Mondi Limited

Annual report and accounts 2009

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.

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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 in respect of the following matters:

- Cyril Ramaphosa, joint chairman, was not considered independent upon appointment;
- with the departure of Sir John Parker, joint chairman, on 4 August 2009 when he took up the chairmanship of Anglo American plc, and pending the appointment of John Nicholas on 2 October 2009, the Boards comprised of three executive directors and three non-executive directors, excluding the joint chairmen. This was a temporary position and resulted from the need to undertake a thorough recruitment process to appoint an independent non-executive director who had relevant financial experience to chair the DLC audit committee;
- in light of David Williams's prior involvement in the demerger of Mondi from Anglo American plc, his ongoing relationship with the Mondi Group and relevant business experience, he was appointed joint chairman on 4 August 2009 in place of Sir John Parker as an internal candidate; and
- also as a result of the aforementioned need to undertake a thorough recruitment process, David Williams remained as chair of the DLC audit committee pending the appointment of John Nicholas on 2 October 2009. No DLC audit committee meetings were held during the period between August and October.

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 2009 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 of Europe and South Africa, locations important to Mondi's operations.

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 and shareholder approval.

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.

Directors	Mondi Limited board (one meeting)	DLC board (six meetings)
Sir John Parker*	1	4
Cyril Ramaphosa	1	6
David Williams	1	6
David Hathorn	1	6
Andrew King	1	6
Colin Matthews	1	6
Imogen Mkhize	1	6
John Nicholas**	n/a	2
Peter Oswald	1	6
Anne Quinn	1	6

* Sir John Parker resigned from the boards of both Mondi Limited and Mondi plc on 4 August 2009.

** John Nicholas was appointed a director of both Mondi Limited and Mondi plc on 2 October 2009.

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. While 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 90). 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 was appointed senior independent director in August 2009, in place of David Williams. One of her key responsibilities since being appointed has been to chair a meeting of the non-executive directors at which the performance of the joint chairmen was considered. She will be 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	DLC audit committee (four meetings)
Colin Matthews	4
John Nicholas* (chairman)	1
Anne Quinn	4
David Williams* (former chairman)	3

* John Nicholas was appointed as chairman of the committee on 2 October 2009 and David Williams resigned from the committee on that date.

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.

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 and independence of the external auditors is maintained. Deloitte & Touche was appointed as the Group's external auditors at the time of the demerger of Mondi from Anglo American plc in July 2007. 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 a review by the committee of the effectiveness of the external auditors, a recommendation was made to, and accepted by, the board that a resolution to reappoint Deloitte & Touche be proposed at the annual general meeting of Mondi Limited in May 2010.

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 Boards consider that John Nicholas, who replaced David Williams as chairman of the committee in October 2009, has appropriate, 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.
In addition, each of the members of the DLC audit committee has 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 DLC audit committee has concluded that it is satisfied that auditor independence and objectivity have been maintained.

DLC nominations committee

Members	DLC nominations committee (three meetings)
Colin Matthews	3
Imogen Mkhize	3
John Nicholas*	1
Sir John Parker** (former chairman)	2
Anne Quinn	3
Cyril Ramaphosa	3
David Williams (chairman)	3

* John Nicholas was appointed as a committee member on 2 October 2009.

** Sir John Parker resigned on 4 August 2009 and David Williams took over as committee chairman.

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	DLC remuneration committee (four meetings)
Colin Matthews	4
Imogen Mkhize	4
Anne Quinn (chairman)	4
David Williams	4

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

DLC sustainable development committee

Members	DLC sustainable development committee (six meetings)
David Hathorn	6
Colin Matthews (chairman)	6
Sir John Parker*	4
Anne Quinn*	2

* Sir John Parker resigned on 4 August 2009 and was replaced as a member of the committee by Anne Quinn.

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, received detailed reports 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 Group risks. This system, which complies with the corporate governance codes effective in South Africa and the UK during the period under review, supports the Boards in discharging their responsibility for ensuring that the wide range of risks associated with Mondi's diverse international operations is effectively managed.

Risk management

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

Whistle-blowing programme

During 2009 the Mondi Group operated a whistle-blowing programme in all its South African operations.

Dealing in securities

The Boards have adopted a share dealing code for dealing in securities of Mondi Limited and Mondi plc which is based on regulatory and governance best practice. The code sets out the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Mondi Group pending its public release and availability to shareholders and other interested parties. The code is reviewed and updated regularly 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 2009.

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 28.41150 cents per ordinary share was declared to shareholders registered on 28 August 2009 and was paid on 15 September 2009.

The directors have proposed a final dividend of 73.54690 cents per ordinary share to shareholders registered on 23 April 2010.

The final dividend is subject to the approval of shareholders of Mondi Limited at the annual general meeting scheduled for 6 May 2010 and, if approved, will be paid on 19 May 2010.

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 Company's and the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group business review in the Mondi Group annual report. The financial position of the Company and the Group, their cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 16 to 91. In addition, notes 36 and 37 to the financial statements include the Company's and the 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 risk and liquidity risk.

Market risk is mitigated by the Company's and the Group's geographic

Director details

The following directors have held office during the year ended 31 December 2009:

Name of director	Capacity	Effective date of appointment
David Hathorn	Executive	7 May 1997
Andrew King	Executive	23 October 2008
Colin Matthews	Non-executive	23 May 2007
Imogen Mkhize	Non-executive	23 May 2007
John Nicholas	Non-executive	2 October 2009
Peter Oswald	Executive	1 January 2008
Sir John Parker	Non-executive	23 May 2007
Anne Quinn	Non-executive	23 May 2007
Cyril Ramaphosa	Non-executive	3 December 2004
David Williams	Non-executive	23 May 2007

Sir John Parker, joint chairman, originally appointed on 23 May 2007, resigned on 4 August 2009.

spread, product and customer diversity. This is further mitigated by the Company's and the Group's strategy of focusing on being a cost leader in its chosen markets, supported by proactive cost-cutting initiatives by management. Recent management actions to improve cash flow generation through enhanced working capital management and a reduction in capital expenditure serve to improve the Company's and the Group's liquidity position.

The Group has sufficient undrawn facilities as at 31 December 2009 to provide it with sufficient liquidity to meet the present requirements of its businesses.

The Mondi Group has been assessed a going concern.

As a consequence, the directors believe that the Company and the Group are well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group 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 27 to the financial statements.

Auditors

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

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

Deloitte & Touche has indicated its willingness to continue as auditors of Mondi Limited. The board has decided that a resolution to reappoint them will be proposed at the annual general meeting of Mondi Limited scheduled to be held on 6 May 2010.

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 6 May 2010 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 Group's website at: www.mondigroup.com.

By order of the board

Philip Laubscher
Company secretary
Mondi Limited

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22 February 2010

Directors' remuneration

for the year ended 31 December 2009

Executive directors' remuneration

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

		Salary[2]	Annual cash bonus	Value of deferred shares awarded	Other cash benefits	Non-cash benefits	Total
David Hathorn	**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)
	2008	€968,826 (R11,742,977)	€232,224 (R2,968,216)	€232,224 (R2,968,216)	€30,127 (R365,168)	€23,736 (R282,466)	€1,487,137 (R18,327,043)
Andrew King[1]	**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)
	2008	€92,122 (R1,216,004)	€20,991 (R268,303)	€20,991 (R268,303)	€4,199 (R55,655)	€930 (R12,286)	€139,233 (R1,820,551)
Peter Oswald[1]	**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)
	2008	€800,000 (R9,779,086)	€168,000 (R2,147,326)	€168,000 (R2,147,326)	€255 (R3,105)	€29,691 (R356,236)	€1,165,946 (R14,433,079)

1 For Andrew King the table covers all remuneration from his appointment to the Boards on 23 October 2008 and for Peter Oswald the table covers all remuneration from his appointment to the Boards on 1 January 2008.

2 The salaries of David Hathorn (£775,000) and Peter Oswald (€800,000) remained constant in local currency terms from 2008 to 2009 and Andrew King's salary (£400,000) remained constant from the date of his appointment to the Boards (23 October 2008) to the end of 2009.

Andrew King's salary has been increased from €449,438 (R5,249,436) to €483,146 (R5,643,145) with effect from 1 January 2010 to reflect his performance and increasing experience in the role of chief financial officer. In light of the ongoing difficult economic circumstances David Hathorn, Peter Oswald and the other Mondi DLC executive committee members have agreed that they will, as in 2009, not be considered for a salary increase during 2010. Their salaries will next be reviewed with effect from 1 January 2011.

Non-executive directors' remuneration

	2009			2008		
	Fees	**Other benefits**	**Total**	Fees	Other benefits	Total
Sir John Parker[1]	€268,493 (R3,181,101)	– –	€268,493 (R3,181,101)	€488,800 (R6,071,412)	– –	€488,800 (R6,071,412)
Cyril Ramaphosa[1]	€356,641 (R4,145,263)	– –	€356,641 (R4,145,263)	€437,987 (R5,461,171)	– –	€437,987 (R5,461,171)
David Williams[1]	€175,565 (R1,965,574)	– –	€175,565 (R1,965,574)	€104,727 (R1,310,526)	– –	€104,727 (R1,310,526)
Colin Matthews	€90,957 (R1,044,025)	– –	€90,957 (R1,044,025)	€89,851 (R1,125,484)	– –	€89,851 (R1,125,484)
Imogen Mkhize	€71,155 (R822,544)	– –	€71,155 (R822,544)	€81,669 (R1,018,516)	– –	€81,669 (R1,018,516)
John Nicholas[2]	€25,354 (R273,769)	– –	€25,354 (R273,769)	– –	– –	– –
Anne Quinn	€94,117 (R1,078,247)	– –	€94,117 (R1,078,247)	€96,173 (R1,204,277)	– –	€96,173 (R1,204,277)

1 For 2009, the fee paid to Sir John Parker covers the period until 4 August 2009, when he resigned as joint chairman. Until 4 August 2009 the joint chairmen's fees were capped at €449,438 (R5,249,436) per annum, comprising a core fee of €292,135 (R3,412,137) 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 €280,899 (R3,280,900) per annum with no supplemental fees for their additional commitments.

2 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 Group. The contributions paid by the Group in respect of the years 2009 and 2008 are:

	Group contribution	
	2009	2008
David Hathorn	€261,236 (R3,015,483)	€290,648 (R3,362,295)
Andrew King	€112,360 (R1,296,982)	€32,815 (R429,417)[1]
Peter Oswald	€200,000 (R2,514,960)	€200,000 (R2,394,293)

1 From 23 October 2008.

Share awards and other deferred 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	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2009	Release date
David Hathorn	BSP	35,156	–	–	6547	Mar 08	35,156	Mar 11
	BSP	–	38,122	–	2301	Mar 09	38,122	Mar 12
	LTIP	84,336	–	–	6423	Aug 07	84,336	Mar 10
	LTIP	95,308	–	–	6547	Mar 08	95,308	Mar 11
	LTIP	–	256,070	–	2301	Mar 09	256,070	Mar 12
Andrew King	BSP	–	15,741	–	2301	Mar 09	15,741	Mar 12
	LTIP	–	90,628	–	2301	Mar 09	90,628	Mar 12

Mondi plc

	Type of award[1,2]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2009	Release date
David Hathorn	BSP	59,677	–	–	464	Aug 07	59,677	Mar 10
	BSP	88,877	–	–	394	Mar 08	88,877	Mar 11
	BSP	–	110,393	–	129	Mar 09	110,393	Mar 12
	LTIP	191,407	–	–	464	Aug 07	191,407	Mar 10
	LTIP	240,959	–	–	394	Mar 08	240,959	Mar 11
	LTIP	–	735,950	–	129	Mar 09	735,950	Mar 12
	Transitional	152,017	–	152,017	464	Aug 07	–	Mar 09
	Co-Investment	538,795	–	–	464	Aug 07	538,795	Jul 11
Andrew King[3]	BSP	13,012	–	–	464	Aug 07	13,012	Mar 10
	BSP	35,026	–	–	394	Mar 08	35,026	Mar 11
	BSP	–	45,582	–	129	Mar 09	45,582	Mar 12
	LTIP	64,656	–	–	464	Aug 07	64,656	Mar 10
	LTIP	98,985	–	–	394	Mar 08	98,985	Mar 11
	LTIP	–	260,465	–	129	Mar 09	260,465	Mar 12
	Transitional	5,050	–	5,050	464	Aug 07	–	Mar 09
	Demerger	70,044	–	70,044	464	Aug 07	–	Jul 09

Mondi plc (continued)

	Type of award[1,2]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2009	Release date
Peter Oswald[3]	BSP	39,707	–	–	464	Aug 07	39,707	Mar 10
	BSP	67,803	–	–	394	Mar 08	67,803	Mar 11
	BSP	–	115,923	–	129	Mar 09	115,923	Mar 12
	LTIP	111,605	–	–	464	Aug 07	111,605	Mar 10
	LTIP	186,270	–	–	394	Mar 08	186,270	Mar 11
	LTIP	–	662,417	–	129	Mar 09	662,417	Mar 12
	Transitional	13,351	–	13,351	464	Aug 07	–	Mar 09
	Demerger	334,139	–	334,139	464	Aug 07	–	Jul 09

The following table sets out the other deferred awards granted to executive directors.

	Type of award	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards released during year	Award price basis	Awards held as at 31 December 2009	Release date
Andrew King[4]	DMCP	€53,676 (R692,462)	–	€53,676 (R692,462)	–	–	Mar 09
Peter Oswald[4]	DMCP	€362,403 (R4,181,728)	–	€362,403 (R4,181,728)	–	–	Mar 09

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.

3 Peter Oswald was appointed to the Boards on 1 January 2008 and Andrew King was appointed to the Boards on 23 October 2008.

4 The Deferred Mondi Cash Pool (DMCP) relates to payments of deferred cash promised in lieu of a 2006 Anglo American Long-Term Incentive Plan award during the planning of Mondi's demerger from Anglo American plc. Awards equal to 100% (King) and 117% (Oswald) of the cash bonus paid in March 2007 in respect of the 2006 performance year were deferred for payment with interest until March 2009. Neither Andrew King nor Peter Oswald were executive directors on the Mondi Boards when the awards were made.

Directors' remuneration continued

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 2009	Exercise Period
David Hathorn	5,299[1]	–	5,299	317	Mar 08	–	1 May 13 – 31 Oct 13
	–	15,808	–	99	Mar 09	15,808	1 May 14 – 31 Oct 14
Andrew King	5,299[1]	–	5,299	317	Mar 08	–	1 May 13 – 31 Oct 13
	–	15,808	–	99	Mar 09	15,808	1 May 14 – 31 Oct 14

[1] Sharesave options granted in March 2008 lapsed in full on 27 March 2009.

