Mondi Limited

(Registration number: 1967/013038/06)

AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2016

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 2016 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 2016 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 2016.

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 2016 in this regard.

The Company earned a profit after tax for the year of R1,458 million (2015: R1,318 million).

Subsequent events

With the exception of the proposed final dividend for 2016, included in note 7, there have been no material reportable events since 31 December 2016.

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 18 for details of the stated capital of the Company.

Dividends

An interim dividend of 288.84260 rand cents per share (2015: 200.04751 rand cents per share) was declared and paid during the year and a final dividend of 522.70920 rand cents per share (2015: 650.55664 rand cents per share) was recommended by the directors and is subject to shareholder approval at the annual general meeting to be held on 11 May 2017. Refer to note 7 for more information.

Directors

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

Directors	Position	Independent	Board member since
Fred Phaswana	Joint chairman	Yes (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
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
Tanya Fratto	Non-executive director	Yes	January 2017

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 10 and 28 of these annual financial statements for details of investments 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

4th Floor
No. 3 Melrose Boulevard
Melrose Arch
2196
Gauteng
Republic of South Africa

Postal Address

PostNet Suite #444
Private Bag X1
Melrose Arch
2076
Gauteng
Republic of South Africa

Corporate governance statement

Mondi's corporate governance is comprehensively detailed in the Mondi Group Integrated report and financial statements 2016.

Remuneration report

Shareholders are referred to the Mondi DLC remuneration committee report in the Mondi Group Integrated report and financial statements 2016. 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 2016

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	2016	€1,114,401	€48,959	€1,146,190	€2,531,643	€253,196	€5,094,389
	2015	€1,234,121	€54,323	€1,652,794	€3,624,552	€82,106	€6,647,896
Andrew King	2016	€660,567	€39,787	€551,440	€1,051,423	€106,965	€2,410,182
	2015	€729,693	€43,192	€790,518	€1,505,317	€37,895	€3,106,615
Peter Oswald	2016	€939,000	€40,634	€785,380	€1,508,243	€174,288	€3,447,545
	2015	€921,000	€39,557	€990,260	€2,004,818	€53,226	€4,008,861

Notes:

1 The table includes all remuneration received in respect of the years ended 31 December 2016 and 31 December 2015, whether received from Mondi Limited or Mondi plc, excluding pension contributions.

2 For 2016, the three-year performance cycle of the 2014 LTIP award ended on 31 December 2016. The award value shown is based on the average share price over the last three months of the performance cycle. For 2015, the three-year performance cycle of the 2013 LTIP award ended on 31 December 2015. The award value shown in the 2015 remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £14.43 for Mondi plc LTIP awards and R310.44 for Mondi Limited LTIP awards. The actual award price on vesting was £13.41 for Mondi plc LTIP awards and R292.76 for Mondi Limited LTIP awards. The award values for 2015 have been restated on this basis.

3 Includes cash amounts of equivalent value to dividends on vested BSP and LTIP shares during the year.

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 2016 and 2015 are:

	2016	2015
David Hathorn	€332,187	€368,889
Andrew King	€165,142	€182,423
Peter Oswald	€234,750	€230,250

Non-executive directors' remuneration

	2016	2015
Fred Phaswana	€339,689	€378,995
David Williams	€339,689	€378,995
Stephen Harris	€107,973	€119,712
John Nicholas	€104,528	€119,710
Anne Quinn	€111,352	€127,312
Dominique Reiniche[1]	€102,058	€30,578

Note:

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

Share holding and share awards granted

At 31 December 2016, Andrew King held 208 (2015: 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 2016	Release date
David	BSP	17,506	—	17,506	11,464	Mar 13	—	Mar 16
Hathorn	BSP	12,883	—	—	19,435	Mar 14	12,883	Mar 17
	BSP	13,542	—	—	23,444	Mar 15	13,542	Mar 18
	BSP	—	14,100	—	28,200	Mar 16	14,100	Mar 19
	LTIP	55,233	—	55,233	11,464	Mar 13	—	Mar 16
	LTIP	44,723	—	—	19,435	Mar 14	44,723	Mar 17
	LTIP	37,516	—	—	23,444	Mar 15	37,516	Mar 18
	LTIP	—	39,598	—	28,200	Mar 16	39,598	Mar 19
Andrew	BSP	7,790	—	7,790	11,464	Mar 13	—	Mar 16
King	BSP	6,091	—	—	19,435	Mar 14	6,091	Mar 17
	BSP	6,543	—	—	23,444	Mar 15	6,543	Mar 18
	BSP	—	6,744	—	28,200	Mar 16	6,744	Mar 19
	LTIP	22,939	—	22,939	11,464	Mar 13	—	Mar 16
	LTIP	18,574	—	—	19,435	Mar 14	18,574	Mar 17
	LTIP	17,985	—	—	23,444	Mar 15	17,985	Mar 18
	LTIP	—	19,032	—	28,200	Mar 16	19,032	Mar 19

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.

Report of the directors continued

Audit committee report

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 membership of the committee during the year was unchanged. John Nicholas remained chair of the committee and, being an accountant and having, until recently, been a member of the UK Financial Reporting Review Panel, he is considered to have specific recent and relevant financial experience. All committee members have been on the board for between 5 and 9 years and have gained a familiarity and understanding of the sector in which Mondi operates. In addition, they all have appropriate knowledge and understanding of financial matters and have commercial expertise gained from industries with similar capital intensive manufacturing, engineering, natural resources and technology-focused international operations. Tanya Fratto, who was appointed to the board on 1 January 2017, will join the committee in place of Anne Quinn who will step down at the conclusion of the Annual General Meeting in May 2017. Tanya's engineering background and experience in product innovation and sales and marketing, having held positions in product management, operations, Six Sigma and supply chain management, mean that she is well placed to understand the sector in which Mondi operates.

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.

The role of the audit committee

The committee operates under formal terms of reference. The committee agenda included the regular matters reserved for its review during the annual financial reporting cycle and ensured it has appropriately discharged its responsibilities during the year, having operated in compliance with relevant legal, regulatory and other responsibilities.

The committee chairman regularly reports to the board on the work and output from meetings and provides any necessary recommendations or advice on matters of direct relevance to the deliberations of the board.

