



## Mpact Limited

*(the proposed new name for Mondi Packaging South Africa Limited)*

(incorporated in the Republic of South Africa)

(Registration number 2004/025229/06)

JSE share code: MPT ISIN: ZAE000156501

### PRE-LISTING STATEMENT

This pre-listing statement is not an invitation to subscribe for shares in Mpact Limited (the "Company"), but is issued in compliance with the Listings Requirements of the JSE Limited (the "JSE") for the purposes of providing information to the public with regard to the business and affairs of the Company and its subsidiaries as at the Date of Listing.

The Demerger of the Group by Mondi Limited and the listing of the Company are subject to the conditions set out in Part VIII: *(Particulars of the Demerger)* of this pre-listing statement. The JSE has granted the Company a listing in respect of 164,046,476 ordinary shares of no par value ("Shares"), being the entire issued ordinary share capital of the Company as at the Date of Listing, in the "Containers & Packaging" sector under the abbreviated name "Mpact", symbol "MPT" and ISIN: ZAE000156501. This pre-listing statement has been prepared on the assumption that: (i) the ordinary and special resolutions proposed in the notice of general meeting forming part of the Mondi Limited Circular with which this pre-listing statement is enclosed will be passed at the general meeting of Mondi Limited to be held on Thursday, 30 June 2011; (ii) the ordinary resolutions proposed in the notice of general meeting forming part of the Mondi plc Circular will be passed at the general meeting of Mondi plc to be held on Thursday, 30 June 2011; and (iii) the Demerger (as defined) will be implemented.

The Directors, whose names are given in paragraph 1 on page 36 of this pre-listing statement, collectively and individually, accept full responsibility for the accuracy of the information contained herein and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this pre-listing statement contains all information required by the Listings Requirements.

The authorised share capital of the Company, as at the date of this pre-listing statement, is 217,500,000 ordinary shares with no par value and the Company has a stated capital of R244 million, divided into 23,192,750 ordinary shares with no par value. At the Date of Listing, the authorised share capital of the Company will comprise 217,500,000 Shares and the Company will have a stated capital of R2,334 million, divided into 164,046,476 fully paid Shares. All Shares rank *pari passu* in all respects, there being no conversion or exchange rights attaching thereto, and have equal rights to participate in capital, dividend and profit distributions by the Company. There will be no other class of shares in issue by the Company as at the Date of Listing. As at the Date of Listing, no Shares will be held by the Company or any of its subsidiaries as treasury shares.

The auditors and reporting accountants, whose reports are contained in this pre-listing statement, have given and have not withdrawn their written consent to the inclusion of their reports in the form and context in which they appear herein. Each of the sponsor, financial advisers, legal advisers, transfer secretaries and commercial bankers named in this pre-listing statement has consented in writing to act in those capacities as stated in this pre-listing statement and has not withdrawn its consent prior to the publication of this pre-listing statement.

#### Sponsor and financial adviser to Mpact



**Legal advisers to Mpact  
as to South African Law**



Webber Wentzel  
Attorneys

**Reporting accountants and  
auditors**



**International legal adviser  
to Mpact**



#### Financial adviser to Mondi Group



**Legal adviser to Mondi Group as  
to English and US Law**

**Linklaters**

**Transfer secretaries**



**DATE OF ISSUE: 31 MAY 2011**

Expected Date of Listing: 09:00 am on Monday, 11 July 2011.

All times referred to in this pre-listing statement are times in South Africa. Any changes to the foregoing dates and times will be released on SENS and published in the South African press.

**Subject to certain exceptions, this pre-listing statement does not constitute an offer to sell nor a solicitation to buy securities as such terms are defined under the US Securities Act of 1933 (the "US Securities Act").**

The Demerged Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up or renounced, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Demerged Shares in the United States.

The Demerged Shares have not been and will not be registered under the securities laws of any Excluded Territory and may not be offered, sold, taken up or renounced, directly or indirectly, within such jurisdictions, except pursuant to an applicable exemption from and in compliance with any applicable securities laws.

This document is only available in English and copies hereof may be obtained during normal business hours from Tuesday, 31 May 2011 until Thursday, 30 June 2011 from the Company at its registered office, the Mondi Group website at [www.mondigroup.com](http://www.mondigroup.com), Rand Merchant Bank, a division of FirstRand Bank Limited and the transfer secretaries at their respective physical addresses which appear in the *Corporate Information* section on page 4 of this pre-listing statement.

**The whole of this pre-listing statement should be read. In particular, investors are referred to in Part VII (*Risk Factors*) of this pre-listing statement.**

This pre-listing statement has been prepared on the basis that the Demerger Conditions Precedent, including that: (i) the Resolutions are passed at the Mondi General Meetings, as proposed in the Mondi Circulars; and (ii) the Demerger is implemented by Mondi Group, are fulfilled. For details on the Demerger, please see the Mondi Circulars.

The definitions, interpretation and glossary commencing on page 14 of this pre-listing statement apply to this pre-listing *mutatis mutandis* statement, including these cover pages.

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## **Certain definitions**

For purposes of this pre-listing statement, references to the “Company” and “Mpack” are to Mondi Packaging South Africa Limited (formerly Mondi Packaging South Africa (Proprietary) Limited and being renamed Mpack Limited) and references to the “Group” is to Mondi Packaging South Africa Limited (formerly Mondi Packaging South Africa (Proprietary) Limited and being renamed Mpack Limited) and its subsidiaries or its predecessor or successor companies from time to time, unless the context otherwise requires.

## **Last Practicable Date**

Unless the context clearly indicates otherwise, all information provided in this pre-listing statement is provided at the Last Practicable Date.

## **Special note in regard to this pre-listing statement and the Demerged Shares**

To the extent that this pre-listing statement is provided to persons outside South Africa, the following is noted:

The release, publication or distribution of this pre-listing statement in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this pre-listing statement is released, published or distributed should inform themselves about and observe such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the laws of any such jurisdiction. This pre-listing statement does not constitute an offer to purchase or to subscribe for shares or other securities or a solicitation of any vote or approval in any jurisdiction.

The Demerged Shares have not been approved or disapproved by the US Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Demerged Shares or the accuracy or adequacy of this pre-listing statement. Any representation to the contrary is a criminal offence in the United States.

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Restricted Mondi Limited Shareholders and, subject to certain exceptions, US Mondi Limited Shareholders will not receive any Demerged Shares pursuant to the Demerger. A mechanism will be put in place so that the Demerged Shares due to such Restricted Mondi Limited Shareholders and, subject to certain exceptions, the US Mondi Limited Shareholders will not be delivered to such shareholders personally, but rather will be delivered, following the Demerger, to a third party in South Africa nominated by Mondi Group, which will hold such Demerged Shares on behalf of such Restricted Mondi Limited Shareholders and US Mondi Limited Shareholders. Mondi Limited or the third party shall co-ordinate the disposal of the Demerged Shares due to such Restricted Mondi Limited Shareholders and US Mondi Limited Shareholders for cash in South Africa and distribute the cash proceeds therefrom (translated into the relevant local currency or US dollars (as the case may be) from South African Rand at the ruling exchange rate at the relevant time net of applicable fees, expenses, taxes and charges) to such Restricted Mondi Limited Shareholders and US Mondi Limited Shareholders, in proportion to such shareholders’ entitlement to Demerged Shares. There can be no assurance as to what price such Restricted Mondi Limited Shareholders or US Mondi Limited Shareholders will receive from the disposal of such Demerged Shares or the timing of such receipt or the exchange rate that is achieved in converting, the proceeds of the disposal of such Demerged Shares from South African Rand into the relevant Restricted Mondi Limited Shareholders’ or US Mondi Limited Shareholders’ local currency. The disposal of Demerged Shares due to such Restricted Mondi Limited Shareholders and US Mondi Limited Shareholders will be pursuant to Regulation S under the US Securities Act.

## **Special note regarding forward-looking statements**

The following cautionary statements identify important factors that could cause the Group’s actual results to differ materially from those projected in the forward-looking statements made in this pre-listing statement. Any statements about the Group’s expectations, beliefs, plans, objectives, assumptions or future events

or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “will”, “will likely result”, “are expected to,” “will continue”, “believe”, “is anticipated”, “estimated”, “intends”, “expects”, “plans”, “seek”, “projection” and “outlook”. These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this pre-listing statement, including the risk factors set out in Part VII (*Risk Factors*) of this pre-listing statement.

By their nature, forward-looking statements are inherently predictive and/or speculative. New factors will emerge in the future, and it is not possible for the Group to predict such factors. Such factors, as well as the risk factors set out in Part VII (*Risk Factors*) of this pre-listing statement, could cause actual results, performance or outcomes to differ materially from those expressed in any forward-looking statements made in this pre-listing statement by the Group or on the Group’s behalf; undue reliance should not be placed on any of these forward-looking statements. Furthermore, any forward-looking statement speaks only as of the date on which it is made, and the Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, the Group cannot assess the effect of each factor on the Group’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

### **Presentation of financial and other information**

The Group’s financial year ends on 31 December. The Group’s audited consolidated historical financial information for the years ended 31 December 2010, 2009 and 2008 (the “Financial Statements”) contained in this pre-listing statement have been prepared in accordance with IFRS. The Financial Statements include information at the Group level in accordance with IAS 27. The Group presents its financial statements in South African Rand.

Some financial information in this pre-listing statement has been rounded and, as a result, the numerical figures shown as totals in this pre-listing statement may vary slightly from the exact arithmetic aggregation of the figures that precede them.

The Group presents EBITDA figures in this pre-listing statement. The Group defines EBITDA as operating profit, as determined in accordance with IFRS, plus depreciation and amortisation. The Group believes that EBITDA serves as a useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company’s ability to service its long-term debt and other fixed obligations and to fund its continued growth. Furthermore, EBITDA is a widely accepted indicator in comparing a company’s underlying operating profitability with that of other companies in the same industry. EBITDA is not an IFRS or a US GAAP (as defined below) measure and EBITDA should not be considered as an alternative to measures of net profit/loss, as an indicator of operating performance, as a measure of cash flow from operations nor as an indicator of liquidity whether under IFRS or US GAAP. Funds depicted by this measure may not be available for the Group’s discretionary use (due to covenant restrictions, debt service payments and other commitments). It should be noted that EBITDA is not a uniform or standardised measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself the Group’s presentation and calculation of EBITDA may not be comparable to that of other companies.

The financial information included in this pre-listing statement is not intended to comply with United States Securities and Exchange Commission requirements. Compliance with such requirements would require, among other things, the presentation of financial information in accordance with accounting principles generally accepted in the United States (“US GAAP”) (or the reconciliation of the Group’s financial information to US GAAP) and the exclusion of certain non-GAAP financial measures.

### **Market and industry information**

Information relating to markets, market size, market share, market position, growth rates, average prices and other industry data pertaining to the Group’s business contained in this pre-listing statement consists of estimates based on data compiled by professional organisations and analysts, on data from external sources, on the Group’s knowledge of sales and markets and on the Group’s calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, thus requiring the Group to rely on internally developed estimates. While the Group has compiled, extracted and reproduced market or other industry data from external sources which the Group believes is reliable, including third party or industry or general publications, the Group has not independently verified all of such data. The Group cannot assure readers of this pre-listing statement of the accuracy and completeness of, or take any responsibility for, such data. Similarly, while the Group believes its internal estimates to be reasonable, they have not been verified by any independent sources, and the Group cannot assure readers of this pre-listing statement as to their accuracy.

## **Jurisdiction and enforcement of foreign judgments in South Africa**

The Company is a company incorporated under the laws of South Africa. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts, provided that:

- the court which pronounced the judgment had jurisdiction to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive (that is, it cannot be altered by the court which pronounced it);
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the foreign proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgment was not obtained by fraudulent means;
- the judgment does not involve the enforcement of a penal or revenue law of the foreign state; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Businesses Act, No. 99, of 1978, as amended, of South Africa.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system, such awards are not necessarily contrary to public policy. Whether a judgment is contrary to public policy will depend on the facts of each case. Exorbitant, unconscionable or excessive awards will generally be contrary to public policy. South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over a foreign court. South African courts will usually implement their own procedural laws and, where an action based on a contract governed by a foreign law is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on United States federal securities laws can be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore, the rules of the High Court of South Africa require that documents executed outside South Africa be authenticated for use in South Africa.

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## SUMMARY

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This summary highlights salient features of the information detailed in this pre-listing statement. It is not complete and does not contain all of the information that readers of this pre-listing statement should consider before investing. Investors should read this pre-listing statement carefully in its entirety. The definitions, interpretation and glossary commencing on page 14 of this pre-listing statement have been used in this section headed “Summary”.

### General Information about the Group and its Business

#### Overview

The Group is one of the largest South African packaging businesses, involved in the manufacture and supply of paper and plastic packaging products, with total revenues of R6,259 million in 2010, R5,774 million in 2009 and R5,711 million in 2008 and EBITDA of R805 million in 2010, R714 million in 2009 and R631 million in 2008. The Group’s operations comprise its paper business and its plastics business. The paper business is integrated across the recycled paper-based corrugated packaging value chain and comprises three divisions: recycling, packaging and industrial paper and corrugated, while its plastics business manufactures rigid plastic packaging. The Group has 22 manufacturing operations and 29 operating sites in South Africa, Namibia, Mozambique and Zimbabwe. Approximately 91% of the Group’s sales in 2010 were achieved in South Africa. As at 31 December 2010, the Group’s workforce amounted to approximately 3,500 employees in total.

The Group is the leading producer of recycled-based cartonboard and containerboard, the leading collector of recovered paper and the leading producer of corrugated packaging in South Africa. The paper recycling division undertakes the collection of recovered paper for use in the production of cartonboard and containerboard. The packaging and industrial paper division produces cartonboard and containerboard products. The corrugated division undertakes the production of corrugated boxes and other corrugated packaging products. The Group’s main paper production facilities are in Springs (Gauteng), Felixton (KwaZulu-Natal) and Piet Retief (Mpumalanga) in South Africa. In addition, the Group has nine corrugated box plants and two corrugated sheet plants.

In 2010, the Group collected approximately 448,000 tonnes of recovered paper as part of its recycling operations and produced approximately 399,000 tonnes of packaging and industrial papers and 387 million square metres of corrugated packaging products. The Group’s paper business had external revenues of R4,407 million representing 77%<sup>1</sup> of the Group’s revenue and EBITDA<sup>2</sup> of R686 million in 2010.

In addition, the Group is a leading producer of rigid plastic packaging in South Africa and is the largest South African producer of PET pre-forms, styrene trays and plastic jumbo bins. In 2010 the Group’s plastics business produced over one billion pre-forms and PET bottles. The Group has eight plastics production facilities in the Western Cape, Gauteng and KwaZulu-Natal in South Africa, as well as one plant in Zimbabwe. The Group’s plastics business had external revenues of R1,310 million, representing 23%<sup>1</sup> of the Group’s revenue and EBITDA<sup>2</sup> of R190 million in 2010.

The Group has developed centres of excellence for its human resources, safety, health and environmental policy functions. In addition, the Group enjoys the benefits of shared services across its businesses for its finance, human resources administration and IS&T and has an R&D facility located in Stellenbosch.

Immediately prior to the Demerger and the Listing, the Group will be 89.55% owned by the Mondi Group, a global integrated paper and packaging group, and 10.45% owned by Shanduka, a BBBEE investment concern. The Listing positions the Group to pursue optimisation and growth initiatives in line with its strategic vision without the constraints of being part of the Mondi Group, with its different strategic priorities which exclude the rigid plastics business. The Demerger will enable the Group to pursue attractive investment opportunities in its paper and plastics businesses and provides more potential to expand the Group’s geographic footprint into African markets. As part of the re-organisation of the Group prior to the Listing, the Group sold its Paperlink business, which had sales of R541 million in 2010, to Mondi Limited with effect from 1 April 2011 for R93 million. Furthermore the Group has agreed to sell 25% of its recycling division to Mondi Limited with effect from 1 July 2011.

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1 Excluding Paperlink revenue of R541 million.

2 Excluding corporate services costs, which amounted to a total of R(71) million for the Group in 2010. Please see Annexure 1 to this pre-listing statement.



Shanduka has undertaken that it will not sell any of its shares in the Company for a period of 180 days following the Demerger. The Group remains committed to the enhancement of BBBEE in South African society.

### **Strengths**

The Group believes its key strengths include the following:

- ***Leading market positions in South Africa***

The Group has the leading market position in South Africa in corrugated packaging, recycled-based cartonboard and containerboard, recovered paper collection, PET pre-forms, styrene trays and plastic jumbo bins. The Group's strong market positions allow it to meet the increasing requirements of customers, achieve economies of scale and be cost effective in its different operations. More than 90% of the Group's revenue was derived from the above product lines in 2010.

- ***Customer-focused operating structure***

The Group's mills and production sites are located broadly throughout South Africa as well as Namibia, Zimbabwe and Mozambique. The converting facilities are in close proximity to customers, allowing for superior customer focus and relationships. By being near its customers, the Group is able to maintain close relationships and adapt quickly to customer needs and to develop products tailored to specific customer requirements. In addition, the Group's proximity to its customers results in reduced transport costs, which are a relevant factor in the packaging business.

The Group also invests in R&D, including innovation centres for structural and graphic design, value-added services and a plastics design studio where new designs are created and prototype forms for the development of new plastic containers are made. In addition, the Group's Stellenbosch R&D Centre provides production and technical support for sales teams and often collaborates with customers on product developments in the plastics and paper businesses.

Finally, the Group prides itself on its decentralised structure, with operations managers being responsible for customer relationship management and financial performance.

- ***Integrated corrugated packaging value chain***

The Group's recycling division collects recovered paper, which is combined with hardwood, softwood and bagasse fibres, to produce mixed fibre containerboard. The Group converts internally and externally manufactured containerboard into corrugated products for its customers; it also sells containerboard and cartonboard manufactured internally to external packaging customers. This allows the Group to manage its input costs by internally sourcing the key material required to manufacture its containerboard, cartonboard and corrugated products and ensures security of supply. All of this results in better value across its paper business and provides the Group with the flexibility it needs to satisfy customers' business, product, design and innovation requirements.

- ***Track record of profitable growth delivered by an experienced management team***

The Group's revenues have grown from approximately R2.8 billion in 2005 to approximately R6.3 billion in 2010<sup>3</sup>. In addition, the Group's EBITDA has increased steadily from R335 million in 2005 to R805 million in 2010<sup>4</sup>. The Group's financial performance is the result of an experienced and entrepreneurial management team with an established track record in the packaging industry. The Group's executive management team of six professionals has a combined 143 years' experience in the packaging industry and, accordingly has extensive knowledge of local market dynamics and long-standing relationships with key industry participants, as well as experience in implementing cost reduction programmes and profit improvement initiatives. The Group has undertaken several successful capital expenditure projects in the last five years.

<sup>3</sup> Including Paperlink revenue.

<sup>4</sup> Including Paperlink and corporate services costs.

## **Strategies for growth**

The Group's overall business strategy is to optimise its current operations and selectively grow its operations in each of its businesses. The Group intends to:

- develop and selectively grow its leading market positions in rigid plastic packaging, paper-based packaging and packaging paper in sub-Saharan Africa, where the Group is able to extract value through business, operational and management expertise as well as from product application, design and market knowledge;
- further develop its manufacturing and service footprint to deliver superior solutions to its customers underpinned by: a decentralised structure reflecting management depth and experience at all levels; an innovative customer-focused product offering; and leading market positions that enable the Group to achieve sustainable cost effectiveness through economies of scale; and
- focus on performance through business excellence programmes and sound asset management enabling the Group to: provide its customers with quality products and services; retain a motivated and skilled workforce and deliver good returns to its shareholders.

As part of its overall optimisation strategy, the Group has established business excellence programmes aimed at reducing costs and improving profitability. These programmes specifically focus on operational performance and prudent asset management and target continuous improvement of productivity, efficiency and reliability of operations, cost reduction programmes and profit improvement initiatives. These programmes also encompass sustainability, human resources development, customer focus and product innovation. Management believes that business excellence and rigorous cost control programmes are key in improving its cost position. Management will continue to focus on these initiatives and believes they will continue to deliver future benefits to the Group.

Management also believes operational excellence can only be achieved by empowering the Group's operational management and employees. Remuneration of management and supervisors is linked to performance against key performance indicators. To this end, the Group has a well-established decentralised structure and has initiated several skills and development programmes for employees. Finally, the Group's commitment to sustainable development in each of its businesses is by adopting leading industry health and safety standards, obtaining raw materials from accredited sources and ensuring its businesses are constantly seeking to reduce their environmental impact, has enhanced the Group's reputation throughout the markets in which it operates.

The Group also has certain specific strategic goals for its plastics and paper businesses:

### • ***Plastics Business***

Management believes that its plastics business has strong potential for growth as consumers continue to substitute packaging such as glass and metals with rigid plastics. The Group intends to seek both strategic growth opportunities through partnerships with established market players as well as organic growth through optimisation where management identifies convincing business opportunities.

Additionally, Management aims to develop the Group's manufacturing facilities to ensure that production is closer to customers in order to improve services levels and reduce operating costs.

### • ***Paper Business***

In the recycling division, Management's strategy is to increase the amount and proportion of directly sourced quality recovered paper for use in the manufacturing of paper products. Increasing the amount of directly sourced recycled paper products through the Group's collection operations will allow for further input cost management and improved quality throughout the paper packaging value chain, as well as securing the source of a key raw material into the Group's paper manufacturing operations.

Management seeks to further develop its leading market positions in product quality and lightweight capability in its corrugated packaging and packaging and industrial paper divisions by continuing to improve the quality and design of its products while increasing the efficiency of production. This will be achieved by upgrading its corrugated packaging facilities and ensuring that the Group remains at the forefront of technological advances in the industry. The Group will also seek to optimise its cartonboard and containerboard operations by improving quality and operational efficiencies and hence production costs.

Furthermore, the Group believes that using interchangeable raw materials to efficiently improve its fibre mix in the production of cartonboard and containerboard will allow the Group to be more flexible and to adjust to changing customer needs and market dynamics.

## **Current Trading and Prospects<sup>5</sup>**

For the first four months of 2011 to end April, Mpact performed well, with operating profit exceeding that of the comparable period in the prior year.

In the paper business, price increases realised towards the end of 2010 were offset marginally by lower volumes attributable to the extended holidays in April 2011. The continued strength of the local currency is concerning, leading to reduced margins on exports and limiting the Group's ability to pass on inflationary cost increases due to competition from imports. Through the Group's forward integration into corrugated packaging, Management believes that the Group will be able to mitigate some of the exchange rate impacts.

Progress is being made in the plastics business with improved volumes over the first four months of 2011 compared to the prior year period, although margins were negatively affected by increasing raw material costs on the back of rising oil prices. Operating profit for the period was below prior year, due mainly to higher depreciation relating to the capitalisation of new extrusion equipment at the Paarl styrene operation during 2010.

### **Summary of the Demerger**

The Demerger, if it proceeds, will be implemented by way of a dividend *in specie* from Mondi Limited to Mondi Limited Shareholders on Monday, 18 July 2010, on the basis of one Demerged Share for every one Mondi Limited Share held by each such shareholder on the Demerger Record Date.

Mondi plc Shareholders will not be entitled to Demerged Shares; rather, they will receive the benefit of an appropriate adjustment, a "matching action" (for the purposes of the DLC Agreements), to reflect the value distributed by Mondi Limited to Mondi Limited Shareholders. The Mondi Boards have determined that a consolidation of the Existing Mondi Limited Shares is the most appropriate form of adjustment in the circumstances. The effect of the Mondi Limited Share Consolidation will be that Mondi plc Shareholders will, collectively, hold an increased interest in the Mondi Group. After the Demerger and the Mondi Limited Share Consolidation, Mondi Limited Shareholders will hold New Mondi Limited Shares as well as the newly listed Demerged Shares.

Following the Listing and Demerger, Mondi Group and the Group will operate independently of each other as separately listed and publicly traded groups. The Group will operate under a new name Mpact Limited, following the Listing.

A number of steps are required to effect the Demerger, including: (i) a dividend *in specie* to Mondi Limited Shareholders to effect the Demerger, resulting in Mondi Limited Shareholders receiving Demerged Shares (*pro rata* to their holdings in Mondi Limited); and (ii) the Mondi Limited Share Consolidation.

### **The Demerger does not involve any invitation to the general public to subscribe for or purchase any Shares in South Africa or any other jurisdiction.**

For more details pertaining to the Demerger, please refer to the Mondi Limited Circular accompanying this pre-listing statement.

### **Reasons for the Demerger**

Mpact is essentially southern Africa focused with most of its operations located throughout South Africa and with single plants located in Namibia, Mozambique and Zimbabwe. It is an integrated producer of corrugated products, has a growing rigid plastics packaging business and is also involved in the production of cartonboard.

Mpact is unique within the Mondi Group as no other part of the Mondi Group produces rigid plastics or cartonboard. Mpact's primary growth opportunities going forward are expected to be in expanding the rigid plastics business, thereby diverging further from the Mondi Group's core strategic focus. The primary rationale for seeking a separate JSE listing for Mpact is that it will allow it to pursue its own growth strategy without the constraint of a shareholder that has differing strategic priorities. It is considered that a separate listing of Mpact, with the ability to independently access capital in support for its strategic objectives, is in the best interest of Mpact, Mondi Group and related stakeholders, including employees. The Demerger thereby endorses Mpact's own strategy and provides a clear benefit as both Mpact and the Mondi Group will be able to take better advantage of their respective growth opportunities.

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<sup>5</sup> *Current Trading and Prospects* section has not been reviewed or audited by the reporting accountants.

## Demerger Conditions Precedent

The Demerger is conditional (amongst other things) on the approval of the Resolutions by the respective Mondi Shareholders at the Mondi General Meetings. It should be noted that, although it is currently Mondi Group's intention that the Demerger should be concluded, Mondi Group is entitled to decide not to proceed with the Demerger at any time prior to the Finalisation Date for the Demerger.

The Resolutions, *inter alia*:

- (i) authorise the Mondi Boards to pay the dividend *in specie* to effect the Demerger and authorise the Mondi Boards to do any other acts as may be necessary to effect the Demerger; and
- (ii) approve the Mondi Limited Share Consolidation and authorise the Mondi Boards to do any other acts as may be necessary to effect the Mondi Limited Share Consolidation.

If any of the Demerger Conditions Precedent are not fulfilled, the Demerger and the Listing will not proceed. If the Demerger is not implemented for any reason, the Listing will not become effective. It is expected that the Demerger Conditions Precedent will be fulfilled on Thursday, 30 June 2011.

## Indicative timetable

The following table provides the expected dates of certain important steps related to the Demerger:

Issue of notices for the Mondi Limited General Meeting and Mondi plc	
General Meeting	Tuesday, 31 May 2011
Publication of the pre-listing statement	Tuesday, 31 May 2011
Last date for lodging of proxy forms for the Mondi Limited General Meeting and Mondi plc General Meeting by 12:00	Tuesday, 28 June 2011
Mondi Limited General Meeting (at 12:00) and Mondi plc General Meeting (at 11:00 UK time)	Thursday, 30 June 2011
Results of Mondi Limited General Meeting and Mondi plc General Meeting released on SENS	Thursday, 30 June 2011
Results of Mondi Limited General Meeting published in the (South African) press	Friday, 1 July 2011
Last Day to Trade in Mondi Limited Shares on the JSE in order to be recorded in Mondi Limited's register of members on the Demerger Record Date	Friday, 8 July 2011
Mondi Limited Shares trade <i>ex</i> the entitlement to the Demerged Shares from the commencement of business	Monday, 11 July 2011
Date of Listing on the JSE	Monday, 11 July 2011
Demerger Record Date	Friday, 15 July 2011
Demerger effected	Monday, 18 July 2011
Share certificates in respect of Demerged shares posted to Mondi Limited Shareholders who hold Mondi Limited Shares in certificated form on or about	Monday, 18 July 2011
Mondi Limited Shareholders who hold Mondi Limited accounts at their CSDP or broker updated with Demerged Shares	Monday, 18 July 2011

Any material change will be released on SENS and published in South African press.

## Admission and listing

The JSE has granted the Company a listing in respect of all the issued Shares in the "Containers & Packaging" sector under the abbreviated name "Mpact", trading symbol "MPT" and ISIN: ZAE000156501. The Listings Requirements provide that a minimum of 20% of the Shares must be held by the public and, in respect of equity securities, the number of public shareholders (as defined by the Listings Requirements) must be at least 300. This will be achieved upon the distribution of the Demerged Shares to the Mondi Limited Shareholders.

## Lock-up agreement

Shanduka, Mondi Limited's BEE partner, has agreed to remain invested in the listed Mpact for 180 days from the date of Demerger.

## Selected Consolidated Financial Data

### Overview

The following selected consolidated financial information is derived from the consolidated financial information of the Group for the financial years ended 31 December 2010, 2009 and 2008, all of which were prepared in accordance with IFRS.

The consolidated financial information of the Group as of and for the financial years ended 31 December 2010, 2009 and 2008 presented in this pre-listing statement has been audited by Deloitte & Touche, independent reporting accountants, as stated in their report appearing in Annexure 2 to this pre-listing statement.

The selected consolidated financial and other information presented below should be read in conjunction with the consolidated financial information included elsewhere in this pre-listing statement.

### Selected Consolidated Financial Data

Prior to the Demerger, the Group's capital structure and financing were restructured, the details of which are set out in the *pro forma* statements contained in Annexure 3 to this pre-listing statement.

#### Consolidated Income Statement<sup>6</sup>

	2010 R'm	Group 2009 R'm	2008 R'm
<b>Revenue</b>	6,258.7	5,773.6	5,710.6
Materials, energy and consumables used	(3,344.9)	(3,188.0)	(3,096.5)
Variable selling expenses	(514.8)	(461.9)	(497.8)
<b>Gross margin</b>	2,399.0	2,123.7	2,116.3
Maintenance and other indirect expenses	(253.7)	(235.4)	(226.3)
Personnel costs	(994.6)	(902.2)	(881.5)
Other net operating expenses	(345.9)	(272.4)	(377.5)
Depreciation, amortisation and impairments	(319.5)	(307.2)	(297.1)
Underlying operating profit	485.3	406.5	333.9
Special items	(6.3)	76.7	(1.7)
Net income/(loss) from associates	3.4	(0.3)	2.6
<b>Total profit from operations and associates</b>	482.4	482.9	334.8
Net finance costs	(386.5)	(467.0)	(492.5)
Investment income	48.1	46.7	42.0
Financing costs	(434.6)	(513.7)	(534.5)
<b>Profit/(Loss) before tax</b>	95.9	15.9	(157.7)
Tax (charge)/credit	(46.4)	(76.9)	23.2
<b>Profit/(Loss) from continuing operations</b>	<b>49.5</b>	<b>(61.0)</b>	<b>(134.5)</b>
<i>Attributable to:</i>			
Non-controlling interests	12.7	31.9	10.9
Equity holders of the parent company	36.8	(92.9)	(145.4)
	<b>49.5</b>	<b>(61.0)</b>	<b>(134.5)</b>

<sup>6</sup> Notes to the Consolidated Income Statement are provided in Annexure 1 to this pre-listing statement.

*Consolidated Statement of Financial Position<sup>7</sup>*

	<b>2010</b>	<b>Group</b>	<b>2008</b>
	<b>R'm</b>	<b>2009</b>	<b>R'm</b>
		<b>R'm</b>	<b>R'm</b>
Intangible assets	1,087.6	1,128.8	1,170.8
Property, plant and equipment	1,897.9	1,907.5	1,992.4
Investments in subsidiaries	–	–	–
Investments in associates	52.9	29.5	30.8
Financial asset investments	15.4	9.7	3.8
Deferred tax assets	50.8	71.2	143.1
Retirement benefits surplus	21.3	3.3	–
<b>Total non-current assets</b>	<b>3,125.9</b>	<b>3,150.0</b>	<b>3,340.9</b>
Inventories	680.6	718.8	717.2
Trade and other receivables	1,176.2	1,245.0	1,308.3
Cash and cash equivalents	101.4	315.5	143.2
Derivative financial instruments	1.4	3.0	1.9
<b>Total current assets</b>	<b>1,959.6</b>	<b>2,282.3</b>	<b>2,170.6</b>
Asset held for sale	171.0	–	–
<b>Total assets</b>	<b>5,256.5</b>	<b>5,432.3</b>	<b>5,511.5</b>
Short-term borrowings	(151.5)	(350.5)	(405.3)
Trade and other payables	(1,034.4)	(1,179.9)	(1,038.5)
Current tax liabilities	(11.8)	(25.5)	(11.7)
Provisions	(20.5)	(15.9)	(16.1)
Derivative financial instruments	(5.2)	(2.6)	(3.3)
<b>Total current liabilities</b>	<b>(1,223.4)</b>	<b>(1,574.4)</b>	<b>(1,474.9)</b>
Medium and long-term borrowings	(3,589.8)	(3,556.6)	(3,664.5)
Retirement benefits obligation	(73.5)	(43.2)	(45.8)
Deferred tax liabilities	(20.3)	(35.5)	(53.9)
Other non-current liabilities	(50.5)	(66.8)	(72.0)
Derivative financial instruments	(27.2)	(19.7)	(26.4)
<b>Total non-current liabilities</b>	<b>(3,761.3)</b>	<b>(3,721.8)</b>	<b>(3,862.6)</b>
Liabilities directly associated with assets classified as held for sale	(90.7)	–	–
<b>Total liabilities</b>	<b>(5,075.4)</b>	<b>(5,296.2)</b>	<b>(5,337.5)</b>
<b>Net assets</b>	<b>181.1</b>	<b>136.1</b>	<b>174.0</b>
<b>Equity</b>			
Share capital and share premium	244.3	244.3	244.3
(Accumulated loss)/retained earnings and other reserves	(136.4)	(170.7)	(105.8)
<b>Total attributable to equity holders of the parent company</b>	<b>107.9</b>	<b>73.6</b>	<b>138.5</b>
Non-controlling interests in equity	73.2	62.5	35.5
<b>Total equity</b>	<b>181.1</b>	<b>136.1</b>	<b>174.0</b>

<sup>7</sup> Notes to the Consolidated Statement of Financial Position are provided in Annexure 1 to this pre-listing statement.

*Consolidated Cash Flow Statement*

	<b>2010</b>	<b>Group</b>	<b>2008</b>
	<b>R'm</b>	<b>2009</b>	<b>R'm</b>
		<b>R'm</b>	<b>R'm</b>
Cash generated from operations	679.4	1,012.0	309.5
Dividends from associates	–	1.0	2.7
Dividends from subsidiaries	–	–	–
Income tax paid	(30.0)	(15.7)	(2.6)
<b>Net cash generated from operating activities</b>	<b>649.4</b>	<b>997.3</b>	<b>309.6</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries	–	(1.3)	(41.9)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	–	2.3	–
Investment in property, plant and equipment	(269.4)	(193.1)	(435.8)
Proceeds from the disposal of property, plant and equipment	3.1	2.5	7.6
Investment in intangible assets	(0.2)	–	(0.2)
Investment in associate	(20.0)	–	–
Loan (advances to)/repayments from external parties	(5.8)	(6.2)	9.0
Interest received	18.0	30.7	23.6
<b>Net cash used in investing activities</b>	<b>(274.3)</b>	<b>(165.1)</b>	<b>(437.7)</b>
<b>Cash flows from financing activities</b>			
Repayment of short-term borrowings	(198.8)	(53.4)	–
Proceeds from/(repayment of) medium and long-term borrowings	34.4	(105.4)	551.0
Interest paid	(416.3)	(495.8)	(520.4)
Dividends paid to non-controlling interests	(2.0)	(3.9)	(3.5)
Issue of ordinary share capital	–	–	244.3
Repayment of other non-current liabilities	(6.8)	–	–
<b>Net cash (used in)/generated from financing activities</b>	<b>(589.5)</b>	<b>(658.5)</b>	<b>271.4</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(214.4)</b>	<b>173.7</b>	<b>143.3</b>
Cash and cash equivalents at beginning of the year	310.2	136.5	(6.8)
Cash movement in the year	(214.4)	173.7	143.3
<b>Cash and cash equivalents at end of the year*</b>	<b>95.8</b>	<b>310.2</b>	<b>136.5</b>

\* Cash and cash equivalents includes overdrafts.

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## DEFINITIONS, INTERPRETATION AND GLOSSARY

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In this pre-listing statement, unless otherwise stated or the context clearly indicates otherwise, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words importing one gender include the other genders and references to a person include juristic persons and associations of persons and *vice versa*:

“ <b>APL</b> ”	APL Cartons (Proprietary) Limited, a company incorporated in South Africa;
“ <b>Astrapak</b> ”	Astrapak Limited, a company incorporated in South Africa under registration number 1995/009169/06, listed on the JSE;
“ <b>BBBEE</b> ”	Broad-Based Black Economic Empowerment;
“ <b>BEE</b> ”	Black Economic Empowerment;
“ <b>Board of Directors</b> ” or “ <b>Board</b> ”	the board of directors of the Company;
“ <b>Bowler Metcalf</b> ”	Bowler Metcalf Limited, a company incorporated in South Africa under registration number 1972/005921/06, listed on the JSE;
“ <b>Boxmore</b> ”	Boxmore Plastics SA (Proprietary) Limited, a company incorporated in South Africa;
“ <b>business day</b> ”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“ <b>Capex</b> ”	capital expenditure;
“ <b>CEO</b> ”	Chief Executive Officer;
“ <b>certificated</b> ” or “ <b>in certificated form</b> ”	recorded in physical form in the Company’s register of members without reference to the Strate system;
“ <b>Certificated Shares</b> ”	Shares that have not been dematerialised and ownership of which is evidenced by tangible documents of title, such as share certificates;
“ <b>CGT</b> ”	South African Capital Gains Tax;
“ <b>CFO</b> ”	Chief Financial Officer;
“ <b>Ciba</b> ”	Ciba Packaging (Proprietary) Limited, a company incorporated in South Africa under registration number 2009/004212/07;
“ <b>CIF</b> ”	sales made on the basis of carriage, insurance and freight included;
“ <b>Common Monetary Area</b> ”	collectively, South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland;
“ <b>Company</b> ” or “ <b>Mpact</b> ”	Mondi Packaging South Africa Limited, a company incorporated in South Africa under registration number 2004/025229/06 (formerly Mondi Packaging South Africa (Proprietary) Limited), currently in the process of being renamed Mpact Limited;
“ <b>Companies Act</b> ” or “ <b>South African Companies Act</b> ”	the South African Companies Act, No. 71 of 2008, as amended;
“ <b>Competition Act</b> ”	the South African Competition Act, No. 89 of 1998, as amended;
“ <b>Competition Commission</b> ”	the South African Competition Commission;
“ <b>Corruseal</b> ”	Corruseal Packaging (Proprietary) Limited, a company incorporated in South Africa;
“ <b>CSDP</b> ”	a “Participant” as defined in section 1 of the Securities Services Act;
“ <b>Date of Listing</b> ”	the date of Listing, expected to be Monday, 11 July 2011;
“ <b>Deed Poll Guarantees</b> ”	the deed poll guarantees in respect of Mondi plc or Mondi Limited (as the context may require);
“ <b>Deloitte &amp; Touche</b> ”	Deloitte & Touche, auditors and reporting accountants to Mpact;



<b>“Dematerialised Shares”</b>	Shares that have been dematerialised, the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares for the purpose of Strate, being “uncertificated securities” as defined in the Companies Act;
<b>“Demerged Shares”</b>	146,896,322 Shares, constituting 89.55% of the issued share capital of the Company held by Mondi Limited and to be distributed by Mondi Limited to Mondi Limited Shareholders in the Demerger;
<b>“Demerger”</b>	as an unbundling transaction, the declaration and subsequent distribution (in terms of section 46 of the Companies Act and as authorised in terms of the Mondi Limited’s articles of association), in the ratio of one Share for every one Mondi Limited Share held at the close of business on the Demerger Record Date, of all of the Shares held by Mondi Limited, to be effected in terms of section 46 of the Income Tax Act and otherwise on the terms and subject to the conditions set out in the Mondi Circulars, such that each Mondi Limited Shareholder on the Company’s register on the Demerger Record Date will become a beneficial holder of one Share for each one Mondi Limited Share held by it on that date;
<b>“Demerger Conditions Precedent”</b>	the conditions precedent to the Demerger, as set out in Part VIII ( <i>Particulars of the Demerger</i> ) of this pre-listing statement;
<b>“Demerger Record Date”</b>	the last date on which Mondi Limited Shareholders must be recorded in Mondi Limited’s register of members in order to participate in the Demerger, which date is expected to be Friday, 15 July 2011;
<b>“Directors”</b>	the directors of the Company;
<b>“Dividend Access Trust Deeds”</b>	the Mondi plc Dividend Access Trust Deed and the Mondi Limited Dividend Access Trust Deed (as defined in Mondi plc’s Articles of Association and the Mondi Limited Articles of Association, respectively);
<b>“Dividend Cover”</b>	the ratio obtained by expressing underlying earnings per Share as a multiple of dividends paid per Share;
<b>“DLC Agreements”</b>	the Sharing Agreement, the Voting Agreement, the Dividend Access Trust Deeds, the Special Converting Shares Trust Deeds and the Deed Poll Guarantees, each as defined in the Mondi Limited Articles of Association and Mondi plc’s articles of association;
<b>“DLC Structure”</b>	the arrangement whereby, <i>inter alia</i> , Mondi plc and Mondi Limited have agreed to operate as a single corporate entity, with each company observing the principles applicable to the management and operation of the “dual listed company” structure that is in place for Mondi;
<b>“EBIT”</b>	earnings before interest and taxes, as defined by IFRS;
<b>“EBITA”</b>	earnings before interest, taxes and amortisation;
<b>“EBITDA”</b>	earnings before interest, taxation, depreciation and amortisation;
<b>“EH Walton”</b>	EH Walton Packaging (Proprietary) Limited, a company incorporated in South Africa under registration number 1988/001171/07;
<b>“Empowerdex”</b>	Empowerdex (Proprietary) Limited a company incorporated in South Africa under registration number 2001/027963/07 and which operates as BBBEE verification agency;
<b>“Excluded Territories”</b> and each an <b>“Excluded Territory”</b>	each of Australia, Canada and Japan;
<b>“Existing Mondi Limited Shares”</b>	ordinary shares in Mondi Limited in issue prior to the Mondi Limited Share Consolidation;
<b>“Finalisation Date”</b>	the date on which all the Demerger Conditions Precedent are fulfilled or waived, as the case may be, which date is expected to be Thursday, 30 June 2011;
<b>“GAAP”</b>	generally accepted accounting principles;
<b>“Gayatri”</b>	Gayatri Paper Mills (Proprietary) Limited, a company incorporated in South Africa under registration number 2003/018242/07;

<b>“GNP”</b>	Gross National Product;
<b>“Golden Era”</b>	Golden Era Printers (Proprietary) Limited, a company incorporated in South Africa;
<b>“Group”</b>	the Company and its subsidiaries from time to time;
<b>“Houers”</b>	Houers (Kooperatief) Beperk, a company incorporated in South Africa under registration number 1982/000000/24;
<b>“IFRS”</b>	the International Financial Reporting Standards issued by the International Accounting Standards Board, as amended from time to time;
<b>“Income Tax Act”</b>	the South African Income Tax Act, Act No. 58 of 1962, as amended;
<b>“IS&amp;T”</b>	information systems and technology;
<b>“ISIN”</b>	international securities identification number;
<b>“JSE”</b>	the JSE Limited, incorporated in South Africa under registration number 2005/022939/06, licensed as an exchange under the Securities Services Act;
<b>“Kimberly-Clark”</b>	Kimberly-Clark South Africa (Proprietary) Limited, a company incorporated in South Africa under registration number 1966/006844/07;
<b>“King Code”</b>	the King Code of Governance Principles as set out in the third King Report on Governance for South Africa 2009;
<b>“Last Day to Trade”</b>	the last day to trade in Mondi Limited Shares in order to be recorded in the register of Mondi Limited on the Demerger Record Date, which last day to trade is expected to be Friday, 8 July 2011;
<b>“Last Practicable Date”</b>	Friday, 13 May 2011, being the last date, prior to finalisation of this pre-listing statement, on which information could be included in this pre-listing statement;
<b>“Legal Advisers”</b>	Webber Wentzel, White & Case and Linklaters LLP;
<b>“Linklaters LLP”</b>	Linklaters LLP, legal advisers to Mondi Group as to UK and US law;
<b>“Link Market Services”</b>	Link Market Services South Africa (Proprietary) Limited, a company incorporated in South Africa under registration number 2000/007239/07, transfer secretaries to the Company;
<b>“Listing”</b>	the listing of the Shares in the “Containers & Packaging” sector of the Main Board of the JSE, that has been approved by the JSE, subject to the Demerger becoming effective;
<b>“Listings Requirement”</b>	the Listings Requirements of the JSE;
<b>“Lothlorien”</b>	Lothlorien (Proprietary) Limited, a company incorporated in South Africa under registration number 1981/010377/07;
<b>“Matching Action”</b>	the Mondi Limited Share Consolidation required to be effected in order to reduce Mondi Limited Shareholders’ proportionate interest in the Mondi Group in order to compensate Mondi plc Shareholders for the value distributed to Mondi Limited Shareholders pursuant to the Demerger;
<b>“Management”</b>	the senior management of the Group;
<b>“MCG”</b>	MCG Industries (Proprietary) Limited, a company incorporated in South Africa under registration number 2000/007868/07;
<b>“Meticias”</b>	the lawful currency of the Republic of Mozambique;
<b>“Mondi Boards”</b>	the boards of directors of Mondi Limited and Mondi plc, under the DLC structure;
<b>“Mondi Circulars”</b>	the Mondi Limited Circular and the Mondi plc Circular;
<b>“Mondi Employee Investments”</b>	Mondi Employee Investment Company Limited, a company incorporated in South Africa under registration number 2005/044440/07;
<b>“Mondi General Meetings”</b>	the Mondi Limited General Meeting and Mondi plc General Meeting;

<b>“Mondi Group” or “Mondi”</b>	the group of companies comprising Mondi Limited, Mondi plc and their respective subsidiaries, operating as a single economic entity under the DLC structure;
<b>“Mondi Limited”</b>	Mondi Limited, incorporated in South Africa under registration number 1967/013038/06, listed on the JSE;
<b>“Mondi Limited Articles of Association”</b>	the articles of association of Mondi Limited constituting part of Mondi Limited’s Memorandum of Incorporation;
<b>“Mondi Limited Circular”</b>	the circular to shareholders of Mondi Limited, dated Tuesday, 31 May 2011, enclosed in the same envelope as this pre-listing statement, setting out, <i>inter alia</i> , details of the Demerger and a notice of meeting in respect of the Mondi Limited General Meeting;
<b>“Mondi Limited General Meeting”</b>	the general meeting of the members of Mondi Limited to be held at 12:00 pm on Thursday 30 June 2011, notice of which and proxy form in respect of which, are included in the Mondi Limited Circular, including any adjournment thereof;
<b>“Mondi Limited Shareholders”</b>	holders of Mondi Limited Shares;
<b>“Mondi Limited Shares”</b>	prior to the Mondi Limited Share Consolidation, Existing Mondi Limited Shares; following the Mondi Limited Share Consolidation, New Mondi Limited Shares;
<b>“Mondi Limited Share Consolidation”</b>	the proposed consolidation of Mondi Limited Shares to be achieved pursuant to the formulae more fully set out in the Mondi Limited Circular;
<b>“Mondi Limited Special Converting Shares”</b>	special converting shares with a par value of R0.20 in the share capital of Mondi Limited;
<b>“Mondi plc”</b>	Mondi plc, incorporated in England and Wales under registration number 6209386;
<b>“Mondi plc Circular”</b>	the circular to shareholders of Mondi plc, dated Tuesday, 31 May 2011, setting out, <i>inter alia</i> , details of the Demerger and a notice of meeting in respect of the Mondi plc General Meeting;
<b>“Mondi plc General Meeting”</b>	the general meeting of the members of Mondi plc to be held at 11:00 am (UK time) on Thursday, 30 June 2011, notice of which, and proxy form in respect of which, are included in the Mondi plc Circular, including any adjournment thereof;
<b>“Mondi plc Shareholders”</b>	holders of issued ordinary shares in Mondi plc;
<b>“Mondi Shanduka Newsprint”</b>	Mondi Shanduka Newsprint (Proprietary) Limited, a company incorporated in South Africa under registration number 2003/029838/07;
<b>“Mondi Shareholders”</b>	Mondi Limited Shareholders and Mondi plc Shareholders;
<b>“Nampak”</b>	Nampak Limited, a company incorporated in South Africa under registration number 1968/008070/06, listed on the JSE;
<b>“New Era”</b>	New Era Packaging (Proprietary) Limited, a company incorporated in South Africa under registration number 1984/004698/07;
<b>“New Mondi Limited Shares”</b>	ordinary shares in Mondi Limited reflecting the Mondi Limited Share Consolidation;
<b>“Polyoak”</b>	Polyoak Packaging Group (Proprietary) Limited, a company incorporated in South Africa under registration number 2008/023978/07;
<b>“pre-listing statement” or “document”</b>	this entire document and all annexures to it;
<b>“R&amp;D”</b>	research and development;
<b>“Registrar” or “CIPC”</b>	the Companies and Intellectual Property Commission;
<b>“Resolutions”</b>	the resolutions set out in the notice to the Mondi Limited Shareholders of the Mondi Limited General Meeting at the end of the Mondi Limited Circular and the resolutions set out in the notice to the Mondi plc Shareholders of the Mondi plc General Meeting at the end of the Mondi plc Circular;

<b>“Restricted Mondi Limited Shareholders”</b>	Mondi Limited Shareholders with registered addresses in any Excluded Territory or who are located or resident in any Excluded Territory;
<b>“RMB”</b>	Rand Merchant Bank, a division of FirstRand Bank Limited, a company incorporated in South Africa under registration number 1929/001225/06;
<b>“Rothschild”</b>	NM Rothschild & Sons Limited, a company registered in England at New Court, St Swithin’s Lane, London EC4P 4DU under registration number 925279, and NM Rothschild & Sons (South Africa) (Proprietary) Limited, a company incorporated in South Africa under registration number 1999/021764/07, acting in their capacity as independent advisers to Mondi Limited;
<b>“Saint-Gobain”</b>	Saint-Gobain Gyproc SA (Proprietary) Limited, a company incorporated in South Africa;
<b>“Sappi”</b>	Sappi Limited, a company incorporated in South Africa under registration number 1936/008963/06, listed on the JSE;
<b>“SARS”</b>	the South African Revenue Service;
<b>“Securities Services Act”</b>	the South African Securities Services Act, No. 36 of 2004, as amended;
<b>“SENS”</b>	the Securities Exchange News Service of the JSE;
<b>“Shanduka”</b>	Shanduka Packaging (Proprietary) Limited, a company incorporated in South Africa under registration number 2003/029838/07, a shareholder in the Company;
<b>“Shareholders”</b>	holders of Shares;
<b>“Share” or “Shares”</b>	ordinary shares of no par value constituting the issued share capital of the Company;
<b>“Sharing Agreement”</b>	the DLC Structure Sharing Agreement entered into between Mondi plc and Mondi Limited, dated 2 July 2007, as more fully defined in the Mondi Limited Articles of Association and Mondi plc’s Articles of Association;
<b>“South Africa” or “Republic”</b>	the Republic of South Africa;
<b>“South African Exchange Control Regulations”</b>	restrictions applicable to residents and non-residents as to the remittance of funds from South Africa to a foreign country, including the Exchange Control Regulations of South Africa, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, No. 9 of 1933, as amended;
<b>“South African Rand”, “Rand”, “R” and “cents”</b>	the lawful currency of South Africa;
<b>“Special Converting Shares Trust Deeds”</b>	the Mondi plc Special Converting Shares Trust Deed and the Mondi Limited Special Converting Shares Trust Deed;
<b>“Strate”</b>	the electronic trading, custody and settlement system for dealings on the JSE operated by Strate Limited (a company incorporated in South Africa under registration number 1998/022242/06);
<b>“STC”</b>	South African secondary tax on companies;
<b>“STT”</b>	South African securities transfer tax levied in terms of the South African Securities Transfer Tax Act, No. 25 of 2007, as amended;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, and the District of Columbia;
<b>“US dollar”, “\$”, “US\$” or “dollars”</b>	the lawful currency of the United States;
<b>“US Mondi Limited Shareholder”</b>	Mondi Limited Shareholders with registered addresses in the United States or who are located or resident in the United States;
<b>“Voting Agreement”</b>	the agreement made between Mondi plc, UK Trust Co, Mondi Limited and SA Trust Co, dated 2 July 2007, which sets out the parties’ rights and obligations in relation to the Mondi plc Special Voting Share (as defined in the Mondi Limited Articles of Association) and the voting rights attached to the Mondi Limited Special Converting Shares;

<b>“Webber Wentzel”</b>	Webber Wentzel Attorneys, South African legal advisers to the Company; and
<b>“White &amp; Case”</b>	White & Case LLP, the Company’s legal advisers as to English Law.