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 2009
David Hathorn	616	688	688	–	1,992
Andrew King	1,060	688	688	–	2,436

[1] David Hathorn and Andrew King each acquired 34 partnership shares and were awarded 34 matching shares on 8 January 2010 and each acquired 36 partnership shares and were awarded 36 matching shares on 5 February 2010.

Directors' beneficial share interests

The beneficial share interests of the directors and their connected persons as at 1 January 2009 or, if later, on appointment, and as at 31 December 2009 were as follows:

	1 January 2009	31 December 2009
Mondi Limited		
David Hathorn	1,066	1,066
Andrew King	802	802
Imogen Mkhize	4,000	4,000
Total	**5,868**	**5,868**
Mondi plc		
Cyril Ramaphosa	7,050	7,050
David Williams	5,000	5,000
David Hathorn	403,086	493,107
Andrew King	48,947	110,026
Colin Matthews	5,825	5,825
Imogen Mkhize	–	–
John Nicholas	–	6,000
Peter Oswald	160,000	201,889
Anne Quinn	11,882	11,882
Total	**641,790**	**840,779**

There has been no change in the interests of the directors and their connected persons between 31 December 2009 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 2009 was R42.00 and the range during the period between 1 January 2009 and 31 December 2009 was R22.20 (low) and R45.50 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2009 was £3.35 and the range during the period between 1 January 2009 and 31 December 2009 was £1.2075 (low) to £3.595 (high).

Directors' responsibility statement

The directors are responsible for preparing the annual report, directors' remuneration report and the financial statements in accordance with applicable law 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 (IFRSs).

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 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 IFRSs 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 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

22 February 2010

Andrew King
Director

22 February 2010

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

22 February 2010

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 2009 which comprise the directors' report, the consolidated income statement and the income statement, the consolidated statement of comprehensive income and the statement of comprehensive income, the consolidated statement of financial position and the statement of financial position, 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 2 to 40.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2009, and of its 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

22 February 2010

Deloitte & Touche
Registered Auditors
Building 1 and 2, 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** Tax, Legal and Risk Advisory **L Geeringh** Consulting **L Bam** Corporate Finance **CR Beukman** Finance **TJ Brown** Clients & Markets **NT Mtoba** Chairman of the Board **CR Qually** Deputy Chairman of the Board.

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

Income statements

for the year ended 31 December 2009

R million	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Revenue	2	**11,137**	12,698	**5,568**	7,080
Materials, energy and consumables used		(5,371)	(5,705)	(2,785)	(3,182)
Variable selling expenses		(1,430)	(1,785)	(864)	(1,176)
Gross margin		**4,336**	5,208	**1,919**	2,722
Maintenance and other indirect expenses		(631)	(695)	(335)	(406)
Personnel costs		(1,773)	(1,720)	(766)	(748)
Other net operating expenses		(355)	(350)	(85)	(53)
Depreciation, amortisation and impairments		(845)	(820)	(505)	(496)
Operating profit before special items		**732**	1,623	**228**	1,019
Operating special items	4	(171)	(5)	(248)	(3)
Operating profit/(loss)	2/3	**561**	1,618	**(20)**	1,016
Net income from associates	13	–	3	–	–
Total profit/(loss) from operations and associates		**561**	1,621	**(20)**	1,016
Investment income	5	181	320	418	439
Interest expense	5	(664)	(923)	(417)	(515)
Net finance (costs)/income	5	**(483)**	(603)	**1**	(76)
Profit/(loss) before tax		**78**	1,018	**(19)**	940
Tax charge	6	(123)	(385)	(28)	(335)
(Loss)/profit from continuing operations		**(45)**	633	**(47)**	605
Attributable to:					
Minority interests		**31**	23	**–**	–
Equity holders of the parent company		**(76)**	610	**(47)**	605
Earnings per share (EPS) for (loss)/profit attributable to equity holders of the parent company					
Basic EPS (R cents)	8	**(51.8)**	415.3		
Diluted EPS (R cents)	8	**(51.8)**	413.2		
Basic underlying EPS (R cents)	8	**34.7**	418.7		
Diluted underlying EPS (R cents)	8	**34.4**	416.6		
Basic headline EPS (R cents)	8	**(3.4)**	416.7		
Diluted headline EPS (R cents)	8	**(3.4)**	414.6		

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

Statements of comprehensive income

for the year ended 31 December 2009

		Group		Company	
R million	Notes	**2009**	2008	**2009**	2008
(Loss)/profit for the financial year		**(45)**	633	**(47)**	605
Other comprehensive income:					
Fair value gains/(losses) on cash flow hedges	25	6	(26)	–	–
Actuarial gains/(losses) and surplus restriction on post-retirement benefit schemes	25	91	(14)	74	(7)
Exchange losses on translation of foreign operations	25	–	(7)	–	–
Tax relating to components of other comprehensive income	25	(26)	18	(21)	15
Other comprehensive income for the financial year, net of tax	25	**71**	(29)	**53**	8
Total comprehensive income for the financial year		**26**	604	**6**	613
Attributable to:					
Minority interests		**35**	–	**–**	–
Equity holders of the parent company		**(9)**	604	**6**	613

Statements of financial position

as at 31 December 2009

R million	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Intangible assets	9	689	732	–	–
Property, plant and equipment	10	8,119	8,672	6,077	6,535
Forestry assets	11	2,675	2,801	2,007	2,160
Investments in subsidiaries	12	–	–	2,238	2,035
Investments in associates	13	30	31	–	–
Investments in joint ventures	14	–	–	249	128
Financial asset investments	15	94	47	135	127
Deferred tax assets	23	71	139	–	–
Retirement benefits surplus	24	83	–	79	–
Total non-current assets		**11,761**	12,422	**10,785**	10,985
Inventories	16	1,209	1,376	475	623
Trade and other receivables	17	2,153	2,648	1,160	1,526
Investments in subsidiaries	12	–	–	74	82
Financial asset investments	15	–	1	–	1
Cash and cash equivalents	18	422	357	4	69
Derivative financial instruments	18/21	7	30	3	28
Total current assets		**3,791**	4,412	**1,716**	2,329
Assets held for sale	31	372	1	371	1
Total assets		**15,924**	16,835	**12,872**	13,315
Short-term borrowings	20	(1,549)	(1,350)	(1,182)	(841)
Trade and other payables	19	(1,728)	(1,743)	(821)	(927)
Current tax liabilities		(28)	(13)	–	–
Provisions	22	(65)	(84)	(59)	(81)
Derivative financial instruments	21	(3)	(6)	(1)	(3)
Total current liabilities		**(3,373)**	(3,196)	**(2,063)**	(1,852)
Medium and long-term borrowings	20	(2,739)	(3,727)	(1,270)	(1,819)
Retirement benefits obligation	24	(637)	(649)	(584)	(593)
Deferred tax liabilities	23	(1,710)	(1,779)	(1,429)	(1,485)
Provisions	22	(48)	(49)	(31)	(31)
Other non-current liabilites		(67)	–	–	–
Derivative financial instruments	21	(19)	(98)	–	–
Total non-current liabilities		**(5,220)**	(6,302)	**(3,314)**	(3,928)
Liabilities directly associated with assets classified as held for sale	31	(93)	–	(93)	–
Total liabilities		**(8,686)**	(9,498)	**(5,470)**	(5,780)
Net assets		**7,238**	7,337	**7,402**	7,535
Equity					
Ordinary share capital	27	103	103	103	103
Share premium	27	5,073	5,073	5,073	5,073
Retained earnings and other reserves		1,750	1,884	2,226	2,359
Total attributable to equity holders of the parent company		**6,926**	7,060	**7,402**	7,535
Minority interest in equity		312	277	–	–
Total equity		**7,238**	7,337	**7,402**	7,535

The Group's consolidated financial statements and the Company's financial statements, and related notes 2 to 40, were approved by the board and authorised for issue on 22 February 2010 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Statements of cash flows

for the year ended 31 December 2009

R million	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Cash generated from operations	32a	2,518	2,290	1,263	1,596
Dividends from associates	13	1	3	–	–
Dividends from subsidiaries		–	–	–	1
Income tax paid		(41)	(37)	(13)	(15)
Net cash generated from operating activities		**2,478**	2,256	**1,250**	1,582
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash and cash equivalents	29	(1)	(43)	–	–
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	30	1	–	–	–
Purchases of property, plant and equipment		(524)	(988)	(302)	(519)
Proceeds from the disposal of tangible and intangible assets		64	16	61	8
Investment in forestry assets	11	(465)	(514)	(392)	(435)
Purchases of financial asset investments	15	(9)	–	(8)	–
Proceeds from the disposal of forestry assets		–	9	–	9
Loan (advances to)/repayments from related parties	12/15	(51)	8	(317)	(1,172)
Loan repayments from external parties		12	–	9	–
Interest received		54	175	291	313
Other investing activities		1	(2)	–	–
Net cash used in investing activities		**(918)**	(1,339)	**(658)**	(1,796)
Cash flows from financing activities					
Repayment of short-term borrowings	32c	(891)	(985)	(640)	(91)
(Repayment of)/proceeds from medium and long-term borrowings	32c	(59)	1,503	270	1,511
Interest paid		(560)	(777)	(316)	(375)
Dividends paid to minority interests	7	(4)	(4)	–	–
Dividends paid to equity holders of the parent company	7	(135)	(391)	(135)	(391)
Purchase of treasury shares		(8)	(5)	–	–
Payment of Mondi plc share-based payment charge		(1)	–	(1)	–
Change of ownership interest in subsidiary	12	–	–	–	(244)
Net cash (used in)/generated from financing activities		**(1,658)**	(659)	**(822)**	410
Net (decrease)/increase in cash and cash equivalents		**(98)**	258	**(230)**	196
Cash and cash equivalents at beginning of year[1]		149	(109)	(132)	(328)
Cash movement in the year	32c	(98)	258	(230)	196
Reclassifications	32c	(250)	–	(250)	–
Cash and cash equivalents at end of year[1]		**(199)**	149	**(612)**	(132)

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 32b.

Statements of changes in equity

for the year ended 31 December 2009

	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	Minority interests	Total equity
At 1 January 2008	103	5,073	1,602	222	7,000	257	7,257
Dividends paid	–	–	(391)	–	(391)	(4)	(395)
Total comprehensive income for the year	–	–	610	(6)	604	–	604
Issue of Mondi Limited shares under employee share schemes	–	–	2	(2)	–	–	–
Purchase of treasury shares[2]	–	–	(5)	–	(5)	–	(5)
Share options exercised – Anglo American share scheme	–	–	(49)	–	(49)	–	(49)
Minority share dilution	–	–	(57)	–	(57)	57	–
Adjustments to minority shareholding	–	–	–	–	–	(10)	(10)
Minorities bought out	–	–	–	–	–	(5)	(5)
Other	–	–	–	(42)	(42)	(18)	(60)
At 31 December 2008	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)	–	–	–
Purchase of treasury shares[2]	–	–	(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**

Notes:

[1] Other reserves are analysed further below.

[2] 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 share option schemes (see note 28). The number of ordinary shares held by the Mondi Incentive Schemes Trust at 31 December 2009 was 53,700 shares (2008: 115,000) at an average price of R35.71 per share (2008: R47.51 per share).

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 2008	8	–	–	45	–	169	222
Total comprehensive income for the year	–	(5)	(18)	17	–	–	(6)
Mondi share schemes' charge	12	–	–	–	–	–	12
Issue of Mondi Limited shares under employee share schemes	(2)	–	–	–	–	–	(2)
Call option issued	–	–	–	–	(54)	–	(54)
At 31 December 2008	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)
Minority put option issued	–	–	–	–	5	–	5
At 31 December 2009	**14**	**(5)**	**(13)**	**124**	**(49)**	**169**	**240**

Note:

[1] All movements in other reserves are disclosed net of minority interests. The movements in minority interests as a direct result of the movements in other reserves for the year ended 31 December 2009 are as follows – increase in minority interests related to total comprehensive income for the year of R4 million (2008: decrease of R23 million), a decrease in minority interests related to the call option issued of Rnil (2008: R18 million) and an increase in minority interests related to the minority put option issued of R2 million (2008: Rnil).

R million	Company						
	Mondi Limited share capital	Mondi Limited share premium	Retained earnings	Other reserves[1]	Total attributable to equity holders of the Company	Minority interests	Total equity
At 1 January 2008	103	5,073	1,937	232	7,345	–	7,345
Dividends paid	–	–	(391)	–	(391)	–	(391)
Total comprehensive income for the year	–	–	605	8	613	–	613
Issue of Mondi Limited shares under employee share schemes	–	–	2	(2)	–	–	–
Share options exercised – Anglo American share scheme	–	–	(39)	–	(39)	–	(39)
Other	–	–	–	7	7	–	7
At 31 December 2008	103	5,073	2,114	245	7,535	–	7,535
Dividends paid	–	–	(135)	–	(135)	–	(135)
Total comprehensive income for the year	–	–	(47)	53	6	–	6
Issue of Mondi Limited shares under employee share schemes	–	–	4	(4)	–	–	–
Share options exercised – Anglo American share scheme	–	–	(4)	–	(4)	–	(4)
Shares vested from Mondi Incentive Schemes Trust	–	–	(5)	–	(5)	–	(5)
Other	–	–	–	5	5	–	5
At 31 December 2009	**103**	**5,073**	**1,927**	**299**	**7,402**	**–**	**7,402**

Note:

[1] Other reserves are analysed further below.

Other reserves

R million	Company			
	Share-based payment reserve	Post-retirement benefit reserve	Non-distributable reserves	Total
At 1 January 2008	5	58	169	232
Total comprehensive income for the year	–	8	–	8
Mondi share schemes' charge	7	–	–	7
Issue of Mondi Limited shares under employee share schemes	(2)	–	–	(2)
At 31 December 2008	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**

Notes to the financial statements and consolidated financial statements

for the year ended 31 December 2009

1 Accounting policies

Basis of preparation

The consolidated financial statements and financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB). 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.

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 inter-group balances, transactions, income and expenses are eliminated in full. Subsidiary undertakings are those entities over which the Group has the power, directly or indirectly, to govern operating and financial policy in order to gain economic benefits.

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

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

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

Associates

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

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

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's or no more than three months prior to that date. Where reporting dates are not coterminous, adjustments are made to an associate's net income for the effects of significant transactions or events that occur after the associate's reporting date.

1 Accounting policies (continued)

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

Joint venture entities

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

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

Revenue recognition

Sale of goods

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

Sale of green energy and CO_2 credits

Revenues generated from the sale of green energy and excess 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 basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

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

Operating profit

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

Business combinations and goodwill arising thereon

Identifiable net assets

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

Cost of a business combination

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

Goodwill

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

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

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

1 Accounting policies (continued)

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

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

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

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

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

Assets in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated down to their residual values at varying rates, on the straight-line basis over their estimated useful lives. Estimated useful lives normally vary between three years and 20 years for items of plant and equipment to a maximum of 50 years for buildings.

