Mondi Limited

(Registration number: 1967/013038/06)

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

Introduction

The Mondi Limited financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa 2008.

Shareholders are advised to review the Mondi Group Integrated report and financial statements 2015 which is available at: www.mondigroup.com.

In terms of the dual listed company (DLC) structure, referred to as the Mondi Group, incorporating Mondi Limited and Mondi plc, ordinary shareholders of Mondi Limited or Mondi plc have economic and voting interests in the Mondi Group, comprising the combination of the Mondi Limited group and the Mondi plc group. The Mondi Group Integrated report and financial statements 2015 provide comprehensive information regarding the financial position and the results of the operations of the Mondi Group.

Contents

Report of the directors

The directors submit their report for the year ended 31 December 2015.

Main business and operations

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

The Company forms an integral part of the Mondi Group and these financial statements must be read in the context of the Mondi Group. Shareholders are referred to the Mondi Group Integrated report and financial statements 2015 in this regard.

The Company earned a profit after tax for the year of R1,318 million (2014: R965 million).

Subsequent events

With the exception of the proposed final dividend for 2015, included in note 6, there have been no material reportable events since 31 December 2015.

Going concern

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

Stated capital

Refer to note 17 for details of the stated capital of the Company.

Dividends

An interim dividend of 200.04751 rand cents per share (2014: 189.93650 rand cents per share) was declared and paid during the year and a final dividend of 650.55664 rand cents per share (2014: 379.38999 rand cents per share) was recommended by the directors and is subject to shareholder approval at the annual general meeting to be held on 12 May 2016. Refer to note 6 for more information.

Directors

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

Directors	Position	Independent	Board member since	Retired
Fred Phaswana	Joint chairman	Yes (on appointment)	June 2013	
David Williams	Joint chairman	Yes (on appointment)	May 2007	
Stephen Harris	Non-executive director	Yes	March 2011	
David Hathorn	Chief executive officer	No	May 1997	
Andrew King	Chief financial officer	No	October 2008	
Imogen Mkhize	Non-executive director	Yes	May 2007	September 2015
John Nicholas	Non-executive director	Yes	October 2009	
Peter Oswald	Chief executive officer: Europe & International Division	No	January 2008	
Anne Quinn	Senior independent non-executive director	Yes	May 2007	
Dominique Reiniche	Non-executive director	Yes	October 2015	

Holding company

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

Investments in subsidiaries

Refer to notes 9 and 27 of these annual financial statements for details of investment in subsidiaries.

Auditors

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

Report of the directors continued

Secretary

The company secretary is Philip Laubscher.

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

Corporate governance statement

Mondi's corporate governance is comprehensively detailed in the Mondi Group Integrated report and financial statements 2015.

Remuneration report

Shareholders are referred to the Mondi DLC remuneration committee report in the Mondi Group Integrated report and financial statements 2015. The remuneration tables below are extracts from the remuneration report and are presented in euro, the reporting currency of the Mondi Group. With the exception of Peter Oswald, who is remunerated in euro, the remuneration of the directors is determined in pounds sterling. The amounts reported in euro are determined based on exchange rates on the dates actual payments were made.

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

Executive director	Effective date of contract	Unexpired term/notice period
David Hathorn	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed term expiring on 30 April 2019 but terminable at any time on 12 months' notice

Remuneration for the year ended 31 December 2015

Executive directors' remuneration[1]

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

		Base salary	Benefits	Annual Bonus including grant value of BSP award	Value of LTIP vesting in the performance year[2]	Other[3]	Total
David Hathorn	2015	€1,234,121	€54,323	€1,652,794	€3,673,395	€82,106	€6,696,739
	2014	€1,078,353	€48,824	€1,478,738	€4,572,073	€263,306	€7,441,294
Andrew King	2015	€729,693	€43,192	€790,518	€1,525,601	€37,895	€3,126,899
	2014	€637,322	€39,652	€714,430	€1,765,907	€223,380	€3,380,691
Peter Oswald	2015	€921,000	€39,557	€990,260	€2,303,324	€53,226	€4,307,367
	2014	€895,000	€40,617	€983,784	€2,743,356	€53,236	€4,715,993

Notes:

1 The table includes all remuneration received in respect of the years ended 31 December 2015 and 31 December 2014, whether received from Mondi Limited or Mondi plc, excluding pension contributions.

2 For 2015, the three-year performance cycle of the 2013 LTIP award ended on 31 December 2015. The award value shown is based on the average share price over the last three months of the performance cycle. For 2014, the three-year performance cycle of the 2012 LTIP award ended on 31 December 2014. The award value shown in the 2014 remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £10.38 for Mondi plc LTIP awards and R183.79 for Mondi Limited LTIP awards. The actual award price on vesting was £13.36 for Mondi plc LTIP awards and R241.22 for Mondi Limited LTIP awards. The award values for 2014 have been revised on this basis.

3 Includes cash amounts of equivalent value to dividends on vested BSP shares during the year and for 2014 includes the net gain from exercise of options under the Mondi Sharesave Option Plan.

Report of the directors continued

Pension contributions in respect of executive directors

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

The pension contributions paid by the Mondi Group in respect of the years 2015 and 2014 are:

	2015	2014
David Hathorn	€368,889	€322,614
Andrew King	€182,423	€159,330
Peter Oswald	€230,250	€223,750

Non-executive directors' remuneration

	2015			2014		
	Fees	Other benefits	Total	Fees	Other benefits	Total
Fred Phaswana	€378,995	€0	€378,995	€336,658	€0	€336,658
David Williams	€378,995	€0	€378,995	€336,658	€0	€336,658
Stephen Harris	€119,712	€0	€119,712	€106,399	€0	€106,399
Imogen Mkhize[1]	€82,966	€0	€82,966	€100,802	€0	€100,802
John Nicholas	€119,710	€0	€119,710	€109,111	€0	€109,111
Anne Quinn	€127,312	€0	€127,312	€115,852	€0	€115,852
Dominique Reiniche[2]	€30,578	€0	€30,578	€0	€0	€0

Notes:

1 Imogen Mkhize's 2015 fee covers the period until 30 September 2015 when she stepped down from the board.

2 Dominique Reiniche's fee covers the period from her appointment on 1 October 2015.

Share holding and share awards granted

At 31 December 2015, Andrew King held 208 (2014: 208 shares) shares. None of the other directors held any shares in Mondi Limited. The following table sets out the share awards in respect of Mondi Limited granted to the executive directors.

	Type of award[1]	Awards held at beginning of year or on appointment to the board	Awards granted during year	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2015	Release date
David	BSP	24,216	—	24,216	6,979	Mar 12	—	Mar 15
Hathorn	BSP	17,506	—	—	11,464	Mar 13	17,506	Mar 16
	BSP	12,883	—	—	19,435	Mar 14	12,883	Mar 17
	BSP	—	13,542	—	23,444	Mar 15	13,542	Mar 18
	LTIP	74,355	—	74,355	6,979	Mar 12	—	Mar 15
	LTIP	55,233	—	—	11,464	Mar 13	55,233	Mar 16
	LTIP	44,723	—	—	19,435	Mar 14	44,723	Mar 17
	LTIP	—	37,516	—	23,444	Mar 15	37,516	Mar 18
Andrew	BSP	11,177	—	11,177	6,979	Mar 12	—	Mar 15
King	BSP	7,790	—	—	11,464	Mar 13	7,790	Mar 16
	BSP	6,091	—	—	19,435	Mar 14	6,091	Mar 17
	BSP	—	6,543	—	23,444	Mar 15	6,543	Mar 18
	LTIP	28,719	—	28,719	6,979	Mar 12	—	Mar 15
	LTIP	22,939	—	—	11,464	Mar 13	22,939	Mar 16
	LTIP	18,574	—	—	19,435	Mar 14	18,574	Mar 17
	LTIP	—	17,985	—	23,444	Mar 15	17,985	Mar 18

Note:

1 The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 4.

The information presented above, in conjunction with the compensation for board and key management (see note 26), satisfies the disclosure requirements of the Companies Act of South Africa 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Company.