The evaluation of the committee was carried out as part of the 2016 external evaluation.

How the committee spent its time

While the work programme largely covered the regular cycle of financial and risk related matters a material focus for the committee during the year was monitoring progress with the audit transition from Deloitte to PwC. The committee has received regular reports both directly from the PwC audit partners and from the chairman of the committee who has been monitoring the arrangements.

The other material area of review and consideration for the committee was the implementation of new regulation and governance relating to audit rotation and tendering, the rules on audit committees and the provision of non-audit services. The committee's terms of reference together with Mondi's policies and procedures in these areas have all been updated in line with the new regulation and the spirit of revised governance principles.

Other matter addressed by the committee included:

Financial reporting

- Reviewed the integrity of all financial announcements with input provided by the Group financial controller and Deloitte & Touche;
- Reviewed the Mondi Group Integrated report and financial statements 2015 and the Mondi Limited financial statements 2015 for tone and consistency and considered whether the reports as a whole were fair, balanced and understandable;
- Reviewed and discussed the audit management letter;
- Reviewed accounting policies to be applied for the year ending 31 December 2016;
- Reviewed new accounting pronouncements and any potential impact for the Mondi Group's financial reporting; and
- Reviewed the going concern basis of accounting and the longer-term viability statement.

Report of the directors continued

External audit matters

- Monitored the implementation of the transition from Deloitte & Touche to PwC;
- Reviewed the independence, objectivity and effectiveness of Deloitte & Touche;
- Reviewed and approved the external audit plan, taking account of the scope, materiality and audit risks and considered and agreed the audit fees;
- Recommended to the board the appointment of PwC for the 2017 audit to be put to shareholders at the Annual General Meeting;
- Undertook a thorough review of the Mondi Group's policy and procedures for the provision of non-audit services and implemented changes in response to new regulation;
- Received a report at each meeting of any non-audit services covering both Deloitte & Touche and PwC in order to monitor auditor independence;
- Reviewed and agreed the engagement letters and representation letters; and
- Held a meeting with Deloitte & Touche without management present. The committee chair also engaged regularly with the audit partners.

Risk Management and internal controls

- Undertook a detailed review of the Mondi Group's risk management policy, plan and tolerance levels and of the process to assess the risks;
- Reviewed the effectiveness of the risk and internal control management systems;
- At each committee meeting undertook a more in-depth review of three or four of the most significant Mondi Group risks; and
- Biannual presentations received on the IT risk management and cyber security.

Internal audit matters

- Reviewed and agreed the internal audit plan, confirming the focus on key risk areas and adequate cover of all material operations;
- Received reports from the head of internal audit at each meeting;
- Reviewed the effectiveness of the internal audit team and the implementation of the recommendations from the 2015 Ernst & Young LLP report on the function; and
- Held a meeting with the heads of internal audit without management present.

Governance and other

- For JSE purposes reviewed the appropriateness and expertise 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;
- Reviewed and responded to the South African Independent Regulatory Board for Auditors (IRBA) proposals for mandatory audit firm rotation and the potential implications for the Mondi Group if introduced;
- Reviewed the Mondi Group's competition compliance programme and work of the divisional compliance committees; and
- Reviewed the committee's terms of reference, performance and work programme.

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.

Internal control

The Mondi Group's risk and internal control management framework, embedded in all key operations, is designed to address all the significant strategic, financial, operational and compliance-related risks that could undermine its ability to achieve its business objectives in the future and is managed within risk tolerance levels defined by the board.

The committee has reviewed the risk management process and the Mondi Group's system of internal controls. The committee considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

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 2016 and the Mondi Limited financial statements 2016 and the clarity, completeness and consistency of disclosures.

The committee reported to the board that they considered the reports 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

Audit firm:	Deloitte & Touche in South Africa.
Tenure:	9½ years, appointed in July 2007, although Deloitte & Touche audited Mondi prior to this when Mondi was part of the Anglo American Group.
Audit partner and term:	Shelly Nelson, the 2016 audit is her second.
Audit tender:	As reported in 2015, a full tender process was undertaken culminating in the decision to recommend the appointment of PwC as auditors after the conclusion of the 2016 audit, with Michal Kotzé to be appointed as the South African audit partner.

External audit transition:

The audit tender process undertaken by the committee was explained in detail in our 2015 report. A key priority for the committee during 2016 has been monitoring progress with the transition plan in the lead up to the legal appointment of PwC as the Mondi Group's auditor.

As a committee we have appreciated the considerable time and effort that both the management teams and PwC have put in to the transition process together with the support provided by the Deloitte & Touche team. We believe that to date the transition has been thorough and effective.

Planning

A detailed transition plan was put in place highlighting key milestones for the process. A material part of the planning has been building up a knowledge and understanding of the Mondi Group. This is being achieved in a number of ways but primarily includes meetings with key personnel at a Mondi Group and divisional level. PwC have also created 'The PwC Academy for Mondi' which is a platform for PwC to share key information about the Mondi Group across the global PwC team. The committee is monitoring progress against the plan.

Workshop

In September 2016 a two-day workshop was attended by 40 people from both the Mondi Group and PwC teams and representing six key Mondi Group operating locations in addition to divisional and functional personnel. The workshop was a critical step in developing relationships across the teams and focused on the transition activities and key actions.

Shadowing

PwC shadowed Deloitte & Touche during both the half-yearly review and year-end audit. They have also attended some audit committee meetings as observers.

Communication

Effective communication is key to a smooth transition and a major part of the planning has involved regular engagement between the PwC teams and key Mondi personnel across the Mondi Group. PwC has also implemented their own internal information sharing via a monthly newsletter. It is also planned that, before their appointment, PwC will meet individually with each of the non-executive directors in order to understand their perspectives on the Mondi Group and their expectations of the external audit.

Independence

PwC confirmed that they had taken appropriate actions to meet all external independence requirements by 30 June 2016. A small number of allowable services continued after June but were completed prior to the year end to enable these to transition to new providers. A clear procedure has been agreed regarding the review of any proposed non-audit services going forward.

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained. The committee confirms its compliance for the financial year ending 31 December 2016 with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The committee confirmed that Deloitte & Touche is included in the JSE list of accredited auditors.