## **GLOSSARY OF CERTAIN INDUSTRY TERMS**

The following technical/industry terms appear in the text of this pre-listing statement and are explained below:

<b>“AZAWU”</b>	Azanian Workers Union;
<b>“bagasse”</b>	fibrous material normally obtained as a by-product after the extraction of sugar bearing juice from sugar cane;
<b>“blow moulding”</b>	a shape-forming process in which a tube of molten plastic is expanded using compressed air, against the internal surfaces of a cooled aluminium mould. Used to produce hollow, one-piece containers such as bottles and jars;
<b>“BMI Research”</b>	BMI Research (Proprietary) Limited, a company incorporated in South Africa under registration number 2008/004751/07;
<b>“cartonboard”</b>	multi-ply paper board used to produce folding cartons, for graphical purposes such as cards and covers, as well as industrial applications such as paper cores;
<b>“CEPPWAWU”</b>	Chemical, Energy, Paper, Printing, Wood and Allied Workers Union;
<b>“compression moulding”</b>	a shape-forming process in which molten plastic is placed directly into a cooled steel mould and is then compressed to form a product which is the shape of the mould cavity. Used to produce products such as soft drink bottle closures;
<b>“containerboard”</b>	the generic term used to describe certain grades of paper, mainly linerboard and fluting (or medium), which are used principally as a raw material in the production of corrugated board;
<b>“converted box”</b>	the result of transforming containerboard or cartonboard into a box;
<b>“converting”</b>	the process of transforming cartonboard, containerboard and other raw materials such as PET into a value-added product, such as folding cartons, corrugated boxes or soft drink bottles;
<b>“corrugated board”</b>	a packing material produced by gluing outer layers of linerboard to a rippled middle layer of fluting;
<b>“corrugated boxes”</b>	boxes produced from corrugated board;
<b>“corrugated packaging”</b>	packaging materials made from corrugated board;
<b>“CWAUWU”</b>	Chemical Wood and Allied Workers Union;
<b>“fluting”</b>	containerboard used for the rippled middle layer of corrugated board, also referred to as medium;
<b>“FMCG”</b>	fast moving consumer goods;
<b>“folding carton”</b>	box produced primarily from cartonboard for use as primary packaging of fast moving consumer and other packaged goods;
<b>“HDPE”</b>	high density polyethylene, a plastic packaging raw material;
<b>“injection moulding”</b>	a shape-forming process in which molten plastic is injected under high pressure into a cooled steel mould shaped like the end product where it hardens to the configuration of the mould cavity;
<b>“in mould labelling” or “IML”</b>	the use of pre-printed plastic labels applied during the manufacturing of plastic containers so that the label forms an integral part of the final product;
<b>“kraftliner”</b>	containerboard primarily manufactured from virgin fibre and used as a liner board;

<b>“linerboard”</b>	containerboard used primarily as the inner and outer layer of corrugated board;
<b>“litho-laminated sheets”</b>	board produced by laminating a lithographically printed top sheet to another sheet of heavier weight, normally corrugated board. Used in applications such as retail displays, cosmetics and gift packaging, promotional materials and boxes, food and drink packaging;
<b>“lost time injury”</b> or <b>“LTI”</b>	a work-related injury that renders the injured person unable to perform regular duties for one full shift on the day following the injury;
<b>“lost time injury frequency rate”</b> or <b>“LTIFR”</b>	the product of 200,000 and the number of LTI's during a period divided by the number of man hours worked during the same period;
<b>“NUMSA”</b>	National Union of Metalworkers of South Africa;
<b>“PAMSA”</b>	Paper Manufacturers Association of South Africa;
<b>“PET”</b>	polyethylene terephthalate, a plastic raw material;
<b>“PETCO”</b>	PET Recycling Company (Proprietary) Limited;
<b>“PIP”</b>	packaging and industrial papers;
<b>“PP”</b>	polypropylene, a plastic raw material;
<b>“PRASA”</b>	Paper Recycling Association of South Africa;
<b>“pre-form”</b>	injection moulded container in preliminary form which will be reheated and blown at a second stage to arrive to its final design form, commonly a larger finished bottle;
<b>“PST”</b>	polystyrene, a plastic raw material;
<b>“PVC”</b>	polyvinyl chloride, a plastic raw material;
<b>“R&amp;D”</b>	research and development;
<b>“recovered paper”</b> or <b>“recovered fibre”</b>	used paper and board collected for re-use as fibre raw material in paper and board manufacture;
<b>“recycled fibre”</b>	fibre derived from the treatment of recovered paper;
<b>“SACWU”</b>	South African Chemical Workers Union;
<b>“SATU”</b>	South African Typographical Union;
<b>“semi-chemical fluting”</b>	fluting that includes virgin fibre in its composition;
<b>“Solidarity”</b>	Trade Union Solidarity;
<b>“testliner”</b>	linerboard manufactured primarily from recycled fibre;
<b>“UASA”</b>	United Association of South Africa;
<b>“virgin fibre”</b>	fibre derived directly from wood or bagasse pulp;
<b>“WESUSA”</b>	Workers' Equality Support Union of South Africa;
<b>“white-lined cartonboard”</b>	cartonboard with a top layer of coated virgin fibre;
<b>“white top kraftliner”</b>	kraftliner produced with a top layer of bleached virgin fibre and a base layer of unbleached virgin fibre; and
<b>“wood pulp”</b>	a principal raw material used for the manufacture of paper and containerboard. The suitability of specific types of wood pulp for the required end use depends both on the type of wood used to make the pulp and on the wood pulping process. Hardwood trees, such as eucalyptus, aspen, birch and acacia, are used to produce hardwood pulp which has short fibres and is generally better suited to manufacturing coated packaging boards, coated and uncoated woodfree paper and tissues. Softwood trees, such as pine and fir, are used to produce softwood pulp that has long fibres and is generally used for packaging papers requiring strength.

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## **PART I: BUSINESS OF THE GROUP, COMPETITION AND PROSPECTS**

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### **Overview**

The Group is one of the largest South African packaging businesses, involved in the manufacture and supply of paper and plastic packaging products, with total revenues of R6,259 million in 2010, R5,774 million in 2009 and R5,711 million in 2008 and EBITDA of R805 million in 2010, R714 million in 2009 and R631 million in 2008. The Group's operations comprise its paper business and its plastics business. The paper business is integrated across the recycled paper-based corrugated packaging value chain and comprises three divisions: recycling, packaging and industrial paper and corrugated, while its plastics business manufactures rigid plastic packaging. The Group has 22 manufacturing operations and 29 operating sites in South Africa, Namibia, Mozambique and Zimbabwe. Approximately 91% of the Group's sales in 2010 were achieved in South Africa. As at 31 December 2010, the Group's workforce amounted to approximately 3,500 employees in total.

The Group is the leading producer of recycled-based cartonboard and containerboard, the leading collector of recovered paper and the leading producer of corrugated packaging in South Africa. The paper recycling division undertakes the collection of recovered paper for use in the production of cartonboard and containerboard. The packaging and industrial paper division produces cartonboard and containerboard products. The corrugated division undertakes the production of corrugated boxes and other corrugated packaging products. The Group's main paper production facilities are in Springs (Gauteng), Felixton (KwaZulu-Natal) and Piet Retief (Mpumalanga) in South Africa. In addition, the Group has nine corrugated box plants and two corrugated sheet plants.

In 2010, the Group collected approximately 448,000 tonnes of recovered paper as part of its recycling operations and produced approximately 399,000 tonnes of packaging and industrial papers and 387 million square metres of corrugated packaging products. The Group's paper business had external revenues of R4,407 million, representing 77%<sup>8</sup> of the Group's revenue and EBITDA<sup>9</sup> of R686 million in 2010.

In addition, the Group is a leading producer of rigid plastic packaging in South Africa and is the largest South African producer of PET pre-forms, styrene trays and plastic jumbo bins. In 2010, the Group's plastics business produced over one billion pre-forms and PET bottles. The Group has eight plastics production facilities in the Western Cape, Gauteng and KwaZulu-Natal in South Africa, as well as one plant in Zimbabwe. The Group's plastics business had external revenues of R1,310 million, representing 23%<sup>8</sup> of the Group's revenue and EBITDA<sup>9</sup> of R190 million in 2010.

The Group has developed centres of excellence for its human resources, safety, health and environmental policy functions. In addition, the Group enjoys the benefits of shared services across its businesses for its finance, human resources administration and IS&T and has a R&D facility located in Stellenbosch.

Immediately prior to the Demerger and the Listing, the Group will be 89.55% owned by the Mondi Group, a global integrated paper and packaging group, and 10.45% owned by Shanduka, a BBBEE investment concern. The Listing positions the Group to pursue optimisation and growth initiatives in line with its strategic vision without the constraints of being part of the Mondi Group, with its different strategic priorities which exclude the rigid plastics business. The Demerger will enable the Group to pursue attractive investment opportunities in its paper and plastics businesses and provides more potential to expand the Group's geographic footprint into African markets. As part of the re-organisation of the Group prior to the Listing, the Group sold its Paperlink business, which had sales of R541 million in 2010, to Mondi Limited with effect from 1 April 2011 for R93 million. Furthermore, the Group has agreed to sell 25% of its recycling division to Mondi Limited with effect from 1 July 2011.

Shanduka has undertaken that it will not sell any of its Shares in the Company for a period of 180 days following the Demerger. The Group remains committed to the enhancement of BBBEE in South African society.

There are no specific government protections and/or any investment encouragement laws affecting the business conducted by the Group.

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<sup>8</sup> Excluding Paperlink revenue of R541 million.

<sup>9</sup> Excluding corporate services costs, which amounted to a total of R(71) million in 2010. Please see Annexure 1 to this pre-listing statement.

## Strengths

The Group believes its key strengths include the following:

- **Leading market positions in South Africa**

The Group has the leading market position in South Africa in corrugated packaging, recycled-based cartonboard and containerboard, recovered paper collection, PET pre-forms, styrene trays and plastic jumbo bins. The Group's strong market positions allow it to meet the increasing requirements of customers, achieve economies of scale and be cost effective in its different operations. More than 90% of the Group's revenue was derived from the above product lines in 2010.

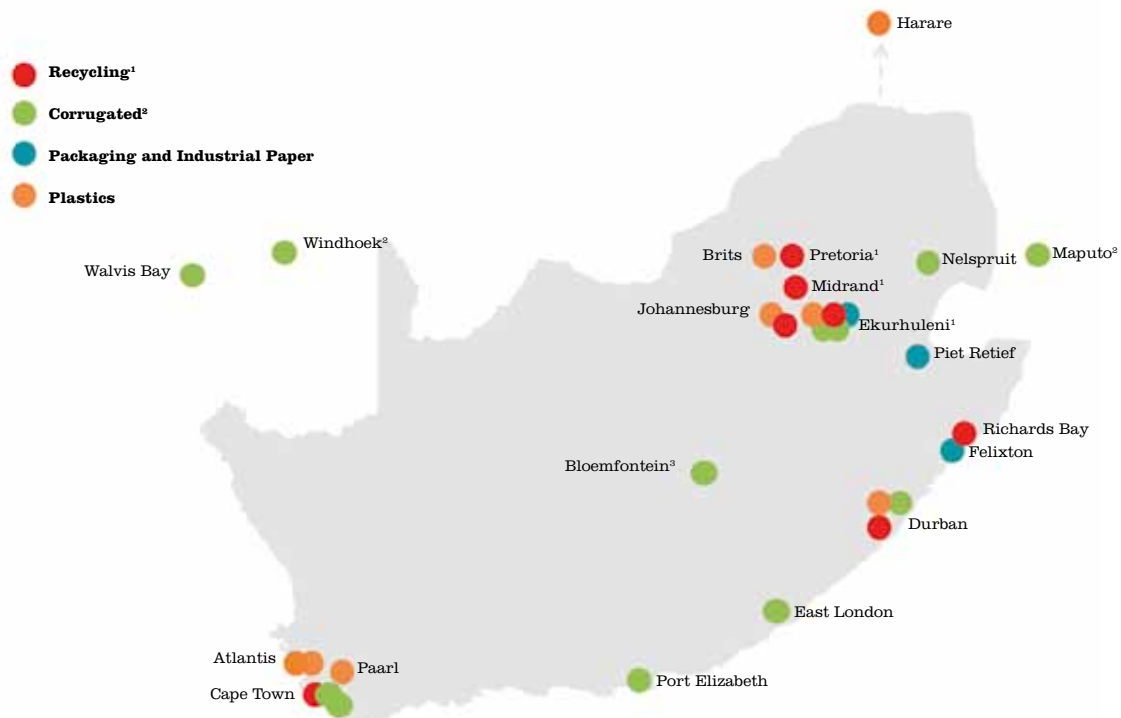
- **Customer-focused operating structure**

The Group's mills and production sites are located broadly throughout South Africa as well as Namibia, Zimbabwe and Mozambique. The converting facilities are in close proximity to customers, allowing for superior customer focus and relationships. By being near its customers, the Group is able to maintain close relationships and adapt quickly to customer needs, and to develop products tailored to specific customer requirements.

In addition, the Group's proximity to its customers results in reduced transport costs, which are a relevant factor in the packaging business.

The Group also invests in R&D, including innovation centres for structural and graphic design, value-added services and a plastics design studio where new designs are created and prototype forms for the development of new plastic containers are made. In addition, the Group's Stellenbosch R&D centre provides production and technical support for sales teams and often collaborates with customers on product developments in the plastics and paper businesses.

Finally, the Group prides itself on its decentralised structure, with operations managers being responsible for customer relationship management and financial performance. The map below illustrates the Group's broad coverage of the Southern African market:



Notes: (1) MPSA has 3 outsourced recycling operations in Midrand, Springs (Ekurhuleni) and Pretoria  
 (2) MPSA has 2 sheet plants in Mozambique and Namibia in which it holds a controlling interest  
 (3) Corrugated sales office

- **Integrated corrugated packaging value chain**

The Group's recycling division collects recovered paper, which is combined with hardwood, softwood and bagasse fibres, to produce mixed fibre containerboard. The Group converts internally and externally manufactured containerboard into corrugated products for its customers; it also sells containerboard and cartonboard manufactured internally to external packaging customers. This allows the Group to manage its input costs by internally sourcing the key material required to manufacture its containerboard,



cartonboard and corrugated products and ensures security of supply. All of this results in better value across its paper business and provides the Group with the flexibility it needs to satisfy customers' business, product, design and innovation requirements.

- ***Track record of profitable growth delivered by an experienced management team***

The Group's revenues have grown from approximately R2.8 billion in 2005 to approximately R6.3 billion in 2010<sup>10</sup>. In addition, the Group's EBITDA has increased steadily from R335 million in 2005 to R805 million in 2010<sup>11</sup>. The Group's financial performance is the result of an experienced and entrepreneurial management team with an established track record in the packaging industry.

The Group's executive management team of six professionals has a combined 143 years' experience in the packaging industry and accordingly has extensive knowledge of local market dynamics and long-standing relationships with key industry participants, as well as experience in implementing cost reduction programmes and profit improvement initiatives. The Group has undertaken several successful capital expenditure projects in the last five years.

### **Strategies for growth**

The Group's overall business strategy is to optimise its current operations and selectively grow its operations in each of its businesses. The Group intends to:

- develop and selectively grow its leading market positions in rigid plastic packaging, paper-based packaging and packaging paper in sub-Saharan Africa where the Group is able to extract value through business, operational and management expertise as well as from product application, design and market knowledge;
- further develop its manufacturing and service footprint to deliver superior solutions to its customers underpinned by: a decentralised structure reflecting management depth and experience at all levels; an innovative customer-focused product offering; and leading market positions that enable the Group to achieve sustainable cost effectiveness through economies of scale; and
- focus on performance through business excellence programmes and sound asset management enabling the Group to: provide its customers with quality products and services; retain a motivated and skilled workforce and deliver good returns to its shareholders.

As part of its overall optimisation strategy, the Group has established business excellence programmes aimed at reducing costs and improving profitability. These programmes specifically focus on operational performance and prudent asset management and target continuous improvement of productivity, efficiency and reliability of operations, cost reduction programmes and profit improvement initiatives. These programmes also encompass sustainability, human resources development, customer focus and product innovation. Management believes that business excellence and rigorous cost control programmes are key in improving its cost position. Management will continue to focus on these initiatives and believes they will continue to deliver future benefits to the Group.

Management also believes operational excellence can only be achieved by empowering the Group's operational management and employees. Remuneration of Management and supervisors is linked to performance against key performance indicators. To this end, the Group has a well-established decentralised structure and has initiated several skills and development programmes for employees. Finally, the Group's commitment to sustainable development in each of its businesses is by adopting leading industry health and safety standards, obtaining raw materials from accredited sources and ensuring its businesses are constantly seeking to reduce their environmental impact, has enhanced the Group's reputation throughout the markets in which it operates.

The Group also has certain specific strategic goals for its plastics and paper businesses:

- ***Plastics Business***

Management believes that its plastics business has strong potential for growth as consumers continue to substitute packaging such as glass and metals with rigid plastics. The Group intends to seek both strategic growth opportunities through partnerships with established market players as well as organic growth through optimisation where Management identifies convincing business opportunities.

Additionally, Management aims to develop the Group's manufacturing facilities to ensure that production is closer to customers in order to improve service levels and reduce operating costs.

- ***Paper Business***

In the recycling division, Management's strategy is to increase the amount and proportion of directly sourced quality recovered paper for use in the manufacturing of paper products. Increasing the amount of

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<sup>10</sup> Including Paperlink revenue.

<sup>11</sup> Including Paperlink and corporate services costs.

directly sourced recycled paper products through the Group's collection operations will allow for further input cost management and improved quality throughout the paper packaging value chain, as well as securing the source of a key raw material into the Group's paper manufacturing operations.

Management seeks to further develop its leading market positions in product quality and lightweight capability in its corrugated packaging and packaging and industrial paper divisions by continuing to improve the quality and design of its products while increasing the efficiency of production. This will be achieved by upgrading its corrugated packaging facilities and ensuring that the Group remains at the forefront of technological advances in the industry. The Group will also seek to optimise its cartonboard and containerboard operations by improving quality and operational efficiencies hence production costs.

Furthermore, the Group believes that using interchangeable raw materials to efficiently improve its fibre mix in the production of cartonboard and containerboard will allow the Group to be more flexible and to adjust to changing customer needs and market dynamics.

## **History of the Group**

The Group's businesses have been in operation for many years in South Africa. Since the 1980s, Mondi Group, now a global integrated paper and packaging business, has built the Group's businesses via acquisitions and organic growth. Prior to 2005, the Group operated as a division of Mondi Group's paper and packaging operations in South Africa. In 2005, Mondi Limited contributed its recycled based packaging and industrial papers and corrugated packaging business in South Africa to a newly created entity, Mondi Packaging South Africa (Proprietary) Limited. Initially Shanduka, one of the largest African black-owned and managed investment companies in South Africa, owned 40% and Mondi Limited owned 55%, with the remaining 5% interest being owned by Mondi Employee Investments, an employee investment scheme. Shanduka currently owns an interest in the Group as part of its investment portfolio comprising natural resources, financial services, real estate, energy, beverages and industrial companies.

The Group entered the plastics business in January 2007 with the purchase of a majority interest in Linpac Materials Handling SA (Proprietary) Limited, a rigid plastic containers operation in Western Cape which produces plastic crates and bins. In July 2007, the Group expanded its plastics operations with the acquisition of 100% of the Lenco Group, whose operations focus on the production of rigid plastic packaging (such as pre-forms, bottles, closures and styrene trays) for use in the food, beverage, pharmaceutical personal care and homecare industries. The Group's plastics business currently has operations in various major population centres in South Africa and one in Zimbabwe.

In December 2008, the Group was refinanced through a cash injection from Mondi Limited which allowed for the repayment of external debt. The funds were provided by way of loans and equity. As a result of the refinancing, Mondi Limited's shareholding in the business increased from 55% to 70% and Shanduka's was reduced from 40% to 25%. Immediately prior the Demerger, the Group will be owned 10.45% by Shanduka and 89.55% by Mondi Limited, following (i) the acquisition by Mondi Limited of the 5% interest currently owned by Mondi Employee Investments and (ii) a new share subscription to the Company.

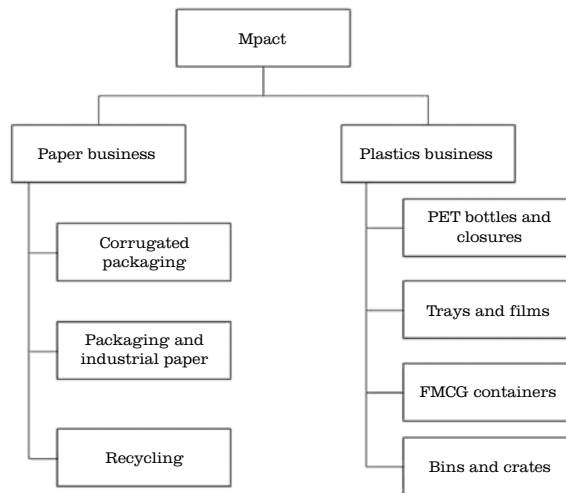
Since 2005, the Group has invested more than R1,650 million in capital expenditures. This includes R1,134 million in its paper business for investments such as a rebuild of its board machine coating section at its Springs mill and the installation of high graphic printers at certain of its corrugated packaging sites to enhance product quality and enable production of value-added niche products and, a complete refurbishing of its containerboard machine at its Felixton mill which allowed it to produce lightweight recycled containerboard and increased containerboard production by 45,000 tonnes per annum. Since 2007, the Group has also invested R486 million in its plastics business by upgrading its facilities and installing a new compression moulding closure plant, as well as a PET hot fill line at its Wadeville plastics facility.

With effect from 1 April 2011, the Group divested Paperlink, its South African paper merchant business, to the Mondi Group for R93 million. This divestiture will allow the Group to focus on its core paper and plastic packaging operations.

Additionally the Group has agreed to sell a 25% interest in its recycling division to Mondi Limited with effect from 1 July 2011.

**Business Structure**

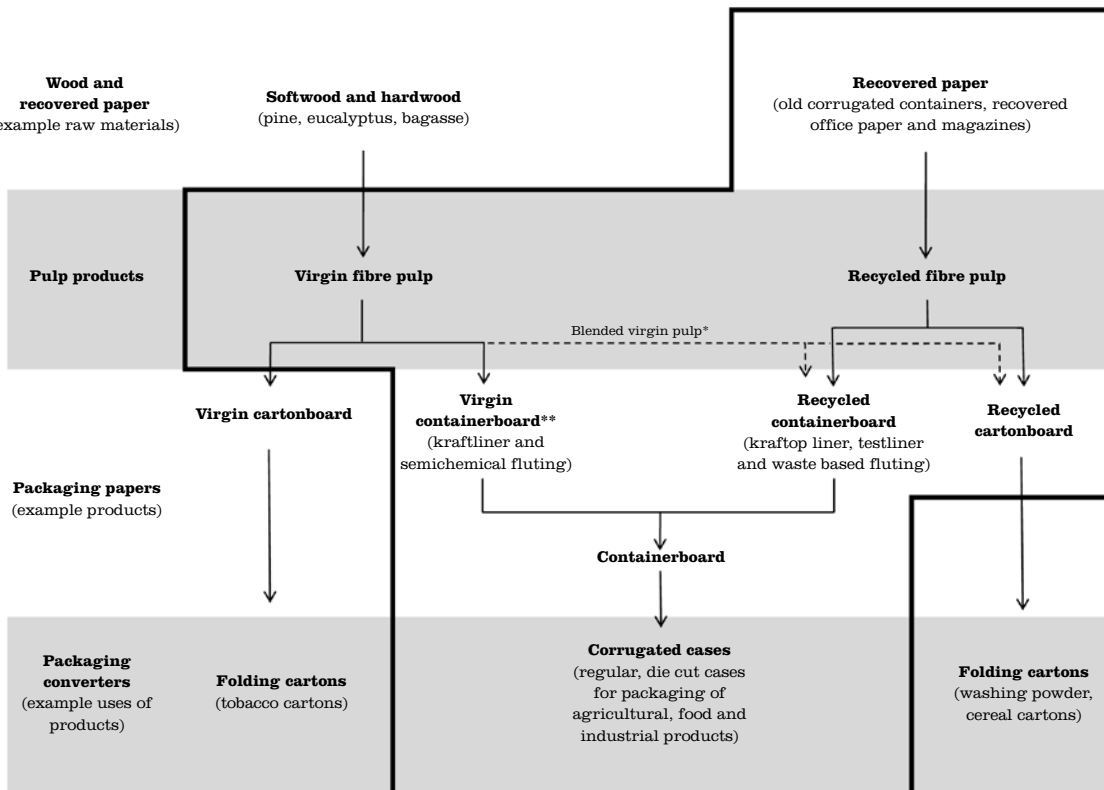
The following chart indicates the business structure of the Group as at the date of this pre-listing statement:



**Paper Business**

The Group’s paper business comprises three divisions: recycling, packaging and industrial paper and corrugated packaging. The Group’s paper business had external revenues of R4,407 million, representing 77%<sup>12</sup> of the Group’s revenue and an EBITDA<sup>13</sup> of R686 million in 2010.

The chart below provides a summary of the value chain for paper-based packaging products. The box indicates the Group’s position within such processes:



\* The group produces 55k tonnes per annum of virgin (wood) pulp at Piet Retief and 60k tonnes per annum of virgin (bagasse) pulp at Felixton and also purchases virgin (wood) from external sources.

\*\* The Group produces semi-chemical fluting from integrated virgin (wood and bagasse) pulp capacity and distributes white top kraftliner produced externally

12 Excluding Paperlink revenue of R541 million.

13 Excluding corporate services costs. Please see Annexure 1 to this pre-listing statement.

## Recycling

The Group's paper recycling division in South Africa has seven sites across the country which collected approximately 448,000 tonnes of recovered paper in 2010, 441,000 tonnes in 2009 and 402,000 tonnes in 2008. Recovered paper sources include pre- and post-consumer segments encompassing various paper pick-up programmes which include commercial, kerbside, schools, churches, community, townhouse complexes, offices and an extensive network of agents and dealers. Approximately 75% of the fibre collected by the Group in 2010 was consumed internally in its production of packaging and industrial papers, while the remaining portion was sold to external customers including primarily Mondi Shanduka Newsprint for its newsprint production. The Group has agreed to sell a 25% interest in its recycling division to Mondi Limited.

The Group's competitors for the collection of recovered paper include Sappi, Nampak, Kimberly-Clark, Lothlorien and Gayatri as well as independent recovered paper traders.

## Packaging and Industrial Paper (PIP)

### Products

The PIP division manufactures recycled-based packaging and industrial paper grades such as containerboard and cartonboard. Approximately 20% to 40% of the containerboard manufactured by the Group is consumed internally in its production of corrugated board and the remaining portion is sold to other producers of corrugated packaging products. The actual combination of the consumption of internally or externally sourced containerboard in any period by the Group's corrugated division, depends upon the final product grade requirements and other commercial considerations. Cartonboard manufactured by the Group is primarily sold to producers of folding cartons. In addition, the Group sells baywhite, a premium quality white top kraftliner produced by Mondi Limited for which the Group has exclusive distribution rights in South Africa and sub-Saharan African locations. See Annexure 10 to this pre-listing statement.

The Group's combined production of recycled containerboard and cartonboard in the year ended 31 December 2010 amounted to 399,000 tonnes (368,000 tonnes in 2009 and 389,000 tonnes in 2008).

### Production facilities

The Group produces cartonboard and containerboard at its Springs mill, Piet Retief mill and Felixton mill.

Site	Current use	Pulp capacity <sup>(1)</sup>	Paper capacity <sup>(1)</sup>
		('000 tonnes per annum)	
Springs, Gauteng	Production of cartonboard	–	137
Felixton, KwaZulu-Natal	Production of containerboard	60 <sup>2</sup>	150
Piet Retief, Mpumalanga	Production of containerboard	55	133

#### Note:

(1) This table includes the full-year pulp and paper capacity for each mill as at the date of this document.

(2) Bagasse pulp capacity.

The Piet Retief and Felixton mills produce recycled fibre-based containerboard. Products from these two mills are complemented by sales of baywhite. The containerboard produced comprises approximately 35% hardwood, softwood and bagasse pulp and 65% recycled fibre-based pulp on average. The main market for these products is the corrugated packaging industry. The Felixton and Piet Retief mills had combined production of containerboard in 2010, 2009 and 2008 of 266,000 tonnes, 245,000 tonnes and 249,000 tonnes, respectively.

The Springs mill produces coated and uncoated recycled-based cartonboard. It produced approximately 133,000 tonnes, 122,000 tonnes and 141,000 tonnes in 2010, 2009 and 2008, respectively. The products are used in a variety of applications including food and industrial packaging as well as other industrial applications such as ceiling board.

### Customers

The Group's customers for its packaging and industrial paper include corrugated board and box producers who require containerboard, such as the Group's corrugated packaging division and other containerboard converters such as New Era, Corroseal and Nampak. Cartonboard is sold to folding carton and other producers of industrial products such as Golden Era, Nampak, EH Walton and Saint-Gobain, as well as for other uses such as cards and book covers. The Group's top ten external packaging and industrial paper customers represented approximately 64% of its external sales in 2010. Approximately 17% of the cartonboard and containerboard produced by the Group in 2010 was exported, predominantly to other African countries.

### *Competitors*

The Group's primary local competitor in the containerboard sector is Sappi while the Group is the only producer of white-lined cartonboard in South Africa. However, competition also comes from a variety of importers of cartonboard and containerboard. Additionally, the Group competes indirectly with other containerboard producers in South Africa, such as Nampak and Gayatri. These corrugated packaging producers consume most of their own manufactured containerboard internally in their downstream converting operations. Management believes that competition in the containerboard and cartonboard markets is primarily on the basis of product specification, service and delivered price.

### **Corrugated Packaging**

#### *Products*

The corrugated division manufactures and sells a comprehensive range of printed and unprinted converted corrugated products, including board, which it uses to manufacture corrugated packaging, corrugated boxes, die cut cases, folded glued cases, trays and point of sale displays. The corrugated division had saleable production of 387 million square metres of corrugated packaging in 2010, 369 million square metres in 2009 and 381 million square metres in 2008.

#### *Production facilities*

The Group's corrugated packaging division has nine corrugated box plants, each with a corrugator and converting facilities, producing corrugated board and boxes. Eight plants are located in South Africa in Gauteng, KwaZulu-Natal, Western Cape, Eastern Cape and Mpumalanga and one plant is located in Namibia. The Group also owns two corrugated sheet plants in Mozambique and Namibia and has an interest in several corrugated sheet plants throughout South Africa.

The Group's corrugated sites are fully equipped to produce a range of corrugated products from standard boxes to die-cut self-locking trays. All packaging is custom made to specific customer needs and can be printed as required on site. The Group has developed its leading market position through focusing on investing in modern technology, training, customer-relationship management and a decentralised operating structure to provide constant improvement to the products it supplies. Since 2005, the Group has invested in three high graphic printing machines situated at the Springs, Pinetown and Epping facilities. This has given the Group a leading position in high graphic printing on corrugated boxes, keeping in line with the Group's objective of meeting its customers' requirements for innovative products and branding.

#### *Customers*

Corrugated customers include producers of agricultural, FMCG and other durable and non-durable goods who use packaging primarily for the protection of products in transit and for point of sale display. Converted packaging products generally have a localised customer base, such that each of the Group's corrugated packaging operations has a large number of customers located within approximately 160 kilometres of a plant. The Group's top 10 corrugated packaging customers represented approximately 29% of its external corrugated packaging sales in 2010.

### *Competitors*

The Group is the largest producer of corrugated packaging products in South Africa. Its key competitors in South Africa include Nampak, New Era, APL, Corruuseal and Houers.

### **Plastics Business**

The Group's plastics business is a leading producer of rigid plastic packaging in South Africa. The Group's plastics business had external revenues of R1,310 million representing 23% of the Group's revenue<sup>14</sup> and EBITDA<sup>15</sup> of R190 million in 2010.

#### *Products*

The Group's plastics division manufactures a range of plastic packaging products for the food, beverage, personal care, homecare, pharmaceutical, agricultural and retail markets primarily in South Africa. Product groupings are as follows:

- PET pre-forms, bottles and jars;
- Plastic jumbo bins, wheelie bins and plastic crates;
- Plastic FMCG containers other than PET, such as bottles, jars and closures, with in-mould labelling capability; and
- Styrene trays, fast food containers and clear plastic films.

<sup>14</sup> Excluding Paperlink revenue.

<sup>15</sup> Excluding corporate services costs. Please see Annexure 1 to this pre-listing statement.

### *Production facilities*

The Group's plastics business has eight production centres located in the Western Cape, Gauteng and KwaZulu-Natal and Zimbabwe. The Group converted 71,000 tonnes, 70,000 tonnes and 69,000 tonnes of plastics in 2010, 2009 and 2008, respectively, including the production of over one billion pre-forms and PET bottles in 2010.

Styrene trays, fast food containers and clear plastic films are produced at two sites in Paarl and Harare. Large injection moulded plastic jumbo bins for the agricultural market as well as other large plastic bins and containers are produced in the Group's plants in Atlantis and in Brits. The other four sites, situated in Robertville, Wadeville, Pinetown and Atlantis manufacture injection and blow-moulded pre-forms, bottles, containers and closures for the food, beverage, personal care, homecare and pharmaceutical industries. In addition, the Group's Robertville facility houses a state-of-the-art compression moulding facility with a beverage closure capacity of more than 1.3 billion units per annum and an advanced laboratory.

The plastics business sources raw materials for its plastics from a number of South African and international suppliers.

### *Customers*

The plastics business serves a diverse customer base from multi-nationals to regional manufacturers in the FMCG sector (such as carbonated soft drink makers and producers of personal care, homecare, pharmaceuticals and food products), fast food producers, agricultural producers and retail chains.

The Group's top 10 plastics customers represented 46% of its plastics sales in 2010.

### *Competitors*

The Group's competitors in the South African plastics sector include, among others, Nampak, Astrapak, MCG, Polyoak, Bowler Metcalf, Boxmore and Ciba.

## **Raw Materials used in the Paper and Plastics Business**

The principal raw materials used by the Group are recovered paper, virgin pulp, packaging paper, plastic polymers such as PP, HDPE, PET and PST, energy and chemicals.

### *Recovered paper for production of containerboard and cartonboard*

The Group collected approximately 448,000 tonnes, 441,000 tonnes and 402,000 tonnes of recovered paper in 2010, 2009 and 2008, respectively, which met substantially all of the Group's recycled fibre needs. Average recovered paper costs over the past three years were approximately 12% of the Group's total cost of materials, consumables and energy.

### *Virgin pulp for production of containerboard and cartonboard*

The Group's virgin pulp consumption in 2010, 2009 and 2008 was 115,000 tonnes, 102,000 tonnes and 117,000 tonnes, respectively. The Group purchases some of its virgin pulp requirements from Mondi Limited and Sappi and produces the remaining virgin pulp requirements internally. For the internal production of pulp, the Group sources externally bagasse fibre as well as eucalyptus logs and pine chips. Eucalyptus logs are purchased primarily from Mondi Limited while bagasse fibre and pine chips are purchased from third parties. Average pulp costs over the past three years were approximately 6% of the total cost Group of materials, consumables and energy.

### *Packaging paper for production of corrugated board*

Approximately 134,000 tonnes, 112,000 tonnes and 150,000 tonnes of packaging paper were purchased from third parties in 2010, 2009 and 2008, respectively. Paper is sourced externally where the Group requires paper with different properties than that produced at the Group's paper production facilities or for other commercial reasons. The balance of the Group's paper requirements is sourced from internal production. Average paper costs over the past three years were approximately 44% of the total Group's cost of materials, consumables and energy.

### *Plastic polymers such as PP, HDPE, PET and PST for production of plastic packaging*

Approximately 65,000 tonnes, 61,000 tonnes and 58,000 tonnes of polymers such as PP, HDPE, PET and PST were purchased from third parties in 2010, 2009 and 2008, respectively. Variance between procured raw materials quantities and converted quantities relate to stock movements and toll manufacturing arrangements. Average costs over the past three years were approximately 16% of the Group total cost of materials, consumables and energy.

## *Energy*

In 2010, 2009 and 2008, the Group's electricity consumption was approximately 415 GWh, 394 GWh and 403 GWh, respectively, mainly externally supplied from national grid or municipalities. The Group is also a significant consumer of steam produced in boilers predominantly using coal as a fuel source. Average energy costs over the past three years were approximately 8% of the total Group cost of materials, consumables and energy.

## *Chemicals*

Auxiliary chemicals used by the Group in its production process are primarily compounds such as caustic soda, sodium sulphite, starch, inks and glue. These are widely available and purchased from a variety of suppliers. Average chemicals costs over the past three years were approximately 11% of the total Group cost of materials, consumables and energy.

Other costs, such as packing costs, over the past three years were approximately 3% of the total Group cost of materials, consumables and energy.

## **Employees**

The Group recognises that its employees are an important asset to the Group and prides itself on being an employer of choice. Management believes that its labour relations throughout the Group are sound.

As at 31 December 2010, the Group's workforce numbered approximately 3,500 employees in total.

As at the end of 2010, approximately 60% of the Group's employees were members of trade unions. The trade unions recognised by the Group are CEPPWAWU, SATU, SACWU, Solidarity, UASA, WESUSA, NUMSA, CWAU and AZAWU. The Group believes that it enjoys a good overall relationship with the respective labour organisations at its facilities. In July 2009, the South African paper manufacturing industry suffered a sector wide strike for 9 days, but otherwise, the Group has not experienced significant industrial action during the periods under review. The Group holds regular communication sessions with employees through consultative forums and holds discussions with union representatives in order to communicate information and address issues of concern. The Group's operations are covered by several collective bargaining agreements with the unions, which are renewed between June and August each year. Wage costs for the Group's employees as a whole for the period ending mid-2011 increased by approximately 8%.

The Group recognises that reward is a business issue as it has a direct impact on operational expenditure, Group culture, employee behaviour and morale and ultimately, the sustainability of the organisation. The Group employs a competitive compensation model and it monitors and responds to developments in the industry. The Group intends to provide incentive-based compensation and equity ownership opportunities to members of Management, which are an important component of the Group's personnel retention and motivation strategy. For further discussion of management incentive schemes and compensation, see Part III (*Management and Corporate Governance*) of this pre-listing statement.

## **Health and Safety Matters**

The Group endeavours to minimise the potential impact of hazards and prevent employee injuries in their daily operational activities. The Group has procedures for health and safety incident reporting and auditing, as well as staff training and emergency planning procedures. The Group currently has procedures in place to identify and assess health and safety risks on a regular basis under a Group-wide occupational health and safety strategy that also sets health and safety targets. Annual risk assessments and periodic safety inspections are conducted to identify significant risks. Actions to mitigate risks are implemented and assessed through the safety management system.

The Group encourages the active involvement of employees in occupational health and safety matters. New employees receive induction training in quality as well as safety awareness training. Potential high risk conditions are identified and continually reported through the alert process, while trends highlight possible new risks requiring mitigating action.

Due to the heavy industrial nature of the Group's operations, the size of the workforce and the nature of the work, there have been accidents involving employees and contractors. The overall number of lost time injuries in respect of the Group's own as well as contracted staff during 2010 was eight. This translates into an LTIFR of 0.14.

## **HIV/AIDS**

Management estimates that the prevalence of HIV among the Group's employees reflects that of the general population of South Africa. Voluntary counselling and testing ("VCT") was implemented within the Group in 2002 and is now a voluntary part of the periodic medical examination that employees receive. In addition, information and education programmes are ongoing and available to all employees.

## **Environmental**

The Group operates in an industry which is subject to comprehensive environmental regulation. Certain of the Group's operations generate hazardous and non-hazardous waste as well as air and water emissions. The Group manages its environmental obligations through regular safety, health, environment and quality audits and the maintenance of environmental management registers in the Group's operations. The Group manages its emissions as well as its consumption of energy and water in accordance with applicable environmental laws and standards.

The Group currently has environmental management systems in place, and all the manufacturing operations in the Paper Business carry the ISO 14001 accreditation. Regular compliance audits (both internal and external) and reporting are undertaken at local, divisional and Group level. The Group has well-documented environmental policies and practices, including Group-wide policies in relation to sustainable development and management guidelines to ensure consistency of application across the Group.

The Group has invested substantial capital resources on environmental compliance and on monitoring its impact on the environment. Recent major capital projects include the addition of a clarifier at the Piet Retief mill completed in 2009 and a clarifier to be completed during 2011 at the Felixton mill.

In August 2009, the Department of Environmental Affairs conducted a compliance audit and issued a related compliance report in late December 2010 in respect of the Group's Piet Retief mill. The compliance report includes a number of allegations of non-compliance with relevant legislation in respect of which the Group was invited to provide responses and explanations. The alleged non-compliances include potential offences. The Group submitted a comprehensive response to the findings on 15 April 2011 indicating factual inaccuracies, providing explanations and corrective action plans, where appropriate.

## **Broad-Based Black Economic Empowerment**

The Government of South Africa has adopted a series of policies aimed at transformation of the economy and redressing historical inequalities. These policies include the Broad-based Black Economic Empowerment Act, No. 53 of 2003 (the "BBBEE Act"), and the Codes of Good Practice promulgated thereunder by the Department of Trade and Industry (the "Codes"). Compliance with the Codes is not legally required in most instances but is regarded as good corporate practice in South Africa. A company's BBBEE status is an important factor considered by government and other bodies in awarding contracts and may influence relationships with customers or suppliers as it has an effect on the BBBEE status of those customers. The Group is committed to compliance with the Codes and guidelines relating to BBBEE in South Africa.

As at 31 December 2010, BEE equity ownership in the Group was 29.03%, reflecting the ownership interests of Shanduka, a black controlled company as defined in the BBBEE Act and the Codes as well as 4.02% being the effective black-ownership proportion of the employee share ownership scheme. As at the date of this pre-listing statement, the Group is rated as a Level 3 contributor to BBBEE on the basis of an independent accreditation of Mondi Limited undertaken by Empowerdex during 2010, which is valid until 14 July 2011. Management believes that the Group will be accredited as part of Mondi Limited prior to the Demerger for a period extending to June 2012. Mondi Limited will be accredited in accordance with the forestry sector Code of Good Practice for the first time in 2011.

On a stand-alone basis, as at the date of this pre-listing statement, the Group believes it would be deemed to be a Level 5 contributor to BBBEE accredited in accordance with the Department of Trade and Industry's generic Code of Good Practice.

As at 31 December 2010, Black employees (as defined in the Codes) represented 82% of the Group's workforce. The Group is also committed to progressive procurement policies, where possible, which provide for the local procurement of supplies and support services. The Group's transformation progress is reviewed periodically and ensures that legislative compliance and numerical target levels are set in consultation with the Employment Equity and Training and Development Steering Committees and the consultative forums on a national basis.

Shanduka has undertaken to remain invested in the Group until the end of the 180 day lock-up period as more fully described in Part VIII (*Particulars of the Demerger*) of this pre-listing statement.

In addition to increased equity ownership by Black people (as defined in the Codes), the Directors believe that the Group's BBBEE score (in terms of the BBBEE Codes) can be improved by (and in some cases better record-keeping in respect of):

- Management Control: More than 42% of the Group's directors are Black (as defined in the Codes); and
- Skills Development and Employment Equity: The Group is committed to transforming its workplace and to the principles embodied within applicable Employment Equity legislative frameworks. To this end, the Group aims to ensure that the demographics of its workforce reflect this commitment at all levels, and that all staff receive the support and training necessary to excel in their positions.



## **Community Relations**

The Group's operations are often key employers in the communities where they are located. The Group supports community development initiatives that seek to strengthen the Group's role as a responsible corporate citizen. The Group's community engagement strategy is focused on:

- education and training, in particular early childhood learning, primary education, focusing on mathematics and science;
- health, with a focus on HIV/AIDS;
- small business development.

The Group's community social investment initiatives include, amongst others, an education centre at Piet Retief which benefitted over 17,000 learners, educators and community members during 2010.

The Group is also a leading partner in the operation of a mobile health clinic ("Thol'ulwazi – Thol'impilo") focusing on people who are living and working in the identified rural areas of the Mkhondo Municipality and who are in need of primary healthcare, counselling, advice and HIV and AIDS-related services.

At Felixton, the Group developed the N2 Community Garden as an initiative to help gardeners from neighbouring Esikhawini and surrounding areas to generate income from planting crops and selling them to the local communities and employees.