Report of the directors continued

Audit committee report

Key responsibilities

- Monitor the integrity of the Group's financial statements, financial announcements and the disclosures made, making recommendations to the board;
- Review the consistency of the application of significant accounting policies, the ongoing appropriateness of those policies and the impact of any changes;
- Oversee that there is an appropriate relationship with the external auditors and the objectivity and effectiveness of the audit process as a whole, making recommendations to the board on the appointment, retention and removal of the external auditors and tendering of external audit services;
- Review the adequacy and effectiveness of the Mondi Group's system of internal control;
- Oversee the Mondi Group's risk management processes;
- Monitor and review the effectiveness of the Group's internal audit function and review regular reports from the head of internal audit;
- Review the Mondi Group's performance against aspects of the code of business ethics reserved for review by the committee; and
- Review the adequacy of the Mondi Group's policies and practices regarding business conduct and ethics and the arrangements for employees and third parties to raise concerns.

Composition

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

All members of the committee are independent non-executive directors. The board considers each member has appropriate knowledge and understanding of financial matters and commercial expertise, sufficient to enable them to consider effectively the financial and accounting issues that are presented to the committee. The board considers John Nicholas, the chairman of the committee, to have specific recent and relevant financial experience; he is a chartered accountant and, until April 2015, was a member of the UK Financial Reporting Review Panel.

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

Activities of the audit committee during 2015

The committee operates under formal terms of reference that are reviewed at least annually. The committee considers that it has appropriately discharged its responsibilities as set out in its terms of reference during the year and has operated in compliance with relevant legal, regulatory and other responsibilities. Apart from the external audit tender process and the external review of the internal audit function, there were no material matters requiring review or decision during 2015, so the committee agenda covered the regular matters reserved for its consideration during the annual financial reporting cycle.

The principal matters covered by the committee during the meetings held in the year included:

Financial reporting

- Reviewed the integrity of the full-year and half-yearly results and the announcement of those results and reported to the board on the committee's findings. Input was provided to the committee through detailed reports from the Group financial controller and Deloitte & Touche. There was particular focus on any significant financial reporting judgements and disclosures and the assessment of the going concern basis of accounting;
- Reviewed the Mondi Group Integrated report and financial statements 2014 and the Mondi Limited financial statements 2014 with due regard to the tone and consistency of reporting and that the report as a whole was fair, balanced and understandable and reported to the board on the committee's conclusions;
- Reviewed and discussed the audit management letter;
- Reviewed the interim management statements including consideration of the appropriateness to continue with issuing quarterly statements. Having taken into account our desire to keep the market informed and our competitor reporting cycles it was decided to retain interim trading updates but to adjust the timing to better fit the Mondi Group's financial cycle;
- Reviewed accounting policies that would be applied for the year ending 31 December 2015 noting that there had been no significant new accounting policies applicable to the 2015 financial year;
- Reviewed new accounting pronouncements to existing accounting standards effective 1 January 2015 confirming that all had been adopted and that the Mondi Group was compliant although none had resulted in any material impact on the Mondi Group's financial reporting; and
- Considered and approved the early adoption of IAS1 Presentation of Financial Statements that included amendments relating to disclosure initiatives.

Report of the directors continued

External audit matters

- Undertook a full audit tender process resulting in a recommendation to the board to change the external auditors for the Mondi Group;
- Finalised the rotation of the South African external audit partner following completion of the 2014 audit. The committee has monitored the change and has been comfortable with management's feedback on the transition to the new audit partner and with the reporting to and interface with the committee by the new audit partner;
- Reviewed the independence, objectivity and effectiveness of Deloitte & Touche;
- Reviewed Deloitte & Touche's reappointment as auditors for the 2015 audit and made a recommendation to the board;
- Reviewed and approved the external audit plan, having taken account of the proposed scope, materiality and audit risks as well as the proposed fees;
- Received a report at each meeting of any non-audit services approved by either the chairman of the committee or the chief financial officer in line with the Mondi Group's policy;
- Reviewed and agreed the engagement letters and representation letters; and
- Held a meeting with Deloitte & Touche without management present.

Risk Management and internal controls

- Undertook a detailed review of the Mondi Group's risk management policy, plan and tolerance levels. Considered the likelihood, impact criteria and risk rating matrix and the Mondi Group risk map as well as ensuring that there had been a robust process to assess the risks;
- Reviewed the effectiveness of the internal control and risk management systems. Key elements of the Mondi Group's system of internal control were discussed. The committee was satisfied that the development and improvement of risk assurance was managed on an ongoing basis;
- At each committee meeting undertook a more in-depth review of two or three of the most significant Mondi Group risks; and
- Received a detailed presentation on the IT risk management framework, IT risk register, activities and mitigations with a particular focus on cyber security and reported on this to the board.

Internal audit matters

- Reviewed and agreed the internal audit plan, confirming the continued focus on the Mondi Group's key risk areas to ensure effective management within the context of our business objectives and that appropriate controls are in place. The committee confirmed that all material operations were covered and that there was an appropriate degree of financial and geographic coverage;
- Received reports from the heads of internal audit at each meeting that provided an update on the activities of the function;
- Received and considered the external report from Ernst & Young LLP following their review of Mondi's internal audit function. The report helped inform the committees view on the independence, resources, appropriateness and effectiveness of internal audit; and
- Held a meeting with the heads of internal audit without management present.

Governance and other

- For JSE purposes reviewed the appropriateness of the chief financial officer and the effectiveness of the finance functions;
- Monitored and reviewed the continued implementation of those elements of the Mondi Group's Code of Business Ethics reserved for review by the committee as well as the supporting framework of the Business Integrity Policy;
- Monitored and reviewed the Mondi Group's competition compliance programme, noting in particular the role of the divisional competition compliance committee's that are both chaired by the chief financial officer; and
- Reviewed the committee's terms of reference, performance and work programme to ensure the activities of the committee reflected current regulation, governance and best practice. A proposal to implement changes to the terms of reference was presented to the board and approved.

The committee always meets prior to meetings of the board to enable the committee to report to the board and provide any necessary recommendations or advice relevant for its deliberations.

Fair, balanced and understandable

A key role of the committee is to ensure that the interests of shareholders are protected, in particular that there is robust financial reporting with good internal controls in place and appropriate accounting practices and policies combined with sound judgement.

Although oversight and review of material financial reporting matters are considered throughout the year, at the request of the board, the committee assessed the integrity of the Mondi Group Integrated report and financial statements 2015 and the Mondi Limited financial statements 2015 and the clarity, completeness and consistency of disclosures.

The committee reported to the board that they considered the report to present a fair, balanced and understandable assessment of the Company's and Mondi Group's position and prospects.

Report of the directors continued

External audit

Following the conclusion of the 2014 audit the South African audit partner rotated off the Mondi audit and a new audit partner has been in place for the 2015 audit. The audit was put out to tender during the year, culminating in the decision to change the audit firm after the conclusion of the 2016 audit from Deloitte & Touche to PricewaterhouseCoopers (PwC).

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained. The committee confirmed that Deloitte & Touche is included in the JSE list of accredited auditors. Following the conclusion of the review the committee made a recommendation to, which was accepted by, the board that a resolution to reappoint Deloitte & Touche and Shelly Nelson as the designated partner be proposed at the Annual General Meeting of Mondi Limited to be held on 12 May 2016.