Non-audit services

One of the key pieces of work undertaken by the committee during the year was a detailed review of the policy and procedures relating to the provision of non-audit services by the external auditor. The committee considered not only the new audit framework regulations from the EU but also governance requirements and guidance issued by the UK regulator. This resulted in a new, more restrictive, non-audit services policy being adopted, revised approval processes for any non-audit services being put in place requiring all such requests to be approved by the chairman of the committee and the updating of the committee's terms of reference. In order to limit the non-audit services provided by the external auditor, the policy restricts those services by type and monetary limit.

Report of the directors continued

Where pre-approval is required the business must submit a formal request setting out the objectives, scope of work, likely fee level and the rationale for requiring the work to be carried out by the Mondi Group's external auditor rather than another service provider. Each request is reviewed, and where appropriate challenged, before being passed for pre-approval.

The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services. This enables regular consideration and oversight of a key threat to auditor independence and objectivity. During 2016 the committee not only monitored any non-audit services provided by Deloitte & Touche but also those services provided by PwC. Where those services would be categorised as non-audit services at the time of PwC's appointment as auditors, the committee has been closely monitoring the transition and ensuring that any outstanding service would be completed by the end of the year.

The majority of non-audit services are audit-related assurance and tax compliance services. During 2016 examples were the provision of an audit comfort letter for the EMTN programme, certification requirement of electricity usage for the Bulgarian government (local requirement that this be carried out by the statutory auditor), advice in connection with applications for government grants in South Africa relating to capital expenditure and assistance with tax submissions for expatriate employees.

Internal audit

The audit committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Mondi Group's internal audit function and appoints and discharges the heads of internal audit (the equivalent of the chief audit executive as envisaged by the King Code). The heads of internal audit have direct access to, and responsibility to, the committee and work closely with the committee in liaison with Deloitte & Touche.

Each year the committee considers and approves the internal audit plan which is designed to focus on the Mondi Group's key risks to ensure that they are managed effectively within the context of our business objectives and that appropriate internal controls are in place. The committee ensures that all material operations are covered and that there is an appropriate degree of financial and geographical coverage. Every Mondi Group operation is visited at least once every five years with all major plants audited annually. Reports are given at each committee meeting providing an update on activities, progress against plan, results from audits carried out and management's response to address any areas highlighted for improvement. The committee will consider deviations from plan as the need arises during the year, usually in response to a material acquisition or change in the Mondi Group's risk profile highlighted through audit reports and through matters raised via the confidential reporting hotline, Speakout. The committee regularly challenges the nature and speed of management's response to issues raised in audits and to Speakout messages in order to be satisfied that this has been appropriate to the circumstances. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work.

The committee also monitors the staffing and resources available to the internal audit function and the quality of those resources. In 2015 an external review of the internal audit function was undertaken by Ernst & Young LLP with a full report presented to the committee. The review concluded that the internal audit function is fit for purpose and meeting its mandate to provide assurance primarily in the financial and operational areas. Of particular note was the clear affirmation that the function is independent and objective. Some recommendations were put forward mainly in the areas of knowledge sharing and the greater use of technology by the team. The way in which the team have been addressing the recommendations in the report have been monitored and reviewed by the committee. The committee has concluded that the heads of internal audit provide appropriate leadership of the internal audit function which remains effective in carrying out its remit.

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, labour and employment, consumer relationships, the environment, health and public safety and anti-corruption. Shareholders are referred to the Mondi Group Integrated report and financial statements 2016 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 30, were approved by the board and authorised for issue on 22 February 2017 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

22 February 2017

Independent auditor's report to the shareholders of Mondi Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mondi Limited (Company) set out on pages 15 to 44, which comprise the statement of financial position as at 31 December 2016, 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 2016, 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), and other independence requirements applicable to performing audits of financial statements in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 R908 million during the year ended 31 December 2016 (2015: R871 million), as detailed in note 8. 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 Company's 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 in the year, and the useful economic lives assigned, were assessed to be appropriate based on the evidence obtained. We did not identify any assets capitalised in prior years where we considered the useful economic lives originally assigned needed revision in the year.

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

Key audit matter	How our audit addressed the key audit matter
Post-retirement medical aid benefit	
As disclosed in note 20 the Company has a post-retirement medical aid liability of R797 million (2015: R794 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 actuarial 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.
Forestry assets	
As disclosed in note 9 the valuation of the Company's forestry assets, amounting to R3.7 billion (2015: R2.9 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 assessed 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.
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. There are also cross border transactions which give rise to transfer pricing related risks. 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 audit specialists, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to the judgements taken in relation to accounting for tax incentives, 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, the tax balances recorded have been calculated on an appropriate basis, with an adequate allowance being made for uncertainty in the recovery of deferred tax assets and transfer pricing risks.

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 Compliance statement by the company secretary, 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 auditor's 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.

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 49 years.

Deloitte & Touche
Registered Auditors

Per Shelly Nelson
Partner

22 February 2017

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 2016

R million	Notes	2016	2015
Group revenue		**8,817**	**8,434**
Materials, energy and consumables used		(3,981)	(3,595)
Variable selling expenses		(1,012)	(943)
Gross margin		**3,824**	**3,896**
Maintenance and other indirect expenses		(479)	(472)
Personnel costs	4	(1,212)	(1,151)
Other net operating income		671	189
Depreciation and impairments		(554)	(520)
Operating profit before special items		**2,250**	**1,942**
Operating special items	2	20	—
Total profit from operations		**2,270**	**1,942**
Net finance costs	5	(109)	(115)
Financing special item	2	(64)	—
Profit before tax		**2,097**	**1,827**
Tax charge	6a	(639)	(509)
Profit for the year		**1,458**	**1,318**

Statement of comprehensive income
for the year ended 31 December 2016

	2016			2015		
R million	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Profit for the year			**1,458**			**1,318**
Items that may subsequently be reclassified to the income statement						
(Losses)/gains on available-for-sale investments	(32)	(1)	(33)	50	—	50
Items that will not subsequently be reclassified to the income statement						
Remeasurements of retirement benefits plans:	11	(3)	8	24	(7)	17
Actuarial gains arising from changes in financial assumptions	12			23		
Actuarial (losses)/gains arising from experience adjustments	(1)			1		
Other comprehensive (expense)/income for the year	**(21)**	**(4)**	**(25)**	**74**	**(7)**	**67**
Total comprehensive income for the year			**1,433**			**1,385**