## **Information Systems**

The majority of the Group's operations use the JD Edwards World (JDE) enterprise resource planning system complemented by Educos' Vision human resource management system, Kronos' time and attendance system and the Qlikview business intelligence system.

The corrugated division uses Abaca Systems' software to manage its sales and production planning as this has been developed specifically for the corrugated industry.

The Group has an IT governance system developed internally, based on the principles of widely recognised IS&T governance framework.

## **Research and Development**

The Group engages in R&D activities and has a dedicated research and innovation centre at the University of Stellenbosch, South Africa. The Group's intention is to maintain technological leadership in both products and services, identify longer-term growth opportunities through innovation as well as making more efficient use of resources in production, in terms of both cost and environmental factors, through continuous and proactive improvements in processes and products. The key areas of R&D focus are the optimisation of fibre consumption and the development of light-weight papers and lighter corrugated packaging products, as well as barrier technologies. Additionally, the Group has established innovation centres at a number of production sites to focus on the development of enhanced corrugated and plastic packaging designs. The Group has won several Gold Pack awards for its products including the super-lay flat pack divider, polyfilla squeeze pack and the nestable plastic pallet with perimeter base clip.

## **Intellectual Property**

The Group owns a number of registered trademarks and trademark applications and several patents and registered designs relevant to its packaging businesses. Its patents and patent applications principally cover inventions relating to packaging, containers including packaging or containers with reinforced components, stacking formulations or locking mechanisms. The Group's registered design rights protection relates to various box and container designs. The Group intends to maintain its patent and trademark portfolios and to file further applications for any patents or trademarks which it deems to be important to its business operations. Consistent with the industry in which it operates, the Group's operations are not dependent to a significant extent on its patents, registered designs or trademarks or on any licences of any intellectual property rights from third parties.

The Group has registered, among others, the internet domain [www.mpact.co.za](http://www.mpact.co.za) as well as a number of further internet domain names for individual businesses within the Group.

## **Insurance**

The Group carries insurance policies customary for its industry to cover certain risks. The principal risks covered by the Group's insurance policies are for material damage, business interruption and general liability. In addition, the Group has taken out cover for contract works, personal accident, marine cargo, property, terrorism and sabotage, motor, directors' and officers' liability as well as an anti-commercial crime policy.

The Group believes it is adequately insured against losses, risks to property and third party risks. To ensure improved mitigation of its critical and strategic risks, the Group subscribes to this comprehensive insurance portfolio. This portfolio is evaluated periodically (at least annually) to ensure that all new business ventures and strategic risks are included.

### **Material Litigation**

As at the Last Practicable Date, the Group is not involved in any material litigation or arbitration proceedings, nor are the Directors aware of any material proceedings which are pending or threatened, which may have or have had, in the 12-month period preceding the date of this pre-listing statement, a material effect on the Group's financial position.

### **Land Claims**

There is an outstanding claim regarding the ownership of certain parcels of land used by the Piet Retief mill, the book value of which was approximately R3.4 million as at 31 December 2010. The claim lodged by the Sidu community on certain portions of the farm Vroegeveld 509 IT has yet to be settled by the Government of South Africa (the "State"). The Land Claims Commission has established a precedent of declaring large-scale manufacturing and industrial facilities, like the Piet Retief mill, as "non-restorable" to its original use for claims under the Restitution of Land Rights Act, 1994, as amended. If declared "non-restorable", relief as claimed will not be granted for the land claims and the claimants will either be awarded another piece of land or settlement in cash. If not declared "non-restorable", the State can either award the claimants alternative land, or settle the claimants' claim in cash or award the claimants the land claimed.

In order to consolidate the Piet Retief mill with its associated exclusive land use areas, steps have been taken to sub-divide all parcels of land used by the mill onto separate registered cadastral portions. This process, together with the compilation of a report detailing the socio-economic impact of the Piet Retief mill, has created the opportunity for the mill site and associated exclusive land use areas to be declared as non-restorable. In the event that the mill site is not declared "non-restorable", the State can either award the claimants alternative land, or settle the claimants claim in cash or award the claimants the land claimed. In the event that the State awards the claimants the land claimed, the State will compensate the Group for the value thereof in accordance with the Restitution of Land Rights Act, 1994. In compensating the Group for the land, the State will negotiate with the Group on the extent of the compensation. If agreement cannot be reached, the matter will be referred to Court for determination. However, awarding the land claimed will be subject to a satisfactory agreement being reached with the Group relating to the continued use of the Piet Retief mill.

In previous land claims against Mondi Limited where the State has awarded claimants the land claimed, Mondi Limited has been paid out in cash for the value of the land and has concluded long term leases with the land claimants. In the unlikely event that the State awards the claimant the land used by the Piet Retief mill, the Group will look to enter into a long-term lease with the land claimants. See Part VII "*Risk Factors – Risks relating to the Group and packaging Industry – The Group is subject to land claims in South Africa*) of this pre-listing statement.

## PART II: OVERVIEW OF THE SOUTH AFRICAN PACKAGING INDUSTRY

The Group mainly operates in the South African packaging market. Generally, the packaging sector includes paper-based packaging (primarily corrugated boxes, industrial bags and folding cartons), plastic packaging (primarily rigid plastics and flexible plastics), glass and metal packaging.

Within the South African packaging sector, the Group primarily competes in the paper-based packaging value chain and the rigid plastics packaging sector.

### Packaging Market

According to BMI Research, the South African packaging market was estimated to generate revenues of approximately R39 billion in 2009. It is estimated that approximately 42% of the market comprises rigid and flexible plastic packaging products, approximately 30% of the market comprises paper-based packaging products, and the remaining portion comprises metal, glass and other packaging products. Customers select a packaging type based on a variety of characteristics including functionality, aesthetics and price.

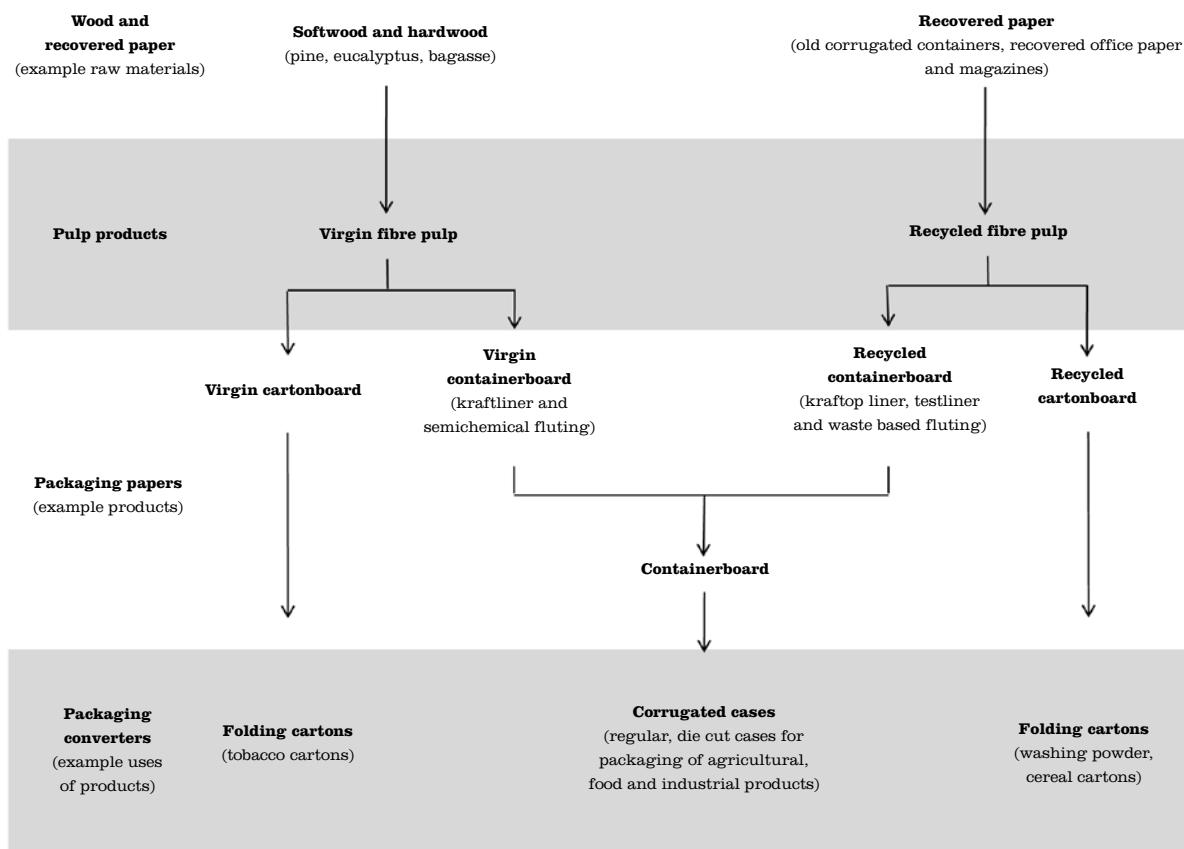
### Paper Packaging

According to BMI Research, approximately 80% of the South African paper packaging market consists of converted corrugated and cartonboard packaging products. The remaining portion of the paper packaging market consist of paper sacks, bags, cores and tubes, moulded paper and wrapping papers.

The Group is active in the corrugated packaging and cartonboard packaging sectors.

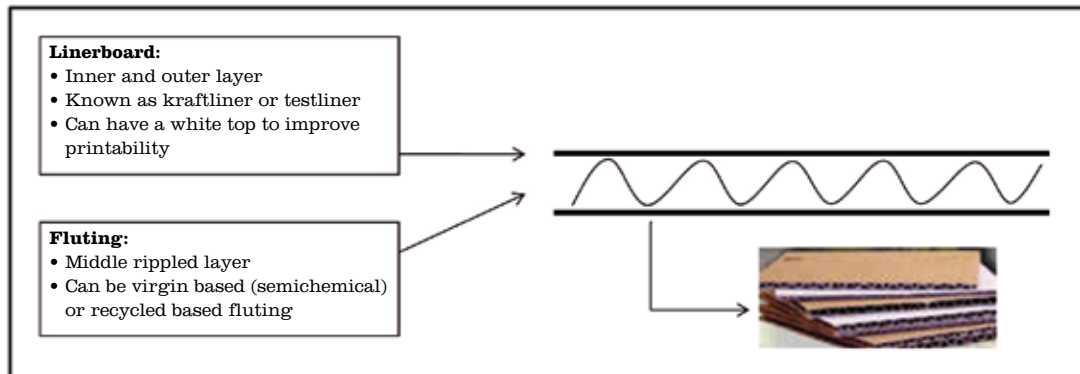
Corrugated packaging is made primarily from containerboard and folding cartons are produced primarily from cartonboard.

Below is a simplified industry diagram of the corrugated and cartonboard packaging value chain:



## **Containerboard and Corrugated Packaging**

The production of corrugated packaging entails the conversion of containerboard into corrugated board which is then converted into corrugated boxes and other packaging products. The simplified diagram below represents the configuration of corrugated board:



Corrugated packaging is supplied in various sizes and shapes to customer specifications with printing as an option to enhance graphic qualities of the final product. Corrugated packaging is used primarily in the food, agricultural and durable and non-durable goods industries and is the most widely used form of packaging for the transportation of manufactured and bulk goods.

According to BMI Research, ex-converter corrugated packaging sales in South Africa were estimated to be approximately 600,000 tonnes in 2009, with a corresponding value of approximately R6.1 billion. Demand in South Africa is influenced by, amongst other things, general economic conditions, consumer spend, industrial production and product substitution.

Two of the main competitors of the Group in the corrugated packaging sector in South Africa, namely Nampak and New Era, are integrated in the same manner as the Group, manufacturing both containerboard and corrugated packaging. However, these competitors produce less containerboard than they require while the Group produces more than it requires. Additionally, there are a number of non-integrated corrugated packaging companies competing in the market. According to BMI Research, the Group is the leader in the corrugated packaging market based on volume of sales.

Containerboard grades include linerboard and fluting and are manufactured primarily from softwood fibre and recovered fibre, although certain products include hardwood or other fibres such as bagasse. Linerboard is used for the inner and outer layers of corrugated board and fluting is used as a rippled middle layer.

According to PAMSA and Management estimates, South African containerboard capacity amounts to an estimated 1.4 million tonnes per annum. Management estimates that approximately 40% of domestic production is exported, with the remaining portions consumed by local corrugated packaging producers and other converters.

The Group's production of containerboard is based primarily on recovered fibre but also includes a mix of hardwood, softwood and bagasse fibres, which are produced at its integrated pulp mills at the production sites.

During the production process, virgin fibres such as softwood, hardwood and bagasse, are converted into pulp through either a chemical or semi-chemical cooking process, while recovered fibre is pulped using water. Depending on the end product that is being produced, different fibre sources and pulp processes are needed to give the product its key strength, colour and other characteristics.

Sappi is the main competitor of the Group in the containerboard sector in South Africa, producing predominantly virgin grades, and is not forward integrated into corrugated packaging. Competition in the segments also comes from variety of imported grades, predominantly from Australia and Brazil. Management estimates that the Group is the leading producer of recycled-based containerboard in South Africa based on production capacity.

## **Cartonboard**

Cartonboard is primarily used in the packaging of consumer goods such as food, beverages, pharmaceuticals and cosmetics. It is also used for stationary as well as in industrial applications such as paper cores and ceiling board. The main types of cartonboard are solid bleached board, solid unbleached board, folding boxboard and white-lined cartonboard. The Group is mainly active in the production of white-lined cartonboard and uncoated cartonboard grades.

According to BMI Research, ex-converter cartonboard packaging sales in South Africa were estimated to be approximately 131,000 tonnes in 2009 with a corresponding value of approximately R3.3 billion. As in the case of corrugated packaging, demand in South Africa is influenced by, amongst other things, general economic conditions, consumer spend, industrial production and product substitution.

In general, cartonboard is produced from a variety of fibre sources including softwood, hardwood and recovered fibre and is often coated on one side. The Group's cartonboard products are based primarily on recovered fibre but also include a mix of virgin fibre.

The top layer of the Group's white-lined cartonboard grade comprises bleached eucalyptus (hardwood) pulp. The middle layers comprise recycled pulp derived from mixed recovered fibres while selected recovered fibres are used for the back layer. The top surface typically has two or three layers of white pigment coating and the mill has the capability to apply two layers of white pigment coating or other barriers on the reverse side of the sheet. White-lined cartonboard can be made with a white, grey or brown back.

White-lined cartonboard is used in a wide range of packaging applications, including for cereals, dry foods, frozen and chilled foods, detergent powders, confectionery outers, toiletries, household goods, car spares, toys and games. Special treatments are available to provide grease resistance and other barrier properties for uses in fast food, pet food and soap packaging.

Uncoated cartonboard grades are used in applications such as industrial cores and tubes, match boxes and ceiling board liners.

The Group is South Africa's sole producer of white-lined cartonboard and a major producer of uncoated cartonboard grades, all of which are made at its Springs mill. The Group competes with imported cartonboard grades mainly from Asia and South America.

### **Recycling**

The Group is engaged in the collection of recovered papers, which include pre- and post-consumer segments encompassing various paper pick-up programmes which include commercial, kerbside, schools, churches, community, townhouse complexes, offices and an extensive network of agents and dealers. Recovered paper is then used by the Group in its production of recycled-based containerboard and cartonboard.

According to PRASA, approximately 58% of recoverable paper in South Africa is actually recovered for reprocessing. PRASA estimates that in 2009 approximately 940,000 tonnes of paper was recovered in South Africa, and net imports of recovered paper were estimated to amount to 60,000 tonnes. Corrugated packaging papers, folding cartons and kraft paper accounted for 57% of the papers recycled in 2009 in South Africa, followed by magazine, office and graphic papers which represented 23% of the total recycled paper in South Africa.

### **Plastic Packaging**

Rigid plastic packaging can be manufactured from a wide range of plastic polymers such as PP, HDPE, PET and PST by applying a range of technologies such as injection moulding, compression moulding, blow moulding or injection blow moulding to produce various forms of rigid plastic containers such as jars, bottles, closures, pre-forms, trays, jumbo bins, wheelie bins and plastic crates.

According to BMI Research, ex-converter sales of plastic packaging products in South Africa amounted to approximately R16.6 billion in 2009, of which approximately R7.6 billion was rigid plastic packaging.

Plastic packaging is generally characterised by faster growth than other types of packaging as it replaces the use of metal and glass in various applications. Rigid plastic in many forms is used in the packaging of food, beverages, household, personal care and pharmaceutical products as well as the transportation of agricultural products.

Rigid plastic packaging products develop rapidly due to ongoing research and innovation by producers of plastic polymers and improving production technologies developed by equipment manufacturers. Consequently, plastics packaging requires continuous capital expenditure and R&D investment to keep up with customer requirements and to increase productivity and efficiencies in the manufacturing process.

The plastic packaging industry is fairly fragmented both internationally and in South Africa. Management believes consolidation opportunities exist in Southern Africa, but a substantial number of competitors will always remain.

The Group's main competitors in South Africa include Nampak, Astrapak, MCG, Polyoak, Bowler Metcalf, Boxmore and Ciba.

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## PART III: MANAGEMENT AND CORPORATE GOVERNANCE

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### 1. DIRECTORS AND MANAGEMENT

Set out below is a description of the Group's Management as it will be on the Date of Listing, unless otherwise indicated.

The Board consists of the following members:

<b>Name, age and nationality</b>	<b>Business address</b>	<b>Occupation/ Function</b>	<b>Date of appointment as director</b>
Anthony John Phillips <sup>16</sup> (65) South African and United Kingdom	4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch 2196 Gauteng, South Africa	Chairman	21 April 2011
Bruce William Strong (42) South African and United Kingdom	4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch 2196 Gauteng, South Africa	CEO	3 March 2009
Egar Leslie Leong (61) South African	4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch 2196 Gauteng, South Africa	CFO	21 April 2011
Neo Phakama Dongwana <sup>16</sup> (39) South African	4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch 2196 Gauteng, South Africa	Non-Executive Director	21 April 2011
Nomalizo Beryl Langa-Royds <sup>16</sup> (49) South African	4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch 2196 Gauteng, South Africa	Non-Executive Director	21 April 2011
Timothy Dacre Aird Ross <sup>16</sup> (66) South African	4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch 2196 Gauteng, South Africa	Non-Executive Director	21 April 2011
Andrew Murray Thompson <sup>16</sup> (54) South African	4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch 2196 Gauteng, South Africa	Non-Executive Director	21 October 2004

Further particulars of the Directors and Management of the Group, including details of other directorships held in the preceding five years, are set out in Annexure 11 to this pre-listing statement.

Short biographies of the Directors of the Group are set out below:

#### **Chairman**

##### ***Anthony John Phillips (Tony)***

BSc (Eng) (University of Natal). Tony is an independent non-executive director and the chairman of Mpact. He previously held the position of CEO of Barloworld, has served as chairman on numerous companies' boards of directors, and has been involved in various Non-Governmental Organisations (NGOs) including World Wildlife Fund and Nurturing Orphans of AIDS for Humanity (NOAH).

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<sup>16</sup> Independent Director.

## **Executive Directors**

### ***Bruce William Strong***

BSc (Eng) (*Summa cum laude*) (University of Natal), B Com (Hons) (University of South Africa). Bruce has been the CEO of Mpact since March 2009. Prior to holding his current position, he was the General Manager of the packaging and industrial paper division of Mpact. He has 16 years' experience in the paper and packaging industry, both locally and in Europe.

### ***Egar Leslie Leong (Les)***

CTA and CA(SA) (University of the Witwatersrand). Les has 27 years' experience in the paper and packaging industry and was the Financial Director of Kohler Packaging, which was subsequently acquired by Nampak. He currently holds the position of CFO of Mpact and has done so since December 2008. The audit and remuneration committee is satisfied as to the suitability of Les as Chief Financial Officer.

## **Non-executive Directors**

### ***Neo Phakama Dongwana***

BCom, Post-Graduate Diploma in Accounting, BCom (Hons) (University of Cape Town) CA(SA). Neo is an independent non-executive director of Mpact. She is a Chartered Accountant by profession and has previously served in the position of audit partner at Deloitte & Touche. She is a non-executive director of Anglovaal Industries Limited and the PPC Ntsika Fund (Proprietary) Limited.

### ***Nomalizo Beryl Langa-Royds (Ntombi)***

BA (Law), LLB (National University of Lesotho). Ntombi is an independent non-executive director of Mpact. She also runs her own Human Resources consultancy business and has more than 24 years' experience in human resources, as well being a non-executive director of companies such as African Bank Limited, Pretoria Portland Cement Company Limited, African Bank Investments Limited and Momentum Health (Proprietary) Limited.

### ***Timothy Dacre Aird Ross (Tim)***

CTA (University of Natal), CA(SA). Tim is an independent non-executive director and chairman of the risk committee of Mpact. He previously (for a period of 37 years) held the position of partner at Deloitte & Touche, and was the Head of Johannesburg Audit, Head of Client Services and a member of the Deloitte executive committee and board. He is a non-executive director of Liberty Life Holdings Limited, Liberty Group Limited, Eqstra Holdings Limited, Adcorp Holdings Limited and Pretoria Portland Cement Company Limited.

### ***Andrew Murray Thompson***

BSc (Eng) (University of the Witwatersrand), MBA (Finance) (University of Pennsylvania, Wharton). Andrew is an independent non-executive director of Mpact. He is a current non-executive director of Adcock Ingram Holdings Limited and previously served as the Chief Executive Officer of Mondi Limited and as an executive director of Anglo American South Africa Limited.

## Management

The Group's Management is as follows:

Name and nationality	Position	Year appointed <sup>17</sup>
Bruce William Strong South African and United Kingdom	CEO	2009
Egar Leslie Leong South African	CFO	2008
Raymond Crewe-Brown South African	Executive Chairman – Plastics Business	2009
John William Hunt South African and Irish	Managing Director – Recycling Division Business Manager – Technology Optimisation	2011 2008
Hugh Michael Thompson South African	Managing Director – Packaging and Industrial Paper Division	2009
Ralph Peter von Veh South African	Managing Director – Corrugated Division	1999

## Short Biographies of Management

### ***Raymond Crewe-Brown (Ray)***

BSc (Eng) (University of the Witwatersrand). Ray has been the Executive Chairman of the Plastics Business since November 2009. Prior to this, he was the founder and Chief Executive Officer of Astrapak until June 2008. He has 36 years' experience in the plastics industry.

### ***John William Hunt***

BSc (Eng) MSc (Eng) (University of Natal). John is the Managing Director of the Recycling Division and he is also the Business Manager of Technology Optimisation, a position which he has held since April 2008. He was previously the Executive director of the Paper Manufacturers Association of South Africa and has 20 years' experience in the paper industry.

### ***Hugh Michael Thompson***

CTA (University of South Africa), CA(SA). Hugh has been the Managing Director of the Packaging and Industrial Paper Division since October 2009. He fulfilled the role of Chief Financial Officer of Mpact until March 2007 and then the role of Managing Director of the Plastics Division until September 2009. He has nine years' experience in the packaging sector. He was previously senior vice president – corporate finance – for Anglo American South Africa Limited.

### ***Ralph Peter von Veh***

Ralph is the Managing Director of the Corrugated Division. He has been in this position since 1999, prior to which he was the Regional Director of Kohler Corrugated. He has 35 years' experience in the paper and packaging industry.

## 2. APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

Set out in Annexure 9 to this pre-listing statement are extracts of the relevant provisions of the articles of association of the Company, regarding:

- the qualification, appointment, terms of office and remuneration of Directors;
- the borrowing powers of the Company exercisable by the Directors. The borrowing powers may be varied by an amendment to the articles of association;
- powers enabling Directors to vote on a proposal, arrangement or contract in which they are materially interested and to vote remuneration to themselves or any member of the board of Directors; and
- retirement of Directors by rotation.

The Directors' borrowing powers have not been exceeded during the past three years.

<sup>17</sup> Indicates the year first appointed to current executive position in the Group.



The total aggregate remuneration and benefits paid and payable to the executive Directors, non-executive Directors and Management of the Group for the year ended 31 December 2010 is set out below:

	<b>Executive Directors Rm</b>	<b>Non-executive Directors Rm</b>	<b>Senior Management Rm</b>	<b>Total Rm</b>
Salaries	3.9	–	9.1	13.0
Fees	–	0.1	–	0.1
Benefits	1.1	–	1.0	2.1
Bonuses	2.9	–	4.1	7.0
Pension scheme benefits	0.8	–	1.0	1.8
Medical aid contributions	0.1	–	0.2	0.3

No awards or options have been granted to the Directors to acquire Shares in connection with the Demerger. However, as set out in paragraph 3 of this Part III, some Directors may receive Shares in the Demerger pursuant to their holdings of Mondi Limited Shares, provided such Mondi Limited Shares are held by them as at the Demerger Record Date.

The remuneration payable to the non-executive Directors will vary as a consequence of the Demerger and the Listing and as described in this paragraph and in Annexure 5 to this pre-listing statement.

The costs of fixed remuneration and benefits of the executive Directors and Management will not change as a result of the Demerger and Listing. There will be changes to the share-based remuneration of executive Directors and Management following the Demerger. As described in paragraph 5 of this Part III, the Mpac 2011 Share Plan may entail annual awards over a combination of bonus Shares, performance Shares and Share appreciation rights.

It is estimated that the costs of performance Shares to be awarded to executive Directors and Management in 2011 will be approximately R0.8 million higher than the previous costs of such awards. Awards of Share appreciation rights which will be made to this group in 2011 are estimated to have a cost of approximately R3.8 million. Estimated costs are calculated with reference to Share plan rules and a number of future market performance assumptions that are viewed as reasonable but that cannot, by their nature, be forecasted with confidence.

Two sets of Share awards will also be made that will not entail additional costs. Specifically, bonus Share awards will not increase as a result of the Demerger. A cost-neutral once-off award of performance shares will also be made in 2011 in compensation for value lost under previous Mondi share awards that were affected by time-based pro rating.

### 3. DIRECTORS' INTERESTS

None of the Directors and Management hold any direct or indirect interest in Shares as at the date of this pre-listing statement.

Pursuant to their holdings of Mondi Limited Shares entitling them to receive Demerged Shares, assuming the Demerger proceeds and to the extent that they still hold such Mondi Limited Shares as at the Demerger Record Date, the Directors and former directors of the Company who have resigned in the 18 months preceding this pre-listing statement will hold the following interests in Mpac as at the Date of Listing:

<b>Name</b>	<b>Direct beneficial</b>	<b>Indirect beneficial</b>	<b>Total</b>	<b>Total (%)</b>
Neo Phakama Dongwana	–	–	–	–
David Andrew Hathorn*	40,498	–	40,498	0.025
Andrew Charles Wallis King*	258	–	258	0.000
Nomalizo Beryl Langa-Royds	–	–	–	–
Philip Albert Laubscher*	9,317	–	9,317	0.006
Egar Leslie Leong	–	–	–	–
Kodwo Atta Mills*	–	–	–	–
Anthony John Philips	–	–	–	–
Matamela Cyril Ramaphosa*	–	–	–	–
Timothy Dacre Aird Ross	–	–	–	–
Rowan Murray Smith*	–	–	–	–
Bruce William Strong	4,212	–	4,212	0.003
Andrew Murray Thompson	4,208	–	4,208	0.003
Ralph von Veh*	14,819	–	14,819	0.009
Rajendran Govender (alternate director)*	–	–	–	–
Karishma Sewpersad (alternate director)*	–	–	–	–
<b>Total</b>	<b>73,312</b>		<b>73,312</b>	<b>0.045</b>

\* Note: Refers to directors of the Company who have resigned in the 18 months preceding this pre-listing statement.

To the extent that the Directors and Management, as a group, still have Mondi Limited Shares as at the Demerger Record Date, the Directors and Management as a whole will hold 28,752<sup>18</sup> Shares as at the date of the Demerger.

#### **4. MANAGEMENT INCENTIVES AND INTERESTS IN TRANSACTIONS**

No Directors have any material beneficial interests in any of the transactions of the Group.

#### **5. THE MPACT 2011 SHARE PLAN**

By ordinary resolution passed by shareholders of Mpact holding more than 75% of the Shares, dated 4 May 2011, Mpact adopted the Mpact 2011 Share Plan (the “Plan”), the purpose of which is to attract, retain, motivate and reward executives and managers who are able to influence the performance of the Group on a basis which aligns their interests with those of the Shareholders.

The Plan will provide for the inclusion of a number of performance conditions designed to align the interests of participants with those of Shareholders, and to reward Group and individual performance, more so than merely the performance of the economy or the sector in which the Group operates.

Under the Plan, executives and selected managers of the Group may be offered, annually, a weighted combination from:

- ***Allocations of Share appreciation rights***

Annual allocations of Share appreciation rights will be made to executives and selected managers. They will be available to be settled in equal thirds on the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> anniversaries (alternatively all on the third anniversary) but need not be exercised until the 6<sup>th</sup> anniversary, at which time they must be exercised or they will lapse.

Notwithstanding the above time frame(s), vesting will only occur, and exercise and settlement will only be permissible, as and when the performance objectives/requirements that may have been set are met. Upon settlement, the value accruing to participants will be the appreciation of the Shares’ price from date of allocation to date of exercise.

The Board will dictate the performance requirements for each allocation. It is the intention of Mpact that vesting will not be permissible unless and until the growth in EBITDA exceeds the consumer price index (CPI) plus a margin to be determined by the Board from time to time;

- ***Awards of performance Shares***

Annual conditional awards of performance Shares will be made to executives and selected senior management. Performance Shares will vest on the 3<sup>rd</sup> anniversary of their award, to the extent that the Group has met specified performance criteria over the intervening period. It should be noted, however, that an initial, once-off, award to specific individuals will have a lesser vesting period.

The Board will dictate the performance criteria for each award. It is the intention of Mpact that the methodology of performance vesting will be based on the weighted combination of:

- (i) the Group’s compounded annual growth in headline earnings per Share over the three-year period in relation to a target set by the Board; and
- (ii) the Group’s total Shareholder return over the three-year period in relation to the constituent members of the FTSE/JSE INDI index.

Any performance Shares which do not vest at the end of the three-year period will lapse. The performance share method closely aligns the interests of Shareholders and executives by rewarding superior Shareholder and financial performance in the future; and

- ***Grants of bonus Shares***

On an annual basis, executives and selected senior management will receive a grant of bonus Shares the value of which matches, according to a specified ratio, the annual cash incentive awarded to the executive. All bonus Shares will vest after three years, conditional only on continued employment. It should be noted however, that an initial, once-off, grant to specific individuals will have a lesser vesting period.

The bonus Share method provides for share-based retention to those executives who, through their previous loyalty and their performance on an annual basis, have demonstrated their value to the Group.

Offers will be governed by Mpact’s reward philosophy and strategy, in which, *inter alia*, the “expected value” of incentive reward is set for defined categories of executives and Management.

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<sup>18</sup> Figure excludes interest held by directors who have resigned.

## **6. CORPORATE GOVERNANCE**

### **Commitment and approach**

The Directors endorse, and accept full responsibility for, the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout the Group. In discharging this responsibility, the intention is to comply with the requirements of the King Code in both letter and spirit. Mpac's approach to corporate governance strives to be stakeholder inclusive, based on good communication and integrated into every aspect of the Group's business.

The Directors have pro-actively taken steps to ensure that all the elements required to make the Group fully compliant with the recommendations incorporated in the King Code have been implemented. The Board is of the opinion that Mpac is substantially compliant with the King Code and where not compliant appropriate explanations are provided.

### **Board practices**

The Board currently consists of two executive Directors and five non-executive Directors, all of whom are independent. The Board is ultimately responsible for the Group's business, its strategy and key policies. The Board is also responsible for approving the Group's financial objectives and targets. In compliance with the Companies Act, members of the Board will be nominated and appointed by the Company's shareholders, although the Board will also have the powers to appoint additional Directors.

Non-executive Directors bring an independent view to the Board's decision making. As a group, they will enjoy significant influence at meetings of the Board. Generally, Directors have been and will be nominated based on their calibre, knowledge, experience, impact they are expected to have and time and attention they can devote to the role. The remuneration and nomination committee is responsible for vetting the individuals nominated for approval. New Directors are taken through a formal induction programme and are provided with all the necessary background and information to familiarise them with issues affecting the Board.

The Directors who are also members of the executive committee of the Company, namely Bruce Strong and Les Leong, are involved in the day-to-day business activities of the Group and responsible for ensuring that the decisions of the executive committee as approved by the Board are implemented in accordance with the mandate given by the Board and executive committee.

In line with best practice, the roles of chairman and CEO are separate. The Board is led by the chairman while operational management of the Group is the responsibility of the CEO of the Company. No business of the Group is or will be managed by a third party.

The Board recognises that there may be occasions where one or more Directors feel it necessary to take independent professional advice at the Group's expense. There is an agreed procedure in terms of which they can do so.

A minimum of four Board meetings are scheduled per financial year. Additional Board meetings may be convened when necessary.

### **Committees**

The Board has established several committees in which non-executive Directors play a pivotal role. The responsibilities delegated to the committees of the Board are formally documented in the terms of reference for each committee, which terms of reference have been approved by the Board and will be updated from time to time to keep abreast of developments in law and best practice in governance. The committees shall meet at least four times a year.

#### ***Audit and risk committee***

The Group's audit and risk committee is made up of at least three non-executive Directors, all of whom are independent. Timothy Ross, as chairman, Andrew Thompson and Neo Dongwana are the current members of the Group's audit and risk committee. The CEO, the CFO, the head of internal audit and a representative of Deloitte & Touche, the Group's independent external auditors, attend committee meetings by invitation. The audit and risk committee provides the Board with additional assurance regarding the quality and reliability of financial information used by the Board and the financial statements of the Group and, on an annual basis, considers and confirms to the shareholders of the Company, the appropriateness of the expertise and experience of the CFO. In addition, the audit and risk committee drafts the Group's audit policy, reviews the internal control systems, the financial control systems, the accounting systems, reporting and the internal audit functions and sets the Group's policy on non-audit services provided by

the Group's external auditors. It also liaises with the Group's external auditors, monitors compliance with legal requirements, ensures Management addresses any identified internal control weakness, assesses the performance of financial management, approves external audit fees, budgets, plans and performance, and conducts an annual review and assessment of the business risks the Group faces. The approval of an integrated financial report is also the responsibility of the audit and risk committee.

#### **Remuneration and nomination committee**

Anthony Phillips (chairman), Timothy Ross and Nomalizo Langa-Royds are the members of the Group's remuneration and nomination committee. The remuneration and nomination committee considers the remuneration policy of the Group with the assistance and guidance of independent experts, if required, and makes recommendations to the Board on such remuneration policy and, furthermore, ensures that the Group's Directors are fairly rewarded for their individual contributions to the Group's overall performance. The remuneration and nomination committee also considers the bonuses, which are discretionary and, based upon general economic variables, the performance of the Group and the individual's performance, share options and certain other employee benefits and schemes. No remuneration of any nature shall be paid, increased or varied to any Director without the prior approval of the members of the committee.

The committee is also responsible for identifying and evaluating suitable potential candidates for appointment to the Board and recommending same to the Board who may then appoint such candidate in accordance with the Company's articles of association. Such appoint will only be valid until the Group's next following annual general meeting, where such appointed Director's appointment shall be subject to confirmation.

#### **Executive committee**

The executive committee comprises the CEO and certain senior executives of the Group. It is responsible for the operational activities of the Group, developing strategy and policy proposals for consideration by the Board and implementing the Board's directives. It has a properly constituted mandate and terms of reference. Other responsibilities include:

- leading the executive, Management and staff of the Group;
- developing the annual budget and business plans for approval by the Board; and
- developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

#### **Social and ethics committee**

The social and ethics committee comprises Nomalizo Langa-Royds (chairperson), Andrew Thompson and Neo Dongwana. It is tasked with, *inter alia*, monitoring the Group's activities in respect of sustainability issues, having regard to relevant legislation and best practice, social and economic development (including BBBEE), good corporate citizenship, the environment, health and safety, labour and employment.

#### **Company secretary**

Palesa Vatsha is the Company secretary. The Company secretary is responsible to the Board for, *inter alia*, ensuring compliance with procedures and applicable statutes and regulations. To enable the Board to function effectively, all Directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect the Group and its operations. This also includes access to management where required.

The Company secretary is also responsible for facilitating director training. All new Directors, where relevant, are appropriately inducted to the Group by the Company secretary and CEO, including in relation to their fiduciary and statutory responsibilities as well as orientation in respect of the Group's operations.

#### **Relations with shareholders**

The Group is committed to communicating its strategy and activities to shareholders and, to that end, will maintain an active dialogue with investors through a planned investor relations programme. This programme shall include:

- formal presentations of year-end and interim results;
- briefing meetings with major institutional shareholders following the release of results; and
- hosting investor and analyst sessions.

### **Share dealings**

On Listing, the Group will adopt a share dealing policy requiring all Directors, Management and the Company Secretary to obtain prior written clearance from either the chairman or Company Secretary to deal in Shares. The chairman would require prior written clearance from the chairman of the audit and risk committee. Closed periods (as defined in the Listings Requirements) shall be observed as required by the Listings Requirements. During these periods, the Directors, Management and employees would not be permitted to deal in Shares. Additional closed periods would be enforced should the Group be subject to any corporate activity where a cautionary announcement (as defined in the Listings Requirements) is published.

### **Risk Management**

Effective risk management is integral to the Group's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying, assessing and monitoring risks. The Board, when setting strategies, approving budgets and monitoring progress against the budget, considers the identified business risks.

Risk management is addressed in the areas of physical and operational risks, human resource risks, technology risks, business continuity and disaster recovery risks, credit and market risks and compliance risks.

The Group has implemented several policies and procedures to manage its governance, operations and information systems with regard to the:

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with laws, regulations and contracts.

Risks are periodically reviewed and updated on a regular basis.

### **Internal control systems**

To meet the Group's responsibility to provide reliable financial information, the Group maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with Management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that all transactions are properly authorised and recorded.

The systems include a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Group, and the careful selection, training and development of people.

The Group monitors the operation of the internal control systems in order to determine whether there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The Board, operating through the audit and risk committee, oversees the financial reporting process and internal control systems.

There are inherent limitations on the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

### **Eligibility to act as a director or manager**

None of the Directors or Management:

- has been declared bankrupt or insolvent, or has entered into an individual voluntary compromise arrangement to surrender his or her estate;
- has been a director with an executive function of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any compromise or arrangement with the company's creditors generally or with any class of its creditors;

- is or has been a partner in a partnership at a time of, or within 12 months preceding, any compulsory sequestration, administration or voluntary arrangements of such partnership;
- is or has been a partner in a partnership at the time of, or within 12 months preceding, a receivership of any assets of such partnership;
- has had any of his or her assets subject to receivership;
- has had any of the assets of a partnership of which he or she was a partner subject to receivership when he or she was a partner or was a partner within 12 months prior to such an event;
- is or has been publicly criticised by any statutory or regulatory authorities, including recognised professional bodies or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or
- is or has been convicted of any offence involving dishonesty.

## PART IV: SELECTED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The following selected consolidated historical financial information is derived from the consolidated financial statements of the Group for the financial years ended 31 December 2010, 2009 and 2008, all of which were prepared in accordance with IFRS.

The consolidated financial information of the Group for the financial years ended 31 December 2010, 2009 and 2008 presented in this pre-listing statement has been audited by Deloitte & Touche, independent reporting accountants, as stated in a copy of their report appearing in Annexure 2 to this pre-listing statement.

There has been no change in the financial year-end of the Group and no adjustments were made to previous reported historical financial information used in preparing the report of historical financial information.

The selected consolidated financial and other information presented below should be read in conjunction with the consolidated financial information included in Annexure 1 to this pre-listing statement.

### Consolidated Income Statement

	Notes <sup>19</sup>	2010 R'm	Group 2009 R'm	2008 R'm
<b>Revenue</b>	2	6,258.7	5,773.6	5,710.6
Materials, energy and consumables used		(3,344.9)	(3,188.0)	(3,096.5)
Variable selling expenses		(514.8)	(461.9)	(497.8)
<b>Gross margin</b>		2,399.0	2,123.7	2,116.3
Maintenance and other indirect expenses		(253.7)	(235.4)	(226.3)
Personnel costs		(994.6)	(902.2)	(881.5)
Other net operating expenses		(345.9)	(272.4)	(377.5)
Depreciation, amortisation and impairments		(319.5)	(307.2)	(297.1)
Underlying operating profit	2/3	485.3	406.5	333.9
Special items	5	(6.3)	76.7	(1.7)
Net income/(loss) from associates	12	3.4	(0.3)	2.6
<b>Total profit from operations and associates</b>		482.4	482.9	334.8
Net finance costs	6	(386.5)	(467.0)	(492.5)
Investment income		48.1	46.7	42.0
Financing costs		(434.6)	(513.7)	(534.5)
<b>Profit/(Loss) before tax</b>		95.9	15.9	(157.7)
Tax (charge)/credit	7	(46.4)	(76.9)	23.2
<b>Profit/(Loss) from continuing operations</b>		<b>49.5</b>	<b>(61.0)</b>	<b>(134.5)</b>
<i>Attributable to:</i>				
Non-controlling interests		12.7	31.9	10.9
Equity holders of the parent company		36.8	(92.9)	(145.4)
		<b>49.5</b>	<b>(61.0)</b>	<b>(134.5)</b>

<sup>19</sup> For notes, please refer to Annexure 1 to this pre-listing statement.

## Consolidated Statement of Financial Position

	Notes	2010 R'm	Group 2009 R'm	2008 R'm
Intangible assets	9	1,087.6	1,128.8	1,170.8
Property, plant and equipment	10	1,897.9	1,907.5	1,992.4
Investments in subsidiaries	11	–	–	–
Investments in associates	12	52.9	29.5	30.8
Financial asset investments	13	15.4	9.7	3.8
Deferred tax assets	24	50.8	71.2	143.1
Retirement benefits surplus	23	21.3	3.3	–
<b>Total non-current assets</b>		<b>3,125.9</b>	<b>3,150.0</b>	<b>3,340.9</b>
Inventories	14	680.6	718.8	717.2
Trade and other receivables	15	1,176.2	1,245.0	1,308.3
Cash and cash equivalents	16	101.4	315.5	143.2
Derivative financial instruments	17	1.4	3.0	1.9
<b>Total current assets</b>		<b>1,959.6</b>	<b>2,282.3</b>	<b>2,170.6</b>
Asset held for sale	18	171.0	–	–
<b>Total assets</b>		<b>5,256.5</b>	<b>5,432.3</b>	<b>5,511.5</b>
Short-term borrowings	19	(151.5)	(350.5)	(405.3)
Trade and other payables	20	(1,034.4)	(1,179.9)	(1,038.5)
Current tax liabilities		(11.8)	(25.5)	(11.7)
Provisions	21	(20.5)	(15.9)	(16.1)
Derivative financial instruments	17	(5.2)	(2.6)	(3.3)
<b>Total current liabilities</b>		<b>(1,223.4)</b>	<b>(1,574.4)</b>	<b>(1,474.9)</b>
Medium and long-term borrowings	22	(3,589.8)	(3,556.6)	(3,664.5)
Retirement benefits obligation	23	(73.5)	(43.2)	(45.8)
Deferred tax liabilities	24	(20.3)	(35.5)	(53.9)
Other non-current liabilities	25	(50.5)	(66.8)	(72.0)
Derivative financial instruments	17	(27.2)	(19.7)	(26.4)
<b>Total non-current liabilities</b>		<b>(3,761.3)</b>	<b>(3,721.8)</b>	<b>(3,862.6)</b>
Liabilities directly associated with assets classified as held for sale	18	(90.7)	–	–
<b>Total liabilities</b>		<b>(5,075.4)</b>	<b>(5,296.2)</b>	<b>(5,337.5)</b>
<b>Net assets</b>		<b>181.1</b>	<b>136.1</b>	<b>174.0</b>
<b>Equity</b>				
Share capital and share premium	26	244.3	244.3	244.3
Accumulated loss and other reserves		(136.4)	(170.7)	(105.8)
<b>Total attributable to equity holders of the parent company</b>		<b>107.9</b>	<b>73.6</b>	<b>138.5</b>
Non-controlling interests in equity		73.2	62.5	35.5
<b>Total equity<sup>20</sup></b>		<b>181.1</b>	<b>136.1</b>	<b>174.0</b>

<sup>20</sup> For NAV and TNAV please see Annexure 1 to this pre-listing statement.



## Consolidated Cash Flow Statement

	Notes	2010 R'm	Group 2009 R'm	2008 R'm
Cash generated from operations	31a	679.4	1,012.0	309.5
Dividends from associates		–	1.0	2.7
Dividends from subsidiaries		–	–	–
Income tax paid		(30.0)	(15.7)	(2.6)
<b>Net cash generated from operating activities</b>		<b>649.4</b>	<b>997.3</b>	<b>309.6</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries	29	–	(1.3)	(41.9)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	30	–	2.3	–
Investment in property, plant and equipment	10	(269.4)	(193.1)	(435.8)
Proceeds from the disposal of property, plant and equipment	9	3.1	2.5	7.6
Investment in intangible assets	12	(0.2)	–	(0.2)
Investment in associate		(20.0)	–	–
Loan (advances to)/repayments from external parties		(5.8)	(6.2)	9.0
Interest received		18.0	30.7	23.6
<b>Net cash used in investing activities</b>		<b>(274.3)</b>	<b>(165.1)</b>	<b>(437.7)</b>
<b>Cash flows from financing activities</b>				
Repayment of short-term borrowings		(198.8)	(53.4)	–
Proceeds from/(repayment of)medium and long-term borrowings		34.4	(105.4)	551.0
Interest paid		(416.3)	(495.8)	(520.4)
Dividends paid to non-controlling interests		(2.0)	(3.9)	(3.5)
Issue of ordinary share capital		–	–	244.3
Repayment of other non-current liabilities		(6.8)	–	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(589.5)</b>	<b>(658.5)</b>	<b>271.4</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(214.4)</b>	<b>173.7</b>	<b>143.3</b>
Cash and cash equivalents at beginning of the year		310.2	136.5	(6.8)
Cash movement in the year		(214.4)	173.7	143.3
<b>Cash and cash equivalents at end of the year*</b>	31b	<b>95.8</b>	<b>310.2</b>	<b>136.5</b>

\* Cash and cash equivalents includes overdrafts.

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## **PART V: DIVIDENDS, DIVIDEND POLICY AND WORKING CAPITAL**

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### **1. DIVIDENDS AND DIVIDEND POLICY**

No dividends were declared by the Group in the three years ended 31 December 2010.

The Group intends to adopt a dividend policy which reflects its strategy of creating value and growth with the objective of offering Shareholders long-term dividend growth. The Group will target a Dividend Cover of two to three times on average over the cycle, although the payout ratio in each year may vary according to the business cycle.

It is envisaged that interim dividends will be paid in October and final dividends in May of each year, in the approximate proportions of one-third and two-thirds of the annual dividend, respectively.

The negative reserves are as a result of the Group's historical financial structure and do not in any way restrict the Group's ability to make dividend payments to Shareholders, subject to the continued compliance with the solvency and liquidity requirements as set out in the Companies Act and Listings Requirements. The Directors are satisfied that the Group will be compliant with such solvency and liquidity requirements as of the Date of Listing.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Group until claimed, provided that dividends unclaimed for a period of three years from the date they were declared may be forfeited for the benefit of the Group. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or the shareholders at the time of declaration, subject to the Listings Requirements. There are no current arrangements under which future dividends are waived or agreed to be waived. Relevant extracts of the articles of association of the Company relating to dividends are set out in Annexure 9 to this pre-listing statement.

### **2. WORKING CAPITAL STATEMENT**

The Directors are of the opinion that, in the ordinary course of business, the working capital available to Mpac is sufficient for the Group's present requirements, that is, for at least twelve months following the date of this pre-listing statement.

### **3. MATERIAL CHANGE**

There has been no material change in the financial or trading position of the Group since the year ended 31 December 2010.

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## PART VI: INCORPORATION AND SHARE CAPITAL

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### INCORPORATION

The Company was incorporated and registered in South Africa on 7 September 2004 under the Companies Act, Act No. 61 of 1973, as a private limited liability with the name Main Street 249 (Proprietary) Limited and with registration number 2004/025229/07. On 29 December 2007, the Company changed its name to Mondi Packaging South Africa (Proprietary) Limited. On 20 April 2011, the Company was converted from a private limited liability company to a public limited liability company with the name Mondi Packaging South Africa Limited and with registration number 2004/025229/06. By special resolution passed on 4 May 2011, the Company resolved to change its name from Mondi Packaging South Africa Limited to Mpact Limited, which resolution was lodged with the CIPC on 11 May 2011 as required in terms of the Companies Act.

