therefore the difference between the carrying amount and the notional amount of the debt has been being amortized over the original life of the swaps. This has resulted in a gain to financial instruments of US$3 million, US$16 million and US$21 million for fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Taxation

	2012	2011	2010
		(US$ million)	
Profit (loss) before taxation	138	(221)	86
Taxation at the average statutory tax rates	47	(49)	35
Net exempt income and non-tax deductible expenditure	(41)	(10)	(10)
Effect of tax rate changes	(2)	—	—
Deferred tax asset not recognized	58	110	65
Utilization of previously unrecognized tax assets	(26)	(41)	(54)
Prior year adjustments	(6)	(5)	(20)
Other taxes	4	6	4
Taxation charge	**34**	**11**	**20**
Effective tax rate	**25%**	**(5%)**	**23%**

Our effective tax rate for fiscal years 2012, 2011, and 2010, was positive 25%, negative 5% and positive 23%, respectively. Our tax rate is a factor of the tax rates and the taxable income in certain jurisdictions, which we expect to be fairly consistent in the near term. It is also affected by discrete items that may occur in any given year, but are not consistent from year to year. The main factors accounting for differences between our statutory income tax rate of 34% and our effective tax rate are explained below:

2012

Our tax charge for the year was US$34 million, based on a profit before taxation for the group of US$138 million.

In Europe, despite a US$66 million loss before tax, we did not obtain any tax relief. This situation arose as a result of certain of our companies in Europe not booking tax relief on pre-tax losses as, in our judgment, there is not sufficient certainty that we will generate sufficient profits in those countries to recover these losses in the near future. In other countries we did generate taxable profits which resulted in a negligible taxation in the region as a whole. We have substantial unrecognized tax losses in Austria, Finland and Belgium which will substantially shield any profits earned in those countries in the future.

A US$11 million charge in North America relates mainly to US Federal Alternative Minimum Tax and taxes paid in certain of the States where we operate. At the Federal level we have substantial tax losses which shielded most of the pre-tax profits of the business. North America also reassessed its non-valued deferred tax assets and recognized deferred tax assets previously not recognized the majority being US$101 million which was accounted for directly against equity. As a result, during the last fiscal quarter of 2012, the North American entity began to recognize taxes at its statutory federal and state tax rate.

Southern Africa benefited from the utilization of tax losses brought forward in South Africa. Also, no tax was charged on profits from our Swaziland forestry business due to the availability of tax losses carried forward.

2011

Our tax charge for the year was US$11 million, despite incurring a loss before taxation for the group of US$221 million (which arose mainly as a result of the special items charge).

In Europe, despite a US$318 million loss before tax, we incurred a small tax charge of US$4 million. This situation arose as a result of certain of our companies in Europe not booking tax relief on pre-tax losses and impairments for the same reason as explained for fiscal 2012. In other countries we did incur taxable profits which resulted in the small charge for taxation in the region as a whole.

A US$8 million charge in North America relates mainly to US Federal Alternative Minimum Tax and taxes paid in certain of the States where we operate. At the Federal level we have substantial unrecognized tax losses which shielded most of the pre-tax profits of the business.

Southern Africa benefited from the utilization of tax losses brought forward in South Africa. Also, no tax was charged on profits from our Swaziland forestry business due to the availability of tax losses carried forward.

2010

Our tax charge for fiscal 2010 was US$20 million which was lower than taxation at the average statutory tax rates. In Europe, despite the US$150 million loss before tax, we were only able to receive tax relief of US$6 million, as certain countries in Europe did not generate sufficient pre-tax profits to recover these losses.

The US$6 million in North America related mainly to US Federal Alternative Minimum Tax and taxes paid in certain of the States in which we operate. At the Federal level we had substantial unrecognized tax losses which, in 2010, largely shielded the profits of our North American business and are expected to continue to shield them for some years to come.

The effective tax rate in southern Africa was lower than the statutory rate of 28%. Although there was no tax relief on the Broad-based Black Economic Empowerment transaction and on the Usutu Pulp Mill closure costs, profits on exports benefited from lower taxes in certain countries.

