107)	(105)
At 31 December 2009	(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**

Note:

[1] Excludes overdrafts, which are included as cash and cash equivalents. As at 31 December 2010, short-term borrowings on the statement of financial position for the Group and Company of R1,815 million and R1,719 million, respectively (2009: R1,549 million and R1,182 million, respectively), include R437 million and R433 million of overdrafts, respectively (2009: R621 million and R616 million, respectively).

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

32 Capital commitments

	Group		Company	
R million	**2010**	2009	**2010**	2009
Contracted for but not provided	**242**	135	**92**	56
Approved, not yet contracted for	**365**	414	**321**	357

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

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.

33 Contingent liabilities and contingent assets

Contingent liabilities for the Group and Company comprise aggregate amounts at 31 December 2010 of R98 million and R74 million, respectively (2009: R84 million and R71 million, respectively) in respect of loans and guarantees given to banks and other third parties.

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

There were no significant contingent assets for the Group and Company for both the years presented.

34 Operating leases

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

	Group		Company	
R million	**2010**	2009	**2010**	2009
Expiry date				
Within one year	199	251	139	195
One to two years	189	245	117	173
Two to five years	393	635	239	471
After five years	428	526	97	151
Total operating leases	**1,209**	1,657	**592**	990

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

In addition to the above, the Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The operating lease commitment and annual escalation rate are renegotiated every five years. The operating lease charge recorded in the Group's consolidated income statement amounted to R8 million (2009: R8 million). There are 60 years remaining on the lease. The operating lease commitments of this lease are not included in the table above.

35 Capital management

The Group and Company review their total capital employed on a regular basis and make use of several indicative ratios which are appropriate to the nature of the Group's operations and 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.

36 Financial risk management

The Group's and Company's trading and financing activities expose them to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group and Company are actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's and 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 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. Local treasury teams assist Group treasury in the management of financial risk exposures and are authorised to enter into derivative contracts locally, subject to pre-agreed and constantly reviewed limits. The Group and Company do not take speculative positions on derivative contracts and only enter into contractual arrangements with counterparties that have investment grade credit ratings.

Market risk

The Group's and Company's activities expose them 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 Group's and 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 Group and Company.

Foreign exchange risk

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

Foreign exchange contracts

The Group's and Company's foreign exchange policy require their subsidiaries to actively manage foreign currency exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group and Company, whichever is more commercially appropriate.

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 to incorporate the underlying foreign exchange movements and any such movements naturally off-set fair value movements on related foreign exchange contracts.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's and 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 Group's and Company's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group and Company operate in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's and 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.

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

36 Financial risk management (continued)

Resultant impacts of reasonably possible changes to foreign exchange rates
The Group and Company believe that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. The corresponding fair value impacts on the Group's consolidated income statement would be +/-R3 million (2009: +/-R2 million).

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been Rnil (2009: 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 Group and Company hold cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group and Company are exposed to interest rate risk. Although the Group and Company have fixed rate debt in issue, the Group's and Company's accounting policy stipulates that all borrowings are held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

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

Management of variable rate debt
The Group and Company have 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 Group's and 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.

Net variable rate debt sensitivity analysis
The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on the Group's consolidated income statement. A 50 basis points movement in the interest rate will impact the earnings for the year by R13 million (2009: R14 million).

Credit risk

The Group's and 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 Group and 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 Group or Company as a whole. Full disclosure of the Group's and Company's maximum exposure to credit risk is presented in the following table.

36 Financial risk management (continued)

Exposure to credit risk

R million	Group 2010	Group 2009	Company 2010	Company 2009
Cash and cash equivalents	216	422	8	4
Derivative financial instruments	19	7	17	3
Trade and other receivables (excluding prepayments and accrued income)	2,221	2,132	1,174	1,155
Loans and receivables[1]	137	81	13	8
Total credit risk exposure	**2,593**	2,642	**1,212**	1,170

Note:
[1] Loans and receivables excludes amounts owing by related parties.

Credit risk associated with trade receivables

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

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group and Company believe that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total trade receivables balance of R1,997 million (2009: R1,982 million) included in trade and other receivables reported in the consolidated statement of financial position (see note 17), credit insurance covering R394 million (2009: R400 million) of the total balance has been taken out by the Group's trading entities 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 Group and Company could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group and Company manage their liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

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

R million	Group 2010	Group 2009	Company 2010	Company 2009
Expiry date				
In one year or less	140	146	–	–
In more than one year	–	–	–	–
Total credit available	**140**	146	**–**	–

The Group has R752 million (2009: R553 million) available to draw down on its uncommitted loan facilities.