The registered and head office of the company is, 4<sup>th</sup> Floor, 3 Melrose Boulevard, Melrose Arch 2196, Gauteng, South Africa.

The business of the Company, and its principal activity, is to act as an investment holding company.

As at the date of this pre-listing statement, the Company is a subsidiary of Mondi Limited (4<sup>th</sup> Floor, 3 Melrose Arch 2196, Gauteng, South Africa). Following implementation of the Demerger, the Company will not be a subsidiary of any other company. As at the Date of Listing, no Shares will be listed on any stock exchange other than the JSE. The Company has not issued any debentures.

### 1. SHARE CAPITAL AND SHARE PREMIUM

The authorised and issued share capital for the Company as at the date of this pre-listing statement is as follows:

	<b>Stated capital R'm</b>
<b>Authorised share capital<sup>21</sup></b>	
217,500,000 Shares (of no par value)	-
<b>Stated capital</b>	
23,192,750 Shares (of no par value)	<b>244</b>

The authorised and issued share capital of the Company as at the Date of Listing will be as follows:

	<b>Stated capital R'm</b>
<b>Authorised share capital<sup>22</sup></b>	
217,500,000 Shares (of no par value)	-
<b>Stated capital</b>	
164,046,476 Shares (of no par value)	<b>2,334</b>

### Description of Shares

In accordance with the terms of the articles of association of the Company, the rights or restrictions attached to all or any shares of any class may be amended, modified or varied only by way of a special resolution of the holders of such shares, provided that any amendment, modification or variation which directly or indirectly adversely affects those rights or restrictions can only be effected with the prior written consent or ratification of the holders of at least three-quarters of the shares in question, or the approval of or ratification by a resolution passed at a separate general meeting of the holders of the shares in question in the same manner as a special resolution.

All authorised and issued ordinary shares in the Company will be of the same class and will rank *pari passu* in every respect. All Shares will be entitled to have equal rights to participate in capital, dividend and profit distributions by the Company. Any variation of rights attaching to such shares will require a special resolution of the Company's shareholders in a general meeting in accordance with the articles and the Companies Act. In accordance with the articles, at any general meeting, every Shareholder present in person or by proxy (or if a body corporate, duly represented by an authorised representative) shall have one vote on a show of hands and on a poll every Shareholder present in person or by proxy shall have

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<sup>21</sup> See paragraph 5 of this Part VI.

<sup>22</sup> See paragraph 5 of this Part VI.

one vote for each share of the class of which the Shareholder is a holder. Set out in Annexure 9 to this pre-listing statement are extracts from the articles of association of the Company dealing with the rights of holders of shares to dividends, profits and/or capital, including rights on liquidation and distribution of capital assets.

Immediately following the Listing, by ordinary resolution passed by the Shareholders of the Company on 4 May 2011, not more than 5% of the authorised but unissued ordinary shares in the Company be under the control of the Directors, subject to the provisions of the Companies Act and the Listings Requirements.

There are no founders' or deferred shares. Other than the Shares which are expected to be listed on the JSE, no other securities have been issued by the Company nor listed on any other stock exchange.

In terms of the articles of association of the Company, dividends due to holders of shares which are retained and remain unclaimed for a period of three years after the payment date of the dividend in question shall be forfeited to the Company and may be dealt with by the Directors as they deem fit.

## **2. ALTERATIONS TO SHARE CAPITAL AND SHARE PREMIUM**

By special resolution registered on 28 November 2008, the Company: (i) sub-divided its authorised ordinary share capital of R1,000 divided into 1,000 shares of R1.00 each into 1,000,000 ordinary shares of R0.001 each; and (ii) issued ordinary share capital from R100 divided into 100 ordinary shares of R1.00 each into 100,000 ordinary shares of R0.001 each. By special resolution passed on 28 March 2011 and registered with the Registrar on 20 April 2011, the Company was converted from a private company to a public company and adopted articles of association which are in a form appropriate for a company listed or to be listed on the JSE, being in compliance with the Listings Requirements.

In order to ensure that: (i) Mondi Limited shall hold sufficient Shares to enable Mondi Limited to distribute the Demerged Shares to the Mondi Limited Shareholders; and (ii) that the Company complies with the provisions of the Listings Requirements in respect of applicant issuers seeking to list their shares on the Main Board of the JSE, by special resolution passed on 28 April 2011: the share capital of Mpact was altered by: (a) increasing the authorised share capital from 1,000,000 shares of R0.001 each to 1,500,000 ordinary shares of R0.001 each; (b) following the increase in the authorised share capital referred to herein, sub-dividing all authorised shares from 1,500,000 ordinary shares of R0.001 each into 217,500,000 ordinary shares of R0.0000069 each and all issued shares from 159,950 ordinary shares of R0.001 each into 23,192,750 ordinary shares of R0.0000069 each (c) all issued and authorised ordinary shares in the Company were converted from ordinary shares with a par value of R0.0000069 each to ordinary shares with no par value.

In order to ensure that the capital structure of Mpact complies with the provisions of the Listings Requirements in respect of applicant issuers seeking to list their shares on the Main Board of the JSE, each of Mondi Limited and Shanduka have irrevocably agreed in writing to subscribe for 140,853,726 new Shares immediately following the date on which the Demerger Conditions Precedent are fulfilled or waived (expected to be Thursday, 30 June 2011) and subject only to the fulfilment or waiver of the Demerger Conditions Precedent. Upon receipt of the subscription amounts due, the Company will allot and issue the relevant new Shares in the Company to each of Mondi Limited and Shanduka. Following such subscriptions, the total number of issued Shares will be 164,046,476.

Mpact also procured the amendment of the articles of association of each of its subsidiaries in order to ensure that such articles shall comply with the requirements of Schedule 10 of the Listings Requirements (dealing with requirements for articles of association of subsidiaries of companies listed on the JSE).

Alterations to the share capital of the Company's subsidiaries which have occurred during the past three years are set out in Annexure 6 to this pre-listing statement.

The Company has not had any share repurchases in the three years immediately preceding the date of this pre-listing statement.

## **3. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES**

Save in respect of share incentives for management of Mpact (set out in Part III (*Management and Corporate Governance*) of this pre-listing statement, the Company is not party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any shares in the Company.

#### 4. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SUBSIDIARIES OF THE COMPANY

None of the Company's subsidiaries are party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any shares in any subsidiary.

#### 5. SHAREHOLDING

##### Controlling shareholders

The following table presents information showing the holdings in the issued ordinary share capital of the Company as at the date of this pre-listing statement, as at the Date of Listing and immediately after the Demerger.

Shareholders	Number of Shares held as at the date of this pre-listing statement	Percentage of Shares held as at the date of this pre-listing statement	Number of Shares held immediately before Listing	Percentage of Shares held immediately before Listing	Number of Shares held immediately after the Demerger	Percentage of Shares held immediately after the Demerger
Mondi Limited	16,233,185	69.99	146,896,322	89.55	–	–
Shanduka	5,800,000	25.01	17,150,154	10.45	17,150,154	10.45
Mondi Employee Investments <sup>23</sup>	1,159,565	5.00	–	–	–	–
	<b>23,192,750</b>	<b>100.00</b>	<b>164,046,476</b>	<b>100.00</b>	<b>17,150,154</b>	

Following the Demerger, Mpact will not have a controlling shareholder.

##### Anticipated Major Shareholders at the Date of Listing

Based on the Mondi Limited shareholder register as at 29 April 2011 and Mpact's shareholding immediately prior to Listing, the Directors are aware of the following shareholders that will hold directly 5% or more of the issued share capital of Mpact immediately following the Demerger:

Shareholder	Percentage holding in Shares
Shanduka	10.45
GEPF Equity	9.96

Save as indicated above, and as at the Last Practicable Date, the Directors have no certainty whether any of the shareholders could be beneficially interested in approximately 5% or more of the issued share capital of Mpact.

##### Shareholders' and Directors' lock-ups

Shanduka has undertaken to Mpact to maintain its shareholding in Mpact held immediately after the Demerger for a period of 180 days from the date of the Demerger.

The Directors have undertaken to Mpact to maintain Shares, if any, received by them pursuant to the Demerger for a period of 180 days from the date of the Demerger.

##### The Shareholders' Agreement

Pursuant to an agreement amongst the parties thereto, the Shareholders' Agreement, dated 29 November 2004, amongst the Company, Mondi Limited and Shanduka, as amended from time to time, and governing, *inter alia*, the relationship between the Company and its Shareholders, will be terminated in its entirety from the Date of Listing and no party to that agreement shall have any further obligations or rights thereunder.

<sup>23</sup> Mondi Limited will acquire all the Shares held by Mondi Employee Investments prior to Listing.

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## **PART VII: RISK FACTORS**

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Investors should consider carefully the risks described below together with all other information in this document. Any of the risks described below could have a material adverse impact on the Group's business, financial condition and results of operations and could therefore have a negative effect on the trading price of the Shares and affect its investments. Additional risks and uncertainties not presently known to the Group, or that the Company currently deems immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations.

### **RISKS RELATING TO THE GROUP AND THE PACKAGING INDUSTRY**

#### ***The Group operates in a highly competitive environment***

The markets for paper and/or plastic packaging products are highly competitive with many participants. Competition in the markets in which the Group operates is based principally on some or all of the following factors, depending on the product and market involved: price, quality, product specifications, overall product performance and service. The Group principally competes with other domestic packaging manufacturers as well as importers of containerboard and cartonboard used as raw material in converting operations. The Group also competes with some international manufacturers in international markets. Some of these competitors may have greater market presence and/or financial and other resources than the Group, allowing them to make investments in manufacturing facilities and/or product development at levels that the Group may not be able to match. If the Group's competitors are able to establish lower cost operations, or utilise technology that creates higher quality standards that the Group cannot meet, those competitors may be able to increase their market share to the detriment of the Group's business. Any failure by the Group to compete successfully with other producers or merchants of packaging products could result in a reduction in its market share and have a material adverse effect on the Group's business, financial condition and/or results of operations.

#### ***A period of high raw materials, energy or consumables costs could negatively affect the Group's profitability***

Raw materials, energy and consumables used by the Group include significant amounts of recovered paper, wood, pulp, packaging papers, chemicals and plastic polymers. Over the last three years, raw materials, energy and consumables accounted for approximately 60% of the Group's total operating costs. The prices for many of these raw materials generally fluctuate in correlation with global commodity cycles. There can be no assurance that the Group will be able to secure all of its future resource requirements at acceptable prices or that its margins for some or all of its products will not decline due to an inability to pass on the full impact of increased costs associated with resource inputs. An increase in the cost of raw materials, in particular recovered paper, wood, pulp, plastic polymers or, for the purposes of converting operations, packaging paper, to the extent not reflected in the prices for the Group's products, could have a material adverse effect on its business, financial condition and/or results of operations.

The Group's operations are substantially dependent on electricity supplied by Eskom Holdings Limited ("Eskom"), the State-owned utility. The Group is a significant consumer of electricity and steam and is dependent on outside suppliers for raw materials used in the production of energy, particularly coal. Consequently, increases in the prices of electricity and coal could have a material adverse effect on the Group's business, financial condition and/or results of operations. Eskom and the National Energy Regulator of South Africa ("NERSA") continue to recognise the need for new supply capacity and a series of tariff increases and proposals have been tabled. In the third quarter of 2009, Eskom applied to NERSA for a tariff review to obtain an additional 45% increase annually for the next three years, which was later reduced to 35% annually for three years. On 24 February 2010, NERSA approved an increase of about 25% per year for three years, and as energy prices represent a large portion of the Group's operating costs in South Africa, the resulting increases will have an adverse impact on the cash costs of its South African operations. There can be no assurance that the Group will be able to secure all of its future energy requirements at price levels that are comparable to those that have prevailed in the past or that its margins for some or all of its products will not decline due to an inability to pass on the full impact of costs associated with resource inputs.

#### ***Product prices in the packaging industry are subject to significant fluctuations***

Prices for the Group's products are affected by overall changes in capacity and production and by demand for paper and packaging products which is in turn influenced by general economic conditions and inventory levels maintained by its customers. Changes in these factors have, in the past, resulted in significant fluctuations in the prices for the Group's products and can be expected to have a similar effect in the future. Changes in price differ between products and geographic regions and the timing and magnitude of such changes have

varied significantly over time and are unpredictable. There can be no assurances that prices for the Group's products will increase or even remain at present levels. Any deterioration in prices, or an increase in raw material costs compared to the Group's competitors without a corresponding increase in the price the Group is able to realise, could have a material adverse effect on its business, financial condition and/or results of operations. In particular, the creation of additional production capacity as a result of the Group's competitors building new mills or plants or expanding existing mills or plants could have a disruptive influence in the market as additional capacity can lead to excess supply. This is a particular risk in the paper markets in which the Group operates, where the incremental capacity of a single new facility can be significant relative to the size of the market it serves. The impact on product prices brought about by additional capacity could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***Significant interruption to the operations of any of the Group's major manufacturing facilities could adversely impact on the Group's financial results***

The Group has five major manufacturing facilities. These are the Springs, Piet Retief, Felixton mills, Epping corrugated packaging plant (Western Cape) for the paper business and Wadeville (Gauteng) rigid plastics plant. If operations at any of these key manufacturing facilities were interrupted for any significant length of time for any reason, it could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***Exchange rate fluctuations may have a significant adverse impact on the Group's financial results***

The Group's operating currency is the South African Rand, but to the extent the value of the Rand fluctuates in relation to other currencies, this may have a material impact on its business. In particular, if the value of the Rand was to appreciate significantly, this may have a material impact on the Group's competitiveness and on demand for certain of its products. Firstly, the Group would face increased competition from importers into South Africa of packaging products whose costs would be relatively lower. Secondly, the Group's exports of certain products, in particular the containerboard products, would be less competitive since the Group would not likely be able to pass on the higher costs to its customers and its margins would therefore be reduced, and if the Group did raise prices its sales may be reduced. Finally, those customers of the Group (particularly producers of agricultural goods) who rely on significant exports for revenues may also suffer a reduction in demand for their products if they are relatively more expensive which could in turn, reduce customers' demand for the Group's corrugated packaging products. As a result, any significant fluctuation in the value of the South African Rand could have a material effect on the Group's business, financial condition and/or results of operations.

***As a result of its rebranding as part of the listing process, the Group will no longer benefit from the brand recognition associated with the Mondi Group of companies***

As part of the Group's establishment as an independent group and the listing of the Company on the JSE, the Company will change its name to Mpact Limited. The Mondi Group is a global packaging concern and the "Mondi" brand name has been in use for several decades. The Group believes that the "Mondi" brand holds an intrinsic value and that customers associate the brand with the quality and service that the Group has always provided. If the Group's management and sales teams are unable to convey to its customers the continuation of the Group's business under its new name, or if the Group is unable to retain its business with customers or retain certain customers or increase its market share as a result of the Group's discontinued use of the "Mondi" name and logo, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***The Group has no history of operating as a stand-alone entity***

As an entity newly separated from the Mondi Group of companies, the Group has no independent operating history. Certain administrative functions of the Group which were previously managed by Mondi Limited including the internal audit and company secretarial functions will have to be undertaken by the Group at its own expense upon completion of the Listing. Additionally, the Group will have to meet all of its own cash requirements through funds generated internally from operations and external borrowings, which may be more costly, and will not receive any further funding from the Mondi Group. Any failure by the Group to adequately adapt to operating as a stand-alone entity could have an adverse effect on the Group's business, financial condition and/or results of operations.

***The Group may face high costs for compliance with environmental and health and safety laws and regulations and/or in respect of remediation of contamination, which could reduce profit margins and earnings***

The Group's operations generate hazardous and non-hazardous waste and emissions to the air and water. These wastes and emissions are regulated under various environmental laws and regulations in South Africa and other jurisdictions in which the Group operates or where the relevant waste or emission occurs. Permits are required for many of the Group's operations and these permits may be subject to modification, renewal

or revocation by the regulatory authorities. Other applicable environmental laws relate to, among other things, the use of recycled material. The Group is also subject to laws relating to human health and safety. There can be no assurance that the Group will not incur significant environmental and health and/or safety costs and liabilities in the future or that the adoption of increasingly strict environmental and/or health and safety laws, regulations and enforcement policies will not result in substantially increased costs and liabilities in the future and/or require changes in the Group's business. A failure to comply with existing laws or permits or future laws, once implemented, could give rise to civil or criminal penalties, including fines and a requirement to cease the non-compliant operations. The Group may also incur material expense in respect of future remediation obligations arising from ground or water contamination which occurs during current operations, after such operations have ceased or as a result of past operations. Higher regulatory, environmental and similar costs could have a material adverse effect on the Group's financial condition and/or results of operations.

***Changes in consumer preferences could adversely affect demand for the Group's products***

Changes in consumer preferences have affected the demand for packaging products in general and demand for specific grades or types of packaging products. Some of the most significant changes in consumer preferences relating to packaging usage have included interest in environmentally-friendly products.

The Group's ability to meet shifts in consumer demand will depend upon its ability to anticipate correctly anticipate changes in consumer preferences and its ability to develop and produce new products on a competitive and cost-effective basis. There can be no assurances that the Group will be able to meet changes in consumer preferences in the future, and the failure to do so could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***The Group may face competition related to substitute packaging products***

In addition to competition from other manufacturers of paper and/or plastic packaging products, the Group also faces competition from producers of alternative packaging materials, such as glass and metal. If the increasing use of such alternative materials for certain applications results in a corresponding decrease in demand for paper and/or plastic packaging products, or if the Group is unable to compete successfully with producers of these competitive products, it could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***A substantial portion of the Group's revenue is generated from its key customers, and the loss of any of these customers would adversely affect the Group***

The markets in which the Group's customers operate are fairly consolidated and, accordingly, the Group's exposure to single customers is concentrated. In 2010, the Group's 10 largest customers accounted for 27% of the Group's total revenue. If the Group loses any significant customer, or if a significant customer reduces, delays or cancels a significant volume of business at one or more fabrication facilities or production lines, the Group's business and results of operations may be adversely affected.

***The Group is exposed to the risk of default by its customers and suppliers***

The Group has entered into a number of financial and other agreements with customers, suppliers and other counterparties. It is exposed to the risk of default by customers who have agreed to purchase products from the Group, suppliers who have agreed to supply goods or services to the Group and others with whom it has entered into financial and other arrangements. The Group's customers and suppliers may be adversely affected by economic conditions, disruptions to the capital and credit markets and decreased demand for their products and services. The Group's exposure to default by counterparties may increase if economic conditions deteriorate. If any of the Group's key customers or suppliers, or a significant number of smaller customers and suppliers, are further adversely affected by these risks, it may face further reductions in demand for its products, failure of customers to pay invoices when due and disruptions in supply or distribution channels which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

***Adverse economic and credit market conditions may have a material adverse effect on the Group's ability to raise future debt or equity***

The Group's ability to raise debt and/or equity financing in the medium and longer term will be significantly influenced by, among other things, general economic conditions, developments in the credit markets, volatility in the equity markets, investors' desire to maintain cash and to assume additional levels of risk and its credit rating. There can be no assurance that the Group will be able to raise debt and/or equity finance on attractive terms, or at all, and it may need to seek additional financing from alternative sources, which could be on unfavourable terms or at a higher cost than it currently pays. If this were to occur, it could have a material adverse effect on the Group's business, financial condition and/or results of operations.



Moreover, incurrence of additional debt financing would increase the Group's interest expense and reduce cash available for other purposes and could involve restrictive covenants that could have a negative impact on its ability to operate its business in the desired manner. A failure to obtain funds could prevent the Group from realising its strategy and could, in turn, have a negative impact on its competitive position and a material adverse effect on the Group's business, financial condition and/or results of operations.

***The Group is subject to land claims in South Africa***

In South Africa, the Restitution of Land Rights Act, Act No. 22 of 1994, provides remedies for persons who were dispossessed of rights in land as a result of past racially discriminatory laws or practices. The Land Claims Court is empowered to make orders concerning the restoration of land (or any portion thereof), the payment of compensation, compelling the State to include a claimant as a beneficiary in the State support programme for housing or granting the claimant an appropriate right in alternatively designated State land or with any alternative or appropriate relief. The Group is aware that a land claim has been lodged in relation to the land on which its Piet Retief mill is located. The Group can give no assurance that this land claim, or any other land claims of which it is not aware, will not have an adverse effect on the Group's rights to the properties that are subject to the land claims or the Group's business, financial condition and results of operation.

***The Group's ability to operate its business effectively could be impaired if it fails to attract and retain key personnel***

The Group's operations are dependent on the experience, skills and knowledge of its executive officers, senior management and key employees who provide expertise and experience crucial to the Group's business and the implementation of the Group's strategy. If the Group loses or suffers an extended loss in the services of one or more of its executive officers or its key employees, its business operations could be materially disrupted, which could have a material adverse effect on the business, prospectus, financial condition or results of operations. Furthermore, the failure of the Group to recruit and retain key personnel, may cause a significant disruption to the Group's business, including its ability to implement the Group's strategy, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***Failure to maintain good employee relations may affect the Group's operations and the success of its business***

As of the year ended 31 December 2010, approximately 60% of the Group's employees were members of trade unions. The Group may in future be subject to strikes or other industrial action which may have an adverse effect on the Group's business, operation results or financial conditions. Whilst the Directors believe that relations between the Group and its employees and works councils are currently satisfactory, there can be no assurance that future developments in relation to the Group's businesses could not affect such relationships. A sustained labour dispute leading to a substantial interruption to the overall business of the Group could have a material adverse effect on the Group's business, financial condition and/or results of operation.

***The Group may be adversely affected by increasing costs in maintaining its required level of workforce***

The Group's workforce constitutes a significant proportion of its cost base. In addition, the Group operates in Africa, where wages are typically significantly below levels in more mature markets. As the economies of the jurisdictions in which the Group develop, it is possible that there will be above inflationary pressures on wages. Any inflationary pressures, as well as changes in applicable laws and regulations or other factors resulting in increased labour costs, could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***The Group's insurance coverage may be insufficient to cover losses or it could be subject to uninsured liabilities***

There are circumstances where insurance will not cover or be adequate to cover the consequences of an event, or where the Group may become liable for costs incurred in events or incidents against which it either cannot insure or may have elected not to have insured (whether on account of prohibitive premium costs or for other commercial reasons). Although the Group maintains insurance that it considers to be adequate, liabilities might exceed policy limits. Insurance fully covering environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from production and processing) is not generally available to the Group. An uninsured loss could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***The Group could be adversely affected by the application of competition laws***

The Group is subject to competition laws in South Africa and the other jurisdictions in which it operates. The South African authorities have been actively scrutinising different industries in South Africa. Therefore, companies in the South African packaging industry also face the risk that their business could be adversely

affected by an investigation. Furthermore, any future acquisitions by the Group of other companies in the packaging industry will be subject to obtaining approval for such acquisitions from competition authorities.

## **RISKS RELATED TO SOUTH AFRICA AND EMERGING MARKETS**

Although the Group operates primarily in South Africa, it also has operations in Namibia, Mozambique and Zimbabwe. The risk factors below focus on risks applicable to companies operating in South Africa, but many of the risks are applicable to the Southern African region generally.

### ***Political, social and economic conditions in South Africa or regionally could adversely affect the Group's business***

The Group is based in, and derived 91% of its revenue for the 2010 financial year from operations in, South Africa. The political, social and economic conditions in South Africa can have an effect on the business of the Group. South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people. The extent to which these challenges are not overcome may have a negative impact on the South African economy and, in turn, the Group's results of operations.

There has also been regional political, social and economic instability in some of the countries surrounding South Africa. The potential for resulting political, social and economic instability in the region could negatively affect the South African economy and political situation which, in turn, could have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

### ***There are risks associated with investing in emerging markets***

South Africa is generally considered by international investors to be an emerging market. Emerging markets are typically perceived by international investors to have certain characteristics and risks, including:

- potential for changes in economic and governmental policy;
- potential for changes in existing laws and regulations;
- relatively low levels of disposable consumer income;
- relatively higher interest rates;
- relatively higher exchange rate volatility; and
- relatively higher rates of HIV/AIDS and other serious communicable diseases such as tuberculosis.

### ***South African Exchange Control restrictions could hinder the Group's ability to make foreign investments and procure foreign denominated financings***

South Africa's Exchange Control Regulations restrict business transactions between residents of the Common Monetary Area, and non-residents of the Common Monetary Area.

These restrictions could hinder the Group's ability to make foreign investments and procure foreign denominated financings in the future.

### ***Non-compliance with BBBEE initiatives in South Africa could affect the Group's business prospects and revenue***

Under the laws, codes and regulations promulgated by the South African Government to promote BBBEE, the government awards procurement contracts, quotas, licenses, permits and other rights based on numerous factors including the BEE status of applicants. The Group is encouraged to comply with procurement, employment equity, ownership and other requirements, which are designed to redress historical social and economic inequalities and ensure socio-economic stability in South Africa. The shareholding levels of the Company's BBBEE shareholders will decrease following the implementation of the Demerger and may decrease further in the future. A company's BEE status is an important factor considered by government and other public bodies in awarding contracts, and may influence relationships with customers or suppliers as it has an affect on the BBBEE status of those customers or suppliers. If the Group fails to maintain its BBBEE status, its ability to obtain public contracts and licenses could be adversely affected and customers and suppliers might also be less likely to procure or supply products from the Group, particularly where the Group's competitors have a "better" status.

## **RISKS RELATED TO THE DEMERGER**

### ***The absence of an existing market for the Shares may limit their liquidity***

Since the Shares have not previously been traded, there is currently no active market for the Shares. Although the Shares are expected to be listed on the exchange operated by the JSE, there is no guarantee that an active trading market for the Shares will develop and continue after the Listing. If no active trading in the Shares develops or continues after the Listing, this could have a material adverse effect on the liquidity and the market price of the Shares.

### ***The market price of the Shares may prove to be volatile and is subject to fluctuations, including significant decreases***

The market price of the Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the Group's financial performance, including changes in general market conditions, the general performance of the exchange operated by the JSE, changes in sentiment in the market regarding the Shares (or securities similar to them), regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments for the Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, speculation about the Group's business in the press, media or the investment community, or changes in the political, social or economic conditions in Southern Africa. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Shares.

### ***Holders of Shares may not be able to exercise their pre-emptive rights***

Holders of shares of South African companies are in certain circumstances entitled to pre-emptive rights pursuant to South African law and the Company's articles of association. While all Shares will be of the same class and rank *pari passu*, non-South African holders of Shares may not be able to exercise pre-emptive rights for Shares, unless the Company decides to comply with applicable local laws and regulations outside of South Africa. No assurance can be given that the Company will elect to comply with such applicable local laws and regulations.

### ***Future sales of substantial amounts of Shares, or the perception that such sales could occur, could adversely affect the market value of the Shares***

Immediately following the Listing, there will be 164 046 476 Shares in issue. In connection with the Demerger, each of Shanduka and the Directors have agreed, subject to certain customary exceptions, to certain lock-up arrangements in respect of their holdings of Shares held prior to the Listing. These limitations will apply from the date of Demerger for a period of 180 days in the case of Shanduka and the Directors. Other shareholders will not be restricted in their ability to sell further Shares after the Listing.

The Company cannot predict whether substantial numbers of Shares will be sold by such persons following the expiry of the lock-up period. In particular, there can be no assurance that after this period expires, Shanduka and the Directors will not reduce their holdings of Shares. A sale of a substantial number of Shares, or the perception that such sales could occur, could materially and adversely affect the market price of Shares and could also impede the Group's ability to raise capital through the issue of equity securities in the future.

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## **PART VIII: PARTICULARS OF THE DEMERGER**

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### **1. PURPOSE AND MECHANICS OF THE DEMERGER**

On Thursday, 7 April 2011, Mondi announced its intention to demerge the Group and separately list the Company. The Demerger will be implemented by way of a dividend *in specie* from Mondi Limited to Mondi Limited Shareholders on Monday, 18 July 2011 on the basis of one Mpack Share for every one Mondi Limited Share held by each such Shareholder on the Demerger Record Date.

Mpack is unique within the Mondi Group as no other part of the Mondi Group produces rigid plastics or cartonboard. Mpack's primary growth opportunities going forward are expected to be in expanding the rigid plastics business, thereby diverging further from the Mondi Group's core strategic focus. The primary rationale for seeking a separate JSE listing for Mpack is that it will allow it to pursue its own growth strategy without the constraint of a shareholder that has differing strategic priorities. It is considered that a separate listing for Mpack, with the ability to independently access capital in support of its strategic objectives, is in the best interests of Mpack, the Mondi Group and related stakeholders, including employees. The Demerger thereby endorses Mpack's own strategy and provides a clear benefit as both the Mondi Group and Mpack will be able to take better advantage of their respective growth opportunities.

Immediately prior to the Demerger Shanduka will hold a stake 10.45% of the entire issued share capital of Mpack and has undertaken to remain invested in Mpack for a period of 180 days following the Demerger.

Immediately prior to the Demerger and Listing, Mondi Limited will hold 89.55% of the entire issued share capital of Mpack.

The Demerger, if it proceeds, is proposed to be effected by the payment, as a dividend *in specie*, of the Demerged Shares to Mondi Limited Shareholders following the satisfaction of the Demerger Conditions Precedent outlined below. The dividend *in specie* will result in Mondi Limited's shareholding in Mpack being transferred to Mondi Limited Shareholders, on Mondi Limited's register on the Demerger Record Date, on a *pro rata* basis of one Share for every one Mondi Limited Share held on the Demerger Record Date. It is proposed that the payment of the dividend *in specie* will be on Monday, 18 July 2011 and the Demerger will become effective on the same date.

### **2. DEMERGER CONDITIONS PRECEDENT**

The Demerger is conditional (amongst other things) on the approval of the Resolutions. It should be noted that, although it is currently Mondi's intention that the Demerger should be concluded, Mondi shall be entitled to decide not to proceed with the Demerger at any time prior to the Finalisation Date.

The Demerger needs to be approved by the Mondi Shareholders. The Resolutions:

- (a) authorise the Mondi Boards to pay the dividend *in specie* to effect the Demerger and authorise the Mondi Boards to do any other acts as may be necessary to effect the Demerger; and
- (b) approve the Mondi Limited Share Consolidation and authorise the Mondi Boards to do any other act necessary to effect the Mondi Limited Share Consolidation.

If any of the Demerger Conditions Precedent are not fulfilled, the Demerger and the Listing will not proceed. Furthermore, if the Demerger Conditions Precedent are fulfilled but the Demerger is not implemented, the Listing will not proceed.

### **3. SHARE CAPITAL ON DATE OF LISTING**

The issued share capital of the Company on the Date of Listing will be 164,046,476 Shares.

### **4. LISTING OF THE SHARES ON THE JSE**

The JSE has granted a listing by way of introduction of all of the Shares in issue, in the "Containers & Packaging" sector of the JSE lists under the abbreviated name Mpack with effect from 9:00 a.m. (South African time) on Monday, 11 July 2011. The "ISIN" of the Shares will be ZAE000156501. The Listing is conditional upon the Demerger being approved and being implemented.

It is expected that Listing will occur on Monday, 11 July 2011 and that dealings will commence in the Shares on the JSE at 09.00 am (South African time) on that date. It is expected that the Demerger will be effected on Monday, 18 July 2011.

The entitlement to receive Shares pursuant to the Demerger is not transferable. None of the Shares have been marketed to, nor are any available for purchase by, in whole or in part, the public in South Africa or elsewhere in connection with the Listing.

Shares can be held in certificated or uncertificated form. It is expected that certificates for Demerged Shares will be dispatched by Monday, 18 July 2011. The certificates will not be renounceable.

Shares will only be traded on the JSE as dematerialised shares and accordingly all Shareholders who hold Certificated Shares will have to dematerialise their Certificated Shares should they wish to trade on the JSE.

All documents, certificates, cheques or other communications sent by or to Shareholders will be sent at their own risk and may be sent by post.

## **5. APPLICABLE LAW**

The Demerger will be exclusively governed by the laws of South Africa.

## **6. STRATE**

Shares may only be traded on the JSE in electronic form as Dematerialised Shares and will be trading for electronic settlement in terms of Strate immediately following the Listing.

Strate is a system of “paperless” transfer of securities. If investors have any doubt as to the mechanics of Strate they should please consult their broker, CSDP or other appropriate adviser. Please also refer to the Strate website (<http://www.strate.co.za>). Some of the principal features of Strate are as follows:

- electronic records of ownership replace share certificates and the physical delivery of share certificates;
- trades executed on the JSE must be settled within five business days;
- all investors owning Dematerialised Shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning Dematerialised Shares specifically request their CSDP to register them as an “own name” shareholder (which entails a fee), their CSDP’s or broker’s nominee company, holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP’s or broker’s nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or broker (or the CSDP’s or broker’s nominee company), as to how it wishes to exercise the rights attaching to the Shares and/or to attend and vote at shareholders’ meetings.

## **7. EXCHANGE CONTROL REGULATIONS**

Currency and shares are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of the South African Reserve Bank, as described more fully under Part X (*Exchange Control*) in this pre-listing statement.

## **8. OVERSEAS SHAREHOLDERS**

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the Demerger. Overseas Shareholders should inform themselves about and observe all applicable legal requirements. It is the responsibility of any person into whose possession this pre-listing statement comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the allotment and issue of Demerger Shares following the Demerger, including the obtaining of any governmental, Exchange Control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

This pre-listing statement has been prepared for the purposes of complying with the requirements of the JSE and the information disclosed may not be the same as that which would have been disclosed if this pre-listing statement had been prepared in accordance with the laws of jurisdictions outside South Africa.

**THIS PRE-LISTING STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS DOCUMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

**Overseas shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Demerger in their particular circumstances.**

## **Restricted Shareholders**

Shareholders in certain jurisdictions outside of South Africa may not be entitled to receive any Demerged Shares if such receipt may involve unduly onerous registration or approval requirements under local securities laws. It shall be in the Directors of Mondi Group's sole discretion as to whether the Demerged Shares will be distributed to the Restricted Mondi Limited Shareholders. A mechanism will be put in place so that the Demerged Shares due to such Restricted Mondi Limited Shareholders will not be delivered to Restricted Mondi Limited Shareholders personally, but rather will be delivered, following the Demerger, to a third party in South Africa nominated by Mondi Group, which will hold such Demerged Shares on behalf of the Restricted Mondi Limited Shareholders. Mondi Limited or the third party shall co-ordinate the disposal of the Demerged Shares due to such Restricted Mondi Limited Shareholders for cash in South Africa and distribute the cash proceeds therefrom (translated into the relevant local currency from South African Rand at the ruling exchange rate at the relevant exchange rate at the relevant time net of applicable fees, expenses, taxes and charges) to Restricted Mondi Limited Shareholders, in proportion to such Restricted Mondi Limited Shareholders' entitlement to Demerged Shares. There can be no assurance as to what price such Restricted Mondi Limited Shareholders will receive from the disposal of such Demerged Shares or the timing or exchange rate conversion of such receipt.

## **US Shareholders**

The Demerged Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up or renounced, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The directors of Mondi have determined that it may impose unduly onerous obligations on Mondi were it to distribute Demerged Shares into the United States pursuant to the Demerger. Accordingly, the Demerged Shares will not be offered, sold or distributed to US Mondi Limited Shareholders unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, this document does not constitute, or will constitute, or form, or will form, part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for Demerged Shares in the United States.

Subject to certain exceptions, US Mondi Limited Shareholders will not receive Demerged Shares unless an exemption from the registration requirements of the US Securities Act is available. Instead, subject to certain exceptions, the Demerged Shares due to US Mondi Limited Shareholders will be delivered, following the Demerger, to a third party in South Africa nominated by Mondi Group, which will hold such Demerged Shares on behalf of the US Mondi Limited Shareholders and who shall, on the basis set out in the paragraph on Restricted Shareholders immediately above, co-ordinate the disposal of the Demerged Shares due to such US Mondi Limited Shareholders for cash in South Africa, pursuant to Regulation S, and distribute the cash due to US Mondi Limited Shareholders (translated into US Dollars from South African Rand at the ruling exchange rate at the relevant exchange rate at the relevant time net of applicable fees, expenses, taxes and charges), in proportion to their entitlement to Demerged Shares.

There can be no assurance as to what price such US Mondi Limited Shareholders will receive from the disposal of such Demerged Shares or the timing or exchange rate conversion of such receipt or the exchange rate that is achieved in converting the proceeds of the disposal of such Demerged Shares from South African Rand to US dollars.

The Demerged Shares being offered outside the United States are being offered in reliance on Regulation S. Subject to certain exceptions, any person who acquires Demerged Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or accepting delivery of the Demerged Shares, that they are not, and that at the time of acquiring the Demerged Shares they will not be, in the United States or acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person in the United States.

Notwithstanding the foregoing, Mondi reserves the right to offer and deliver the Demerged Shares to a limited number of Shareholders in the United States reasonably believed to be "qualified institutional buyers" within the meaning of Rule 144A under the US Securities Act ("QIBs"), in offerings exempt from, or in a transaction not subject to, the registration requirements under the US Securities Act. If you are a QIB, in order to acquire any Demerged Shares, you must sign and deliver an investor letter.

No representation has been or will be made by Mondi as to the availability of an exemption under the US Securities Act or any state securities laws for the re-offer, sale, pledge or transfer of the Demerged Shares by any investor.

Any person in the United States who obtains a copy of this document should inform themselves about and observe any legal restrictions and any person in the United States who is not a QIB is required to disregard it.

Mondi Group reserves the right not to distribute any Demerged Shares to Mondi Limited Shareholders with a registered address in the United States, that provide an address in the United States for the acceptance of Demerged Shares or that otherwise appear to Mondi to be located in the United States, where Mondi believes delivery of the Demerged Shares may infringe on applicable legal or regulatory requirements.

## **9. ANNOUNCEMENTS**

Mondi Group will announce the Demerger becoming effective and Mpact being listed via a SENS release.

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## **PART IX: TAXATION**

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The following summary describes certain tax consequences of the purchase, ownership and disposition of the Shares. It is not a complete description of all the possible tax consequences of such purchase, ownership or disposition. This summary is based on the laws as in force and as applied in practice on the date of this pre-listing statement and is subject to changes to those laws and practices subsequent to the date of this pre-listing statement. In the case of persons who are non-residents of South Africa for income tax purposes, it should be read in conjunction with the provisions of any applicable double tax agreement between South Africa and their country of tax residence. Investors should consult their own advisers as to the tax consequences of the purchase, ownership and disposal of Shares in light of their particular circumstances, including, in particular, the effect of any state, regional, local or other tax laws. Shareholders are also urged to review the Mondi Circulars for certain UK income tax consequences of receiving and holding Demerged Shares.

### **South African taxation**

This summary of certain material South African tax consequences only deals with initial purchasers of Shares that are SA Holders, as defined below, and that will hold the Shares as capital assets. As used herein the term "SA Holder" means a "shareholder" who is: (i) a natural person ordinarily resident in the Republic; (ii) a natural person not ordinarily resident in the Republic but whose physical presence in the Republic exceeds certain thresholds or (iii) a person, other than a natural person, which is incorporated, established or formed in the Republic or which has its place of effective management in the Republic. The term does not include a non-natural person incorporated, established or formed in the Republic, if that person is deemed to be exclusively the resident of another country for purposes of the application of any agreement entered into between the Republic and that other country for the avoidance of double taxation. In general, a "shareholder" means the registered shareholder in respect of a share or, where some person other than the registered shareholder is entitled to all or part of the benefit of the rights of participation in the profits, income or capital attaching to that share, that other person to the extent of that entitlement. Prospective purchasers with questions regarding their status as either South African residents or shareholders should consult their tax advisers.

**The summary of South African tax consequences set out below is for general information only. All prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the shares, including the applicability and effect of other tax laws and possible changes in tax law.**

### **Dividends**

Currently, any amount transferred or applied by a company for the benefit of any shareholder in relation to that company by virtue of any share held by that shareholder in that company constitutes a dividend for tax purposes. However, dividends specifically exclude any amount so transferred or applied by the company to the extent that the amount so transferred or applied, *inter alia*: (i) results in a reduction of Contributed Tax Capital ("CTC") (see below); (ii) constitutes a capitalisation award or (iii) constitutes an open market purchase by a listed company of its own shares on the exchange operated by the JSE.

CTC is a new definition that was introduced with effect from 1 January 2011, and essentially comprises a company's share capital and premium immediately before such date (excluding any portion thereof representing capitalised reserves), plus the consideration received by the company for the issue of shares on or after that date.

In general, dividends paid by the Company to SA Holders and Non-SA Holders will be exempt from South African income tax in their hands.

### **Secondary Tax on Companies**

Under current law, the Company will be subject to a tax known as STC on the net amount of any dividends declared by it. The STC rate is currently 10%.

### **Dividend Tax**

The STC regime is set to be replaced with a new Dividends Tax ("DT") regime, which will constitute a withholding tax imposed at a shareholder level. The new DT legislation has been enacted, but will only become effective from a date to be determined by the Minister of Finance by notice in the Government Gazette, which date must be at least three months after the date of such notice. During the 2011 Budget Speech, the South African Minister of Finance, announced that the DT would become effective on 1 April 2012. Although an announcement was made by the Minister of Finance, this date has not yet been enacted by notice in the Government Gazette.



DT will be imposed in respect of any dividend paid by a company on or after the effective date referred to above, and will be levied at a rate of 10%. This rate may be reduced under the provisions of certain Double Tax Agreements. In addition, the DT legislation includes a number of exemptions, including exemptions for onshore inter-company dividends and dividends paid to certain exempt entities.

### **Distributions of CTC**

A distribution by a company of share premium (or CTC in terms of the new DT regime) does not/will not constitute a dividend for STC/DT purposes. Instead, such amount will constitute “proceeds” in the SA Holders’ hands for CGT purposes, i.e. the SA Holders will be treated as having partly disposed of their Shares. A *pro rata* portion of the SA Holders’ base cost for their Shares will be deducted against such deemed “proceeds”, with the net amount being subject to CGT. The portion of the base cost to be deducted in this regard is the same ratio thereof as the distribution bears to the market value of the Shares prior to the distribution.

### **Taxation of capital gains and losses**

#### ***South African resident shareholders – individuals***

A disposal or deemed part disposal of Shares by an individual shareholder who is resident in South Africa for tax purposes may give rise to a gain (or loss) for the purposes of CGT. The capital gain (or loss) on disposal of the Shares is equal to the difference between the disposal proceeds and the base cost. A shareholder’s base cost in the Shares will generally be the consideration paid for those Shares. The base cost in the Shares may be increased by one-third of any interest incurred to finance the cost of acquiring the Shares, and other direct costs incurred in, *inter alia*, acquiring the Shares, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A gain on a disposal of Shares, together with other capital gains, less allowable capital losses in a year of assessment, is subject to tax at the individual’s marginal tax rate (maximum 40%) to the extent that it exceeds the annual exclusion (R20,000 for the year of assessment ending 29 February 2012). Only 25% of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 10%. On the death of a taxpayer, there is a deemed disposal of the Shares at market value, unless the Shares are bequeathed to or in favour of a surviving spouse. Deemed disposals to a surviving spouse, who is a South African resident, are treated, in practical effect, as taking place at no gain or loss. The annual exclusion where death occurs during the year of assessment ending 29 February 2012 is R200,000. Where a taxpayer emigrates (i.e. gives up South African tax residence) there will also be a deemed disposal of the Shares at market value and this may trigger CGT.

#### ***South African resident shareholders – corporates***

A disposal or deemed part disposal of Shares by a South African resident corporate shareholder may give rise to a capital gain (or loss) for the purposes of CGT. The capital gain (or loss) on disposal of the Shares is equal to the difference between the disposal proceeds and the base cost. A shareholder’s base cost in the Shares will generally be the consideration paid for the Shares. The base cost in the Shares may be increased by one-third of any interest incurred to finance the cost of acquiring the Shares, and other direct costs incurred in, *inter alia*, acquiring the Shares, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A capital gain on a disposal of Shares by a corporate shareholder, together with other capital gains, less allowable losses in a year of assessment, is subject to tax at the normal tax rate for companies (currently 28%). Only 50% of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 14% (before accounting for STC that may be incurred upon a subsequent distribution of the gain by such corporate shareholder by way of a dividend).

#### ***Non-South African resident shareholders – individuals and corporates***

A disposal of Shares by a non-South African resident may give rise to a gain (or loss) for the purposes of taxation of CGT to the extent that the gains are realised pursuant to the disposal of any interest in immovable property situated in South Africa. An interest in immovable property situated in South Africa includes Shares if:

- 80% or more of the market value of the interest in immovable property, at the time of disposal, is attributed, directly or indirectly, to immovable property held otherwise than as trading stock; and/or
- the shareholder (alone or together with any connected person in relation to that shareholder), directly or indirectly, holds at least 20% of the Shares.

Currently not more than 80% of the market value of the Shares is attributable to immovable property and consequently the shares will not fall within the ambit of the South African Capital Gains Tax legislation.

However, where the Shares are attributable to a permanent establishment of the non-South African resident shareholder in South Africa, a disposal or deemed part disposal of Shares by such shareholder may give rise to a capital gain (or loss) for the purposes of CGT.

## **Estate duty**

Where a person who is ordinarily resident in South Africa holds Shares at the date of his or her death, the market value of such Shares will be included in the estate. Estate duty is levied at a flat rate of 20% on the dutiable amount of the deceased estate to the extent that it exceeds R3.5 million per estate. In determining the dutiable amount of an estate, deductions are, *inter alia*, allowed for the value of bequests and property left to a surviving spouse, and estate liabilities, including CGT paid on the deemed disposal of the Shares on date of death. Estate duty is currently under review given, *inter alia*, the limited revenue that it raises and the administrative burden it creates.

## **Securities transfer tax**

STT of 0.25% of the applicable taxable amount is payable in respect of every “transfer” of securities issued by a company incorporated in South Africa. “Transfer” as a general rule includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security. A purchase of Shares from or through the agency of a JSE-registered broker is subject to STT of 0,25% of the purchase consideration. The STT is payable by the broker which may recover it from the transferee. Where Shares are not purchased from or through the agency of a broker, but the change in beneficial ownership is effected by a Participant, STT of 0,25% of the greater of the declared purchase consideration or the JSE closing price of Shares on the date of the transaction is payable by the Participant which may recover it from the transferee.

In any other case of a change in beneficial ownership of Shares, as a general rule STT of 0,25% of the greater of the declared purchase consideration or the JSE closing price of Shares is payable by the transferee through the broker or Participant which holds the Shares in custody.

## **CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS**

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, MONDI LIMITED SHAREHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY MONDI LIMITED SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON MONDI LIMITED SHAREHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY MPACT IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY MPACT OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) MONDI LIMITED SHAREHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material US federal income tax consequences of the Mondi Limited Share Consolidation and the receipt of Demerged Shares pursuant to the Demerger by a US Holder (as defined below). The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the Mondi Limited Share Consolidation and the receipt of Demerged Shares, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10% or more of the voting stock of Mondi Limited or 10% or more of the voting stock of Mpack following the Demerger, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that hold the Mondi Limited Shares, or will hold the Demerged Shares, as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

As used herein, the term “US Holder” means a beneficial owner of Mondi Limited Shares or Demerged Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States; (ii) a corporation created or organised under the laws of the United States or any State thereof; (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in a partnership that holds Mondi Limited Shares or Demerged Shares will depend on the status of the partner and the activities of the partnership. Investors that are partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the Mondi Limited Share Consolidation and the receipt of Demerged Shares by the partnership.

The summary is based on the tax laws of the US, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and South Africa (the “Treaty”), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL US HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE MONDI LIMITED SHARE CONSOLIDATION AND THE RECEIPT OF DEMERGED SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

The summary below addresses only US Holders receiving Demerged Shares. US Holders receiving cash proceeds from the disposition of the Demerged Shares due to the US Holders are urged to review the Mondi Limited Circular for the US federal income tax consequences of receiving cash proceeds from the disposal of Demerged Shares.

Mondi Limited believes, and this summary assumes, that neither Mondi Limited nor Mpack has been or will be a passive foreign investment company (“PFIC”) for US federal income tax purposes. The PFIC status of both Mondi Limited and Mpack must be determined annually and therefore may be subject to change. If either Mondi Limited or Mpack were to be a PFIC in any year, materially adverse consequences could result for US Holders. US Holders should consult their tax advisers regarding the potential application of the PFIC regime.

**Receipt of Demerged Shares Pursuant to the Demerger**

The Mondi Limited Share Consolidation and the receipt of Demerged Shares by US Holders will likely be treated for US federal income tax purposes as a redemption of Mondi Limited Shares in exchange for the receipt of Demerged Shares. Because this redemption will be *pro rata* among the Mondi Limited Shareholders, it will normally be taxable as an in-kind dividend distribution consisting of the Demerged Shares.