Statement of financial position
as at 31 December 2016

R million	Notes	2016	2015
Property, plant and equipment	8	5,619	5,300
Forestry assets	9	3,724	2,908
Investment in and loans to subsidiaries	10	52	99
Investment in associate		—	24
Financial asset investments	11	23	—
Total non-current assets		**9,418**	**8,331**
Inventories	12	768	637
Trade and other receivables	13	1,477	1,763
Investment in and loans to subsidiaries	10	172	114
Current tax asset		32	27
Financial asset investments	11	188	207
Financial instruments	26	5	16
Cash and cash equivalents	22b	1	11
Assets held for sale	21	—	7
Total current assets		**2,643**	**2,782**
Total assets		**12,061**	**11,113**
Short-term borrowings	17	(1,218)	(841)
Trade and other payables	14	(1,111)	(1,122)
Provisions	15	(59)	(83)
Total current liabilities		**(2,388)**	**(2,046)**
Retirement benefits liability	20	(797)	(794)
Deferred tax liability	6b	(1,773)	(1,474)
Provisions	15	(28)	(28)
Total non-current liabilities		**(2,598)**	**(2,296)**
Total liabilities		**(4,986)**	**(4,342)**
Net assets		**7,075**	**6,771**
Equity			
Stated capital	18	4,188	4,188
Retained earnings and other reserves		2,887	2,583
Total equity		**7,075**	**6,771**

Statement of changes in equity
for the year ended 31 December 2016

R million	Stated capital	Retained earnings	Other reserves	Total equity
At 1 January 2015	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**
Total comprehensive income/(expense) for the year	—	1,458	(25)	**1,433**
Dividends paid	—	(1,111)	—	**(1,111)**
Shares vested from Mondi Incentive Schemes Trust	—	(41)	—	**(41)**
Mondi share schemes' charge	—	—	26	**26**
Issue of Mondi Limited shares under employee share schemes[1]	—	19	(22)	**(3)**
At 31 December 2016	**4,188**	**2,825**	**62**	**7,075**

Note:

1 The net amount of R3 million (2015: R3 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	2016	2015
Post-retirement benefits reserve	(18)	(26)
Share-based payment reserve	43	39
Available-for-sale reserve	37	70
Total	**62**	**83**

Statement of cash flows
for the year ended 31 December 2016

R million	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations	22a	2,764	2,474
Income tax paid		(347)	(528)
Net cash generated from operating activities		**2,417**	**1,946**
Cash flows from investing activities			
Investment in property, plant and equipment		(920)	(851)
Proceeds from the disposal of property, plant and equipment and forestry assets		33	295
Investment in forestry assets		(643)	(509)
Purchase of financial asset investments	11	(59)	(71)
Investment in subsidiaries		(59)	—
Repayment of portion of investment in subsidiaries		—	1
Loan advances to related parties	22c	(16)	(14)
Interest received		8	6
Other investing activities		—	1
Net cash used in investing activities		**(1,656)**	**(1,142)**
Cash flows from financing activities			
Proceeds from short-term borrowings	22c	126	130
Interest paid		(37)	(57)
Dividends paid to shareholders	7	(1,111)	(685)
Net cash used in financing activities		**(1,022)**	**(612)**
Net (decrease)/increase in cash and cash equivalents		**(261)**	**192**
Cash and cash equivalents at beginning of year		(104)	(296)
Cash movement in the year	22c	(261)	192
Cash and cash equivalents at end of year	22b	**(365)**	**(104)**

Notes to the financial statements
for the year ended 31 December 2016

1 Basis of preparation

Dual listed structure

The Mondi Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a dual listed company (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 company financial statements.

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); the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa 2008. The principal accounting policies adopted are set out in note 30.

The financial statements have been prepared on a going concern basis. These financial statements should be read in conjunction with the Mondi Group's 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. 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.

The most significant estimates and judgements are:

Key estimates
- Fair value of forestry assets – refer to note 9
- Actuarial valuation of retirement benefit obligations – refer to note 20

Critical accounting judgements
- Impairment of property, plant and equipment – refer to note 8
- Residual values and useful economic lives of property, plant and equipment – refer to note 8
- Carrying value of investments – refer to note 10

Special items (note 2)

Special items are those items of financial performance that the Mondi Group believes should be separately disclosed to improve the understanding of the underlying financial performance achieved by the Mondi Group. Such items are material in nature and the quantitative threshold for recognition of special items incurred after 1 January 2016 has been increased to €10 million (2015: €5 million).

Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the reporting threshold.

2 Special items

R million	2016	2015
Operating special item		
Reversal of impairment of assets	**20**	**—**
Financing special item		
Impairment of investment and loan	**(64)**	**—**
Total special items before tax	**(44)**	**—**
Tax charge (see note 6)	(5)	—
Total special items attributable to shareholders	**(49)**	**—**

Operating special item

- Partial reversal of impairment of uncoated fine paper machine previously impaired of R20 million.

Financing special item

- The Company acquired the minority interest in Mondi Shanduka Newsprint Proprietary Limited (MSN) for a consideration of R10 million. An impairment review was conducted resulting in the impairment of the existing shareholder loan and the investment in MSN of R64 million.

3 Auditor's remuneration

R million	2016	2015
Audit fees	5	5
Non-audit fees	1	1
Auditor's remuneration	**6**	**6**

4 Personnel costs

R million	2016	2015
Within operating costs		
Wages and salaries	1,119	1,063
Defined contribution retirement plan contributions (see note 20)	67	63
Defined benefit retirement benefit service costs (see note 20)	—	1
Share-based payments (see note 19)	26	24
Total within operating costs	**1,212**	**1,151**
Within net finance costs		
Retirement benefit medical plan interest costs (see note 5)	**77**	**65**
Total	**1,289**	**1,216**

5 Net finance costs

Net finance costs are presented below:

R million	2016	2015
Investment Income		
Investment income	**8**	**6**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(75)	(63)
Net interest expense on net retirement benefits liability (see note 20)	(77)	(65)
Total interest expense	**(152)**	**(128)**
Less: Interest capitalised (see note 8)	35	7
Total finance costs	**(117)**	**(121)**
Net finance costs	**(109)**	**(115)**

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2016 was 8.00% (2015: 7.30%) and was related to Richards Bay.