Forecast liquidity represents the Group's and Company's expected cash inflows, principally generated from sales made to customers, less the Group's and 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 Group's and Company's trade receivables and trade payables respectively. The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the statement of financial position and is managed to ensure the ongoing operating liquidity of the Group and Company. Financing cash outflows may be longer-term in nature. The Group and Company do 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 Group's and Company's borrowings. The Group and Company also assess their commitments under interest rate swaps, which hedge future cash flows from two to five years from the reporting date presented.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

36 Financial risk management (continued)

Contractual maturity analysis

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

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

Maturity profile of outstanding financial liabilities

	Group				
2010/R million	**<1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**[1]
Bank loans and overdrafts	1,797	445	954	–	3,196
Other loans	2	2	7	126	137
Finance leases	16	15	14	4	49
Total borrowings	**1,815**	**462**	**975**	**130**	**3,382**
Interest on borrowings	283	144	174	1	602
Trade and other payables (see note 18)	1,621	–	–	–	1,621
Total undiscounted cash flows	**3,719**	**606**	**1,149**	**131**	**5,605**

	Group				
2009/R million	<1 year	1-2 years	2-5 years	5+ years	Total[1]
Bank loans and overdrafts	1,531	1,355	1,200	–	4,086
Other loans	2	2	7	129	140
Finance leases	16	17	24	5	62
Total borrowings	1,549	1,374	1,231	134	4,288
Interest on borrowings	528	181	263	–	972
Trade and other payables (see note 18)	1,728	–	–	–	1,728
Total undiscounted cash flows	3,805	1,555	1,494	134	6,988

	Company				
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 18)	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.

36 Financial risk management (continued)

2009/R million	Company				
	<1 year	1-2 years	2-5 years	5+ years	Total[1]
Bank loans and overdrafts	1,085	1,167	89	–	2,341
Finance leases	4	4	10	–	18
Other loans	93	–	–	–	93
Total borrowings	1,182	1,171	99	–	2,452
Interest on borrowings	294	65	4	–	363
Trade and other payables (see note 18)	821	–	–	–	821
Total undiscounted cash flows	2,297	1,236	103	–	3,636

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

Maturity profile of outstanding derivative positions

2010/R million	Group			
	<1 year	**1-2 years**	**2-5 years**	**Total**[1]
Foreign exchange contracts	10	–	–	10
Interest rate swaps	(16)	(11)	–	(27)
Discounted cash profile of derivatives	**(6)**	**(11)**	**–**	**(17)**
Discounting and interest	(1)	(1)	–	(2)
Total undiscounted cash flows	**(7)**	**(12)**	**–**	**(19)**

2009/R million	Group			
	<1 year	1-2 years	2-5 years	Total[1]
Foreign exchange contracts	4	–	–	4
Interest rate swaps	(11)	(6)	(2)	(19)
Discounted cash profile of derivatives	(7)	(6)	(2)	(15)
Discounting and interest	(1)	(1)	–	(2)
Total undiscounted cash flows	(8)	(7)	(2)	(17)

2010/R million	Company			
	<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.

Notes to the financial statements and consolidated financial statements

continued

for the year ended 31 December 2010

36 Financial risk management (continued)

	Company			
2009/R million	<1 year	1-2 years	2-5 years	Total[1]
Foreign exchange contracts	2	–	–	2
Discounted cash profile of derivatives	2	–	–	2
Discounting and interest	–	–	–	–
Total undiscounted cash flows	2	–	–	2

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 consolidated 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 Group and Company specific estimates.

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

37 Related party transactions

The Group and Company have related party relationships with their associates and joint ventures (see note 38). Transactions between the Company and its respective subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group and Company and their 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 Group and Company have a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

The DLC executive committee is deemed to comprise the key management personnel of the Group. Their remuneration, including that of the executive directors who serve on this committee, is disclosed in the remuneration report and in the combined and consolidated financial statements of the Mondi Group.