In some circumstances, a redemption is treated as a sale of shares rather than as a dividend, where the redemption is viewed as “not essentially equivalent to a dividend” because it results in a meaningful reduction in the equity interests of the redeeming shareholders. Because the Mondi Limited Share Consolidation will reduce the equity interests of the holders of Mondi Limited Shares in the overall DLC Structure, it is possible to argue that this redemption should be viewed as not essentially equivalent to a dividend. However, there is no authoritative guidance regarding the US federal income tax treatment of the DLC Structure. Moreover, a reduction in equity interest in this context is typically measured by reference to voting power, and the Mondi Limited Share Consolidation will not reduce the voting rights of the holders of Mondi Limited Shares in the overall DLC Structure. Consequently, there can be no assurance that any such argument would be sustained if challenged by the US Internal Revenue Service. US Holders should consult their tax advisers regarding the possibility and consequences of treating the deemed redemption as a sale.

Under certain circumstances, the distribution of the shares of a “controlled corporate subsidiary” to shareholders as part of a re-organisation may be treated as an in-kind distribution not subject to US federal income tax. For the tax-free treatment to apply, the distributing corporation must own a controlling interest in the controlled corporate subsidiary (defined as the ownership of at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of the total number of shares of all other classes of stock of the controlled corporate subsidiary) prior to the distribution and, along with other requirements, must distribute the controlling interest to its shareholders. The shares of the controlled corporate subsidiary may be distributed on a non-*pro rata* basis. Although Mondi Limited will own a controlling interest in Mpack prior to the Demerger, whether it is considered to own such a controlling interest for this purpose will depend on the characterisation of the DLC Structure for US tax purposes. Also, Mondi Limited has not determined whether the other requirements for tax-free treatment will be satisfied. Accordingly, it is unclear whether the distribution of the Demerged Shares to US Holders would be eligible for tax-free treatment. US Holders should consult their tax advisers regarding the possibility and consequences of treating the receipt of Demerged Shares as an in-kind distribution of the shares of a controlled corporate subsidiary not subject to US federal income tax.

The remainder of this discussion assumes that, for US federal income tax purposes, the receipt of Demerged Shares by US Holders as compensation for the Mondi Limited Share Consolidation will be treated as receipt of a dividend from Mondi Limited.

Generally, distributions paid in respect of Mondi Limited Shares, to the extent paid by Mondi Limited out of current or accumulated earnings and profits (as determined for US federal income tax purposes), will be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder’s basis in the Mondi Limited Shares and thereafter as capital gain. However, Mondi Limited does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any dividends paid by Mondi Limited with respect to Mondi Limited Shares will constitute ordinary dividend income.

Dividend income realised by a non-corporate US Holder by reason of the receipt of Demerged Shares will generally be taxable at the special reduced rate normally applicable to long-term capital gains, provided Mondi Limited qualifies for the benefits of the Treaty, which Mondi Limited believes to be the case. A US Holder will be eligible for this reduced rate only if it has held the Mondi Limited Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

## **Ownership and Disposition of Demerged Shares**

### ***Dividends paid by Mpact***

Distributions paid by Mpact out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the Demerged Shares and thereafter as capital gain. However, Mpact does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by Mpact with respect to Demerged Shares will constitute ordinary dividend income.

For taxable years that begin before 2013, dividends paid by Mpact will generally be taxable to a non-corporate US Holder at the special reduced rate normally applicable to long-term capital gains, provided Mpact qualifies for the benefits of the Treaty, which Mpact believes to be the case. A US Holder will be eligible for this reduced rate only if it has held the Demerged Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Dividends paid in foreign currency will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the foreign currency are converted into US dollars at that time. If dividends received in foreign currency are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

### ***Sale or other Disposition of Demerged Shares***

Upon a sale or other disposition of Demerged Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the Demerged Shares. A US Holder's tax basis in a Demerged Share will generally be the amount included as dividend income upon receipt of the Demerged Share. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the Demerged Shares exceeds one year. Any gain or loss will generally be US source.

The amount realised on a sale or other disposition of Demerged Shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Demerged Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

### ***Disposition of Foreign Currency***

Foreign currency received on the sale or other disposition of a Demerged Share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Demerged Shares or upon exchange for US dollars) will be US source ordinary income or loss.

### **Backup withholding and information reporting**

Payments of dividends with respect to Mondi Limited Shares or Demerged Shares and proceeds with respect to the sale of Demerged Shares, by a US paying agent or other US intermediary, will be reported to the US Internal Revenue Service and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

### **Foreign financial asset reporting**

Legislation enacted in March 2010 imposes new reporting requirements on the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds 50,000 US dollars. The Demerged Shares are expected to constitute foreign financial assets subject to these requirements unless the Demerged Shares are held in an account at a domestic financial institution. US Holders should consult their tax advisers regarding the application of this legislation.

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## **PART X: EXCHANGE CONTROL**

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### **EXCHANGE CONTROL LIMITATIONS**

Currency and shares are not freely transferable from South Africa to any jurisdiction falling outside the geographical borders of South Africa, other than jurisdictions falling within the Common Monetary Area and must be dealt with in terms of the South African Exchange Control Regulations as described below. The South African Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Shares.

Recipients of Demerged Shares who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to the Demerger.

The following summary is intended as a guide and is therefore not comprehensive. If investors are in any doubt regarding South African Exchange Control Regulations, they should please consult their professional advisers.

#### **Emigrants from the Common Monetary Area**

- A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rand accounts to acquire Demerged Shares in terms of this pre-listing statement.
- All payments in respect of subscriptions for or purchases of the Demerged Shares by non-residents using blocked Rand must be made through an authorised dealer in foreign exchange.
- Share certificates issued in respect of the Demerged Shares acquired with blocked Rand in terms of this pre-listing statement will be endorsed “non-resident” in accordance with the South African Exchange Control Regulations. Share certificates will be placed under the control of the authorised dealer through whom the payment was made.
- Shares issued to a dematerialised shareholder whose registration as a shareholder has been marked as being an “emigrant”, will be similarly marked as being held by an “emigrant”.
- If applicable, refund monies payable in respect of unsuccessful applications, for Demerged Shares in terms of this pre-listing statement, emanating from blocked Rand accounts will be returned, in terms of the South African Exchange Control Regulations, to the authorised dealer administering such blocked Rand accounts for credit of such recipients of Demerged Shares’ blocked Rand accounts. The Participant or broker through whom the Company’s shareholders have dematerialised their shares is responsible for ensuring adherence to the South African Exchange Control Regulations.

#### **Recipients of Demerged Shares resident outside the Common Monetary Area**

- A person who is not resident in the Common Monetary Area, including an immigrant not using blocked Rand, should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable a sale to be made in terms of the Demerger.
- All share certificates issued to non-residents of South Africa will be endorsed “non-resident” in accordance with the South African Exchange Control Regulations.
- All Demerged Shares issued to dematerialised shareholders, whose registration has been so endorsed will be endorsed “non-resident” in accordance with the South African Exchange Control Regulations. The Participant or broker through whom the Company’s shareholders have dematerialised their shares will ensure that they adhere to the South African Exchange Control Regulations.

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## **PART XI: ADDITIONAL INFORMATION**

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### **1. INFORMATION ON SUBSIDIARIES**

Details of the Company's subsidiaries are set out in Annexure 6 to this pre-listing statement.

### **2. PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED**

Details of the principal immovable properties owned or leased by the Group are set out in Annexure 7 to this pre-listing statement. None of the Directors have any material interest in any of the immovable properties owned or leased by the Group.

### **3. PROPERTY ACQUIRED OR TO BE ACQUIRED**

There were no material acquisitions by the Group in the three years preceding the date of this pre-listing statement. None of the Directors or the promoters have a material beneficial interest in any of the securities in, or the business undertakings of, any other company or business enterprise or any immovable properties or other property in the nature of fixed assets (collectively, "property") acquired by the Group. As at the date of this pre-listing statement, there are no proposed acquisitions by the Group of any property, and there are no options to acquire any such property.

### **4. DISPOSAL OF PROPERTY**

Save for the disposals mentioned below, there were no material disposals of property by the Group in the three years preceding the date of this pre-listing statement. As at the date of this pre-listing statement, there are no proposed disposals by the Group of any property and there are no options to acquire any such property.

Pursuant to a written sale of business agreement between Mondi Limited and the Group, dated 30 March 2011, the Group disposed of Paperlink, its paper merchant division, to Mondi Limited, as a going concern, with effect from 1 April 2011, for a consideration of R93 million, payable in cash. The consideration payable for the business was the value of all the assets sold less the value of the liabilities assumed by Mondi Limited, as at 1 April 2011.

The Group has agreed to sell its recycling division as a going concern to Main Street 856 (Proprietary) Limited and Mondi Limited will acquire a 25% stake in Main Street 856 (Proprietary) Limited, while Mpact will hold a 75% interest with effect from 1 July 2011.

### **5. INTERESTS OF ADVISERS AND PROMOTERS AND AMOUNTS PAID OR PAYABLE TO PROMOTERS**

None of the advisers, as set out in the "*Corporate Information*" section on page 4 of this pre-listing statement, hold any Shares or have agreed to acquire any Shares.

The Group has not paid any amount (whether in cash or in securities), nor given any benefit to any promoters or any partnership, syndicate or other association of which the promoter was a member, not being a Director during the three years preceding the date of this pre-listing statement. No promoters have any material beneficial interest in the promotion of the Group.

### **6. MATERIAL CONTRACTS**

Annexures 5 and 10 to this pre-listing statement set out:

- material contracts that have been entered into by the Company or its subsidiaries during the two years preceding the date of this pre-listing statement, other than in the ordinary course of business;
- contracts entered into at any time prior to the two years preceding the date of this pre-listing statement, other than in the ordinary course of business, that contain obligations or settlements material to the Company or its subsidiaries as at the date of this pre-listing statement;
- particulars of material inter-company transactions during the two years preceding the date of this pre-listing statement; and
- particulars of existing contracts relating to Directors' and Managers' remuneration.

There are no existing or proposed contracts relating to royalties or secretarial or technical fees payable by the Group.

## 7. MATERIAL CAPITAL COMMITMENTS

The capital commitments of the Group as at 30 April 2011, which have not materially changed as of the Last Practicable Date, were R189 million.

## 8. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at the Last Practicable Date.

## 9. LEASE PAYMENTS

The Group has various operating lease agreements for machinery, offices, office equipment and other facilities. The future minimum lease payments under non-cancellable operating leases as at 31 December 2010 in respect of periods in excess of five years was R234 million.

## 10. LOAN CAPITAL AND MATERIAL LOANS

Details of the material borrowings of the Group as at Last Practicable Date are set out in Annexure 8 to this pre-listing statement.

Other than as set out in Annexure 8, the Group has no loan capital outstanding.

## 11. EXPENSES

The Group has not incurred any preliminary expenses (within the meaning of the Listings Requirements and the Companies Act) over the last three financial years.

The expenses of the Demerger (including expenses incurred in relation to issuing the new shares, referred to as the issue expenses), estimated to be in the sum of approximately R33 million, shall be paid by the Group.

The table below sets out the total estimated expenses of the Demerger:

	<b>R million</b>
Financial adviser and transaction sponsor to the Company – RMB	21.0
Mondi Group's and Mpact's SA legal adviser – Webber Wentzel	7.5
Mpact's international legal adviser – White & Case	1.7
Auditors and reporting accountants – Deloitte & Touche	1.0
Printing	0.7
JSE listing and inspection fees	0.4
Postage	0.6
Other expenses	0.1
<b>Total expenses and fees</b>	<b>33.0</b>

The Group has not paid any person, whether in cash, securities or otherwise, to induce him or her to become or to qualify him or her as a Director, or otherwise for services rendered by him or her or by an associate company or associate entity in connection with the promotion or formation of the Company.

## 12. COMMISSIONS PAID OR PAYABLE IN RESPECT OF UNDERWRITING

No consideration has been paid within the three years preceding this pre-listing statement or is payable to any person (including commission so paid or payable to any sub-underwriter that is the holding company, promoter, director or officer of the Company) for subscribing or agreeing to apply to subscribe, or agreeing to procure subscriptions for any of the Demerged Shares. No commissions, discounts, brokerage or other special terms were granted during the three years preceding the date of this pre-listing statement in connection with the issue of any securities, stock or debentures in the capital of the Company.

## 13. CONSENTS

Each of the legal advisers, the auditors and reporting accountants, the financial advisers, the sponsor, transfer secretaries and the commercial bankers named in this pre-listing statement have consented in writing to act in the capacities stated, and to their names being stated in this pre-listing statement, and no such consent has been withdrawn prior to registration of this document with the Registrar.

#### **14. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, whose names are provided in paragraph 1 on page 36 of this pre-listing statement, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading that all reasonable enquiries to ascertain such facts have been made and that this pre-listing statement contains all the information required by law and the Listings Requirements.

#### **15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's registered office and the Sponsors' offices set out in the "*Corporate Information*" section on page 4 of this pre-listing statement, during normal business hours (Saturdays, Sundays and official South African public holidays excepted) from the date of issue of this pre-listing statement until the closing date:

- a signed copy of this pre-listing statement (available in English only);
- the memorandum of incorporation of the Company and its subsidiaries;
- the signed reports of the auditors and reporting accountants, dated 16 May 2011, which are included as Annexures 2 and 3 to this pre-listing statement;
- the written consent of each of the legal advisers, the auditors and reporting accountants, the sponsor, the financial advisers, the transfer secretaries and commercial bankers named in this pre-listing statement to act in those capacities;
- the written consent of the auditors and reporting accountants to the publication of its reports included as Annexures 2 and 3 to this pre-listing statement and references thereto in the form and context in which they are included in this pre-listing statement;
- the consolidated audited historical financial information for the Group for the financial years ended 31 December 2010, 2009 and 2008;
- the signed independent reporting accountants' reports on the audited or reviewed financial statements;
- the Company's executive Directors' employment contracts;
- all material agreements referred to in Annexure 10 of this pre-listing statement. Certain of these agreements will only be made available in redacted form due to commercial sensitivity; and
- the Mpact 2011 Share Plan.

By order of the Board – 31 May 2011

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**Bruce William Strong**  
*CEO*

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**Anthony John Phillips**  
*Chairman*



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## **PART XII: INDEPENDENT AUDITORS**

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The Group's consolidated historical financial information for the financial years ended 31 December 2010, 2009 and 2008 included in this pre-listing statement have been audited by Deloitte & Touche, as stated in their audit report, also included in this pre-listing statement.

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**CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF MPACT  
(FORMERLY MONDI PACKAGING SOUTH AFRICA (PROPRIETARY) LIMITED)  
FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 31 DECEMBER 2009  
AND 31 DECEMBER 2010**

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**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors are responsible for preparing the historical financial information in accordance with applicable law and regulations.

South African company law requires the Directors to prepare financial statements for each financial year giving a true and fair view of the Group's state of affairs at the end of the year and profit or loss for the year. The Directors have prepared the Group's consolidated historical financial information in accordance with International Financial Reporting Standards ("IFRSs").

In preparing the Group's consolidated historical financial information and the Company's financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the Directors:

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

**REPORT OF THE DIRECTORS**

The Directors present their report and the historical financial information of Mpact for the years ended 31 December 2010, 31 December 2009 and 31 December 2008.

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

**NATURE OF BUSINESS**

Manufacturers of packaging products, including recycled fibre based packaging and industrial papers, corrugated and plastic packaging products.

**General review of the business and operations**

Prior to 2005, the Group operated as a division of Mondi Group's paper and packaging operations in South Africa. In 2005, Mondi Limited contributed its recycled-based packaging and industrial papers and corrugated packaging business in South Africa to a newly created entity, Mondi Packaging South Africa Limited, which is to now be renamed Mpact Limited. The Group entered the plastics business in January 2007 with the purchase of a majority interest in Linpac Materials Handling SA (Proprietary) Limited, a rigid plastic containers operation in Western Cape which produces plastic crates and bins. In July 2007, the Group expanded its plastics operations with the acquisition of 100% of the Lenco Group, whose operations focus on the production of rigid plastic packaging (such as pre-forms, bottles, closures and styrene trays) for use in the food, beverage pharmaceutical personal care and homecare industries.

In July 2007, the Company also acquired Paperlink, a paper merchant business, from Mondi Limited as a going concern. The paper merchant business was sold in March 2011 for a consideration of R93 million.

Since 2005, the Group has invested more than R1,650 million in capital expenditures. This includes R1,134 million in its paper business for investments such as a R119 million rebuild of its board machine coating section at its Springs mill and the installation of high graphic printers at certain of its corrugated packaging sites to enhance product quality and enable production of value-added niche products and, a complete refurbishing of its containerboard machine at its Felixton mill, costing R250 million, which allowed it to produce lightweight recycled containerboard and increased containerboard production by 45,000 tonnes per annum. Since 2007, the Group has also invested R486 million in its plastics business by upgrading its facilities and installing a new compression moulding closure plant, as well as a PET hot fill line at its Wadeville plastics facility.

The Group is one of the largest South African packaging businesses, involved in the manufacture and supply of paper and plastic packaging products. The Group's operations comprise its paper business and its plastics business. The paper business is integrated across the recycled paper-based corrugated packaging value chain and comprises three divisions: recycling, packaging and industrial paper and corrugated, while its plastics business manufactures rigid plastic packaging. The Group has 22 manufacturing operations and 29 operating sites in South Africa, Namibia, Mozambique and Zimbabwe. Approximately 91% of the Group's sales in 2010 were achieved in South Africa.

The historical financial information of Mpact for the three years ended 30 December 2010 is set out below. The report on this historical financial information is the responsibility of the directors.

Other than the restructuring and the *pro forma* effects, which are set out in Annexure 3, no material fact or circumstance has occurred between the latest financial year-end of Mpact and the date of the pre-listing statement.

### **Basis of preparation**

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

### **Commentary on results**

#### **Revenue**

The Group generated revenue of R6,258.7 million for the year ended 31 December 2010, compared with R5,773.6 million for the year ended 31 December 2009 and R5,710.6 million for the year ended 31 December 2008. Of the R485.1 million increase, or 8.4% in 2010, R371.2 million was realised in the paper business, which benefited from significant increases in volumes across all grades, attributable to a broad recovery in demand both locally and in exports, as the general economic environment stabilised. Selling prices in the paper business were in line with prior year as increases were only realised late in the quarter of 2009. Revenue in the plastics business also increased in 2010, up R108.2 million, or 9.0%, attributed to improved volumes, in part due to general economic recovery, new business and also a recovery from the effects of a fire at the Paarl styrene operation in the prior year.

Despite generally challenging trading conditions in 2009, Group revenue showed a modest increase of R63.0 million, or 1.1%. Revenue in the paper business was up R60.2 million, or 1.5%, with price increases achieved in the last quarter of 2008 offset by substantially lower sales volumes in 2009, attributable to the economic recession which necessitated paper machine downtime equivalent to 13.1% of annual capacity. The plastics business' revenue decreased R6.6 million, or 0.5%, primarily due to reduced demand and lower volumes resulting from a business interruption caused by a fire at the Paarl styrene operation.

#### **Underlying operating profit**

The Group's underlying operating profit was R485.3 million for the year ended 31 December 2010, compared with R406.5 million for the year ended 31 December 2009 and R333.9 million for the year ended 31 December 2008. Of the R78.8 million, or 19.4%, increase in 2010 on prior year, the paper business was up by R62.0 million, or 13.3%, while the plastics business showed a significant improvement of R16.0 million, or 21.5%, albeit off a low base. The increase in the paper business is attributable to additional sales volumes which were offset to some extent by higher costs specifically in recovered fibre, pulp, and electricity, as well as above inflation wage increases. The improvement in the plastics business is primarily due to additional sales which were marginally offset by raw material cost increases as a consequence of higher oil prices in the second half.

The Group's underlying operating profit in 2009 increased by R72.6 million, or 21.7%, year-on-year. The paper business' underlying operating profit increased R45.6 million, or 10.9%, mainly as a result of price increases achieved in the last quarter of 2008, and cost reductions which were offset by the reduced recovery of fixed expenses attributable to the extensive downtime taken through the year. Underlying operating profit in the plastics business increased by R19.2 million, or 34.6%, compared to 2008, attributable to lower raw material costs and reduced production wastage. The financial impact of the business interruption resulting from the fire at the Paarl operation in mid-2009 was covered by insurance proceeds. Operating results were further supported by significant cost reduction initiatives, in response to the broader economic environment.

#### **Special items**

The special income item of R76.7 million in 2009 relates principally to insurance profits in respect of the assets destroyed by the fire at the Paarl operation whereby the insurers' proceeds received exceeded net book value of the affected assets.

## **Operating cash flows**

The Group's net cash inflows from operating activities were R649.4 million for the year ended 31 December 2010, compared with R997.3 million for the year ended 31 December 2009, and R309.6 million for the year ended 31 December 2008. The decrease of R347.9 million, or 34.9%, in 2010 was driven mainly by a cumulative outflow in working capital of R133.0 million as opposed to the cumulative inflow from working capital of R201.2 million achieved in 2009. These flows occurred mainly in the paper business and, in turn, were mainly attributable to levels of trading activity in the periods in question. Importantly, working capital as a percentage of revenue averaged 16% over 2010, some 2% lower than the previous year.

In 2009 compared to 2008, the increase of R687.7 million, or 222.1%, was driven mainly by a cumulative inflow from working capital of R201.2 million as opposed to the cumulative outflow in working capital of R297.6 million in 2008. These flows occurred predominantly in the paper business and, in turn, were mainly attributable to lower trading volumes and management initiatives which enabled a 1% reduction in average working capital as a percentage of revenue versus the previous year. The increase in cash inflows from operating activities was further attributable to an increase in EBITDA of R82.7 million, or 13.1%, compared to 2008. This improvement is reflective of the stronger operating result, despite the downturn.

## **Investing activities**

Investing activities is predominantly made up of investment in property, plant and equipment which was R269.4 million for the year ended 31 December 2010, compared to R193.1 million for the year ended 31 December 2009, and R435.8 million for the year ended 31 December 2008. The increase of R76.3 million from 2009 to 2010, can mainly be ascribed to the payment for assets rehabilitated as a consequence of the Paarl fire. The decrease of R242.7 million from 2008 to 2009 is due a curtailment of capital expenditure spend to preserve cash in the recessionary year.

## **Financial position**

The Group's total capital employed (equity, as presented in the statement of financial position, plus net debt less financial asset investments) was R3,805.6 million as at 31 December 2010, compared with R3,718.0 million as at 31 December 2009 and R4,096.8 million as at 31 December 2008. The 2010 capital employed position was R87.6 million, or 2.4%, than that of 2008, due mainly to higher working capital, inclusive of assets held for sale, on the back of higher trading activity stemming from the broader recovery in demand. The 2009 capital employed position was R378.8 million, or 9.2%, lower than that of 2008, driven by reduced levels of capital expenditure being only 67% of depreciation over the year and significantly lower working capital levels, both resulting from management initiatives in response to the deteriorated economic climate at the time.

In December 2008, the Group was refinanced through a cash injection from Mondi Limited which allowed for the repayment of external debt. The funds were provided by way of loans and equity. As a result of the refinancing, Mondi Limited's shareholding in the business increased from 55% to 70% and Shanduka's was reduced from 40% to 25%.

## **SHARE CAPITAL**

During the current year and the 2009 financial year there was no change in the authorised or issued share capital.

In terms of a special resolution, dated 18 November 2008:

- the existing authorised share capital of the Company, being R1,000, divided into 1,000 ordinary shares of R1.00 each, was sub-divided into 1,000,000 ordinary shares of R0.001 each; and
- the existing issued share capital of the Company, being R100 ordinary shares of R1.00 each, was sub-divided into 100,000 ordinary shares of R0.001 each.

Mpact issued an additional 59,950 shares of R0.001 each at a premium of R4,074.80 per share during 2008 resulting in an increase in share capital of R244 million. This resulted in the holding company increasing its shareholding from 55.00% to 69.99%.

By special resolution passed on 28 March 2011 and registered with the Registrar on 20 April 2011, Mpact was converted from a private company to a public company.

By special resolutions passed on 28 April 2011, (a) the authorised share capital of Mpact was altered by (i) increasing the authorised share capital from 1,000,000 shares of R0.001 each to 1,500,000 ordinary shares of R0.001 each, (ii) following the increase in the authorised share capital referred to in (i), subdividing all authorised shares from 1,500,000 to 217,500,000 ordinary shares of R0.0000069 each and all issued shares from 159,950 to 23,192,750 ordinary shares of R0.0000069 each and subdividing the authorised and unissued ordinary shares and the Shares from 1,500,000 to 217,500,000 and (b) and all issued and authorised ordinary shares in the Company were converted from shares with a par value of R0.0000069 each to shares with no par value.

By special resolution passed on 4 May 2011, the Company changed its name from Mondi Packaging South Africa Limited to Mpact Limited.

## DIRECTORS

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

D A Hathorn (*Chairman*)

A M Thompson

B Strong (*Chief Executive Officer*)

P A Laubscher

K A Mills

M C Ramaphosa

R M Smith

A C W King

R von Veh

K Sewpersad – Alternate to M C Ramaphosa

R Govender – Alternate to K A Mills

## COMPANY SECRETARY

P Vatsha

4<sup>th</sup> Floor

3 Melrose Boulevard

Melrose Arch 2196

Postnet Suite #444

Private Bag X1

Melrose Arch 2076

## REGISTERED OFFICE

4<sup>th</sup> Floor

3 Melrose Boulevard

Melrose Arch 2196

## AUDITORS

Deloitte & Touche

## EXECUTIVE DIRECTORS' REMUNERATION

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

		Salary R'm	Annual cash bonus R'm	Shares awarded R'm	Other benefits R'm	Total R'm
B Strong	– 2010	2.1	1.5	0.3	0.2	4.1
	– 2009 <sup>1</sup>	1.7	0.8	0.4	0.2	3.1
R von Veh	– 2010	1.8	1.4	0.4	0.3	3.9
	– 2009	1.7	1.7	0.5	0.2	4.1
	– 2008	1.5	0.6	–	0.2	2.3
T van Breda	– 2010	–	–	–	–	–
	– 2009 <sup>2</sup>	0.3	–	–	–	0.3
	– 2008	1.8	0.7	7.1	0.3	9.9

### Notes:

<sup>1</sup> From date of appointment to the Board on 3 March 2009.

<sup>2</sup> To date of resignation from the Board on 28 February 2009.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

	2010 R'm	Fees 2009 R'm	2008 R'm
A M Thompson	0.1	0.1	–
Dr P P Lolwana	–	–	–

## PENSION CONTRIBUTION IN RESPECT OF EXECUTIVE DIRECTORS

The executive directors all participate in pension schemes under arrangements established by the Group. The contributions paid by the Group in respect of the years 2010, 2009 and 2008 are:

Group contribution		R'm
B Strong <sup>1</sup>	– 2010	0.6
	– 2009 <sup>2</sup>	0.5
R von Veh <sup>3</sup>	– 2010	0.2
	– 2009	0.1
	– 2008	–
T van Breda <sup>4</sup>	– 2010	–
	– 2009 <sup>5</sup>	0.1
	– 2008	0.6

### Notes:

- <sup>1</sup> Participate in defined benefit pension fund.
- <sup>2</sup> From date of appointment to the Board on 3 March 2009.
- <sup>3</sup> Participate in defined contribution pension fund.
- <sup>4</sup> Participate in defined benefit pension fund.
- <sup>5</sup> To date of resignation from the Board on 28 February 2009.

## SHARE AWARDS AND OTHER DEFERRED AWARDS GRANTED TO EXECUTIVE DIRECTORS

2008	Type award	Awards held at beginning of year or on appointment to the Board	Awards granted during year	Awards exercised during year	Award price basis (ZAe)	Date of award	Awards held as at 31 Dec 2008	Release date
Theo van Breda	Transitional	4,032	–	–	6,423	Aug 07	4,032	Mar 09
	Retention	26,224	–	–	6,423	Aug 07	26,224	Jul 09
	BSP <sup>1</sup>	7,940	–	–	6,423	Aug 07	7,940	Mar 10
	BSP	–	11,385	–	6,547	Mar 08	11,385	Mar 11
	LTIP <sup>2</sup>	20,979	–	–	6,423	Aug 07	20,979	Mar 10
	LTIP	–	25,808	–	6,547	Mar 08	25,808	Mar 11
2009	Type award	Awards held at beginning of year or on appointment to the Board	Awards granted during year	Awards exercised during year	Award price basis (ZAe)	Date of award	Awards held as at 31 Dec 2008	Release date
Theo van Breda	Transitional	4,032	–	4,032	6,423	Aug 07	–	Mar 09
	Retention	26,224	–	26,224	6,423	Aug 07	–	Jul 09
	BSP	7,940	–	7,940	6,423	Aug 07	–	Mar 10
	BSP	11,385	–	11,385	6,547	Mar 08	–	Mar 11
	LTIP	20,979	–	20,979	6,423	Aug 07	–	Mar 10
	LTIP	25,808	–	25,808	6,547	Mar 08	–	Mar 11
Bruce Strong	Transitional	1,611	–	1,611	6,423	Aug 07	–	Mar 09
	Retention	7,334	–	7,334	6,423	Aug 07	–	Jul 09
	BSP	5,588	–	–	6,423	Aug 07	5,588	Mar 10
	BSP	6,957	–	–	6,547	Mar 08	6,957	Mar 11
	BSP	–	17,978	–	2,301	Mar 09	17,978	Mar 12
	LTIP	–	54,200	–	2,301	Mar 09	54,200	Mar 12
Ralph von Veh	Transitional	2,350	–	2,350	6,423	Aug 07	–	Mar 09
	Retention	17,469	–	17,469	6,423	Aug 07	–	Jul 09
	BSP	7,057	–	–	6,423	Aug 07	7,057	Mar 10
	BSP	9,718	–	–	6,547	Mar 08	9,718	Mar 11
	BSP	–	21,611	–	2,301	Mar 09	21,611	Mar 12

2010	Type award	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,Dec 2008	Release date
Bruce Strong	BSP	5,588	–	5,588	6,423	Aug 07	–	Mar 10
	BSP	6,957	–	–	6,547	Mar 08	6,957	Mar 11
	BSP	17,978	–	–	2,301	Mar 09	17,978	Mar 12
	BSP	–	19,861	–	4,596	Mar 10	19,861	Mar 13
	LTIP	54,200	–	–	2,301	Mar 09	54,200	Mar 12
	LTIP	–	29,683	–	4,596	Mar 10	29,683	Mar 13
Ralph von Veh	BSP	7,057	–	7,057	6,423	Aug 07	–	Mar 10
	BSP	9,718	–	–	6,547	Mar 08	9,718	Mar 11
	BSP	21,611	–	–	2,301	Mar 09	21,611	Mar 12
	BSP	–	18,487	–	4,596	Mar 10	18,487	Mar 13

**Notes:**

<sup>1</sup> Bonus share plan.

<sup>2</sup> Long-term incentive plan.

**HOLDING COMPANY**

The Company's holding company is Mondi Limited, a company incorporated in South Africa listed on the JSE.

**DIVIDENDS**

No dividends were declared for the year (2009: nil) (2008: nil).

**SUBSIDIARIES**

Details of subsidiaries are included in the schedule of investments, pages 129 and 130.

**AUDIT COMMITTEE**

The holding company audit committee, referred to as the Dual Listed Company ("DLC") audit committee, operates on a Group-wide basis. The committee has responsibility, among other things, for monitoring the integrity of Mpack's financial statements. It also has responsibility for reviewing the effectiveness of Mpack's system of internal controls and risk management systems. An effective internal audit function has been established which is responsible for providing independent assurance to the DLC executive committee and Boards on the effectiveness of the Company's risk management process.

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

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

**MPACT**

**INCOME STATEMENTS**

**for the year ended 31 December 2010**

		<b>Group</b>		
	<b>Notes</b>	<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>
<b>Revenue</b>	2	6,258.7	5,773.6	5,710.6
Materials, energy and consumables used		(3,344.9)	(3,188.0)	(3,096.5)
Variable selling expenses		(514.8)	(461.9)	(497.8)
<b>Gross margin</b>		2,399.0	2,123.7	2,116.3
Maintenance and other indirect expenses		(253.7)	(235.4)	(226.3)
Personnel costs		(994.6)	(902.2)	(881.5)
Other net operating expenses		(345.9)	(272.4)	(377.5)
Depreciation, amortisation and impairments		(319.5)	(307.2)	(297.1)
Underlying operating profit	2, 3	485.3	406.5	333.9
Special items	5	(6.3)	76.7	(1.7)
Net income/(loss) from associates	12	3.4	(0.3)	2.6
<b>Total profit from operations and associates</b>		482.4	482.9	334.8
Net finance costs	6	(386.5)	(467.0)	(492.5)
Investment income		48.1	46.7	42.0
Financing costs		(434.6)	(513.7)	(534.5)
<b>Profit/(Loss) before tax</b>		95.9	15.9	(157.7)
Tax (charge)/credit	7	(46.4)	(76.9)	23.2
<b>Profit/(Loss) from continuing operations</b>		49.5	(61.0)	(134.5)
<i>Attributable to:</i>				
Non-controlling interests		12.7	31.9	10.9
Equity holders of the parent company		36.8	(92.9)	(145.4)
		49.5	(61.0)	(134.5)

**Earnings per share (EPS) for profit/(loss) attributable to equity holders of the parent company**

		<b>Group</b>		
	<b>Note</b>	<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>
Basic EPS	8	23,007.2	(58,080.7)	(90,903.4)
Diluted EPS	8	23,007.2	(58,080.7)	(90,903.4)
Basic underlying EPS	8	24,945.3	(90,028.1)	(89,840.6)
Diluted underlying EPS	8	24,945.3	(90,028.1)	(89,840.6)
Basic headline EPS	8	23,694.9	(90,340.7)	(90,528.3)
Diluted headline EPS	8	23,694.9	(90,340.7)	(90,528.3)



**MPACT****STATEMENTS OF COMPREHENSIVE INCOME  
for the year ended 31 December 2010**

		<b>Group</b>		
	<b>Note</b>	<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>
Profit/(Loss) for the financial year from continuing operations		49.5	(61.0)	(134.5)
<b>Other comprehensive income:</b>				
Effects of option to equity holders		3.0	–	–
Effects of cash flow hedges	28	(7.5)	6.3	(26.4)
Actuarial (losses)/gains and surplus restriction on post-retirement benefit schemes	28	(13.7)	15.1	(9.6)
Exchange differences on translation of foreign operations	28	(0.4)	(0.6)	–
Tax relating to components of other comprehensive income	28	11.5	(4.2)	2.7
Other comprehensive (loss)/income for the financial year, net of tax		(7.1)	16.6	(33.3)
<b>Total comprehensive income/(loss) for the financial year</b>		<b>42.4</b>	<b>(44.4)</b>	<b>(167.8)</b>
<i>Attributable to:</i>				
Non-controlling interests		12.7	31.9	10.9
Equity holders of the parent company		29.7	(76.3)	(178.7)
		42.4	(44.4)	(167.8)

**MPACT**

**STATEMENTS OF FINANCIAL POSITION  
as at 31 December 2010**

		<b>Group</b>		
	<b>Notes</b>	<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>
Intangible assets	9	1,087.6	1,128.8	1,170.8
Property, plant and equipment	10	1,897.9	1,907.5	1,992.4
Investments in subsidiaries	11	–	–	–
Investments in associates	12	52.9	29.5	30.8
Financial asset investments	13	15.4	9.7	3.8
Deferred tax assets	24	50.8	71.2	143.1
Retirement benefits surplus	23	21.3	3.3	–
<b>Total non-current assets</b>		<b>3,125.9</b>	<b>3,150.0</b>	<b>3,340.9</b>
Inventories	14	680.6	718.8	717.2
Trade and other receivables	15	1,176.2	1,245.0	1,308.3
Cash and cash equivalents	16	101.4	315.5	143.2
Derivative financial instruments	17	1.4	3.0	1.9
<b>Total current assets</b>		<b>1,959.6</b>	<b>2,282.3</b>	<b>2,170.6</b>
Asset held for sale	18	171.0	–	–
<b>Total assets</b>		<b>5,256.5</b>	<b>5,432.3</b>	<b>5,511.5</b>
Short-term borrowings	19	(151.5)	(350.5)	(405.3)
Trade and other payables	20	(1,034.4)	(1,179.9)	(1,038.5)
Current tax liabilities		(11.8)	(25.5)	(11.7)
Provisions	21	(20.5)	(15.9)	(16.1)
Derivative financial instruments	17	(5.2)	(2.6)	(3.3)
<b>Total current liabilities</b>		<b>(1,223.4)</b>	<b>(1,574.4)</b>	<b>(1,474.9)</b>
Medium and long-term borrowings	22	(3,589.8)	(3,556.6)	(3,664.5)
Retirement benefits obligation	23	(73.5)	(43.2)	(45.8)
Deferred tax liabilities	24	(20.3)	(35.5)	(53.9)
Other non-current liabilities	25	(50.5)	(66.8)	(72.0)
Derivative financial instruments	17	(27.2)	(19.7)	(26.4)
<b>Total non-current liabilities</b>		<b>(3,761.3)</b>	<b>(3,721.8)</b>	<b>(3,862.6)</b>
Liabilities directly associated with assets classified as held for sale	18	(90.7)	–	–
<b>Total liabilities</b>		<b>(5,075.4)</b>	<b>(5,296.2)</b>	<b>(5,337.5)</b>
<b>Net assets</b>		<b>181.1</b>	<b>136.1</b>	<b>174.0</b>
<b>Equity</b>				
Share capital and share premium	26	244.3	244.3	244.3
Accumulated loss and other reserves		(136.4)	(170.7)	(105.8)
<b>Total attributable to equity holders of the parent company</b>		<b>107.9</b>	<b>73.6</b>	<b>138.5</b>
Non-controlling interests in equity		73.2	62.5	35.5
<b>Total equity</b>		<b>181.1</b>	<b>136.1</b>	<b>174.0</b>
Net asset value per share (cents)		113,222.8	85,089.1	108,784.0
Tangible net asset value per share (cents)		(566,739.6)	(620,631.4)	(623,194.7)

**MPACT****STATEMENTS OF CASH FLOWS  
for the year ended 31 December 2010**

		<b>Group</b>		
	<b>Notes</b>	<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>
Cash generated from operations	31a	679.4	1,012.0	309.5
Dividends from associates	12	–	1.0	2.7
Dividends from subsidiaries		–	–	–
Income tax paid		(30.0)	(15.7)	(2.6)
<b>Net cash generated from operating activities</b>		<b>649.4</b>	<b>997.3</b>	<b>309.6</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries, net of cash and cash equivalents	29	–	(1.3)	(41.9)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	30	–	2.3	–
Investment in property, plant and equipment	10	(269.4)	(193.1)	(435.8)
Proceeds from the disposal of property, plant and equipment		3.1	2.5	7.6
Investment in intangible assets	9	(0.2)	–	(0.2)
Investment in associate	12	(20.0)	–	–
Loan (advances to)/repayments from external parties		(5.8)	(6.2)	9.0
Interest received		18.0	30.7	23.6
<b>Net cash used in investing activities</b>		<b>(274.3)</b>	<b>(165.1)</b>	<b>(437.7)</b>
<b>Cash flows from financing activities</b>				
Repayment of short-term borrowings		(198.8)	(53.4)	–
Proceeds from/(repayment of) medium and long-term borrowings		34.4	(105.4)	551.0
Interest paid		(416.3)	(495.8)	(520.4)
Dividends paid to non-controlling interests		(2.0)	(3.9)	(3.5)
Issue of ordinary share capital		–	–	244.3
Repayment of other non-current liabilities		(6.8)	–	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(589.5)</b>	<b>(658.5)</b>	<b>271.4</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(214.4)</b>	<b>173.7</b>	<b>143.3</b>
Cash and cash equivalents at beginning of the year		310.2	136.5	(6.8)
Cash movement in the year		(214.4)	173.7	143.3
<b>Cash and cash equivalents at end of the year*</b>	<b>31b</b>	<b>95.8</b>	<b>310.2</b>	<b>136.5</b>

\* Cash and cash equivalents includes overdrafts.

Group	Share capital and share premium R'm	Share based payment reserve R'm	Cash flow hedge reserve R'm	Post-retirement benefit reserve R'm	Other reserves <sup>1</sup> R'm	Retained earnings/(Accumulated loss) R'm	Total attributable to equity holders of the parent company R'm	Non-controlling interests R'm	Total equity R'm
<b>Balance at 1 January 2008</b>	-	4.6	0.4	2.6	2.7	144.3	154.6	33.1	187.7
Total comprehensive income for the year	-	-	(26.4)	(6.9)	-	(145.4)	(178.7)	10.9	(167.8)
Share schemes' charge for the year	-	6.2	-	-	-	-	6.2	-	6.2
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3.5)	(3.5)
Issue of share capital	244.3	-	-	-	-	-	244.3	-	244.3
Non-controlling interest put option issued	-	-	-	-	(72.0)	-	(72.0)	-	(72.0)
Deferred tax impact on Anglo shares	-	-	-	-	-	(9.9)	(9.9)	-	(9.9)
Other	-	1.7	-	-	(6.8)	(0.9)	(6.0)	(5.0)	(11.0)
<b>Balance at 31 December 2008</b>	244.3	12.5	(26.0)	(4.3)	(76.1)	(11.9)	138.5	35.5	174.0
Total comprehensive income for the year	-	-	6.3	10.9	(0.6)	(92.9)	(76.3)	31.9	(44.4)
Issue of shares under employee share schemes	-	(8.1)	-	-	-	8.1	-	-	-
Share schemes' charge for the year	-	5.2	-	-	-	-	5.2	-	5.2
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3.9)	(3.9)
Non-controlling interest put option adjustment	-	-	-	-	7.2	-	7.2	-	7.2
Reclassification	-	-	-	-	(0.8)	1.8	1.0	(1.0)	-
Contribution paid to Mondi Incentive Scheme Trust	-	-	-	-	-	(6.1)	(6.1)	-	(6.1)
Disposal of businesses	-	-	-	-	-	3.9	3.9	-	3.9
Other	-	-	-	(0.1)	0.4	(0.1)	0.2	-	0.2
<b>Balance at 31 December 2009</b>	244.3	9.6	(19.7)	6.5	(69.9)	(97.2)	73.6	62.5	136.1
Total comprehensive income for the year	-	-	0.1	(9.8)	2.6	36.8	29.7	12.7	42.4
Issue of shares under employee share schemes	-	(1.8)	-	-	-	1.8	-	-	-
Share schemes' charge for the year	-	7.1	-	-	-	-	7.1	-	7.1
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(2.0)	(2.0)
Reclassification	-	(0.3)	-	-	-	0.3	-	-	-
Contribution paid to Mondi Incentive Scheme Trust	-	(2.5)	-	-	-	-	(2.5)	-	(2.5)
<b>Balance at 31 December 2010</b>	244.3	12.1	(19.6)	(3.3)	(67.3)	(58.3)	107.9	73.2	181.1

**Note:**

<sup>1</sup> Other reserves consist of the option to equity holder reserve of R61.8 million (2009: R64.8 million) (2008: R72.0 million), revaluation reserve of R-0.8 million (2009: -R0.8 million) (2008: R-0.8 million), and currency translation adjustment reserve of R6.3 million (2009: R5.9 million) (2008: R4.9 million).

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION**  
**for the year ended 31 December 2010**

**1. ACCOUNTING POLICIES**

**Basis of preparation**

The consolidated historical financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). There are no differences for the Group in applying IFRS as issued by the IASB. The historical financial information has been prepared on a going concern basis.

**Basis of consolidation**

*Subsidiary undertakings*

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

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

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

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

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

*Associates*

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

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

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

*Joint venture entities*

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

The Group's interest in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint venture's individual income, expenditure, assets, liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gain or losses on the sale of assets by the Group to the joint venture that is attributable to other venturers. The Group does not recognise its share of profits or losses from the

joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

### **Revenue recognition**

#### *Sale of goods*

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

#### *Investment income*

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

#### *Dividend income*

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

### **Business combinations and goodwill arising thereon**

#### *Identifiable net assets*

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

#### *Cost of a business combination*

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

#### *Goodwill*

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

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

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

#### *Impairment of goodwill*

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

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

### **Non-current, non-financial assets excluding goodwill, deferred tax and retirement benefits surplus Property, plant and equipment**

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

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes all costs incurred in bringing the assets to the location and condition for their intended use and includes borrowing costs incurred up to the date of commissioning.

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

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

Residual values and useful lives are reviewed at least annually.

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

#### **Licences, other intangibles and research and development expenditure**

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

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

#### **Impairment of tangible and intangible assets excluding goodwill**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Group 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 to sell and its value in use. In assessing value in use, the estimated future cash flows generated by the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment is recognised as an expense. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the income statement.

#### **Non-current assets held for sale**

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

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

Discontinued operations are either a separate major line of business or geographical area of operations that have been sold or are part of a single co-ordinated plan for disposal, or represent a subsidiary acquired exclusively with a view to re-sale.

#### **Current non-financial assets**

##### **Inventory**

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

## **Retirement benefits**

The Group operates both defined benefit and defined contribution schemes for its employees, as well as post-retirement medical plans.

### *Defined contribution plans*

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

### *Defined benefit and post-retirement medical plans*

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed for each financial year end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds or similar government bonds of a suitable duration and currency. Pension plans' assets are measured using year-end market values.

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

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

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

## **Tax**

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

### *Current tax*

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

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

### *Deferred taxation*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group 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 and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

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



## **Leases**

Leases are classifieded as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **Operating leases**

Rental costs under operating leases are charged to the income statement in equal annual amounts over the lease term.

### **Finance leases**

Assets held under finance leases are recognised as assets of the Group on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is recognised as a finance charge in the income statement, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

## **Provisions**

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

## **Restoration and environmental costs**

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the ongoing production of a plant or landfill site. Costs for restoration of site damage are provided for at their present values and charged against profit or loss as the obligation arises.

## **Government grants**

Government grants are recognised when the right to receive such grants is established and are treated as deferred income. They are released to the combined and consolidated income statement on a systematic basis, either over the expected useful lives of the assets for which they are provided, or over the periods necessary to match them with the related costs which they are intended to compensate

## **Foreign currency transactions and translation**

### *Foreign currency transactions*

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

## **Translation of foreign operations**

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

## **Share-based payments**

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

## **Financial instruments**

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

### *Financial asset investments*

Investments, other than investments in subsidiaries, joint ventures and associates, are either classified as available-for-sale or loans and receivables.

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

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

### *Cash and cash equivalents*

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

### *Trade receivables*

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less allowance for any impairment as appropriate.

### *Trade payables*

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

### *Borrowings*

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

### *Net debt*

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

## **Borrowing costs**

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

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

## **Derivative financial instruments and hedge accounting**

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the statement of financial position within 'derivative financial instruments', and, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative. Derivatives that are not designated as hedges are classified as current, even when their actual maturity is expected to be greater than one year.

Changes in the fair value of any derivative instruments that are not formally designated in hedge relationships are recognised immediately in the income statement and are classified within 'Underlying 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 equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's 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 non-financial liability, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss on a proportionate basis.

#### *Fair value hedges*

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

#### *Ineffective, expired, sold, terminated or exercised hedging instruments*

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

#### *Embedded derivatives*

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

### **Equity instruments, share issue costs and dividend payments**

#### *Equity instruments*

An equity instrument is any contract which evidences a residual interest in the net assets of an entity.

#### *Share issue costs*

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

#### *Dividend payments*

Dividend distributions to the Company's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by the Company's ordinary equity holders at its annual general meeting and interim dividends are recognised when approved by the Board.

### **Special items**

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

### **Earnings per share (EPS)**

#### *Basic EPS*

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

### *Diluted EPS*

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

### *Underlying and headline EPS*

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

### **Segmental reporting**

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

### **New accounting policies, early adoption and future requirements**

#### *Standards and Interpretations early adopted by the Group*

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

#### *Standards, amendments to published Standards and Interpretations effective during 2010*

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

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

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

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

- acquisition related costs which previously would have been included in the cost of a business combination are included in administrative expenses in the income statements as they are incurred;
- any pre-existing equity interest in the acquiree is remeasured to fair value at the date of obtaining control (the acquisition date), with any resulting gain or loss recognised in profit or loss;

- any changes in the Group's ownership interest subsequent to the acquisition date are recognised directly in equity, with no adjustment to goodwill; and
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the acquisition date are recognised in profit or loss. Previously, such changes resulted in an adjustment to goodwill.