6 Taxation

(a) Analysis of tax charge for the year

The Company's effective rate of tax for the year ended 31 December 2016, calculated on profit before tax, is 30% (2015: 28%).

R million	2016	2015
SA corporation tax at 28% (2015: 28%)	350	476
Current tax in respect of prior years	(2)	4
Current tax	**348**	**480**
Deferred tax in respect of the current year	281	30
Deferred tax in respect of prior year under/(over) provision	5	(1)
Total tax charge before special items	**634**	**509**
Deferred tax on special items (see note 2)	**5**	**—**
Total tax charge	**639**	**509**

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% (2015: 28%), as follows:

R million	2016	2015
Profit before tax	**2,097**	**1,827**
Tax on profit before tax calculated at the SA corporation tax rate of 28% (2015: 28%)	**587**	**512**
Tax effects of:		
Expenses not deductible/(taxable) for tax purposes	**20**	**(24)**
Non-qualifying depreciation and loss on disposal of non-qualifying assets	(4)	(41)
Special items not tax deductible	18	—
Other non-deductible expenses	6	17
Prior year temporary differences not previously recognised	**34**	**17**
Current tax prior year adjustments	**(2)**	**4**
Tax charge for the year	**639**	**509**

(b) Deferred tax

	Deferred tax liabilities	
R million	2016	2015
At 1 January	(1,474)	(1,437)
Charged to income statement	(291)	(29)
Charged to statement of comprehensive income	(4)	(7)
Charged to retained earnings	(4)	(1)
At 31 December	**(1,773)**	**(1,474)**

6 Taxation (continued)

Deferred tax comprises:

	Deferred tax liabilities	
R million	2016	2015
Capital allowances in excess of depreciation	(909)	(873)
Fair value adjustments	(1,013)	(791)
Other temporary differences	149	190
Total	**(1,773)**	**(1,474)**

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

R million	2016	2015
Capital allowances in excess of depreciation	(37)	36
Fair value adjustments	(222)	(43)
Other temporary differences	(32)	(22)
Total charge	**(291)**	**(29)**

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.

7 Dividends

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

rand cents per share	2016	2015
Final dividend paid (in respect of prior year)	650.55664	379.38999
Interim dividend paid	288.84260	200.04751
Final dividend proposed for the year ended 31 December	**522.70920**	**650.55664**

R million	2016	2015
Final dividend paid (in respect of prior year)	770	449
Interim dividend paid	341	236
Total dividends paid	**1,111**	**685**
Final dividend proposed for the year ended 31 December	**618**	**770**

The final dividend proposed is subject to approval by shareholders at the Annual General Meeting of the Company scheduled for 11 May 2017.

8 Property, plant and equipment

R million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2015	688	3,999	281	40	**5,008**
Additions	—	—	868	3	**871**
Disposal of assets	(7)	(52)	—	(1)	**(60)**
Depreciation charge for the year	(39)	(463)	—	(15)	**(517)**
Impairments	—	(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)**
Additions	—	—	906	2	**908**
Disposal of assets	(4)	(47)	—	(4)	**(55)**
Depreciation charge for the year	(38)	(477)	—	(21)	**(536)**
Impairment losses recognised[2]	—	(18)	—	—	**(18)**
Impairment losses reversed[3]	—	20	—	—	**20**
Transfer from assets under construction	47	955	(1,052)	50	**—**
At 31 December 2016	**685**	**4,403**	**441**	**90**	**5,619**
Cost	1,044	10,727	441	305	12,517
Accumulated depreciation and impairments	(359)	(6,324)	—	(215)	(6,898)

Notes:
1 The land value included in 'Land and buildings' is R628 million (2015: R603 million).
2 Impairment losses recognised relate to assets no longer in use.
3 Impairment losses reversed classified as operating special items.

Included in the cost above is R35 million (2015: R7 million) of interest incurred on qualifying assets which has been capitalised during the year.

Research and development expenditure incurred by the Company during the year amounted to R5 million (2015: R5 million).

The recoverable amount of property, plant and equipment is determined based on the use of the asset within the current business plans. Any change in future intentions could result in an impairment of varying magnitude, depending on the assets affected.

9 Forestry assets

R million	2016	2015
At 1 January	2,908	2,647
Capitalised expenditure	549	471
Acquisition of assets	94	38
Fair value gains	884	348
Disposal of assets	(7)	(21)
Felling costs	(709)	(576)
Reclassified from assets held for sale	5	1
At 31 December	**3,724**	**2,908**
Comprising		
Mature	2,295	1,820
Immature	1,429	1,088
Total forestry assets	**3,724**	**2,908**

9 Forestry assets (continued)

In total, the Company has 251,435 hectares (2015: 257,717 hectares) of owned and leased land available for forestry activities. 81,017 hectares (2015: 84,517 hectares) are set aside for conservation activities and infrastructure needs. 14,881 hectares (2015: 19,200 hectares) are managed but not controlled by the Company. The balance of 155,537 hectares (2015: 154,000 hectares) are under afforestation which forms the basis of the valuation set out above.

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.

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy, 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.

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 2016, the net selling price used ranged from R150 per tonne to R767 per tonne (2015: R160 per tonne to R560 per tonne) with a weighted average of R407 per tonne (2015: R333 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 2016, the conversion factors ranged from 8.6 to 25.0 (2015: 8.9 to 25.2).
- The discount rate of 14.0% (2015: 15.2%) 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 on the basis that all other factors remain unchanged:

R million	2016
Effect of R10/tonne increase in net selling price	109
Effect of 1% increase in conversion factor (hectares to tonnes)	46
Effect of 1% increase in discount rate	(44)

10 Investment in and loans to subsidiaries

R million	2016	2015
Unlisted		
Shares at cost	62	3
Loans advanced	418	310
Impairment	(256)	(100)
Total investments in subsidiaries	**224**	**213**
Repayable within one year classified as current asset	(172)	(114)
Total long-term investments in subsidiaries	**52**	**99**

Mondi Shanduka Newsprint Proprietary Limited (MSN)

The loans to MSN include a shareholder's loan with a carrying value of Rnil (2015: R28 million), a Mezzanine loan of R37 million (2015: R68 million) and an overdaft facility of R37 million (2015: Rnil) . The shareholder's loan is unsecured and interest free. The shareholder's loan and Mezzanine loan is reflected net of an impairment of R246 million (2015: 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 Mezzanine loan is unsecured and incurs interest at the six month JIBAR plus 300 basis points. The overdraft facility is unsecured and incurs interest at the prime interest rate less 0.85%. The Company bought out the non-controlling interest for R10 million in December 2016 and impaired the investment at the same time. The non-controlling interest's shareholder loan of R92 million was also assumed and immediately impaired in full.