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

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

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.

Research expenditure is written off in the year in which it is incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. The amount of development costs, if applicable, that is recognised as an asset is amortised on a systematic basis over the economic life of the related development or five years, whichever is shorter. If a project is abandoned during the development stage, the total accumulated expenditure is written off.

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 pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

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

Owned forestry assets

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

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

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

Non-current assets held for sale and discontinued operations

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

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

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

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

Current non-financial assets

Inventory

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

Defined contribution plans

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

1 Accounting policies (continued)

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

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately 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's schemes.

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. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group 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 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.

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

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

1 Accounting policies (continued)

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.

Finance leases

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

Provisions

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

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions by companies comprising the Group 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 retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation 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 and Company's results are presented in rands (the Group and Company's presentation currency), the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group 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 equity. Such translation differences are recognised as income or expenses in the period in which overseas operations are disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate.

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 its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Financial instruments

Financial assets and financial liabilities are recognised in the 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.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

1 Accounting policies (continued)

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 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.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

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. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, where the time value of money has a material impact, discounted at the effective interest rate computed at initial recognition.

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

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

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

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

1 Accounting policies (continued)

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, in accordance with IAS 1, 'Presentation of Financial Statements', even when their actual maturity is expected to be greater than one year.

Changes in the fair value of 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 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 or Company's cash flow hedge reserve in equity are recognised in the income statement in the same year in which the hedged item affects profit or loss on a proportionate basis.

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in 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 at that time 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.

Embedded derivatives

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

Equity instruments, 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. A financial instrument is treated by the Group and Company as equity if:

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

Share issue costs

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

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

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 meetings and interim dividends are recognised when approved by the board.

Special items

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

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-GAAP measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the JSE Listings Requirements and is not necessarily a measure of sustainable earnings. It 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 chief operating decision-making body. The chief operating decision-making body, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive committee.

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Group and Company

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

1 Accounting policies (continued)

Standards, amendments to published Standards and Interpretations effective during 2009

Standard	Annual periods beginning on or after	Impact on the Group and Company
IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards	1 January 2009	No impact on the Group and Company.
IFRS 2 (AC139) – Share-based Payment	1 January 2009	The impact on the Group and Company is that non-market vesting conditions, other than service and performance conditions, which have always been included in assumptions about the number of awards that are expected to vest, have now been included in the estimate of the fair value of the share awards granted. The amendment did not have a material impact on the Group and Company.
IFRS 7 (AC 144) – Financial Instruments: Disclosures	1 January 2009	No impact on the Group and Company.
IFRS 8 (AC 145) – Operating Segments	1 January 2009	The impact of the changes is of a presentational and disclosure nature, resulting in minor presentation changes with the reportable segments remaining unchanged.
IAS 1 (AC 101) – Presentation of Financial Statements	1 January 2009	The impact of the changes is of a presentational and disclosure nature, with the most significant impact being the replacement of the statement of recognised income and expense by a statement of comprehensive income and the presentation of a complete statement of changes in equity. The financial results have not been impacted in any way. There has been no impact on the Group and Company resulting from held for trading derivatives reclassified from current liabilities to non-current liabilities.
IAS 7 (AC 118) – Statement of Cash Flows	1 January 2009	The Group and Company do not routinely sell items of property, plant and equipment which it holds for rentals to others and thus the amendment did not have any impact on the Group and Company.
IAS 8 (AC 103) – Accounting Policies, Changes in Accounting Policies and Errors	1 January 2009	No impact on the Group and Company.
IAS 10 (AC 107) – Events after the Balance Sheet Date	1 January 2009	No impact on the Group and Company.
IAS 16 (AC 123) – Property, Plant and Equipment	1 January 2009	The Group and Company do not routinely sell items of property, plant and equipment which it holds for rentals to others and thus the amendment did not have any impact on the Group and Company.
IAS 18 (AC 111) – Revenue	1 January 2009	No material impact on the Group and Company.
IAS 19 (AC 116) – Employee Benefits	1 January 2009	No material impact on the Group and Company.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

1 Accounting policies (continued)

Standard	Annual periods beginning on or after	Impact on the Group and Company
IAS 20 (AC 134) – Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009	The amendment did not have an impact on the Group and Company's reported results as the Group and Company do not receive loans from Government at below market interest rates.
IAS 21 (AC 112) – The Effects of Changes in Foreign Exchange Rates	1 January 2009	No material impact on the Group.
IAS 23 (AC 114) – Borrowing Costs	1 January 2009	The Group and Company's accounting policy already stipulates that such borrowing costs are capitalised, and consequently, this amendment has no impact on the Group and Company.
IAS 27 (AC 132) – Consolidated and Separate Financial Statements	1 January 2009	No material impact on the Group.
IAS 28 (AC 110) – Investments in Associates	1 January 2009	No material impact on the Group.
IAS 29 (AC 124) – Financial Reporting in Hyperinflationary Economies	1 January 2009	No material impact on the Group.
IAS 31 (AC 119) – Interests in Joint Ventures	1 January 2009	No material impact on the Group.
IAS 32 (AC 125) – Financial Instruments: Presentation	1 January 2009	No material impact on the Group and Company.
IAS 34 (AC 127) – Interim Financial Reporting	1 January 2009	The impact of the changes are of a presentational and disclosure nature, with the most significant impact being the replacement of the statement of recognised income and expense by a statement of comprehensive income and the presentation of a complete statement of changes in equity. Furthermore, earnings per share information have been disclosed in the income statement. The financial results have not been impacted in any way.
IAS 36 (AC 128) – Impairment of Assets	1 January 2009	No material impact on the Group and Company.
IAS 38 (AC 129) – Intangible Assets	1 January 2009	No material impact on the Group and Company.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 January 2009	No material impact on the Group and Company.
IAS 40 (AC 135) – Investment Property	1 January 2009	No impact on the Group and Company.
IAS 41 (AC 137) – Agriculture	1 January 2009	No impact on the Group and Company.
IFRIC 13 (AC 446) – Customer Loyalty Programmes	1 July 2008	No impact on the Group and Company.
IFRIC 15 (AC 448) – Agreements for the Construction of Real Estate	1 January 2009	No impact on the Group and Company.
IFRIC 16 (AC 449) – Hedges of a Net Investment in a Foreign Operation	1 October 2008	No impact on the Group and Company.

1 Accounting policies (continued)

Amendments to IAS 39 (AC 133), 'Financial Instruments: Recognition and Measurement' and IFRIC 9 (AC 442), 'Reassessment of Embedded Derivatives', are effective for annual periods ending on or after 30 June 2009. The amendments were a direct result of the previous amendment to IAS 39 (AC 133), 'Financial Instruments: Recognition and Measurement', and IFRS 7 (AC 144), 'Financial Instruments: Disclosures', dealing with the reclassification of certain financial assets out of the fair value through profit and loss category. The current amendments prohibit the reclassification of the host contract out of the fair value through profit and loss category if an entity is unable to separately measure the embedded derivative associated with the host contract on reclassification. The amendment did not have an impact on the Group and Company.

Circular 3/2009, 'Headline Earnings' issued by the South African Institute of Chartered Accountants is effective for all financial periods (interim and/or annual periods) ending on or after 31 August 2009. This circular supersedes Circular 8/2007 as it updated Circular 8/2007 with the amendments and revisions to International Financial Reporting Standards issued between June 2007 and April 2009. The amendments did not have a material impact on the Group and Company's headline earnings information.

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

Standard	Annual periods beginning on or after	Impact on the Group and Company
IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards	1 July 2009	No impact on the Group and Company.
IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards	1 January 2010	No impact on the Group and Company.
IFRS 2 (AC 139) – Share-based Payment	1 July 2009	No impact on the Group and Company.
IFRS 2 (AC 139) – Share-based Payment	1 January 2010	No impact on the Group and Company.
IFRS 3 (AC 140) – Business Combinations	1 July 2009	There will be no impact with regards to existing business combinations. The Group is unable to assess the impact of the application of the Standard in future as such an assessment can only be made on the basis of each individual business combination as and when it occurs.
IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations	1 July 2009	No material impact on the Group and Company.
IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations	1 January 2010	No material impact on the Group and Company.
IFRS 8 (AC 145) – Operating Segments	1 January 2010	No impact on the Group.
IAS 1 (AC 101) – Presentation of Financial Statements	1 January 2010	No material impact on the Group and Company.
IAS 7 (AC 118) – Statement of Cash Flows	1 July 2009	The amendment is unlikely to impact the Group and Company's results in the period of initial adoption, unless there is a transaction whereby control is changed but not lost.
IAS 7 (AC 118) – Statement of Cash Flows	1 January 2010	No impact on the Group and Company.
IAS 10 (AC 107) – Events after the Balance Sheet Date	1 July 2009	No material impact on the Group and Company.

Notes to the financial statements and consolidated financial statements continued

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1 Accounting policies (continued)

Standard	Annual periods beginning on or after	Impact on the Group and Company
IAS 12 (AC 102) – Income Taxes	1 July 2009	No material impact on the Group and Company.
IAS 17 (AC 105) – Leases	1 January 2010	No material impact on the Group and Company.
IAS 18 (AC 111) – Revenue	1 January 2010	No impact on the Group and Company.
IAS 27 (AC 132) – Consolidated and Separate Financial Statements	1 July 2009	Unlikely to have a material impact on the Group, however the main possible impact of the revision is the absorption of losses by non-controlling interests which will increase the profit or loss attributable to equity holders of the Group if there are losses realised in subsidiaries. The change in level of control is unlikely to impact the financial results of the Group because the Group currently accounts for transactions where control is not lost as equity transactions.
IAS 28 (AC 110) – Investments in Associates	1 July 2009	No material impact on the Group.
IAS 31 (AC 119) – Interests in Joint Ventures	1 July 2009	No material impact on the Group.
IAS 36 (AC 128) – Impairment of Assets	1 January 2010	No material impact on the Group and Company.
IAS 38 (AC 129) – Intangible Assets	1 July 2009	No material impact on the Group and Company.
IAS 38 (AC 129) – Intangible Assets	1 January 2010	No material impact on the Group and Company.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 July 2009	No material impact on the Group and Company.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 January 2010	No impact on the Group and Company.
IFRIC 9 (AC 442) – Reassessment of Embedded Derivatives	1 July 2009	No material impact on the Group and Company.
IFRIC 16 (AC 449) – Hedges of a Net Investment in a Foreign Operation	1 July 2009	The Group and Company does not hedge net investments in foreign operations, thus the amendment is expected to have no impact on the Group and Company.
IFRIC 17 (AC 450) – Distributions of Non-cash Assets to Owners	1 July 2009	No impact on the Group and Company.
IFRIC 18 (AC 451) – Transfers of Assets from Customers	1 July 2009	No impact on the Group and Company.

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.

1 Accounting policies (continued)

Estimated residual values and useful economic lives

The carrying values of certain tangible fixed assets are sensitive to assumptions relating to projected residual values and useful economic lives, which determine the depreciable amount and the rate at which capital expenditure is depreciated respectively. The 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.

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 risk-adjusted pre tax rate. Management exercises judgement in the determination of the appropriate discount rate to apply and in the estimation of future net cash flows. Future net cash flows are dependant upon inputs such as rotation age and net selling prices.

Retirement benefits

The Group 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 24.

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		
Uncoated Fine Paper	– Uncoated fine paper – Pulp	– Uncoated fine paper – Pulp – Woodchips
Containerboard	– Corrugated products	– Corrugated products
Mondi Packaging South Africa	– Corrugated products – Recycled fibre	– Corrugated 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 2009

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 under IFRS 8 adhere to the recognition and measurement criteria presented in the Group's accounting policies. In addition, the Group has presented certain non-GAAP 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, however, 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).

Operating segment revenues

Internal and external segment revenues are presented and reconciled to Group revenue, as follows:

	2009			2008		
R million	**Segment revenue**	**Internal revenue[1]**	**External revenue[2]**	Segment revenue	Internal revenue[1]	External revenue[2]
South Africa						
Uncoated Fine Paper	4,496	(653)	3,843	5,730	(570)	5,160
Containerboard	1,414	(419)	995	1,621	(326)	1,295
Intra-segment elimination	(334)	334	–	(260)	260	–
Total South Africa	5,576	(738)	4,838	7,091	(636)	6,455
Mondi Packaging South Africa	5,774	(193)	5,581	5,711	(189)	5,522
Corporate & other businesses	727	(9)	718	730	(9)	721
Segments total	**12,077**	**(940)**	**11,137**	13,532	(834)	12,698
Inter-segment elimination	(940)	940	–	(834)	834	–
Group total	**11,137**	**–**	**11,137**	12,698	–	12,698

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)

The Group's external revenues for each type of product are presented as follows:

R million	2009	2008
Products		
Corrugated products	4,752	5,536
Uncoated fine paper	2,467	3,127
Pulp	729	928
Woodchips	587	1,123
Other[1]	2,602	1,984
Group total	**11,137**	12,698

Note:

1 Revenues derived from product types that are not material in nature are classed as other.

An analysis of the Group's external revenues attributed to the countries, where material, and the continents in which external customers are located, is presented as follows[1]:

R million	2009	2008
Revenues		
Africa		
South Africa[2]	7,396	7,316
Rest of Africa	1,045	1,252
Africa total	8,441	8,568
Western Europe		
Austria	1,716	2,794
Rest of Western Europe	162	159
Western Europe total	1,878	2,953
South America	19	59
Asia and Australia	799	1,118
Group total	**11,137**	12,698

Notes:

1 Revenues by customer location are presented since the Group believes that this provides useful additional information for the user of the Group's financial statements.

2 These revenues, which total R7,396 million (2008: R7,316 million), are attributable to the country in which the Group's parent entity is domiciled.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

2 Operating segments (continued)

An analysis of the Group's external revenues attributed to the countries, where material, and the continents from which revenues are derived, is presented as follows:

R million	2009	2008
Revenues		
Africa		
South Africa[1]	11,023	12,575
Rest of Africa	114	123
Group total	**11,137**	12,698

Note:

[1] These revenues, which total R11,023 million (2008: R12,575 million), are attributable to the country in which the Group's parent entity is domiciled.

Revenues from one customer of the Uncoated Fine Paper segment and from one customer of the Containerboard segment represent approximately R710 million and R968 million, respectively (2008: R1,524 million and R1,269 million, respectively) of the Group's total revenues.