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

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

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

- IFRS 1 – First-time Adoption of International Financial Reporting Standards
- IFRS 3 – Business Combinations
- IFRS 7 – Financial Instruments: Disclosures
- IAS 1 – Presentation of Financial Statements
- IAS 21 – The Effects of Changes in Foreign Exchange Rates
- IAS 24 – Related Party Disclosures
- IAS 27 – Consolidated and Separate Financial Statements
- IAS 28 – Investments in Associates
- IAS 31 – Interests in Joint Ventures
- IAS 32 – Financial Instruments: Presentation
- IAS 34 – Interim Financial Reporting
- IFRIC 13 – Customer Loyalty Programs
- IFRIC 19 – Extinguishing Financial Liabilities With Equity Instruments

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

### **Accounting estimates and critical judgements**

The preparation of the Group's financial statements includes the use of estimates and assumptions which affect certain items reported in the statement of financial position and the income statement. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below.

### **Estimated residual values and useful economic lives**

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

#### *Estimated impairment of goodwill and tangible fixed assets*

For the year ended 31 December 2010 the Group incurred asset impairment costs of R6.3 million (2009: R10.1 million) (2008: R nil) and goodwill impairment costs of R nil (2009: R nil) (2008: R nil).

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

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

## 2. OPERATING SEGMENTS

### Identification of the Group's externally reportable operating segments

The Group's externally reportable segments reflect the internal reporting structure of the Group, which is the basis on which resource allocation decisions are made by management in the attainment of strategic objectives. The Group operates under two primary geographic regions reflecting its South African activities and assets, and its other African activities and assets. These broad geographic regions are further split by product segments reflecting the management of the Group.

#### Product revenues

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

Operating segments	Internal revenues <sup>1</sup>	External revenues
Paper	Corrugated and paper board products	Corrugated and paper board products
Plastics	–	Plastic Packaging products
Corporate and other businesses	Merchant	Merchant

#### Note:

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

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

Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed under IFRS 8 adhere to the recognition and measurement criteria presented in the Group's accounting policies. All intra-group transactions are conducted on an arm's length basis.

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

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

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

Operating segment revenue	Group											
	2010				2009				2008			
	Segment revenue R'm	Internal revenue <sup>1</sup> R'm	External revenue R'm	Segment revenue R'm	Internal revenue <sup>1</sup> R'm	External revenue R'm	Segment revenue R'm	Internal revenue <sup>1</sup> R'm	External revenue R'm	Segment revenue R'm	Internal revenue <sup>1</sup> R'm	External revenue R'm
Paper	4 428.3	(21.5)	4,406.8	4,056.4	(20.8)	4,035.6	3,991.2	(15.8)	3,975.4			
Plastics	1,309.9	-	1,309.9	1,201.7	-	1,201.7	1,208.3	-	1,208.3			
Corporate and other businesses	542.0	-	542.0	536.3	-	536.3	526.9	-	526.9			
<b>Segments total</b>	<b>6,280.2</b>	<b>(21.5)</b>	<b>6,258.7</b>	<b>5,794.4</b>	<b>(20.8)</b>	<b>5,773.6</b>	<b>5,726.4</b>	<b>(15.8)</b>	<b>5,710.6</b>			
Inter-segment elimination	(21.5)	21.5	-	(20.8)	20.8	-	(15.8)	15.8	-			
<b>Group total</b>	<b>6,258.7</b>	<b>-</b>	<b>6,258.7</b>	<b>5,773.6</b>	<b>-</b>	<b>5,773.6</b>	<b>5,710.6</b>	<b>-</b>	<b>5,710.6</b>			

**Note:**

<sup>1</sup> Inter-segment transactions are conducted on an arm's length basis.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>2. OPERATING SEGMENTS</b> (continued)			
<b>Group</b>			
<b>External revenue by product type</b>			
<b>Products</b>			
Corrugated and paper board products	4,406.8	4,035.6	3,975.4
Plastic packaging products	1,309.9	1,201.7	1,208.3
Other <sup>1</sup>	542.0	536.3	526.9
<b>Group total</b>	<b>6,258.7</b>	<b>5,773.6</b>	<b>5,710.6</b>
<b>Note:</b>			
<sup>1</sup> Revenues derived from product types that are not material are classed as "Other".			
<b>External revenue by location of customer</b>			
<b>Revenue</b>			
South Africa (country of domicile)	5,667.3	5,398.3	5,196.6
Rest of Africa	438.3	246.5	316.5
Western Europe	121.4	109.9	138.3
South America	23.6	18.9	57.3
Asia and Australia	8.1	–	1.9
<b>Group total</b>	<b>6,258.7</b>	<b>5,773.6</b>	<b>5,710.6</b>
There are no external customers which account for more than 10% of the Group's total external revenue.			
<b>Operating segment underlying operating profit/(loss)</b>			
Paper	526.7	464.7	419.1
Plastics	90.7	74.7	55.5
Corporate and other businesses	(132.1)	(132.9)	(140.7)
<b>Segments total</b>	<b>485.3</b>	<b>406.5</b>	<b>333.9</b>
Special items (see note 5)	(6.3)	76.7	(1.7)
Net income from associates (see note 12)	3.4	(0.3)	2.6
Net finance costs (see note 6)	(386.5)	(467.0)	(492.5)
<b>Group profit/(loss) before tax</b>	<b>95.9</b>	<b>15.9</b>	<b>(157.7)</b>
<b>Significant components of underlying operating profit/(loss) before special items</b>			
<b>Depreciation and amortisation</b>			
Paper	159.4	158.4	152.9
Plastics	99.2	87.5	84.2
Corporate and other businesses	60.9	61.3	60.0
<b>Segments total</b>	<b>319.5</b>	<b>307.2</b>	<b>297.1</b>
<b>Operating segment assets</b>			
<b>Segment assets<sup>1</sup></b>			
Paper	2,577.3	2,644.9	2,834.0
Plastics	1,028.0	931.7	926.5
Corporate and other businesses	1,171.4	1,357.3	1,453.4
Inter-segment elimination	(3.8)	(2.6)	(86.4)



	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>Segment total</b>	4,772.9	4,931.3	5,127.5
Unallocated:			
Investments in associates	52.9	29.5	30.8
Deferred tax assets	50.8	71.2	143.1
Other non-operating assets <sup>2</sup>	263.1	75.1	63.1
<b>Group trading assets</b>	5,139.7	5,107.1	5,364.5
Financial asset investment	15.4	9.7	3.8
Cash and cash equivalents	101.4	315.5	143.2
<b>Group assets</b>	5,256.5	5,432.3	5,511.5

**Notes:**

<sup>1</sup> Segment assets are operating assets and as at 31 December 2010 consist of property, plant and equipment of R1,897.9 million (2009: R1,907.5 million) (2008: R1 992.4 million), intangible assets of R1,087.6 million (2009: R1,128.8 million) (2008: R1,170.8 million), retirement benefits surplus of R21.3 million (2009: R3.3 million) (2008: R nil), inventories of R680.6 million (2009: R718.8 million) (2008: R717.2 million) and operating receivables of R1,085.5 million (2009: R1,172.9 million) (2008: R1,247.1 million).

<sup>2</sup> Other non-operating assets consist of derivative assets of R1.4 million (2009: R3.0 million) (2008: R1.9 million), other non-operating receivables of R90.7 million (2009: R72.1 million) (2008: R61.2 million) and assets held for sale of R171.0 million (2009: R nil) (2008: R nil).

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>Non-current non-financial assets<sup>1</sup></b>			
South Africa (country of domicile)	2,945.5	3,006.3	3,137.9
Rest of Africa	40.0	30.0	25.3
<b>Group total</b>	2,985.5	3,036.3	3,163.2

**Note:**

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>Additions to non-current non-financial assets<sup>1</sup></b>			
Paper	113.9	84.4	296.7
Plastics	147.9	103.5	215.2
Corporate and other businesses	8.1	5.5	6.4
<b>Group and segments total</b>	269.9	193.4	518.3

**Note:**

<sup>1</sup> Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment and intangible assets and include interest capitalised as well as additions resulting from acquisitions through business combinations. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets and retirement benefits surplus.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

### 3. UNDERLYING OPERATING PROFIT

Underlying operating profit for the year has been arrived at after charging/(crediting):

Depreciation of property, plant and equipment (see note 10)	278.1	265.8	252.8
Amortisation of intangibles (see note 9)	41.4	41.4	44.3
Rentals under operating leases	91.1	80.0	97.1
Research and development expenditure	18.1	16.3	17.2
Net foreign currency (gains)/losses	(0.4)	21.3	(41.8)
(Profit)/Loss on disposal of tangible and intangible assets	(1.6)	0.2	0.5
Auditors' remuneration	6.7	6.7	6.5
Audit fees	6.7	6.5	6.4
Non-audit fees	-	0.2	0.1

Total revenue, as defined under IAS 18, 'Revenue', consisting of revenue, interest income and dividend income was R6,276.7 million for the Group, (2009: R5,804.3 million) (2008: R5,734.2 million).

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

### 4. PERSONNEL COSTS

#### Compensation for the Board and key management<sup>1</sup>

Total guaranteed cost of employment	16.5	13.7	13.1
Fees to non-executive directors	0.1	0.1	-
Share awards	0.7	0.9	7.1
Annual cash bonus	7.0	5.9	1.9
<b>Total</b>	<b>24.3</b>	<b>20.6</b>	<b>22.1</b>

#### Note:

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

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

### 5. SPECIAL ITEMS

Impairment of property, plant and equipment (see note 10)	6.3	10.1	-
Proceeds on insurance claim	-	(87.9)	-
Anglo American plc			
Demerger arrangements (see note 27)	-	0.8	1.7
Loss on disposal of subsidiary (see note 30)	-	0.3	-
Total special items before tax and non-controlling interests	6.3	(76.7)	1.7
Tax	(1.8)	9.6	-
Non-controlling interests	(1.4)	16.0	-
Total special items attributable to equity holders of parent company	3.1	(51.1)	1.7

In 2009 Mpact received insurance proceeds in excess of net book value of R87.9 million to replace fire damaged assets at one of its subsidiaries, while an impairment of R10.1 million was recognised relating to the damaged assets.

In 2010, an impairment of R5.6 million and R0.7 million was recognised relating to the closure of the Polystyrene Cup Plant at Versapak Paarl and impairment to damaged assets in Mondipak Namibia, respectively.

Equity-settled Anglo American plc demerger arrangements for senior management have resulted in a fair value charge for the Group in 2009 and 2008.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Special items before tax and non-controlling interests by operating segment:			
Paper	0.7	0.3	–
Plastics	5.6	(77.8)	–
Corporate and other businesses	–	0.8	1.7
<b>Segments total</b>	<b>6.3</b>	<b>(76.7)</b>	<b>1.7</b>

## 6. NET FINANCE COSTS

Investment income			
Bank deposits and loan receivables	13.7	26.4	10.7
Other	4.3	4.3	12.9
<b>Total interest income</b>	<b>18.0</b>	<b>30.7</b>	<b>23.6</b>
Dividends – subsidiary companies	–	–	–
Expected return on defined benefit arrangements (see note 23)	18.0	16.0	18.4
Fair value gains	12.1	–	–
<b>Total investment income</b>	<b>48.1</b>	<b>46.7</b>	<b>42.0</b>
Financing costs			
Interest on bank overdrafts and loans	(416.3)	(495.8)	(520.4)
Interest on defined benefit arrangements (see note 23)	(18.3)	(17.9)	(17.8)
<b>Total interest expense</b>	<b>(434.6)</b>	<b>(513.7)</b>	<b>(538.2)</b>
Less: interest capitalised	–	–	3.7
<b>Total financing costs</b>	<b>(434.6)</b>	<b>(513.7)</b>	<b>(534.5)</b>
<b>Net finance costs</b>	<b>(386.5)</b>	<b>(467.0)</b>	<b>(492.5)</b>

The weighted average interest rate applicable to interest on general borrowings capitalised for the year ended 31 December 2010 was nil % (2009: nil %) (2008: 13.0%).

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

## 7. TAX CHARGE

### Analysis of charge/(credit) for the year from continuing operations

South African corporation tax at 28% (2009: 28%) (2008: 28%)	14.9	27.8	5.2
Other country tax	1.4	1.7	0.2
<b>Current tax (excluding tax on special items)</b>	<b>16.3</b>	<b>29.5</b>	<b>5.4</b>
Deferred tax in respect of the current period (excluding tax on special items)	17.6	23.7	(31.5)
Deferred tax in respect of prior period under provision	14.3	14.1	2.9
<b>Total tax charge/(credit) before special items</b>	<b>48.2</b>	<b>67.3</b>	<b>(23.2)</b>
Deferred tax on special items	(1.8)	9.6	–
<b>Total tax charge/(credit)</b>	<b>46.4</b>	<b>76.9</b>	<b>(23.2)</b>

### Factors affecting tax charge for the year

The Group's effective rates of tax before special items for the year ended 31 December 2010, calculated on profit before tax before special items and including net income from associates is 47.2% (2009: –110.7%), (2008: 14.9%).

The Group has estimated tax losses of R1,135.6 million (2009: R1,222.5 million) (2008: R1,190.5 million) on which a deferred tax asset of R318.0 million (2009: R342.3 million) (2008: R333.3 million) has been raised.

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

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Profit/(Loss) before tax	95.9	15.9	(157.7)
Tax on profit/(loss) before tax calculated at the South African corporation tax rate of 28% (2008: 28%) (2008: 28%)	26.9	4.5	(44.2)
<b>Tax effects of:</b>			
<b>Expenses not deductible for tax purposes</b>			
Non-deductible interest	9.4	3.3	17.2
<b>Non-taxable income</b>			
Other non-taxable income	(1.7)	(9.9)	4.3
<b>Temporary difference adjustments</b>	14.3	78.2	0.2
Changes in tax rate <sup>1</sup>	-	-	2.9
Current year tax losses and other temporary differences not recognised	-	8.5	-
Impairment of deferred tax asset previously recognised	-	56.5	(2.7)
Prior period tax losses and other temporary differences not previously recognised	14.3	13.2	-
<b>Other adjustments</b>	(2.5)	0.8	(0.7)
<b>Tax charge/(credit) for the year</b>	46.4	76.9	(23.2)

**Note:**

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

IAS 1 requires income from associates to be presented net of tax on the face of the income statement. The Group's share of its associates' tax is therefore not presented within the Group's total tax charge. The associates' tax charge included within 'Net income from associates' for the year ended 31 December 2010 is R nil (2009: R nil) (2008: R nil).

**8. EARNINGS PER SHARE**

	<b>Cents per share</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Profit/(Loss) for the financial year attributable to equity holders of the parent companies</b>			
Basic EPS	23,007.2	(58,080.7)	(90,903.4)
Diluted EPS	23,007.2	(58,080.7)	(90,903.4)
<b>Underlying earnings for the financial year<sup>1</sup></b>			
Basic EPS	24,945.3	(90,028.1)	(89,840.6)
Diluted EPS	24,945.3	(90,028.1)	(89,840.6)
<b>Headline earnings for the financial year<sup>2</sup></b>			
Basic EPS	23,694.9	(90,340.7)	(90,528.3)
Diluted EPS	23,694.9	(90,340.7)	(90,528.3)

**Notes:**

<sup>1</sup> Underlying EPS excludes the impact of special items.

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

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

	<b>Earnings</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>Profit/(Loss) for the financial year attributable to equity holders of the parent companies</b>	36.8	(92.9)	(145.4)
Special items (see note 5)	6.3	(76.7)	1.7
Related tax	(1.8)	9.6	–
Related non-controlling interests	(1.4)	16.0	–
<b>Underlying earnings/(loss) for the financial year</b>	39.9	(144.0)	(143.7)
Demerger arrangements (see note 5)	–	(0.8)	(1.7)
(Profit)/Loss on disposal of tangible and intangible assets (see note 3)	(1.6)	0.2	0.5
Related tax	(0.4)	0.1	0.1
<b>Headline earnings/(loss) for the financial year</b>	37.9	(144.5)	(144.8)

	<b>Number of shares</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Basic number of ordinary shares outstanding<sup>1</sup></b>	159,950	159,950	159,950
Effect of dilutive potential ordinary shares <sup>2</sup>	–	–	–
<b>Diluted number of ordinary shares outstanding</b>	159,950	159,950	159,950

**Notes:**

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

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

## 9. INTANGIBLE ASSETS

Group	<b>Goodwill</b>	<b>Other</b>	<b>Total</b>
	<b>R'm</b>	<b>intangibles<sup>1</sup></b>	
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>2010</b>			
<b>Cost</b>			
At 1 January	1,020.1	210.8	1,230.9
Additions	–	0.2	0.2
<b>At 31 December</b>	1,020.1	211.0	1,231.1
<b>Accumulated amortisation and impairment</b>			
<b>At 1 January</b>	0.3	101.8	102.1
Charge for the year	–	41.4	41.4
<b>At 31 December</b>	0.3	143.2	143.5
<b>Net book value at 31 December</b>	1,019.8	67.8	1,087.6
<b>2009</b>			
<b>Cost</b>			
At 1 January	1,020.7	210.8	1,231.5
Disposal of business (see note 30)	(0.6)	–	(0.6)
<b>At 31 December</b>	1,020.1	210.8	1,230.9

Group	Goodwill R'm	Other intangibles <sup>1</sup> R'm	Total R'm
<b>Accumulated amortisation and impairment</b>			
<b>At 1 January</b>	0.3	60.4	60.7
Charge for the year	–	41.4	41.4
<b>At 31 December</b>	0.3	101.8	102.1
<b>Net book value at 31 December</b>	1,019.8	109.0	1,128.8
<b>2008</b>			
<b>Cost</b>			
At 1 January	1,034.9	226.1	1,261.0
Opening balance adjustments	0.5	0.4	0.9
Acquired through business combination	(14.7)	0.1	(14.6)
Additions	–	0.2	0.2
Reclassification to property, plant and equipment (see note 10)	–	(16.0)	(16.0)
<b>At 31 December 2008</b>	1,020.7	210.8	1,231.5
<b>Accumulated amortisation and impairment</b>			
At 1 January	0.1	15.3	15.4
Opening balance adjustment	0.2	0.7	0.9
Charge for the year	–	44.3	44.3
Acquired through business combination (see note 29)	–	0.1	0.1
<b>At 31 December</b>	0.3	60.4	60.7
<b>Net book value at 31 December</b>	1,020.4	150.4	1,170.8

**Note:**

<sup>1</sup> Other intangibles mainly relate to software development costs; and customer relationships and contractual arrangements capitalised as a result of business combinations.

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

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three year period that are based on latest forecasts for revenue and cost as approved by the Board. Cash flow projections beyond three years are based on internal management forecasts and assume a growth rate not exceeding gross domestic product. Post-tax cash flow projections are discounted using a post tax discount rate of 8.12% (2009: 11.30%) (2008: 12.2%), adjusted by the economic and political risks in South Africa that are not reflected in the underlying cash flows. Perpetuity maintenance capital expenditure has been assumed at 60% of depreciation.

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

No impairments of goodwill have been recognised in the years ended 31 December 2010, 31 December 2009 and 31 December 2008.

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

	Group		
	2010 R'm	2009 R'm	2008 R'm
Paper	670.6	670.6	670.6
Plastics	349.2	349.2	349.0
Other	–	–	0.8
<b>Total goodwill</b>	1,019.8	1,019.8	1,020.4

## 10. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings R'm	Plant and equipment R'm	Assets in the course of construction R'm	Other R'm	Total R'm
<b>2010</b>					
<b>Cost</b>					
At 1 January	196.5	2,353.0	88.9	93.1	2,731.5
Additions	9.6	181.5	62.5	15.8	269.4
Disposal of assets	(0.6)	(8.8)	–	(3.0)	(12.4)
Reclassification	0.2	44.7	(35.8)	0.2	9.3
Transfer to disposal group (see note 18)	–	(1.0)		(3.0)	(4.0)
<b>At 31 December</b>	<b>205.7</b>	<b>2,569.4</b>	<b>115.6</b>	<b>103.1</b>	<b>2,993.8</b>
<b>Accumulated depreciation and impairments</b>					
At 1 January	32.7	734.9	–	56.4	824.0
Depreciation	10.7	247.7	–	19.7	278.1
Impairment loss recognised	–	6.3	–	–	6.3
Disposal of assets	–	(8.4)	–	(2.5)	(10.9)
Transfer to disposal group (see note 18)	–	(0.1)	–	(1.5)	(1.6)
<b>At 31 December</b>	<b>43.4</b>	<b>980.4</b>	<b>–</b>	<b>72.1</b>	<b>1,095.9</b>
<b>Net book value at 31 December</b>	<b>162.3</b>	<b>1,589.0</b>	<b>115.6</b>	<b>31.0</b>	<b>1,897.9</b>
<b>2009</b>					
<b>Cost</b>					
At 1 January	186.3	2,248.6	71.6	76.7	2,583.2
Additions	1.2	134.6	30.8	26.5	193.1
Acquired through business combination (see note 29)	–	1.3	–	–	1.3
Disposal of assets	(0.1)	(39.1)	–	(4.9)	(44.1)
Disposal of businesses (see note 30)	–	(1.2)	–	(0.8)	(2.0)
Reclassification	9.1	8.8	(13.5)	(4.4)	–
<b>At 31 December</b>	<b>196.5</b>	<b>2,353.0</b>	<b>88.9</b>	<b>93.1</b>	<b>2,731.5</b>
<b>Accumulated depreciation and impairments</b>					
At 1 January	20.5	526.7	–	43.6	590.8
Depreciation	12.2	235.0	–	18.6	265.8
Impairment loss recognised	–	10.0	–	0.1	10.1
Disposal of assets	–	(37.0)	–	(4.4)	(41.4)
Disposal of businesses (see note 30)	–	(0.7)		(0.6)	(1.3)
Reclassification	–	0.9		(0.9)	–
<b>At 31 December</b>	<b>32.7</b>	<b>734.9</b>	<b>–</b>	<b>56.4</b>	<b>824.0</b>
<b>Net book value at 31 December</b>	<b>163.8</b>	<b>1,618.1</b>	<b>88.9</b>	<b>36.7</b>	<b>1,907.5</b>

<b>Group</b>	<b>Land and buildings R'm</b>	<b>Plant and equipment R'm</b>	<b>Assets in the course of construction R'm</b>	<b>Other R'm</b>	<b>Total R'm</b>
<b>2008</b>					
<b>Cost</b>					
At 1 January	140.6	1,690.0	154.3	58.0	2,042.9
Opening balance adjustment	–	14.4	–	–	14.4
Additions	29.9	444.4	(57.9)	19.4	435.8
Acquired through business combination (see note 29)	18.5	74.5	–	0.3	93.3
Disposal of assets	(3.2)	(17.9)	–	(1.8)	(22.9)
Reclassifications from intangible assets (see note 9)	0.5	27.2	(28.5)	0.8	–
Reclassification	–	16.0	–	–	16.0
Interest capitalised	–	–	3.7	–	3.7
<b>At 31 December</b>	<b>186.3</b>	<b>2,248.6</b>	<b>71.6</b>	<b>76.7</b>	<b>2,583.2</b>
<b>Accumulated depreciation and impairments</b>					
At 1 January	10.7	297.0	–	30.8	338.5
Opening balance adjustment	–	14.3	–	–	14.3
Depreciation	10.3	228.8	–	13.7	252.8
Disposal of assets	(0.4)	(13.5)	–	(0.9)	(14.8)
Reclassification	(0.1)	0.1	–	–	–
<b>At 31 December</b>	<b>20.5</b>	<b>526.7</b>	<b>–</b>	<b>43.6</b>	<b>590.8</b>
<b>Net book value at 31 December</b>	<b>165.8</b>	<b>1,721.9</b>	<b>71.6</b>	<b>33.1</b>	<b>1,992.4</b>

The Group has pledged all property, plant and equipment, other than assets under finance leases and those of certain Group entities, as security in respect of the Standard Bank loans (refer note 22).

The net book value and depreciation charges relating to assets under finance leases amounts to R53.7 million (2009: R29.0 million) (2008: R59.4 million) and R13.7 million (2009: R11.1 million) (2008: R4.2 million), respectively, and has been pledged as security for these long-term borrowings.

There has been no major change in the nature of property, plant and equipment or any major change in the use thereof.

A register of principal properties own or leased is open for inspection upon prior arrangement at the registered office of the Company.

The net book value of land and buildings comprises:

	<b>Group</b>		
	<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>
Freehold	149.3	148.6	156.9
Leasehold – long	13.0	15.2	8.9
<b>Total land and buildings</b>	<b>162.3</b>	<b>163.8</b>	<b>165.8</b>



## 11. INVESTMENTS IN SUBSIDIARIES

Unlisted	Country of incorporation	Company		
		2010 R'm	2009 R'm	2008 R'm
Mondipak Namibia (Pty) Ltd	Namibia	21.2	21.2	21.2
Embalagens Hodains LDA	Mozambique	0.9	0.9	0.9
Mondi Plastic Containers (Pty) Ltd	South Africa	0.2	0.2	0.2
Lenco Holdings (Pty) Ltd	South Africa	646.7	646.7	646.7
Total shares at cost		669.0	669.0	669.0
Loans advanced		626.2	600.6	572.9
<b>Total investment in subsidiary companies</b>		<b>1,295.2</b>	<b>1,269.6</b>	<b>1,241.9</b>

Refer to the schedule of investments on pages 126 and 127 for details of the investment in subsidiary companies. All investments in subsidiaries are pledged as security in respect of the Standard Bank loans (refer note 22).

Loans advanced include the following:

2010	Nature	R'm	Interest rate	Repayment terms
Mondi Versapak (Pty) Ltd	Term loan	97.5	JIBAR +3%	Availability of funds, but no later than 25 April 2013
Lenco Packaging (Pty) Ltd	Term loan	499.9	0% <sup>1</sup>	No fixed terms of repayment
Rebel Packaging (Pty) Ltd	Loan	28.8	-	No fixed terms of repayment
		626.2		

### Share of net profits of subsidiaries attributable to the Company

	2010 R'm
Mondipak Namibia (Pty) Ltd	1.4
Embalagens Hodains LDA	-
Mondi Plastic Containers (Pty) Ltd	8.6
Lenco Holdings (Pty) Ltd	40.5

	Nature	R'm	Interest rate	Repayment terms
<b>2009</b>				
Mondi Versapak (Pty) Ltd	Term loan	108.8	JIBAR +3%	Availability of funds, but no later than 25 April 2013
Lenco Packaging (Pty) Ltd	Term loan	477.6	0% <sup>1</sup>	No fixed terms of repayment
Rebel Packaging (Pty) Ltd	Loan	14.2	-	No fixed terms of repayment
		600.6		

<b>2008</b>				
Mondi Versapak (Pty) Ltd	Term loan	120.0	JIBAR +3%	Availability of funds, but no later than 25 April 2013.
Mondi Versapak (Pty) Ltd	Working capital facility	10.4	Prime	Cancellable within 6 months' notice.
Lenco Packaging (Pty) Ltd	Term loan	216.6	12.19%	No fixed terms of repayment
Lenco Packaging (Pty) Ltd	Shareholder loan	138.2	12.19%	No fixed terms of repayment
Lenco Packaging (Pty) Ltd	Working capital facility	58.8	12.19%	No fixed terms of repayment
Lenco Corporate Finance (Pty) Ltd	Term loan	9.4	12.19%	On demand
Rebel Packaging (Pty) Ltd	Loan	13.7	-	No fixed terms of repayment
Cape Quick Packaging (Pty) Ltd	Loan	5.8	-	No fixed terms of repayment
		572.9		

#### Note:

<sup>1</sup> Terms of the loan provide for maximum interest rate of JIBAR + 3%.

These loans are unsecured. The term loan to Lenco Packaging (Pty) Ltd has been subordinated in favour of other creditors of those companies until such time as the assets of those companies, fairly valued, exceed liabilities.

These companies operate principally in the countries in which they are incorporated.

The Group's share of profits from subsidiary entities for the year ended 31 December 2010 is R71.6 million (2009: R53.8 million) (2008: R5.6 million).

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>12. INVESTMENTS IN ASSOCIATES</b>			
<b>At 1 January</b>	29.5	30.8	30.9
Net income/(loss) from associates	3.4	(0.3)	2.6
Dividends received	–	(1.0)	(2.7)
Acquisition of investment in associate	20.0	–	–
<b>Balance at 31 December</b>	<b>52.9</b>	<b>29.5</b>	<b>30.8</b>
The Group's total investment in associates comprises:			
Associate's net asset value	38.1	24.0	25.3
Goodwill	14.8	5.5	5.5
<b>Total equity</b>	<b>52.9</b>	<b>29.5</b>	<b>30.8</b>

All investments in associates are pledged as security in respect of the Standard Bank loans (refer note 22).

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

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Total non-current assets	14.6	12.2	13.5
Total current assets	60.7	40.4	34.9
Total current liabilities	(15.3)	(11.2)	(8.1)
Total non-current liabilities	(7.1)	(11.9)	(9.5)
Share of associates' net assets <sup>1</sup>	52.9	29.5	30.8
Revenue	118.9	100.6	99.2
Total operating costs	(115.5)	(100.9)	(96.7)
Net finance costs	–	–	0.1
Share of associates' profit/(loss) for the financial year	3.4	(0.3)	2.6

**Note:**

<sup>1</sup> There are no material contingent liabilities for which the Group is jointly or severally liable at the reporting dates presented.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>13. FINANCIAL ASSET INVESTMENTS</b>			
Loans receivable	15.4	9.7	3.4
Other	–	–	0.4
	<b>15.4</b>	<b>9.7</b>	<b>3.8</b>

All financial asset investments are non-current as the repayment terms are greater than 1 year.

Loans receivable are held at amortised cost.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>14. INVENTORIES</b>			
Raw materials and consumables	441.5	426.1	383.2
Work in progress	30.7	33.7	35.2
Finished goods	208.4	259.0	298.8
<b>Total inventories</b>	<b>680.6</b>	<b>718.8</b>	<b>717.2</b>
Of which held at net realisable value	20.7	31.4	9.2
Write down of inventories to net realisable value	(12.9)	(20.2)	(6.5)
Aggregate reversal of write-down of inventories	18.2	–	0.3
Cost of inventories recognised as an expense	(3, 006.3)	(2,958.0)	(2,004.4)
	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

#### **15. TRADE AND OTHER RECEIVABLES**

Trade receivables (a)			
– external	1,047.6	1,118.0	1,193.3
– related parties	53.4	68.1	80.5
Allowance for doubtful debts (b)	(21.8)	(28.7)	(30.0)
Net trade receivables	1,079.2	1,157.4	1,243.8
Other receivables	78.1	57.3	44.1
Amounts owed by related parties	12.6	14.7	16.7
Interest receivable from related parties	–	–	–
Prepayments and accrued income	6.3	15.6	3.7
	<b>1,176.2</b>	<b>1,245.0</b>	<b>1,308.3</b>

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

Trade and other receivables are pledged as security for the Standard Bank loans (refer note 22).

#### **(a) Trade receivables: Credit risk**

The Group's exposure to the credit risk inherent in their trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 36. Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by participants operating in the various markets in which the Group operates. Interest is charged at an appropriate rate on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of these impaired trade receivables for the Group as at the reporting date are R72.5 million (2009: R96.6 million) (2008: R129.3 million), and the associated aggregated impairments for the Group are R21.8 million (2009: R28.7 million) (2008: R30.0 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling R204.7 million (2009: R180.8 million) (2008: R112.3 million), which are past due, but not impaired as at the reporting date. The Group has assessed these balances for recoverability and believe that their credit quality remains intact. An ageing analysis of these past due trade receivables is provided as follows:

<b>Trade receivable past due by</b>					
	<b>Less than 1 month R'm</b>	<b>1 – 2 months R'm</b>	<b>2 – 3 months R'm</b>	<b>More than 3 months R'm</b>	<b>Total R'm</b>
<b>Group</b>					
Carrying value – 31 December 2010	104.1	36.1	18.7	45.8	204.7
Carrying value– 31 December 2009	79.4	37.5	27.6	36.3	180.8
Carrying value – 31 December 2008	42.9	13.4	21.4	34.6	112.3

Included within the Group's aggregate trade receivables balances are debtor balances with customers totalling R2.2 million (2009: R11.2 million) (2008: R4 million), where contractual terms have been renegotiated to extend the credit period offered. The Group believe that these balances are fully recoverable and therefore no impairment loss has been recognised.

The Group did not enter into any debt factoring arrangements.

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

	<b>Group</b>		
	<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>
<b>At 1 January</b>	28.7	30.0	13.9
Amounts written off and recovered during the year	(7.2)	(5.1)	(2.1)
Increase in allowance recognised in the income statement	1.5	3.8	18.2
Transfer to disposal group	(1.2)	–	–
<b>At 31 December</b>	21.8	28.7	30.0

**16. CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	101.4	315.5	143.2
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All bank accounts are pledged as security for the Standard Bank loans (refer note 24).

**17. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2010</b>			<b>2009</b>			<b>2008</b>		
	<b>Asset R'm</b>	<b>Liability R'm</b>	<b>Notional amount R'm</b>	<b>Asset R'm</b>	<b>Liability R'm</b>	<b>Notional amount R'm</b>	<b>Asset R'm</b>	<b>Liability R'm</b>	<b>Notional amount R'm</b>
<b>Group</b>									
Non-current derivative									
Cash flow hedges:									
Interest rate swaps	–	(27.2)	400.0	–	(19.7)	450.0	–	(26.4)	500.0
Current derivative									
Held for trading <sup>1</sup> :									
Foreign exchange contracts	1.4	(5.2)	90.0	3.0	(2.6)	28.3	1.9	(3.3)	40.1

**Note:**

<sup>1</sup> There were no held for trading derivative assets and liabilities, classified as current in accordance with IAS 1, 'Presentation of Financial Statements', which are due to mature after more than one year, for all the years presented.

Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments.

The notional amounts presented represent the aggregate face value of all foreign exchange contracts and interest rate swaps at the year-end. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Group's exposure to credit or market risks. Note 36 provides an overview of the Group's management of financial risks through the selective use of derivative financial instruments and also includes a presentation of the undiscounted future contractual cash flows of the derivative contracts outstanding at the reporting date.

## Hedging

### Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value (losses)/gains reclassified from the cash flow hedge reserve during the year and matched against the realisation of hedged risks in the combined and consolidated income statement were as follows:

	Group		
	2010 R'm	2009 R'm	2008 R'm
Net finance costs	(14.3)	(5.6)	9.8

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

	Group		
	2010 R'm	2009 R'm	2008 R'm

### Held for trading derivatives

Net fair value (losses)/gains on held for trading derivatives	(5.6)	1.8	(0.9)
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Held for trading derivatives are used primarily to hedge foreign exchange statement of financial position exposures. Held for trading derivative (losses)/gains have corresponding gains/(losses) which arise on the revaluation of the foreign exchange balance sheet exposures being hedged. The Group chose not to apply hedge accounting to the held for trading derivatives.

The Group entered into a R500 million (2009: R500 million) (2008: R500 million) interest rate swap to hedge its interest rate exposure on floating rate debt and applied hedge accounting in terms of IAS 39. The floating rate of the swap is referenced to three-month JIBAR and the fixed interest rate on the R300 million term facility is 10.1% (2009: 10.1%) (2008: 10.1%) and 9.8% (2009: 9.8%) (2008: 9.8%) on the R200 million bullet facility.

	Group		
	2010 R'm	2009 R'm	2008 R'm
Net finance costs	(14.3)	(5.6)	9.8

## 18. ASSETS CLASSIFIED AS HELD FOR SALE

Assets related to the Merchant business <sup>1</sup>	171.0	–	–
Liabilities associated with the assets held for sale <sup>1</sup>	90.7	–	–
Property, plant and equipment (see note 10)	2.4	–	–
Inventories	52.6	–	–
Trade and other receivables	116.0	–	–
	171.0	–	–
Short-term borrowings	(0.4)	–	–
Trade and other payables	(74.3)	–	–
Other current financial liabilities	(1.4)	–	–
Medium and long-term borrowings	(1.2)	–	–
Deferred tax liabilities (see note 24)	(13.4)	–	–
Liabilities of the Merchant business associated with asset classified as held for sale	(90.7)	–	–
Net assets of the Merchant business classified as held for sale	80.3	–	–

### Note:

<sup>1</sup> The Group is seeking to dispose of its Merchant business to its holding company and anticipates that the disposal will be completed by 30 June 2011. The major classes of assets and liabilities of the Merchant business at the end of the reporting periods presented are as follows.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>19. SHORT-TERM BORROWINGS</b>			
Standard Bank loans (see note 22)	133.3	332.6	373.8
Current portion of finance lease obligations (see note 22)	12.6	12.5	17.3
Overdraft	5.6	5.4	6.7
Other	–	–	7.5
	<b>151.5</b>	<b>350.5</b>	<b>405.3</b>

A 364-day short-term working capital facility in a maximum aggregate amount of R140 million from Standard Bank exists. The facility is renewable annually and bears interest at monthly JIBAR plus 200 basis points and is secured by the pledge of assets referred to in note 22.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>20. TRADE AND OTHER PAYABLES</b>			
Trade payables	487.1	449.0	310.7
Amounts owed to related parties	133.9	235.7	186.0
Other payables and accruals	413.4	495.2	541.8
<b>Total trade and other payables</b>	<b>1,034.4</b>	<b>1,179.9</b>	<b>1,038.5</b>

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

	<b>1 January</b>	<b>Charge/ (Release)</b>	<b>31</b>	<b>Charge/ (Release)</b>	<b>Reclassi-</b>	<b>31</b>
	<b>2009</b>	<b>to income</b>	<b>December</b>	<b>to income</b>	<b>fied</b>	<b>December</b>
	<b>R'm</b>	<b>statement</b>	<b>2009</b>	<b>statement</b>	<b>R'm</b>	<b>2010</b>
		<b>R'm</b>	<b>R'm</b>	<b>R'm</b>		<b>R'm</b>
<b>21. PROVISIONS</b>						
<b>Group</b>						
Customer claims provision	9.6	0.2	9.8	(2.1)	(7.7)	–
Employee Share Ownership Scheme	4.7	(0.5)	4.2	13.6	–	17.8
Restoration and environmental	1.8	0.1	1.9	0.8	–	2.7
	<b>16.1</b>	<b>(0.2)</b>	<b>15.9</b>	<b>12.3</b>	<b>(7.7)</b>	<b>20.5</b>

The restoration and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by production operations. A provision is recognised for the present value of such costs. The provision will be utilised within the forthcoming financial year and has been disclosed as a current liability.

			<b>Group</b>		
			<b>2010</b>	<b>2009</b>	<b>2008</b>
			<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>22. MEDIUM AND LONG-TERM BORROWINGS</b>					
	<b>Terms of repayment</b>	<b>Rate of interest</b>			
<b>Secured</b>					
Standard Bank Term loan 1	(a)	(b)	227.3	284.1	340.9
Standard Bank Term loan 2	(c)	(d)	–	195.5	433.8
Standard Bank Term loan 3	(e)	(f)	280.0	350.0	420.0
Standard Bank Term loan 4	(g)	(h)	4.3	13.0	21.7
Standard Bank Bullet loan 1	(i)	(j)	500.0	500.0	500.0
Standard Bank Bullet loan 2	(k)	(l)	200.0	200.0	200.0
Standard Bank loans			1,211.6	1,542.6	1,916.4
Obligations under finance leases			33.6	43.2	43.7
			1,245.2	1,585.8	1,960.1
<b>Unsecured</b>					
Mondi Ltd Mezzanine loan 1	(m)	(n)	804.5	788.1	724.9
Mondi Ltd Mezzanine loan 2	(m)	(n)	1,098.8	956.2	815.9
Mondi Ltd Paperlink loan	(o)	(p)	143.1	124.5	106.3
Mondi Ltd Shareholder's loan	(q)	(q)	239.1	239.1	239.0
Shanduka Shareholder's loan	(r)	(r)	168.4	168.4	168.4
Mondipak Versapak Shareholder's loan	(s)	(t)	36.6	39.6	41.0
			2,490.5	2,315.9	2,095.5
<b>Total borrowings</b>			<b>3,735.7</b>	<b>3,901.7</b>	<b>4,055.6</b>
<b>Less: Current portion</b>					
Standard Bank loans (see note 19)			(133.3)	(332.6)	(373.8)
Obligations under finance leases (see note 19)			(12.6)	(12.5)	(17.3)
<b>Non-current borrowings</b>			<b>3,589.8</b>	<b>3,556.6</b>	<b>3,664.5</b>

On 30 June 2005 30% of both the Standard Bank Term and Bullet loans were ceded to Rand Merchant Bank. During 2008 a similar arrangement was entered into with Nedbank. These arrangements do not change the initial terms and conditions between the Company and Standard Bank. Details are presented below:

			<b>Group</b>		
			<b>2010</b>	<b>2009</b>	<b>2008</b>
			<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
	<b>Terms of repayment</b>	<b>Rate of interest</b>			
Standard Bank Term Loan	(a/e)	(b/f)	136.5	372.9	653.6
Standard Bank Bullet Loan	(i/k)	(j/l)	250.0	250.0	250.0
Rand Merchant Bank Term Loan	(a/e)	(b/f)	201.5	251.9	302.3
Rand Merchant Bank Bullet Loan	(i/k)	(j/l)	250.0	250.0	250.0
Nedbank Term Loan	(a/e)	(b/f)	173.6	217.8	260.5
Nedbank Bullet Loan	(i/k)	(j/l)	200.0	200.0	200.0
			1,211.6	1,542.6	1,916.4

- (a) The loan is repayable in 14 bi-annual instalments commencing 30 June 2008.
- (b) The loan bears interest at the three month JIBAR plus a margin of 2.0%.
- (c) The loan is repayable in 11 quarterly instalments commencing 2 January 2008.
- (d) The loan bears interest at the three-month JIBAR plus a margin of 0.60%.
- (e) The loan is repayable in 12 bi-annual instalments commencing 30 June 2009.

- (f) R200 million bears interest for 5 years at 10.1%. R80 million bears interest at the three-month JIBAR plus a margin of 2.0%. Thereafter the full loan shall bear interest at the three-month JIBAR plus a margin of 2%.
- (g) The loan is repayable in six bi-annual instalments commencing 31 December 2008.
- (h) The loan bears interest at the six month JIBAR plus a margin of 2.0%.
- (i) The loan is repayable in full at the end of the loan period on 31 December 2014.
- (j) The loan bears interest at the JIBAR plus a margin of 2.0%.
- (k) The loan is repayable in full at the end of the loan period on 31 December 2014.
- (l) The loan bears interest for 5 years at 9.8%. Thereafter the loan shall bear interest at the three-month JIBAR plus a margin of 2.0%.
- (m) The loans are repayable subject to the covenants imposed by Standard Bank and by 1 January 2017. All residual cash shall be used to service interest and capital of the Mezzanine loans, it being the intention of the parties that the loans should be paid off as soon as possible without jeopardising the running of the business or its sustainability. Mondi Limited has the option to convert the unpaid portion after year 12 into equity. The Mezzanine loans have been subordinated to the benefit of the creditors of Mpack and its subsidiaries.
- (n) Mezzanine Loan 1 bears interest at the three-month JIBAR plus 4.5%, and the Mezzanine Loan 2 bears interest at prime plus 4.0%.
- (o) The remaining balance on the loan is repayable as free cash flow is available.
- (p) The loan bears interest at prime plus 4.0%.
- (q) The loan is interest free and is only repayable once the external loan repayable to Standard Bank, and the Mezzanine loans have been settled in full. The Standard Bank loan will be settled by drawing upon the Mezzanine Loan 1 facility. As the Mezzanine loan facilities are available until January 2017, the shareholders' loans are considered to be only repayable in January 2017. The Mondi Limited shareholders' loan has been subordinated to the benefit of the creditors of Mpack and its subsidiaries' shareholders.
- (r) The loan bears interest at a rate determined by the Board of Directors from time to time. The initial and current rate is zero percent and has no fixed date of repayment.
- (s) The loan has no fixed date of repayment.
- (t) The non-preferred portion of the loan bears interest at zero percent, and the preferred portion of the loan bears interest at prime less 1%.

The Group mainly sources its borrowings in South African Rand. The fair values of the Group's borrowings approximate the carrying value presented. The borrowings were entered into to acquire the various businesses of the Group as a going concern.

The maturity analysis of the Group's borrowings presented, on an undiscounted future cash flow basis is included as part of a review of the Group's liquidity risk within note 36.

All these loans, with the exception of the Versapak shareholders' loan and obligations under finance leases, will be settled through the new share subscription and new debt arrangements on Listing.

#### **Obligations under finance leases**

The maturity of obligations under finance leases is:

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
No later than one year	14.9	16.7	21.1
Later than one year and not more than five years	20.4	33.1	23.0
More than five years	5.1	5.0	9.2
Future value of finance lease liabilities	40.4	54.8	53.3
Future finance charges	(6.8)	(11.6)	(9.6)
Present value of finance lease liabilities	33.6	43.2	43.7

Finance leases relate to computer equipment and plant with lease terms ranging from 3 to 5 years. Ownership of the computer equipment and plant transfers to the Group at the conclusion of the lease agreements. The Group's obligations under the finance leases are secured by the lessors' title to the leases assets.



### Financing facilities

Group liquidity is provided through debt facilities which are in excess of the Group's short-term needs. The Group has committed facilities amounting to R1.59 billion (2009: R1,94 billion) (2008: R2.2 billion).

The Group has pledged certain assets as collateral against certain borrowings. The fair values of these assets as at 31 December 2010 are as follows:

	Group		
	2010	2009	2008
	R'm	R'm	R'm
<b>Assets held under finance leases</b>			
Property, plant and equipment	53.7	29.0	59.4
<b>Assets pledged as collateral for other borrowings</b>			
Property, plant and equipment	1,809.3	1,844.9	1,902.2
Inventories	658.4	695.4	689.3
Financial assets	1,236.2	1,516.4	1,397.0
<b>Total fair value of assets pledged as collateral</b>	<b>3,757.6</b>	<b>4,085.7</b>	<b>4,047.9</b>

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

### 23. RETIREMENT BENEFITS

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

#### Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans for the Group totalling R43.5 million (2009: R44.5 million) (2008: R38.6 million) is calculated on the basis of the contribution payable by the Group the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented.

#### Defined benefit pension plans and post-retirement medical arrangements

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

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

#### Post-retirement medical plans

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

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

## Group

### Actuarial assumptions

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

	2010	2009	2008
	%	%	%
<b>Defined benefit pension plan</b>			
Average discount rate for plan liabilities	8.4	9.1	7.2
Average rate of inflation	5.6	5.6	4.0
Average rate of increase in salaries	6.9	6.9	5.3
Average rate of increase of pensions in payment	5.6	5.6	4.8
Average long-term rate of return on plan assets	7.6	9.7	7.5
<b>Post-retirement medical plan</b>			
Average discount rate for plan liabilities	8.4	9.1	7.2
Expected average increase of healthcare costs	7.1	7.1	5.4

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

## Group

### Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2010	2009	2008
	years	years	years
<b>Retiring today:</b>			
Males	15.83 – 17.86	15.72 – 17.66	17.56
Females	19.76 – 22.21	19.62 – 22.00	21.91
<b>Retiring in 20 years:</b>			
Males	19.70 – 20.40	19.50 – 19.58	19.40
Females	24.00 – 24.38	23.61 – 23.80	23.70

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

Independent qualified actuaries carry out full valuations every three years using the projected credit unit method. The actuaries have updated the valuations to 31 December 2010.

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 122% (2009: 120%) (2008: 106%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the schemes' trustees and in accordance with local actuarial advice and statutory provisions.

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

The total gain/(loss), net of applicable tax, recognised in equity relating to experience movements on scheme liabilities and plan assets and actuarial assumption changes for the year ended 31 December 2010 is loss of R19.4 million (2009: gain of R22.5 million) (2008: loss of R17.5 million). The cumulative total recognised since 1 January 2004 is a loss of R18.6 million.

**Group****Retirement benefits surplus/(obligation)**

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Present value of unfunded obligations	(73.5)	(43.2)	(45.8)
Present value of funded obligations	(165.7)	(158.7)	(201.7)
<b>Present value of pension plan liabilities</b>	<b>(239.2)</b>	<b>(201.9)</b>	<b>(247.5)</b>
Fair value of plan assets	201.6	190.0	213.6
<b>Deficit</b>	<b>(37.6)</b>	<b>(11.9)</b>	<b>(33.9)</b>
Surplus restrictions	(14.6)	(28.0)	(11.9)
<b>Deficit on pension and post-retirement medical plans</b>	<b>(52.2)</b>	<b>(39.9)</b>	<b>(45.8)</b>

Amounts reported in the statement of financial position:

<b>Assets</b>			
Retirement benefits surplus	21.3	3.3	–
<b>Liabilities</b>			
Retirement benefits obligation:			
Defined benefit pension plans <sup>1</sup>	–	–	–
Post-retirement medical plans	(73.5)	(43.2)	(45.8)
<b>Total retirement benefits obligation</b>	<b>(73.5)</b>	<b>(43.2)</b>	<b>(45.8)</b>

**Note:**

<sup>1</sup> Underlying obligations are grossed up for the surpluses that exist.