Mondi Zimele Proprietary Limited (Mondi Zimele)

The closing balance of the loan advanced by the Company to Mondi Zimele amounts to R50 million (2015: R67 million). This loan is unsecured, interest free and is repayable on liquidation of Mondi Zimele or earlier on demand by the Company.

10 Investment in and loans to subsidiaries (continued)

Mondi Timber (Wood Products) Proprietary Limited (MTWP)
The closing balance of the loan advanced by the Company to MTWP amounts to R48 million (2015: R47 million). This loan is interest free and is repayable on demand by the Company.

Mondi Sacherie Moderne Holdings Proprietary Limited (Mondi Sacherie)
The Company has subscribed for shares in Mondi Sacherie for R49 million for an investment by that company in a 50% owned Industrial Bags plant in Côte d'Ivoire.

Details of subsidiaries are set out in note 28.

11 Financial asset investments

	Available-for-sale investments	
R million	2016	2015
At 1 January	207	128
Fair value adjustments	(32)	50
Additions	59	71
Disposal of asset	(41)	(42)
Reclassification from investment in associates	18	—
At 31 December	**211**	207

The Company advanced to the Mondi Incentive Schemes Trust (MIS) a further R59 million during 2016 (2015: R71 million) to fund the purchase of the Company's shares awarded to senior management. Shares vested during 2016 to the value of R41 million (2015: R42 million).

The fair value of the available-for-sale investments held by the MIS is a level 1 measure in terms of the fair value measurement hierarchy contained in IAS 39. The fair value is calculated on the quoted market price of Mondi Limited shares held by the MIS.

The Company's investment in Mpact Recycling (Proprietary) Limited was diluted with effect from 1 August 2016 to 10.5%. The investment has been reclassified as an available-for-sale investment. The original cost of the investment was impaired to its fair value at 1 August 2016 of R18 million. A subsequent fair value gain of R5 million was recognised at 31 December 2016.

12 Inventories

R million	2016	2015
Valued using the first-in-first-out cost formula		
Raw materials and consumables	336	290
Work in progress	129	90
Finished products	124	116
Total valued using the first-in-first-out cost formula	**589**	**496**
Valued using the weighted average cost formula		
Raw materials and consumables	168	134
Finished products	11	7
Total valued using the weighted average cost formula	**179**	**141**
Total inventories	**768**	**637**
Of which, held at net realisable value	—	28
Income statement		
Cost of inventories recognised as expense	(3,208)	(2,623)
Write-down of inventories to net realisable value	(1)	(4)

13 Trade and other receivables

R million	2016	2015
Trade receivables	1,203	1,423
Allowance for doubtful debts	(1)	(2)
Net trade receivables	**1,202**	**1,421**
Other receivables	250	321
Tax and social security	1	1
Prepayments and accrued income	24	20
Total trade and other receivables	**1,477**	**1,763**

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

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 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	2016	2015
Credit risk exposure		
Gross trade receivables	1,203	1,423
Credit insurance	(916)	(918)
Total exposure to credit risk	**287**	**505**

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 R1 million (2015: R2 million).

The Company had no specific debtor balances with customers (2015: R3 million) which are past due but not impaired at the reporting date. An ageing analysis of net trade receivables is provided as follows:

R million	2016	2015
Trade receivables within terms	1,202	1,418
Past due by less than one month	—	2
Past due by two to three months	—	1
At 31 December	**1,202**	**1,421**

Movement in the allowance account for bad and doubtful debts

R million	2016	2015
At 1 January	2	8
Amounts written off or recovered	(1)	(6)
At 31 December	**1**	**2**

14 Trade and other payables

R million	2016	2015
Trade payables	387	438
Capital expenditure payables	39	50
Other payables	53	112
Accruals and deferred income	632	522
Total trade and other payables	**1,111**	**1,122**

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

15 Provisions

R million	2016	2015
At 1 January	111	104
Charged to income statement	59	121
Amounts applied	(83)	(114)
At 31 December	**87**	**111**

Maturity analysis of total provisions on a discounted basis:

R million	2016	2015
Current	59	83
Non-current	28	28
Total provisions	**87**	**111**

Provisions are primarily for bonuses and potential claims against the Company. All non-current provisions are discounted using a discount rate based on a pre tax yield on long-term bonds.

16 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 %	2016	2015
Financing facilities				
Revolving committed bank facility	June 2017	JIBAR + margin	500	500
Drawn			(500)	(500)
Committed local facilities available			**—**	**—**
Undrawn group facilities (on which the Company is a named borrower)			10,843	10,027
Total committed facilities available			**10,843**	**10,027**

16 Capital management (continued)

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, the terms of which require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc be constrained by the equality of treatment mechanism. This serves to maintain and protect the economic interests of both sets of shareholders.

The Company is subject to certain exchange control conditions as agreed with the South African Ministry of Finance. These conditions do not infringe upon the Company’s ability to manage optimally its capital structure. 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 the future.

17 Borrowings

	Current	
R million	**2016**	**2015**
Unsecured		
Bank loans and overdrafts	866	615
Other loans	352	226
Total borrowings	**1,218**	**841**

Included in other loans of the Company is a loan of R114 million (2015: R105 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 R199 million (2015: R119 million) 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:

	< 1 year[1]	
R million	**2016**	**2015**
Bank loans and overdrafts	866	615
Other loans	352	226
Total borrowings	**1,218**	**841**
Interest on borrowings net of amortised costs and discounts	49	25
Total undiscounted cash flows	**1,267**	**866**

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.

18 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

2016 & 2015	**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.