Operating segment operating profit/(loss)

Segment operating profits/(losses) are presented and reconciled to Group profit before tax, as follows:

	Segment operating profit/(loss) before special items[1]		Segment operating profit/(loss) after special items[1/2]	
R million	2009	2008	2009	2008
South Africa				
Uncoated Fine Paper	194	900	(54)	897
Containerboard	201	433	201	433
Total South Africa	395	1,333	147	1,330
Mondi Packaging South Africa	406	319	483	317
Corporate & other businesses	(69)	(29)	(69)	(29)
Segments total	**732**	1,623	**561**	1,618
Net income from associates (see note 13)	–	3	–	3
Net finance costs (see note 5)	(483)	(603)	(483)	(603)
Group profit before tax from continuing operations	**249**	1,023	**78**	1,018

Notes:

[1] Management reviews underlying segment operating profit/(loss) on a regular basis as part of the resource allocation decision-making process and the ongoing assessment of segment performance. Accordingly, segment underlying operating profits/(losses) are presented here. Segment profits/(losses) stated after operating special items are also presented since the Group believes that this provides useful additional information for the user of the Group's financial statements.

[2] Special items are disclosed per operating segment in note 4.

2 Operating segments (continued)

The significant components of operating profit/(loss), as stated before operating special items, are presented by segment as follows:

R million	Depreciation and amortisation 2009	Depreciation and amortisation 2008	Rentals under operating leases 2009	Rentals under operating leases 2008
South Africa				
Uncoated Fine Paper	410	407	50	75
Containerboard	96	88	4	4
Total South Africa	506	495	54	79
Mondi Packaging South Africa	307	296	80	97
Corporate & other businesses	32	29	14	14
Group and segments total	**845**	820	**148**	190

R million	Felling costs 2009	Felling costs 2008	Fair value gains on owned forestry assets 2009	Fair value gains on owned forestry assets 2008
South Africa				
Uncoated Fine Paper	552	489	321	560
Total South Africa	552	489	321	560
Corporate & other businesses	29	26	2	–
Group and segments total	**581**	515	**323**	560

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/(loss) as stated before operating special items.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

2 Operating segments (continued)

Segment assets and liabilities

Segment assets, liabilities and net assets are presented and reconciled to their respective Group totals, as follows:

	2009			2008		
R million	Segment assets[1]	Segment liabilities[2]	Net segment assets	Segment assets[1]	Segment liabilities[2]	Net segment assets
South Africa						
Uncoated Fine Paper	8,565	(982)	7,583	9,336	(1,053)	8,283
Containerboard	1,599	(231)	1,368	1,811	(243)	1,568
Intra-segment elimination	(49)	49	–	(25)	25	–
Total South Africa	10,115	(1,164)	8,951	11,122	(1,271)	9,851
Mondi Packaging South Africa	4,492	(1,038)	3,454	4,690	(922)	3,768
Corporate & other businesses	418	(131)	287	208	138	346
Inter-segment elimination	(286)	286	–	2	(2)	–
Segments total[3]	**14,739**	**(2,047)**	**12,692**	16,022	(2,057)	13,965
Unallocated:						
Investments in associates	30	–	30	31	–	31
Deferred tax assets/(liabilities)	71	(1,710)	(1,639)	139	(1,779)	(1,640)
Other non-operating assets/(liabilities)[4]	568	(641)	(73)	238	(585)	(347)
Group trading capital employed	**15,408**	**(4,398)**	**11,010**	16,430	(4,421)	12,009
Financial asset investments	94	–	94	48	–	48
Net debt[5]	422	(4,288)	(3,866)	357	(5,077)	(4,720)
Group net assets	**15,924**	**(8,686)**	**7,238**	16,835	(9,498)	7,337

Notes:

1 Segment assets are operating assets and at 31 December 2009 consist of property, plant and equipment of R8,119 million (2008: R8,672 million), intangible assets of R689 million (2008: R732 million), forestry assets of R2,675 million (2008: R2,801 million), retirement benefits surplus of R83 million (2008: Rnil), inventories of R1,209 million (2008: R1,376 million) and operating receivables of R1,964 million (2008: R2,441 million).

2 Segment liabilities are operating liabilities and at 31 December 2009 consist of non-interest bearing current liabilities of R1,408 million (2008: R1,408 million), restoration and environmental provisions of R2 million (2008: Rnil) and provisions for post-retirement benefits of R637 million (2008: R649 million).

3 Management reviews net segment assets on a regular basis as part of the resource allocation decision-making process and the ongoing assessment of segment performance. Accordingly, net segment assets and segment liabilities are also presented since the Group believes that this provides useful additional information to the user of the Group's financial statements.

4 Other non-operating assets consist of derivative assets of R7 million (2008: R30 million), current income tax receivables of Rnil (2008: Rnil), other non-operating receivables of R189 million (2008: R207 million) and assets held for sale of R372 million (2008: R1 million). Other non-operating liabilities consist of derivative liabilities of R22 million (2008: R104 million), non-operating provisions of R111 million (2008: R133 million), current income tax liabilities of R28 million (2008: R13 million), other non-operating liabilities of R387 million (2008: R335 million) and liabilities directly associated with assets classified as held for sale of R93 million (2008: Rnil).

5 Overdrafts of R621 million (2008: R208 million) are included in borrowings.

2 Operating segments (continued)

An analysis of the Group's non-current non-financial assets, segment assets and net segment assets attributed to the countries, where material, and the continents in which the assets are located, is presented as follows:

R million	2009 Non-current non-financial assets[1]	2009 Segment assets[2]	2009 Net segment assets[3]	2008 Non-current non-financial assets[1]	2008 Segment assets[2]	2008 Net segment assets[3]
Africa						
South Africa[4]	11,453	14,658	12,640	12,180	15,932	13,904
Rest of Africa	30	81	52	25	90	61
Africa total	11,483	14,739	12,692	12,205	16,022	13,965
Group total	**11,483**	**14,739**	**12,692**	12,205	16,022	13,965

Notes:

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

2 Segment assets are operating assets and consist of property, plant and equipment, intangible assets, forestry assets, retirement benefits surplus, inventories and operating receivables.

3 Net segment assets and segment assets by location are also presented since the Group believes that this provides useful additional information to the user of the Group's financial statements.

4 These non-current non-financial assets, segment assets and net segment assets, which total R11,453 million, R14,658 million and R12,640 million respectively (2008: R12,180 million, R15,932 million and R13,904 million respectively), are attributable to the country in which the Group's parent entity is domiciled.

Capital expenditure cash payments and the additions to the Group's non-current non-financial assets, other than deferred tax assets and retirement benefits surplus, are presented by operating segment as follows:

R million	Capital expenditure cash payments[1] 2009	Capital expenditure cash payments[1] 2008	Additions to non-current non-financial assets[2] 2009	Additions to non-current non-financial assets[2] 2008
South Africa				
Uncoated Fine Paper	254	443	685	953
Containerboard	46	76	46	77
Total South Africa	300	519	731	1,030
Mondi Packaging South Africa	193	437	194	519
Corporate & other businesses	31	32	65	65
Group and segments total	**524**	988	**990**	1,614

Notes:

1 Management reviews segment capital expenditure cash payments on a regular basis as part of the resource allocation decision-making process and the ongoing assessment of segment performance. Accordingly, segment capital expenditure cash payments are presented since the Group believes that this provides useful additional information to the user of the Group's financial statements. Capital expenditure cash payments exclude business combinations, interest capitalised and purchases of intangible and forestry assets.

2 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.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

3 Operating profit/(loss)

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Depreciation of property, plant and equipment (see note 10)	(803)	(776)	(505)	(496)
Amortisation of intangible assets (see note 9)	(42)	(44)	–	–
Rentals under operating leases	(148)	(190)	(54)	(79)
Research and development expenditure	(22)	(25)	(5)	(8)
Operating special items (see note 4)	(171)	(5)	(248)	(3)
Increase in allowance for impairment of trade receivables (see note 17)	(5)	(35)	–	(13)
Foreign currency gains/(losses)	43	24	69	(21)
Fair value gains/(losses) on forward foreign exchange contracts	1	(6)	(1)	(5)
Fair value gains on forestry assets (see note 11)	323	560	243	382
Felling costs (see note 11)	(581)	(515)	(455)	(428)
Profit on disposal of tangible and intangible assets	53	–	53	1
Profit on disposal of forestry assets	–	1	–	1
Total employee costs	(1,773)	(1,720)	(766)	(748)
Employee costs	(1,650)	(1,621)	(704)	(700)
Defined benefit pension plan costs	(34)	(24)	(21)	(15)
Defined contribution pension plan costs	(89)	(75)	(41)	(33)
Auditors' remuneration	(14)	(12)	(6)	(5)
Audit fees	(11)	(11)	(4)	(4)
Non-audit fees	(3)	(1)	(2)	(1)

Total revenue, as defined under IAS 18, 'Revenue', consisting of revenue, interest income and dividend income, was R11,192 million and R5,879 million for Group and Company respectively (2008: R12,874 million and R7,396 respectively).

4 Special items[1]

R million	Group 2009	Group 2008	Company 2009	Company 2008
Operating special items				
Asset impairments				
Uncoated Fine Paper	(216)	–	(216)	–
Mondi Packaging South Africa	(10)	–	–	–
Total asset impairments	**(226)**	–	**(216)**	–
Restructuring and closure costs				
Restructuring and closure costs excluding related personnel costs				
Uncoated Fine Paper	(2)	–	(2)	–
Personnel costs relating to restructuring				
Uncoated Fine Paper	(29)	–	(29)	–
Total restructuring and closure costs	**(31)**	–	**(31)**	–
Proceeds on insurance				
Mondi Packaging South Africa	87	–	–	–
Demerger arrangements				
Uncoated Fine Paper	(1)	(3)	(1)	(3)
Mondi Packaging South Africa	–	(2)	–	–
Total demerger arrangements	**(1)**	(5)	**(1)**	(3)
Total operating special items	**(171)**	(5)	**(248)**	(3)
Total special items before tax and minority interests	**(171)**	(5)	**(248)**	(3)
Tax	60	–	70	–
Minority interests	(16)	–	–	–
Total special items attributable to equity holders of the parent company	**(127)**	(5)	**(178)**	(3)

Note:
1 Special items by operating segment are presented since the Group and Company believe that this provides useful additional information for the user of the Group's consolidated financial statements and Company's financial statements.

Year ended 31 December 2009

Operating special items

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.

Year ended 31 December 2008

Operating special items

Equity-settled demerger arrangements for senior management have resulted in a fair value charge of R5 million for the Group and R3 million for the Company.

5 Net finance (costs)/income

Net finance (costs)/income are presented below:

	Group		Company	
R million	**2009**	2008	**2009**	2008
Investment income				
Interest income				
Bank deposits, loan receivables and other	54	176	310	315
Past due receivables	1	–	1	–
Total interest income	**55**	176	**311**	315
Expected return on defined benefit arrangements (see note 24)	128	149	111	130
Impairment of financial assets (excluding trade receivables)	(2)	(5)	(4)	(7)
Other financial income	–	–	–	1
Total investment income	**181**	320	**418**	439
Financing costs				
Interest expense				
Interest on bank overdrafts and loans	(508)	(782)	(282)	(391)
Interest on obligations under finance leases	(3)	(2)	(2)	-
Interest on defined benefit arrangements (see note 24)	(153)	(173)	(133)	(154)
Total interest expense	**(664)**	(957)	**(417)**	(545)
Less: interest capitalised (see note 10)	–	34	–	30
Total financing costs	**(664)**	(923)	**(417)**	(515)
Net finance (costs)/income	**(483)**	(603)	**1**	(76)

The weighted average interest rate applicable to interest on general borrowings capitalised for the year ended 31 December 2009 is nil (2008: 14.0%).

6 Tax charge

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
South African corporation tax at 28% (2008: 28%)	42	27	–	12
Secondary Tax on Companies at 10% (2008: 10%)	14	39	13	39
Current tax (excluding tax on special items)	**56**	66	**13**	51
Deferred tax in respect of the current period (excluding tax on special items)	38	283	61	252
Deferred tax asset impairment	56	–	–	–
Deferred tax in respect of prior period over provision	33	36	24	32
Total tax charge before special items	**183**	385	**98**	335
Deferred tax on special items (see note 4)	(60)	–	(70)	–
Total tax credit on special items	**(60)**	–	**(70)**	–
Total tax charge	**123**	385	**28**	335

6 Tax charge (continued)

(b) Factors affecting tax charge for the year

The Group and Company's effective rates of tax before special items for the year ended 31 December 2009, calculated on profit before tax before special items and including net income from associates, are 73% and 43% respectively (2008: 38% and 36% respectively).

The Company has an estimated tax loss of R949 million (2008: R1,040 million).

The Group and Company's total tax charges for the year can be reconciled to the tax on the Group and Company's profit/(loss) before tax at the South African corporation tax rate of 28% (2008: 28%), as follows:

	Group		Company	
R million	**2009**	2008	**2009**	2008
Profit/(loss) before tax	78	1,018	(19)	940
Tax on profit/(loss) before tax calculated at the South African corporation tax rate of 28% (2008: 28%)	22	285	(5)	263
Tax effects of:				
Expenses not deductible for tax purposes	**10**	48	**7**	26
Intangible amortisation and non-qualifying depreciation	4	–	4	–
Non-deductible expenses included in special items	–	2	–	1
Other non-deductible expenses	6	46	3	25
Non-taxable income	**(21)**	–	**(11)**	–
Profits and losses on disposals	(11)	–	(11)	–
Other non-taxable income	(10)	–	–	–
Temporary difference adjustments	**97**	(2)	**24**	(5)
Changes in tax rate[1]	–	(40)	–	(39)
Current year tax losses and other temporary differences not recognised	8	2	–	2
Impairment of deferred tax asset previously recognised	56	–	–	–
Prior period tax losses and other temporary differences not previously recognised	33	36	24	32
Other adjustments	**15**	54	**13**	51
Current tax prior period adjustments	–	12	–	12
Secondary Tax on Companies	14	39	13	39
Other adjustments	1	3	–	–
Tax charge for the year	**123**	385	**28**	335

Note:

1 Principally relates to adjustments made to deferred tax balances based on substantively enacted future reductions in the South African corporation tax rate.

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 2009 is Rnil (2008: Rnil).

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

7 Dividends

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Current year interim dividend	**42**	130	**42**	130
Final dividend proposed for year ended 31 December[1]	**108**	93	**108**	93
Paid to minority interests	4	4	–	–

Note:

1 The dividend proposed is subject to approval by shareholders at the annual general meeting of Mondi Limited scheduled for 6 May 2010 and therefore has not been included as a liability in the Group's consolidated statement of financial position and in the Company's statement of financial position.