Non-audit services

A policy is in place that governs the provision of non-audit services provided by Deloitte & Touche to the Company, including the requirement for the pre-approval of such services. In order to limit the non-audit services provided by the external auditor, the policy restricts those services by type and monetary limit. The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services. This enables regular oversight of a key threat to auditor independence and objectivity.

Social and ethics committee

In compliance with Regulation 43 of the Companies Act of South Africa 2008, the Company has established a social and ethics committee. The committee monitors activities relating to the Company's good corporate citizenship, employment equity and broad based black economic empowerment, anti-corruption, the environment, health and public safety, consumer relationships, labour and employment. Shareholders are referred to the Mondi Group Integrated report and financial statements 2015 for the committee's full report.

Directors' responsibility statement

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

South African company law requires the directors to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa 2008 for each financial year giving a true and fair view of Mondi Limited's state of affairs at the end of the year and profit or loss for the year.

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

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

Report on the financial statements

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

The board confirms that to the best of its knowledge the financial statements of the Company, prepared in accordance with IFRS and the requirements of the Companies Act of South Africa 2008, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi Limited.

The Company's financial statements, and related notes 1 to 29, were approved by the board and authorised for issue on 24 February 2016 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Compliance statement by the company secretary

The company secretary, Philip Laubscher, certifies that Mondi Limited has lodged with the Registrar of Companies all such returns and notices as are required for a public company in terms of section 88(1)(e) of the Companies Act of South Africa 2008, as amended, and that all such returns and notices are true, correct and up to date in respect of the financial year reported upon.

Philip Laubscher
Company secretary

Johannesburg

24 February 2016

Independent auditor's report to the shareholders of Mondi Limited

Opinion

We have audited the financial statements of Mondi Limited (Company) set out on pages 14 to 44, which comprise the statement of financial position as at 31 December 2015, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mondi Limited as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of property plant and equipment	
The Company continues to invest in significant capital projects with capital expenditure of R871 million during the year ended 31 December 2015 (2014: R419 million), as detailed in note 7. The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment' (IAS 16), specifically in relation to assets constructed by the Company, and the application of the Directors' judgement in assigning appropriate useful economic lives. As a result, this was noted as a key audit matter.	Our audit work included assessing the nature of property, plant and equipment capitalised by the Company to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16. Our audit work considered whether capitalisation of assets ceased when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Company. Furthermore, we challenged the useful economic lives assigned with reference to the Companies historical experience, our understanding of the future utilisation of assets by the Company and by reference to the depreciation policies applied by third parties operating similar assets. The capitalisation of assets was assessed to be appropriate. We concluded that the useful economic lives assigned to these assets are appropriate based on the evidence obtained.

Independent auditor's report to the shareholders of Mondi Limited continued

Key audit matter	How our audit addressed the key audit matter
Forestry assets	
As disclosed in note 8 the valuation of the Company's forestry assets, amounting to R2.9 billion (2014: R2.6 billion), is dependent upon various assumptions which are subject to significant judgement and prevailing market prices. The most significant assumptions included in the valuation model relate to the determination of the estimated net selling prices to be applied to the forestry assets, the conversion factor used to convert hectares of land under afforestation to tonnes of standing timber and the discount rate applied in the valuation. Due to the level of judgement involved in the valuation of forestry assets as well as the significance of the asset to the Company's statement of financial position, this is considered to be a key audit matter.	In evaluating the valuation of the forestry assets, we assessed the appropriateness of the inputs and the assumptions used in the valuation model to determine the fair value and tested the mathematical accuracy of the valuation model. This included involving our IT audit specialists to perform an application controls review of the Afforestation system. We compared the estimated net selling prices to third party evidence and challenged the Directors' assumptions on the conversion factor used to convert hectares of land under afforestation to tonnes of standing timber based on historical data. This was supplemented with focused tests of detail. In performing our audit procedures, we used internal valuation specialists to assist us in assessing the discount rate applied in the valuation model by benchmarking it against independent data. We also evaluated the Director's assessment of the sensitivity of the valuation to reasonably possible changes in assumptions and considered the disclosures provided by the Company in relation to its valuation. We concluded that the inputs used in the valuation model were appropriate. In the context of the inherent uncertainties disclosed, the valuation, determined with reference to the assumptions and discount rate applied, is considered to be within a reasonable range of the possible outcome. The disclosure in relation to the forestry asset valuation is considered comprehensive.
Post-retirement medical aid benefit	
As disclosed in note 19 the Company has a post-retirement medical aid liability of R794 million (2014: R811 million). The valuation of the post-retirement medical aid liability is dependent upon several assumptions that require judgement by the Directors. The assumptions and resulting valuation are determined with the assistance of third party valuation and actuary experts (external experts). The most significant assumptions relate to the consumer price, salary and health care inflation rates as well as mortality and discount rates applied in arriving at the valuation of the liability. Due to the level of judgement involved in the valuation as well as the significance of the liability to the Company's statement of financial position, this is considered to be a key audit matter.	Our audit work included the involvement of internal valuation specialists in assessing the appropriateness of the valuation model used by the Directors' external experts. In addition, our valuation specialists assessed the consumer price, salary and healthcare inflation rates as well as the mortality and discount rates against prevailing market data. We verified the accuracy and completeness of the input data used in the valuation through detailed inspection of underlying source documentation. In the context of the inherent uncertainties disclosed, we conclude that the key assumptions used and the resulting valuation and disclosure thereof is appropriate.
Taxation	
The Company has cross border transactions denominated in foreign currencies and access to tax incentives specifically aimed at the manufacturing industry. This gives rise to complexity in determining the Company's tax charge and deferred tax assets and liabilities. As a result, the recognition and fair presentation of the Company's tax balances has been identified as a key audit matter.	Our audit work, which involved taxation specialists, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to the judgements taken in relation to corporate tax liabilities and the recognition of deferred tax assets and liabilities. Our assessment included the inspection of applicable third-party evidence and correspondence with the tax authorities. Based on the procedures performed and information available, we concluded the tax balances recorded and the disclosure thereof to be acceptable.

Independent auditor's report to the shareholders of Mondi Limited continued

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report, Audit Committee's Report and Company Secretary's Certificate, as required by the Companies Act of South Africa 2008, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of Mondi Limited continued

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shelly Nelson.

Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Mondi Limited for 48 years.

Deloitte & Touche
Registered Auditor

Per Shelly Nelson
Partner
Sandton

24 February 2016

Building 1 and 2, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead, Sandton,
Republic of South Africa

Riverwalk Office Park, Block B
41 Matroosberg Road, Ashlea Gardens X6, Pretoria,
Republic of South Africa

Income statement
for the year ended 31 December 2015

R million	Notes	2015	2014
Group revenue		**8,434**	7,770
Materials, energy and consumables used		(3,595)	(3,403)
Variable selling expenses		(943)	(977)
Gross margin		**3,896**	3,390
Maintenance and other indirect expenses		(472)	(378)
Personnel costs	3	(1,151)	(1,048)
Other net operating income		189	72
Depreciation and impairments		(520)	(573)
Total profit from operations		**1,942**	1,463
Net finance costs	4	(115)	(131)
Profit before tax		**1,827**	1,332
Tax charge	5a	(509)	(367)
Profit for the year		**1,318**	965

Statement of comprehensive income
for the year ended 31 December 2015

R million	2015 Before tax amount	2015 Tax expense	2015 Net of tax amount	2014 Before tax amount	2014 Tax benefit	2014 Net of tax amount
Profit for the year			**1,318**			965
Items that may subsequently be reclassified to the income statement						
Gains/(losses) on available-for-sale investments	50	—	50	(25)	—	(25)
Items that will not subsequently be reclassified to the income statement						
Remeasurements of retirement benefits plans:	24	(7)	17	(5)	1	(4)
Actuarial gains/(losses) arising from changes in financial assumptions	23			(26)		
Actuarial gains arising from experience adjustments	1			21		
Other comprehensive income/(expense) for the year	**74**	**(7)**	**67**	(30)	1	(29)
Total comprehensive income for the year			**1,385**			936