**Group**

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

	<b>Fair value of plan assets</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
At 1 January	190.0	213.6	206.7
Expected return on plan assets	18.0	16.0	18.4
Actuarial losses	(8.4)	(36.9)	(14.9)
Contributions paid by employer	8.8	4.4	8.5
Contributions paid by other members	1.8	1.7	2.4
Benefits paid	(8.6)	(8.8)	(7.5)
<b>At 31 December</b>	<b>201.6</b>	<b>190.0</b>	<b>213.6</b>

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

For the year ended 31 December 2010, the actual return on plan assets in respect of defined benefit pension schemes was a gain of R9.5 million (2009: R20.9 million) (2008: R3.5 million).

**GROUP**

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

	2010			2009			2008		
	Pension plans R'm	Post-retirement medical plans R'm	Total plans R'm	Pension plans R'm	Post-retirement medical plans R'm	Total plans R'm	Pension plans R'm	Post-retirement medical plans R'm	Total plans R'm
At 1 January	158.7	43.2	201.9	201.7	45.8	247.5	177.3	35.9	213.2
Current service cost	9.1	0.4	9.5	11.8	0.5	12.3	11.4	1.1	12.5
Interest cost	14.4	3.9	18.3	14.6	3.3	17.9	14.8	3.0	17.8
Actuarial losses/(gains)	(10.0)	28.6	18.6	(62.3)	(5.8)	(68.1)	3.4	6.0	9.4
Contributions paid by other members	2.1	—	2.1	1.7	—	1.7	2.3	—	2.3
Benefits paid	(8.6)	(2.6)	(11.2)	(8.8)	(1.7)	(10.5)	(7.5)	(0.2)	(7.7)
Reclassification	—	—	—	—	1.1	1.1	—	—	—
<b>At 31 December</b>	<b>165.7</b>	<b>73.5</b>	<b>239.2</b>	<b>158.7</b>	<b>43.2</b>	<b>201.9</b>	<b>201.7</b>	<b>45.8</b>	<b>247.5</b>

**GROUP**

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

	2010		2009		2008	
	Rate of return %	Fair value R'm	Rate of return %	Fair value R'm	Rate of return %	Fair value R'm
Equity	10.97	32.9	11.72	73.6	9.88	86.4
Bonds	—	—	—	—	—	—
Other	6.95	168.7	8.46	116.4	5.98	127.2
<b>Fair value of plan assets</b>		<b>201.6</b>		<b>190.0</b>		<b>213.6</b>

**GROUP****Income statement**

The amounts recognised in the income statement are as follows:

	2010		2009		2008	
	Pension plans R'm	Post-retirement medical plans R'm	Total plans R'm	Pension plans R'm	Post-retirement medical plans R'm	Total plans R'm
<b>Analysis of the amount charged/(credited) to underlying operating profit</b>						
Current service costs	9.1	0.4	9.5	11.8	0.5	12.3
<b>Total within operating costs</b>						
<b>Analysis of the amount (credited)/charged to net finance costs on plan liabilities</b>						
Expected return on plan assets <sup>1</sup>	(18.0)	-	(18.0)	(16.0)	-	(16.0)
Interest costs on plan liabilities <sup>2</sup>	14.4	3.9	18.3	14.6	3.3	17.9
<b>Net charge to other net finance costs</b>	(3.6)	3.9	0.3	(1.4)	3.3	1.9
<b>Total charge to income statement</b>	5.5	4.3	9.8	10.4	3.8	14.2
<b>Notes:</b>						
<sup>1</sup> Included in investment income (see note 6).						
<sup>2</sup> Included in interest expense (see note 6).						

## GROUP

### Sensitivity analysis

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

	1% increase		
	2010 R'm	2009 R'm	2008 R'm
Effect on the aggregate of the current service cost and interest cost	0.7	0.6	0.6
Effect on the defined benefit obligation	7.1	5.9	6.8

## GROUP

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

	2010 R'm	2009 R'm	2008 R'm	2007 R'm	2006 R'm	
<b>Assets</b>						
Defined benefit plans in surplus	21.3	3.3	–	2.8	40.7	
<b>Liabilities</b>						
Defined benefit plans in deficit (funded and unfunded)	–	–	–	–	–	
Post-retirement medical plans	(73.5)	(43.2)	(45.8)	(35.9)	(39.6)	
<b>Total retirement benefit obligations</b>	<b>(73.5)</b>	<b>(43.2)</b>	<b>(45.8)</b>	<b>(35.9)</b>	<b>(39.6)</b>	
<b>Experience adjustments</b>						
On plan assets	(8.4)	(36.9)	(14.9)	8.2	7.9	
On plan liabilities	9.8	57.1	(29.2)	8.0	(5.1)	
<b>Total experience adjustments</b>	<b>1.4</b>	<b>20.2</b>	<b>(44.1)</b>	<b>16.2</b>	<b>2.8</b>	
				<b>Group</b>		
				<b>2010 R'm</b>	<b>2009 R'm</b>	<b>2008 R'm</b>

## 24. DEFERRED TAX

### Deferred tax asset

At 1 January	71.2	143.1	95.0
Acquired through business combinations (see note 29)	–	–	5.0
Charged to income statement	(45.3)	(76.9)	40.4
Charged to statement of comprehensive income	11.5	(4.2)	2.7
Reclassification of deferred tax asset to deferred tax liability	13.4	9.2	–
<b>At 31 December</b>	<b>50.8</b>	<b>71.2</b>	<b>143.1</b>

### Deferred tax liability

At 1 January	(35.5)	(53.9)	(39.3)
Acquired through business combinations (see note 29)	–	–	(2.8)
Disposal of businesses (see note 30)	–	(1.9)	–
Charged to income statement	15.2	29.5	(11.8)
Transfer to disposal group (see note 18)	13.4	–	–
Reclassification from deferred tax asset	(13.4)	(9.2)	–
<b>At 31 December</b>	<b>(20.3)</b>	<b>(35.5)</b>	<b>(53.9)</b>

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

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>Deferred tax assets</b>			
Tax losses <sup>1</sup>	313.3	341.9	332.7
Capital allowances	(287.9)	(279.5)	(174.4)
Provisions	1.5	1.3	0.3
Other temporary differences	23.9	7.5	(15.5)
<b>Total deferred tax assets</b>	<b>50.8</b>	<b>71.2</b>	<b>143.1</b>

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>Deferred tax liability</b>			
Capital allowances	28.9	27.4	36.8
Provisions	34.3	31.6	28.3
Fair value adjustments	2.8	2.7	2.8
Other temporary differences	(45.7)	(26.2)	(14.0)
<b>Deferred tax liability</b>	<b>20.3</b>	<b>35.5</b>	<b>53.9</b>

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

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
<b>Deferred tax assets</b>			
Recoverable within 12 months	40.1	14.2	–
Recoverable after 12 months	10.7	57.0	143.1
	<b>50.8</b>	<b>71.2</b>	<b>143.1</b>
<b>Deferred tax liabilities</b>			
Payable within 12 months	(1.4)	5.5	–
Payable after 12 months	21.7	30.0	53.9
	<b>20.3</b>	<b>35.5</b>	<b>53.9</b>

The Group has the following amounts in respect of which no deferred tax has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised:

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Tax losses – revenue	246.3	246.3	–
	<b>246.3</b>	<b>246.3</b>	<b>–</b>

All unrecognised tax losses have no expiry date.

**Note:**

<sup>1</sup> Based on the forecast data, the Group believe that there will be sufficient future taxable profits available to utilise these tax losses.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

## 25. OTHER NON-CURRENT LIABILITIES

Non-controlling interest put option	50.5	66.8	72.0
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The non-controlling shareholders of a subsidiary have a put option which will require the Group to purchase the non-controlling interest within the next three years. The non-controlling interest put option was valued based on an EBITDA multiple multiplied by the forecasted EBITDA for the next eight years discounted back to present value, using a discount rate of 15%.

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

## 26. SHARE CAPITAL AND SHARE PREMIUM

### Authorised share capital<sup>1</sup>

1,000,000 shares of R0.001 each	–	–	–
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### Issued share capital<sup>1</sup>

159,950 shares of R0.001 each	–	–	–
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### Share premium

59,950 shares of R4 074.80 each	244.3	244.3	244.3
	244.3	244.3	244.3

#### Note:

<sup>1</sup> Amounts less than R1,000.

The unissued shares are under the control of the directors until the next annual general meeting.

## 27. SHARE-BASED PAYMENTS

### Mondi share awards

The Group participates in a number of share-based payment arrangements operated by Mondi Limited to incentivise employees.

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

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

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

<b>Group</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Mondi Limited share arrangements <sup>1</sup>	7.1	4.4	4.5
Demerger share arrangements (see note 5)	–	0.8	1.7
<b>Total share-based payment expense</b>	<b>7.1</b>	<b>5.2</b>	<b>6.2</b>



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

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

**Note:**

<sup>1</sup> Consist of the Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP).

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

A reconciliation of share award movements for Mondi Packaging Group is shown below:

<b>Group</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Number of share awards			
At 1 January	548,457	416,679	218,763
Conditionally awarded in year	227,770	355,050	172,688
Vested in year	(65,434)	(156,889)	–
Lapsed in year	(9,858)	(46,787)	(3,395)
Transferred (to)/from other Mondi Group companies (employee transfers)	–	(19,596)	28,623
<b>At 31 December</b>	<b>700,935</b>	<b>548,457</b>	<b>416,679</b>

**Note:**

<sup>1</sup> The base fair value has been adjusted for contractually-determined market-based performance conditions.

**28. OTHER COMPREHENSIVE INCOME**

	2010		2009		2008	
<b>Group</b>	<b>Before tax amount R'm</b>	<b>Tax expense R'm</b>	<b>Net-of-tax amount R'm</b>	<b>Before tax amount R'm</b>	<b>Tax benefit R'm</b>	<b>Net-of-tax amount R'm</b>
Fair value gains on options to equity shareholders	3.0	-	3.0	-	-	-
Cash flow hedges:	(7.5)	7.6	0.1	6.3	-	(26.4)
Fair value (losses)/gains arising during the year	(21.8)		0.7		(16.6)	
Less: Reclassification adjustments in income statement	14.3		5.6		(9.8)	
Actuarial (losses)/gains and surplus restriction on post-retirement benefit schemes	(13.7)	3.9	(9.8)	15.1	(4.2)	10.9
Exchange losses on translation of foreign operations	(0.4)	-	(0.4)	(0.6)	-	(0.6)
<b>Total comprehensive income</b>	<b>(18.6)</b>	<b>11.5</b>	<b>(7.1)</b>	<b>20.8</b>	<b>(4.2)</b>	<b>16.6</b>
<i>Attributable to:</i>						
Non-controlling interests			-			-
Equity holders of the parent companies			(7.1)			16.6
						(33.3)
						(33.3)

## 29. BUSINESS COMBINATIONS

There were no major acquisitions for the years ended 31 December 2010 and 31 December 2009.

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

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Property, plant and equipment	–	1.3	93.3
Deferred tax assets	–	–	5.0
Inventories	–	–	14.0
Trade and other receivables	–	–	29.8
Deferred tax liabilities	–	–	(2.8)
Long-term borrowings	–	–	(31.8)
Trade and other payables	–	–	(49.6)
Overdrafts	–	–	(0.4)
Derivative instruments	–	–	(1.3)
<b>Net assets acquired</b>	–	1.3	56.2
Adjustments to provisional goodwill raised in prior year	–	–	(14.7)
<b>Total cost of acquisition</b>	–	1.3	41.5
Overdrafts disposed	–	–	0.4
<b>Net cash paid</b>	–	1.3	41.9

The Group acquired a 72% interest in Lion Packaging (Pty) Ltd, a polystyrene and PVC film wrap manufacturing entity, with effect from 1 April 2008.

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

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

## 30. DISPOSAL OF SUBSIDIARIES

The Group disposed of its 100% holding in Cape Quick Packaging (Pty) Ltd on 31 July 2009. The loss on disposal of the business of R0.3 million has been recognised in special items in the income statement

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>

### 31. CONSOLIDATED CASH FLOW ANALYSIS

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

Profit/(Loss) before tax	95.9	15.9	(157.7)
Depreciation and amortisation	319.5	307.2	297.1
Share-based payments	7.1	5.2	6.2
Non-cash effect of special items	6.3	11.1	1.7
Net finance costs	386.5	467.0	492.5
Net (income)/loss from associates	(3.4)	0.3	(2.6)
Increase/(Decrease) in provisions	4.6	(0.1)	(11.8)
(Increase) in inventories	(14.6)	(2.5)	(109.0)
(Increase)/Decrease in receivables	(47.2)	58.5	(156.4)
(Decrease)/Increase in payables	(71.2)	145.2	(32.2)
(Profit)/Loss on disposal of tangible assets	(1.6)	0.2	0.5
Fair value change on transactions not qualifying as hedges	7.2	0.3	0.5
Other adjustments	(9.7)	3.7	(19.3)
<b>Cash flows from operating activities</b>	<b>679.4</b>	<b>1,012.0</b>	<b>309.5</b>

#### (b) Cash and cash equivalents

Cash and cash equivalent per statement of financial position	101.4	315.5	143.2
Bank overdrafts included in short-term borrowings	(5.6)	(5.3)	(6.7)
<b>Net cash and cash equivalents per statement of cash flows</b>	<b>95.8</b>	<b>310.2</b>	<b>136.5</b>

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

### 32. CAPITAL COMMITMENTS

Contracted for, but not provided	143.9	63.2	14.6
Approved, not yet contracted for	34.2	47.5	28.7
	<b>178.1</b>	<b>110.7</b>	<b>43.3</b>

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

### 33. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities for the Group comprise aggregate amounts at 31 December 2010 of R13.2 million (2009: R3.3 million) (2008: R25.7 million) in respect of loans and guarantees given to banks and other third parties.

A dispute has arisen in respect of the value of shares put by a minority shareholder in a subsidiary. The matter has been referred to arbitration.

A Group mill is the subject of a land claim.

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

There were no significant contingent assets for the Group at 31 December 2010, 31 December 2009 and 31 December 2008.

### 34. OPERATING LEASE COMMITMENTS

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

	Group		
	2010 R'm	2009 R'm	2008 R'm Restated
Expiry date			
Within one year	57.4	53.4	51.5
One to two years	69.9	69.0	70.8
Two to five years	144.5	154.6	155.0
After five years	233.5	257.1	311.3
	505.3	534.1	588.6

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

Comparatives have been restated to include certain agreements omitted in the 2008 year. Previously, the 2008 amounts were reflected as R265.0 million and R93.8 million.

### 35. CAPITAL MANAGEMENT

The Group defines its total capital employed as equity, as presented in the statement of financial position, plus net debt, excluding loans to joint ventures, less financial asset investments.

	Group		
	2010 R'm	2009 R'm	2008 R'm
Total borrowings (excluding overdrafts)	3,735.7	3,901.7	4,063.1
<i>Less: Cash and cash equivalents<sup>1</sup></i>	<i>(95.8)</i>	<i>(310.1)</i>	<i>(136.5)</i>
<b>Net debt</b>	<b>3,639.9</b>	<b>3,591.6</b>	<b>3,926.6</b>
Loans and receivables	(15.4)	(9.7)	(3.8)
<b>Adjusted net debt</b>	<b>3,624.5</b>	<b>3,581.9</b>	<b>3,922.8</b>
<b>Equity</b>	<b>181.1</b>	<b>136.1</b>	<b>174.0</b>
<b>Total capital employed</b>	<b>3,805.6</b>	<b>3,718.0</b>	<b>4,096.8</b>

Total capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns for shareholders and benefits for other stakeholders. Additionally, the Group is also committed to reducing its cost of capital by maintaining an optimal capital structure. In order to maintain an optimal capital structure, the Group may adjust the future level of dividends paid to shareholders, repurchase shares from shareholders, issue new equity instruments or dispose of assets to reduce its net debt exposure.

The Group reviews its total capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the Group's operations and are consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as net debt divided by total capital employed; and
- return on capital employed, defined as underlying operating profit, plus share of associates' net income, before special items, divided by average capital employed.

**Note:**

<sup>1</sup> Net of overdrafts.

### 36. FINANCIAL RISK MANAGEMENT

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

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Board and are overseen by the executive committee. In turn, the executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Mondi Packaging South Africa Group and for ensuring that the Mondi Packaging South Africa 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 Group does not take speculative positions on derivative contracts and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

### **Market risk**

The Group's activities are exposed to primarily foreign exchange and interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of foreign exchange contracts and interest rate swaps, respectively. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables.

### **Foreign exchange risk**

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

### **Foreign exchange contracts**

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

Only material statement of financial position exposure and highly probable forecast capital expenditure transactions are being hedged.

Currencies bought or sold forward to mitigate possible unfavourable movements on recognised monetary items are marked to market at each reporting date. Foreign currency monetary items are translated at each reporting date to incorporate the underlying foreign exchange movements, and any such movements are naturally off-set against fair value movements on related foreign exchange contracts.

### **Foreign currency sensitivity analysis**

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

### **Resultant impacts of reasonably possible changes to foreign exchange rates**

The Group has assumed that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency.

### **Interest rate risk**

The Group holds cash and cash equivalents, which earns interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group also has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings are held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

### Management of cash and cash equivalents

Cash and cash equivalents comprise cash 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.

### Management of variable rate debt

The Group has multiple variable rate debt facilities. Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant inter-bank lending rates, primarily the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are ordinarily formally designated as cash flow hedges and are fair valued at each reporting date. The fair value of interest rate swaps are determined at each reporting date by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract.

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

### Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on the Group's income statement.

### Interest rate risk sensitivities on variable rate debt and interest rate swaps

	Group		
	2010 R'm	2009 R'm	2008 R'm
<b>Total debt</b>	3,741.3	3,907.1	4,069.8
<i>Less:</i>			
Fixed rate debt	(9.0)	(510.4)	(500.0)
Non-interest bearing debt	(193.9)	(195.1)	(209.4)
Cash and cash equivalents	(101.4)	(315.5)	(143.2)
<b>Net variable rate debt</b>	3,437.0	2,886.1	3,217.2
Interest rate swaps:			
Floating-to-fixed nationals	(400.0)	(450.0)	(500.0)
<b>Net variable rate exposure</b>	3,037.0	2,436.1	2,717.2
+/- basis points change			
<b>Potential impact on earnings (+50 basis points)</b>	(15.2)	(12.2)	(13.6)
<b>Potential impact on earnings (-50 basis points)</b>	15.2	12.2	13.6

The potential impact on the Group's equity resulting from the application of +/- 50 basis points to the interest rate swaps designated as cash flow hedges would be a fair value gain of R2.2 million (2009: R2.5 million) (2008: R2.6 million) for the year ended 31 December 2010.

### Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Several Group entities have also issued certain financial guarantee contracts to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligate the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group or Company as a whole. Full disclosure of the Group's maximum exposure to credit risk is presented in the following table:

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Exposure to credit risk			
Cash and cash equivalents	101.4	315.5	143.2
Derivative financial instruments	1.4	3.0	1.9
Trade and other receivables (excluding pre-payments and accrued income)	1,169.9	1,229.4	1,304.6
Loans receivable	15.4	9.7	3.4
<b>Total credit risk exposure</b>	<b>1,288.1</b>	<b>1,557.6</b>	<b>1,453.1</b>

#### **Credit risk associated with trade receivables**

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

Each business unit manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business units, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total trade receivables balance of R1.1 billion (2009: R1.2 billion) (2008: R1.3 billion) included in trade and other receivables reported in the statement of financial position, credit insurance covering of R4.5 million (2009: R13.3 million) (2008: R26.3 million) of the total balance has been taken out the by Group's trading entities to insure against the related credit default risk. The insured cover is presented gross of contractually agreed excess amounts.

#### **Liquidity risk**

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

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

	<b>Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>R'm</b>	<b>R'm</b>	<b>R'm</b>
Expiry date:			
In one year or less	154.5	145.7	12.5
Total credit available	154.5	145.7	12.5

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's contractually-determined cash outflows, principally related to supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Group's trade receivables and trade payables, respectively. The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the statement of financial position and is managed to ensure the ongoing operating liquidity of the Group. Financing cash outflows may be longer term in nature. The Group does not hold long-term financial assets to match against these commitments, but are significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings. The Group also assesses its commitments under interest rate swaps, which hedge future cash flows from two to five years from the reporting date presented.

#### **Contractual maturity analysis**

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



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

#### Maturity profile of outstanding financial liabilities

Group	Undiscounted cash flow				Total R'm
	< 1 year R'm	1 – 2 years R'm	2 – 5 years R'm	5 + years R'm	
<b>2010</b>					
Trade and other payables (see note 20)	1,034.4	–	–	–	1,034.4
Finance leases	14.9	11.2	9.2	5.1	40.4
Borrowings	231.6	227.5	1,132.6	2,479.4	4 071.1
<b>Total</b>	<b>1,280.9</b>	<b>238.7</b>	<b>1,141.8</b>	<b>2,484.5</b>	<b>5 145.9</b>
<b>2009</b>					
Trade and other payables (see note 20)	1,179.9	–	–	–	1,179.9
Finance leases	16.7	15.3	17.8	5.0	54.8
Borrowings	460.1	239.6	1,338.7	2,305.8	4 344.2
<b>Total</b>	<b>1,656.7</b>	<b>254.9</b>	<b>1,356.5</b>	<b>2,310.8</b>	<b>5 578.9</b>
<b>2008</b>					
Trade and other payables (see note 20)	1,038.5	–	–	–	1,038.5
Finance leases	21.1	11.0	12.0	9.2	53.3
Borrowings	602.1	452.4	893.1	3 033.5	4 981.1
<b>Total</b>	<b>1,661.7</b>	<b>463.4</b>	<b>905.1</b>	<b>3 042.7</b>	<b>6 072.9</b>

It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash flows.

#### Maturity profile of outstanding derivative positions

Group	Undiscounted cash flow			Total <sup>1</sup> R'm
	< 1 year R'm	1 – 2 years R'm	2 – 5 years R'm	
<b>2010</b>				
Foreign exchange contracts	(5.7)	–	–	(5.7)
Interest rate swaps	(16.9)	(12.1)	–	(29.0)
<b>Total</b>	<b>(22.6)</b>	<b>(12.1)</b>	<b>–</b>	<b>(34.7)</b>
<b>2009</b>				
Foreign exchange contracts	(3.0)	–	–	(3.0)
Interest rate swaps	(12.0)	(7.2)	(2.4)	(21.6)
<b>Total</b>	<b>(15.0)</b>	<b>(7.2)</b>	<b>(2.4)</b>	<b>(24.6)</b>
<b>2008</b>				
Foreign exchange contracts	(1.4)	–	–	(1.4)
Interest rate swaps	4.1	11.3	16.1	31.5
<b>Total</b>	<b>2.7</b>	<b>11.3</b>	<b>16.1</b>	<b>30.1</b>

#### Note:

<sup>1</sup> It has been assumed that, where applicable, foreign exchange rates prevailing at the reporting date will not vary over the time periods projected.

### Fair value estimation

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

The significant inputs required to fair value all of the Group's financial instruments are observable.

Specific valuation methodologies used to value financial instruments include:

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

### 37. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its associates and joint ventures. Transactions between the Company and its respective subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and services transactions with joint ventures and associates and others in which the Group 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 significant.

The executive management, together with the non-executive directors, are deemed to be the key management personnel of the Group; their remuneration is disclosed in note 4.

Transactions disclosed elsewhere in the notes have not been repeated here. Details of transactions between the Group and other related parties are disclosed below:

	Group		
	2010 R'm	2009 R'm	2008 R'm
Sales to related parties	403.5	399.0	415.0
Purchases from related parties	542.5	520.8	425.5
Fees paid for management services provided	–	–	4.7
Loans from related parties	2,322.1	2,147.5	1,927.1
Loans to related parties	–	–	–
Receivables due from related parties	66.0	82.8	97.2
Payables due to related parties	134.0	235.2	186.0
Management salaries paid to non-controlling shareholders of a subsidiary	6.6	6.1	3.4

Cyril Ramaphosa, joint chairman of Mondi, has a 33.1% (2009: 34.3%) (2008: 32.7%) stake in Shanduka Group (Proprietary) Limited. The Group, in its normal course of business, and on an arm's length basis, enters into various transactions with Shanduka Group (Proprietary) Limited and its subsidiaries, the details of which are disclosed as follows:

	Group		
	2010 R'm	2009 R'm	2008 R'm
Fees paid for management services provided	–	–	4.7
Purchases from Shanduka Group	51.0	37.0	32.0
Shareholders loan from Shanduka Group	168.4	168.4	168.4
Payables due to Shanduka Group	1.5	2.7	3.7

### 38. EVENTS OCCURRING AFTER REPORTING DATE

Paperlink division has been sold to Mondi Limited at the net book value, as at 31 March 2011. The sale is effective 1 April 2011.

The Recycling division has been transferred to a separate company and 25% of the shares in that company have been disposed to Mondi Limited.

**MONDI PACKAGING SOUTH AFRICA (PTY) LTD**  
**SCHEDULE OF INVESTMENTS**

as at 31 December 2010

Name of investment	Share capital		Share holding		Cost of investment			Loans				
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
				%	%	%	R'm	R'm	R'm	R'm	R'm	R'm
<b>Subsidiary-Direct Holding</b>												
Mondipak Namibia (Proprietary) Limited	N\$100	N\$100	N\$100	69	69	68	21.2	21.2	21.2	-	-	-
Embalagens Mondipak Limitada Mozambique Rebel Packaging (Proprietary) Limited	M5 186	M5 186	M5 186	85	90	90	0.9	0.9	0.9	-	-	-
Cape Quick Packaging (Proprietary) Limited	R4,000	R4,000	R4,000	100	100	100	-	-	-	28.8	14.2	13.7
Mondi Plastic Containers (Proprietary) Limited	-	-	R100	-	-	85	-	-	-	-	-	5.8
Lenco Holdings (Proprietary) Limited	R100	R100	R100	51	51	51	0.2	0.2	0.2	-	-	-
(Proprietary) Limited	R100	R10,000	R10,000	100	100	100	646.7	646.7	646.7	-	-	-
							669.0	669.0	669.0	28.8	14.2	19.5
<b>Subsidiaries-Indirect holding</b>												
Linpac Mouldings South Africa (Proprietary) Limited	R100	R100	R100									
Lenco Corporate Finance (Proprietary) Limited	R100	R100	R100									9.4
Lenco Packaging (Proprietary) Limited	R100	R100	R100							499.9	477.6	413.6
Lenco Investment Holdings Limited	R100	R100	R100									
Versapak Holdings (Pvt) Limited	R100	R100	R100									
Versapak Zimbabwe (Proprietary) Limited	US\$50	US\$50	US\$50									
Sunko Mauritius (Proprietary) Limited	Rs100	Rs100	Rs100									
Versapak (Proprietary) Limited	R55	R55	R55									
Xactics-PET (Cape) (Proprietary) Limited	R55	R55	R55									
Xactics-PET (Proprietary) Limited	R100	R100	R100									

Name of investment <sup>24</sup>	Share capital			Share holding			Cost of investment			Loans		
	2010	2009	2008	2010 %	2009 %	2008 %	2010 R'm	2009 R'm	2008 R'm	2010 R'm	2009 R'm	2008 R'm
Xactics Packaging (Proprietary) Limited	R100	R100	R100									
Elvinco Plastics (Proprietary) Limited	R100	R100	R100									
Lion Packaging Trading 57 (Proprietary) Limited	R72	R72	R72									
Magic Attitude (Proprietary) Limited	R72	R72	R72									
Mondi Versapak (Proprietary) Limited	R72	R72	R72				97.5	108.8		108.8		130.4
							626.2	600.6		600.6		572.9

**Notes:**

<sup>1</sup> Excludes interest receivable referred to in note 15.

<sup>2</sup> Subordinated.

<sup>24</sup> There are no rights held by any person enabling such person to vary the voting rights held in any subsidiary.

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF MPACT (FORMERLY MONDI PACKAGING SOUTH AFRICA (PROPRIETARY) LIMITED) FOR THE THREE YEARS ENDED 31 DECEMBER 2010**

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“The Directors  
Mpact  
Postnet Suite #444  
Private Bag X  
Melrose Arch  
2076

16 May 2011

Dear Sirs

**REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF MPACT (FORMERLY MONDI PACKAGING SOUTH AFRICA (PROPRIETARY) LIMITED) REPORTED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Introduction**

At your request and for the purposes of the pre-listing statement to Mpact shareholders, to be dated on or about 31 May 2011, we present our report on the historical financial information in respect of the Demerger by Mondi Limited and the listing of Mpact, as set out in Annexure 1 to the pre-listing statement, in compliance with the Listings Requirements of the JSE Limited (“JSE”).

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of this historical financial information in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the historical financial information included as Annexure 1 to the pre-listing statement.

**Scope**

We have audited the financial information of Mpact for the years ended 31 December 2010, 31 December 2009 and 31 December 2008.

**Basis of opinion**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

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

### **Opinion**

In our opinion, the historical financial information of Mpact for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 fairly presents, in all material respects, the financial position at that date, and the results of the operations and cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

### **Consent**

We consent to the inclusion of this report, which will form part of the pre-listing statement to shareholders of Mpact, to be issued on or about 31 May 2011, in the form and context in which it appears.

Yours faithfully

**Deloitte & Touche**  
*Registered Auditors*  
*Per M J Jarvis*  
*Partner*

**Deloitte & Touche**  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
Sandton  
2196

**National Executive:** G G Gelink, Chief Executive; A E Swiegers, Chief Operating Officer; G M Pinnock, Audit; D L Kennedy, Risk Advisory; N B Kader, Tax & Legal Services; L Geeringh, Consulting; L Bam, Corporate Finance; J K Mazzocco, Human Resources; C R Beukman, Finance; T J Brown, Clients; N T Mtoba, Chairman of the Board ; M J Comber, Deputy Chairman of the Board.

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

Member of Deloitte & Touche 'Tohmatsu Limited'

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**UNAUDITED *PRO FORMA* STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT OF MPACT (FORMERLY MONDI PACKAGING SOUTH AFRICA (PROPRIETARY) LIMITED)**

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The unaudited *pro forma* consolidated statement of financial position at 31 December 2010 and consolidated income statement of Mpact for the financial year then ended are set out below. The unaudited *pro forma* consolidated financial information has been prepared to show the impact of the Demerger by Mondi.

The unaudited *pro forma* consolidated statement of financial position and consolidated income statement have been prepared for illustrative purposes only and because of its nature may not fairly present the Mpact financial position, changes in equity and results of operations or cash flows, nor the effect and impact of the Demerger.

The Directors of Mpact are responsible for the compilation, contents and preparation of the unaudited *pro forma* consolidated financial information contained in this pre-listing statement and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* consolidated financial information has been properly compiled on the basis stated the basis is consistent with the accounting policies of Mpact and, the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* consolidated financial information disclosed in terms of the JSE Listings Requirements.

The unaudited *pro forma* consolidated statement of financial position and consolidated income statement are presented in a manner consistent with IFRS and in accordance with The South African Institute of Chartered Accountants guide on *pro formas* and with the basis on which the financial statements of Mpact are expected to be prepared in terms of accounting policies.

The unaudited *pro forma* consolidated statement of financial position and consolidated income statement set out below should be read in conjunction with the independent reporting accountants' limited assurance report set out in Annexure 4 to this pre-listing statement.

The transfer of the Mpact interests is viewed as a common control Demerger under IFRS and therefore the individual interests and assets have been recognised as the carrying amount at which they were recorded in the financial records of Mpact.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 December 2010

The unaudited *pro forma* consolidated statement of financial position set out below presents the effect of the Demerger on the financial position of Mpac at 31 December 2010 based on the assumption that the Demerger was effective 31 December 2010:

	Notes	Group as at 31 December 2010 Audited	Capital and debt restructure	Listing costs	Disposal of Paperlink	Accelerated share-based payment charge	Minority interest in subsidiary	Group as at 31 December 2010 Adjusted <i>Pro forma</i>
R'millions	1	2	3	4	5	6	7	
Intangible assets		1,087.6					1,087.6	
Property, plant and equipment		1,897.9					1,897.9	
Investment in associates		52.9					52.9	
Financial asset investments		15.4					15.4	
Deferred tax assets		50.8	(7.6)		(13.4)		29.8	
Retirement benefits surplus		21.3					21.3	
<b>Total non-current assets</b>		<b>3,125.9</b>	<b>(7.6)</b>		<b>(13.4)</b>		<b>3,104.9</b>	
Inventories		680.6					680.6	
Trade and other receivables		1,176.2					1,176.2	
Cash and cash equivalents		101.4	82.5	(33.0)	92.9	23.0	266.8	
Derivative financial instruments		1.4					1.4	
<b>Total current assets</b>		<b>1,959.6</b>	<b>82.5</b>	<b>(33.0)</b>	<b>92.9</b>	<b>23.0</b>	<b>2,125.0</b>	
<b>Asset held for sale</b>		<b>171.0</b>			<b>(171.0)</b>		<b>-</b>	
<b>Total assets</b>		<b>5,256.5</b>	<b>74.9</b>	<b>(33.0)</b>	<b>(91.5)</b>	<b>23.0</b>	<b>5,229.9</b>	
Short-term borrowings		(145.9)	133.3				(12.6)	
Bank overdraft		(5.6)					(5.6)	
Trade and other payables		(1,034.4)				(29.3)	(1,063.7)	
Current tax liabilities		(11.8)					(11.8)	
Provisions		(20.5)					(20.5)	
Derivative financial instruments		(5.2)					(5.2)	
<b>Total current liabilities</b>		<b>(1,223.4)</b>	<b>133.3</b>		<b>(29.3)</b>		<b>(1,119.4)</b>	



**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
as at 31 December 2010

	<b>Group as at 31 December 2010 Audited</b>	<b>Notes</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>R'millions</b>				<b>Capital and debt restructure</b>	<b>Listing costs</b>	<b>Disposal of Paperlink</b>	<b>Accelerated share-based payment charge</b>	<b>Minority interest in subsidiary</b>	<b>Group as at 31 December 2010 Adjusted Pro forma</b>
Medium and long-term borrowings	(3,589.8)			1,874.2					(1,715.6)
Retirement benefits obligation	(73.5)								(73.5)
Deferred tax liabilities	(20.3)								(20.3)
Other non-current liabilities	(50.5)								(50.5)
Derivative financial instruments	(27.2)			27.2					-
<b>Total non-current liabilities</b>	<b>(3,761.3)</b>			<b>1,901.4</b>					<b>(1,859.9)</b>
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>(90.7)</b>					<b>90.7</b>			<b>-</b>
<b>Total liabilities</b>	<b>(5,075.4)</b>			<b>2,034.7</b>	<b>(33.0)</b>	<b>(0.8)</b>	<b>(29.3)</b>	<b>23.0</b>	<b>(2,979.3)</b>
<b>Net assets</b>	<b>181.1</b>			<b>2,109.6</b>	<b>(33.0)</b>	<b>(0.8)</b>	<b>(29.3)</b>	<b>23.0</b>	<b>2,250.6</b>
<b>Equity</b>									
Share capital and share premium/stated capital	244.3			2,090.0					2,334.3
Other reserves	(78.1)			19.6			(12.1)		(70.6)
Accumulated loss	(58.3)				(33.0)	(0.8)	(17.2)		(109.3)
<b>Total attributable to equity holders of the parent company</b>	<b>107.9</b>			<b>2,109.6</b>	<b>(33.0)</b>	<b>(0.8)</b>	<b>(29.3)</b>		<b>2,154.4</b>
Non-controlling interest in equity	73.2							23.0	96.2
<b>Total equity</b>	<b>181.1</b>			<b>2,109.6</b>	<b>(33.0)</b>	<b>(0.8)</b>	<b>(29.3)</b>	<b>23.0</b>	<b>2,250.6</b>
Issued ordinary shares	159,950								164,046,476
Net asset value per share (cents)	113,222.8								1,371.9
Net tangible asset value per share (cents)	(566,739.6)								708.9

## NOTES TO THE *PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. The Mpact financial information has been extracted, without adjustment, from the Group's audited results for the year ended 31 December 2010 as audited by Deloitte & Touche.
2. In order to facilitate the listing of Mpact, the Group will receive a further equity injection and its debt restructured prior to the Demerger. The Company will draw down R1,658 million on its bank facilities referred to in Annexure 8 to this pre-listing statement and will repay its existing external loans of R1,211.6 million and a portion of the loans from Mondi Limited amounting to R363.9 million. The balance of the shareholder loans from Mondi Limited and Shanduka amounting to a total of R2,090.0 million will be repaid using the proceeds from the new share subscription. In addition, an interest rate swap cash flow hedge will be settled, with the tax effect on this adjustment being recognised at 28%.
3. The estimated costs associated with the Demerger as detailed in Section 11, Part XI of this pre-listing statement.
4. Pursuant to a written sale of business agreement, dated 30 March 2011, the Group disposed of Paperlink, its paper merchant division, to Mondi Limited as a going concern with effect from 1 April 2011, for a consideration of R92.9 million payable in cash. The *pro forma* accounts reflect the sale of the assets and liabilities of Paperlink to Mondi Limited and are extracted from the audited financial statements of Mpact as at 31 December 2010. Profit on sale is calculated as the difference between the consideration payable at 1 April 2011 and the value of assets sold, less the value of liabilities assumed at 31 December 2010.
5. Accelerated share-based payments charge relating to share awards granted to Executive Directors of the Group under the Mondi Limited share and incentive plans.
6. The Group has agreed to sell its recycling division as a going concern to Main Street 856 (Proprietary) Limited and Mondi Limited will acquire a 25% stake in Main Street 856 (Proprietary) Limited, for a value equal to 25% of the value of the assets less the value of the liabilities, while Mpact will hold a 75% interest with effect from 1 July 2011.
7. Represents the Mpact *pro forma* consolidated statement of financial position as at 31 December 2010.
8. The Group will introduce new share incentive schemes for members of senior management. The schemes will have similar elements to those of the existing share schemes and some new elements, more fully described in Part III of this pre-listing statement, will be introduced. As the incentives are based on the quoted market price of Mpact, and will have vesting periods ranging from 3 years to 6 years, it is impractical to make any assumptions as to the expected share-based payment expense relating to these new schemes. Furthermore, the design of the new schemes is such that the total share-based payment expense should not be materially different to that of the existing schemes.

**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT**

for the year ended 31 December 2010

The unaudited *pro forma* consolidated income statement set out below has been prepared on the assumption that the Demerger as defined in the pre-listing statement had been implemented on 1 January 2010:

R'millions	Notes	Group		Capital and debt restructure	Listing costs	Disposal of Paperlink	Accelerated share-based payment charge	Adjusted <i>Pro forma</i>	Group Year ended 31 December 2010
		1 Audited	2						
Revenue		6,258.7				(540.9)		5,717.8	
Material, energy and consumables used		(3,344.9)				466.6		(2,878.3)	
Variable selling expenses		(514.8)				33.2		(481.6)	
<b>Gross margin</b>		<b>2,399.0</b>				<b>(41.1)</b>		<b>2,357.9</b>	
Maintenance and other indirect expenses		(253.7)				0.4		(253.3)	
Personnel costs		(994.6)				15.5	(11.2)	(990.3)	
Other net operating expenses		(345.9)				14.3		(331.6)	
Depreciation, amortisation and impairments		(319.5)				0.6		(318.9)	
<b>Underlying operating profit</b>		<b>485.3</b>				<b>(10.3)</b>		<b>463.8</b>	
Special items		(6.3)			(33.0)			(39.3)	
Net income from associates		3.4						3.4	
<b>Total profit from operations and associates</b>		<b>482.4</b>		252.5	<b>(33.0)</b>	<b>(10.3)</b>		<b>427.9</b>	
Net finance costs		(386.5)				0.1		(133.9)	
Investment income		48.1						48.1	
Financing costs		(434.6)		252.5		0.1		(182.0)	
<b>Profit before tax</b>		<b>95.9</b>		<b>252.5</b>	<b>(33.0)</b>	<b>(10.2)</b>		<b>294.0</b>	
Tax charge		(46.4)		(61.3)		2.9	3.1	(101.7)	
<b>Profit on ordinary activities after tax</b>		<b>49.5</b>		<b>191.2</b>	<b>(33.0)</b>	<b>(7.3)</b>		<b>192.3</b>	
Non-controlling interest		(12.7)						(12.7)	
<b>Profit for the period</b>		<b>36.8</b>		<b>191.2</b>	<b>(33.0)</b>	<b>(7.3)</b>		<b>179.6</b>	
Dividends paid and proposed								-	
<b>Profit from continuing operations</b>		<b>36.8</b>		<b>191.2</b>	<b>(33.0)</b>	<b>(7.3)</b>		<b>179.6</b>	

**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT (continued)**  
for the year ended 31 December 2010

	<b>Group Year ended 31 December 2010</b>	<b>Capital and debt restructure</b>	<b>Listing costs</b>	<b>Disposal of Paperlink</b>	<b>Accelerated share-based payment charge</b>	<b>Year ended 31 December 2010 Adjusted Pro forma</b>
<b>R' millions</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
	<b>Notes</b>					
<i>Attributed to:</i>						
Non-controlling interest	12.7					12.7
Equity holders of the parent company	36.8	191.2	(33.0)	(7.3)	(8.1)	179.6
	49.5	191.2	(33.0)	(7.3)	(8.1)	192.3
Number of ordinary shares in issue	159,950					164,046,476
Weighted average number of ordinary shares in issue for the year	159,950					164,046,476
Weighted average number of diluted ordinary shares in issue for the year	159,950					164,046,476
Basic earnings per share (cents)	23,007.2					109.4
Headline earnings per share (cents)	23,694.9					110.1
Diluted earnings per share (cents)	23,007.2					109.4
Diluted headline earnings per share (cents)	23,694.9					110.1

## NOTES TO THE *PRO FORMA* CONSOLIDATED INCOME STATEMENT

1. The Mpact financial information has been extracted, without adjustment, from the Group's audited results for the year ended 31 December 2010 as audited by Deloitte & Touche.
2. In order to facilitate the listing of Mpact, the Group will receive a further equity injection and its debt restructured prior to the Demerger. As a result of the cash proceeds received from the new share subscription, the total debt of the Group will be reduced. The *pro forma* interest savings have been calculated applying an interest rate of 8.24% before tax, and a tax rate of 28% has been assumed. The future interest benefit is expected to have a continuing effect on the Group.
3. The estimated costs associated with the Demerger as detailed in Part XI of this pre-listing statement (non-recurring adjustment).
4. Pursuant to a written sale of business agreement dated 30 March 2011 the Group disposed of Paperlink, its paper merchant division to Mondi Limited as a going concern with effect from 1 April 2011. This represents the trading of Paperlink for the 12 months to 31 December 2010 as included in the historical financial information of the Group as at 31 December 2010 (non-recurring adjustment).
  - (a) Profit on sale calculated as the difference between the consideration payable at 1 April 2011 and the value of assets sold less the value of liabilities assumed at 1 January 2010.
  - (b) Tax rate of 28% assumed.
5. Accelerated shared based payments charge relating to share awards granted to Executive Directors of the Group under the Mondi Limited share and incentive plans (non-recurring adjustment). A tax rate of 28% is assumed.
6. Represents the Mpact *pro forma* consolidated income statement as at 31 December 2010.
7. The Group will introduce new share incentive schemes for members of senior management. The schemes will have similar elements to those of the existing share schemes and some new elements, more fully described in Part II of this pre-listing statement will be introduced. As the incentives are based on the quoted market price of Mpact, and will have vesting periods ranging from 3 years to 6 years, it is impractical to make any assumptions as to the expected share-based payment expense relating to these new schemes. Furthermore, the design of the new schemes is such that the total share-based payment expense should not be materially different to that of the existing schemes.

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED  
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF MPACT  
(FORMERLY MONDI PACKAGING SOUTH AFRICA (PROPRIETARY) LIMITED)**

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"The Directors  
Mondi Packaging South Africa Limited  
Postnet Suite #444  
Private Bag X  
Melrose Arch  
2076

16 May 2011

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA  
CONSOLIDATED FINANCIAL INFORMATION OF MPACT (FORMERLY MONDI PACKAGING SOUTH  
AFRICA (PROPRIETARY) LIMITED)****Introduction**

We have performed our limited assurance engagement in respect of the *pro forma* consolidated financial information of Mpact set out on Annexure 3 to the pre-listing statement, dated on or about 31 May 2011, issued in connection with the Demerger by Mondi Limited and the listing of Mpact that is the subject of this pre-listing statement. The *pro forma* consolidated financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the Demerger by Mondi Limited and the listing of Mpact might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* consolidated statement of financial position being reported on.

**Directors' responsibility**

The Directors are responsible for the compilation, contents and presentation of the *pro forma* consolidated financial information contained in the pre-listing statement and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* consolidated financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Mpact and the *pro forma* consolidated adjustments are appropriate for the purposes of the *pro forma* consolidated financial information disclosed in terms of the JSE Listings Requirements.

**Reporting accountants' responsibility**

Our responsibility is to express our limited assurance conclusion on the *pro forma* consolidated financial information included in the pre-listing statement to Mpact shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* consolidated financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Sources of information and work performed**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Mpact the issuer, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma*

consolidated financial information with the Directors of the Company in respect of the corporate actions that are the subject of the pre-listing statement.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Mpac and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of the Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* consolidated financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the issuer;
- the adjustments are not appropriate for the purposes of the *pro forma* consolidated financial information as disclosed.

### **Consent**

We consent to the inclusion of this report, which will form part of the pre-listing statement, to be issued on or about 31 May 2011 in the form and context in which it will appear.

Yours faithfully

**Deloitte & Touche**  
*Registered Auditors*  
**Per M J Jarvis**  
*Partner*

**Deloitte & Touche**  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
Sandton  
2196

**National Executive:** G G Gelink, Chief Executive; A E Swiegers, Chief Operating Officer; G M Pinnock, Audit; D L Kennedy, Risk Advisory; N B Kader, Tax & Legal Services; L Geeringh, Consulting; L Bam, Corporate Finance; J K Mazzocco, Human Resources; C R Beukman, Finance; T J Brown, Clients; N T Mtoba, Chairman of the Board ; M J Comber, Deputy Chairman of the Board.

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

Member of Deloitte & Touche Tohmatsu Limited”

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## PARTICULARS AND REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

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No activities were performed by the senior Management of Mpack outside of the Group.

### Contracts relating to Directors and managerial remuneration

The non-executive Directors have no fixed term of appointment.

Save for Raymond Crewe-Brown<sup>25</sup>, each of the executive Directors and the senior Management of the Group have a standard service agreement with the Group. The contracts are broadly within market standards and endure until terminated as set out in the table below.

The material terms of the service agreements with the executive Directors and Management are set out below:

Name	Position	Date of appointment	Notice period	Restraint of trade period
Bruce William Strong <sup>26</sup>	Chief Executive Officer	3 March 2009	12 months	None
Egar Leslie Leong <sup>27</sup>	Chief Financial Officer	1 December 2008	6 months	None
John William Hunt	Managing Director – Mondi Recycling Business Manager: Technology Optimisation	1 April 2008	6 months	None
Hugh Michael Thompson	Managing Director – Packaging and Industrial Paper Division	1 October 2009	6 months	None
Raymond Crewe-Brown	Executive Chairman: Plastics Business	4 September 2009	6 months	6 months <sup>28</sup>
Ralph Peter von Veh	Managing Director – Corrugated Division	1 March 2000	6 months	None

Remuneration for Directors and senior Management as a group totalled R23,800,000 for the financial year ended 31 December 2010.

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<sup>25</sup> Raymond Crewe-Brown is employed under a fixed term consultancy agreement which includes an annual salary and cash bonus incentives linked to the performance of the plastic business. As such he does not participate in any of the Company's share plans.

<sup>26</sup> Bruce William Strong has a permanent employment contract with the Company.

<sup>27</sup> Egar Leslie Leong is on a fixed term employment contract with the Company, due to expire on 31 December 2011.

<sup>28</sup> Should Raymond-Crewe Brown terminate his employment after 31 March 2012, the restraint period shall be 12 months.