	Group and Company	
R cents per share	**2009**	2008
Interim dividend paid	**28.4**	88.6
Final dividend proposed	**73.5**	63.3
Total dividends paid and proposed	**101.9**	151.9

8 Earnings per share

	Group	
R cents per share	**2009**	2008
(Loss)/profit for the financial year attributable to equity holders of the parent company		
Basic EPS	**(51.8)**	415.3
Diluted EPS	**(51.8)**[3]	413.2
Underlying earnings for the financial year[1]		
Basic EPS	**34.7**	418.7
Diluted EPS	**34.4**	416.6
Headline (loss)/earnings for the financial year[2]		
Basic EPS	**(3.4)**	416.7
Diluted EPS	**(3.4)**[3]	414.6

Notes:

1 The board believes that underlying EPS provides a useful additional non-GAAP measure of the Group's underlying performance. Underlying EPS excludes the impact of special items.

2 The presentation of headline EPS is mandated under the JSE 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. Please see the reconciliation presented below.

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

8 Earnings per share (continued)

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	**2009**	2008
(Loss)/profit for the financial year attributable to equity holders of the parent company	**(76)**	610
Special items: operating	171	5
Related tax	(60)	–
Minority interest	16	–
Underlying earnings	**51**	615
Profit on disposal of tangible and intangible assets	(53)	–
Special items: demerger arrangements	(1)	(5)
Special items: restructuring and closure costs	(31)	–
Impairments not included in special items	5	2
Related tax	24	–
Headline (loss)/earnings	**(5)**	612

	Number of shares	
million	**2009**	2008
Basic number of ordinary shares outstanding[1]	**147**	147
Effect of dilutive potential ordinary shares[2]	1	1
Diluted number of ordinary shares outstanding	**148**	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.

Notes to the financial statements and consolidated financial statements continued

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9 Intangible assets

2009/R million	Group[3] Goodwill	Licences and other intangibles[2]	Total
Cost			
At 1 January	581	211	792
Disposal of businesses (see note 30)	(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 at 31 December	**580**	**109**	**689**

2008/R million	Group[3] Goodwill	Licences and other intangibles[2]	Total
Cost			
At 1 January	596	226	822
Acquired through business combinations[1]	(15)	–	(15)
Reclassification to property, plant and equipment (see note 10)	–	(15)	(15)
At 31 December	581	211	792
Accumulated amortisation and impairment			
At 1 January	–	16	16
Charge for the year	–	44	44
At 31 December	–	60	60
Net book value at 31 December	581	151	732

Notes:

[1] The decrease in goodwill related to the excess of the purchase price of subsidiaries acquired over the provisional fair value of their net assets and an adjustment of R15 million to the provisionally stated goodwill previously reported as at 31 December 2007 (see note 29).

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

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

9 Intangible assets (continued)

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). Pre tax cash flow projections are discounted using a pre tax discount rate of 10.3% (2008: 12.2%), 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. The assumptions utilised in calculating value-in-use have considered the current economic environment, resulting in a more conservative estimate regarding future value.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure. 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 as management have applied prudent estimates in the value-in-use calculations, which still reflect sufficient headroom above the capital employed of these CGUs.

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

R million	**2009**	2008
South Africa		
Uncoated Fine Paper	–	–
Containerboard	–	–
Total South Africa	–	–
Mondi Packaging South Africa	580	581
Shanduka Newsprint	–	–
Total goodwill	**580**	581

10 Property, plant and equipment

	Group			
2009/R million	**Land and buildings**	**Plant and equipment**	**Other**[1]	**Total**
Cost				
At 1 January	970	11,338	1,014	13,322
Acquired through business combinations (see note 29)	–	1	–	1
Additions	5	155	364	524
Disposal of assets	(7)	(40)	(29)	(76)
Disposal of businesses (see note 30)	–	(1)	(1)	(2)
Transferred to/(from) capital work in progress	121	482	(603)	–
Reclassification to assets held for sale (see note 31)	(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[2]	1	220	4	225
Disposal of assets	–	(37)	(28)	(65)
Disposal of businesses (see note 30)	–	(1)	–	(1)
Reclassification to assets held for sale (see note 31)	(8)	(1)	(6)	(15)
Other reclassifications	–	(7)	9	2
At 31 December	**272**	**4,998**	**329**	**5,599**
Net book value at 31 December	**780**	**6,934**	**405**	**8,119**

Notes:

1 Other includes R302 million (2008: R610 million) of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.

2 This includes R220 million (2008: Rnil) net asset impairments reflected in special items and R5 million (2008: R2 million) of other impairments.

10 Property, plant and equipment (continued)

	Group			
2008/R million	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January	859	10,226	1,143	12,228
Acquired through business combinations (see note 29)	19	74	–	93
Additions	4	–	984	988
Disposal of assets	(8)	(19)	(8)	(35)
Interest capitalised	–	–	34	34
Transferred to/(from) capital work in progress	97	1,014	(1,111)	–
Reclassification to assets held for sale (see note 31)	(1)	–	–	(1)
Reclassification from intangible assets (see note 9)	–	15	–	15
Other reclassifications	–	28	(28)	–
At 31 December	970	11,338	1,014	13,322
Accumulated depreciation				
At 1 January	224	3,408	259	3,891
Charge for the year	23	699	54	776
Impairment loss recognised[2]	–	7	–	7
Impairment loss reversed[2]	–	(5)	–	(5)
Disposal of assets	–	(11)	(8)	(19)
At 31 December	247	4,098	305	4,650
Net book value at 31 December	723	7,240	709	8,672

Notes:

1 Other includes R302 million (2008: R610 million) of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.

2 This includes R220 million (2008: Rnil) net asset impairments reflected in special items and R5 million (2008: R2 million) of other impairments.

Included in the cost above is Rnil of interest (2008: R34 million) incurred on qualifying assets which has been capitalised during the year.

The net book value and depreciation charges relating to assets held under finance leases amount to R47 million (2008: R60 million) and R14 million (2008: R4 million), respectively. The Group's obligation under finance leases (see note 20) is secured by the lessors' title to the leased assets.

The Group has pledged property, plant and equipment with a net book value of R2,254 million (2008: R2,377 million) as security for certain long-term borrowings (see note 20).

10 Property, plant and equipment (continued)

	Company			
2009/R million	**Land and buildings**	**Plant and equipment**	**Other**[1]	**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 31)	(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[2]	1	209	–	210
Disposal of assets	–	–	(23)	(23)
Reclassification to assets held for sale (see note 31)	(8)	(1)	(6)	(15)
Other reclassifications	–	(7)	7	–
At 31 December	**210**	**3,362**	**156**	**3,728**
Net book value at 31 December	**581**	**5,242**	**254**	**6,077**

Notes:

[1] Other includes R199 million (2008: R532 million) of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.

[2] This includes R210 million (2008: Rnil) net asset impairments reflected in special items and Rnil (2008: R2 million) of other impairments.

10 Property, plant and equipment (continued)

	Company			
2008/R million	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January	660	7,580	808	9,048
Additions	–	–	519	519
Disposal of assets	(4)	–	(6)	(10)
Interest capitalised	–	–	30	30
Transferred to/(from) capital work in progress	67	548	(615)	–
Reclassification to assets held for sale (see note 31)	(1)	–	–	(1)
At 31 December	722	8,128	736	9,586
Accumulated depreciation				
At 1 January	186	2,245	125	2,556
Charge for the year	13	447	36	496
Impairment loss recognised[2]	–	7	–	7
Impairment loss reversed[2]	–	(5)	–	(5)
Disposal of assets	(1)	2	(4)	(3)
At 31 December	198	2,696	157	3,051
Net book value at 31 December	524	5,432	579	6,535

Notes:

1 Other includes R199 million (2008: R532 million) of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.

2 This includes R210 million (2008: Rnil) net asset impairments reflected in special items and Rnil (2008: R2 million) of other impairments.

Included in the cost above is Rnil of interest (2008: R30 million) incurred on qualifying assets which has been capitalised during the year.

The net book value and depreciation charges relating to assets held under finance leases amount to R18 million (2008: R516,335) and R3 million (2008: R63,097), respectively. The Company's obligation under finance leases (see note 20) is secured by the lessors' title to the leased assets.

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	**2009**	2008	**2009**	2008
At 1 January	2,801	2,250	2,160	1,779
Capitalised expenditure	434	446	361	367
Fair value gains[1]	323	560	243	382
Felling costs	(581)	(515)	(455)	(428)
Acquisition of assets	31	68	31	68
Disposal of assets	–	(8)	–	(8)
Reclassification to assets held for sale (see note 31)	(333)	–	(333)	–
At 31 December	**2,675**	2,801	**2,007**	2,160

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	**2009**	2008	**2009**	2008
Mature	1,260	1,209	1,004	1,007
Immature	1,415	1,592	1,003	1,153
Total forestry assets	**2,675**	2,801	**2,007**	2,160

12 Investments in subsidiaries

	Company	
R million	**2009**	2008
Unlisted		
Shares at cost	255	255
Loans advanced	2,057	1,862
Total investments in subsidiaries	**2,312**	2,117
Repayable within one year classified as current asset	(74)	(82)
Total long-term investments in subsidiaries	**2,238**	2,035
Directors' valuation of investments in subsidiaries	5,141	2,584

12 Investments in subsidiaries (continued)

Mondi Packaging South Africa (Proprietary) Limited (MPSA)

MPSA issued an additional 59,950 shares during the year ended 31 December 2008 for R244 million. This resulted in the Company's share in MPSA increasing from 55% to 70%.

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 R788 million (2008: R725 million) has been utilised. The Company advanced a further R956 million (2008: R815 million) to MPSA 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 twelfth anniversary of the transaction date, being 1 January 2017.

Furthermore, the Company advanced a shareholder's loan to MPSA of R102 million in 2006 with a further loan of R137 million being advanced by the Company during 2007. The total loan of R239 million (2008: 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 R28 million (2008: R35 million), which is net of an impairment raised in the current year of 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 39.

13 Investments in associates

	Group	
R million	**2009**	2008
At 1 January	31	31
Net income from associates	–	3
Dividends received	(1)	(3)
At 31 December	**30**	31

The Group's total investment in associates comprises:

R million	**2009**	2008
Equity[1]	30	31
Total investments in associates	**30**	31
Directors' valuation of investments in associates	30	31

Note:

1 At 31 December 2009, there is R5.5 million of goodwill in respect of associates (2008: R5.5 million).

13 Investments in associates (continued)

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

R million	2009	2008
Total non-current assets	12	13
Total current assets	41	35
Total current liabilities	(11)	(8)
Total non-current liabilities	(12)	(9)
Share of associates' net assets[1]	**30**	31
Total revenue	101	116
Total operating costs	(101)	(113)
Income tax expense	–	–
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	**2009**	2008
Mondi Shanduka Newsprint (Proprietary) Limited (MSN)		
Shareholder's loan	128	128
Mezzanine loan	121	–
Total investments in joint ventures	**249**	128
Repayable within one year classified as current asset	–	–
Total long-term investments in joint ventures	**249**	128
Directors' valuation of investments in joint ventures	384	758

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.

14 Investments in joint ventures (continued)

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	2009	2008
Total non-current assets	559	566
Total current assets	274	289
Total current liabilities	(283)	(305)
Total non-current liabilities	(374)	(396)
Share of joint venture entities' net assets, proportionately consolidated[1]	**176**	154
Revenue	767	808
Total operating costs	(688)	(711)
Operating special items	(8)	(2)
Net finance costs	(28)	(43)
Income tax expense	(18)	(14)
Share of joint venture entities' profit for the financial year	**25**	38

Note:

1 There are no material contingent liabilities at the reporting dates presented. There are capital commitments of R23 million (2008: R11 million) at the reporting date.

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

15 Financial asset investments

Financial asset investments held by the Group and Company are accounted for using the available-for-sale and loans and receivables categories, as defined by IAS 39, 'Financial Instruments: Recognition and Measurement', and in accordance with the accounting policy set out in note 1.

	Group					
	2009			2008		
R million	**Loans and receiv-ables[1]**	**Available-for-sale invest-ments[2]**	**Total**	Loans and receiv-ables[1]	Available-for-sale invest-ments[2]	Total
At 1 January	44	4	48	45	15	60
Interest accrued	–	–	–	2	–	2
Impairment	(2)	–	(2)	–	(5)	(5)
Additions	–	9	9	–	–	–
Repayments from related parties	(14)	–	(14)	(8)	–	(8)
Repayments – other	(9)	–	(9)	(12)	–	(12)
Advances	62	–	62	11	–	11
Reclassifications	–	–	–	6	(6)	–
At 31 December	**81**	**13**	**94**	44	4	48
Current	–	–	–	1	–	1
Non-current	**81**	**13**	**94**	43	4	47

Notes:

1 Loans and receivables are held at amortised cost in accordance with the accounting policy set out in note 1.

2 Available-for-sale investments are held at fair value in accordance with the accounting policy set out in note 1.

15 Financial asset investments (continued)

R million	Company 2009 Loans and receivables[1]	Company 2009 Available-for-sale investments[2]	Company 2009 Total	Company 2008 Loans and receivables[1]	Company 2008 Available-for-sale investments[2]	Company 2008 Total
At 1 January	128	–	128	160	5	165
Interest accrued	18	–	18	8	–	8
Impairment reversal/(charge)	2	–	2	(2)	(5)	(7)
Additions	–	8	8	–	–	–
Repayments from related parties	–	–	–	(42)	–	(42)
Repayments – other	(9)	(12)	(21)	(2)	–	(2)
Advances	–	–	–	6	–	6
Reclassifications	(6)	6	–	–	–	–
At 31 December	**133**	**2**	**135**	128	–	128
Current	–	–	–	1	–	1
Non-current	**133**	**2**	**135**	127	–	127

Notes:

[1] Loans and receivables are held at amortised cost in accordance with the accounting policy set out in note 1.

[2] Available-for-sale investments are held at fair value in accordance with the accounting policy set out in note 1.

Available-for-sale investments

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

At 31 December 2008, the Company impaired its investment in preference shares of R4.6 million that represents 460 convertible redeemable preference shares of R1 each in Luck of the Draw (Proprietary) Limited, which were issued at a premium of R9,999 each. The rate attached to the preference shares is 65% of the prime lending rate and the preference shares were redeemable in equal tranches of 92 shares over five years commencing on 25 September 2006. The redemption of the preference shares had not occurred, hence the investment has been impaired.

Loans and receivables

The loan to Mondi Imbani Mining Supplies (Proprietary) Limited by the Company of R9 million is interest free and is repayable in 60 successive monthly tranches of R208,333 that commenced on 1 July 2008 with a final payment falling due on 30 June 2013. The full loan was settled early in August 2009.

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 has been 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 R24 million.