Statement of financial position
as at 31 December 2015

R million	Notes	2015	2014
Property, plant and equipment	7	5,300	5,008
Forestry assets	8	2,908	2,647
Investment in and loans to subsidiaries	9	99	84
Investment in associate		24	24
Total non-current assets		**8,331**	7,763
Inventories	11	637	624
Trade and other receivables	12	1,763	1,563
Investment in and loans to subsidiaries	9	114	117
Current tax asset		27	—
Financial asset investments	10	207	128
Financial instruments	25	16	10
Cash and cash equivalents	21b	11	21
Assets held for sale	20	7	172
Total current assets		**2,782**	2,635
Total assets		**11,113**	10,398
Short-term borrowings	16	(841)	(913)
Trade and other payables	13	(1,122)	(1,018)
Current tax liability		—	(28)
Provisions	14	(83)	(76)
Total current liabilities		**(2,046)**	(2,035)
Retirement benefits liability	19	(794)	(811)
Deferred tax liability	5b	(1,474)	(1,437)
Provisions	14	(28)	(28)
Total non-current liabilities		**(2,296)**	(2,276)
Total liabilities		**(4,342)**	(4,311)
Net assets		**6,771**	6,087
Equity			
Stated capital	17	4,188	4,188
Retained earnings and other reserves		2,583	1,899
Total equity		**6,771**	6,087

Statement of changes in equity
for the year ended 31 December 2015

R million	Stated capital	Retained earnings	Other reserves	Total equity
At 1 January 2014	4,188	1,631	38	5,857
Total comprehensive income/(expense) for the year	—	965	(29)	936
Dividends paid	—	(683)	—	(683)
Shares vested from Mondi Incentive Schemes Trust	—	(42)	—	(42)
Mondi share schemes' charge	—	—	21	21
Issue of Mondi Limited shares under employee share schemes[1]	—	20	(21)	(1)
Share options exercised - Anglo American share scheme	—	(1)	—	(1)
At 31 December 2014	4,188	1,890	9	6,087
Total comprehensive income for the year	—	1,318	67	**1,385**
Dividends paid	—	(686)	—	**(686)**
Shares vested from Mondi Incentive Schemes Trust	—	(42)	—	**(42)**
Mondi share schemes' charge	—	—	24	**24**
Issue of Mondi Limited shares under employee share schemes[1]	—	20	(17)	**3**
At 31 December 2015	**4,188**	**2,500**	**83**	**6,771**

Note:
1 The net amount of R3 million (2014: R1 million) comprises a deferred tax asset for a future tax deduction available to the Company when the shares held by the Mondi Share Incentive Schemes Trust are issued to share scheme participants and the movement in the dividend equivalent bonus provision.

Other reserves

R million	2015	2014
Post-retirement benefits reserve	(26)	(43)
Share-based payment reserve	39	32
Available-for-sale reserve	70	20
Total	**83**	9

Statement of cash flows
for the year ended 31 December 2015

R million	Notes	2015	2014
Cash flows from operating activities			
Cash generated from operations	21a	2,474	2,227
Dividends received from subsidiaries		—	4
Income tax paid		(528)	(369)
Net cash generated from operating activities		**1,946**	1,862
Cash flows from investing activities			
Investment in property, plant and equipment		(851)	(388)
Proceeds from the disposal of property, plant and equipment and forestry assets		295	261
Investment in forestry assets		(509)	(474)
Investment in financial asset investments	10	(71)	(67)
Investment in subsidiaries		—	(1)
Repayment of portion of investment in subsidiaries		1	6
Loan advances to related parties	21c	(14)	(21)
Interest received		6	5
Other investing activities		1	1
Net cash used in investing activities		**(1,142)**	(678)
Cash flows from financing activities			
Proceeds from/(repayment of) short-term borrowings	21c	130	(77)
Interest paid		(57)	(78)
Dividends paid to shareholders	6	(685)	(683)
Net cash used in financing activities		**(612)**	(838)
Net increase in cash and cash equivalents		**192**	346
Cash and cash equivalents at beginning of year		(296)	(642)
Cash movement in the year	21c	192	346
Cash and cash equivalents at end of year	21b	**(104)**	(296)

1 Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Companies Act of South Africa 2008. The principal accounting policies adopted are set out in note 29.

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.

Critical accounting judgements and key estimates

The preparation of the Company's financial statements includes the use of estimates and assumptions which affect certain items reported in the statement of financial position and the income statement. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. Such estimates relate to management's assumptions about expected future cash flows, market exposures, useful lives and discount rates, among others.

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:

Critical accounting judgements
- Estimated impairment of property, plant and equipment – refer to note 7

Key estimates
- Capitalisation of property, plant and equipment – estimated residual values and useful economic lives – refer to note 7
- Fair value of forestry assets – refer to note 8
- Retirement benefits – refer to note 19

2 Auditor's remuneration

R million	2015	2014
Audit fees	5	5
Non-audit fees	1	1
Auditors' remuneration	**6**	6

3 Personnel costs

R million	2015	2014
Within operating costs		
Wages and salaries	1,063	967
Defined contribution retirement plan contributions (see note 19)	63	59
Defined benefit retirement benefit service costs (see note 19)	1	1
Share-based payments (see note 18)	24	21
Total within operating costs	**1,151**	1,048
Within net finance costs		
Retirement benefit medical plan interest costs (see note 4)	**65**	66
Total	**1,216**	1,114

4 Net finance costs

Net finance costs are presented below:

R million	2015	2014
Investment Income		
Total investment income	**6**	11
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(63)	(76)
Net interest expense on net retirement benefits liability (see note 19)	(65)	(66)
Total interest expense	**(128)**	(142)
Less: Interest capitalised (see note 7)	7	—
Total finance costs	**(121)**	(142)
Net finance costs	**(115)**	(131)

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2015 is 7.3%. There was no interest capitalised during the year ended 31 December 2014.

5 Taxation

(a) Analysis of tax charge for the year

The Company's effective rate of tax for the year ended 31 December 2015, calculated on profit before tax, is 28% (2014: 28%).

R million	2015	2014
SA corporation tax at 28% (2014: 28%)	480	406
Current tax	**480**	406
Deferred tax in respect of the current year	30	(39)
Deferred tax in respect of prior year over provision	(1)	—
Total tax charge	**509**	367

Factors affecting tax charge for the year

The Company's total tax charge for the year can be reconciled to the tax on the Company's profit before tax at the SA corporation tax rate of 28% (2014: 28%), as follows:

R million	2015	2014
Profit before tax	**1,827**	1,332
Tax on profit before tax calculated at the SA corporation tax rate of 28% (2014: 28%)	**512**	373
Tax effects of:		
Expenses not (taxable)/deductible for tax purposes	**(24)**	5
Non-qualifying depreciation and (loss)/profit on disposal of non-qualifying assets	(41)	2
Other non-deductible expenses	17	3
Non-taxable income	**—**	(7)
Temporary difference adjustments	**17**	—
Prior year temporary differences not previously recognised	17	—
Other adjustments	**4**	(4)
Current tax prior year adjustments	4	(4)
Tax charge for the year	**509**	367

5 Taxation (continued)

(b) Deferred tax

R million	Deferred tax liabilities 2015	2014
At 1 January	(1,437)	(1,472)
(Charged)/credited to income statement	(29)	39
(Charged)/credited to statement of comprehensive income	(7)	1
Charged to retained earnings	(1)	(5)
At 31 December	**(1,474)**	(1,437)

Deferred tax comprises:

R million	Deferred tax liabilities 2015	2014
Capital allowances in excess of depreciation	(873)	(908)
Fair value adjustments	(791)	(748)
Other temporary differences	190	219
Total	**(1,474)**	(1,437)

The amount of deferred tax (charged)/credited to the income statement comprises:

R million	2015	2014
Capital allowances in excess of depreciation	36	55
Fair value adjustments	(43)	(31)
Other temporary differences	(22)	15
Total (charge)/credit	**(29)**	39

The Company's deferred tax liability is currently expected to become payable over a period greater than 12 months.

