the risk lies. The majority of the Group's foreign exchange exposures are covered centrally by the Group Treasury which nets the internal exposures and hedges the residual exposure with third party banks.

The net fair value movement on financial instruments relates to the net impact of currency and interest rate movements, under hedge accounting for certain interest rate and currency swaps the Group entered into, in order to manage the interest and currency exposure on internal and external loans. During fiscal 2009 certain interest rate swaps were closed early in anticipation of the 2009 Refinancing and this resulted in additional swap charges. The closure of these swaps stopped the hedging relationship with the underlying debt and therefore the difference between the carrying amount and the notional amount of the debt is being amortized over the original life of the swaps. This has resulted in a gain to financial instruments of US$16 million and US$21 million for fiscal 2011 and fiscal 2010, respectively.

Taxation

	2011	2010	2009
	(US$ million)		
(Loss)/profit before taxation	**(221)**	**86**	**(218)**
Taxation at the average statutory tax rates	(49)	35	(60)
Net exempt income and non-tax deductible expenditure	(10)	(10)	(32)
Effect of tax rate changes	—	—	(3)
Deferred tax asset not recognized	110	65	72
Utilization of previously unrecognized tax assets	(41)	(54)	(22)
Secondary Tax on Companies	—	—	4
Prior year adjustments	(5)	(20)	(4)
Other taxes	6	4	4
Taxation charge/(benefit)	**11**	**20**	**(41)**
Effective tax rate	**(5%)**	**23%**	**19%**

Our effective tax rate for fiscal years 2011, 2010, and 2009 was negative 5% and positive 23% and 19%, respectively. Our tax rate is affected by recurring items, such as tax rates and the amount of 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 22% and our effective tax rate are explained below:

2011

Our tax charge for the year was US$11 million, despite incurring a Net 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 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 incur taxable profits which resulted in the small charge for taxation in the region as a whole. We have substantial unrecognized tax losses in Austria, Finland, Belgium and The Netherlands which will substantially shield any profits earned in those countries in the future.

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 lower taxes on exports in certain countries through our Trading operations.

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. We have substantial additional unrecognized tax losses in Austria, Finland, Belgium and The Netherlands which will substantially shield future profits earned in those countries.

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.

2009

Our tax benefit for fiscal 2009 was US$41 million, resulting in a tax rate of 19%. Our taxation relief was reduced because certain countries in Europe did not generate sufficient pre-tax profits to utilize the carried forward tax losses.

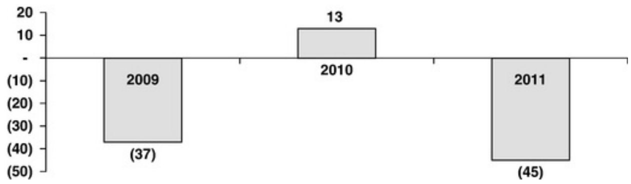
Profit (loss) for the year

The company recorded a loss of US$232 million for fiscal 2011 compared to a profit of US$66 million for fiscal 2010 and a net loss of US$177 million in fiscal 2009. The main reason for the change in fiscal 2011 compared to fiscal 2010 was the adverse impact on profit of the unfavorable special items of US$318 million. For further information see "—Overview".

In addition, this loss, together with a large negative currency difference on translating our euro and ZAR based operations into our US Dollar reporting currency and a negative adjustment related to retirement funding, led to a US$418 million reduction in our Equity in fiscal 2011 compared to fiscal 2010.

Basic earnings per share development is illustrated in the table below:

Earnings Per Share (US cents)



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).

In fiscal 2010 earnings per share was positively impacted by certain significant items, including alternative fuel mixture tax credits (US$51 million), a plantation fair value price adjustment

(US$25 million) and asset impairment reversals (US$10 million). These positive items were partly offset by adverse impacts from restructuring provisions (US$46 million), BEE charges (US$23 million) and fire, flood and storm related events (US$21 million).

Liquidity and Capital Resources

Our principal sources of liquidity are cash holdings, cash generated from operations and availability under our revised 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 at the end of fiscal 2011 was US$449 million and included €100 million (US$134 million) which was drawn on the €350 million Revolving Credit Facility in July 2011 and held as cash, a ZAR1 billion (US$124 million) Public Bond in South Africa due in October 2011, which has since been settled from cash resources and a ZAR500 million (US$62 million) Public Bond in South Africa due in June 2012. The remainder of the short term debt consisted of additional short term portions of long term debt (US$38 million) and short term facilities which we expect to be able to roll on a quarterly basis (US$91 million). Based on our current level of operations and assuming the refinancing of the ZAR500 million Public Bond in South Africa due in June 2012, 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. We intend to refinance the South African ZAR500 million Public Bond in the South African markets prior to its maturity.

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, weaker 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, raise additional debt and the associated terms of such debt. However, at the end of fiscal 2011 and fiscal 2010 we had substantial cash and cash equivalents of US$639 million and US$792 million, respectively.

One of our 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 2011, as well as our priority to reduce indebtedness and preserve liquidity, the Board of Directors decided in November 2011 not to declare a dividend for fiscal 2011. See "Item 8—Financial Information—Dividends".

Cash Flow

In fiscal 2011, we retained our emphasis on cash generation and kept our capital expenditure at low levels, without compromising our current high levels of maintenance activities. Our focus on managing