A loan of R5.5 million was advanced by the Company to the MIS in 2008 to fund the purchase of Mondi Limited shares to be awarded to senior management. The loan is interest free and any balance remaining after the purchase of the treasury shares is repayable to the Company immediately. The loan was impaired in 2008 by R1.5 million as the share price at 31 December 2008, was lower than the share price when the shares were repurchased. The R1.5 million impairment was reversed in 2009 and the full loan of R5.5 million reclassified to available-for-sale investments.

16 Inventories

R million	Group 2009	Group 2008	Company 2009	Company 2008
Raw materials and consumables	732	804	307	400
Work in progress	75	70	40	34
Finished products	402	502	128	189
Total inventories	**1,209**	1,376	**475**	623

Of the total carrying value of inventories as at 31 December 2009, R62 million (2008: R9 million) and R33 million (2008: Rnil) is held at net realisable value for the Group and Company respectively. The write-downs of inventories to net realisable value, recognised as an expense for the year ended 31 December 2009, total R26 million (2008: R7 million) and R6 million (2008: Rnil) for the Group and Company respectively. The aggregate reversal of previous write-downs, recognised as a reduction in the amount of inventories expensed for the year ended 31 December 2009, total Rnil (2008: Rnil) for the Group and Company. The cost of inventories recognised as an expense for the year ended 31 December 2009 totals R4,965 million (2008: R4,743 million) and R2,400 million (2008: R2,718 million) for the Group and Company respectively.

17 Trade and other receivables

R million	Group 2009	Group 2008	Company 2009	Company 2008
Trade receivables (a)	1,681	1,871	438	530
Allowance for doubtful debts (b)	(39)	(43)	(9)	(13)
Net trade receivables	**1,642**	1,828	**429**	517
Amounts owed by related parties	301	596	638	874
Other receivables	189	207	88	121
Prepayments and accrued income	21	17	5	14
Total trade and other receivables[1]	**2,153**	2,648	**1,160**	1,526

Note:

[1] All trade and other receivables are current in nature.

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

(a) Trade receivables: credit risk

The Group 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 37. Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by participants operating in, the various markets in which the 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 R58 million (2008: R43 million) and R23 million (2008: R13 million), respectively, and the associated aggregate impairments are R39 million (2008: R43 million) and R9 million (2008: R13 million) for the Group and Company, respectively.

17 Trade and other receivables (continued)

Included within the Group and Company's aggregate trade receivables balance are specific debtor balances with customers totalling R266 million (2008: R140 million) and R82 million (2008: R19 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 at 31 December 2009	**109**	**64**	**46**	**47**	**266**
Carrying value at 31 December 2008	45	27	33	35	140

	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 at 31 December 2009	**29**	**25**	**17**	**11**	**82**
Carrying value at 31 December 2008	–	9	10	–	19

Included within the Group and Company's aggregate trade receivables balances are debtor balances with customers totalling R18 million (2008: R7 million) and R5 million (2008: R3 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.

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
At 1 January	43	22	13	7
Amounts written off and recovered during the year	(9)	(14)	(4)	(7)
Increase in allowance recognised in the income statement	5	35	–	13
At 31 December	**39**	43	**9**	13

18 Financial assets

The carrying amounts of the Group and Company's financial assets are presented as follows:

	Group		Company	
R million	**2009**	2008	**2009**	2008
Trade and other receivables[1]	2,153	2,648	1,160	1,526
Cash and cash equivalents[1]	422	357	4	69
Financial asset investments[2]	94	48	135	128
Derivative assets[3]	7	30	3	28
Total financial assets	**2,676**	3,083	**1,302**	1,751

Notes:

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

2 The fair values of available-for-sale investments represent the investment in unquoted equity instruments which are measured at cost (2009: R13 million, 2008: R4 million for Group and 2009: R2 million, 2008: Rnil for Company). Loans and receivables are held at amortised cost (2009: R81 million, 2008: R44 million for Group and 2009: R133 million, 2008: R128 million for Company).

3 Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments (see note 21).

19 Trade and other payables

R million	Group 2009	Group 2008	Company 2009	Company 2008
Trade payables	590	503	102	151
Amounts owed to related parties	65	66	179	118
Other payables	212	260	47	159
Accruals and deferred income	861	914	493	499
Total trade and other payables	**1,728**	1,743	**821**	927

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

20 Borrowings

	Group					
	2009			2008		
R million	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	388	1,300	1,688	436	1,683	2,119
Obligations under finance leases	17	45	62	18	27	45
Total secured	**405**	**1,345**	**1,750**	454	1,710	2,164
Unsecured						
Bank loans and overdrafts	1,144	1,294	2,438	896	1,917	2,813
Loans from related parties	–	100	100	–	100	100
Total unsecured	**1,144**	**1,394**	**2,538**	896	2,017	2,913
Total borrowings	**1,549**	**2,739**	**4,288**	1,350	3,727	5,077

	Company					
	2009			2008		
R million	Current	Non-current	Total	Current	Non-current	Total
Secured						
Obligations under finance leases	4	14	18	1	1	2
Total secured	**4**	**14**	**18**	1	1	2
Unsecured						
Bank loans and overdrafts	1,085	1,256	2,341	825	1,818	2,643
Loans from related parties	93	–	93	15	–	15
Total unsecured	**1,178**	**1,256**	**2,434**	840	1,818	2,658
Total borrowings	**1,182**	**1,270**	**2,452**	841	1,819	2,660

Included in Group borrowings is fixed rate debt with a carrying value of R511 million (2008: R500 million) and a fair value of R520 million (2008: R426 million). The maturity analysis of the Group and Company's borrowings, presented on an undiscounted future cash flows basis, is included as part of a review of the Group and Company's liquidity risk within note 37.

Included in borrowings of the Group and Company are two three year revolving loans of R500 million (2008: R500 million). 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 three year amortising term loans of R728 million (2008: R681 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 their maturity dates are 4 May 2010 and 30 June 2012, respectively.

Included in loans from related parties of the Company is a loan of R79.6 million (2008: Rnil) 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.

for the year ended 31 December 2009

20 Borrowings (continued)

Obligations under finance leases

The maturity of obligations under finance leases is:

	Group		Company	
R million	**2009**	2008	**2009**	2008
Not later than one year	23	22	6	1
Later than one year but not more than five years	51	24	17	1
More than five years	5	9	–	–
Future value of finance lease liabilities	**79**	55	**23**	2
Future finance charges	(17)	(10)	(5)	–
Present value of finance lease liabilities	**62**	45	**18**	2

Financing facilities

In order to provide for its ongoing capital needs, the Company entered into an additional external financing arrangement during 2008. The amounts initially drawn down on these facilities were used to finance existing and ongoing working capital requirements.

ZAR 2 billion Term Loan Facility (SATF)

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

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

The Group has pledged certain financial assets as collateral against certain borrowings. The fair value of these assets as at 31 December 2009 is R1,841 million (2008: R663 million). 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.

The Group and Company have pledged property, plant and equipment with a net book value of R2,254 million (2008: R2,377 million) as security for certain long-term borrowings (see note 10).

Borrowing capacity

	Group			
	2009		2008	
R million	**Maximum permissible**	**Actual**	Maximum permissible	Actual
Medium and long-term borrowings		2,739		3,727
Short-term borrowings		1,549		1,350
Contingent liabilities (see note 34)		84		117
Total borrowing capacity	**17,315**	4,372	17,650	5,194

The maximum borrowing limit from 2008 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.

21 Derivative financial instruments

	Group					
	2009			2008		
R million	**Asset**	**Liability**	**Notional amount**	Asset	Liability	Notional amount
Current derivatives						
Held for trading						
Foreign exchange contracts	7	(3)	562	30	(6)	40
Total current derivative financial instruments	**7**	**(3)**	**562**	30	(6)	40
Non-current derivatives						
Cash flow hedges						
Interest rate swaps[1]	–	(19)	500	–	(26)	500
Held for trading						
Call option[2]	–	–	–	–	(72)	72
Total non-current derivative financial instruments	**–**	**(19)**	**500**	–	(98)	572

	Company					
	2009			2008		
R million	**Asset**	**Liability**	**Notional amount**	Asset	Liability	Notional amount
Current derivatives						
Held for trading						
Foreign exchange contracts	3	(1)	401	28	(3)	40
Total current derivative financial instruments	**3**	**(1)**	**401**	28	(3)	40

Notes:

1 The Group entered into a R500 million (2008: 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 R300 million (2008: R300 million) term facility is 10.1% (2008: 10.1%) and 9.8% (2008: 9.8%) on the R200 million (2008: R200 million) bullet facility.

2 Mondi Packaging South Africa (Proprietary) Limited, has a call option to purchase a minority interest within the next two to eight years. The call option was valued based on an EBITDA multiple multiplied by the forecasted EBITDA for the next eight years discounted back to present value.

The notional amounts presented represent the aggregate face value of all foreign exchange contracts and interest rate swaps outstanding at the year-end. 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 and Company's exposure to credit or market risks. Note 37 provides an overview of the Group 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.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

22 Provisions

R million	Group 2009	Group 2008	Company 2009	Company 2008
At 1 January	133	68	112	35
Charged to income statement[1]	51	89	45	81
Reclassification to assets held for sale (see note 31)	(2)	–	(2)	–
Reclassification from accruals	–	31	–	16
Released to income statement	–	(4)	–	(4)
Amounts applied	(69)	(51)	(65)	(16)
At 31 December	**113**	133	**90**	112

Note:
[1] Net of unwound discounts.

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

Maturity analysis of total provisions on a discounted basis:

R million	Group 2009	Group 2008	Company 2009	Company 2008
Current	65	84	59	81
Non-current	48	49	31	31
Total provisions	**113**	133	**90**	112

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.

23 Deferred tax

Deferred tax assets

R million	Group 2009	Group 2008	Company 2009	Company 2008
At 1 January	139	78	–	–
(Charged)/credited to the income statement	(77)	40	–	–
(Charged)/credited to the statement of comprehensive income	(4)	3	–	–
Acquired through business combinations (see note 29)	–	5	–	–
Reclassifications	13	13	–	–
At 31 December	**71**	139	**–**	–

23 Deferred tax (continued)

Deferred tax liabilities

R million	Group 2009	Group 2008	Company 2009	Company 2008
At 1 January	(1,779)	(1,414)	(1,485)	(1,215)
Credited/(charged) to the income statement	10	(359)	(15)	(284)
(Charged)/credited to the statement of comprehensive income	(21)	14	(21)	14
Acquired through business combinations (see note 29)	–	(3)	–	–
Disposal of businesses (see note 30)	(2)	–	–	–
Reclassification to assets held for sale (see note 31)	91	–	91	–
Reclassifications	(9)	(17)	1	–
At 31 December	**(1,710)**	(1,779)	**(1,429)**	(1,485)

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

R million	Group 2009	Group 2008	Company 2009	Company 2008
Deferred tax assets				
Tax losses[1]	342	333	–	–
Other temporary differences	(271)	(194)	–	–
Total deferred tax assets	**71**	139	**–**	–
Deferred tax liabilities				
Capital allowances in excess of depreciation	(1,317)	(1,359)	(1,252)	(1,278)
Fair value adjustments	(768)	(802)	(554)	(595)
Tax losses	283	311	265	279
Other temporary differences	92	71	112	109
Total deferred tax liabilities	**(1,710)**	(1,779)	**(1,429)**	(1,485)

Note:

[1] Based on forecast data, the Group and Company believe that there will be sufficient future taxable profits available to utilise these tax losses.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

23 Deferred tax (continued)

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Capital allowances in excess of depreciation	165	12	(28)	(45)
Fair value adjustments	60	228	52	147
Tax losses	52	(82)	14	51
Other temporary differences	(210)	161	(23)	131
Total charge	**67**	319	**15**	284

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Deferred tax assets				
Recoverable within 12 months	14	–	–	–
Recoverable after 12 months	57	139	–	–
Total deferred tax assets	**71**	139	**–**	–
Deferred tax liabilities				
Payable within 12 months	(6)	–	–	–
Payable after 12 months	(1,704)	(1,779)	(1,429)	(1,485)
Total deferred tax liabilities	**(1,710)**	(1,779)	**(1,429)**	(1,485)

The Group has unrecognised tax losses, as at 31 December 2009, of R246 million (2008: Rnil) that have no expiry date. 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.

No liability has been recognised in respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. At 31 December 2009, the aggregate amount of undistributed earnings for which deferred tax liabilities have not been recognised for the Group and Company was R11 million and Rnil, respectively (2008: R10 million and Rnil, respectively).

24 Retirement benefits

The Group and Company operate post-retirement defined contribution and defined benefit plans for the majority of its employees. They also operate post-retirement medical arrangements. 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 R89 million (2008: R75 million) and for the Company totalling R41 million (2008: R33 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 31 December 2009 and 31 December 2008.

24 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 this 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 R83 million (2008: R292,452) at 31 December 2009, has been recognised.

Post-retirement medical arrangements

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

The post-retirement medical aid liability is valued at intervals of not more than three years using the projected unit credit method. The actuarial present value of the promised benefits at the most recent valuation was performed during the 2008 financial year and indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Assets				
Defined benefit plans in surplus	**83**	–	**79**	–
Liabilities				
Post-retirement medical plans	(637)	(649)	(584)	(593)
Total liabilities	**(637)**	(649)	**(584)**	(593)
Experience adjustments				
On plan liabilities	(64)	(173)	(124)	(144)
On plan assets	125	(51)	164	(34)
Total experience adjustments	**61**	(224)	**40**	(178)
Income statement charge[1]				
Defined benefit pension plan costs	14	–	2	(8)
Post-retirement medical plan costs	47	62	43	57
Total income statement charge	**61**	62	**45**	49

Note:

1 Includes service costs, past service costs and curtailments where applicable, interest payable on scheme liabilities and expected returns on scheme assets.

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

24 Retirement benefits (continued)

	Group		Company	
R million	2007	2006	2007	2006
Assets				
Defined benefit plans in surplus	75	45	72	42
Liabilities				
Post-retirement medical plans	(709)	(696)	(663)	(647)
Total liabilities	(709)	(696)	(663)	(647)
Experience adjustments				
On plan liabilities	(146)	130	(134)	262
On plan assets	21	187	16	178
Total experience adjustments	(125)	317	(118)	440

Retirement benefits surplus/(obligation)

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Present value of unfunded obligations	(637)	(649)	(584)	(593)
Present value of funded obligations	(1,548)	(1,554)	(1,380)	(1,342)
Present value of pension plan liabilities	**(2,185)**	(2,203)	**(1,964)**	(1,935)
Fair value of plan assets	1,892	1,761	1,690	1,535
Deficit	**(293)**	(442)	**(274)**	(400)
Surplus restrictions	(261)	(207)	(231)	(193)
Deficit on pension and post-retirement medical plans	**(554)**	(649)	**(505)**	(593)
Amounts reported in the statement of financial position				
Assets				
Retirement benefits surplus	**83**	–	**79**	–
Liabilities				
Retirement benefits obligation:				
Post-retirement medical plans	(637)	(649)	(584)	(593)
Total retirement benefits obligation	**(637)**	(649)	**(584)**	(593)

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 122% (2008: 113%) 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 statutorial provisions.