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

6 Dividends

Dividends paid to the shareholders of the Company are presented below:

rand cents per share	2015	2014
Final dividend paid (in respect of prior year)	379.38999	387.39464
Interim dividend paid	200.04751	189.93650
Final dividend proposed for the year ended 31 December	**650.55664**	379.38999

R million	2015	2014
Final dividend paid (in respect of prior year)	449	458
Interim dividend paid	236	225
Total dividends paid	**685**	683
Final dividend proposed for the year ended 31 December	**770**	449

The final dividend proposed is subject to approval by shareholders at the Annual General Meeting of the Company scheduled for 12 May 2016.

7 Property, plant and equipment

R million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2014	713	4,254	254	44	5,265
Additions	—	—	418	1	419
Disposal of assets	(23)	(55)	—	—	(78)
Depreciation charge for the year	(45)	(509)	—	(16)	(570)
Impairment loss recognised	—	(3)	—	—	(3)
Transfer from assets under construction	68	312	(391)	11	—
Reclassification to assets held for sale	(25)	—	—	—	(25)
At 31 December 2014	688	3,999	281	40	5,008
Cost	986	9,482	281	258	11,007
Accumulated depreciation and impairments	(298)	(5,483)	—	(218)	(5,999)
Additions	—	—	868	3	871
Disposal of assets	(7)	(52)	—	(1)	(60)
Depreciation charge for the year	(39)	(463)	—	(15)	(517)
Impairment loss recognised	—	(3)	—	—	(3)
Transfer from assets under construction	37	489	(562)	36	—
Reclassification from assets held for sale	1	—	—	—	1
At 31 December 2015	**680**	**3,970**	**587**	**63**	**5,300**
Cost	1,015	9,845	587	296	11,743
Accumulated depreciation and impairments	(335)	(5,875)	—	(233)	(6,443)

Note:
1 The land value included in 'Land and buildings' is R603 million (2014: R590 million).

Research and development expenditure incurred by the Company during the year amounted to R5 million (2014: R5 million).

8 Forestry assets

R million	2015	2014
At 1 January	2,647	2,752
Capitalised expenditure	471	445
Acquisition of assets	38	29
Fair value gains	348	362
Disposal of assets	(21)	(189)
Felling costs	(576)	(605)
Reclassified from/(to) assets held for sale	1	(147)
At 31 December	**2,908**	2,647
Comprising		
Mature	1,820	1,629
Immature	1,088	1,018
Total forestry assets	**2,908**	2,647

The Company has approximately 154,000 hectares (2014: 164,000 hectares) of owned and leased land under afforestation, all of which is in South Africa.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. This period ranges from 6.5 to 14.5 years, depending on species, climate and location.

Notes to the financial statements continued
for the year ended 31 December 2015

8 Forestry assets (continued)

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 25b) and this category is consistent with prior years. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Company's owned forestry assets, discounted based on a pre tax yield on long-term bonds over the last five years.

The following assumptions have a significant impact on the valuation of the Company's forestry assets:

- The net selling price, which is defined as the selling price less the costs of transport, harvesting, extraction and loading. The net selling price is based on third-party transactions and is influenced by the species, maturity profile and location of timber. In 2015, the net selling price used ranged from R160 per tonne to R560 per tonne (2014: R140 per tonne to R497 per tonne) with a weighted average of R333 per tonne (2014: R309 per tonne).
- The conversion factor used to convert hectares of land under afforestation to tonnes of standing timber, which is dependent on the species, the maturity profile of the timber, the geographic location, climate and a variety of other environmental factors. In 2015, the conversion factors ranged from 8.9 to 25.2 (2014: 8.8 to 25.2).
- The discount rate of 15.2% (2014: 10.6%) based on a pre tax yield from long-term South African government bonds matching the average age of the timber and adjusted for the risks associated with forestry assets.

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

R million	2015
Effect of R10/tonne increase in net selling price	113
Effect of 1% increase in conversion factor (hectares to tonnes)	39
Effect of 1% increase in discount rate	(32)

9 Investment in and loans to subsidiaries

R million	2015	2014
Unlisted		
Shares at cost	3	5
Loans advanced	210	196
Total investments in subsidiaries	**213**	201
Repayable within one year classified as current asset	(114)	(117)
Total long-term investments in subsidiaries	**99**	84

Mondi Shanduka Newsprint Proprietary Limited (MSN)
The loans to MSN include a shareholder's loan with a carrying value of R28 million (2014: R28 million) and a Mezzanine loan of R68 million (2014: R51 million). The shareholder's loan is unsecured and interest free. The shareholder's loan is reflected net of an impairment of R100 million (2014: R100 million). The shareholder's loan is repayable by agreement of the MSN board from surplus cash and once the Mezzanine loan is settled in full. The Company has provided an undertaking to MSN not to exercise its right to convert the Mezzanine loan to equity before 30 June 2017. The Mezzanine loan is unsecured and incurs interest at the six month JIBAR plus 300 basis points.

Mondi Zimele Proprietary Limited (Mondi Zimele)
The closing balance of the loan advanced by the Company to Mondi Zimele amounts to R67 million (2014: R70 million). This loan is unsecured, interest free and is repayable on liquidation of Mondi Zimele or earlier on demand by the Company.

Mondi Timber (Wood Products) Proprietary Limited (MTWP)
The closing balance of the loan advanced by the Company to MTWP amounts to R47 million (2014: R47 million). This loan is interest free and is repayable on demand by the Company.

Details of subsidiaries are set out in note 27.

10 Financial asset investments

	Available-for-sale investments	
R million	**2015**	**2014**
At 1 January	128	127
Fair value adjustments	50	(25)
Additions	71	67
Disposal of asset	(42)	(43)
Impairment	—	2
At 31 December	**207**	128

The Company advanced to the Mondi Incentive Schemes Trust (MIS) a further R71 million during 2015 (2014: R67 million) to fund the purchase of the Company's shares awarded to senior management. Shares vested during 2015 to the value of R42 million (2014: R43 million).

The fair value of available-for-sale investments is a level 1 measure in terms of the fair value measurement hierarchy contained in IAS39 (see note 25b). The fair value is calculated on the quoted market price of Mondi Limited shares held by the MIS.

11 Inventories

R million	2015	2014
Valued using the first-in-first-out cost formula		
Raw materials and consumables	290	224
Work in progress	90	100
Finished products	116	160
Total valued using the first-in-first-out cost formula	**496**	484
Valued using the weighted average cost formula		
Raw materials and consumables	134	133
Finished products	7	7
Total valued using the weighted average cost formula	**141**	140
Total inventories	**637**	624
Of which, held at net realisable value	28	8
Income statement		
Cost of inventories recognised as expense	(2,623)	(2,857)
Write-down of inventories to net realisable value	(4)	(5)

12 Trade and other receivables

R million	2015	2014
Trade receivables	1,423	1,299
Allowance for doubtful debts	(2)	(8)
Net trade receivables	**1,421**	1,291
Other receivables	321	248
Tax and social security	1	—
Prepayments and accrued income	20	24
Total trade and other receivables	**1,763**	1,563

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

Notes to the financial statements continued
for the year ended 31 December 2015

12 Trade and other receivables (continued)

Trade receivables: credit risk

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

Credit insurance has been taken out by the Company to insure against the related credit default risk as follows:

R million	2015	2014
Credit risk exposure		
Gross trade receivables	1,423	1,299
Credit insurance	(918)	(842)
Total exposure to credit risk	**505**	457

The insured cover is presented gross of contractually agreed excess amounts.