19 Share-based payments

Mondi share awards

The Company has established 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 2016.

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.

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 2016	BSP 2015	BSP 2014
Date of grant	22 March 2016	1 April 2015	31 March 2014
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (R)	291.30	230.00	184.91
Number of shares conditionally awarded	72,868	75,438	71,043

Mondi Limited	LTIP 2016	LTIP 2015	LTIP 2014
Date of grant	22 March 2016	1 April 2015	31 March 2014
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	291.30	230.00	184.91
TSR component[1]	72.83	57.50	46.23
Number of shares conditionally awarded	82,832	82,830	96,844

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 for the year ended 31 December is made up as follows:

R million	2016	2015
Bonus Share Plan	14	14
Long-Term Incentive Plan	12	10
Total share-based payment expense	**26**	**24**

The weighted average share price of share awards that vested during the period was R286.31 (2015: R236.82).

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

number of shares	BSP	LTIP	Total
At 1 January 2015	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**
Shares conditionally awarded	72,868	82,832	**155,700**
Shares vested	(98,161)	(124,162)	**(222,323)**
Shares lapsed	(14,561)	—	**(14,561)**
At 31 December 2016	**203,668**	**258,579**	**462,247**

20 Retirement benefits

The Company operates a post-retirement defined contribution plan and a 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 R67 million (2015: R63 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 2017 is R71 million.

Defined benefit pension 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.

Post-retirement medical plan

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.

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:

%	2016	2015
Discount rate	9.46	10.17
Rate of inflation	7.18	8.15
Rate of increase in salaries	8.18	9.15
Expected average increase of medical costs	8.68	9.65

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

Mortality assumptions

The assumed life expectancies on retirement at age 65 are:

years	2016	2015
Retiring today		
Males	16.09	16.04
Females	20.15	19.97
Retiring in 20 years		
Males	21.44	20.54
Females	25.63	24.79

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

20 Retirement benefits (continued)

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

R million	2016	2015
Present value of unfunded liabilities (Post-retirement medical plan)	**(797)**	**(794)**

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

	Net liability	
R million	2016	2015
At 1 January	(794)	(811)
Included in income statement		
Current service cost	—	(1)
Interest cost	(77)	(65)
Included in statement of comprehensive income		
Remeasurement gains	11	24
Benefits paid	63	59
At 31 December	**(797)**	**(794)**

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

R million	2016	2015
Less than a year	64	73
Between one and two years	66	77
Between two to five years	213	251
After five years[1]	3,059	3,884

Note:

1 Restated to be calculated on a basis consistent with revised current year calculations.

The weighted average duration of the Company's defined retirement benefits liability is 10 years (2015: 11 years).

The expected contributions to be paid to the post-retirement medical plan during 2017 is R62 million.

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		
Decrease in current service cost	—	—
(Decrease)/increase in net retirement benefit liability	(69)	82
Rate of inflation		
Decrease in current service cost	—	—
Increase/(decrease) in net retirement benefit liability	78	(67)
Rate of increase in salaries		
Decrease in current service cost	—	—
Increase/(decrease) in net retirement benefit liability	20	(20)
Medical cost trend rate		
Increase/(decrease) in aggregate of the current service cost and interest cost	8	(6)
Increase/(decrease) in net retirement benefit liability	78	(67)
Mortality rates	**1 year increase**	
Decrease in current service cost	—	
Increase in net retirement benefit liability	34	

21 Assets held for sale

R million	2016	2015
Property, plant & equipment	—	1
Forestry assets	—	6
Total assets classified as held for sale	**—**	**7**

22 Cash flow analysis

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

R million	2016	2015
Profit before tax	**2,097**	**1,827**
Depreciation	536	517
Impairment of property, plant and equipment	18	3
Share-based payments	26	24
Non-cash effect of special items	44	—
Net finance costs	109	115
(Decrease)/increase in provisions	(24)	7
Decrease in retirement benefits	(63)	(58)
Increase in inventories	(131)	(13)
Decrease/(increase) in operating receivables	286	(200)
(Decrease)/increase in operating payables	(2)	112
Fair value gains on forestry assets	(884)	(348)
Felling costs	709	576
Loss/(profit) on disposal of property, plant and equipment and forestry assets	33	(77)
Movement in held-for-trading derivatives	11	(6)
Other adjustments	(1)	(5)
Cash generated from operations	**2,764**	**2,474**

(b) Cash and cash equivalents

R million	2016	2015
Cash and cash equivalents per statement of financial position	1	11
Bank overdrafts included in short-term borrowings	(366)	(115)
Cash and cash equivalents per statement of cash flows	**(365)**	**(104)**

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

22 Cash flow analysis (continued)

(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 2015	(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)**
Cash flow	(261)	(126)	59	16	**(312)**
Disposals	—	—	(41)	—	**(41)**
Impairment	—	—	—	(54)	**(54)**
Fair value loss	—	—	(37)	—	**(37)**
At 31 December 2016	**(365)**	**(852)**	**188**	**172**	**(857)**

23 Capital commitments

R million	2016	2015
Contracted for but not provided	184	387
Approved, not yet contracted for	1,393	1,181
Total capital commitments	**1,577**	**1,568**

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

The expected maturity of these capital commitments is:

R million	2016	2015
Within one year	1,233	1,307
One to two years	344	261
Total capital commitments	**1,577**	**1,568**

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.

24 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2016 of R76 million (2015: R76 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 either year presented.

25 Operating leases

The Company has entered into 297 (2015: 224) lease agreements, none of which are individually significant.

The operating lease expense that has been recorded in the Company's income statement is R64 million (2015: R61 million).

25 Operating leases (continued)

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	2016	2015
Within one year	76	77
One to two years	46	67
Two to five years	88	75
After five years	123	111
Total operating leases	**333**	**330**

26 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.