Profit (loss) for fiscal 2012

The company recorded a profit for the period of US$104 million for fiscal 2012 compared to a loss for the period of US$232 million in fiscal 2011 and a profit of US$66 million for fiscal 2010. The main reason for the improvement in the fiscal 2012 profit compared to fiscal 2011 was the adverse impact on fiscal 2011 profit of the unfavorable special items of US$318 million in that year. Special items were favorable to the amount of US$18 million for the 2012 fiscal year. For further information, see "—Overview".

In fiscal 2012 earnings per share was negatively impacted by certain significant items, including a plantation fair value price adjustment (US$15 million), impact of fires and flood (US$19 million), profit on disposal of non-current assets and investments (US$63 million) and asset impairments (US$10 million).

In fiscal 2011 earnings per share was negatively impacted by certain significant items, including a plantation fair value price adjustment (US$16 million), restructuring charges (US$135 million) and asset and investment impairments (US$167 million).

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, cash generated from operations and availability under our credit facilities and other debt arrangements. Our liquidity requirements arise primarily from the need to fund capital expenditures in order to maintain our assets, to expand our business whether organically or through acquisitions, to fund our working capital requirements, to service our debt and to make dividend payments. Short-term debt as of September 2012 was US$266 million and included a ZAR1 billion (US$120 million) public bond in South Africa due in June 2013. The remainder of the short-term debt consisted of additional short-term portions of long-term debt

(US$67 million) and short-term facilities which we expect to be able to roll on a quarterly basis (US$79 million). Based on our current level of operations we believe our cash flow from operations, available borrowings under our credit facilities, and cash and cash equivalents will be adequate to meet our liquidity needs for at least the next twelve months.

Our liquidity resources are subject to change as market and general economic conditions evolve. Decreases in liquidity could result from a lower than expected cash flow from operations, including decreases caused by lower demand for our products, weaker selling prices for our products, or higher input costs. In addition, any potential acquisitions in which all or a portion of the consideration would be payable in cash, could have a significant effect on our liquidity resources. Our liquidity could also be impacted by any limitations on the availability of our existing debt and our ability to refinance existing debt or raise additional debt and the associated terms of such debt. However, at the end of fiscal 2012 we had substantial cash and cash equivalents of US$645 million.

One of our targeted liquidity requirements is usually the payment of annual dividends to shareholders. Considering among others the macroeconomic and global financial market conditions and our performance in fiscal 2012, as well as our priority to reduce indebtedness and preserve liquidity, the Board of Directors decided in November 2012 not to declare a dividend for fiscal 2012. For further information see "Item 8—Financial Information—Dividends" and "Item 10—Additional Information—Exchange Controls".

Cash Flow

In fiscal 2012, we retained our emphasis on cash generation despite our investments in the conversions to dissolving wood pulp production at the Cloquet and Ngodwana Mills. The group generated cash of US$127 million in fiscal 2012 without compromising our high levels of maintenance activities. Our focus on managing working capital remained strong, particularly in relation to inventory levels and receivables, keeping our level of working capital in line with the level of trading activity.

Cash flow summary	2012	2011	2010
		(US$ million)	
Cash generated from operations[1]	**728**	**798**	**737**
Movement in working capital	(102)	(98)	(5)
Net finance costs paid	(195)	(256)	(194)
Taxation paid	(20)	(38)	(9)
Cash retained from operating activities	**411**	**406**	**529**
Investment to maintain operations	(177)	(213)	(173)
Investment to expand operations	(181)	(49)	(38)
Proceeds on disposal of non-current assets	71	6	21
Decrease in other non-current assets	3	13	2
Cash generated	**127**	**163**	**341**
Cash effect of financing activities	(103)	(296)	(256)
Net movement in cash and cash equivalents	**24**	**(133)**	**85**
Cash and cash equivalents at beginning of year	639	792	770
Translation effects	(18)	(20)	(63)
Cash and cash equivalents at end of year	**645**	**639**	**792**

(1) Cash generated from operations is calculated by adding to the profit (loss) for the period, net finance costs, taxation and various non-cash items as set out in the table below. For further information, see note 23 to our group Annual Financial Statements included elsewhere in this Annual Report.