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Company operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is R2 million (2014: R8 million).

Included within the Company's aggregate trade receivables balance are specific debtor balances with customers totalling R3 million (2014: R4 million) which are past due but not impaired at the reporting date. The Company has assessed these balances for recoverability and believes that their credit quality remains intact. An ageing analysis of net trade receivables is provided as follows:

R million	2015	2014
Trade receivables within terms	1,418	1,287
Past due by less than one month	2	—
Past due by one to two months	—	2
Past due by two to three months	1	2
At 31 December	**1,421**	1,291

Movement in the allowance account for bad and doubtful debts

R million	2015	2014
At 1 January	8	16
Amounts written off or recovered	(6)	(8)
At 31 December	**2**	8

13 Trade and other payables

R million	2015	2014
Trade payables	438	319
Capital expenditure payables	50	31
Other payables	112	162
Accruals and deferred income	522	506
Total trade and other payables	**1,122**	1,018

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

14 Provisions

R million	2015	2014
At 1 January	104	88
Charged to income statement	121	80
Amounts applied	(114)	(64)
At 31 December	**111**	104

Maturity analysis of total provisions on a discounted basis:

R million	2015	2014
Current	83	76
Non-current	28	28
Total provisions	**111**	104

Provisions are primarily for bonuses.

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

15 Capital management

The Company defines its capital employed as equity, as presented in the statement of financial position, plus net debt. Capital employed is managed on a basis that enables the Company to continue trading as a going concern, while delivering acceptable returns to shareholders. The Company is committed to managing its cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

The Company utilises its capital employed to fund the growth of the business and to finance its liquidity needs.

Financing facilities

Company liquidity is provided through a range of committed debt facilities. The principal loan arrangements in place include the following:

R million	Maturity	Interest rate %	2015	2014
Financing facilities				
Revolving committed bank facility	June 2016	JIBAR + margin	500	500
Total committed facilities			**500**	500
Drawn			(500)	(500)
Committed local facilities available			**—**	—
Undrawn group facilities (on which company is a named borrower)			10,027	5,571
Total committed facilities available			**10,027**	5,571

In order to manage its cost of capital, maintain an appropriate capital structure and meet its ongoing cash flow needs, the Company may issue new debt instruments, adjust the level of dividends paid to shareholders, issue new shares to or repurchase shares from investors or dispose of assets to reduce its net debt exposure.

The Company is a component of the Group's DLC structure which has been agreed with the South African Ministry of Finance and is subject to certain exchange control conditions. The exchange control conditions do not infringe upon the Company’s ability to optimally manage its capital structure. However, they do require that the capital supplied by, or made available to, the shareholders of the Company be constrained by the equality of treatment mechanism between Mondi Limited and Mondi plc, which serves to maintain and protect the economic interests of both sets of shareholders. The Company has continually met the exchange control provisions in the past and management is committed to ensuring that the Company continues to meet these provisions in future.

16 Borrowings

R million	Current 2015	2014
Unsecured		
Bank loans and overdrafts	615	817
Other loans	226	96
Total borrowings	**841**	913

Included in other loans of the Company is a loan of R105 million (2014: R93 million) from Siyaqhubeka Forests Proprietary Limited (SQF), a subsidiary of the Company on which a market related interest rate is payable; and a loan of R119 million (2014: Rnil) from Mondi Timber (Wood Products) Proprietary Limited, a subsidiary of the Company on which a market related interest rate is payable.

The maturity analysis of the Company's borrowings, presented on an undiscounted future cash flow basis, is as follows:

R million	< 1 year[1] 2015	2014
Bank loans and overdrafts	615	817
Other loans	226	96
Total borrowings	**841**	913
Interest on borrowings net of amortised costs and discounts	25	40
Total undiscounted cash flows	**866**	953

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

The Company does not have any material finance lease arrangements.

The Company has pledged no specific property, plant and equipment as collateral against borrowings.

17 Stated capital

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

2015 & 2014	Number of shares	Stated capital
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	4,114
Mondi Limited special converting shares with no par value	367,240,805	74
Total shares		**4,188**

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

18 Share-based payments

Mondi share awards

The Company has set up its own share-based payment arrangements to incentivise employees. Full details of the Company's share schemes are set out in the Mondi Group Integrated report and financial statements 2015.

All of these schemes are settled by the award of ordinary shares in the Company. The Company has no obligation to settle the awards made under these schemes in cash. An amount equal to the dividends that would have been paid on Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP) share awards during the holding period are paid to participants upon vesting.

18 Share-based payments (continued)

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

Mondi Limited	BSP 2015	BSP 2014	BSP 2013
Date of grant	1 April 2015	31 March 2014	25 March 2013
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (R)	230.00	184.91	125.55
Number of shares conditionally awarded	75,438	71,043	126,627

Mondi Limited	LTIP 2015	LTIP 2014	LTIP 2013
Date of grant	1 April 2015	31 March 2014	25 March 2013
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	100	100	100
TSR component	25	25	25
Grant date fair value per instrument (R)			
ROCE component	230.00	184.91	125.55
TSR component[1]	57.50	46.23	31.39
Number of shares conditionally awarded	82,830	96,844	139,373

Note:
[1] The base fair value has been adjusted for contractually-determined market-based performance conditions.

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

R million	2015	2014
Bonus Share Plan	14	13
Long-Term Incentive Plan	10	8
Total share-based payment expense	**24**	21

The weighted average share price of share awards that vested during the period was R236.82 (2014: R192.53).

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

number of shares	BSP	LTIP	Total
At 1 January 2014	460,758	523,023	983,781
Shares conditionally awarded	71,043	96,844	167,887
Shares vested	(205,673)	(197,198)	(402,871)
Shares lapsed	(17,449)	(30,145)	(47,594)
At 31 December 2014	308,679	392,524	701,203
Shares conditionally awarded	75,438	82,830	158,268
Shares vested	(140,595)	(175,445)	(316,040)
At 31 December 2015	**243,522**	**299,909**	**543,431**

19 Retirement benefits

The Company operates a post-retirement defined contribution plan, post-retirement defined benefit pension plan and post-retirement medical plan.

Defined contribution plan

The assets of the defined contribution plans are held separately in an independently administered fund. The charge in respect of this plan of R63 million (2014: R59 million) is calculated on the basis of the contribution payable by the Company in the financial year. There were no material outstanding or prepaid contributions recognised in relation to this plan as at the reporting dates presented. The expected contributions to be paid to the defined contribution plan during 2016 is R67 million (2015: R62 million).

Defined benefit pension plan and post-retirement medical plan

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

The post-retirement medical plan provides health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. This plan is unfunded and has been closed to new participants since 1 January 1999.

The boards of trustees of this plan are required to act in the best interest of the plan and all relevant stakeholders of the plan (active employees, inactive employees, retirees and employers).

Except for the actuarial risks set out below, the Company has not identified any additional specific risks in respect of these plans.