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

The total gain/loss, net of applicable tax, recognised in equity relating to experience movements on scheme liabilities and plan assets and actuarial assumption changes for the year ended 31 December 2009 is a gain of R81 million (2008: loss of R6 million). The cumulative total recognised since 1 January 2004 is a gain of R311 million.

24 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 2009, the actual return on plan assets in respect of defined benefit pension schemes was a gain of R253 million (2008: gain of R98 million).

Income statement

The amounts recognised in the income statement are as follows:

	Group					
	2009			2008		
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	34	2	36	33	5	38
Total within operating costs	**34**	**2**	**36**	33	5	38
Analysis of the amount charged/ (credited) to net finance costs on plan liabilities						
Expected return on plan assets[1]	(128)	–	(128)	(149)	–	(149)
Interest costs on plan liabilities[2]	108	45	153	116	57	173
Net (credit)/charge to other net finance costs	**(20)**	**45**	**25**	(33)	57	24
Total charge to income statement	**14**	**47**	**61**	–	62	62

Notes:

[1] Included in investment income (see note 5).

[2] Included in interest expense (see note 5).

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:

R million	1% increase	1% decrease
Effect on the aggregate of the current service cost and interest cost	6	(5)
Effect on the defined benefit obligation	66	(56)

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

24 Retirement benefits (continued)

	Company					
	2009			2008		
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	2	23	21	4	25
Total within operating costs	**21**	**2**	**23**	21	4	25
Analysis of the amount charged/(credited) to net finance costs on plan liabilities						
Expected return on plan assets[1]	(111)	–	(111)	(130)	–	(130)
Interest costs on plan liabilities[2]	92	41	133	101	53	154
Net (credit)/charge to other net finance costs	**(19)**	**41**	**22**	(29)	53	24
Total charge to income statement	**2**	**43**	**45**	(8)	57	49

Notes:

1 Included in investment income (see note 5).

2 Included in interest expense (see note 5).

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:

R million	1% increase	1% decrease
Effect on the aggregate of the current service cost and interest cost	6	(5)
Effect on the defined benefit obligation	59	(50)

24 Retirement benefits (continued)

Actuarial assumptions

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

	Group and Company	
%	**2009**	2008
Defined benefit pension plan		
Average discount rate for plan liabilities	**9.11**	7.17
Average rate of inflation	**5.65**	4.04
Average rate of increase in salaries	**6.90**	5.29
Average rate of increase of pensions in payment	**5.65**	4.04
Average long-term rate of return on plan assets	**9.73**	7.53
Post-retirement medical plan		
Average discount rate for plan liabilities	**9.11**	7.17
Expected average increase of healthcare costs	**7.15**	5.54

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

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	Group and Company	
years	**2009**	2008
Retiring today:		
Males	**17.66**	17.56
Females	**22.01**	21.91
Retiring in 20 years:		
Males	**19.50**	19.40
Females	**23.80**	23.70

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

The market value of the pension assets in these plans and the long-term expected rate of return as at 31 December 2009 and 31 December 2008 are detailed below:

	Group			
	2009		2008	
	Rate of return %	**Fair value R million**	Rate of return %	Fair value R million
Equity	**11.72**	733	9.88	712
Other	**8.46**	1,159	5.98	1,049
Fair value of plan assets		**1,892**		1,761

24 Retirement benefits (continued)

	Company			
	2009		2008	
	Rate of return %	**Fair value R million**	Rate of return %	Fair value R million
Equity	**11.72**	655	9.88	621
Other	**8.46**	1,035	5.98	914
Fair value of plan assets		**1,690**		1,535

Movement analysis

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
At 1 January	1,761	1,723	1,535	1,498
Expected return on plan assets	128	149	111	130
Actuarial gains/(losses)	125	(51)	164	(34)
Contributions paid by employer	17	24	12	15
Contributions paid by other members	7	7	5	4
Benefits paid	(146)	(95)	(137)	(87)
Other	–	4	–	9
At 31 December	**1,892**	1,761	**1,690**	1,535

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

	Group					
	2009			2008		
R million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
At 1 January	(1,554)	(649)	(2,203)	(1,445)	(709)	(2,154)
Current service cost	(34)	(2)	(36)	(33)	(5)	(38)
Settlement	–	–	–	(4)	–	(4)
Interest cost	(108)	(45)	(153)	(116)	(57)	(173)
Actuarial gains/(losses)	9	11	20	(44)	83	39
Contributions paid by other members	(7)	–	(7)	(7)	–	(7)
Benefits paid	146	48	194	95	39	134
At 31 December	**(1,548)**	**(637)**	**(2,185)**	(1,554)	(649)	(2,203)

24 Retirement benefits (continued)

R million	Company 2009 Pension plans	Post-retirement medical plans	Total plans	2008 Pension plans	Post-retirement medical plans	Total plans
At 1 January	(1,342)	(593)	(1,935)	(1,252)	(663)	(1,915)
Current service cost	(21)	(2)	(23)	(21)	(4)	(25)
Settlement	–	–	–	(9)	–	(9)
Interest cost	(92)	(41)	(133)	(101)	(53)	(154)
Actuarial (losses)/gains	(57)	5	(52)	(42)	89	47
Contributions paid by other members	(5)	–	(5)	(4)	–	(4)
Benefits paid	137	46	183	87	38	125
Other	–	1	1	–	–	–
At 31 December	**(1,380)**	**(584)**	**(1,964)**	(1,342)	(593)	(1,935)

25 Other comprehensive income

Reclassification adjustments included in the income statement and the tax relating to each component of other comprehensive income are as follows:

R million	Group 2009 Before-tax amount	Tax expense	Net-of-tax amount	2008 Before-tax amount	Tax benefit	Net-of-tax amount
Fair value gains/(losses) arising on cash flow hedges	6	–	6	(26)	–	(26)
Actuarial gains/(losses) and surplus restriction on post-retirement benefit schemes	91	(26)	65	(14)	18	4
Exchange losses on translation of foreign operations	–	–	–	(7)	–	(7)
Total other comprehensive income	**97**	**(26)**	**71**	(47)	18	(29)
Attributable to:						
Minority interests			**4**			(23)
Equity holders of the parent company			**67**			(6)

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

25 Other comprehensive income (continued)

	Company					
	2009			2008		
R million	**Before-tax amount**	**Tax expense**	**Net-of-tax amount**	Before-tax amount	Tax benefit	Net-of-tax amount
Actuarial gains/(losses) and surplus restriction on post-retirement benefit schemes	74	(21)	53	(7)	15	8
Total other comprehensive income	**74**	**(21)**	**53**	(7)	15	8
Attributable to:						
Minority interests			**–**			–
Equity holders of the parent company			**53**			8

26 Asset values per share

Asset values per share are disclosed in accordance with the JSE Listings Requirements. 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.

	Group	
	2009	2008
Net asset value per share (R)	**49.29**	49.99
Tangible net asset value per share (R)	**44.60**	45.00

27 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		
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**

		Called up, allotted and fully paid/R million		
2008	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 on trust and do not carry dividend rights. The special converting shares provide a mechanism for equality of treatment on termination for both Mondi Limited and Mondi plc ordinary equity holders.

28 Share-based payments

Mondi share awards

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

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

The demerger arrangements were instituted prior to, and in anticipation of, the demerger. The associated fair value charge, attributable to the vesting period elapsed, has been recognised from 1 January 2007. The fair value charges resulting from all other share awards made by the Group and Company, attributable to the vesting periods elapsed, have been recognised from the effective date of grant. The total fair value charge in respect of all the Mondi share awards granted during the year ended 31 December 2009 is made up as follows:

	Group		Company	
R million	**2009**	2008	**2009**	2008
Demerger (see note 4)	1,476	4,688	982	2,535
Transitional BSP	105	1,624	(68)	610
Transitional LTIP	–	719	–	–
BSP 2007	727	2,218	(558)	439
LTIP 2007	275	463	537	336
BSP 2008	3,109	4,042	1,295	1,856
LTIP 2008	(613)	2,050	(229)	1,518
BSP 2009	2,596	–	1,220	–
LTIP 2009	2,150	–	1,706	–
Total share-based payment expense	**9,825**	15,804	**4,885**	7,294

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

Mondi Limited	**Transitional BSP**	**Transitional LTIP**	**BSP 2007**	**LTIP 2007**
Date of grant	3 July 2007	3 July 2007	3 July 2007	3 July 2007
Vesting period (years)[1]	1.8	1.8	2.8	2.8
Vesting conditions	[2]	[2]	[2]	[3]
Expected leavers per annum (%)	3	3	3	3
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	N/A	33
Fair value per instrument (R)	61.33[4]	61.33[4]	64.23[5]	59.12[6]

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28 Share-based payments (continued)

Mondi Limited	Demerger arrangements	BSP 2008	LTIP 2008
Date of grant	3 July 2007	31 March 2008	31 March 2008
Vesting period (years)[1]	2	3	3
Vesting conditions	[2]	[2]	[3]
Expected leavers per annum (%)	nil	5	5
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	33[7]
Fair value per instrument (R)	59.88[4]	56.39[5]	57.59[6]

Mondi Limited	BSP 2009	LTIP 2009
Date of grant	27 March 2009	27 March 2009
Vesting period (years)[1]	3	3
Vesting conditions	[2]	[3]
Expected leavers per annum (%)	5	5
Expected outcome of meeting performance criteria at date of grant (%)	N/A	75
Fair value per instrument (R)	18.87[5]	19.26[6]

Notes:

1 The number of years' continuous employment (service condition).

2 The service condition must be satisfied in order for vesting to occur.

3 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined by the congruence of market and Group performance outcomes with specified market-based and internal Group performance targets.

4 The average mid-market share price for the month ended 3 August 2007 has been used to quantify the fair value of each instrument granted (the base fair value), as adjusted for the present value of anticipated dividends foregone over future vesting periods.

5 Accrued entitlements to dividends on BSP awards are accounted for on a cash-settled basis and are included in the fair value estimate.

6 The base fair value has been adjusted for contractually-determined market-based performance conditions.

7 At 31 December 2008 it was assumed that the expected outcome would be 89%.

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

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

	Mondi Limited				
2008/Scheme	1 January	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December
Transitional BSP	54,028	–	(1,872)	(1,220)	50,936
BSP	106,048	235,165	(1,782)	(2,928)	336,503
Transitional LTIP	23,083	–	–	–	23,083
LTIP	116,450	148,088	–	–	264,538
Demerger arrangements	187,710	–	(15,842)	–	171,868
Total	487,319	383,253	(19,496)	(4,148)	846,928

29 Business combinations

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:			
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**

The values used in accounting for the identifiable assets and liabilities of these acquisitions are provisional in nature at the reporting date. If necessary, adjustments will be made to these carrying values, and to the related goodwill, within 12 months of the acquisition date.

To 31 December 2008

Principal acquisitions made during the year to 31 December 2008, accounted for under the acquisition method, were:

Name of entity acquired	Nature of entity acquired	Date of acquisition	Percentage acquired
Lion Packaging (Proprietary) Limited	Polystyrene and PVC film wrap manufacturing	1 April 2008	72

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

R million	Fair value
Net assets acquired:	
Property, plant and equipment[1]	93
Deferred tax assets	5
Inventories	14
Trade and other receivables	30
Trade and other payables	(49)
Long-term borrowings	(32)
Deferred tax liabilities	(3)
Net assets acquired	58
Adjustment to provisional goodwill raised in prior year	(15)[1]
Goodwill arising on acquisition	–
Total cost of acquisition	43
Cash acquired net of overdrafts	–
Net cash paid	43

Note:

[1] Includes adjustments totalling R15 million to the provisional fair values estimated in respect of the net assets of Lenco which was acquired in 2007.

The acquired business (Lion Packaging (Proprietary) Limited) has contributed revenues of R114 million and a net profit of R13 million in the year ended 31 December 2008. If the acquisition had occurred on 1 January 2008, the acquired business would have contributed revenues of R149 million and a net profit of R11 million.

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30 Disposal of subsidiaries and associates

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

R million	**2009**	2008
Net assets disposed:		
Property, plant and equipment	1	–
Inventories	1	–
Trade and other receivables	4	–
Cash and cash equivalents	1	–
Deferred tax liabilities	2	–
Trade and other payables	(5)	–
Overdraft	(2)	–
Reserves	3	–
Goodwill	1	–
Total net assets disposed	**6**	–
(Loss)/profit on disposal (see note 4)	–	–
Disposal proceeds	**6**	–
Net overdraft disposed	1	–
Deferred consideration	(6)	–
Net cash inflow from disposals	**1**	–

31 Disposal groups and assets held for sale

	Group		Company	
R million	**2009**	2008	**2009**	2008
Property, plant and equipment	38	1	37	1
Forestry assets	333	–	333	–
Total non-current assets	**371**	1	**370**	1
Inventories	1	–	1	–
Total current assets	**1**	–	**1**	–
Total assets classified as held for sale	**372**	1	**371**	1
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	**279**	1	**278**	1

32 Cash flow analysis

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Profit/(loss) before tax	**78**	1,018	**(19)**	940
Depreciation and amortisation	845	820	505	496
Share option expense	10	12	6	4
Share options exercised – Anglo American share scheme	(4)	(49)	(4)	(39)
Non-cash effect of special items	227	5	217	3
Net finance costs/(income)	483	603	(1)	76
Net income from associates	–	(3)	–	–
(Decrease)/increase in provisions	(18)	34	(22)	61
Decrease in post-employment benefits	(29)	(25)	(35)	(28)
Decrease/(increase) in inventories	138	(163)	146	(50)
Decrease/(increase) in operating receivables	497	(216)	367	(95)
Increase/(decrease) in operating payables	41	321	(75)	211
Fair value gains on forestry assets	(323)	(560)	(243)	(382)
Felling costs	581	515	455	428
Profit on disposal of tangible and intangible assets	(53)	–	(53)	(1)
Profit on disposal of forestry assets	–	(1)	–	(1)
Decrease/(increase) in held for trading derivatives	20	(23)	23	(24)
Other impairments	(1)	–	(11)	–
Other adjustments	26	2	7	(3)
Cash generated from operations	**2,518**	2,290	**1,263**	1,596

(b) Cash and cash equivalents

	Group		Company	
R million	**2009**	2008	**2009**	2008
Cash and cash equivalents per statement of financial position	422	357	4	69
Bank overdrafts included in short-term borrowings	(621)	(208)	(616)	(201)
Net cash and cash equivalents per statement of cash flows	**(199)**	149	**(612)**	(132)

32 Cash flow analysis (continued)

(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 2008	(109)	(922)	(3,388)	–	–	(4,419)
Cash flow	258	985	(1,503)	–	–	(260)
Business combinations (see note 29)	–	–	(32)	–	–	(32)
Reclassifications	–	(1,205)	1,196	–	–	(9)
At 31 December 2008	149	(1,142)	(3,727)	–	–	(4,720)
Cash flow	(98)	891	59	–	–	852
Disposal of businesses (see note 30)	1	–	–	–	–	1
Reclassifications	(251)	(677)	929	–	–	1
At 31 December 2009	**(199)**	**(928)**	**(2,739)**	**–**	**–**	**(3,866)**

	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 2008	(328)	(357)	(682)	43	782	(542)
Cash flow	196	91	(1,511)	(42)	1,214	(52)
Reclassifications	–	(374)	374	–	100	100
At 31 December 2008	(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)**

Note:

[1] Excludes overdrafts, which are included as cash and cash equivalents. At 31 December 2009, short-term borrowings on the statement of financial position for the Group and Company of R1,549 million and R1,182 million, respectively, (2008: R1,350 million and R841 million, respectively) include R621 million and R616 million of overdrafts, respectively (2008: R208 million and R201 million, respectively).