37 Related party transactions (continued)

2010/R million	Group Joint ventures	Group Mondi plc subsidiaries
Sales to related parties	119	1,443
Purchases from related parties	6	6
Receivables due from related parties	71	250
Payables due to related parties	1	7

2009/R million	Group Joint ventures	Group Mondi plc subsidiaries
Sales to related parties	51	1,784
Purchases from related parties	7	2
Receivables due from related parties	24	301
Payables due to related parties	5	65

	Company			
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	–
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

	Company			
2009/R million	Joint ventures	Mondi plc subsidiaries	Subsidiaries	Mondi Incentive Schemes Trust
Sales to related parties	–	1,677	737	–
Purchases from related parties	3	1	265	–
Net finance income	12	–	295	–
Loans to related parties	121	–	2,074	–
Receivables due from related parties	121	273	245	–
Payables due to related parties	11	62	103	–
Shareholder’s loan to related parties	128	–	239	–
Total borrowings from related parties	–	–	93	–
Investment	–	–	–	2

Notes to the financial statements and consolidated financial statements
continued

for the year ended 31 December 2010

37 Related party transactions (continued)

Cyril Ramaphosa, joint chairman of Mondi, has a 33.1% (2009: 34.3%) stake in Shanduka Group (Proprietary) Limited. The Group and Company, in their 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:

	Group		Company	
R million	**2010**	2009	**2010**	2009
Fees paid for management services provided	–	5	–	–
Purchases from Shanduka Group	183	142	121	106
Shareholders' loan due to Shanduka Group	260	260	–	–
Payables due to Shanduka Group	6	5	5	3

38 Group companies

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

	Country of incorporation	Business	Percentage equity owned[1]	
			2010	2009
Subsidiary undertaking				
Mondi Packaging South Africa (Proprietary) Limited[2]	South Africa	Packaging	70	70
Siyaqhubeka Forests (Proprietary) Limited	South Africa	Forestry	51	51
Joint venture				
Mondi Shanduka Newsprint (Proprietary) Limited[3,4]	South Africa	Newsprint	50	50

Notes:
1 This represents the percentage of equity owned and the proportion of voting rights held by the Group.
2 Consolidated at 75% due to the contractual arrangement with the subsidiary's employee share ownership trust.
3 The presumption of significant influence over this entity does not apply because the economic activities of this entity are jointly controlled under a contractual arrangement that has been entered into with the venturer party.
4 Due to the contractual arrangements with the entity's employee share and community ownership trust, shareholdings are proportionately consolidated at 58%.

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

The Group's share of profits from subsidiary entities, excluding joint ventures, for the year ended 31 December 2010 is R54 million (2009: losses of R47 million).

39 Events occurring after 31 December 2010

With the exception of the proposed final dividend for 2010, included in note 8, there have been no material reportable events since 31 December 2010.

Shareholders' information

Shareholders' analysis

As at 31 December 2010 Mondi Limited had 146,896,322 ordinary shares in issue, of which 2,527,204 were held as Depositary Interests.

On 29 November 2010 Mondi Limited gave notice to the Depositary to terminate the Depositary Interest facility and therefore the Deed Poll dated the 29 May 2007. The termination of the Depositary Interests takes effect on 7 March 2011.

By size of holding

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
33,580	94.61	1 – 500	1,023,549	0.70
610	1.72	501 – 1,000	448,424	0.30
607	1.71	1,001 – 5,000	1,302,302	0.89
421	1.19	5,001 – 50,000	8,133,332	5.54
246	0.69	50,001 – 1,000,000	48,611,433	33.09
29	0.08	1,000,001 – highest	87,377,282	59.48
35,493	100.00		146,896,322	100.00

By type of holding

	Number of shareholders	Number of shares	% of shares
Public[1]	35,489	146,552,695	99.77
Non-public	4	343,627	0.23
Directors of Mondi Limited/Mondi plc	*3*	*5,360*	*0.00*
Mondi staff share schemes[2]	*1*	*338,267*	*0.23*
Total	35,493	146,896,322	100.00

[1] As per the Listings Requirements of the JSE Limited.
[2] Shares held for the purposes of Mondi staff share schemes are held in trust on behalf of scheme participants.

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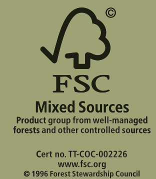
For further information, please see:

Mondi Group
Annual report and accounts 2010

Mondi Group
Sustainable Development Review 2010

www.mondigroup.com
www.mondigroup.com/sustainability



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Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. Among the important factors that could cause Mondi's actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those discussed under Principal risks and uncertainties, on page 31 of the Mondi Group annual report and accounts 2010. These forward-looking statements speak only as of the date on which they are made. Mondi expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Mondi's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.