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

Interest risk	A decrease in the bond interest rate will increase plan liabilities.
Longevity risk	The present value of the net retirement benefit liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.
Medical cost inflation risk	The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

Actuarial assumptions

The principal assumptions used in the actuarial valuation of the post-retirement medical obligation are detailed below:

%	2015	2014
Discount rate	10.17	8.25
Rate of inflation	8.15	6.46
Rate of increase in salaries	9.15	7.46
Expected average increase of medical costs	9.65	7.96

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

19 Retirement benefits (continued)

Mortality assumptions

The assumed life expectancies on retirement at age 65 are:

years	2015	2014
Retiring today		
Males	16.04	15.99
Females	19.97	19.93
Retiring in 20 years		
Males	20.54	20.44
Females	24.79	24.74

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

The net retirement benefits liability recognised in the statement of financial position is as follows:

R million	2015	2014
Present value of unfunded liabilities (Post-retirement medical plan)	(794)	(811)

The changes in the present value of the net defined benefit liability is as follows:

	Net liability	
R million	2015	2014
At 1 January	(811)	(797)
Included in income statement		
Current service cost	(1)	(1)
Interest cost	(65)	(66)
Included in statement of comprehensive income		
Remeasurement gains/(losses)	24	(5)
Benefits paid	59	58
At 31 December	**(794)**	(811)

The expected maturity analysis of undiscounted retirement benefits is as follows:

R million	2015	2014
Less than a year	73	58
Between one and two years	77	60
Between two to five years	251	191
After five years	483	348

The weighted average duration of the Company's defined retirement benefits liability is 11 years.

The expected contributions to be paid to the post-retirement medical plan during 2016 is R60 million (2015: R58 million).

19 Retirement benefits (continued)

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

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

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

R million	1% increase	1% decrease
Discount rate		
Effect on current service cost	—	—
Effect on net retirement benefit liability	(74)	89
Rate of inflation		
Effect on current service cost	—	—
Effect on net retirement benefit liability	84	(72)
Rate of increase in salaries		
Effect on current service cost	—	—
Effect on net retirement benefit liability	24	(22)
Medical cost trend rate		
Effect on aggregate of the current service cost and interest cost	9	(7)
Effect on net retirement benefit liability	84	(72)
Mortality rates	**1 year increase**	
Effect on current service cost	—	
Effect on net retirement benefit liability	35	

20 Assets held for sale

R million	2015	2014
Property, plant & equipment	1	25
Forestry assets	6	147
Total assets classified as held for sale	**7**	172

21 Cash flow analysis

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

R million	2015	2014
Profit before tax	**1,827**	1,332
Depreciation	517	570
Impairment of property, plant and equipment	3	3
Share-based payments	24	21
Net finance costs	115	131
Increase in provisions	7	16
Decrease in retirement benefits	(58)	(57)
Increase in inventories	(13)	(100)
(Increase)/decrease in operating receivables	(200)	19
Increase in operating payables	112	63
Fair value gains on forestry assets	(348)	(362)
Felling costs	576	605
(Profit)/loss on disposal of property, plant and equipment	(77)	6
Share options exercised - Anglo American share scheme	—	(1)
Refund for shares purchased on behalf of group companies	—	1
Movement in held-for-trading derivatives	(6)	(20)
Other adjustments	(5)	—
Cash generated from operations	**2,474**	2,227

(b) Cash and cash equivalents

R million	2015	2014
Cash and cash equivalents per statement of financial position	11	21
Bank overdrafts included in short-term borrowings	(115)	(317)
Cash and cash equivalents per statement of cash flows	**(104)**	(296)

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

(c) Movement in net debt

The Company's net debt position is as follows:

R million	Cash and cash equivalents	Debt due within one year	Current financial asset investments	Loans to Related parties	Total net debt
At 1 January 2014	(642)	(673)	127	175	(1,013)
Cash flow	346	77	67	21	511
Disposals	—	—	(43)	—	(43)
Impairment reversal	—	—	2	—	2
Fair value loss	—	—	(25)	—	(25)
At 31 December 2014	(296)	(596)	128	196	(568)
Cash flow	192	(130)	71	14	147
Disposals	—	—	(42)	—	(42)
Fair value gain	—	—	50	—	50
At 31 December 2015	**(104)**	**(726)**	**207**	**210**	**(413)**

22 Capital commitments

R million	2015	2014
Contracted for but not provided	387	206
Approved, not yet contracted for	1,181	1,343
Total capital commitments	**1,568**	1,549

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

The expected maturity of these capital commitments is:

R million	2015	2014
Within one year	1,307	775
One to two years	261	774
Total capital commitments	**1,568**	1,549

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

23 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2015 of R76 million (2014: R77 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Company's statement of financial position for both years presented.

24 Operating leases

The Company has entered into approximately 224 (2014: 206) lease agreements, none of which are individually significant.

The operating lease expense that has been recorded in the Company's income statement is R61 million (2014: R56 million).

As at 31 December, the Company had the following outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

R million	2015	2014
Within one year	77	65
One to two years	67	61
Two to five years	75	78
After five years	111	118
Total operating leases	**330**	322

25 Financial instruments

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

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

25 Financial instruments (continued)

(a) Financial instruments by category

2015/R million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	Available-for-sale investments	Total
Financial assets					
Trade and other receivables		1,762	—	—	1,762
Financial asset investments	Level 1	—	—	207	207
Derivative financial instruments	Level 2	—	16	—	16
Cash and cash equivalents		11	—	—	11
Total		**1,773**	**16**	**207**	**1,996**

2014/R million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	Available-for-sale investments	Total
Financial assets					
Trade and other receivables		1,563	—	—	1,563
Financial asset investments	Level 1	—	—	128	128
Derivative financial instruments	Level 2	—	10	—	10
Cash and cash equivalents		21	—	—	21
Total		1,584	10	128	1,722

R million	Fair value hierarchy	At amortised cost 2015	At amortised cost 2014
Financial liabilities			
Borrowings – loans and overdrafts	Level 2	(841)	(913)
Trade and other payables		(1,122)	(1,018)
Total		**(1,963)**	(1,931)

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

(b) Fair value measurement

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

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

The Company does not hold any financial instruments categorised as level 3 financial instruments. The only assets measured at fair value on level 3 of the fair value measurement hierarchy are the Company’s forestry assets as set out in note 8.

There have also been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

25 Financial instruments (continued)

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

Specific valuation methodologies used to value financial instruments include:

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

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

(c) Financial risk management

Market risk

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

Foreign exchange risk

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

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

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

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

Net monetary foreign currency exposures by functional currency zone

R million	2015	2014
Euro	(57)	(8)
Pounds sterling	—	17
US dollar	(8)	(41)

Resultant impacts of reasonably possible changes to foreign exchange rates
The Company believes that for each foreign currency net monetary exposure it is reasonable to assume a 10% appreciation/depreciation of the South African rand. The total corresponding fair value impact on the Company's income statement would be +/-R7 million (2014: +/-R3 million).

25 Financial instruments (continued)

Interest rate risk

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

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

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

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

Net variable rate debt sensitivity analysis
The net variable rate exposure represents variable rate debt less cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on the Company's income statement.

The Company did not have any outstanding interest rate swaps at 31 December 2015.

A 50 basis points movement in the interest rate will impact the earnings for the year by R4 million (2014: R5 million).

Credit risk

The Company's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Company's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Company deploys in order to mitigate this risk are discussed in note 12.

Liquidity risk

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

The Company has fully drawn down on its committed loan facilities. The Company is a named borrower on the Mondi Group €750 million Syndicated Revolving Credit Facility (RCF). The RCF had drawings of £115 million by Mondi Finance plc at 31 December 2015 (2014: £275 million). The Company also has R1,035 million (2014: R833 million) available to draw down on its uncommitted loan facilities.

Forecast liquidity represents the Company's expected cash inflows, principally generated from sales made to customers, less the Company's expected cash outflows, principally related to the payment of employees, supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Company's trade receivables and trade payables.

The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the statement of financial position and is managed to ensure the ongoing operating liquidity of the Company.

Financing cash outflows may be longer-term in nature. The Company does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Company's borrowings.