The aggregate remuneration for all the directors of Mpack for the financial year ended 31 December 2010 is set out in “*Management and Corporate Governance – Appointment, Qualification, Remuneration and Borrowing Powers of directors*”. Set out below is a breakdown of the Directors’ fees and remuneration paid to the Directors and former Directors of Mpack for the financial year ended 31 December 2010:

Name	Directors’ fees (‘000)	Basic salary (‘000)	Bonuses and performance- related payments	Other material benefits	Contri- butions to pension schemes	Medical aid contri- butions	Commission (‘000)	Expense allowance (‘000)	Total (‘000)
			(‘000)	(‘000)	(‘000)	(‘000)			
David Andrew Hathorn	-	-	-	-	-	-	-	-	-
Bruce William Strong	-	R2,143	R1,197	R673	R594	R48	-	-	R4,655
Matamela Cyril Ramaphosa	-	-	-	-	-	-	-	-	-
Andrew Charles Wallis King	-	-	-	-	-	-	-	-	-
Philip Albert Laubscher	-	-	-	-	-	-	-	-	-
Rowan Murray Smith	-	-	-	-	-	-	-	-	-
Kodwo Atta Mills	-	-	-	-	-	-	-	-	-
Andrew Murray Thompson	R58	-	-	-	-	-	-	-	R58
Ralph von Veh	-	R1,826	R1,718	R264	R213	R51	-	-	R4,072
Rajendran Govender	-	-	-	-	-	-	-	-	-
Karishma Sewpersad	-	-	-	-	-	-	-	-	-

### Fees in lieu of Directors' fees

No fees *in lieu* of Directors' fees have been paid to any of the directors by Mpact during the financial year ended 31 December 2010.

An annual salary review of the Company's executive Directors has been performed in accordance with the Group's normal practice. The estimated annual remuneration on a total guaranteed cost of employment basis payable to the executive Directors for the year ending 31 December 2011 is set out below:

Name	2011 total guaranteed cost of employment ('000)
Bruce William Strong	R3,411
Egar Leslie Leong	R2,077
<b>Total</b>	<b>R5,488</b>

The annual remuneration payable to the non-executive Directors for the year ended December 2011 is set out below:<sup>29</sup>

Non-executive director	Board fees ('000)	Audit and risk management committee ('000)	Remuneration and nomination committee ('000)	Social and ethics committee ('000)	Total ('000)
Anthony John Phillips	R650	–	–	–	<b>R650</b>
Neo Phakama Dongwana	R180	R80	–	R60	<b>R320</b>
Nomalizo Beryl Langa-Royds	R180	–	R60	R120*	<b>R360</b>
Timothy Dacre Aird Ross	R180	R160*	R60	–	<b>R400</b>
Andrew Murray Thompson	R180	R80	–	R60	<b>R320</b>
<b>Total</b>	<b>R1,370</b>	<b>R320</b>	<b>R120</b>	<b>R240</b>	<b>R2,050</b>

**Note:**

\* The figure is inclusive of committee chairman's fees.

The Directors of Mpact only get paid by Mpact and do not receive any emoluments from any holding company or subsidiaries.

<sup>29</sup> The figures are based on the assumption that the non-executive Directors attend all the Board and Board committee meetings for the year ending 31 December 2011. The remuneration payable to non-executive Directors is annualised fees' and as the non-executive Directors were appointed on 21 April 2011, the remuneration payable will be paid *pro rata*.

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**DETAILS OF SUBSIDIARY COMPANIES AND THEIR DIRECTORS**


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**Operating subsidiaries<sup>30</sup>**

<b>Name and registration number</b>	<b>Percentage ownership</b>	<b>Date of incorporation</b>	<b>Issued ordinary share capital</b>	<b>Main business</b>	<b>Date of becoming subsidiary</b>
Mondipak (Namibia) (Proprietary) Limited 90/680	69	21 November 1990	100	Manufacture, investments, import and export and property holding	1 January 2005
Rebel Packaging (Proprietary) Limited 1991/004534/07	100	19 August 1991	4,000	General business of corrugated box manufacturing and related activities	1 January 2005
Embalagens Mondipak Limitada	85	1973	2,032,000,000 Meticias <sup>31</sup>	General business of corrugated box manufacturing and related	1 January 2005
Rusmar Packaging (Proprietary) Limited 1991/000541/07	50	5 February 1991	200	General business of corrugated box manufacturing and related	1 January 2005
Mondi Plastic Containers (Proprietary) Limited 1996/004948/07	51	25 April 1996	100	To act as a manufacturing and trading company	December 2006
Lenco Holdings (Proprietary) Limited 2003/022131/07	100	10 September 2003	10,000	Trading and investment as principal in its widest form	July 2007
Lenco Packaging (Proprietary) Limited 1998/004341/07	100	6 March 1998	10,000	To hold and invest in movable and immovable property of all descriptions as principal	July 2007
Mondipak Plastics Finco1 (Proprietary) Limited	100	14 April 2008	1	Own plastic converting equipment	April 2008
Lenco Investment Holdings (Proprietary) Limited 1946/021962/07	100	12 June 1946	58,549,000	To act as a holding company	July 2007

<sup>30</sup> None of the Company's subsidiaries are listed on the JSE.

<sup>31</sup> Embalagens Mondipak Limitada is a 'sociedade por quotas'. Its ownership operates in a similar way to a close corporation. Each shareholder holds one 'quota' which has a monetary value, being a portion of the share capital. Embalagens Mondipak Limitada has two shareholders, being the Company and Nuro Momedede Mula, the share capital being as follows: Company – 1,910,500,000 Meticias; and Nuro Momedede Mula – 121,500,000 Meticias.

<b>Name and registration number</b>	<b>Percentage ownership</b>	<b>Date of incorporation</b>	<b>Issued ordinary share capital</b>	<b>Main business</b>	<b>Date of becoming subsidiary</b>
Lenco Corporate Finance (Proprietary) Limited 1954/000827/07	100	7 April 1954	35,651 A Shares and 35,651 B Shares	To carry on the business of manufacturers for sale in the Southern Africa trade name or trademark of Koret of California	July 2007
Mondi Versapak (Proprietary) Limited 2007/011691/07	72	18 April 2007	10,000	Manufacture and sell expanded polystyrene products, PVC film wrap and clear polypropylene trays	April 2008
Lion Packaging (Proprietary) Limited 2004/021891/07	100	4 August 2004	100	Manufacture of PVC film and packaging	April 2008
Magic Attitude Trading 57 (Proprietary) Limited 2004/001347/07	100	22 January 2004	100	General trading in all aspects	April 2008
Elvinco Plastics (Proprietary) Limited 981/003014/07	100	26 March 1981	90	To manufacture plastic products	July 2007

#### **Non-operating and dormant subsidiaries**

<b>Subsidiary</b>	<b>Registration number</b>
Xactics Packaging (Proprietary) Limited	1999/003187/07
Xactics PET Cape (Proprietary) Limited	1946/022359/07
Versapak (Proprietary) Limited	1998/004811/07
Versapak Zimbabwe (Private) Limited	168/1995
Linpac Mouldings (SA) (Proprietary) Limited	1995/005479/07
Versapak Holdings (Private) Limited	5374/98

#### **Changes to share capital of the subsidiaries**

Set out below are the alterations to the share capital of the Company's subsidiaries which have occurred during the past five years:

- On 25 April 2008 it was resolved that: (i) the authorised and issued share capital of Mondi Versapak (Proprietary) Limited of R1,000, divided into 1,000 ordinary shares of R1.00 each and R1.00 comprising 1 ordinary share of R1.00, respectively, be sub-divided into 100,000 ordinary shares of R0.01 each and 100 ordinary shares of R0.01 each, respectively; and (ii) 80,000 authorised but unissued ordinary shares of R0.01 each be cancelled so that the authorised but unissued ordinary share capital is R200 divided into 20,000 ordinary shares of R0.01 each.

**Directors of operating subsidiaries**

The directors of the Company's operating subsidiaries are set out in the table below:

<b>Company</b>	<b>Registration number</b>	<b>Directors</b>
Mondipak (Namibia) (Proprietary) Limited	90/680	Ralph von Veh Theodore Meyer Lyndon Gaidzanwa Samuel Jafet Amoni Victor Vina Maano Muatuanga
Rebel Packaging (Proprietary) Limited	1991/004534/07	Ralph Peter von Veh James Bruce Liston
Embalagens Mondipak Limitada		Ralph Peter von Veh Nuro Mula
Rusmar Packaging (Proprietary) Limited	1991/000541/07	David John Russell Geoffrey John Holmes Ralph Peter von Veh
Mondi Plastic Containers (Proprietary) Limited	1996/004948/07	Hendrik Lourens de Jongh Ralph Peter von Veh David Arthur Williams James Bruce Liston Ray Crewe-Brown
Lenco Holdings (Proprietary) Limited	2003/022131/07	Egar Leslie Leong Bruce William Strong Raymond Crewe-Brown
Lenco Packaging (Proprietary) Limited	1998/004341/07	Egar Leslie Leong Bruce William Strong Shabnum Ramparsad Raymond Crewe-Brown
Mondipak Plastics Finco1 (Proprietary) Limited	2008/009540/07	Shabnum Ramparsad
Lenco Investment Holdings (Proprietary) Limited	1946/021962/07	Shabnum Ramparsad Egar Leslie Leong Hugh Michael Thompson
Lenco Corporate Finance (Proprietary) Limited	1954/000827/07	Egar Leslie Leong Bruce William Strong Shabnum Ramparsad Raymond Crewe-Brown
Mondi Versapak (Proprietary) Limited	2007/011691/07	Bruce William Strong Egar Leslie Leong Raymond Crewe-Brown Judex Burnett Jaco Pieter du Plessis Philipus Lodewikus Brand Shabnum Ramparsad
Lion Packaging (Proprietary) Limited	2004/021891/07	Egar Leslie Leong Bruce William Strong Raymond Crewe-Brown Shabnum Ramparsad
Magic Attitude Trading 57 (Proprietary) Limited	2004/001347/07	Raymond Crewe-Brown Shabnum Ramparsad
Elvinco Plastics (Proprietary) Limited	1981/003014/07	Egar Leslie Leong Bruce William Strong Shabnum Ramparsad

<b>Company</b>	<b>Registration number</b>	<b>Directors</b>
Versapak Holdings (Private) Limited		Rangararirai Dadirai Hugh Michael Thompson Judex Burnett Philip Brand Bev Craven Shabnum Ramparsad Chenjerai Mutombeni

Further details of all the Directors and senior Management of the Company are set out in Annexure 11 to this pre-listing statement. There are no other directorships held by the directors of the material subsidiaries of the Company during the previous five years not already set out above or in Annexure 11 to this pre-listing statement.

## SCHEDULE OF PRINCIPAL IMMOVABLE PROPERTIES OWNED OR LEASED BY MPACT

Details of the principal immovable properties leased and owned by the Group and its subsidiaries are as follows:

### Principal properties leased<sup>32</sup>

Lessee	Lessor	Property name	Location/Area	Expiry date
Mpact	Mondi	Part of 4 <sup>th</sup> Floor 3 Melrose Boulevard Melrose Arch, 2196 Gauteng, South Africa	Melrose, Gauteng	2017
Mpact <sup>33</sup>	New Adventure Investments 277 (Proprietary) Limited	Portion 16 of Erf 144 Vulcania, Extension 2	Brakpan, Gauteng	9 October 2016
Mpact <sup>33</sup>	Heriot Properties (South) (Proprietary) Limited	Erf 101634 Epping Extension 2 Cape Town	Cape Town, Western Cape	29 December 2019
Mpact <sup>33</sup>	Heriot Properties (East) (Proprietary) Limited	Remainder of Portion 1 of Erf 2184 Pinetown	Pinetown, KwaZulu-Natal	22 June 2015
Mpact <sup>33</sup>	New Adventure Investments 271 (Proprietary) Limited	Erf 1997 Nelspruit Industrial Township, Nelspruit	Nelspruit, Mpumalanga	29 December 2014
Mpact <sup>33</sup>	New Adventure Investments 271 (Proprietary) Limited	Erf 1371 Kuilsrivier Industrial Township District of Stellenbosch in the Cape Province	Stellenbosch, Cape Province	16 February 2014
Mpact	Metboard Properties Limited	Erven 24, 25 and 26 Fulcrum, Springs	Springs, Gauteng	28 February 2016
Mpact <sup>33</sup>	New Adventure Investments 270 (Proprietary) Limited	Remainder of Erf 5 and Erven 333, 40 436 Swartkops Port Elizabeth	Port Elizabeth, Eastern Cape	29 December 2015
Mpact	National Pride Trading 63 (Proprietary) Limited	Erf 512	Port Elizabeth, Eastern Cape	31 December 2013
Mpact	National Pride Trading 63 (Proprietary) Limited	Erf 512	Port Elizabeth, Eastern Cape	1 June 2013
Mpact	Heriot Properties (West) (Proprietary) Limited	Erven 741 and 742 Wadeville Extension 37	Wadeville, Gauteng	1 July 2019
Lenco Packaging	Neelam Investments CC	Erven 68 and 69 Robertville Extension 1	Robertville, Gauteng	30 November 2011

<sup>32</sup> The aggregate rental payable by the Group for the principal immovable properties leased by the Group for the financial year ended 31 December 2010 was R44 million.

<sup>33</sup> Properties leased under the name of Mondi Group; however, transfer of leases to the Group is ongoing as at the Last Practicable Date.

<b>Lessee</b>	<b>Lessor</b>	<b>Property name</b>	<b>Location/Area</b>	<b>Expiry date</b>
Mondi Versapak	Nossel Family Trust	Unit 22 Oosterland Industrial Park No Daljosaphat Paarl	Paarl, Western Cape	31 August 2010
Mpact	96 Glenhurt Street Parow (Proprietary) Limited	Erven 12377, 12378, 12381 Parow	Parow, Western Cape	31 May 2012
Mpact	Searivat Properties CC	Portion of Erf 9008 8 Ceramic Curve Alton, Richards Bay	Richards Bay, KwaZulu-Natal	15 April 2015
Mpact	True Motives 17 (Proprietary) Limited	Remaining Extent of Erf 251 Tulisa Park Township and Portion 1 of Erf 251 Tulisa Park Township	Tulisa Park, Gauteng	1 October 2013
Lenco Packaging (Proprietary) Limited	Pangbourne Properties Limited	Erf 12-15 and portion of erf 114 Robertville Roodeport unit 1 Anvil Road, Roberville	Roodeport, Gauteng	30 June 2012
Lenco Packaging (Proprietary) Limited	Metboard Properties Limited	Portion 5 of Erf 2822 Pinetown, Gillitts 21 Gillitts Road Pinetown	Pinetown, KwaZulu-Natal	March 2015
Mpact	Ampag Investments (Proprietary) Limited	Erf 233, Labore Ext 1 Brakpan Joe Arniston Road Brakpan	Brakpan, Gauteng	31 December 2014

#### **Principal properties owned**

<b>Owner</b>	<b>Description</b>	<b>Title deed No.</b>
Mpact	Portion 4 of Erf 113 Umhlatusi No. 13528, Registration Division GU, Province of KwaZulu-Natal in extent 4,3137 hectares	T44624/2002
Mpact	Portion 5 of Erf 113 Umhlatusi No. 13528, Registration Division GU, Province of KwaZulu-Natal in extent 33,6459 hectares	T44624/2002
Mpact <sup>34</sup>	Erf 226 New Era Township, Registration Division IR, Province of Gauteng, in extent 10,2492 hectares	T26420/1997
Mpact <sup>34</sup>	Erf 228 New Era Extension 1 Township, Registration Division IR, Province of Gauteng, in extent 15,9176 hectares	T26421/1997
Mpact <sup>34</sup>	Erf 88 New Era Township, Registration Division IR, Province of Gauteng, in extent 2,3379 hectares	T26533/1990
Mpact <sup>34</sup>	Erf 42655 East London, Division of East London, Province of the Eastern Cape, in extent 2,0261 hectares	T4162/2000
MondiPak (Namibia) (Proprietary) Limited company number 90/590	Remainder of Erf 1245, Walvis Bay, In the Municipality of Walvis Bay, Registration Division F, Erongo Region, in extent 1,1320 hectares	T7913/2006
Lenco Corporate Finance	Portion 159 of the Farm Melk Post No.4 in the City of Cape Town, Cape Division, Western Cape Province, in extent 3,6628 hectares	T39216/2006

<sup>34</sup> The properties were acquired in 2005 by the Group from Mondi Group. Due to processes relating to the registration of transfer of such properties, they are yet to be reflected in the Deeds' Registry as having been transferred to the Group.



<b>Owner</b>	<b>Description</b>	<b>Title deed No.</b>
Magic Attitude	Portion 86 (a portion of portion 10) of the Farm Melk Post No. 4, situate in the City of Cape Town, Cape Division, Western Cape Province, in extent 1,7364 hectares	T39218/2006
Mondi Versapak	Erf 28634 Paarl, in the Drakenstein Municipality, Division of Paarl, Province of the Western Cape, in extent 5,0934 hectares	T12733/2009
Lenco Corporate Finance	<ul style="list-style-type: none"> <li>• Portion 2 of Erf 534 Wadeville Extension 2 Township, Registration Division IR, Province of Gauteng, in extent 6 767 square metres</li> <li>• Portion 3 of Erf 534 Wadeville Extension 2 Township, Registration Division IR, Province of Gauteng, in extent 7 416 square metres</li> <li>• Portion 10 of Erf 534 Wadeville Extension 2 Township, Registration Division IR, Province of Gauteng, in extent 6 498 square metres</li> <li>• Portion 11 of Erf 534 Wadeville Extension 2 Township, Registration Division IR, Province of Gauteng, in extent 6 481 square metres</li> </ul>	T45011/2007
Mondi Plastic	Portion 212 of the Farm No. 1183 situate in the City of Cape Town, Cape Division, Western Cape Province, in extent 2,2329 hectares	T47364/2008
Mpact <sup>34</sup>	Erf 157 Pretoria Industrial Township, Registration Division JR, Province of Gauteng, in extent 4 048 square metres	T11248/1990
Mpact <sup>34</sup>	Portion 40 of the Farm Vroegeveld 509, Registration Division IT, Province of Mpumalanga, in extent 276.8646 hectares <i>consolidated from:</i>	SG2061/2007
	• Ptn 38 (a ptn of ptn 2) of the farm Vroegeveld 509 in extent 4,7357 hectares	SG2061/2007
	• Ptn 39 (a ptn of ptn 2) of the farm Vroegeveld 509 in extent 1,3068 hectares	SG2062/2007
	• Ptn 16 of the farm Vroegeveld 509 in extent 270,8221 hectares	T34560/1991
Mpact <sup>34</sup>	Portion 41 of the Farm Vroegeveld 509, Registration Division IT, Province of Mpumalanga, in extent 386,5691 hectares <i>consolidated from:</i>	SG2064/2007
	• Rem Ext of Ptn 6 of the farm Vroegeveld 509 in extent 383,2851 hectares	T62864/90(31)
	• Ptn 35 (a ptn of ptn 2) of the farm Vroegeveld 509 in extent 3,284 hectares	SG2058/2007

<sup>34</sup> The properties were acquired in 2005 by the Group from Mondi Group. Due to processes relating to the registration of transfer of such properties, they are yet to be reflected in the Deeds' Registry as having been transferred to the Group.

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## DETAILS OF MATERIAL BORROWINGS, MATERIAL LOANS RECEIVABLE AND MATERIAL INTER-COMPANY LOANS

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### 1. MATERIAL BORROWINGS

#### **Standard Bank and FirstRand Limited Bullet Loan A to Mondi Packaging**

On Monday, 16 May 2011 Mpact entered into a facility agreement with Standard Bank South Africa and FirstRand Limited and obtained a Rand-denominated bullet loan facility in the amount of R1,100,000,000. The loan facility is for a term of five years with the repayment date being June 2016. The rate of interest is three-month Johannesburg Interbank Agreed Rate ("JIBAR") plus 175 basis points (assuming secured lending) and the interest is payable quarterly in arrears. The funding will be utilised for general corporate purposes.

#### **Standard Bank and FirstRand Limited Revolving Loan B**

On Monday, 16 May 2011 Mpact entered into a facility agreement with Standard Bank South Africa and FirstRand Limited and obtained a Rand-denominated revolving loan facility in the amount of R550,000,000. The loan facility is for a term of five years with the repayment date being June 2016. The rate of interest is three-month JIBAR plus 175 basis points (assuming secured lending) and is payable quarterly in arrears. Mpact has an option to elect to pay the interest monthly or semi-annually. The funding will be utilised for general corporate purposes.

#### **Standard Bank and FirstRand Limited Revolving Loan C**

On Monday, 16 May 2011 Mpact entered into a facility agreement with Standard Bank South Africa and FirstRand Limited and obtained a Rand-denominated revolving loan facility in the amount of R200,000,000. The loan facility is for a term of three years with the repayment date being June 2014. The rate of interest is three-month JIBAR plus 145 basis points (assuming secured lending) and is payable quarterly in arrears. Mpact has an option to elect to pay the interest monthly or semi-annually. The funding will be utilised for general corporate purposes.

#### **Standard Bank Committed General Banking Facility**

On Monday, 16 May 2011 Mpact entered into a facility agreement with Standard Bank South Africa and obtained a Rand-denominated committed general banking facility in the amount of R150,000,000. The facility is for a term of three years with the repayment date being June 2014. The rate of interest is determined at margin plus JIBAR and is payable every three months. The funding will be utilised for general corporate purposes.

All the material borrowings are secured by security registered to Avadon 40 (Proprietary) Limited, which is an insolvency remote SPV owned by a separate owner trust and administered by a third party. The security value is equal to the full amount of all the facilities referred to above. The security provided includes stock, shares, loan accounts and account receivables.

The borrowings arose as a result of a capital restructuring and not pursuant to a purchase of assets.

There are no conversion or redemption rights attached to the any of the Company's material borrowings.

As the Listing Date, the Company will have no debts repayable within 12 months.

### 2. MATERIAL LOANS RECEIVABLE AS AT THE DATE OF AS AT THE LAST PRACTICABLE DATE

There are no material loans receivable as at the Last Practicable Date.

### 3. MATERIAL INTER-COMPANY BALANCES AS AT 31 DECEMBER 2010

Details of inter-company balances of the Group as at 31 December 2010 before elimination were as follows:

<b>Company</b>	<b>Loans receivable</b>	<b>Loans payable</b>
	<b>(R'millions)</b>	
Mondi Versapak (Proprietary) Limited <sup>35</sup>	98	
Lenco Packaging (Proprietary) Limited <sup>36</sup>	500	
Rebel Packaging (Proprietary) Limited <sup>37</sup>	29	

### 4. LOANS MADE TO DIRECTORS OR MANAGEMENT

There are no loans made or security furnished by the Company or any of its subsidiaries to or for the benefit of any Director or manager or any associate of any Director or Manager.

<sup>35</sup> Term loan advanced by the Company bearing interest at JIBAR +3%.

<sup>36</sup> No interest-bearing term loan advanced by the Company.

<sup>37</sup> No interest-bearing term loan advanced by the Company.

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## EXTRACTS FROM ARTICLES OF ASSOCIATION OF MPACT

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### 11. MODIFYING RIGHTS

**11.1** If at any time the Capital, by reason of the issue of preference Shares or otherwise, is divided into different classes of Shares, all or any of the rights, privileges or conditions attached to any class of Shares may, subject to the provisions of the Act or unless otherwise provided by the terms of issue of that class, be varied or modified in any way or abrogated:

**11.1.1** either with the prior consent in writing of the holders of at least three-fourths of the issued Shares of that class; or

**11.1.2** with the sanction of a resolution passed in the manner prescribed by the Act for the passing of special resolutions at a separate General Meeting of the holders of the Shares of that class. To every such separate General Meeting all the provisions of the Articles relating to General Meetings of the Company shall *mutatis mutandis* apply, except that the quorum shall be not less than three persons holding or representing by Proxy not less than 51% of the issued Shares of that class, provided that at any adjourned meeting such quorum is not present the Members present shall form a quorum and that any holder of Shares of the class present in person or by Proxy may demand a poll and, on a poll, shall have one vote for each share of the class of which he is a holder.

This Article is not by implication to curtail the power of modification which the Company would have if the Article were omitted.

### 13. BORROWING POWERS

**13.1** From time to time the Directors may borrow or raise for the purposes of the Company such sums as they deem fit.

**13.2** The Directors may raise or secure the payment or repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit, whether by creation and issue of Debentures, mortgage or charge upon account or any of the property or assets of the Company, including its uncalled or unpaid Capital.

**13.3** The Directors shall cause a proper register to be kept in accordance with the provisions of the Act of all mortgages and charges specifically affecting the property of the Company, and they shall cause to be entered in such register in respect of each mortgage or charge a short description of the property mortgaged or charged, the amount of the charge created, the name of the mortgagee or person entitled to such charge and such further particulars as the provisions of the Act require.

### 20. DIRECTORS

**20.1** The number of Directors shall not be less than four. The majority of Directors shall be non-executive Directors.

**20.2** The Directors shall have power at any time and from time to time to appoint any person as a Director, either to fill a casual vacancy, or as an additional Director. Any person appointed to fill a casual vacancy or as additional Director shall retain office only until the next following annual General Meeting of the Company and his appointment shall be subject to confirmation at such annual General Meeting.

**20.3** The Directors shall not be obliged to hold any Shares to qualify them as Directors.

**20.4** The remuneration of the Directors shall be such sum as may from time to time be determined by an independent, non-executive committee of the board. Such remuneration shall be divided among the Directors in such proportions and manner as the said committee may determine. Executive Directors shall not be entitled to receive Directors' fees (in addition to the remuneration they may receive as employees of the Company), but shall be entitled to payments under 20.5, 25.2 and 28.3.

**20.5** The Directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the Company, and in attending meetings of the Directors or of committees thereof from any place in the Republic. If any Director shall be required to perform

extra service or to go or to reside abroad, or if any Director shall be specially occupied about the Company's business or perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, he may receive such extra remuneration as determined by a disinterested quorum of the Directors and such extra remuneration may be either in addition to or in substitution for the remuneration provided for in the last preceding Article.

**20.6** The continuing Directors may act notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of Directors duly qualified to act; but if the number falls below the prescribed minimum, the remaining Directors shall not act for any purpose other than calling a General Meeting or to fill the vacancy.

## **21. DISQUALIFICATION OF DIRECTORS**

**21.1** A Director shall cease to hold office as such:

**21.1.1** if he becomes insolvent, or assigns his estate for the benefit of his creditors or suspends payment or files a petition for the liquidation of his affairs, or compounds with his creditors; or

**21.1.2** if he becomes of unsound mind; or

**21.1.3** if he is absent from meetings of the Directors for six consecutive months without leave of the Directors and is not represented at any meetings held during such six consecutive months by an alternate Director, and the Directors resolve that the office be vacated, provided that the Directors shall have power to grant any Director leave of absence for any or an indefinite period; or

**21.1.4** if he is removed under Article 23.2 or Article 23.4, or

**21.1.5** one month, or, with the permission of the Directors, earlier, after he has given notice in writing of his intention to resign; or

**21.1.6** if he shall pursuant to the provisions of the Act be disqualified or cease to hold office or be prohibited from acting as Director; or

**21.1.7** if he is or accepts any appointment as a Director or an employee of a rival exchange.

## **22. CONTRACTING WITH DIRECTORS**

**22.1** No Director or intending Director shall be disqualified by his office from contracting with the Company, whether with regard to such office or as vendor or purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company, in which any Director shall in any way be interested, be or be liable to be avoided; nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relationship thereby established, but the nature of his interest shall be declared by him in accordance with the provisions of the Act.

**22.2** Notwithstanding anything herein contained, the Company shall not make any loan to a Director or enter into any guarantee or provide any security in connection with a loan made to a Director by any other person if and so far as any such loan, guarantee or provision of security is at any time prohibited by the Act.

**22.3** No Director shall vote as a Director in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, provided that these prohibitions shall not apply to:

**22.3.1** any contract or dealing with a Company of which the Directors of the Company or any of them may be Directors, Members, managers, officials or employees or otherwise interested;

**22.3.2** the giving of any security or indemnity to a Director in respect of money lent or obligations or other liabilities incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

**22.3.3** any contract to underwrite or sub-underwrite any Shares or obligations of the Company or any Shares in or Debentures or obligations of any Company in which the Company may be in any way interested;

**22.3.4** any proposal concerning an offer of Shares or Debentures or other Securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer a Director

is or is to be interested directly or indirectly in the underwriting or sub-underwriting thereof, or any allotment or issue complying with the provisions of section 222 of the Act;

- 22.3.5** any resolution determining the remuneration of the Directors in terms of Article 20.4 or 20.5;
- 22.3.6** any contract for the payment of commission in respect of the subscription for Shares or obligations of the Company;
- 22.3.7** the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee of indemnity or by the giving of security;
- 22.3.8** any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which a Director may benefit and which has been approved by or is subject to and conditional upon approval by the relevant revenue authorities for taxation purposes.

The above prohibitions may at any time be suspended or relaxed to any extent by the Company in General Meeting.

- 22.4** Any notice given to the Directors by a Director to the effect that he is a Member of a specified Company or firm shall comply with the provisions of the Act.
- 22.5** For the purpose of this Article, an alternate Director shall not be deemed to be interested in any contract or arrangement merely because the Director for whom he is an alternate is so interested.
- 22.6** Nothing in this Article contained shall be construed so as to prevent any Director as a Member from taking part in and voting upon all questions submitted to a General Meeting whether such Director shall be personally interested or concerned in such question or not.

#### **24. ROTATION OF DIRECTORS**

- 24.1** At the annual General Meeting held in each year, one-third of the Directors, or if their number is not a multiple of three then the number nearest to, but not less than one-third, shall retire from office, provided that in determining the number of Directors to retire no account shall be taken of any Director who by reason of the provisions of Article 25.1.2 is not subject to retirement. The Directors so to retire at each annual General Meeting shall be those who have been longest in office since their last election or appointment. As between Directors of equal seniority, the Directors to retire shall, in the absence of agreement, be selected from among them by lot; provided that, notwithstanding anything period of three years since his last election or appointment, he shall retire at such meeting, either as one of the Directors to retire in pursuance of the foregoing or additionally thereto. A retiring Director shall act as a Director throughout the meeting at which he retires. The length of time a Director has been in office shall, save in respect of Directors appointed or elected in terms of the provisions of Articles 20.2 and 23.2 be computed from the date of his last election or appointment.
- 24.2** Retiring Directors shall be eligible for re-election. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any General Meeting unless, there shall have been given to the Secretary notice in writing:
  - 24.2.1** in respect of the annual General Meeting, within the first two months after the year end of the Company; and
  - 24.2.2** in respect of any other meeting, not less than six days nor more than fourteen days before the day appointed for the meeting, by not less than 10 Members holding 10% of the issued Capital of the Company of the intention of such Members to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected, it being recorded that it is the intention that the period to be allowed before the date of the General Meeting for the nomination of a new Director must be such to give sufficient time, after the receipt of the notice, for nominations to reach the Office from any part of the Republic.
- 24.3** Subject to the preceding Article, the Company in General Meeting may fill the vacated offices by electing a like number of persons to be Directors, and may fill any other vacancies. In electing Directors, the provisions of the Act shall be complied with.

**24.4** If at any annual General Meeting at which an election of Directors ought to take place, the place of any retiring Director is not filled, he shall, if willing, continue in office until the dissolution of the annual General Meeting in the next year, and so on from year to year until his place is filled, unless it shall be determined at such meeting not to fill such vacancy.

## **25. MANAGING DIRECTORS AND/OR CHIEF EXECUTIVE OFFICERS**

**25.1** The non-executive Directors may from time to time appoint a person or persons to be managing Director, chief executive officer or joint managing Directors/chief executive officers of the Company and any acting managing Director or chief executive officer, or to be the holder of any other executive office in the Company, including for the purposes of the Articles the office of chairman or deputy chairman and the Members of, and chairman and deputy chairman of, any committees, may determine the period of office of such appointee and may, subject to any contract between him or them and the Company, from time to time terminate his or their appointment and appoint another or others in his or their place or places. Such persons appointed in terms of this Article 25.1 shall be Directors of the Company. A managing Director or chief executive officer:

**25.1.1** may be appointed by contract for a maximum period of three years at any one time or for an indefinite period provided the managing Director's or chief executive officer's contract may be terminated upon reasonable notice. Subject to the terms of his contract he shall be subject to the same provisions as to removal as the other Directors, and if he ceases to hold the office of Director from any cause he shall ipso facto cease to be managing Director or chief executive officer. The managing Director or chief executive officer shall be eligible for re-appointment at the expiry of any period of appointment; and

**25.1.2** shall not, while holding such office, be subject to retirement by rotation or taken into account in determining the rotation of retirement of Directors.

**25.2** A Director who is appointed in terms of the provisions of Article 25 to the office of managing Director or chief executive officer of the Company, or to any other executive office in the Company may be paid such remuneration not exceeding a reasonable maximum in each year in respect of such office or services as may be determined by a disinterested quorum of the Directors.

**25.3** The Directors may from time to time entrust and confer upon a managing Director or chief executive officer or other executive officer appointed under Article 25.1 from time to time such of the powers and authorities vested in them as they think fit, and may confer such powers and authorities for such time, and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient, and they may convert such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities.

## **28. POWERS OF DIRECTORS**

**28.1** The management of the business and the control of the Company shall be vested in the Directors who may exercise all such powers as may be exercised by the Company and are not hereby or by the Act expressly directed or required to be exercised by the Company in General Meeting, but subject, nevertheless, to the provisions of the Articles and to any resolution not inconsistent with the Articles passed at any General Meeting of the Members in accordance therewith; provided that no resolution passed by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been passed.

It is hereby declared, pursuant to the provisions of the Act, that although the Directors shall have power to enter into a provisional contract for the sale or alienation of the whole or substantially the whole of the undertaking of the Company, or the whole or the greater part of the assets of the Company, such provisional contract shall only become binding on the Company in the event of the specific transaction proposed by the Directors being ratified and confirmed by a resolution passed by a majority of the votes cast at a General Meeting.

**28.2** Without in any way limiting or restricting the general powers of the Directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the Company or the dependants of such persons, it is hereby expressly declared that the Directors may from time to time without any further sanction or consent of the Company in General Meeting grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the Company as managing Director, executive Director, general manager or manager, or in any other office or employment under the Company, notwithstanding that he may continue to be elected as Director or may have been a

Director of the Company, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the Directors in their discretion may from time to time think fit. For the purpose of this Article, the expression “executive Director” shall mean a Director appointed to an executive office in the Company and receiving salary or remuneration for additional services whether under a service agreement or otherwise. The Directors may authorise the payment of such donations by the Company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the interest of the Company.

### **31. DIVIDENDS**

- 31.1** The Company in General Meeting or the Directors may from time to time, and in accordance with the provisions of the Act, declare a dividend to be paid to the Members in proportion to the number of Shares held by them in each class. Dividends shall be declared payable to Members registered as such on the Record Date or confirmation of the dividend, whichever is the later.
- 31.2** No larger dividend shall be declared by the Company in General Meeting than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend. The Directors, acting in accordance with their fiduciary duties, will declare and pay on an annual basis, so much of the Company’s consolidated attributable after tax profits as shall be available after retaining such sums and repaying such debts owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan of the Company, taking into account monies required for expansion and other growth opportunities.
- 31.3** Dividends shall be declared in the currency of the Republic. The declaration of any dividend may, however, provide that all or any particular Members whose Registered Addresses are outside the Republic or who have given written instructions requesting payment at addresses outside the Republic shall be paid in such other currency or currencies as may be stipulated in the declaration. The declaration may also stipulate the date (hereinafter referred to as “the Currency Conversion Date”) upon which and a provisional rate of exchange at which the currency of the Republic shall be converted into such other currency or currencies, provided that such Currency Conversion Date shall be a date not earlier than the date of the declaration of the dividend and not later than the date of its payment. If, in the opinion of the Directors, there is no material difference between the rate/s of exchange ruling on the Currency Conversion Date and the provisional rate/s of exchange stipulated in the declaration then the currency of the Republic shall be converted at the latter rate/s; but if in the opinion of the Directors there is a material difference, then the currency of the Republic shall be converted into such other currency or currencies at the rate/s of exchange ruling on the Currency Conversion Date, or at the rate/s of exchange which, in the opinion of the Directors is/are not materially different. Any subsequent rise or fall of rate/s of exchange determined as above shall be disregarded.
- 31.4** Any dividend so declared may be paid and satisfied either wholly or in part by the distribution of specific assets, and in particular of paid-up Shares or Debentures of any other Company, or in cash, or in any one or more of such ways as the Directors may at the time of declaring the dividend determine and direct. Where any difficulty arises in regard to the distribution of such specific assets or any part thereof the Directors may settle the same as they think expedient, and in particular may fix the value for distribution of such specific assets or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such assets in trustees upon such trusts for the persons entitled to the dividend as may seem expedient to them.
- 31.5** Dividends may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.
- 31.6** The Directors may, from time to time, pay to the Members on account of the next forthcoming dividend such interim dividend as in their judgment the position of the Company justifies.
- 31.7** In case several persons are registered as the joint holders of any Shares, any one of such persons may give effectual receipts for all dividends and payments on account of dividends in respect of such Shares.

### **32. PAYMENT OF DIVIDENDS**

- 32.1** All dividends, interest or other moneys payable to the registered holder of Shares may be paid by cheque, electronic transfer or otherwise as the Directors may from time to time determine, and may be sent by post to the last Registered Address requested by him, or, in the case of joint holders, to that one of them first named in the Register in respect of such joint holdings; and the payment of



such cheque or electronic transfer shall be a good discharge to the Company in respect thereof. For the purpose of this Article, no notice of change of Registered Address or instructions as to payment being made at any other address which is received by the Company between the Record Date for the dividend or return of Capital and the respective date of payment of the dividend or repayment of Capital, as the case may be (both dates inclusive), and which would have the effect of changing the currency in which such payment would be made, shall become effective until after such date of payment.

- 32.2** All unclaimed dividends and any other moneys payable to the registered holder of Shares may be invested or otherwise in trust for the benefit of the Company until claimed.
- 32.3** The Company shall not be responsible for the loss in transmission of any cheque, electronic transfer or other document sent through the post either to the Registered Address of any Member or to any other address requested by him.
- 32.4** Dividends unclaimed for a period of not less than three years from the date on which such dividends became payable may be declared forfeit by the Directors for the benefit of the Company.

#### **34. CAPITALISATION**

- 34.1** Subject to the provisions of the Act, the Company in General Meeting, or the Directors, may at any time and from time to time pass a resolution to capitalise any sum forming part of the undivided profits standing to the credit of the Company's reserve fund, or any sum in the hands of the Company and available for dividend, or any sum carried to reserve as the result of a sale or revaluation of the assets of the Company or any part thereof, or any sum received by way of premium on the issue of any Shares, Debentures or Debenture stock of the Company. Such resolution may provide that any such sum or sums shall be set free for distribution and be appropriated to and amongst the Members either with or without deduction for income tax, rateably according to their rights and shareholdings in such manner as the resolution may direct; provided that no such distribution shall be made by the Company unless recommended by the Directors, and the Directors shall, in accordance with such resolution, apply such sum or sums in paying up Shares, Debentures or Debenture stock of the Company and appropriate such Shares, Debentures or Debentures stock to or distribute the same amongst the holders of such Shares rateably according to their shareholding thereof respectively as aforesaid, or shall otherwise deal with such sum or sums as provided for in such resolution.
- 34.2** Where any difficulty arises in respect of such distribution, the Directors may settle the same as they think expedient, fix the value for distribution of any fully paid Shares, Debentures or Debenture stock, make cash payments to any holders of Shares on the footing of the value so fixed in order to adjust rights, and vest any Shares or assets in trustees upon such trusts for the persons entitled in the appropriation or distribution as may seem just and expedient to the Directors. When deemed requisite, a contract shall be entered into and filed in accordance with the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled in the appropriation or distribution, and such appointments shall be effective, and the contract may provide for the acceptance by the holders of the Shares to be allotted to them respectively in satisfaction of their claims in respect of the sum so capitalised.

#### **35. RESERVE FUND**

- 35.1** The Directors may, before declaring or recommending any dividends, set aside out of the amount available for dividends such sum as they think proper as a reserve fund or as an addition thereto. The Directors may divide the reserve fund into such special funds as they think fit, with full power to employ the assets constituting such fund or funds in the business of the Company, or may invest the same upon such investments (other than Shares of the Company) as they may select, without being liable for any depreciation of or loss in consequence of such investments whether the same be usual or authorised investments for trust funds or not.
- 35.2** The reserve fund shall, at the discretion of the Directors be available for the equalisation of dividends or for making provision for exceptional losses, expenses or contingencies, or for the extension or development of the Company's business, or for writing down the value of any of the assets of the Company, or for repairing, improving and maintaining any buildings, plant, machinery or works connected with the business of the Company, or to cover the loss in wear and tear or other depreciation in value of any property of the Company, or for any other purpose to which the profits of the Company may be properly applied; and the Directors may at any time divide among the Members by way of bonus, or special dividends, any part of the reserve funds which they, in their discretion, may determine not to be required for the purposes aforesaid.

#### **40. WINDING UP**

**40.1** If the Company shall be wound up, whether voluntarily or otherwise, then with the sanction of a special resolution, the liquidators may divide among the Members *in specie* any part of the assets of the Company and may vest any part of the assets of the Company in trustees for the benefit of the Members upon such trusts as the liquidators shall think fit.

**40.2** Assets remaining after payment of the debts and liabilities of the Company and the costs of the liquidation shall, subject to the rights of the holders of Shares (if any) issued upon special conditions, be applied as follows:

**40.2.1** to repay the Members the amounts received on issue in respect of the Shares respectively held by each of them; and

**40.2.2** the balance (if any) shall be distributed among the Members in proportion to the number of Shares, respectively, held by each of them.

#### **41. INDEMNITY**

**41.1** Subject to the provisions of the Act, every Director, manager, Secretary and other officer or servant of the Company shall be indemnified by the Company against all costs, losses and expenses which any such officer or servant may incur, or become liable to, by reason of any contract entered into or act or deed done by him either as such officer or servant, or in any way in the discharge of his duties. It shall be the duty of the Directors to pay any such costs, losses and expenses out of the funds of the Company.

**41.2** Subject to the provisions of the Act, no Director, manager, Secretary or other officer or servant of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or servant, for joining in any receipt or other act of conformity or for loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors, any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous acts of any person with whom any moneys, securities or effects shall be deposited or for any loss or damage occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office, or in relation thereto, unless the same happen through his own negligence or dishonesty.

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## MATERIAL CONTRACTS AND RELATED PARTY TRANSACTIONS

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1. The material contracts<sup>38</sup> that have been entered into by the Group during the two years preceding the date of this pre-listing statement, other than in the ordinary course of the business carried on by the Group, are the following:
  - A sale of business agreement between the Group and Mondi Limited, dated 30 March 2011, in terms of which the Group disposed of Paperlink, its paper merchant division to Mondi Limited as a going concern, with effect from 1 April 2011. The consideration payable for the business was the value of all the assets sold less the value of the liabilities assumed by Mondi Limited, as at 1 April 2011.
  - The Group has agreed to sell its recycling division as a going concern to Main Street 856 (Proprietary) Limited and Mondi Limited will acquire a 25% stake in Main Street 856 (Proprietary) Limited, while Mpact will hold a 75% interest with effect from 1 July 2011.
  - A supply agreement between the Group and Mondi Limited wherein Mondi Limited will sell linerboard called baywhite to the Group. The effective date for the agreement will be 1 June 2011 and it shall endure for a period of six years, thereafter it will continue indefinitely or until such time as it is terminated by either party having given the other party 12 months' written notice of its intention to terminate the agreement.
  - For the funding agreements please see Annexure 8 to this pre-listing statement.
  - A separation agreement between Mondi Limited and the Group.
  
2. The related party agreements are:<sup>38</sup>
  - Paperlink Sale Agreement – see above;
  - the Baywhite Agreement – see above;
  - Separation Agreement – see above;
  - Supply Agreement in respect of: (i) Corrugated cartons; (ii) Eucalyptus logs; (iii) Modified tapioca starch; (iv) Kraft pulp; (v) Technical support; and (vi) Wood-pulp sludge; and
  - Sale of 25% of recycling division – see above.

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<sup>38</sup> All material and related party agreements will be made available for inspection at the premises of the Company. Certain of these agreements will only be made available in redacted form due to commercial sensitivity.

## SCHEDULE OF OTHER DIRECTORSHIPS HELD BY DIRECTORS AND SENIOR MANAGEMENT OF MPACT

### Directors

Name	Directorships	Status
Anthony John Phillips	Austro Group Limited	Active
	Eqstra Holdings Limited	Active
	Newman Lowther and Associates (Proprietary) Limited	Active
	Wasteman (Proprietary) Limited	Active
	Kwikspace Modular Buildings (Proprietary) Limited	Active
	Barlowold Limited	Resigned
	Finanzauto SA	Resigned
	Pretoria Portland Cement Company Limited	Resigned
Bruce William Strong	Firn Overseas Packaging Limited UK	Active
Egar Leslie Leong	None	
Timothy Ross	Liberty Life Holdings Limited	Active
	Liberty Group Limited	Active
	Eqstra Holdings Limited	Active
	Pretoria Portland Cement Company Limited	Active
	CIDA Empowerment (Proprietary) Limited	Active
	Adcorp Holdings Limited	Active
Andrew Murray Thompson	Adcock Ingram Holdings Limited	Active
	Five Iron Investments CC	Active member
	Heezaleeza Trading CC	Active member
	Anglo American Corporation of South Africa Limited	Resigned
	Anglo American South Africa Limited	Resigned
	Finewood Veneers (Proprietary) Limited	Resigned
	Finewright Holdings (Proprietary) Limited	Resigned
	New Scotland Sawmill (Proprietary) Limited	Resigned
	Tongaat-Hullet Group Limited	Resigned
	Mondi Limited	Resigned
	Mondi Shanduka Newsprint (Proprietary) Limited	Resigned
	Mondi Europe SA Services (Proprietary) Limited	Resigned
	Mondi Services S.ar.l	Resigned
	Mondi Limited	Resigned
	Mondi Forest Products (Natal) Limited	Resigned
	Mondi Packaging Europe SA	Resigned
	Mondi Timber Products (Proprietary) Limited	Resigned
	Aylesford Limited	Resigned
	Aylesford Newsprint Holdings Limited	Resigned
	Aylesford Newsprint Limited	Resigned
	Firn Overseas Packaging Limited	Resigned
	Global Forest Products (Proprietary) Limited	Resigned
	Global Sawmills (Proprietary) Limited	Resigned
	Goeiehoop Farming (Proprietary) Limited	Resigned
	John Wright Veneers (Proprietary) Limited	Resigned
	Mondi Brazil B.V	Resigned
	Mondi Brazil Limited	Resigned
	Mondi Imbani Mining Supplies (Proprietary) Limited	Resigned
	Mondi Paper Sales Australia (Proprietary) Limited	Resigned
	Mondi Sales International Limited	Resigned
	Mondi Timber Investments Limited	Resigned
	Newco Venners (Proprietary) Limited	Resigned
Paperlink (Proprietary) Limited	Resigned	
Siyaqhubeka Forests (Proprietary) Limited	Resigned	

<b>Name</b>	<b>Directorships</b>	<b>Status</b>
Andrew Murray Thompson ( <i>continued</i> )	South African Plywood (Proprietary) Limited Pearlman Venners (Proprietary) Limited The North East Cape Forest Joint Venture	Resigned Resigned Resigned
Neo Phakama Dongwana	Salt Capital (Proprietary) Limited Anglovaal Industries Limited PPC Ntsika Fund (Proprietary) Limited Deloitte & Touche (Partnership) Foodbank (Proprietary) Limited	Active Active Active Resigned Resigned
Nomalizo Langa-Royds	Faranani Investments (Proprietary) Limited Momentum Health (Proprietary) Limited Pretoria Portland Cement Company Limited Nthake Consultants CC Respiratory Care Africa (Proprietary) Limited African Bank Limited African Bank Investments Limited Momentum Life Limited Sage Life Limited NRGF Power CC TLP Technologies CC Primedia Publishing (Proprietary) Limited	Active Active Active Active member Active Active Active Resigned Resigned Resigned Resigned Resigned

#### **Senior Management**

<b>Name</b>	<b>Directorships</b>	<b>Status</b>
Bruce William Strong	See above under "Directors"	
Egar Leslie Leong	None	
John William Hunt	Barsham Investments CC Protocol Property Holdings (Proprietary) Limited Enyati Charcoal (Proprietary) Limited	Active member Resigned Resigned
Hugh Michael Thompson	Meteor Industrial Property Holdings Limited Anglo American Property Fund Managers Limited Ampros (Proprietary) Limited Anglo American Properties Limited Apexhi Properties Limited Creative Homes Limited FFS Finance South Africa (Proprietary) Limited Foord Compass Limited Premsab Holdings Limited	Active Active Resigned Resigned Resigned Resigned Resigned Resigned Resigned
Raymond Crewe-Brown	Astrapak Limited	Resigned
Ralph von Veh	Embalagens Holdings LDA Packaging Council of South Africa Mpact Limited	Active Active Resigned