(a) Financial instruments by category

2016/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		1,452	—	—	1,452
Financial asset investments	Level 1	—	—	211	211
Derivative financial instruments	Level 2	—	5	—	5
Cash and cash equivalents		1	—	—	1
Total		**1,453**	**5**	**211**	**1,669**

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		1,742	—	—	1,742
Financial asset investments	Level 1	—	—	207	207
Derivative financial instruments	Level 2	—	16	—	16
Cash and cash equivalents		11	—	—	11
Total		**1,753**	**16**	**207**	**1,976**

R million	Fair value hierarchy	At amortised cost 2016	At amortised cost 2015
Financial liabilities			
Borrowings – loans and overdrafts	Level 2	(1,218)	(841)
Trade and other payables		(479)	(600)
Total		**(1,697)**	**(1,441)**

26 Financial instruments (continued)

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

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

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 historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone

R million	2016	2015
Euro	(25)	(57)
Swedish krona	(3)	—
US dollar	(20)	(8)

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 +/-R5 million (2015: +/-R7 million).

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.

26 Financial instruments (continued)

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 2016.

A 50 basis points movement in the interest rate will impact the earnings for the year by R6 million (2015: R4 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 13.

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 South African committed loan facilities. The Company is a named borrower on the Mondi Group €750 million Syndicated Revolving Credit Facility (RCF). The RCF was undrawn by Mondi Finance plc at 31 December 2016 (2015: £115 million). The Company also has R784 million (2015: R1,035 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, 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.

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.

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value. At 31 December 2016, the Company recognised total derivative assets of R5 million (2015: R16 million) all of which mature within one year.

The notional amount of R376 million (2015: R636 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.

26 Financial instruments (continued)

Hedging

Cash flow hedges

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

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

27 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	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Sales to related parties	1,645	1,432	68	58	—	—
Purchases from related parties	11	11	319	227	—	—
Net finance expense	—	—	4	1	—	—
Investment in and loans to related parties	—	—	224	213	59	71
Receivables due from related parties	251	406	67	65	—	—
Payables due to related parties	22	19	63	112	—	—
Borrowings from related parties	—	—	352	226	—	—
Shares vested	—	—	—	—	41	42

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	2016	2015
Salaries and short-term employee benefits	118	92
Non-executive directors	18	17
Defined contribution plan payments	14	14
Social security costs	20	21
Share-based payments	83	65
Total	**253**	**210**

Details of the transactions between the Company and its pension and post-retirement medical plans are disclosed in note 20.

The information presented above, in conjunction with the directors' remuneration included in the report of the directors, 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.

28 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.

Company	Registered office	% of shares held by Company
Côte d'Ivoire		
La Sacherie Moderne SA[1]	Angle de l'Avenue A16, Abidjan-Platea, Immeuble Amiral, 01 B.P 5676	50
South Africa		
Arctic Sun Trading 17 Proprietary Limited[1]	Unit 4, 57 St. Andrews Drive, Durban North, 4051	50
Bongani Development CC	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100
Copasize Proprietary Limited[1]	111 9th Road, Hydepark, Sandton, 2196	34
Golden Pond Trading 250 Proprietary Limited[1]	3 Joyner Road, Prospecton, 4110	49
Khulanathi Forestry Proprietary Limited[1]	Lakeside Terrace, 3rd Floor, ABSA Building, Richards Bay, 3900	30
Mbulwa Estate Proprietary Limited[1]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	50
Mondi Africa Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100
Mondi Forestry Partners Programme Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100
Mondi Sacherie Moderne Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100
Mondi Shanduka Newsprint Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100
Mondi Timber (Wood Products) Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100
Mondi Timber Limited[2]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100
Mondi Zimele Job Funds Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100
Mondi Zimele Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	100
MZ Business Services Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100
MZ Technical Services Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	56
Professional Starch Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100
Siyaqhubeka Forests Proprietary Limited[1]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	51
Zimshelf Eight Investment Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100

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

29 Events occurring after 31 December 2016

With the exception of the proposed final dividend for 2016, included in note 7, there have been no material reportable events since 31 December 2016.

30 Accounting policies

Subsidiaries and associates (note 10)

The Company's investments in subsidiaries and associates are reflected at cost less amounts written off and accumulated impairments. Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of property, plant and equipment.

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 consistent with the nature of the monetary item giving rise to them.

Fair value measurement

Assets and liabilities that are measured 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 9.

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 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.

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 5)
Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Tax (note 6)

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.

30 Accounting policies (continued)

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 have been enacted or substantively enacted and 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 8)
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.

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 9)
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.

30 Accounting policies (continued)

Current non-financial assets

Inventory (note 12)
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 21)
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.

Provisions (note 15)

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.

Equity instruments

Dividend payments (note 7)
Dividend distributions to Mondi Limited's 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's ordinary shareholders at its Annual General Meeting and interim dividends are recognised when approved by the board.

Share-based payments (note 19)
The Company operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Company revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Financial instruments (note 26)

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.

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 11)
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.

30 Accounting policies (continued)

Cash and cash equivalents (note 22b)

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 13 and 14)

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 17)

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 22c)

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 5)

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 26d)

The Company enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

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.

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.

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.

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.

30 Accounting policies (continued)

Retirement benefits (note 20)

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

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

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 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 25)

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.

New accounting policies, early adoption and future requirements

Amendments to published Standards effective during 2016
The following amendments to published Standards have been adopted by the Company and did not have a significant impact on the Company's results:

- 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

Standards and amendments to published Standards that are not yet effective
The following Standards are effective for the financial year beginning on 1 January 2017, and will have no significant impact on the Company's results:

- IAS 7 - Statements of Cash Flows, disclosure initiative
- IAS 12 - Income Taxes

The following Standards will become effective for the financial year beginning on 1 January 2018:

- IFRS 9 – Financial Instruments
  A preliminary assessment has been completed and, given the nature of the Company's business, no impact is expected in respect of the measurement of financial instruments. The revised financial instrument categories will result in some changes in classification and additional disclosures will be required.
- IFRS 15 – Revenue from Contracts with Customers
  A preliminary assessment has been completed and the Company does not expect any significant changes to the timing and recognition of revenue. Additional disclosures will be required.

30 Accounting policies (continued)

IFRS 16 - Leases, will become effective for the financial year beginning on 1 January 2019. The Company is party to approximately 300 leases. The most significant lease agreements have been assessed and are expected to result in an increase in assets and liabilities as these leases are capitalised as well as an increase in EBITDA offset by an increase in depreciation and an increase in finance charges. A large proportion of the Company’s lease agreements are short-term in nature and not individually material in value. Early adoption from the year beginning 1 January 2018 is under consideration.