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

25 Financial instruments (continued)

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value. At 31 December 2015, the Company recognised total derivative assets of R16 million (2014: R10 million) all of which mature within one year.

The notional amount of R636 million (2014: R493 million) is the aggregate face value of all derivatives outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Company's exposure to credit or market risks.

Hedging

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

There were no fair value gains/(losses) reclassified from the cash flow hedge reserve during the current or prior year. There was no ineffectiveness recognised in profit or loss arising on cash flow hedges for both the years presented.

26 Related party transactions

In the ordinary course of business, the Company enters into various sale, purchase and service transactions with its subsidiaries and others in which the Company has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

	Mondi plc subsidiaries		Subsidiaries		Mondi Incentive Schemes Trust	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Sales to related parties	1,432	1,398	58	57	—	—
Purchases from related parties	11	4	227	259	—	—
Net finance expense	—	—	1	8	—	—
Investment in and loans to related parties	—	—	213	201	71	67
Receivables due from related parties	406	381	65	76	—	—
Payables due to related parties	19	5	112	119	—	—
Total borrowings from related parties	—	—	226	95	—	—
Shares vested	—	—	—	—	42	43

Compensation for the Boards and key management

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

The board and those members of the DLC executive committee who are not directors comprise the key management personnel of the Company. The remuneration of the directors is disclosed in the Remuneration report.

R million	2015	2014
Salaries and short-term employee benefits	92	85
Non-executive directors	17	16
Defined contribution plan payments	14	12
Social security costs	21	15
Share-based payments	65	60
Total	**210**	188

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

27 Group companies

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

All shares are held directly except where noted. Except where stated, the shares held are ordinary shares. All companies are incorporated in South Africa.

Company	% of shares held by Company
Bongani Development CC	100.0
Mbulwa Estate Proprietary Limited[1]	50.0
Mondi Africa Holdings Proprietary Limited	100.0
Mondi Forestry Partners Programme Proprietary Limited[1]	100.0
Mondi Sacherie Moderne Holdings Proprietary Limited	100.0
Mondi Shanduka Newsprint Proprietary Limited	54.0
Mondi Timber (Wood Products) Proprietary Limited	100.0
Mondi Timber Limited[2]	100.0
Mondi Zimele Job Funds Proprietary Limited[1]	100.0
Mondi Zimele Proprietary Limited	100.0
Mpact Recycling Proprietary Limited	25.1
MZ Business Services Proprietary Limited[1]	100.0
MZ Technical Services Proprietary Limited[1]	100.0
Professional Starch Proprietary Limited[1]	100.0
Siyaqhubeka Forests Proprietary Limited[1]	51.0
Zimshelf Eight Investment Holdings Proprietary Limited	100.0

Notes:
1 These companies are held indirectly.
2 The company has ordinary and cumulative preference shares.

28 Events occurring after 31 December 2015

With the exception of the proposed final dividend for 2015, included in note 6, there have been no material reportable events since 31 December 2015.

29 Accounting policies

Basis of consolidation

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

Foreign currency transactions

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

29 Accounting policies (continued)

Subsidiaries and associates (note 9)
The Company's investments in subsidiaries and associates are reflected at cost less amounts written off and accumulated impairments.

Revenue recognition

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

Investment income (note 4)
Interest income, which is derived from cash and cash equivalents, available-for-sale investments, and loans and receivables, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Tax (note 5)

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it is probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

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

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

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

Property, plant and equipment (note 7)
Property, plant and equipment comprise land and buildings, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Assets in the course of construction are carried at cost less any impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are not capitalised.

29 Accounting policies (continued)

Depreciation is charged to the income statement so as to write off the cost of assets, other than land and assets in the course of construction, over their estimated useful lives on a straight-line basis to their estimated residual values. Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Estimated useful lives range from three years to 20 years for items of plant and equipment and other categories and to a maximum of 50 years for buildings.

Impairment of property, plant and equipment

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the asset, or cash-generating unit, is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount and an impairment recognised as an expense. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the income statement.

Agriculture – owned forestry assets (note 8)

Owned forestry assets are measured at fair value, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted to present value by applying a market related pre tax discount rate.

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

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

Current non-financial assets

Inventory (note 11)

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

Assets held for sale (note 20)

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

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

29 Accounting policies (continued)

Provisions (note 14)

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

Share-based payments (note 18)

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

Retirement benefits (note 19)

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

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

Defined benefit post-retirement medical plans
For defined benefit post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on AA rated corporate bonds or similar government bonds of a suitable duration and currency.

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

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (after recognising the net finance charge) are recognised in the statement of financial position with a charge or credit to other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled to profit and loss, but those amounts recognised in other comprehensive income may be transferred within equity.

Leases (note 24)

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. The Company has no material finance lease arrangements.

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

Financial instruments (note 25)

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

29 Accounting policies (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial asset investments (note 10)
Investments, other than investments in subsidiaries and associates, are either classified as available-for-sale or loans and receivables.

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

Loans and receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents (note 21b)
Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position. Cash and cash equivalents in the statement of cash flows and in the presentation of net debt are reflected net of overdrafts.

Trade receivables and payables (notes 12 and 13)
Trade receivables and payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method. Trade receivables are reduced by an allowance for impairment.

Borrowings (note 16)
Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest rate method.

Net debt (note 21c)
Net debt is a non-IFRS measure comprising short, medium and long-term interest-bearing borrowings less cash and cash equivalents, loans to related parties and current financial asset investments.

Borrowing costs (note 4)
Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the construction period.

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

Derivative financial instruments and hedge accounting (note 25d)

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

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

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

29 Accounting policies (continued)

Cash flow hedges

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

Fair value hedges

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

Ineffective, expired, sold, terminated or exercised hedging instruments

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

Equity instruments

Dividend payments (note 6)

Dividend distributions to Mondi Limited ordinary shareholders 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 ordinary shareholders at its Annual General Meeting and interim dividends are recognised when approved by the board.

New accounting policies, early adoption and future requirements

Amendments to published Standards adopted early by the Company

Amendments to IAS 1, 'Disclosure initiative' have been adopted early by the Company for the year ended 31 December 2015. The effect of the adopted amendments is that materiality considerations have been applied to all aspects of the financial statements. These amendments have resulted in immaterial notes and disclosures being excluded from the current year's financial statements.

Amendments to published Standards effective during 2015

The following amendments to published Standards are effective from 1 January 2015 and have been adopted by the Company. The amended standards are:

- IFRS 2 – Share-based Payment
- IFRS 3 – Business Combinations
- IFRS 8 – Operating Segments
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits

None of these amendments had any significant impact on the Company's results.

29 Accounting policies (continued)

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

The following amendments to published Standards are not expected to have a significant impact on the Company's results, and will become effective for the annual reporting period beginning on 1 January 2016:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 – Financial Instruments: Disclosures
- IAS 16 – Property, Plant and Equipment
- IAS 19 – Employee Benefits
- IAS 34 – Interim Financial Reporting
- IAS 38 – Intangible Assets

The amendments to published Standard IAS 12 - Income Taxes which will become effective for the annual reporting period beginning on 1 January 2017 are not expected to have a significant impact on the Company's results.

The Company has completed a review of the potential impact of the following Standards which will become effective and be adopted for the financial year beginning on 1 January 2018:

- IFRS 15 – Revenue from Contracts with Customers – no material impact is expected on Company revenue, but additional disclosures will be required
- IFRS 9 – Financial Instruments – the revised financial instrument categories will result in changes in classification, but no impact is expected to the measurement of financial instruments. Additional disclosures and changes to current disclosure and presentation will be required

The Company is in the process of assessing the impact of IFRS 16 - Leases, released in January 2016, which will become effective and be adopted for the financial year beginning on 1 January 2019.