33 Capital commitments

R million	Group 2009	Group 2008	Company 2009	Company 2008
Contracted for but not provided	**135**	128	**56**	108
Approved, not yet contracted for	**414**	249	**357**	215

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

34 Contingent liabilities and contingent assets

Disclosable contingent liabilities for the Group and Company comprise aggregate amounts at 31 December 2009 of R84 million and R71 million, respectively (2008: R117 million and R81 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 disclosable contingent assets for the Group and Company for both the years presented.

35 Operating leases

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

R million	Group 2009	Group 2008	Company 2009	Company 2008
Expiry date				
Within one year	251	205	195	175
One to two years	245	205	173	167
Two to five years	635	543	471	458
After five years	526	600	151	308
Total operating leases	**1,657**	1,553	**990**	1,108

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 (2008: R8 million). There are 61 years remaining on the lease. The operating lease commitments of this lease are not included in the table above.

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36 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.

37 Financial risk management

The Group 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 cash flow 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 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 positions on derivative contracts speculatively and only enter into contractual arrangements with counterparties that have investment grade credit ratings.

Market risk

The Group and Company's activities expose them primarily to foreign exchange and cash flow interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of foreign exchange contracts and floating-to-fixed interest rate swaps (interest rate swaps) respectively. Although the Group 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 in commodity payables and receivables. Consequently, the Group and Company are not substantively exposed to commodity price risk as defined in IFRS 7. Since the impact on the Group and Company's equity would be immaterial for a wide range of relevant commodity price changes, the Group and Company have chosen not to perform sensitivity analyses on its commodity price derivatives. The Group and Company are also exposed to a limited extent to the equity price risk that attaches to its available-for-sale financial asset investments. Even under stressed market conditions, the impact on earnings or equity attributable to the crystallisation of equity price risk would be immaterial. Accordingly, the Group and Company have chosen not to disclose sensitivity analyses on equity price risk.

Foreign exchange risk

The Group 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.

37 Financial risk management (continued)

Foreign exchange contracts

The Group 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. The management of foreign currency exposures in 2009 incorporated both forecast transactions and recognised monetary items in the statement of financial position. 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.

As part of management's regular review of the suitability of the treasury risk management policies, the Group and Company's currency hedging policy has been amended. Effective from January 2010, only material balance sheet exposures and highly probable forecast capital expenditure transactions are to be hedged.

Prior to the implementation of the amended hedging policy, currencies bought or sold forward to mitigate possible unfavourable movements on forecast transactions were designated as cash flow hedges. The Group and Company's budgeting and forecasting systems enabled subsidiaries to assign a high degree of probability to forecast transactions and this therefore qualified them for designation as hedged items. The effective portion of changes in the fair value of designated foreign exchange contracts were initially deferred in equity, and subsequently reclassified to the income statement when the underlying forecast transaction affected profit or loss. Utilisation of cash flow hedging enabled the Group and Company to reclassify the fair value movements accreted on foreign exchange contracts and to match them with the crystallisation of the foreign exchange risk attributable to the designated hedged items in the income statement. Hedging documentation was maintained and subjected to regular internal and external review, which reduced the risk of hedging ineffectiveness.

Currencies bought or sold forward to mitigate possible unfavourable movements on recognised monetary items are fair valued at each reporting date. Foreign currency monetary items are retranslated at each reporting date to incorporate the underlying foreign exchange movements, as prescribed by IAS 21, 'The Effects of Changes in Foreign Exchange Rates', and any such movements naturally off-set against 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 and Company's financial assets and financial liabilities at the reporting dates presented, net of related forward positions. The sensitivity analysis provides an indication of the impact on the Group 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 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.

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 ±R2 million (2008: ±R8 million).

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37 Financial risk management (continued)

Resultant impacts of reasonably possible changes to foreign exchange rates (continued)
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 (2008: Rnil). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges are fully recorded in equity and that all other variables are held constant.

Cash flow interest rate risk

The Group and Company hold cash and cash equivalents, which earns interest at a variable rate and have variable rate debt in issue. Consequently, the Group and Company are exposed to cash flow interest rate risk. Although the Group and Company also have fixed rate debt in issue, the Group 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 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, of which the most significant is the syndicated facility denominated South African rand (see note 20). 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 resultant effective portion of the fair value gains and losses is initially deferred in equity, and is subsequently reclassified for offset against the interest cash flows arising on the hedged item. Cash flow hedging enables the Group and Company to reclassify the fair value movements accreted on interest rate swaps from the Group and Company's cash flow hedge reserve in equity and to match them with the crystallisation of the cash flow interest rate risk attributable to the variable rate debt in the Group and Company's income statement. The effect of applying this accounting treatment is to reduce the underlying volatility of reported earnings.

Hedging effectiveness documentation is subjected to regular internal and external review, which reduces the risk of hedging ineffectiveness. The Group and Company's cash and cash equivalents also acts 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 R14 million (2008: R20 million).

37 Financial risk management (continued)

Credit risk

The Group and Company's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits and derivative financial instruments is deemed to be insignificant on the basis that nearly all relevant counterparties are investment grade entities assigned by international credit-rating agencies. 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. The Company has also provided committed loan facilities to Mondi Packaging South Africa and Mondi Shanduka Newsprint. Full disclosure of the Group and Company's maximum exposure to credit risk is presented in the following table.

Exposure to credit risk

	Group		Company	
R million	**2009**	2008	**2009**	2008
Cash and cash equivalents	422	357	4	69
Derivative financial instruments	7	30	3	28
Trade and other receivables	2,153	2,648	1,160	1,526
Loans and receivables	81	44	133	128
Total credit risk exposure	**2,663**	3,079	**1,300**	1,751

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.

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 manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

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

	Group		Company	
R million	**2009**	2008	**2009**	2008
Expiry date				
In one year or less	146	17	–	–
In more than one year	–	–	–	–
Total credit available	**146**	17	**–**	–

The Group has R553 million (2008: R413 million) available to draw down on its uncommitted loan facilities.

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37 Financial risk management (continued)

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

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 and Company's financial investments, which are not held for trading and therefore do not comprise part of the Group and Company's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Group 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 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				
	Undiscounted cash flows				
2009/R million	**< 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**[1]
Trade and other payables (see note 19)	1,728	–	–	–	1,728
Finance leases	23	21	30	5	79
Borrowings	2,054	1,534	1,464	129	5,181
Total	**3,805**	**1,555**	**1,494**	**134**	**6,988**

	Group				
	Undiscounted cash flows				
2008/R million	< 1 year	1-2 years	2-5 years	5+ years	Total[1]
Trade and other payables (see note 19)	1,743	–	–	–	1,743
Finance leases	22	12	12	9	55
Borrowings	1,849	1,036	2,977	1,147	7,009
Total	3,614	1,048	2,989	1,156	8,807

37 Financial risk management (continued)

Maturity profile of outstanding financial liabilities (continued)

	Company				
	Undiscounted cash flows				
2009/R million	**< 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**[1]
Trade and other payables (see note 19)	821	–	–	–	821
Finance leases	6	6	11	–	23
Borrowings	1,470	1,230	92	–	2,792
Total	**2,297**	**1,236**	**103**	**–**	**3,636**

	Company				
	Undiscounted cash flows				
2008/R million	< 1 year	1-2 years	2-5 years	5+ years	Total[1]
Trade and other payables (see note 19)	927	–	–	–	927
Finance leases	1	1	–	–	2
Borrowings	1,089	451	1,982	–	3,522
Total	2,017	452	1,982	–	4,451

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 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

	Group			
	Undiscounted cash flows			
2009/R million	**< 1 year**	**1-2 years**	**2-5 years**	**Total**[1]
Foreign exchange contracts	4	–	–	4
Interest rate swaps	(12)	(7)	(2)	(21)
Total	**(8)**	**(7)**	**(2)**	**(17)**

	Group			
	Undiscounted cash flows			
2008/R million	< 1 year	1-2 years	2-5 years	Total[1]
Foreign exchange contracts	24	–	–	24
Interest rate swaps	(4)	(11)	(16)	(31)
Total	20	(11)	(16)	(7)

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37 Financial risk management (continued)

Maturity profile of outstanding derivative positions (continued)

	Company			
	Undiscounted cash flows			
2009/R million	**< 1 year**	**1-2 years**	**2-5 years**	**Total**[1]
Foreign exchange contracts	2	–	–	2
Total	**2**	**–**	**–**	**2**

	Company			
	Undiscounted cash flows			
2008/R million	< 1 year	1-2 years	2-5 years	Total[1]
Foreign exchange contracts	25	–	–	25
Total	25	–	–	25

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

Effective 1 January 2009, the Group and Company adopted the amendment to IFRS 7, 'Financial Instruments: Disclosure', for financial instruments that are measured in the statement of financial position at fair value, requiring disclosure of fair value measurements by level of 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 value 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.

For financial instruments to be included in level 2, all significant inputs required to fair value an instrument must be observable. The significant inputs required to fair value all of the Group and Company's financial instruments are observable, and therefore all of the Group and Company's financial instruments are categorised as level 2 financial instruments. The Group and Company do 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;
- the Group and Company's commodity derivatives are fair valued by independent third parties, who in turn calculate the fair values as the present value of expected future cash flows based on observable market data; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

38 Related party transactions

The Group and Company have related party relationships with their associates and joint ventures (see note 39). 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 executive directors, who together with the non-executive directors comprise the board, are deemed to be the key management personnel of the Group and Company; their remuneration is disclosed in the remuneration report.

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

	Group	
2008/R million	Joint ventures	Mondi plc subsidiaries
Sales to related parties	–	2,929
Purchases from related parties	–	19
Receivables due from related parties	–	596
Payables due to related parties	–	80
Total borrowings from related parties	–	2

	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	–	–	14	–
Investment	–	–	–	2

Notes to the financial statements and consolidated financial statements continued

for the year ended 31 December 2009

38 Related party transactions (continued)

	Company			
2008/R million	Joint ventures	Mondi plc subsidiaries	Subsidiaries	Mondi Incentive Schemes Trust
Sales to related parties	–	2,794	636	–
Purchases from related parties	2	8	245	–
Net finance income	17	–	181	–
Dividends received from related parties	–	–	1	–
Loans to related parties	–	–	1,729	6
Receivables due from related parties	106	577	191	–
Payables due to related parties	12	78	119	–
Shareholder's loan to related parties	128	–	239	–
Total borrowings from related parties	–	2	14	–

Cyril Ramaphosa, joint chairman of Mondi, has a 34.3% (2008: 32.7%) stake in Shanduka Group (Proprietary) Limited, an entity that has controlling interests in Shanduka Advisors (Proprietary) Limited, Shanduka Resources (Proprietary) Limited, Shanduka Packaging (Proprietary) Limited and Shanduka Newsprint (Proprietary) Limited and participating interests in Mondi Shanduka Newsprint (Proprietary) Limited, Kangra Coal (Proprietary) Limited, Shanduka Coal (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited. Fees of R5 million (2008: R4 million) and Rnil (2008: R5 million) were paid to Shanduka Advisors (Proprietary) Limited and Shanduka Resources (Proprietary) Limited respectively for management services provided to the Group and Company during the year ended 31 December 2009. Shanduka Packaging (Proprietary) Limited and Shanduka Newsprint (Proprietary) Limited have also provided a shareholders' loan to the Group. The balance outstanding at 31 December 2009 was R168 million (2008: R168 million) and R92 million (2008: R92 million), respectively. In the normal course of business, and on an arm's length basis, the Group and Company purchased supplies from Kangra Coal (Proprietary) Limited totalling R102 million (2008: R145 million) and from Shanduka Coal (Proprietary) Limited totalling R40 million (2008: Rnil) during the year. R5 million (2008: R12 million) remains outstanding on these purchases as at 31 December 2009.

Dividends received from associates for the year ended 31 December 2009 amounts to R1 million (2008: R3 million), as disclosed in the Group statement of cash flows.

39 Group companies

The principal subsidiaries, joint ventures and associates of the Group as at 31 December 2009 and 31 December 2008, 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.

			Percentage equity owned[1]	
Subsidiary undertaking	**Country of incorporation**	**Business**	**2009**	2008
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 losses from subsidiary entities, excluding joint ventures, for the year ended 31 December 2009 is R47 million (2008: profits of R49 million).

40 Events occurring after 31 December 2009

With the exception of the proposed final dividend for 2009, included in note 7, there have been no material reportable events since 31 December 2009.

Shareholder information

Shareholders' analysis

As at 31 December 2009 Mondi Limited had 146,896,322 ordinary shares in issue, of which 4,406,418 were held as Depositary Interests.

By size of holding

Number of shareholders	% of shareholders	Size of shareholding			Number of shares	% of shares
39,437	95.35	1	–	500	1,200,883	0.82
682	1.65	501	–	1,000	499,083	0.34
657	1.59	1,001	–	5,000	1,369,242	0.93
312	0.75	5,001	–	50,000	5,586,306	3.80
240	0.58	50,001	–	1,000,000	46,084,447	31.37
31	0.08	1,000,001	–	highest	92,156,361	62.74
41,359	100.00				146,896,322	100.00

By type of holding

	Number of shares	% of shares
Public*	146,836,754	99.96
Non-public	59,568	0.04
Directors of Mondi Limited/Mondi plc	*5,868*	*0.00*
Mondi staff share schemes	*53,700*	*0.04*
Total	146,896,322	100.00

* As per the Listings Requirements of the JSE Limited.

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For further information, please see:

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